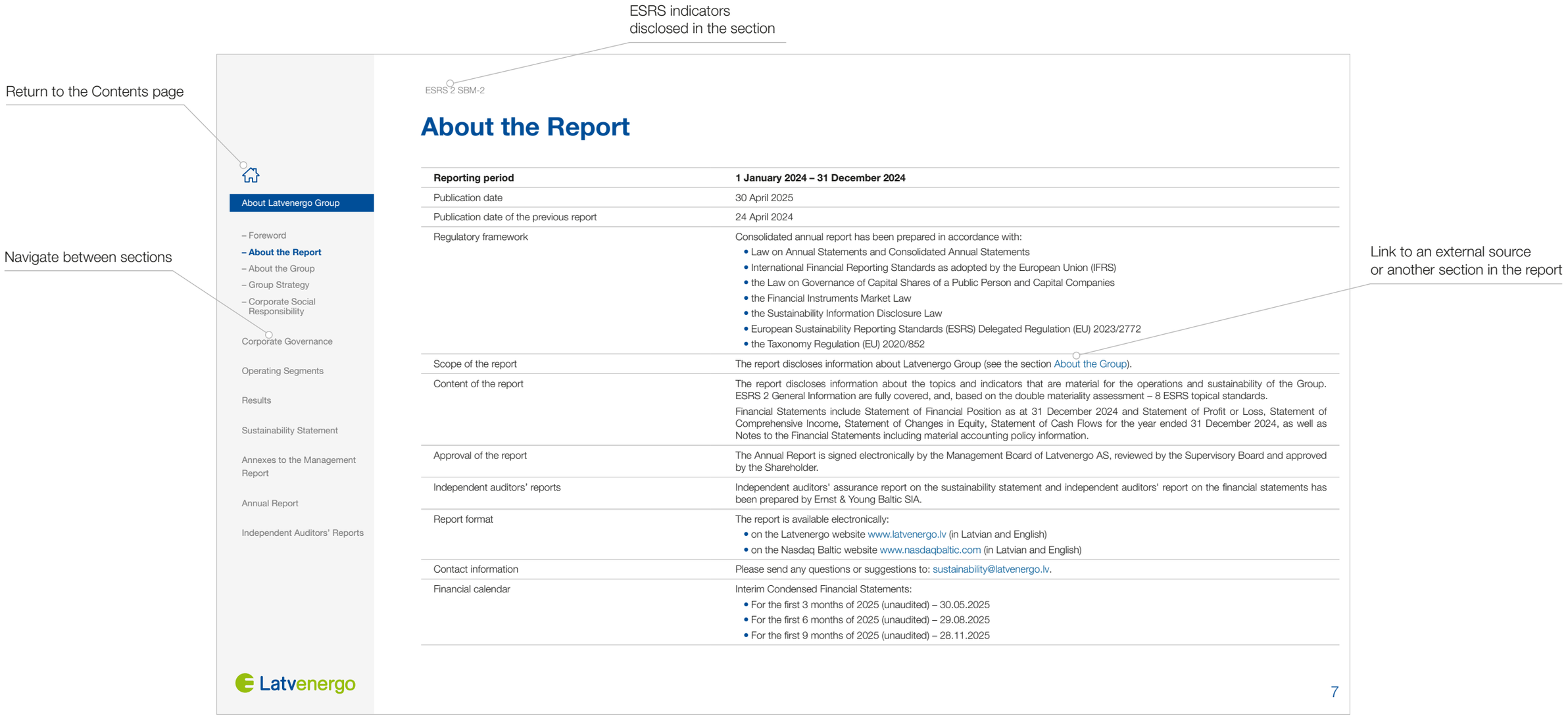
Latvenergo Group Consolidated and Latvenergo AS Annual Report

2024

Latvenergo

How to Use the Report



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Latvenergo

Foreword

Mārtiņš Čakste

Chairman of the Management Board of Latvenergo AS

In 2024, Latvenergo AS celebrated its 85th anniversary – decades dedicated to the people of Latvia and the well-being of the country. The history of the Group is closely linked to the development of the Latvian economy and society, which is vividly characterised by several epochs in the company's growth. On 22 December 1939, the State Electricity Enterprise "Ķegums" was founded, and this constitutes the birthday of Latvenergo Group, when the dream of the electrification of Latvia was born to improve the everyday life of the population and strengthen the country. It is worth noting that the past anniversary year marked a new breakthrough in generation from renewable energy sources – when the use of hydropower was complemented by solar and wind energy, thus confirming the ambitions of Latvenergo Group in renewable energy in the Baltic states.

The geopolitical situation has remained rather complex over the past year. The war in Ukraine, waged by Russia, has been in progress for three years and continues to affect economic processes around the world, posing several challenges. Latvenergo Group managed to complete this year successfully.

In the reporting year, Latvenergo Group's revenue amounted to EUR 1,704 million, which is a 16% drop year-on-year. The results were affected by lower sales prices for electricity and natural gas. The Group's profit reached EUR 273.7 million in 2024. Meanwhile, the amount of dividends of Latvenergo AS for 2024 has been set at 70% of the profit for the reporting period, but no less than EUR 183.9 million.

In 2024, Latvenergo Group's investments exceeded half a billion EUR and were 2.7 times higher than a year before. EUR 345 million was invested directly in new RES power plant projects across the Baltic states, strengthening national security and competitiveness, as well as the role of Latvenergo Group in the regional energy market. Investments in the reconstruction programme of the Daugava hydropower plants are in progress. Eight hydropower units were commissioned by the end of 2024, and reconstruction of the remaining three hydropower units is ongoing. This contributes to the safe, efficient and competitive operation of the Daugava HPPs within the overall energy system.

At the end of last year, new renewable energy capacity reached 122 MW. Meanwhile, projects with a capacity of 878 MW are under development, solar power plants accounting for 587 MW and wind power plants accounting for 291 MW, with gradual commissioning scheduled for 2025–2026. By 2026, the total generation capacity of the Group's solar power plants and wind power plants is expected to exceed 1,000 MW.

The Group generated a total of 4,842 GWh of electricity in 2024, which amounts to 27% of the total electricity generation in the Baltic states; furthermore, 66% of electricity was generated from renewable energy sources. The decrease in natural gas prices boosted electricity generation at the combined heat and power plants to reach 1,633 GWh, which is 18% more than a year before. Meanwhile, thermal energy production reached 1,665 GWh. Although the Daugava River inflow in 2024 was lower than in 2023 and the output of the Daugava HPPs decreased by 16%, it was still 10% higher than the long-term average output, reaching 3,143 GWh.

With a 22% market share, Latvenergo Group is one of the largest electricity traders in the Baltic states. In the reporting year, the total amount of electricity sold in retail and wholesale amounted to 8.6 TWh. The number of electricity customers increased by 6% to almost 900,000.

Retail sales of natural gas in the Baltic states increased by 33% to 1.2 TWh. The total number of natural gas customers increased by 33% to more than 65,000. In 2024, the total amount of natural gas sold to retail and wholesale customers amounted to 2,559 GWh.

Latvenergo Group continued to expand the *Elektrum Drive* charging network in the Baltic states in 2024, with more than 750 ports available at the end of December. More than 115,000 charges amounting to 2,500 MWh were performed during the reporting year, ensuring savings of more than 1,500 tonnes of CO_2 emissions. *Elektrum Drive* customers have access to a total of 974 charging ports in the Baltic states.

In December 2024, the Public Utilities Commission approved the development plan of Sadales tīkls AS for the next 10 years. The company will continue the reconstruction and upgrading of the distribution system in accordance with industry trends and consumer demand. Distributed electricity volumes increased by 1.6% or 95 GWh in 2024.

2024 was the first implementation year of Latvenergo Group's Sustainability Strategy, which was approved at the end of 2023. By defining a series of targets in the Sustainability Strategy, activity was continued during the year in all three areas of sustainability: environmental, social and governance. It also includes several goals regarding innovation. To foster an innovation-oriented environment at Latvenergo Group, the Sustainability Strategy defines a target of providing annual funding for innovation, research and development in the minimum amount of 0.5% of the average turnover of the Group over the last 5 years. In 2024, the commitment was met, with 3% of funding earmarked for this purpose. In the reporting year, Latvenergo AS and the National Renewable Energy Laboratory of the U.S. Department of Energy concluded a research and development agreement to implement an energy transformation and industrial research project. In 2024, studies dealing with the decarbonisation and carbon capture potential of CHPPs, as well as the production of hydrogen derivatives, were carried out.

Improving governance processes in the reporting year, Latvenergo Group developed the Code of Ethics for Cooperation with Suppliers, defining sustainability requirements for suppliers, to build reliable partnerships and jointly promote sustainable development. Also, to promote an increase in the proportion of sustainable procurement, the Group developed the Sustainable Procurement Guidelines. The Baltic Summer Festival, the Nominations Event and the Awards Ceremony were organised to develop the social aspect of sustainability and the wellbeing of personnel; long-serving staff and winners in various nominations received awards to acknowledge their achievements during the year. In the area of education, the Group continues to raise awareness of science subjects among children and young people, as well as knowledge of electrical safety, the green deal and the efficient use of resources. Latvenergo Group has set a target to reach climate neutrality in 2050 and climate-neutral electricity generation in 2040. To achieve these targets, the Group continued to develop new generation capacities from renewable resources, increased the efficiency of energy generation and increased the share of electric vehicles in its fleet.

In 2024, in cooperation with the Embassy of Ukraine, Latvenergo Group continued to provide support to Ukraine. Private donations by employees were used to purchase drones and equipment, as well as external batteries for mobile devices. In the reporting year, Sadales tīkls AS and Latvenergo AS made donations for the reconstruction of the Ukrainian electricity supply system and implemented a social support project contest for organising summer camps for children from Ukraine.

In 2024, Latvenergo Group also received several awards. Latvenergo AS is rated as the second most valuable company of Latvia in the TOP 101 of the most valuable companies in Latvia and as the most valuable energy company in the TOP 10 of the most valuable companies in the Baltic states.

At the end of 2024, Latvenergo AS was awarded the highest category – Diamond – of the Latvian Sustainability Index, while Sadales tīkls AS and Liepājas enerģija SIA were ranked in the Platinum category. After the reporting period, Latvenergo AS received the Nasdaq Baltic stock exchange award for best investor relations on the bond market in the Baltic states for the fourth time.

This is the first reporting year to apply the new sustainability reporting requirements, preparing a sustainability statement in accordance with the Sustainability Information Disclosure Law, including the requirements of the Taxonomy Regulation and the European Sustainability Reporting Standards Delegated Regulation. The new requirements require extensive and detailed disclosure of information on environmental, social and governance impacts. This promotes greater transparency and comparability between companies and supports the transition to a sustainable economy.

In general, the past year has been a complex one, filled with new challenges, significant events and success. We are grateful to each of our customers and cooperation partners for the successful cooperation.

About the Report

Reporting period	**1 January 2024 – 31 December 2024**
Publication date	30 April 2025
Publication date of the previous report	24 April 2024
Regulatory framework	Consolidated annual report has been prepared in accordance with: • Law on Annual Statements and Consolidated Annual Statements • International Financial Reporting Standards as adopted by the European Union (IFRS) • the Law on Governance of Capital Shares of a Public Person and Capital Companies • the Financial Instruments Market Law • the Sustainability Information Disclosure Law • European Sustainability Reporting Standards (ESRS) Delegated Regulation (EU) 2023/2772 • the Taxonomy Regulation (EU) 2020/852
Scope of the report	The report discloses information about Latvenergo Group (see the section About the Group).
Content of the report	The report discloses information about the topics and indicators that are material for the operations and sustainability of the Group. ESRS 2 General Information are fully covered, and, based on the double materiality assessment – 8 ESRS topical standards. Financial Statements include Statement of Financial Position as at 31 December 2024 and Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended 31 December 2024, as well as Notes to the Financial Statements including material accounting policy information.
Approval of the report	The Annual Report is signed electronically by the Management Board of Latvenergo AS, reviewed by the Supervisory Board and approved by the Shareholder.
Independent auditors' reports	Independent auditors' assurance report on the sustainability statement and independent auditors' report on the financial statements has been prepared by Ernst & Young Baltic SIA.
Report format	The report is available electronically: • on the Latvenergo website www.latvenergo.lv (in Latvian and English) • on the Nasdaq Baltic website www.nasdaqbaltic.com (in Latvian and English)
Contact information	Please send any questions or suggestions to: sustainability@latvenergo.lv.
Financial calendar	Interim Condensed Financial Statements: • For the first 3 months of 2025 (unaudited) – 30.05.2025 • For the first 6 months of 2025 (unaudited) – 29.08.2025 • For the first 9 months of 2025 (unaudited) – 28.11.2025

About the Group

Latvenergo Group is one of the largest providers of energy supply services in the Baltics, operating in:

- electricity and thermal energy generation and trade
- natural gas trade
- trade in products and services related to electricity consumption and energy efficiency
- electricity distribution

The Group's operations have been organised into two operating segments. One segment covers generation and trade, while the other comprises the distribution of electricity. For more information, see the section Operating Segments.

The Group comprises the parent company Latvenergo AS, with decisive influence, and a set of subsidiaries. All shares of Latvenergo AS are owned by the Republic of Latvia, and they are held by the Ministry of Economics of the Republic of Latvia. Information about the participating interests in the subsidiaries and their locations is disclosed in Notes 1 and 16 of the Financial Statements.

VISION	MISSION	PURPOSE
We are the leading sustainable solutions provider in the energy industry	We drive the development of the energy industry by providing friendly, innovative and sustainable solutions	We energize the growth of society

VALUES

With heart	With mind	With energy	With a future outlook
We are open and passionate	We do the right things and learn continuously	We are brave and persistent	We do good for clients and society

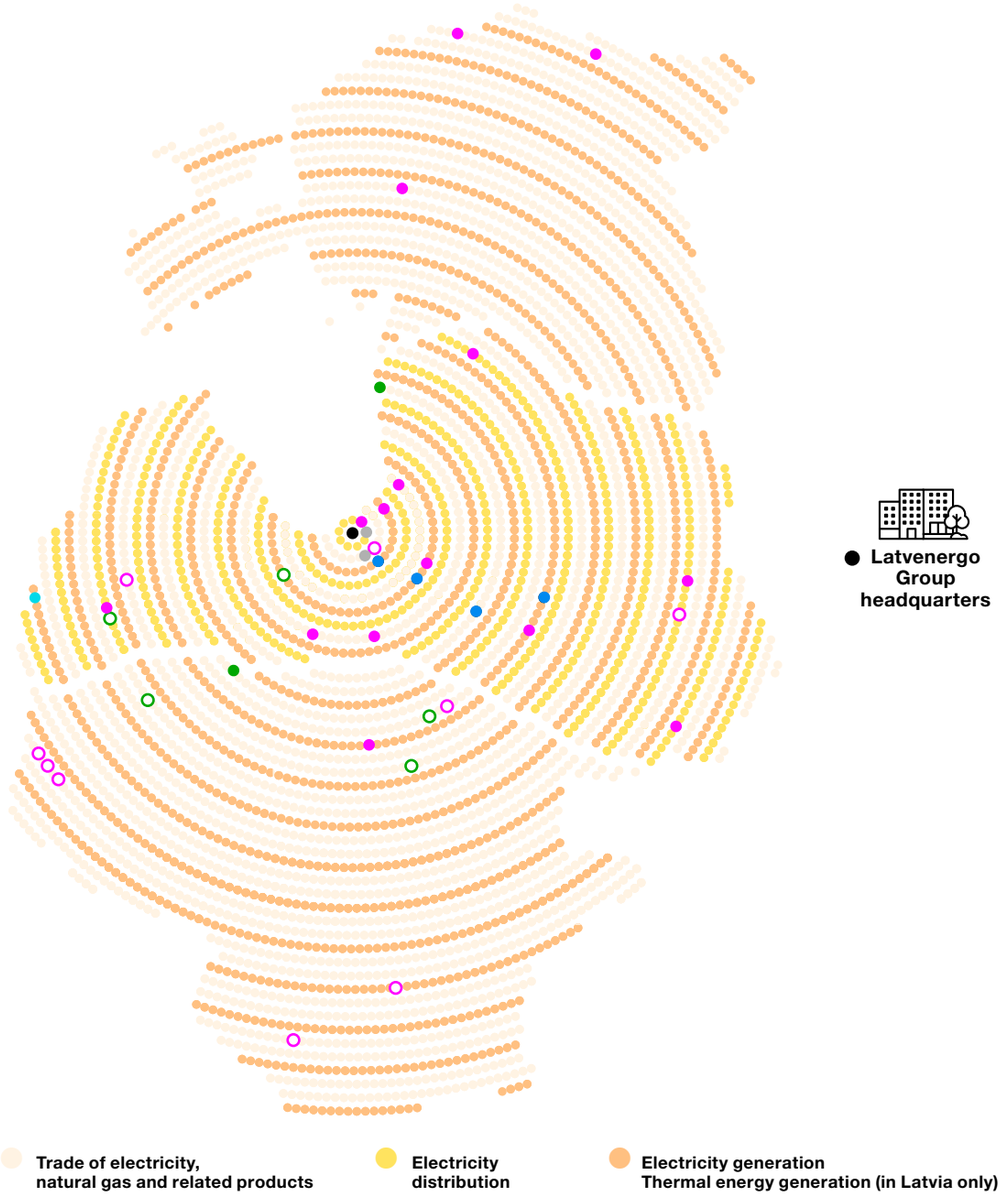
WPP
- Operational
- Project / Construction

SPP
- Operational
- Project / Construction

HPP
- Operational

CHPP
- Operational

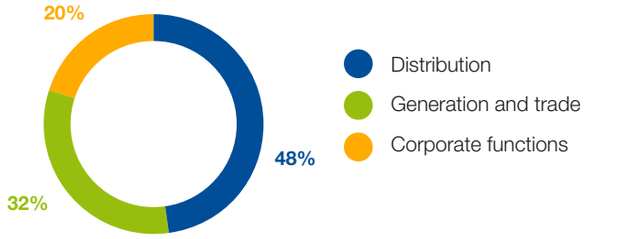
Liepaja plants
- Operational



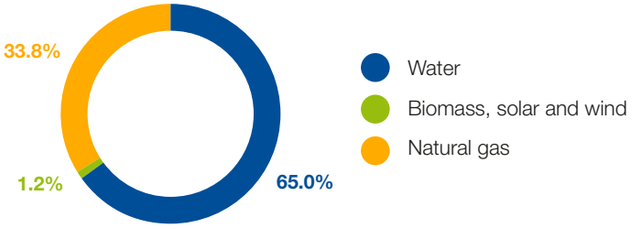
Key figures 2024

		2024	2023
Financial figures			
Revenue	MEUR	**1,703.6**	2,034.4
Profit	MEUR	**273.7**	350.9
Assets	MEUR	**4,438.1**	4,174.2
Investments	MEUR	**530.2**	193.3
Moody's credit rating		**Baa2**	Baa2
Generation and trade			
Installed electrical capacity	MW	**2,728**	2,606
Installed thermal capacity	MW	**1,800**	1,797
Electricity output	GWh	**4,842**	5,136
Thermal energy output	GWh	**1,665**	1,698
Generation efficiency of the Daugava HPPs	m^3/kWh	**18.1**	18.5
Generation efficiency of the Latvenergo AS CHPPs	%	**80**	82
Electricity market share in the Baltics	%	**22**	23
Retail electricity supply	GWh	**6,140**	6,208
Retail natural gas supply	GWh	**1,190**	896
Electricity retail customers	thsd.	**896**	845
Natural gas retail customers	thsd.	**65**	49
Distribution			
SAIDI	min	**215**	266
SAIFI	number	**2.2**	2.7
Length of distribution lines	km	**92,322**	92,323
Transformer capacity	MVA	**6,001**	5,969

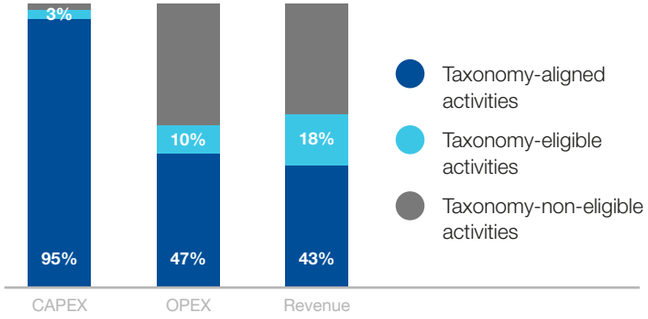
Employees **3,436**



Share of renewable resources in the electricity output **66%**



Proportion of taxonomy-aligned activities



Events 2024

ELECTRICITY GENERATED BY LATVENERGO – 27% OF THE BALTIC TOTAL

In 2024, the Daugava HPPs generated more electricity than average, and in February and March, the plants were operating at full capacity, ensuring almost all of Latvia's electricity consumption.

In 2024, Latvenergo Group generated 4,842 GWh of electricity, which is 6% less than a year earlier. Although the lower Daugava inflows resulted in a 16% decrease in the electricity generation of the Daugava HPPs compared to 2023, the generation was 10% higher than the long-term average, reaching 3,143 GWh. Generation of electricity at the Latvenergo AS combined heat and power plants increased by 18% to 1,633 GWh. The volume of heat production did not change significantly, amounting to 1,665 GWh.

ELECTRUM DRIVE STRENGTHENS THE LEADING POSITION FOR ELECTRIC CAR CHARGING IN THE BALTIC STATES

By the end of the reporting year, the *Elektrum Drive* charging network in the Baltic states had grown to more than 750 charging points. More than 115 thousand charges amounting to 2,500 MWh were performed during the reporting year, ensuring savings of more than 1,500 tonnes of CO_2 emissions. The *Elektrum Drive* app may be used to charge electrical vehicles on the e-mobi network in Latvia and at LIDL charging stations in Lithuania and Estonia as well, with a total of 974 charging ports available to customers.

In November, the first *Elektrum Drive* high-capacity electrical vehicle charging stations in the TEN-T network in Latvia, with a capacity of 300 kW, were opened in five cities in Latvia: Mārupe, Jūrmala, Pūre, Koknese and Liepāja. The *Elektrum Drive* network will also allow charging of electric trucks.

LATVENERGO HAS INCREASED ITS NUMBER OF CUSTOMERS ACROSS THE BALTICS STATES

In the reporting year, Latvenergo sold 6,140 GWh of electricity to its customers in the Baltic states, which is approximately the same as in the previous year. In turn, retail sales of natural gas reached 1,190 GWh, an increase of 33%. The number of customers increased in both the electricity and natural gas segments. The number of the Group's electricity customers reached 896 thousand, of which 284 thousand were outside Latvia. The number of natural gas customers exceeded 65 thousand at the end of December.

85 YEARS OF SUSTAINABLE PRODUCTION

2024 is the 85th anniversary of Latvenergo Group. The history of the Group began with the establishment of the State Electricity Company Ķegums on 22 December 1939.

On 5 November 2024, it will be 50 years since the first hydropower unit was put into operation at the Riga hydropower plant. Since 1974, it has been the second largest hydropower plant in Latvia and a constant source of environmentally friendly energy.

LATVENERGO AND A UNITED STATES AGENCY CREATE A BALTIC ENERGY MODEL

In September 2024, Latvenergo AS and the National Renewable Energy Laboratory of the US Department of Energy launched an energy transformation and industrial research project that will model several investment scenarios for Latvenergo. The results of this study will primarily be used for the development of the Latvenergo strategy.

INVESTMENT IN THE GROUP'S STRATEGIC OBJECTIVES GROWS

In 2024, EUR 530 million were invested, which is 2.7 times more than a year earlier. Approximately 2/3 of investments, or EUR 345 million, were made in new wind and solar generation capacities. In 2024, Latvenergo AS acquired two wind power plant projects: Telšiai in Lithuania (124 MW) and Laflora Energy SIA in Latvia (109 MW). Both wind power plants plan to start generating electricity in 2026. The Akmene WPP (19.6 MW) in Lithuania started operating in the reporting year. New solar capacity is also being successfully developed. In November, Latvenergo AS acquired DSE Aizpute Solar SIA to build the largest solar power plant to date, with a total capacity of 265 MW, by the end of 2025.

The target of reaching 100 megawatts of solar power generation capacity in 2024 was achieved. At the end of 2024, Latvenergo Group had 14 solar parks with an installed capacity of 102.2 MW.

LATVENERGO GROUP COMPANIES – LEADERS IN SUSTAINABILITY

In 2024, Latvenergo AS was awarded the Diamond category of the Latvian Sustainability Index. Sadales tīkls AS and Liepājas enerģija SIA were ranked in the Platinum category.

LATVENERGO RECEIVES THE AWARD FOR BEST INVESTOR RELATIONS AMONG BOND ISSUERS

After the end of the reporting year, in February 2025, Latvenergo AS received the award for the best investor relations among all bond issuers on the Nasdaq Baltic regulated markets in the Baltic states for the fourth time. Since 2012, the bonds have been issued with consistently high investor valuations.

Awards and acknowledgments

Latvenergo Group – an example of best practice in sustainability

- In 2024, Latvenergo AS was awarded the Diamond category of the Latvian Sustainability Index. Sadales tīkls AS and Liepājas enerģija SIA were ranked in the Platinum category.
- The Advisory Board on Corporate Governance granted an acknowledgement to Latvenergo AS in the "Responsible co-operation with partners" nomination of the Sustainable Governance Award.
- In the European Sustainable Brands Index, the brand *Elektrum* of Latvenergo AS was recognised as the third most sustainable brand in Latvia.
- Elektrum Lietuva UAB, a subsidiary of the Group, received the Namejs Award for "Fastest Growth in Services Exports to Lithuania in 2023".
- In a survey of top employers conducted by the Alma Career Latvia recruitment company (formerly CV-Online Latvia), Latvenergo AS was recognised as the fourth best employer in the manufacturing sector.
- In the State Labour Inspectorate's competition Golden Helmet for best practice in labour protection, Sadales tīkls AS won 3rd place for its digital solution in the administration and management of personnel rights.
- Latvenergo AS is the first company in the Baltic states to publish Moody's evaluation of its climate targets and the feasibility of achieving them. The NZ-3 score received by Latvenergo AS confirms the Group's high credibility in reaching its climate targets and its compliance with the requirements of the Paris Agreement.

Latvenergo Group capital companies – at the top of the most valuable companies

- Latvenergo AS is rated the second most valuable company in Latvia in the TOP 101 most valuable companies in Latvia. Latvenergo AS ranks as the most valuable energy company in the TOP 10 most valuable companies in the Baltic states.
- In the Latvian Business Annual Report 2024, Latvenergo AS was assessed as the largest company in the energy sector. Sadales tīkls AS ranks second among Latvian electricity and gas companies.
- Latvenergo AS is recognised as the largest company in Latvia, the largest state-owned company, the largest energy company, the most profitable company and the largest EBITDA earner in the TOP 500 Latvian Companies. Sadales tīkls AS is rated as the third largest company in the energy sector and the third largest state capital company.
- After the end of the reporting year Latvenergo AS received the Nasdaq Baltic stock exchange award for best investor relations on the bond market in the Baltic states for the fourth time.

Group Strategy

Overall strategic goal of Latvenergo Group approved by the Cabinet of Ministers of the Republic of Latvia

To promote the competitiveness and growth of a climate-neutral Latvia and increase the value of Latvenergo Group in the Baltic market and beyond by the developing and providing goods and services in the energy and related business value chains in a sustainable, innovative and economically sound manner and by efficiently managing strategically important resources and infrastructure.

The Medium-term Operational Strategy of Latvenergo Group for 2022–2026 aims to achieve a high share of renewable energy sources (RES) in electricity generation by significantly complementing existing generation capacity with solar and wind power plants. The development of RES generation capacity will help to prevent future electricity price hikes and strengthen the energy independence of Latvia and the Baltic region as a whole.

The Group's strategy has been developed in accordance with the requirements of the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Guidelines for the Development of Medium-Term Operational Strategies for State Capital Companies approved by the Cross-Sectoral Coordination Centre[1] of the Republic of Latvia with consideration of the guidelines of the Organisation for Economic Co-operation and Development (OECD). The strategic priorities of the Group correspond to the overall strategic goal set by the Cabinet of Ministers (CM) of the Republic of Latvia, and they are further detailed in the operational and financial targets.

- Operational targets – set out the strategic development directions of Latvenergo Group and the main activities to achieve these targets, as well as provide a trajectory for the development of the Group towards the indicative targets for 2030 and beyond
- Financial targets – ambitious but realistic targets that can ensure the sustainable development of the company

1 From 1 March 2023, the functions of the Cross-Sectoral Coordination Centre have been transferred to the State Chancellery.

The Group's operational targets for 2022–2026

GENERATION

Expand and diversify the generation portfolio with green technologies.

The target is to grow the renewable energy generation portfolio, focusing on wind power plants (WPPs) and solar power plants (SPPs):

- 2026: constructed or acquired WPPs and SPPs with total capacity of 600 MW
- 2030+: constructed or acquired WPPs and SPPs with total capacity of 2,300 MW

The target also provides for:

- increasing the hydropower plants' (HPPs) asset value, guaranteeing their safe operation in the long term
- ensuring stable, efficient and economically viable operation of the combined heat and power plants (CHPPs) in the long term

TRADE

Strengthen the position of *Elektrum* as the most valuable energy trader in the Baltics.

The target is to increase the number of electricity customers by 15% compared to 2020, promote microgeneration, electrification, energy efficiency and product innovation.

ELECTROMOBILITY

Develop electrification of the transport sector.

The target is to develop a public charging network in the Baltics:

- 2026: 1,200–1,500 charging ports
- 2030+: about 3,000 charging ports

DISTRIBUTION

Ensure a sustainable and economically viable distribution service and to improve the security and quality of electricity supply.

The target is to systematically and cost-effectively improve the quality and security of electricity supply:

- SAIDI reduced to 164 min. in 2026
- SAIFI reduced up to 1.92 times in 2026

It also envisages the creation of a two-way network for the development of microgeneration and the implementation of digital transformation and efficiency measures.

By implementing the strategy of Latvenergo Group, it is planned to achieve the following CO_2 emission saving targets[2]:

2026:

2.6 million tonnes

2030:

17.8 million tonnes

UN Sustainable Development Goals set as a priority and relevant to the Group's core business

In addition, the Group plans to develop innovative products, services and processes that are relevant to the Group's priority sustainable development goals. This target provides for the introduction of a culture of innovation in the Group, which supports: 1) research and development of innovative technologies; 2) development and implementation of innovative products and services, business directions and models; 3) systematic and continuous innovations to increase the efficiency of technological and corporate processes.

2 The calculation is based on the assumption that the green energy generated by Latvenergo Group's new capacity replaces the same amount of energy that would be produced using coal or oil shale.

Implementation of the Group's operational targets in 2024

Generation target:
to expand and diversify the generation portfolio with green technologies

The target is to grow the RES generation portfolio, focusing on WPPs and SPPs, to increase the value of HPPs' assets, ensuring their safe operation in the long term, and to ensure the stable, efficient and economically sound operation of CHPPs in the long term.

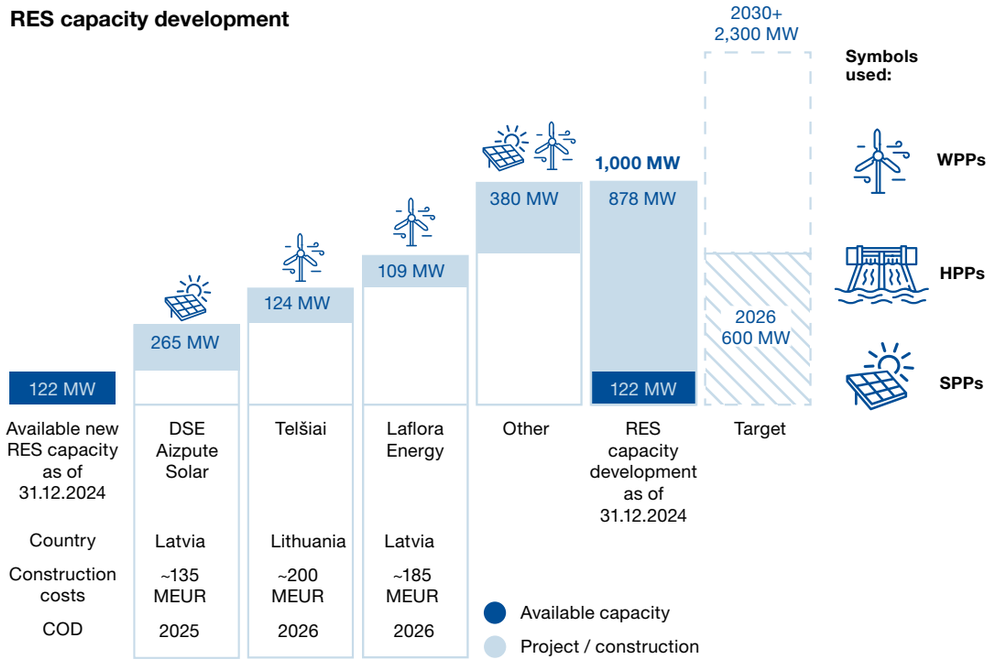
Latvenergo Group generated 4.8 TWh of electricity and 1.7 TWh of thermal energy in the reporting year. The electricity generated by the Group accounted for 27% of the electricity generated in the Baltic states and 66% of electricity was generated from RES. Although, due to lower water inflow into the Daugava River, the generation of electricity at the Daugava HPPs in the reporting year decreased by 16% compared to 2023, it was 10% higher than the long-term average, reaching 3,143 GWh. As natural gas prices gradually normalize, the CHPPs of Latvenergo AS are also becoming increasingly competitive and more in demand in the market.

2024 is the year of Latvenergo Group's breakthrough in the development of new renewable electricity generation capacity, which is marked by the dedicated development of a portfolio of three different renewable energy sources – by complementing the existing use of hydropower with solar and wind power. Reaffirming its strategic commitment to be the leading renewable energy trader in the Baltic states, the Group also plans to invest in battery energy storage system (BESS) technologies, installing 250 MW of capacity with 500 MWh of storage by 2030. In November 2024, Elektrum Next SIA, a subsidiary of Latvenergo AS, was established. It will gradually consolidate the renewable energy assets developed within the Group in recent years and will further advance new green energy projects in Latvia, the Baltic states and the region. At the end of the reporting year, six SPP projects completed in 2024 in Latvia were integrated into this company. For more information on the development of solar and wind farms, see the section Generation and Trade.

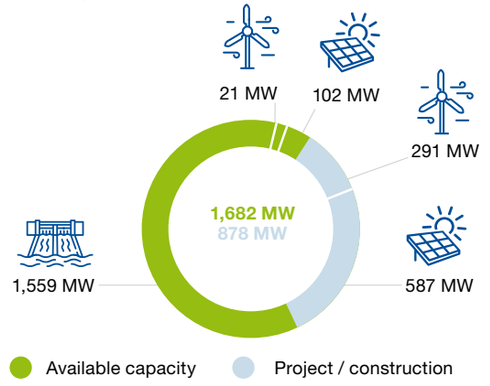
In the field of the restoring the hydropower units of the Daugava HPPs, reconstruction work has begun on the Plavinas HPP hydropower unit and work on finding a partner for the reconstruction of the Kegums HPP hydropower unit is in progress, while the replacement of both voltage step-up transformers at Riga HPP has been completed. At the same time, a contract for the development of a unified Daugava HPPs technical control system has been concluded and a series of logic upgrade and calibration works have been carried out for the qualification of the hydropower units of the Daugava HPPs for the provision of balancing ancillary services (mFRR, aFRR and FCR).

To improve the efficiency of CHPPs, several projects are being implemented to increase the flexibility of electricity generation and the efficiency of thermal energy generation processes, as well as to reduce the consumption of energy resources. In 2024, the flue gas condensing economiser for the water heating boiler was commissioned at CHPP-2 and the installation of the electricity storage battery system at CHPP-1 has been commenced. The construction of the heat carrier cooling system for CHPP-1 is in progress, which will significantly improve the generation capacity portfolio of the CHPPs and, together with CHPP-2, ensure the qualification of the power units for the balancing ancillary services of the transmission system operator, thus further consolidating the security of the Baltic electricity supply.

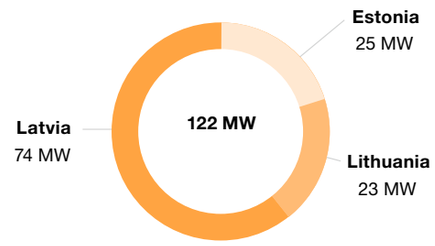
RES capacity development



RES capacities portfolio



Geolocation of newly constructed RES capacities



Trade target: to strengthen the position of *Elektrum* as the most valuable energy trader in the Baltics

The target envisages increasing the customer portfolio and promoting microgeneration, electrification, energy efficiency and product innovation.

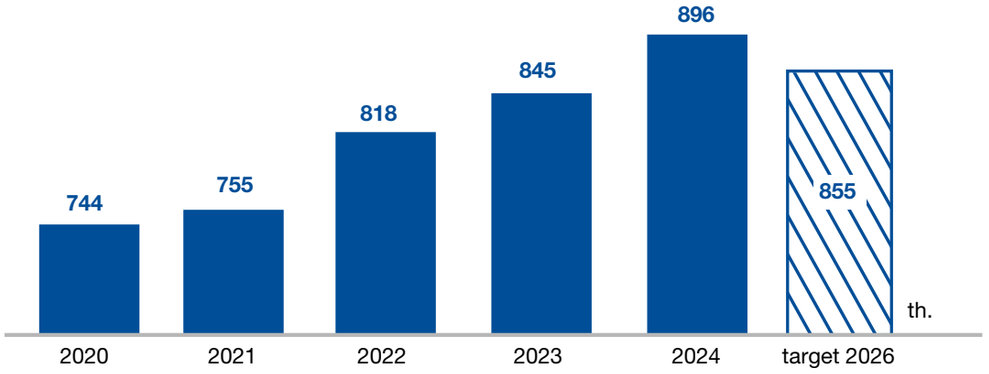
The number of electricity customers of Latvenergo Group increased by 6% in the reporting year, reaching 896 thousand customers. The number of customers has grown in the business, as well as household segments, with more than 284 thousand customers outside Latvia. In 2024, a significant increase in the number of customers can be observed in Estonia – Elektrum Eesti OÜ acquired the right to service the General Service portfolio, which increased the electricity customer base in the household customer group by approximately 27 thousand. The growth of the natural gas segment continues as well, with the number of natural gas customers of Latvenergo exceeding as many as 65 thousand at the end of December, which is an increase of 33% from 2023.

Through continuous improvements in customer service, including the addition of digital customer self-service tools, *Elektrum* has managed to keep customer satisfaction in Latvia above the peer group average in 2024.

Sales of other retail products and services in the Baltic states were successfully developed in the reporting year. The number of insurance policies sold in the Baltic states in 2024 increased by more than 10%. In the second half of the year, new services were introduced in the Safety & Comfort segment – chimney cleaning and gas boiler maintenance, meanwhile, the Energy Technology sales line was closed in all three Baltic states due to a sharp drop in market demand, mainly in the solar panel segment. The portfolio of services and products provided by Latvenergo Group does not include any services and products that are restricted or prohibited in a given region.[3]

In 2025, the work on further increase in the number of customers and consolidation of group positions in the natural gas and insurance services markets will continue.

The number of *Elektrum* electricity customers



3 ESRS 2 SBM-1 40 (a) i; ii; iv

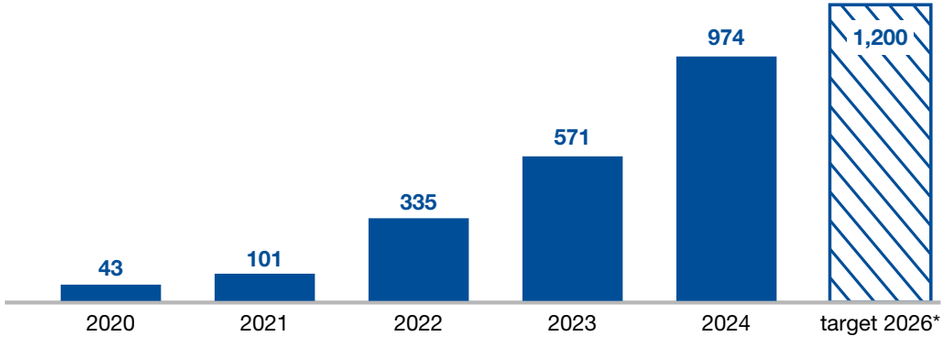
Electromobility target: to develop electrification of the transport sector

The target envisages the development of a public charging network in the Baltics.

Over the five-year period since Latvenergo Group first started offering electric car charging services, the *Elektrum Drive* charging network has remained the largest in the country and is rapidly developing not only in Latvia but also in Lithuania and Estonia. At the end of the reporting year, the *Elektrum Drive* charging network in the Baltic states had over 750 charging ports; some of them have been installed together with co-operation partners. In 2024, the first five high-capacity EV charging stations of *Elektrum Drive* on the TEN-T network in Latvia with a capacity of 300 kW were also built. The *Elektrum Drive* app may be used to charge vehicles on the e-mobi network in Latvia and at LIDL charging stations in Lithuania and Estonia. Thus, a total of more than 970 ports are available to *Elektrum Drive* customers. By constantly developing the functionality of the mobile app, the number of its users grew to more than 13 thousand users last year. Payment options are being improved, as well as new products and solutions for our customers are created annually.

There are plans to increase the number of economically viable public ports in the Baltic states to 1,200 in 2025, while ensuring excellent customer satisfaction and user experience of *Elektrum Drive* customers.

Charging ports



* target 2026: 1,200–1,500 charging ports, including partner networks

Distribution target:
to ensure a sustainable and economically viable distribution service and to improve the security and quality of the electricity supply

The target is to improve the quality and reliability of the electricity supply in a planned and cost-effective manner, as well as to develop a two-way grid appropriate for microgeneration and to implement digital transformation and efficiency measures.

The key performance indicators for the quality of electricity supply are the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI). The year-on-year improvement in both indicators is driven by targeted investment in the maintenance, rebuilding and upgrading of electricity distribution networks. In 2024, the impact of major natural disasters on electricity grids continued with the strongest summer storm of the century crossing the country in July, which caused both large numbers of broken trees and flooding. Electrical engineers had to step up their efforts to repair the damage in Latvia and also provided help to Lithuania. Meanwhile, over the last five years, excluding mass damage, SAIFI has been reduced by 13% and SAIDI has been reduced by 25%.

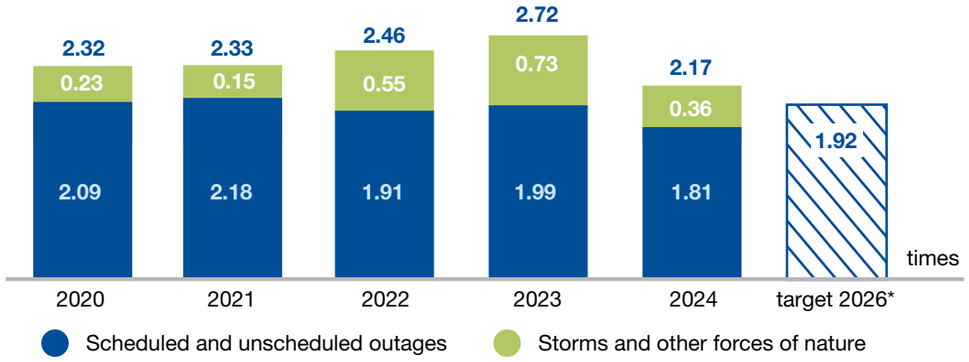
Sadales tīkls AS is currently the only electricity distribution system operator in the Baltic states that tests and develops artificial intelligence solutions for detecting faults in power lines and performs fault detection and the inspection of power grids with the help of unmanned aerial vehicles or drones. The latest technologies provide high-resolution images, while the available artificial intelligence solutions enable the testing of automated network fault detection during data processing. These approaches enable the prevention of potential emergency situations.

In 2024, there was an increase in the connection of larger capacity generators (solar power plants) to the distribution system and the increase in the connections of solar power plants with batteries doubled. In the reporting year, the total generation capacity of microgenerators and generators (producers) connected to the distribution system exceeded 910 MW and the number of microgenerators and generators (producers) connected to the distribution grid approached 25 thousand. In 2024, nearly 400 GWh of electricity was generated from solar energy in the distribution system and fed into the grid, which is three times more than in 2023.

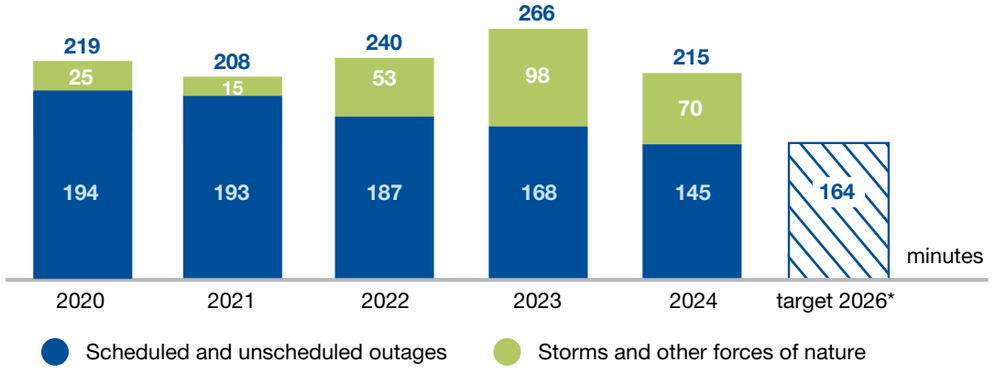
The electricity market data platform Step has been available to Latvian electricity market participants for more than a year. It is an information technology system aimed at ensuring the standardised and centralised production, storage and exchange of electricity market data between market participants and system operators. The development and improvement of this platform is planned to be continued in future. Meanwhile, for the convenience of customers and to improve the efficiency of service, the e-environment of Sadales tīkls AS is regularly improved. Customers are informed about these opportunities in a targeted manner, and almost 99% of customer transactions took place in the e-environment during the reporting year.

The strategy of Latvenergo Group sets the overall target for the distribution segment, with the operational targets and estimated outcomes of Sadales tīkls AS, which should be given priority in the context of the Group's strategic vision, subordinated to the overall target as sub-targets. For more information on the 2022–2027 strategy of Sadales tīkls AS, see the section Distribution.

SAIFI



SAIDI



* target 2026: for scheduled and unscheduled outages
(excluding mass damage caused by storms and other forces of nature)

The Group's financial targets for 2026

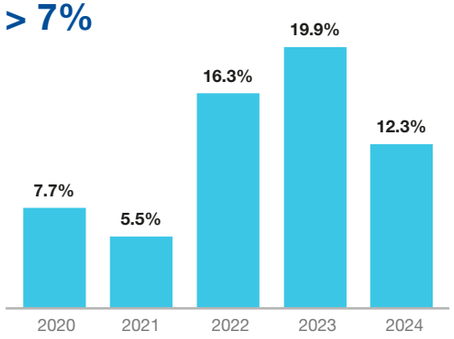
Financial targets included in the strategy are divided into four groups: profitability, capital structure, dividend policy and credit rating. In setting the financial targets of the strategy, the expected challenges in the operating environment of Latvenergo Group over the strategy planning period were assessed.

Profitability

ambitious, yet achievable profitability, which is consistent with the average ratios of benchmark companies in the European energy sector and provides for an adequate return on the business risk

Return on equity (ROE) excluding distribution[4]

> 7%



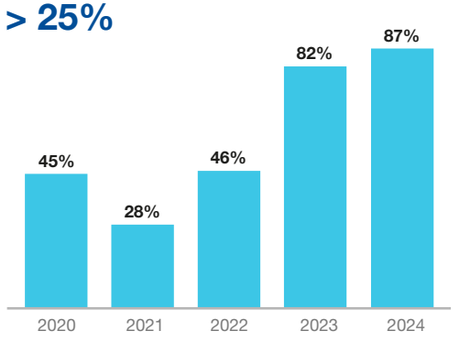
Latvenergo Group's profit in 2024 amounted to EUR 273.7 million, which is EUR 77.3 million less than in 2023. The decrease in profit was mainly due to a 16% drop in the output of the Daugava HPPs, compared to the previous year, to 3.1 TWh. In 2023, the output of the Daugava HPPs reached 3.7 TWh, the second-highest output in the last 25 years. The output of the Daugava HPPs in 2024 was 10% higher than the long-term average. Lower natural gas procurement prices also had a positive impact on profit. The decrease in profits in the reporting year has affected ROE.

Capital structure

an optimal and industry-relevant capital structure that limits potential financial risks

Ratio between adjusted funds from operations and net debt (FFO / Net Debt)[4]

> 25%



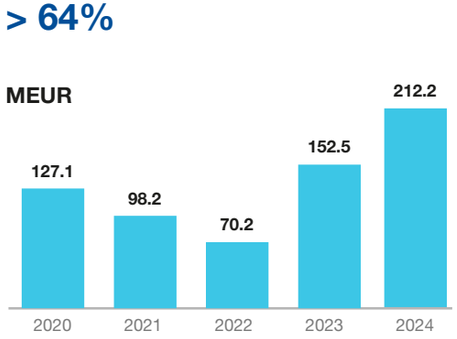
The FFO/Net Debt ratio was 87% in 2024, which is the highest value in the last five years. The same factors that affected profitability had a positive impact on the ratio.

Dividend policy

a dividend policy that is consistent with the planned investment policy and capital structure targets

Dividend payout ratio

> 64%



Dividends are paid in compliance with the legislation of the Republic of Latvia. The strong capital structure provides for dividend payments that are larger than the industry average. Over the last five years, the average dividend payout ratio has been around 80%. For more information, see the section Results.

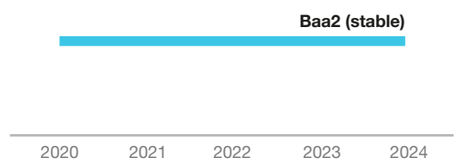
The dividend policy defined in the Strategy for 2022–2026 sets the dividend pay-out ratio at more than 64% of the profit, while each year's dividend payment is set by the Shareholder Meeting upon the evaluation of the actual results. For more information, see the section Dividend Policy.

Credit rating

investment-grade credit rating to ensure financing for the ambitious investment programme set out in the strategy

Moody's credit rating

To maintain an investment-grade credit rating



After the end of the reporting year, in March 2025, Moody's updated its credit rating analysis of Latvenergo AS, keeping the credit rating unchanged at Baa2 with a stable outlook. The Baa2 rating has remained stable since 2015, confirming the stability and financial reliability of Latvenergo Group.

4 For definitions of the financial ratios, see the section Key Figures.

Sustainability matters in the Group's Strategy[5]

The Medium-term Strategy of Latvenergo Group is based on sustainable growth, which is integrated into the business model and future development of the Group, thus also contributing to the UN Sustainable Development Goals. The need for such a course is also confirmed by the Group's stakeholders: sustainability must rank among the top priorities in the activities of state-owned companies, and economic development must proceed in line with the creation of value for society.

In 2023, the Sustainability Strategy of the Group for 2024–2026 was developed under the leadership of the Sustainability Committee and approved by the Management Board of Latvenergo AS.[6] It complements the Medium-term Operational Strategy with a broad plan of specific actions covering environmental, social, governance and sustainable finance issues. Each of these sections identifies key areas where targets and commitments, indicators to be achieved, the year of implementation and the unit responsible for implementation are defined. Units and experts responsible for the sustainability topic, as well as the subsidiaries of the Group, were involved in the development. Prior to the approval of the Sustainability Strategy, seminars have been organised – for Latvenergo AS and Sadales tīkls AS employees, external stakeholders and employees of *Elektrum* companies in Lithuania and Estonia. In 2024, sustainability strategies or action plans have been approved at the subsidiaries – Sadales tīkls AS, Elektrum Lietuva UAB and Elektrum Eesti OÜ, by taking over the activities that are relevant to these companies from the Sustainability Strategy of the Group and supplementing with other activities specific for the operations of the relevant companies.

Commitments in company policies of the Group

The policies of Latvenergo Group set out the principles that guide the Group in its various areas of activity. The policies follow a common approach and structure, setting out the purpose of the policy, its scope, responsibility for maintaining the policy and reference to related and subordinate documents. The international legal norms that are binding on Latvia and the values and fundamental rights such as human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including minority rights, are incorporated in the policies of the Group by reference to the related external documents, i.e., legal acts. Policies are regularly reviewed and updated, typically at least once every three years. For more information, see the section General Information.

Research and innovation

During the reporting year, Latvenergo AS and the US National Renewable Energy Laboratory (NREL) of the Department of Energy have concluded a research and development agreement to implement an energy transformation and industrial research project. Modelling of a number of Latvenergo investment scenarios will be performed within the framework of the project. The results of this study will be primarily used for the development of the next investment strategy of Latvenergo. The objective of the study is to model different investment scenarios that are relevant for the energy sector, mainly focusing on the active mix of generation and storage assets optimised for market competitiveness; on decarbonisation by optimising investments in order to achieve the reductions in emissions; as well as on investments aimed at producing green fuel for both domestic consumption and export.

Research on decarbonisation options for the CHPPs of Latvenergo AS was carried out, including the conversion of the gas turbine to H2-ready (ready for the burning of hydrogen), carbon capture options, and other technologies. The options of the production of hydrogen derivatives and other uses of hydrogen were explored. Research and implementation of various energy storage technologies continued, including the hybridisation of Latvenergo AS and provision of system services to the transmission system operator after synchronisation with the grids of continental Europe.

Sadales tīkls AS carried out research of technologies improving the management capability of the electricity distribution system to select the most suitable smart grid solutions, by creating a pilot area where the latest equipment and sensors will be tested. At the same time, proposals for a dedicated regulatory environment (regulatory sandbox) in the energy sector have been submitted to the PUC and technical concepts for three pilot projects have been developed for further discussions with the PUC.

The introduction of automatic accounting of R&D and innovation costs has been commenced in 2024. The architecture of the accounting system and the accounting codes (classifier) have been established. New functionality has been introduced in the IT systems of Latvenergo Group. The development and implementation of the system will continue in 2025 as well.

In order to promote an innovation-oriented environment within the Latvenergo Group, the Latvenergo Group's Sustainability Strategy defines a target of ensuring annual funding for innovation, research and development in the amount of at least 0.5% of the Group's average turnover over the last 5 years. In 2024, the commitment was fulfilled, allocating funding in the amount of 3%.

5 ESRS 2 SBM-1 40 (e), (f), (g)
6 ESRS 2 22 (d)

Targets of the Group's Sustainability Strategy

Environment

Climate
achieve climate neutrality by 2050

Pollution
reduce pollution

Circular economy
reduce resource consumption and promote a circular economy

Water
reduce impacts on water resources

Biodiversity
reduce impacts on biodiversity

Technology and innovation
increase efficiency of current operations and develop new sources of revenue

Social area

Working environment
create a sustainable working environment for the development of future competencies

Critical resources
ensure the protection of critical resources for the benefit of the company and its customers

Education and science
promote education and science

Investments in society
invest in society and public know-how

Customers
promote sustainability on the customer side

Governance

Managing sustainability areas
ensure integrated and effective management of sustainability

Business ethics
ensure fair, just and respectful labour and business relations

Relations with suppliers
purchase goods and services responsibly

Transparency and openness
ensure transparency and openness in line with best practice

Sustainable finance

Investments
invest responsibly

Funding for innovation, research & development
develop products and services and improve operational efficiency

Key targets defined in the Sustainability Strategy 2024–2026

	Target of the Sustainability Strategy	Key performance indicator	Achievable value	2024 performance	Reference to the sustainability matter
Environment	Achieve climate neutrality by 2050	Reducing Scope 1 GHG emissions to achieve climate neutrality in electricity generation by 2040	–47% by 2030 compared to 928 thousand t of CO_2 in 2021	–16%	E1 Climate Change, Climate change mitigation
			0.06 tCO_2/MWh generated electricity in 2030	0.095 tCO_2/MWh	E1 Climate Change, Climate change mitigation
		Proportion of electricity produced from RES in the total electricity production	80% in 2030	66%	E1 Climate Change, Climate change mitigation, Energy
		Share of electric cars in fleet	51% in 2030	11.6%	E1 Climate Change, Climate change mitigation
		Share of certified RES electricity in self-consumption, annually	79%	82%	E1 Climate Change, Climate change mitigation
		Electricity distribution losses, annually	<4%	3.62%	E1 Climate Change, Energy, Climate change adaptation
		Reducing GHG emissions from electricity retail trade	–20% by 2030 compared to 2,270 thousand t of CO_2 in 2022	+23%	E1 Climate Change, Climate change mitigation
		Retail customers choose green energy	30% in 2030	9%	E1 Climate Change, Climate change mitigation
	Reduce pollution	Reducing NO_x emissions	–50% per unit of energy generated in 2030 compared to 0.07 kg/MWh of energy generated in 2022	0.08 kg/MWh	E2 Pollution, Pollution of air
		Reducing CO emissions	-50% per unit of energy generated in 2030 compared to 0.04 kg/MWh of energy generated in 2022	0.05 kg/MWh	E2 Pollution, Pollution of air
		Number of major environmental pollution cases, annually	0	0	E2 Pollution, Pollution of air, water and soil
		Assessing the reduction in the quantity and hazard of chemicals used	To be implemented by the end of 2026	In cooperation with the Baltic Environmental Forum, an in-depth evaluation of chemical substances and mixtures used in production has been initiated	E2 Pollution, Pollution of air, water and soil

	Target of the Sustainability Strategy	Key performance indicator	Achievable value	2024 performance	Reference to the sustainability matter
Environment	Reduce impacts on biodiversity	Improving ecological quality of river habitats	25 km by the end of 2026	8 km	E4 Biodiversity and Ecosystems, Impacts on the state of species/ Impacts on the extent and condition of ecosystems
		Project to improve the condition of protected fish species and habitats	At least 1 project launched by the end of 2026	Project application has been submitted together with partners for co-financing from the EU LIFE program	E4 Biodiversity and Ecosystems, Impacts on the state of species/ Impacts on the extent and condition of ecosystems
		Planting an equivalent number of new trees during deforestation	100% in 2024	100%	E4 Biodiversity and Ecosystems, Direct impact drivers of biodiversity loss/ Impacts and dependencies on ecosystem services
		Assessing impact on protected areas and species	100% of investment projects in 2026	100% of projects undergo environmental impact assessments. Additional initiative launched – assessment of SPPs projects in accordance with Latvian good practice guidelines	E4 Biodiversity and Ecosystems, Impacts on the state of species/ Impacts on the extent and condition of ecosystems, Direct impact drivers of biodiversity loss/ Impacts and dependencies on ecosystem services
		Plan for the conservation of biological diversity	To be developed by the end of 2025	Development of the plan has been launched by involving international experts with extensive experience in the area of environmental protection and biodiversity	E4 Biodiversity and Ecosystems, Impacts on the state of species/ Impacts on the extent and condition of ecosystems, Direct impact drivers of biodiversity loss/ Impacts and dependencies on ecosystem services
	Reduce resource consumption and promote a circual economy	Use of sustainable biomass fuels, annually	100%	100%	E5 Resource Use and Circular Economy, Resources inflows, including resource use
		Measures to promote sustainable consumption, annually	at least 10	>10	E5 Resource Use and Circular Economy, Resources inflows, including resource use, Waste
		Use of biomass ash in agriculture, registering it as a fertilizer, annually	100%	100%	E5 Resource Use and Circular Economy, Waste
		Sustainable equipment: SPPs meets Taxonomy requirements, annually	100%	100%	E5 Resource Use and Circular Economy, Resources inflows, including resource use
		Sustainable materials in WPPs: proportion of recyclable or reusable materials in wind turbines to be installed	90% in 2026	95%	E5 Resource Use and Circular Economy, Resources inflows, including resource use, Waste
		End-of-life management of solar panels	Action plan developed by the end of 2026	Internal procedures for the maintenance of solar panels have been developed, and contracts have been established for their waste management at the end of their life cycle	E5 Resource Use and Circular Economy, Resources inflows, including resource use, Waste
		Reducing water consumption per unit of electricity generated	0.16 m^3/MWh in 2030	0.46 m^3/MWh	E5 Resource Use and Circular Economy, Resources inflows, including resource use

	Target of the Sustainability Strategy	Key performance indicator	Achievable value	2024 performance	Reference to the sustainability matter
Social sector	Create a sustainable working environment for the development of future competencies	Positive employee well-being scores in employee survey, annually	≥65%	70%	S1 Own Workforce, Working conditions
		Number of serious accidents, annually	0	0	S1 Own Workforce, Working conditions
	Ensure the protection of critical resources	The number of high-impact incidents, annually	0	0	S4 Consumers and End-users, Personal safety of consumers and/or end-users
	Promote education and science	The increase in the know-how and interest of children and young people in STEM subjects and the increase in the know-how of schoolchildren and teachers on the Green Deal (by number of participants involved in activities)	15% by 2026, compared to 2023	>5%	S3 Affected Communities, Communities' economic, social and cultural rights
		Number of children and young people educated on electrical safety, annually	≥6,000	6,000	Corporate Social Responsibility
	Invest in society and its know-how on sustainability	Support of the Latvian residents for the development of WPP and SPP generation capacity, annually	≥70%	77%	S3 Affected Communities, Communities' civil and political rights
	Promote sustainability on the customer side	Customer satisfaction index in Latvia versus comparator companies, annually	>100	106	S4 Consumers and End-users, Social inclusion of consumers and/or end-users
Governance	Ensure integrated and effective management of sustainability	A unified approach to sustainability data management	To be introduced by the end of 2025	The establishment of data management for the quantitative data required for the preparation of the Sustainability Report is planned during Phase 1 – by the end of 2025. Project inception in 2024 – data points were identified and responsible persons for process steps were appointed	General Information, Risk management and internal controls over sustainability reporting
	Ensure fair, just and respectful labour and business relations	Corruptive events and violations of ethical norms with significant reputational or financial impact, annually	0	0	G1 Business conduct, Incidents of corruption or bribery
		Financial and/or non-financial contributions to political organisations, annually	0	0	G1 Business conduct, Political influence and lobbying activities
		Payments to partners, taking contractual conditions and business ethics into account, annually	≤30 days	Performed on average within 30 days from the date of invoicing, when the contractual or statutory payment period begins (average for Latvenergo AS – within 25 days)	G1 Business conduct, Payment practices
		Cooperation programme with the State Revenue Service	The highest level	Commitment fulfilled	G1 Business conduct, Direct and indirect economic impacts
	Purchase goods and services responsibly	Suppliers Code of Conduct	To develop in 2024	Commitment fulfilled	G1 Business conduct, Management of relationships with suppliers
		Procurement includes at least one sustainability criterion/requirement	To introduce ≥30% (by number of procurements) in 2024	>30%	G1 Business conduct, Management of relationships with suppliers
Sustainable finance	Invest responsibly	Investments in activities aligned with the EU taxonomy, annually	≥80%	95%	EU Taxonomy
	Develop products and services and improve operational efficiency	Investment in innovation, research and development, annually	≥0.5% of the average turnover of the Group over the last five years	3%	Sustainability matters in the Group's strategy, Research and innovation

Latvenergo Group is the framework for setting the targets, simultaneously defining the basic geographical boundaries within which these targets are applicable. The targets mainly relate to the performance of the Group and include some elements of the upstream and downstream value chain. The sections About the Group and Operating Segments provide information on the geographical scope of Latvenergo Group's economic activities, as well as products and services.

The defining of material sustainability targets of Latvenergo Group is based on internationally recognised standards, industry guidelines and examples of best practices, as well as the strategic objectives of the Group and the specific impacts characteristic of its operations. The setting of targets and their implementation, with the exception of those related to GHG emissions, have not been validated by any external body. The activities of the Group strive for processes, products and services that also contribute to the achievement of the UN SDGs.

In terms of setting and achieving climate goals, Latvenergo Group's work is in line with the activities of Latvia and the EU. The EU has set one of its goals to achieve climate neutrality by 2050, and the Fit for 55 package sets an even more ambitious goal – to reduce GHG emissions by 55% by 2030 compared to 1990. The goals and targets of Latvia's energy and climate policy are set in the National Energy and Climate Plan for 2021–2030, which was updated in 2024 as a result of the latest EU legislative initiatives.

More information on the methodologies and key assumptions used to set the targets is provided in the relevant topical standards.

Corporate Social Responsibility

Latvenergo Group follows responsible business principles and implements statutory and voluntary activities, contributing to sustainable environmental, social and governance development. In its operations, the Group implements the principles of social responsibility in compliance with ISO 26000.

The Sustainability Policy of the Group also includes the principles and activity criteria of corporate social responsibility (CSR). CSR activities promote the involvement of large groups of society and ensure a considerable long-term impact and public benefit. They are implemented in three directions:

- education and science development
- cooperation with the local community
- biodiversity

According to a corporate reputation survey conducted by TNS Latvia in early 2025, the majority of industry experts and media representatives, as well as about half of the Latvian population and companies, know or have heard about the CSR activities of the Group. 95% of the respondents who know about the activities evaluated them positively. 87% of residents agree that Latvenergo is operating a responsible and sustainable business.

The sustainability performance of the Group's companies during the reporting year was assessed both in Latvia and internationally:

- Latvenergo AS was awarded the highest category (Diamond) of the Latvian Sustainability Index. Sadales tīkls AS and Liepājas enerģija SIA were ranked in the Platinum category.
- The Moody's NZ-3 score confirms the high credibility of the Group in reaching its climate targets and its compliance with the requirements of the Paris Agreement.

Latvenergo Group continued to support the Ukrainian people in 2024. Several employee campaigns were organised – donations for the purchase of drones and equipment for the defenders of Ukraine, as well as for the purchase of external batteries for mobile devices. In the reporting year, Sadales tīkls AS donated special equipment units, generators and grid materials, while Latvenergo AS made several donations to support Ukrainian society:

- 93 vehicles
- Transformer and air compressor to restore the electricity supply system of Ukraine
- Solar panels and inverters to restore and stabilise the electricity supply system of Ukraine
- Social support project competition – summer camps for children from Ukraine
- Payment of electricity consumption for the Ukrainian-Latvian Research and Education, Sports and Culture Centre Volia.LV

UN Sustainable Development Goals

The Group is committed to processes, products and services that contribute to the achievement of the UN SDGs. Three SDGs have been set as priorities and are relevant to the main activities of the Group. When implementing CSR activities, the Group also contributes to the achievement of other SDGs.

SDG	The Group's contribution to the achievement of the SDG	Section
 Ensure access to stable, affordable, sustainable, and modern energy for all	high share of renewable energy in the generation portfolio and CO_2 emission intensity significantly lower than the European average	Generation E1 Climate Change
	Elektrum solar parks and wind farms for customers and the installation of solar panels at customer sites	Trade
	Customer-specific and modern electricity products (*Elektrum Solar*, *Elektrum Green*, *Elektrum Smart House*, *Energo pulss*), sales of energy efficiency products	Trade
	Measures to promote energy efficiency for customers, such as educational events, webinars, publications, and consultations offered by the *Elektrum* Energy Centre	Trade
	Automation and digitalisation of customer service processes	S4 Consumers and End-users
 To build resilient and sustainable infrastructure, promote inclusive and sustainable industrialisation, and foster innovation	Reconstruction of hydropower units at Daugava HPPs	Generation
	Renewal and digitalisation of the distribution network, streamlining of the network structure	Distribution
	Innovative live work on medium voltage grids	Distribution
	Network of electric vehicle charging stations	Trade
	Participation in the National Innovative Capital Company Initiative, organisation of the AC/DC Tech Innovation Forum	Stakeholder engagement
	Innovation labs for process improvement, creation of new and innovative solutions	Sustainability matters in the Group's Strategy
 To take urgent action to combat climate change and its impact	CO_2 emission intensity that is significantly lower than the European average, secured by the considerable share of renewable energy sources in the consumption of primary energy sources and by efficient CHPP generation modes	Generation E1 Climate Change
	Modernisation of the electricity distribution network, which has allowed the Group to reduce distribution losses by 14% in the last five years	Distribution
	An energy management system corresponding to the international standard ISO 50001	E5 Resource Use and Circular Economy

Education and scientific development

The priority direction of CSR promotes young people's interest in sciences and engineering professions, complements teachers' and lecturers' teaching material base, promotes sports education for children and youth, supports energy researchers and teachers, and educates the public on energy efficiency and electrical safety.

According to the Group's Sustainability Strategy target, the number of participants involved in STEM and Green Deal educational activities are increased by more than 5% during the reporting year. The annual target to promote electrical safety awareness among at least 6,000 children and young people was also achieved.

29 years FIZMIX Eksperiments knowledge contest

27 years *Elektrum* Energy Centre

Practical training and webinars on energy efficiency and sustainability for businesses and public administration personnel were organised in 2024. A new lesson for secondary school students aimed at improving their knowledge and skills in renewable energy generation has been created. The educational programme for preschool and primary school pupils Beat the Energy Monsters! has been developed with learning materials that teachers can integrate into their lessons independently. A radio and outdoor campaign was conducted in different regions of Latvia to educate the public about energy saving.

26 years Annual Science Award

19 years Education of children and young people on electrical safety

In 2024, employees of Sadales tīkls AS – electrical safety ambassadors – conducted 174 classes, educating more than 6,000 children and young people. The online Electrical Safety Marathon for 3rd graders and the game show Electrical Shock were organised, an interactive electrical safety game was created on arelektribuneriske.lv, electrical safety activities were implemented at the Che Che Championship and at the State Police event "Be Knowledgeable, Be Safe", and the Electricity School was organised at the Children's World 2024 exhibition.

17 years Scholarship contest

17 years Graduation contest

The FIZMIX School Tour was launched in 2024. Within the framework of the tour, students from 20 schools were introduced to career opportunities in the STEM field and the resources offered by the FIZMIX portal. The portal provides tasks, solutions and explanations for all physics exams from 2013 to 2024. To promote interest in science, the Che Che Championship provided 12,000 students with face-to-face educational activities.

12 years FIZMIX portal

4 years Education of households on electrical safety

At the Conversation festival LAMPA, Sadales tīkls AS reminded people about electrical safety in the discussion "Are all your wires in order?". A transformer substation of Sadales tīkls AS in the centre of Madona was painted in accordance with the electrical safety theme. Articles with tips on electrical safety were published in the media and on social networks.

4 years Physics festival

In 2024, the Group organised its fourth Physics Festival, where approximately 4,000 visitors took part in educational activities and technical creativity circles, watched experiments and listened to discussions on the scientific achievements of Latvia in physics, the role of STEM in the development of society and the economy, and innovations for the future of the energy sector. In a special masterclass, Latvian teachers generated new ideas on exciting techniques for teaching physics at schools.

11 years Education of people engaged in building, logging and agricultural work on electrical safety

In 2024, a campaign for economic operators was implemented and information materials on safe working near power lines were sent to cooperation organisations, equipment rental points and contractors of Sadales tīkls AS.

The Latvian Education Accelerator is a programme initiated by the World Economic Forum to promote long-term change in education and skills development, especially in the area of career education, by ensuring regular collaboration between key stakeholders: businesses, universities and other educational institutions, non-governmental organisations and public administration.

1 year Latvian Education Accelerator

In cooperation with *Mission Possible*, the project competition continued, with 12 schools from all regions of Latvia receiving equipment to improve their modern physics classrooms. Since the launch of the project, a total of 42 school physics classrooms have been upgraded in Latvia.

3 years Project contest for the improvement of physics classrooms

Cooperation with the local community

The local community is one of the priority stakeholders of the Group. It is important for the Group to be in close contact with local communities in the vicinity of its facilities and to contribute to the development of these communities

30 years
Energy Museum

A new educational activity for schoolchildren, Latvenergo-85, was developed in the reporting year. The Virtual Energy Museum was complemented with an animation on charging electric vehicles. To celebrate 50 years since the launch of Riga HPP, a digital exhibition on the history and growth of the plant was established.

17 years
Participation in the Museum Night

14 years
Employee Christmas charity event

1 year
Oncology Patient Support Programme

Within the framework of the programme, 28 oncology patients received support for the purchase of medicines in the total amount of EUR 200,000 to ensure that they start or continue their oncology therapy as soon as possible. A sum of up to EUR 10,000 per patient was available for the purchase of medicines. Assistance was provided in a total of 57 cases.

Biodiversity

Activities aimed at preserving biodiversity and minimising the environmental impact of the Group

15 years
Fish protection projects

In April 2024, more than 80 employees of the Group and their families prepared more than 350 fish spawning nests from spruce branches to help fish spawn in the reservoirs of the Daugava HPPs. To educate the public, a live stream of trout spawning in the rivers of the Daugava basin was provided on the website and Facebook account of the Group for the third year.

14 years
White stork monitoring

8 years
River cleaning

In August 2024, in Ķekava Municipality, employees of Latvenergo AS, together with local environmental activists, cleaned up a 1.7-km-long stretch of the Bērzene River, which is a spawning site for salmonids: brook trout and brown trout.

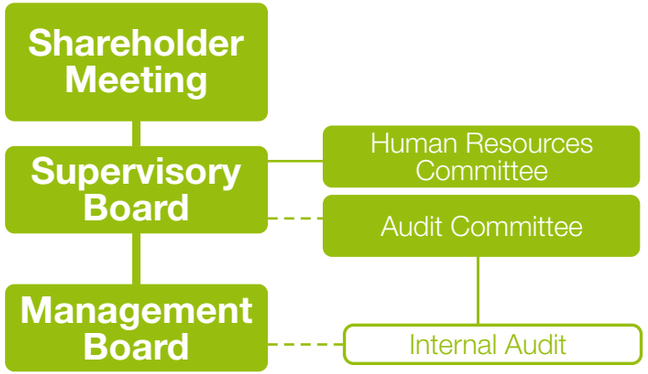
Governance Bodies

The corporate governance of Latvenergo Group is organised and implemented in compliance with governance best practice, the regulatory framework, and corporate governance guidelines. The principles and procedures of corporate governance are enshrined in the Corporate Governance Policy of the Group, which has been approved and is supervised by the Supervisory Board of Latvenergo AS. The Management Boards are responsible for implementing the policy at the capital companies of the Group. The corporate governance principles of the Group are published on the website of Latvenergo.

In accordance with the requirements of the Financial Instrument Market Law and the Law on Governance of Capital Shares of a Public Person and Capital Companies, Latvenergo AS prepares a corporate governance report annually. The report for 2024 was drawn up based on the assessment of the capital company's compliance with the Corporate Governance Code published by the Corporate Governance Advisory Board established by the Ministry of Justice in 2020. In 2024, all the principles set out in the code were complied with in material respects, except for the criterion of representation of both genders on the Supervisory Board of the company. The report is available on the Latvenergo website and the Nasdaq Baltic website.

A corporate governance report is also prepared by Sadales tīkls AS. In 2024, all the principles set out in the Code were complied with in material respects, except for the criterion to provide information in at least one other language that is understood by the majority of the foreign shareholders of the company and other stakeholders. The report is available on the Sadales tīkls AS website.

Latvenergo AS governance bodies



Shareholder Meeting

The principal duties

- approval of the Annual Report and decision-making on distribution of the company's profit from the preceding year
- electing and dismissing members of the Supervisory Board and the Audit Committee, approval of their remuneration
- appointment of the auditor, determining the auditor's remuneration

100% of the shares of Latvenergo AS are owned by the state and held by the Ministry of Economics of the Republic of Latvia. Latvenergo AS is a nationally important economic company, and its shares may not be privatised or alienated.

The interests of the Shareholder are represented at the Shareholder Meeting by the State Secretary of the Ministry of Economics or his/her authorised delegate. Meetings are convened in accordance with the requirements and timelines stipulated by the Law on Governance of Capital Shares of a Public Person and Capital Companies.

Six Shareholder Meetings were held in 2024. The main decisions of the Shareholder Meetings in the reporting year are as follows:

- distribution of profits for 2023 and payment of dividends
- appointment of the auditor of the Annual Report for 2024–2026
- changes to the Supervisory Board
- election of members of the Audit Committee of Latvenergo AS
- civil liability insurance for the members of the Supervisory Board and Audit Committee of Latvenergo AS
- provision of consent for the acquisition of WPPs and SPPs

Supervisory Board

The principal duties, including issues of sustainability governance[7]

- approval of the medium-term operational strategy and the current year's budget and monitoring their implementation
- continuous supervision of the Management Board's activities
- election and dismissal of Management Board members; approval of their remuneration
- monitoring the compliance of the company's operations with legislation, its Articles of Association and the decisions of the Shareholder Meeting
- overseeing risk management
- approval of the essential corporate governance policies of the Group
- participation in the identification of sustainability issues that are relevant to the operations of the Group and engagement in strategic sustainability discussions
- review of the annual sustainability statement

At the level of the Supervisory Board, sustainability issues are discussed and evaluated in their full composition, without forming a separate committee.[8]

The Supervisory Board of Latvenergo AS is composed of five members and its term of office is five years. All members of the Supervisory Board are independent specialists that do not hold other positions in the company and are not involved in the operations of the Group; furthermore, there are no representatives nominated by employees in the Supervisory Board[9]. During the reporting year, changes to the composition of the Supervisory Board occurred: Ivars Golsts left the Supervisory Board on 1 March 2024. After the end of the reporting year, on 8 April 2025, Rodžers Jānis Grigulis was appointed as a Member of the Supervisory Board for a five-year term.

The procedure for the selection of members of the Supervisory Board is specified in the Law on Governance of Capital Shares of a Public Person and Capital Companies and the subordinate Regulations of the Cabinet of Ministers. For more information on the selection procedure, see the Corporate Governance Report.

Once a year, the chairman of the Supervisory Board organises a self-assessment of the Supervisory Board, which includes the following areas: the effectiveness of the Supervisory Board's supervisory functions, the contribution to determining the strategy of the capital company, the adequacy of the competencies and knowledge of the Supervisory Board's composition, and the Supervisory Board's dynamics and processes, i.e., how efficiently the Supervisory Board's work is organised.

17 meetings of the Supervisory Board were held in 2024. The most important issues addressed at the meetings are as follows[10]:

- analysis of the most significant events and trends in the energy sector
- evaluation of acquisition transactions related to the development of wind and solar power plants
- evaluation of measures related to the security of critical infrastructure
- evaluation of funding acquisition transactions
- evaluation of dividend policy
- evaluation of the Group's financial and non-financial results, as well as the achievement of strategic goals, on a quarterly basis
- evaluation of the Group's organisational structure
- evaluation of the performance of the members of the Management Board of Latvenergo AS and election of a member of the Management Board of Latvenergo AS

In accordance with the regulations, the members of the Supervisory Board of Latvenergo AS may create committees for the review of particular matters. The Human Resources Committee has been established to prepare proposals to the Supervisory Board for the selection, remuneration, performance assessment, and combination of positions of employees of the Management Board, the Audit Committee and the Internal Audit. Three meetings of the committee were held in 2024.

The Regulations of the Supervisory Board of Latvenergo AS are available on the Latvenergo website.[11]

7 ESRS 2 GOV-1 20 (b), G1 GOV-1 5 (a)
8 ESRS 2 GOV-1 22 (a), (c) i
9 ESRS 2 GOV-1 21 (b), (e)
10 ESRS 2 GOV-2 26 (c)
11 ESRS 2 GOV-1 22 (b)

Management Board

The principal duties, including issues of sustainability governance[12]

- management and representation of the company
- responsibility for the commercial activities of the capital company and for compliance with accounting legislation
- management of the company's property
- implementation of the strategic direction, development plans, objectives and policies of the Group, including the approval of the Sustainability Strategy of Latvenergo Group
- overseeing the implementation of the Sustainability Strategy of Latvenergo Group
- identification of sustainability aspects relevant to the operations of the Group and progress monitoring on sustainability issues

A member of the Management Board, the Chief Financial Officer, has been appointed as the person responsible for sustainability issues of the Management Board of Latvenergo AS and is also the head of the Sustainability Committee of Latvenergo Group.[13]

The Articles of Association of Latvenergo AS stipulate that the Management Board is composed of five members and their term of office is five years. The members of the Management Board are elected by the Supervisory Board, assessing their compliance with the required competencies, experience and planned area of responsibility.

The Management Board operates in compliance with the Articles of Association and the Regulations of the Management Board and reports to the Supervisory Board. All members of the Management Board are independent in their operations and hold no interest in the capital of cooperation partners or related companies. The Management Board members are jointly liable for compliance with all binding laws and regulations, the execution of the decisions of the Shareholder Meeting and the Supervisory Board, and the financial performance of the Group.

In the reporting year, changes to the composition of the Management Board of Latvenergo AS were implemented: after Kaspars Cikmačs left the Management Board in September 2023, Ilvija Boreiko, the Chief Development Officer of Latvenergo AS, who had not held a similar position in public administration (including regulatory authorities) in the two years prior to her appointment to this position, joined the Management Board at the end of January 2024.[14]

64 Management Board meetings were convened in 2024. Participation in Management Board meetings, number: M. Čakste (Chairman of the Management Board) – 51; G. Baļčūns – 58; I. Boreiko – 51; D. Juskovecs – 57; H. Teteris – 54. The overall attendance rate of meetings was 86%. Key issues considered related to sustainability performance, including aspects of material impacts, risks and opportunities:[15]

- assessment of the acquisition transactions related to the development of WPPs and SPPs and decision-making
- a project to set up a BESS system at Latvenergo AS production facilities was approved
- to develop and efficiently manage RES generation, the structure of the Group was upgraded by establishing a new subsidiary, Elektrum Next SIA
- approval of climate neutrality plans for CHPPs that have been drawn up within the framework of the EU ETS
- attraction of financing from the Nordic Investment Bank was approved in the amount of EUR 230 million for the implementation of green projects
- a decision was made to conclude a collective bargaining agreement

The Regulations of the Management Board of Latvenergo AS are available on the Latvenergo website.[16]

12 ESRS 2 GOV-1 20 (b), G1 GOV-1 5 (a)
13 ESRS 2 GOV-1 22 (a), (c) i
14 G1-5 30
15 ESRS 2 GOV-2 26 (c)
16 ESRS 2 GOV-1 22 (b)

Audit Committee

The principal duties, including issues of sustainability governance[17]

- monitoring the process of drafting financial statements and the sustainability statement, reporting to the Supervisory Board on proposals and improvements
- supervising the effectiveness of the internal control and risk management systems
- supervising the work of the Internal Audit and the external auditor
- supervising the implementation of the Fraud Risk Management Plan

An independent Audit Committee operates at Latvenergo AS and reports on its operations and performance to the Supervisory Board. The Audit Committee is composed of five members and their term of office is three years. Two members of the Audit Committee are also members of the Supervisory Board, and all members of the Committee are independent. 9 meetings of the Audit Committee were held in 2024. The Regulations of the Audit Committee are available on the Latvenergo website.

17 ESRS 2 GOV-1 20 (b), G1 GOV-1 5 (a)

Audit Committee Report

The Audit Committee of Latvenergo AS operates under the Commercial Law and Financial Instruments Market Law of the Republic of Latvia and the Rules of the Audit Committee approved by the Shareholder.

No restrictions have been imposed on the actions of the Committee, and representatives of Latvenergo AS have ensured the availability of necessary information. Based on its work, the Audit Committee informs the Supervisory Board of its conclusions and recommendations.

In 2024, in addition to its principal duties, the Audit Committee[18]:

- agreed on the results of the procurement of the Group's external auditor services for 2024–2026
- assessed the Group's readiness to prepare a sustainability statement in accordance with the European Sustainability Reporting Standards
- supported the selection of the Internal Audit's external quality assessment team and evaluated the results of this assessment
- discussed and analysed the most important events and trends in the energy sector and their impact on the Group's activities
- discussed the Group's resilience to fraud risk scenarios, including cyberfraud and other emerging aspects

Having assessed the information received from the Internal Audit Director, Compliance Control Manager, Risk Manager, Investor Relations and Sustainability Manager, external auditor and other assurance providers, nothing has come to our attention that would lead us to believe that the internal controls of Latvenergo AS are not operating adequately for the purpose of preparing the Annual Report 2024.

We are submitting our activity report and assessments to the Supervisory Board of Latvenergo AS in April 2025.

Svens Dinsdorfs, Chairman of the Audit Committee
Ilvija Grūba, Member of the Audit Committee
Torben Pedersen, Member of the Audit Committee
Gundars Ruža, Member of the Audit Committee
Toms Siliņš, Member of the Audit Committee

18 ESRS 2 GOV-2 26 (c)

Remuneration Policy for the Supervisory Board, the Audit Committee, and the Management Board[19]

The remuneration of the Supervisory Board and the Management Board is stipulated by the Law on Governance of Capital Shares of a Public Person and Capital Companies and regulations of the Cabinet of Ministers based thereon, including the uniform regulation for remuneration of members of management boards of public companies in the case of combined positions.

The monthly salary of the Chairman of the Supervisory Board and the Chairman of the Management Board is linked to the average monthly salary of employees in Latvia during the preceding year, as published by the Central Statistical Bureau, multiplied by a ratio specified according to the indicators characterising the size of the capital company (turnover, assets and number of employees). According to the regulations of the Cabinet of Ministers, the maximum ratio for determining the monthly remuneration for the chairman of a supervisory board is 3. Meanwhile, the ratio applied to the monthly salary of the chairman of a management board is 10, based on the capital company's reference criteria.

The remuneration of supervisory board and management board members may not exceed 90% of the monthly salary of the chairman of a supervisory board or management board respectively. Management board members are entitled to compensation for the performance of additional duties at the company. 20% of the uniform monthly salary of the Chairman and Members of the Management Board comprises remuneration for performing the duties of Chief Executive Officer and Chief Officers.

The authorisation agreements signed with the members of the Management Board provide for the possibility of receiving a severance payment in the amount of three months' salary if they are recalled from their duties before the expiration of their term of office, including in the event of reorganisation or liquidation of the company. The remuneration policy does not provide for an option to pay remuneration in the form of shares or share options.

The Supervisory Board may decide on the payment of bonuses to the Management Board members once a year following the approval of the Annual Report and assessment of the results of the company. The performance assessment of the members of the Management Board and the individual variable remuneration component are based on three main criteria, ensuring a balanced approach between financial performance, the achievement of strategic targets and individual performance.

The structure of the assessment in 2024:

- financial performance of the company (30%) – reflects the financial performance of the company in the previous reporting year, assessing the key financial ratios
- medium-term strategy performance (40%) – assesses the achievement of goals in line with the strategy
- individual performance results (30%) – include:
  - business goals
  - sustainable development goals of the organisation
  - self-development and competence development goals

The individual performance result section of the annual goals for the members of the Management Board/Chief Officers depends on the area of responsibility of the member of the Management Board/ Chief Officer, e.g., corporate governance, research, innovation, environment, employee engagement, including individual annual goals for the members of the Management Board linked to Latvenergo Group's target of achieving climate neutrality[20] by 2050 (see table below for the link to performance assessment of the members of the Management Board and individual variable section). The ratio of sustainable development goals in 2024 represented a percentage of 10–40% depending on the area of responsibility of the member of the Management Board/Chief Officer. The proportion of the goals for the members of the Management Board is determined by the Supervisory Board.[21]

Financial performance is measured on a six-level scale, ranging from the highest performance with 90–100% fulfilment to the lowest with less than 50% fulfilment. The implementation of the strategy is rated on a four-level scale from "very good" to "unsatisfactory". The Human Resources Committee of the Latvenergo AS Supervisory Board carries out the individual performance assessment and makes a recommendation to the Latvenergo AS Supervisory Board, which makes the final decision.

This holistic approach ensures a balance between financial performance and sustainability objectives, a clear link between individual performance and corporate strategy, and contributes to the long-term development of the business. The assessment process is transparent and based on measurable criteria, thus fostering an objective and results-oriented management culture.

The maximum bonus for members of the Management Board is two months' remuneration. If the performance rating is below 100%, the amount of the bonus is pro-rated.

In accordance with the legislation of the Republic of Latvia, bonuses are not paid to members of the Supervisory Board, and the connection of remuneration with the management of sustainability issues is not foreseen.

The remuneration of the Audit Committee is provided for by the Regulations of the Audit Committee. The remuneration of the members of the Audit Committee is determined by the Shareholder Meeting, and the maximum amount thereof corresponds to the average monthly salary of employees in Latvia during the preceding year, as published by the Central Statistical Bureau of the Republic of Latvia. The monthly remuneration of the members of the Audit Committee are determined for the entire term of their office, with the right to revise them once per year. Members of the Audit Committee, who are simultaneously members of the Supervisory Board of Latvenergo AS, are not compensated for duties performed in the Audit Committee.

An authorisation agreement is signed with the members of the Management Board, the Supervisory Board and the Audit Committee.

19 ESRS 2 GOV-3 27
20 E1 GOV-3 13
21 ESRS 2 GOV-3 29 (a), (b), (c), (d), (e)

Remuneration for 2024

	Position	Fixed component, EUR	Variable component, EUR	Total, EUR
Supervisory Board				
A. Laizāns	Chairman of the Supervisory Board	45,119.52		45,119.52
K. Rokens	Member of the Supervisory Board	41,376.00		41,376.00
G. Ruža	Member of the Supervisory Board	41,376.00		41,376.00
I. Siliņš	Member of the Supervisory Board	41,376.00		41,376.00
I. Golsts*	Member of the Supervisory Board	7,662.00		7,662.00
Management Board				
M. Čakste	Chairman of the Management Board / Chief Executive Officer	191,144.29	30,583.00	221,727.29
G. Baļčūns	Member of the Management Board / Chief Financial Officer	172,677.74	28,204.00	200,881.74
D. Juskovecs	Member of the Management Board / Chief Commercial Officer	172,566.97	27,016.00	199,582.97
H. Teteris	Member of the Management Board / Chief Operating Officer	170,273.47	26,845.00	197,118.47
I. Boreiko**	Member of the Management Board / Chief Development Officer	173,269.12	21,877.00	195,146.12
Audit Committee				
S. Dinsdorfs	Chairman of the Audit Committee	16,373.38		16,373.38
T. Pedersens	Member of the Audit Committee	17,435.83		17,435.83
I. Grūba	Member of the Audit Committee	16,373.38		16,373.38

* I. Golsts in office until 29 February 2024
** I. Boreiko in office from 26 January 2024

Linking the performance assessment of the members of the Management Board / Chief Officers to the climate objective

Criterion	Weight Of Criterion	Performance Assessment
TOTAL	**100%**	
Results of the operation of the capital company in the previous reporting year	30%	90-100% 80-89% 70-79% 60-69% 50-59% <50%
Execution of the medium-term operational strategy and the results of the capital company in accordance with the defined financial and non-financial goals	40%	Very good Good Satisfactory Unsatisfactory
Individual performance results	30%	

	Chairman of the Management Board / Chief Executive Officer	Member of the Management Board / Chief Operating Officer	Member of the Management Board / Chief Commercial Officer	Member of the Management Board / Chief Financial Officer	Member of the Management Board / Chief Development Officer
1. Business goals	**50%**	**60%**	**75%**	**60%**	**65%**
including linking to the climate goal:					
- growth of RES generation portfolio	×				×
- ensuring the stable, efficient, and economically viable operation of CHPPs in the long run (installation of flue gas economiser at CHPP-2)		×			
- increasing the value of HPP assets, guaranteeing their safe and efficient operation in the long run		×			
- Baltic charging network expanded to 800+ public charging points (cumulative) of various capacities					×
2. Sustainable development goals of the company	**40%**	**30%**	**10%**	**30%**	**20%**
including linking to the climate goal:					
- unified climate and data management introduced in the Group		×			
- implementing the actions of the Sustainability Strategy				×	
3. Self-development, competence development goals	**10%**	**10%**	**15%**	**10%**	**15%**

Dividend policy

The distribution of Latvenergo AS dividends is regulated by the laws of the Republic of Latvia:

- Law on the National Budget and Budgetary Framework
- Law on Governance of Capital Shares of a Public Person and Capital Companies and Regulations of the Cabinet of Ministers issued on the basis thereof

According to the Law on the State Budget for 2025 and Budgetary Framework for 2025, 2026 and 2027, the expected amount of dividends to be paid by Latvenergo AS for the use of state capital in 2025 (for the reporting year 2024) is 70% of the profit for the reporting year, but not less than EUR 183.9 million.

The actual amount payable by Latvenergo AS in dividends is determined by the Shareholder Meeting after the approval of the Annual Report, upon the evaluation of the results for the previous year.

Internal audit

The Internal Audit is an independent unit of Latvenergo AS and its objective is to evaluate and improve the effectiveness of the internal control, risk management and governance processes. The Internal Audit operates in accordance with the Global Internal Audit Standards. Compliance with these standards is assessed every five years by a qualified external assessor. The last external assessment was carried out in 2024, and the assessor confirmed that the Internal Audit is generally compliant with the standards.

The activities of the Internal Audit are supervised by the Audit Committee, which endorses the annual internal audit plan, which is then approved by the Supervisory Board of Latvenergo AS. The Internal Audit's reports on Latvenergo AS are submitted to the Audit Committee and its reports on the Group's subsidiaries are submitted to the Supervisory Board of the relevant company or the Shareholder Meeting. Once a year, based on the audit results and results of other inspections, an overall evaluation of the effectiveness of the internal control and risk management systems and recommendations for the improvement thereof are submitted to the Audit Committee and the Management Board and the Supervisory Board of the company of the Group.

Every year, the Internal Audit submits its activity report to the Supervisory Board, the Management Board and the Audit Committee of Latvenergo AS. It comprises information on the audits carried out, assessments of the areas reviewed, recommendations made, and quality assurance of the Internal Audit and its compliance with international standards.

External auditor

The external auditor audits the financial statements of Latvenergo AS and performs a limited assessment of the sustainability statement. The auditor is selected on the basis of the most economically advantageous tender for a period of three years, after the evaluation of the criteria approved by the Audit Committee, consisting of the price of the service and the qualifications of the personnel and the auditor involved in the audit team.

The commercial company Ernst & Young Baltic SIA has been appointed the annual report auditor of Latvenergo AS for 2024–2026.

Governance of subsidiaries

Latvenergo Group subsidiaries are governed through governance instruments such as the strategy, organisational structure organised around functional units, and policies.

- The supervisory authority of Sadales tīkls AS is its Supervisory Board, the members of which have been selected through a competition.
- The activities of the Management Board of Enerģijas publiskais tirgotājs SIA are supervised by its Shareholder Meeting, at which the interests of Latvenergo AS are represented by the Management Board of Latvenergo AS.
- The supervisory bodies of Elektrum Eesti OÜ and Elektrum Lietuva UAB, which operate outside the territory of Latvia, are their Supervisory Boards. Employees of Latvenergo AS who are responsible for the relevant areas of operation at Latvenergo AS are appointed to the Supervisory Boards of these subsidiaries.
- The activities of the Management Boards of Latvijas vēja parki SIA, Krāslavas SES SIA, Laflora energy SIA, Telšių vėjo parkas UAB (Lithuania), DSE Aizpute Solar SIA, and Elektrum Next SIA are supervised by their Shareholder Meetings, where a member of the Management Board of Latvenergo AS is authorised to represent the interests of Latvenergo AS.
- Supervisory functions at Liepājas enerģija SIA, where the equity share of Latvenergo AS is 51%, are carried out by its Supervisory Board; half of the Supervisory Board members are representatives of Latvenergo AS.

Changes in governance bodies of subsidiaries

- In June 2024, Andris Štāls resigned from the Management Board of Liepājas enerģija SIA, and Kaspars Frišfelds joined the Management Board.
- In May 2024, Baiba Zauere, a member of the Management Board of Latvijas vēja parki SIA, resigned from the Board.

In order to diversify the energy generation portfolio of the Group, increase the long-term value of the Group and reduce the long-term trading price of electricity, the strategy of Latvenergo Group is to increase the generation capacity of RES, including through asset mergers and acquisitions. In the reporting year, two wind power plant projects were acquired – Telšių vėjo parkas UAB (Lithuania) and Laflora Energy SIA – as well as a solar power project: DSE Aizpute Solar SIA. Jānis Urtāns was appointed as a member of the Management Board of Telšių vėjo parkas UAB, while Kaspars Novickis was appointed as a member of the Management Board of Laflora Energy SIA and DSE Aizpute Solar SIA. In 2024, the Group subsidiaries Skultes SES SIA, Bauskas SES SIA, Elejas SES SIA, Ķeguma SES SIA, Rūjienas SES SIA and SP enerģija SIA were reorganised and merged to form the new subsidiary Elektrum Next SIA, with Kaspars Novickis appointed as a member of the Management Board.

Supervisory Board of Latvenergo AS[22]

Aigars Laizāns

Chairman of the Supervisory Board

Term of office

10 June 2030

Committee membership

Member of the Human Resources Committee

Experience

2013–present: Latvia University of Life Sciences and Technologies, Professor and Lead Researcher

2016–2021: Latvijas Dzelzceļš VAS, Member of the Supervisory Board

1984–2013: Latvia University of Life Sciences and Technologies, Researcher and Professor

Education

LLU, Doctor of Sciences in Agricultural Engineering (2011)

RTU, Riga Business Institute, Master of Business Management (1996)

LLU, Master's Degree in Agricultural Engineering (1992)

Kaspars Rokens

Deputy Chairman of the Supervisory Board

10 June 2026

Chairman of the Human Resources Committee

2024–present: Latvijas pasts VAS, Chairman of the Supervisory Board

2023–present: Volburg SIA, Deputy Director

2020–2022: Velve SIA, Chairman of the Management Board and Chief Executive Officer

2017–2019: RB Rail AS, Member of the Management Board and Chief Operating Officer

2011–2016: Schneider Electric Latvia SIA, Member of the Management Board, Chief Executive Officer

1998–2010: Machinery Latvia SIA, Member of the Management Board, Chief Executive Officer

1994–1998: ABB Latvia, Production Director / Power Plant Department Manager

SSE Riga, Master of Business Administration (2007)

RTU, Master's Degree in Energy Supply Optimisation (1996)

KTH Royal Institute of Technology, Licentiate Degree in Combustion Processes (1996)

Toms Siliņš

Member of the Supervisory Board

10 June 2030

Member of the Human Resources Committee

Member of the Audit Committee

2020–present: Helvetica Green Investments AG, Director

2020–2023: Air Baltic Corporation AS, Member of the Supervisory Board

2018–2020: Remaco Asset Management AG, Group Chief Financial Officer and Investment Advisor, Member of the Executive Management

2013–2016: Sberbank (Switzerland) AG, Chief Financial Officer, Member of the Executive Board

2005–2012: Swedbank AB Group, Member of the Management Board, Member of the Supervisory Board, Chief Financial Officer in the Group's companies in Latvia, Estonia, Lithuania

1993–2002 and 2004–2005: Bank of Latvia, Analyst, Investment Portfolio Manager, Head of the Trading and Investment Division, Deputy Head of Foreign Exchange Operations Management

New York University, Leonard N. Stern School of Business, MBA (2004)

University of Latvia, Master of Social Sciences in Business Management (1999)

University of Latvia, Bachelor's Degree in Business Management (1996)

Gundars Ruža

Member of the Supervisory Board

10 June 2026

Member of the Human Resources Committee

Member of the Audit Committee

(2024–present) ASNS Ingredient, Chairman of the Supervisory Board

2020–present: LATRAPS, Cooperative Society of Agricultural Services, Member of the Management Board and Chief Financial Officer; LATMALT SIA, Chairman of the Management Board

2017: Moller Auto Baltic AS, Chief Executive Officer of the Group, Member of the Management Board in subsidiaries in Lithuania, Latvia and Estonia

2009–2016: Moller Auto Baltic AS, Chief Financial Officer of the Group, Member of the Management Board in subsidiaries in Lithuania, Latvia and Estonia

2006–2008: Moller Baltic Import SE and Moller Baltikum Holding, Chief Financial Officer

2002–2006: Ernst & Young Baltic SIA, Member of the Management Board, Head of the Business Outsourcing Department, Audit and Business Advisory Senior Manager

University of Latvia, Economist's Diploma in Accounting (2001)

University of Latvia, Master's Degree in International Law (2000)

University of Latvia, Bachelor's Degree in Law (1998)

Ivars Golsts

Chairman of the Supervisory Board (until 29 February 2024)

After the end of the reporting year, on 8 April 2025, **Rodžers Jānis Grigulis** was appointed as a Member of the Supervisory Board with a term of office of 8 April 2030.

22 ESRS 2 GOV-1 20 (a), 21 (c), G1 GOV-1 5 (b)

Management Board of Latvenergo AS[23]

Mārtiņš Čakste

Chairman of the Management Board and Chief Executive Officer

Term of office

2 January 2027

Experience

(2025 – present) Member of the LDDK Council

(2022–present) Member of the Board of Directors at Eurelectric

(2022–present) World Energy Council, Latvian National Committee, Vice-president

(2022 – present) Member of the RTU Council's Convent

(2022–present) Chairman of the Management Board, Chief Executive Officer at Latvenergo AS

(2017–2021) Pure Chocolate SIA, Co-owner, Chairman of the Management Board

(2008–2016) Melnā kafija/Lofbergs Baltija SIA, Member of the Management Board, Procurator, General Manager

(2008–2015) Chairman of the Management Board at Officeday Baltics, General Director at Officeday Latvija SIA, Chief Executive Officer for the Baltic States

Education

RTU, Doctor of Economics in Business/Managerial Economics (2007)

RTU, Master of Engineering Economics (1999)

RTU, Bachelor of Engineering Economics (1997)

Guntars Baļčūns

Member of the Management Board and Chief Financial Officer

Term of office

15 November 2025

Experience

(2016–present) Member of the Supervisory Board at Elektrum Eesti OÜ

(2016–present) Member of the Supervisory Board at Elektrum Lietuva UAB

(2016–2022) Member of the Supervisory Board at the Baltic Institute of Corporate Governance

(2015–present) Member of the Management Board at Latvenergo AS, Chief Financial Officer

(2020–2021) Chairman of the Management Board at Latvenergo AS

(2014–2015) Member of the Management Board at Enerģijas publiskais tirgotājs AS

(2005–2015) Business Planning and Control Director at Latvenergo AS, Project Manager of Corporate Strategy

Education

RTU Riga Business School, Master of Business Administration (2016)

University of Latvia, Master of Economics (2005)

SSE Riga, Bachelor of Economics and Business Administration (2003)

Ilvija Boreiko

Member of the Management Board and Chief Development Officer

Term of office

9 May 2029

Experience

(2024–present) Member of the Supervisory Board, Elektrum Eesti OÜ

(2024–present) Member of the Supervisory Board, Elektrum Lietuva UAB

(2024–present) Member of the Management Board and Chief Development Officer at Latvenergo AS

(2023–present) Member of the Board, LEEA

(2022–2023) Latvijas vēja parki SIA, Chairwoman of the Management Board

(2022–2023) Latvenergo AS, Wind and Solar Park Development Director

(2017–2021) Generation Projects Director at Latvenergo AS

(2010–2017) Maintenance Project Manager at Latvenergo AS

(2006–2010) Head of the Development and Maintenance Project Preparation Unit at Latvenergo AS

Education

RTU, Professional Master's Degree in Occupational Safety (2015)

University of Latvia, Master's Degree in International Law (2006)

RTU, Master's Degree in Management (2003)

Turība University, Higher Professional Qualification of Lawyer (2002)

RTU, Bachelor of Engineering Economics (2000)

Dmitrijs Juskovecs

Member of the Management Board and Chief Commercial Officer

Term of office

2 January 2027

Experience

(2022–present) Chairman of the Supervisory Board at Elektrum Eesti OÜ

(2022–present) Chairman of the Supervisory Board at Elektrum Lietuva UAB

(2022–present) Member of the Management Board of Latvenergo AS, Chief Commercial Officer

(2015–2020) Chairman of the Management Board of RePharm Group of Companies

(2013–2014) Elko grupa AS, Regional Director for CIS Countries

(2010–present) Lecturer at the Stockholm School of Economics in Riga

(2005–2008) Chief Executive Officer at Recipe Plus AS

(2000–2005) Magnum Medical SIA and A.Aptieka SIA, Chairman of the Management Board

Education

American Graduate School of International Management (Thunderbird, USA), Master of International Management (1997)

SSE Riga, Bachelor of Economics and Business (1996)

Harijs Teteris

Member of the Management Board and Chief Operating Officer

Term of office

2 January 2027

Experience

(2022–present) Member of the Management Board of Latvenergo AS, Chief Operating Officer

(2022–present) Member of the VGBE Board of Directors

(1993–2021) Member of the Management Board at Linde Gas SIA (production and logistics)

(1984–1991) Chief Engineer at Sigulda SCO (inter-collective farm construction organisation)

Education

RTU Riga Business School, Professional Master's Degree in Business and Organisation Management (2002)

RTU, Civil Engineer (1981)

23 ESRS 2 GOV-1 20 (a), 21 (c), G1 GOV-1 5 (b)

Audit Committee of Latvenergo AS[24]

Members of the Audit Committee
who are also members of the Supervisory Board of Latvenergo AS

	Svens Dinsdorfs	Torben Pedersen	Ilvija Grūba	Toms Siliņš	Gundars Ruža
	Chairman of the Audit Committee	Member of the Audit Committee	Member of the Audit Committee	Member of the Audit Committee	Member of the Audit Committee
Term of office					
	2 February 2027	2 February 2027	2 February 2027	2 February 2027	2 February 2027
Experience					
	2023–present: Latvenergo AS, Chairman of the Audit Committee 2017–present: INDEXO IPAS, Member of the Supervisory Board 2015–present: Elko Grupa AS, Director, Member of the Management Board 2012–2023: Latvenergo AS, Member of the Audit Committee 2006–2014: Elko Grupa AS, Finance Director, Member of the Management Board 2004–2006: Sirowa Riga AS, Finance Director 1998–2004: Air Baltic Corporation AS, Vice President of Strategic Development, Business Control Director	2023–present: Latvenergo AS, Member of the Audit Committee 2018–present: BDO Latvia AS, Member of the Council 2015–present: Electronic House UAB, Member of the Supervisory Board 2013–present: Vilnius International School, Shareholder Representative 2012–2023: Latvenergo AS, Chairman of the Audit Committee 2013–2014: Rus-Agro Team AS, Member of the Management Board 2012–2020: Baltic Engineers UAB, Chairman of the Management Board 2011–2016: Danish Chamber of Commerce in Lithuania, Member of the Supervisory Board 2001–2010: Deloitte, Partner 1994–2001: Arthur Andersen, Partner	2021–present: Latvenergo AS, Member of the Audit Committee 2022–present: AstraZeneca, Compliance Assurance Lead for Middle East and Africa 2019–2022: AstraZeneca, Compliance Assurance Lead for Europe, Canada, Russia and Eurasia 2016–2019: AstraZeneca, Compliance Assurance Partner for Germany, Switzerland, Austria, Scandinavia and the Baltic Countries and for the Production Unit in Sweden and Russia 2013–2015: AstraZeneca, Compliance Assurance Manager in the Baltic Countries, Iceland and Norway 2011–2012: AstraZeneca Latvija SIA, Compliance Assurance Manager in the Baltic Countries 2009–2011: PricewaterhouseCoopers Latvija, Risk Management, Internal Audit Services Manager	Information about experience and education is available in the section Supervisory Board of Latvenergo AS.	
Education					
	SSE Riga, Master of Finance and Economics (2003) SSE Riga, Bachelor of Economics and Business Administration (1998)	Aarhus School of Business, Master of Economics and Auditing (1974) Chartered Accountant Qualification (Denmark)	Institute of Internal Auditors (USA), Certified Internal Auditor (2008) University of Latvia, Economist's Qualification in Accounting (2003) University of Latvia, Master of Social Sciences in Business Management (2000)		

24 ESRS 2 GOV-1 20 (a), 21 (c), G1 GOV-1 5 (b)

Group Management

Latvenergo Group's management model is based on corporate governance best practice. To ensure effective Group governance, decision-making and the achievement of goals, strategic and operational management are separate.

The Group's strategic management is implemented by the Management Board, whose accountability is joint according to the Commercial Law of the Republic of Latvia, and operational management is ensured by Chief Officers, whose accountability is individual. The main duty of the Management Board is to lead the Group to reach the objectives set in the strategy. At a minimum, the Management Board reports to the Supervisory Board on a quarterly basis and to the Shareholder on an annual basis. Chief Officers ensure the operational management of Latvenergo AS, including the achievement of goals and policy implementation; they also ensure their division's cooperation with the functions of other divisions and the adoption of decisions in compliance with the Group's strategy and delegation. The divisions have been established in accordance with the strategic goals of the Group.

Considering their previous experience and knowledge of the Group's operations, the duties of Chief Officers are performed by the Members of the Management Board of Latvenergo AS.

At the time of the report's publication, the duties of the Chief Officers are divided as follows:

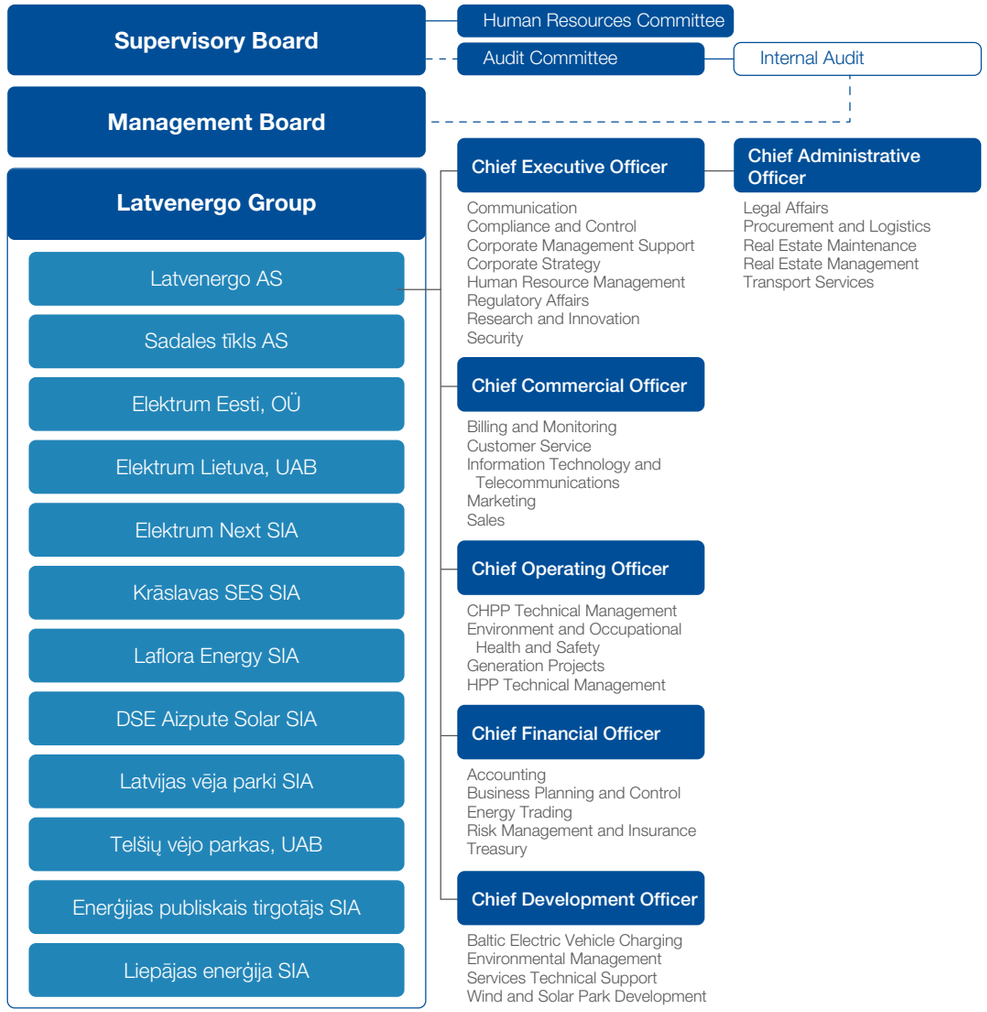
- Mārtiņš Čakste – Chief Executive Officer (CEO)
- Guntars Baļčūns – Chief Financial Officer (CFO)
- Ilvija Boreiko – Chief Development Officer (CDO)
- Dmitrijs Juskovecs – Chief Commercial Officer (CCO)
- Harijs Teteris – Chief Operating Officer (COO)

A certain group of administrative functions is supervised by the Chief Administrative Officer (CAO) Arnis Kurgs, who is not a Member of the Management Board.

Changes in the organisational structure

In November 2024, Elektrum Next SIA commenced its work to focus activities and resources within Latvenergo Group on the development of new green energy projects and electricity generation from renewable energy sources. *Elektrum Next* will consolidate the RES projects implemented by Latvenergo Group in recent years.

Organisational structure of Latvenergo Group (1 January 2025)



Internal Control System and Risk Management[25]

Internal control system

To ensure the achievement of Latvenergo Group's strategic goals, and to successfully control its operations, an internal control system is in operation within the Group. The Internal Control Integrated Framework guidelines of the COSO (Committee of Sponsoring Organisations of the Treadway Commission) have been taken into account in the design and continuous improvement of the system. The three key objectives of the internal control system are effectiveness of operations, credibility of the information disclosed and compliance with external legislation.

Effectiveness of operations

The operational effectiveness of Latvenergo Group is achieved and regularly improved by setting targets at the level of the Group, as well as each company and business unit level. Targets are interlinked and cascade down from Group level to unit level and, in some cases, to the individual employee level. The progress reached is measured and evaluated at least quarterly, and Oracle Business Intelligence and Microsoft Power BI data analysis and reporting tools are used for daily monitoring.

Credibility of the information disclosed

Reporting includes both internal and external reports on financial and non-financial operations. The accuracy and completeness of internal information is ensured by building integrated information systems that reduce the impact of human error. Meanwhile, external information is primarily based on accurate and complete internal information, which is reviewed and approved by the responsible unit before dissemination. A responsible officer is identified for key external reports, and regular training on the requirements for external reporting is provided to the staff involved.

Compliance

The Group operates in compliance with laws and other external regulations. The Group is subject to extensive external regulation, and processes for the monitoring of regulatory developments in areas of key importance to the Group have been introduced. A responsible unit or staff member is identified for key regulatory areas, and the staff involved are regularly informed about changes in external requirements.

To achieve these objectives of the internal control system, the following elements of the system are continuously improved at the level of the Group, companies and business units: control environment, risk assessment, control measures, information and communication, monitoring.

Control environment

The management of the Group promotes business activities that are in line with the principles of good faith and comply with ethical standards. It also implements actions to prevent the risk of fraudulent conduct and corruption and to improve the control environment. Responsible persons for the establishment and implementation of control measures are appointed at all organisational levels. The management of the Group actively communicates its values to employees and sets a good example through its actions. Employees receive training on a regular basis, thus promoting a common understanding of the elements of the internal control environment. The Internal Audit annually provides a comprehensive evaluation of the effectiveness of the internal control and risk management system as well as recommendations for its improvement.

Risk assessment

The Group continuously improves its risk management process to adapt to the changing business environment and market developments. Risk assessment is integrated into all governance processes of the company.

Control measures

Integrated control measures have been introduced and are continuously being improved at the Group: policies, departmental regulations, assignment of duties and responsibilities, etc. Their role is to promote the implementation of the strategy and the achievement of its objectives by ensuring ethical, productive and efficient operations.

Information and communication

Integrated information systems are being built and data quality is being monitored to ensure that the information provided by the Group is accurate and complete. The financial information of the Group is prepared in accordance with the International Financial Reporting Standards, and financial statements of the Group are audited by an international audit company with relevant experience in the energy sector.

The management of the Group regularly informs employees of long-term and short-term plans and performance, including by organising online meetings with employees every quarter to discuss current employee issues. The main internal communication channels are the intranet *LEports*, the employee magazine *Latvenergo Vēstis*, and internal record-keeping systems and work meetings. Employees' opinions are collected in internal surveys and development interviews.

Monitoring

The Group's management is responsible for the regular assessment and improvement of the control system, while the management's performance is monitored by the Supervisory Board and the Audit Committee. The Internal Audit examines the functioning of the control system and evaluates the effectiveness thereof. All of these supervisory institutions are independent in their operations. Latvenergo AS performs an annual self-assessment of the internal control system, which enables a structured assessment of the functioning of the elements of the existing system, identification of deficiencies, and determining further actions for the improvement of the system. This self-assessment is part of a regular system for the evaluation and improvement of controls.

25 ESRS 2 IRO-1 53 (d), (e), (f)

Supervisory institutions

	External Auditor	Supervisory Board	Audit Committee	Human Resources Committee	Internal Audit
Objective	To express an opinion on whether the financial statements of the Group provide a true and fair view in accordance with the IFRS and whether the sustainability statement has been drawn up in accordance with the requirements of the Sustainability Information Disclosure Law, including the requirements of Delegated Regulation (EU) 2023/2772 of the European Parliament and of the Council as regards sustainability reporting standards (ESRS)	To represent the interests of the Shareholder in the interim period between the Shareholder Meetings and to supervise the operations of the Management Board	To supervise the drafting of the financial reports and sustainability statements of the Group, as well as the operation of internal control systems, thus promoting the transparency of company operations	To ensure the supervisory functions of the Supervisory Board in the area of human resource management	To evaluate and improve the effectiveness of internal control, risk management and governance processes
Monitoring scope and tasks	✓ Auditing financial reports and checking the sustainability statement ✓ Evaluation of accounting principles and justification of major management accounting estimates as part of auditing financial reports	✓ Supervision of Management Board operations ✓ Approval of the medium-term operational strategy and the current year's budget and monitoring their implementation ✓ Evaluation of the Audit Committee's work ✓ Supervision of the Company's compliance with legislation, the Articles of Association and the decisions adopted by the Shareholder Meeting	✓ Monitoring the preparation of financial reports and sustainability statements ✓ Supervision of the effectiveness of the internal control system and risk management ✓ Supervision of the activities of the Internal Audit and the external auditor as well as the implementation of the Fraud Risk Management Plan ✓ Ensuring the selection process of the external auditor	✓ Ensuring the selection of the Management Board, the Audit Committee and the Internal Audit Director ✓ Evaluation of the remuneration, performance and combining of positions of the Management Board and the Internal Audit Director	✓ Evaluation of the effectiveness of internal control, risk management and governance processes, providing recommendations and supervising their implementation
Reporting[26]	Once a year, following the finalisation of the consolidated financial statements, the external auditor reports to the Shareholder Meeting.	At least once a year, the Supervisory Board reports to the Shareholder Meeting.	At least once a year, the Audit Committee reports on its activities and performance to the Supervisory Board.	The Human Resources Committee reports on its activities and performance to the Supervisory Board.	Every quarter, the Internal Audit reports to the Audit Committee on the audits performed and the implementation of audit recommendations.

26 ESRS 2 GOV-5 36 (e)

Risk management

The objective of the Group's risk management is to identify significant risks in a timely manner and manage them to ensure the achievement of the strategic goals and minimise potential losses or harm to its reputation. Risk management is integrated into strategy development and implementation as well as operational activities. The Risk Management Policy of the Group sets out both the basic principles of risk management and the responsibilities of employees and management involved in the risk management process. In accordance with the Risk Management Policy of the Group, the Management Boards of Group companies are responsible for managing the risks of Group companies. The Management Board of Latvenergo AS reports on the risk management of the Group to the Supervisory Board of Latvenergo AS, which is responsible for overseeing the operations of the Group's risk management system, at least once per year.

Significant risks are analysed in internal working groups and in the Risk Management Committee of the Group, which is a specially established institution on the level of the Management Board. Within the analysis, the probability and impact of a risk is evaluated, critical controls are identified, risk mitigation measures are developed, and the implementation of these control measures is supervised. Any risks identified are conveyed to the internal audit system, thus allowing the risk assessment to be used for planning the activities of the Internal Audit. Every month, the Supervisory Board of Latvenergo AS receives information on the risk appetite of the Group, key risk indicators and material incidents.

In 2024, the Risk Management Rules were updated to include a methodology for identifying sustainability risks – environmental, social and governance – and the risk register system was modified to enable the selection of sustainability risks[27]. Further development of sustainability opportunities management was continued during the reporting year; assessment of the Group's sustainability opportunities was performed by linking them to sustainability risks and objectives.[28]

During the reporting year, an assessment of physical risks from climate change was made in accordance with the principles of the TCFD guidelines and the environmental risk assessment methodology. Projected changes in weather patterns are assessed which could cause potentially greater negative consequences.

In 2025, the Group plans to further improve the management of sustainability risks and opportunities at its subsidiaries.

27 ESRS 2 IRO-1 53 (c) iii
28 ESRS 2 GOV-1 22 (c) iii

Group's risks

Strategic risks	Operational risks	Financial risks	Legal and compliance risks	Fraud and corruption risks	Sustainability risks
Risks related to the implementation of strategically important capital expenditure projects, the introduction of new, innovative technologies, and expanding into new market and business areas.	Risks related to energy generation and ensuring the functionality of power plants and energy distribution. They are also associated with loss of assets, human health and safety, information technologies, environmental impact and other issues. These risks arise from imperfect or insufficiently effective processes and systems, employee errors or insufficient competence, and damage to equipment or external events.	Market risk, credit risks, liquidity and cash flow risk.	Risks arising from laws and regulations of the EU and the Republic of Latvia.	Likelihood that an employee or a group of employees acts intentionally to serve their own interests or interests of a third person, gaining undue benefits and causing financial or reputational damage to the Group.	Risks related to environmental, social and governance aspects.
Main risk management tools					
• monitoring change and development trends in the energy sector and the political environment, participating in developments that affect the operational aspects of the Group • evaluation and implementation of necessary changes in the Group	• internal regulatory enactments, maintenance of the control system and its continuous improvement • regular monitoring and repair of equipment • ensuring the qualifications of personnel at the necessary level (briefings, training, knowledge checks) • use of insurance services	• fixed-price delivery contracts with customers • derivative financial instruments • delivery of natural gas for a fixed price • balanced allocation of financial assets and instruments • raising of funding (incl. credit lines) in a timely manner	• monitoring changes and development trends in the legal environment that apply to the operations of the Group • participation in the development and upgrade process of new regulatory documents and the implementation of necessary changes at the Group	• ban on accepting and offering gifts (except for items of insignificant material value) • restrictions on combining posts (combining posts requires the written consent of the employer and must not create conflict of interest situations) • ban on conflicts of interest (conflict of interest declarations, employee declaration on averting conflicts of interest) • regular employee training on issues of ethics, prevention of conflicts of interest, and prevention of fraud and corruption	• civil protection, emergency situation management and accident risk mitigation plans • integrating climate change-related risks into enterprise risk management processes • promotion of an innovation-driven company culture • monitoring changes and trends in environmental, social and governance aspects related to the Group's operations • clear communication on environmental, social and governance aspects of the company, their relevance, development and progress

Generation and Trade

Generation

Latvenergo Group has a balanced and environmentally friendly energy generation portfolio, consisting mostly of hydropower plants and highly efficient combined heat and power plants. Most of the electricity is generated by the three Daugava hydropower plants and two combined heat and power plants of Latvenergo AS. The CHPPs also produce a significant part of the thermal energy required for the heat supply of the city of Riga. Energy is also produced by Liepājas enerģija SIA, Aiviekste HPP and Ainaži WPP, as well as 122 MW of new solar and wind generation capacity were launched in the Baltic states in 2024. Meanwhile, projects with a total capacity of 878 MW are under development, and their gradual commissioning is planned for 2025–2026. The total installed electrical capacity at the generation facilities of the Group is 2,728 MW and the thermal capacity is 1,800 MW. In 2024, 4.8 TWh of electricity and 1.7 TWh of thermal energy were generated. The ratio of renewable electricity reached 66% in the generation portfolio of the Group in 2024.

Installed electrical capacity of generation facilities

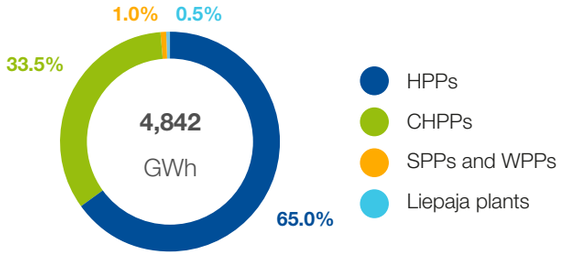
	Units	2020	2021	2022	2023	2024
HPPs	MW	1,559	1,560	1,560	1,560	1,560
CHPPs*	MW	1,039	1,039	1,039	1,039	1,039
SPPs and WPPs	MW	1	1	1	1	123
Liepaja plants	MW	6	6	6	6	6
TOTAL	**MW**	**2,605**	**2,606**	**2,606**	**2,606**	**2,728**

* installed capacity when CHPP-2 is in condensation mode

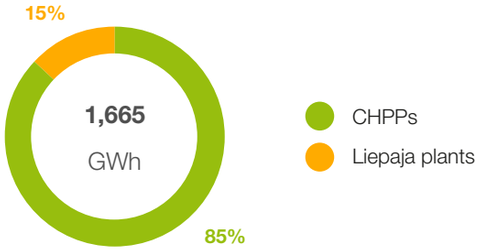
Installed thermal energy capacity of generation facilities

	Units	2020	2021	2022	2023	2024
CHPPs	MW	1,617	1,617	1,617	1,617	1,617
Liepaja plants	MW	221	180	176	180	183
TOTAL	**MW**	**1,838**	**1,797**	**1,793**	**1,797**	**1,800**

Electricity output in 2024



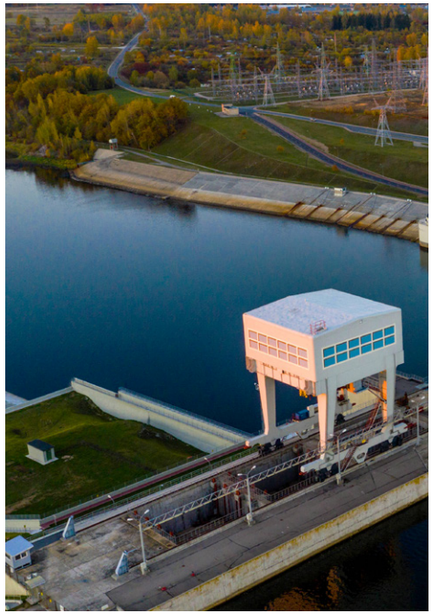
Thermal energy output in 2024



Kegums HPP

Start of operations: 1939
Capacity: 248 MW
Hydropower units: 7
Energy source: water

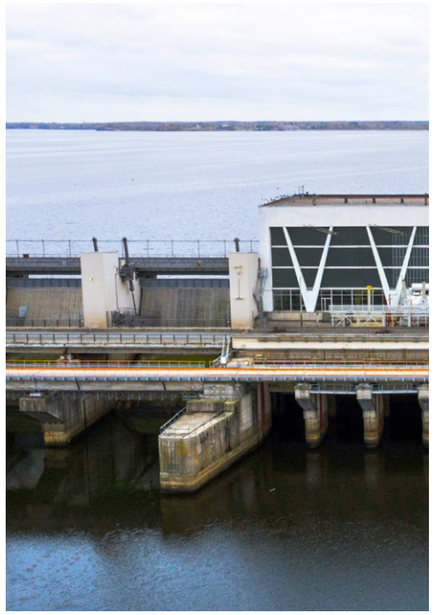
Kegums HPP is the oldest hydropower plant on the Daugava River. It consists of two separate power plants built at different times on the right and on the left bank of the Daugava River.



Plavinas HPP

Start of operations:1965
Capacity: 908 MW
Hydropower units: 10
Energy source: water

In terms of installed capacity, Plavinas HPP is the largest hydropower plant in the Baltic states and one of the largest in the European Union. It plays an important role in ensuring the stability of the Baltic power system in the event of unplanned outages or accidents at baseload power plants. Plavinas HPP also serves as a synchronous compensator for voltage regulation in high-voltage power grids.



Riga HPP

Start of operations:1974
Capacity: 402 MW
Hydropower units: 6
Energy source: water

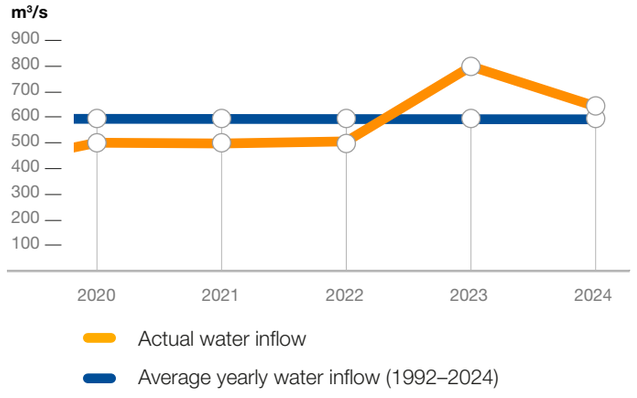
Riga HPP is the newest of the Daugava hydro power plants. It also serves as a synchronous compensator for voltage regulation in high-voltage power grids. The reconstruction of the hydropower units of Riga HPP was fully completed in 2022.

Daugava HPPs

The Daugava HPPs are the largest hydropower plants in the country and provide a high share of renewable energy not only in the Group, but also in Latvia as a whole. Their ability to generate electricity depends on the water inflow in the Daugava River. During the spring flooding, it is possible to cover the demand for electricity of all Latvenergo Group's customers and trade the excess on the Nord Pool exchange. Outside the flood season, the Daugava HPPs can accumulate water in short term and adjust generation of electricity when the demand and prices on the exchange are higher.

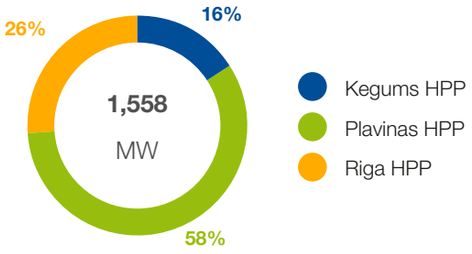
Although electricity generation at the Daugava HPPs decreased by 16% in the reporting year compared to 2023 due to lower water inflow in the Daugava River, it was 10% higher than the long-term average output, reaching 3.1 TWh, which accounts for 65% of the total amount of electricity generated by the Group.

Water inflow in the Daugava River

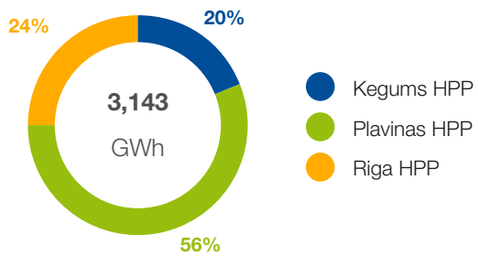


(Source: Latvian Environment, Geology and Meteorology Centre)

Installed electrical capacity at Daugava HPPs in 2024



Electricity output at Daugava HPPs in 2024



Investments in Daugava HPPs

In the reporting year, EUR 18.7 million was invested in the assets of the Daugava HPPs, of which EUR 7.3 million was invested in the reconstruction programme of the hydropower units, which will ensure their operation for more than 40 years. Within the framework of the programme, eight hydropower units have been commissioned by the end of 2024. Activities for reconstruction of the remaining three hydropower units were carried out.

Replacement of outdated hydro turbines increases the capacity and efficiency of the Daugava HPPs and reduces the specific water consumption per 1 kWh. This contributes to the safe, efficient and competitive operation of the Daugava HPPs within the overall energy system and in the electricity market. More efficient use of water resources also mitigates the negative impact of the Group on climate change.

Installed electrical capacity at Daugava HPPs

	Units	2020	2021	2022	2023	2024
Kegums HPP	MW	248	248	248	248	248
Plavinas HPP	MW	908	908	908	908	908
Riga HPP	MW	402	402	402	402	402
TOTAL	**MW**	**1,558**	**1,558**	**1,558**	**1,558**	**1,558**

Electricity output at Daugava HPPs

	Units	2020	2021	2022	2023	2024
Kegums HPP	GWh	493	512	522	715	619
Plavinas HPP	GWh	1,420	1,474	1,487	2,098	1,754
Riga HPP	GWh	615	650	661	912	769
TOTAL	**GWh**	**2,528**	**2,636**	**2,670**	**3,725**	**3,143**

CHPP-1

Start of operations: 1955
Electrical capacity: 158 MW

Thermal capacity: 493 MW
Energy source: natural gas

In 2005, a completely new plant was commissioned in the territory of the CHPP-1, and the old plant was closed down. The plant operates two gas turbines, one steam turbine and three water heating boilers.

CHPP-2

Start of operations: 1973
Electrical capacity:
832 MW (in cogeneration mode);
881 MW (in condensation mode)
Thermal capacity: 1,124 MW
Energy source: natural gas

Reconstruction of two power units was carried out from 2006 to 2013. Currently, this plant operates two combined-cycle gas turbine units and five water heating boilers. The CHPP-2 has the largest heat storage system in the Baltics.

Latvenergo AS CHPPs

The upgraded CHPPs of Latvenergo AS are mostly operated in the highly efficient cogeneration mode in accordance with the thermal energy demand, which in turn depends on weather conditions, the duration of the heating season and competition in the thermal energy market. The operation of these plants can be flexibly adjusted to the electricity market conditions and guarantees a significant baseload electricity capacity for Latvia. Both combined heat and power plants can cover Latvian electricity consumption almost completely in circumstances where, due to certain factors, electricity imports from foreign countries are limited.

As natural gas prices gradually normalize, the CHPPs of Latvenergo AS are becoming increasingly competitive and more in demand in the market. In the reporting year, the CHPP electricity generation increased by 18%, with 1.6 TWh produced, representing 34% of the total electricity production of the Group. The thermal energy output of the CHPPs in 2024 was 1.4 TWh, which is equivalent to the output in the previous year. The heat produced is sold at regulated tariffs to Rīgas siltums AS, as well as to the local external heat users of CHPP-2.

Electricity output at CHPPs

	Units	2020	2021	2022	2023	2024
CHPP-1	GWh	364	310	111	198	281
CHPP-2	GWh	1,321	1,544	1,012	1,187	1,352
TOTAL	**GWh**	**1,685**	**1,854**	**1,123**	**1,385**	**1,633**

Thermal energy output at CHPPs

	Units	2020	2021	2022	2023	2024
CHPP-1	GWh	729	757	650	528	569
CHPP-2	GWh	746	1,043	881	929	854
TOTAL	**GWh**	**1,475**	**1,800**	**1,531**	**1,457**	**1,423**

Liepājas enerģija SIA and Small Plants

Liepaja plants

Liepājas enerģija SIA was founded in 2005.
Electrical capacity: 6 MW
Thermal capacity: 183 MW
Energy source: woodchips, natural gas

Latvenergo AS holds a 51% share in Liepājas enerģija SIA. The company ensures the generation, transmission, distribution, and trade of thermal energy in the city of Liepaja as well as the generation of electricity in cogeneration mode. The primary fuel for energy generation is wood chips, which account for 88% of the fuel balance of 2024.

In the reporting year, the Liepaja plants generated 241.5 GWh of thermal energy and 17.4 GWh of electricity. Contracts have been concluded for the connection of 19 new objects to the district heating networks with a total planned capacity of 2.5 MW. The total number of sites at the end of the reporting year is approximately 1,200, with a total capacity of around 300 MW.

In 2024, 2 km of heating pipeline was constructed and the newest 4 MW woodchip boiler plant in Liepaja was launched.

Ainazi WPP

Start of operations: 1995
Electrical capacity: 1 MW
Energy source: wind

In 2024, the reconstruction of the Ainazi WPP was carried out, which was completed in February 2025. As part of this project, two wind turbines with a total installed capacity of 1.2 MW were renewed. In 2024, 1 GWh of electricity were generated at Ainazi WPP.

Aiviekste HPP

Rebuilt: 2021
Electrical capacity: 1.5 MW
Energy source: water

Aiviekste HPP was the first hydropower plant in Latvia; it started generating electricity in 1925. In 2021, a major reconstruction of the hydropower plant was completed, and the plant's capacity increased from 0.8 MW to 1.5 MW. The connection of the Aiviekste HPP to the electricity grid was also rebuilt.

In 2024, 4.7 GWh of electricity were generated at Aiviekste HPP.

Development of new wind and solar parks

Latvenergo Group is actively continuing its work on expanding generation capacity from renewable energy sources, which will contribute to achieving national climate goals and strengthening energy security. The focus is on the development of WPPs and SPPs.

By the end of 2024, the new RES capacity of Latvenergo Group in the Baltic states reached 122 MW (102.2 MW SPPs and 19.6 MW WPPs). Projects with a total capacity of 878 MW are under development, including 587 MW in SPPs and 291 MW in WPPs projects. Gradual commissioning of the solar and wind parks is expected in 2025–2026. An additional 30 MW of SPPs have been built, sold and leased to the customers of Elektrum Lietuva UAB. The total portfolio of commissioned RES (wind and solar) projects is expected to exceed 1 GW in 2026. In order to increase the RES generation portfolio, the companies of the Group are developing their own WPP and SPP projects, as well as considering acquisitions.

The 1,000 MW projects developed within the strategy will generate a total of around 1.8 TWh annually, which is sufficient to provide electricity to over 850 thousand households.

SPPs

In the reporting year, 10 solar parks with a total installed capacity of 73.6 MW were commissioned in Latvia, generating a total of 21 GWh of electricity. The largest parks commissioned in Latvia are SPP Birži with 11.7 MW and SPP Jaunciems with 13.4 MW.

In Lithuania, two more solar parks with a total capacity of 16.9 MW – SPP Gargždai with 13 MW and SPP Klevečkine with 3.9 MW – began operations in 2024. As a result, the total number of generating SPPs in Lithuania increased to 7, with the total capacity reaching 33.5 MW. Of this, 29.6 MW is sold or leased to the customers of Elektrum Lietuva UAB, while solar parks with an installed capacity of 3.9 MW generate electricity for Latvenergo's needs, for further supply to its customers.

In Estonia, two more solar parks with a total capacity of 24.4 MW – SPP Luganuse with 7 MW and SPP Kuusalu with 17.4 MW – began operations in 2024. These parks supplement the 0.3 MW capacity that was added to the portfolio in 2022. In 2024, solar parks in Estonia generated a total of 14.2 GWh of electricity.

At the end of 2024, Latvenergo Group had a total of 14 solar parks with an installed capacity of 102.2 MW, which generated 43 GWh of electricity in 2024. At the end of 2024, there are 4 solar parks under construction in Latvia with a total installed capacity of 302.4 MW, including a 265 MW solar park in South Kurzeme; Latvenergo AS acquired 100% of the shares in DSE Aizpute Solar SIA to build a solar park with a total investment of up to EUR 135 million by the end of 2025. There are 7 solar parks under construction in Lithuania with a total capacity of 284.2 MW.

WPPs

At the end of 2023, Latvenergo AS, together with the consultant PricewaterhouseCoopers Ltd, carried out an assessment process of domestic wind project developers and wind projects developed by them. As a result of the assessment, a number of merchants with a high degree of development of wind projects in their portfolios were approached, and Latvenergo AS acquired two WPP projects in 2024. One of them is the 124 MW Telšiai wind farm in Lithuania, acquired in May, which will allow wind power generation to begin as early as in 2026. The provisional construction costs of the Telšiai wind farm are estimated at approximately EUR 200 million. Meanwhile, in September 2024, Latvenergo AS acquired 100% of shares of Laflora Energy SIA in order to build a wind power plant with a total capacity of 109 MW in Kaigu Bog, Līvbērze Rural Territory, and commence electricity generation in 2026. The provisional construction costs of the wind farm are estimated at EUR 185 million. At the end of 2024, the construction of the access roads and assembly areas was completed at the Telšiai wind farm, while the construction of the wind turbine foundations and electricity connection is ongoing. Meanwhile, at the Laflora Energy SIA wind farm, the construction work is actively underway, including the construction of internal roads, assembly areas, and testing of turbine foundation piles.

The development of strategic onshore WPPs by Latvijas vēja parki SIA, which aims to develop new strategic onshore WPPs with a total capacity of at least 800 MW, is continuing in Latvia. In 2024, the environmental assessment programmes for the Limbaži wind farm with a projected capacity of 56 MW and Valmiera-Valka wind farm, with a projected capacity of 236 MW, owned by Latvijas vēja parki SIA, were finalised, and the public consultation on the environmental impact assessment (EIA) reports was initiated. Biodiversity studies and the development of EIA reports are in progress at other farms. The projects are implemented in accordance with market principles, without the involvement of any state financial support mechanisms.

An initial EIA for the Preiļi wind farm developed by Latvenergo AS with a projected capacity of 56 MW was submitted to the State Environmental Service for the purpose of receiving a permit.

In 2024, a wind turbine reconstruction project was carried out in Ainaži, which was completed in February 2025. As part of this project, two Ainaži wind farm turbines with a total installed capacity of 1.2 MW were refurbished.

The development of a 10 MW wind farm is continuing in Priekule, where the electricity distribution connection for the hybrid power plant (WPP, BESS and SPP) has been completed, and a solar park with a capacity of 8.4 MW was commissioned in 2024. At the end of 2024, the procurement procedure for the supply of wind turbines for the Priekule WPP is in progress.

A wind farm of Latvenergo Group with a capacity of 19.6 MW began generating electricity in Akmenė District, Lithuania, in 2024. In 2024, the Latvenergo Group's participation in the companies developing the above wind farm is 50%, while upon the commissioning of the park in 2025, the Latvenergo Group's participation will be increased to 100%. In Lithuania, two more hybrid power plants are under design – Panevežys WPP (20.4 MW) with an additional 16 MWh of BESS capacity and Kupišķis WPP (27.2 MW) with an additional 6 MW SPP generation capacity and 9.6 MWh of BESS capacity. For more information on the development of wind farms and wind energy use, visit the Latvenergo website.

Principles for developing WPPs

Working and contributing to Latvia
We are a state-owned company, and the implementation of the projects benefits all of society.

Respecting the environment
We work alongside environmental organisations and comply with recommendations and applicable environmental requirements.

Being socially responsible
We anticipate financial benefits for municipalities and are already involving local communities in the planning stages.

Choosing suitable solutions
When selecting technologies, we choose solutions that are suitable for the environment and society.

Trade

Latvenergo Group is one of the largest electricity traders in the Baltic states; it offers electricity and natural gas, as well as an extensive range of related products and services under the *Elektrum* brand.

Electricity

At the end of 2024, Latvenergo Group had about 896 thousand customers in the Baltic states, including more than 284 thousand customers outside Latvia. The total number of electricity customers increased by 6%, mainly due to the growth in the Lithuanian household market of, as well as the overall increase in customer numbers in Estonia.

Of the total number of electricity customers, 96% are household customers and 4% are business customers[29].

The market share of Latvenergo Group in the electricity market of the Baltic states, characterised by a total consumption of 27.5 TWh in 2024, was 22%. In 2024, sales to retail customers in the Baltic states reached 6.1 TWh, which is approximately the same as the previous year.

Natural gas

In 2024, retail sales of natural gas in the Baltic states increased by 33% to 1.2 TWh. The increase in sales is due to an increase in the number of customers across the Baltic states.

The number of natural gas customers in the Baltic states at the end of 2024 exceeded 65 thousand, which is 33% more than in the previous year. Of the total number of natural gas customers, 96% are household customers and 4% are business customers[28].

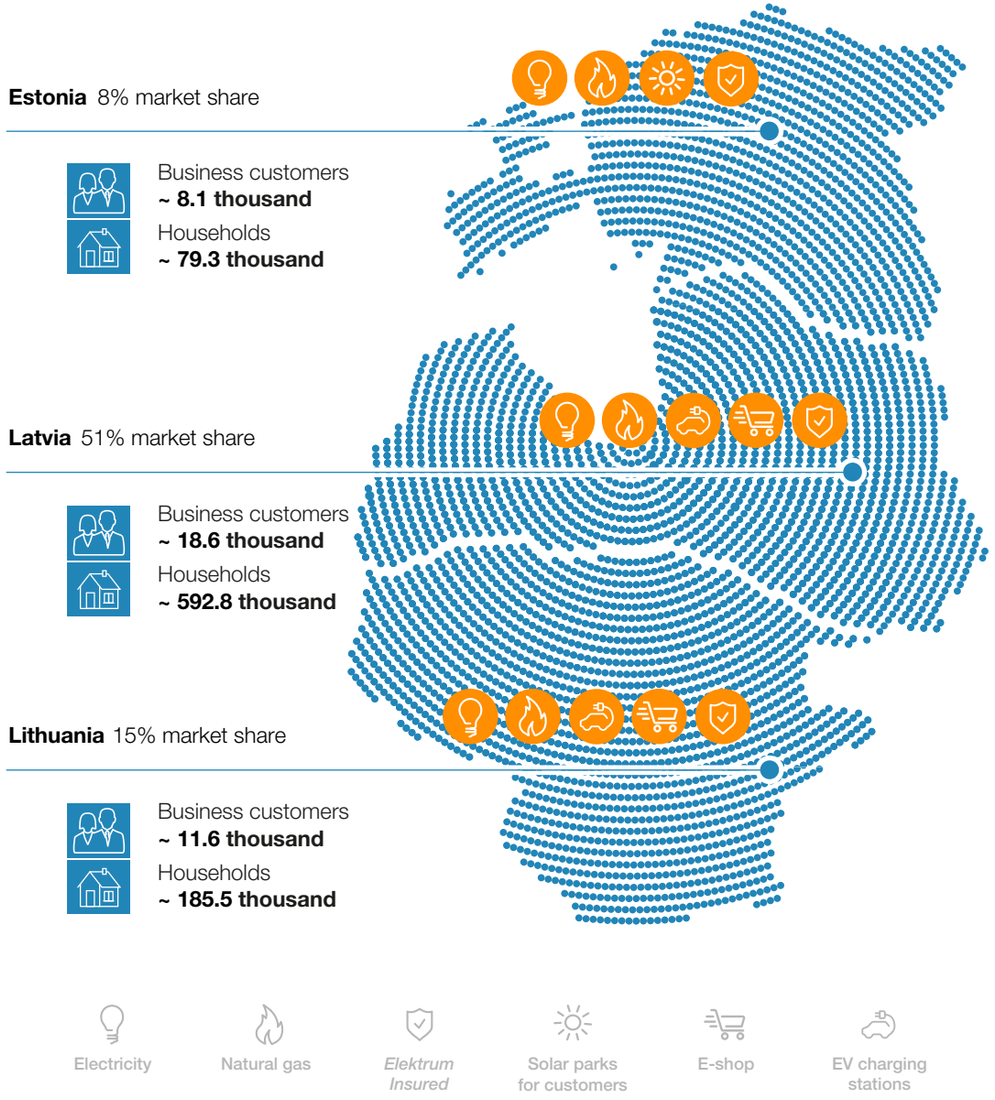
The number of natural gas households in Latvia exceeded 62 thousand at the end of 2024, securing a 20% market share.

New products[30]

In 2024, the *Security and Comfort* product group was created, which includes insurance products in the Baltic states, as well as a service product line in Latvia that offers various subscription services – chimney cleaning, gas boiler maintenance.

The *Elektrum Insured* customer portfolio in the Baltic states exceeded 145 thousand customers.

***Elektrum* in the Baltic electricity market**



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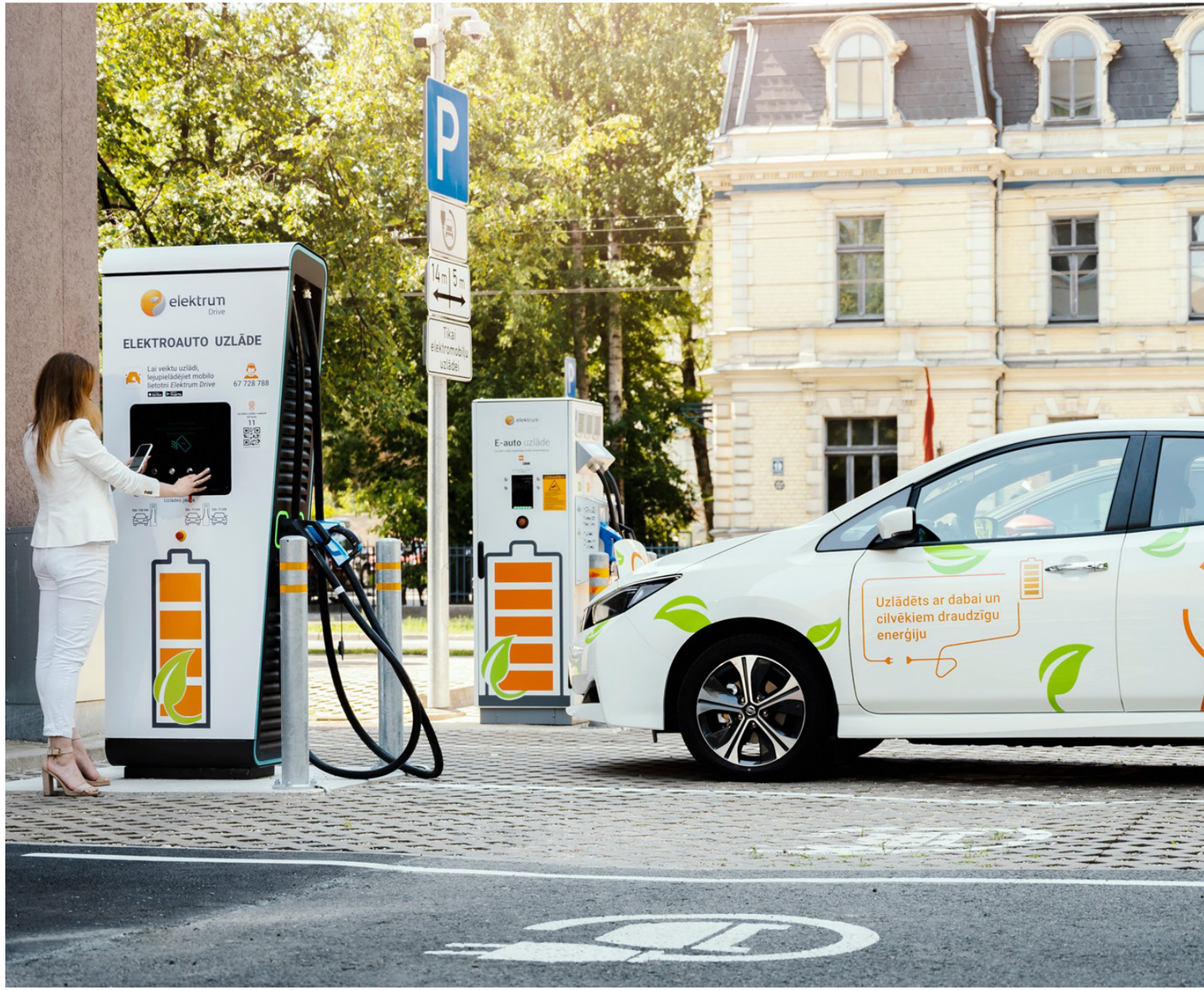
Development of the charging network for electric cars

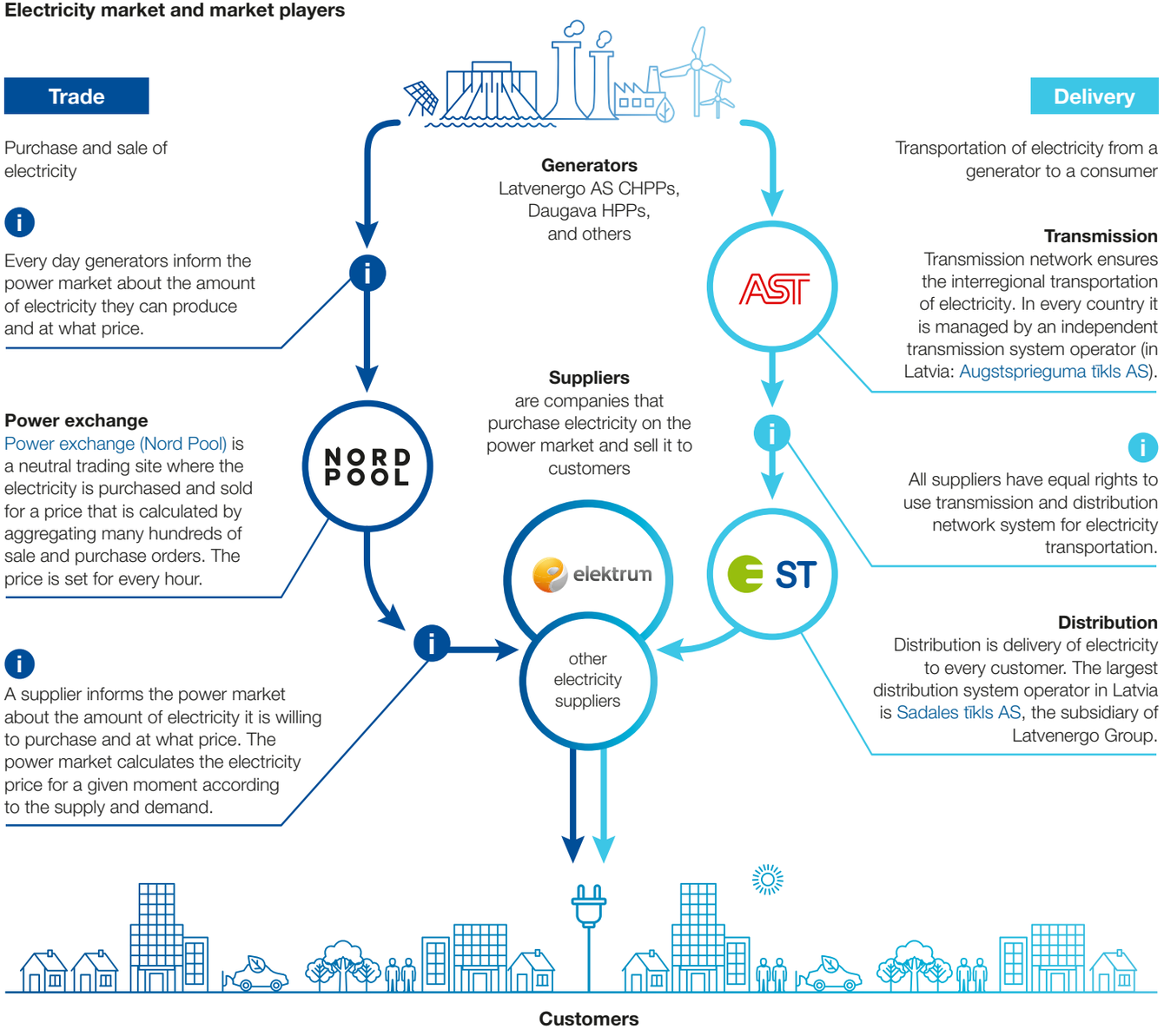
In 2024, the *Elektrum Drive* charging network continued to expand in the Baltic states, ending the year with more than 750 charging ports. More than 115 thousand charges were performed during the reporting year, comprising 2,500 MWh, ensuring savings of more than 1,500 tonnes of CO_2 emissions. The *Elektrum Drive* app can also be used to charge vehicles on the e-mobi network in Latvia and at LIDL charging stations in Lithuania and Estonia, with a total of 974 charging ports available to customers across the Baltic states. By the end of 2025, it is planned to have at least 1,200 charging ports in the Baltics, providing one of the widest charging network coverages in the region.

In the reporting year, the first five 300 kW high-power charging stations were opened in Latvia – in Mārupe, Pūre, Jūrmala, Liepāja, and Koknese, with European Union co-financing. At the same time, design and construction work was underway for an additional 30 sites across Latvia. The high-power charging network is being developed along the main national roads, forming the foundation of the *Elektrum Drive* network and ensuring convenient travel across the region. By the end of 2025, a total of 35 high-power charging stations are planned to be established in Latvia, with EUR 5.25 million of European Union co-financing.

Elektrum Drive is also committed to public education, offering free expert consultations, organizing events and seminars, producing publications, and distributing informative materials on electric vehicles and their charging. The *Elektrum Drive* electric vehicle test catalog offers data on the efficiency of more than 60 electric vehicles available for purchase in Latvia. This allows prospective electric vehicle owners to evaluate the cost-effectiveness and sustainability of electric vehicles.



Electricity market and market players



The price of electricity on the bills of end-users in Latvia consists of:

- the price of electricity, which includes generation and trading costs
- charges for transmission and distribution system services provided by Augstspriegumu tīkls AS and Sadales tīkls AS (for more information on distribution tariffs, see the section Distribution)
- value-added tax

Customers can calculate the breakdown of their electricity bills according to electricity consumption and products they choose using the *Elektrum* calculator.

Energy efficiency

The Energy Efficiency Directive (2023/179) sets energy efficiency targets for the European Union – Member States must collectively deliver an additional 11.7% reduction in energy consumption by 2030 compared to 2020 estimates. Member States must achieve cumulative energy savings in final consumption corresponding to new annual savings of at least:

- 1.3% in 2024–2025
- 1.5% in 2026–2027
- 1.9% in 2028–2030

The Directive also addresses the impact of energy poverty by imposing stricter requirements on Member States in raising awareness and providing information on energy efficiency to final consumers.

Retail electricity traders are obliged to implement measures aimed at improving the energy efficiency of end-users under the Energy Efficiency Obligations Scheme (EEOS), which is defined in the Energy Efficiency Law and Cabinet Regulation No. 226 of 25 April 2017 "Regulations Regarding the Energy Efficiency Obligation Scheme".

Latvenergo AS was the first company in the Baltic states to establish an Energy Efficiency Centre in 1997 (as of March 2025 – *Elektrum* Energy Centre, hereinafter – EEC), making energy efficiency one of the sustainability road signs and corporate social responsibility priorities of the company. The EEC has been persistently raising public awareness about the efficient use and management of energy resources for more than 28 years. Over these years, Latvenergo AS has achieved significant energy savings and will continue to implement energy-efficiency improvement measures in the future.

The following energy-efficiency improvement activities of end-users were implemented in the reporting year:

- Individual face-to-face and remote consultations, including at public events – House I exhibition, FIZMIX Physics Festival, Museum Night, Latvian Forest Days, Jūrmala Youth Festival, and others
- Organising face-to-face and online classes and lectures for 1st – 12th grade pupils and students
- Educational face-to-face seminars and online webinars for educators, household and corporate customers
- The organisation of educational and practical training on energy efficiency, sustainability and environmental protection for employees of public administration and legal entities, for instance, a specialised lecture or session with game elements – a board game Energopols
- Media campaigns on the possibilities of reducing energy consumption by households (for instance, energy-efficiency advice campaign on the radio and environmental billboard campaign, publicity in "IR" magazine and on the websites jauns.lv, delfi.lv, city24.lv, buvbaze.lv, stasti.lv, santa.lv, and others, as well as cooperation with public media) and informing customers about energy efficiency on the *Elektrum* mobile app and elektrum.lv website, where customers can also track their hourly energy consumption
- An electricity consumption assessment tool, *Energo Pulse*, which allows the customer to compare the consumption of their home with similar households in Latvia and get personalised recommendations for increasing energy efficiency
- Training materials for educators on climate change, energy efficiency and electricity generation have been developed and integrated into school curricula and lessons
- Diverse energy-efficiency tips have been published in customer publications – *Elektrum Tavām mājām* (*Elektrum* for Your Home) and *Elektroenerģijas tirgus apskats* (Electricity Market Review), as well as on the social media accounts of *Elektrum*
- Participation in industry seminars, conferences, discussions, innovation hackathons, and the competitions Energy Efficient Building in Latvia 2024 and Conversation Festival LAMPA

Mandatory procurement

Electricity mandatory procurement (MP) 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. In compliance with the Electricity Market Law, the functions of the public trader in Latvia are performed by Enerģijas publiskais tirgotājs SIA.

Until 2012, the right to sell electricity generated within MP or receive guaranteed payments for the installed capacity at power plants was granted by the Ministry of Economics. The payments could be obtained by generators who generate electricity in efficient cogeneration or from RES. Cogeneration plants with an installed capacity above 4 MW were eligible for support in the form of payment for the guaranteed capacity. The provisions for electricity generation, the MP pricing and the amount of guaranteed capacity payments are governed by the regulations of the Cabinet of Ministers. The amount of MP support depends on the type of energy source used (wind, water, biomass, biogas or natural gas), the installed capacity, and other parameters. The improvement of the MP regulatory framework has been constantly in progress to strengthen the supervision of the beneficiaries, ensure the justification of the support provided and promote a reduction of the total MP costs.

On 1 May 2023, amendments to the Electricity Market Law took effect, abolishing MPC payments for electricity end-users with costs related to MP being covered by the state budget. A portion of the dividends of Latvenergo AS is allocated to cover MP costs. To increase the competitiveness of Latvian energy-intensive manufacturing companies, MPC reduction support was provided to companies of this category. More information about the MP can be found on the website of Enerģijas publiskais tirgotājs SIA.

Mandatory procurement: key indicators

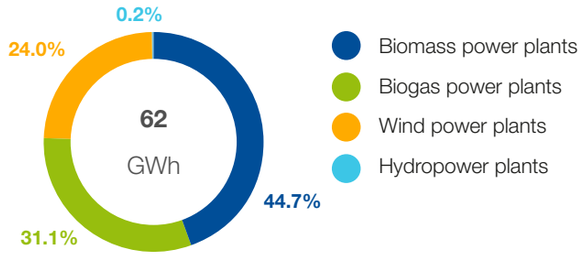
In the reporting year, 4 GWh or 5% less electricity was procured under the MP framework than in 2023. At the end of the reporting year, there are nine power plants that are exercising the right to sell the electricity they produce under the MP or to receive guaranteed capacity payments for the electrical capacity installed at the power plants.

MP costs above market price in the reporting year have been maintained at the level of 2023 and amounted to EUR 32 million.

Mandatory procurement: key indicators

	Units	2020	2021	2022	2023	2024
Power plants (at the beginning of the year)	number	337	306	261	16	9
Installed capacity (at the beginning of the year)	MW	1,331	1,168	1,087	887	885
Electricity purchased within MP	GWh	1,172	923	406	66	62
MP costs above the market price	MEUR	150.7	75.8	11.5	32.0	32.3
MPC reduction: state aid to energy-intensive companies	MEUR	3.0	2.9	3.7	0.7	0.0

Electricity purchased within the MP in 2024



Distribution

Electricity distribution ensures the flow of electricity from the electricity transmission network and electricity generators connected to the distribution networks to electricity consumers.

Sadales tīkls AS, a subsidiary of the Group, is the largest distribution system operator in Latvia, providing electricity distribution service to approximately 798 thousand customers. The distribution network consists of low-voltage and medium-voltage lines formed by cables and overhead lines. The total length of the electricity network has been reduced by approximately 330 km over the last five years, as technical solutions are being optimised, and long-unused parts of the network are being dismantled. As a result of the reconstruction of the network, the share of cable lines increases year by year – it has grown from 38% to 41% of the overall line length of power lines over the last five years. Investments in the electricity grid and the increasing use of cable lines improve the resilience of power lines to both natural and man-made damage and increase the quality of electricity supply. Sadales tīkls AS is currently the only electricity distribution system operator in the Baltic states that tests and develops artificial intelligence solutions for detecting faults in power lines, and performs fault detection and the inspection of power grids with the help of unmanned aerial vehicles or drones.

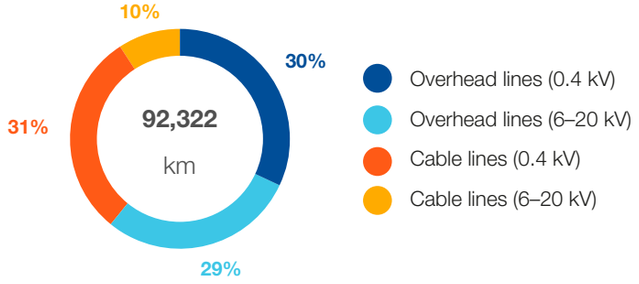
92,322 km
total length of electricity distribution lines

30,298
transformers

28,894
transformer substations

6,001 MVA
total installed capacity

Length of electricity distribution lines



The share of electricity losses in the distribution network amounted to 3.62% in the reporting year. Over the last five years, losses have been reduced by 40 GWh or 14%.

The amount of distributed electricity increased by 1.6% or 95 GWh in 2024. Positive dynamics of electricity consumption can be observed in the trade and catering, residential and non-industrial sectors, with growth of 2.9–3.9%. Compared to 2023, the most significant decline was observed in the agriculture and industry sectors, where consumption fell by approximately 5.8% and 1.4%, respectively.

Distribution system service tariffs are approved by the PUC. On 1 July 2023, new tariffs for the distribution service came into force. Meanwhile, in November 2023, Sadales tīkls AS published changes to the differentiated tariffs, which include cost reductions

Share of the isolated power grid

	Units	2020	2021	2022	2023	2024
Isolated electrical grid	%	59%	61%	62%	65%	67%

Electricity received in distribution network

	Units	2020	2021	2022	2023	2024
From transmission network	GWh	5,334	5,693	5,622	5,479	5,405
From small generators	GWh	1,228	1,048	875	784	948
incl. microgeneration	*GWh*	*2*	*4*	*25*	*82*	*121*
TOTAL	**GWh**	**6,563**	**6,741**	**6,497**	**6,263**	**6,353**

Distributed electricity and losses

	Units	2020	2021	2022	2023	2024
Distributed electricity	GWh	6,286	6,470	6,241	6,021	6,116
Electricity distribution losses, technological and operating consumption	GWh	277	271	256	242	237
incl. accumulated microgeneration electricity losses	*GWh*			*4*	*19*	*22*
TOTAL	**GWh**	**6,563**	**6,741**	**6,497**	**6,263**	**6,353**
Electricity losses	%	3.99%	3.79%	3.73%	3.72%	3.62%

compared to the original draft tariffs, which came into effect on 1 January 2024. In the reporting year, no significant changes were identified compared to the tariff and revised forecasts. Therefore, the tariff values previously in force will remain in 2025.

To limit sharp increases in the distribution tariff and to ensure the predictability of changes in the future, caps on the increase of the fixed part of the distribution tariff for household customers with a connection power of up to 25 A over a twelve-month period were established from 1 January 2024 to 31 December 2025. The difference between the approved tariff and the tariff applied to customers is compensated through the dividends of Latvenergo AS received by the Latvian state budget. In 2025, the amount of state support for the fixed part of the distribution tariff for household users with a connection capacity of up to 25 A is reduced compared to 2024.

Investments

Smooth renewal and upgrading of the electricity system is one of the main tasks of the electricity distribution system operator. Implementation of the planned capital investment projects improves the reliability and quality of the electricity supply every year while ensuring that the average age of the system components and the scope of the electricity network that needs to be renewed does not change significantly and the amount of repairs does not increase significantly in the long term.

In December 2024, the PUC approved the development plan of Sadales tīkls AS for the next 10 years. In 2025–2034, the company will continue the reconstruction and upgrading of the distribution system in line with industry trends and consumer demand, aiming to increase the reliability of the electricity grid. Additionally, the plan includes the development of the smart grid, the reconstruction of real estate, the upgrading of the fleet of special equipment, and improvements in the quality of services provided by the electricity grid.

The main areas for investment under the development plan are:

- Smooth rebuilding of the electricity network – renewing power lines and 110 kV substations, increasing the proportion of insulated mains (cable, insulated wire or overhead cable)
- Improving the quality of electricity supply – reducing the duration of outages (SAIDI), the number of outages (SAIFI) and the number of faults, as well as improving the quality of voltage
- Smart network management – replacement of existing transformers with more energy-efficient equipment, verification of smart meters, integration of smart grid elements and improving grid management systems to ensure high-quality and fast data exchange, including bi-directional data flow

EU funding under the Recovery and Resilience Facility (RRF) is also being attracted to meet the objectives of upgrading the energy distribution system. The total funding of the project is almost EUR 102 million.

The RRF project started in 2023 and must be implemented by May 2026. The programme will include several large-scale projects:

- Compensation of technical losses in distribution transformers with solar energy
- Replacement of distribution transformers
- Construction and rebuilding of medium-voltage lines
- Improving energy efficiency and heating supply solutions for buildings
- Establishing distribution connections with appropriate technical parameters to promote the use of RES
- Development of a national platform for the exchange and storage of electricity market data
- Introduction of a smart electricity metering system
- Installation of remotely controlled medium-voltage switchgear and control gear
- Provision of availability of capacity
- Development of the power grid of the electricity distribution system by converting the existing overhead lines into cable lines

Implementation of the REPowerEU activities was commenced within the framework of the RRM project in 2024. Procurements have been organised and contracts have been concluded, and the implementation of the sites has been commenced to improve the digital management of the grid and technical solutions of the cable network, as well as to ensure the availability of capacity for electricity users.

Investments in distribution assets

	Units	2020	2021	2022	2023	2024
Investments	MEUR	87.4	84.8	84.6	99.6	122.3

Reconstruction and construction

	Units	2020	2021	2022	2023	2024
Overhead lines (0,4 kV)	km	367	718	573	404	503
Cable lines (0,4 kV)	km	571	525	392	380	286
TOTAL low-voltage power lines	**km**	**938**	**1,243**	**965**	**784**	**790**
Overhead lines (6–20 kV)	km	885	905	606	502	512
Cable lines (6–20 KV)	km	149	124	97	156	135
TOTAL medium-voltage power lines	**km**	**1,034**	**905**	**703**	**658**	**646**
Transformer substations reconstructed	number	605	522	460	462	395
Connections constructed	number	12,410	14,747	13,592	11,597	10,561

Microgeneration

The interest in connecting new micro-generators has decreased in Latvia, compared to 2023, which is mainly due to the relatively lower electricity price. The changes in the metering system of the electricity transferred to the grid served as an additional impacting factor.

In 2024, the number of applications for micro-generator connections increased sharply in March and April, which were the last months for interested parties to become members of the net metering system, according to the amendments in the Electricity Market Law. The new billing method became operational as of 1 May 2024. In the net metering system, the amount of electricity generated by the customer and transferred to the electricity grid of Sadales tīkls AS, as well as electricity received from the grid,

is expressed in monetary terms. Both individuals and legal entities may join the net metering system, which gives the user the option of using the benefits from the generated electricity at other facilities of the respective user, as well as other options. The net metering system is administered by electricity traders. Households that have previously subscribed to net metering will be able to use it until 28 February 2029.

Approximately 4,200 new micro-generators were connected to the distribution system in 2024. The total number of micro-generators connected to the distribution system reached 23,087 at the end of the reporting year and the total generation capacity was 195 MW. Most of them are solar panels intended to generate electricity for self-consumption of the households. The number of generators connected to the distribution system, mostly solar power plants, has reached 1,200, with a total generating capacity of around 467 MW. In addition, in 2024, Sadales tīkls AS built 157 electric charging ports for its customers with a total connected capacity of 28 MW (an average of 178 kW per site).

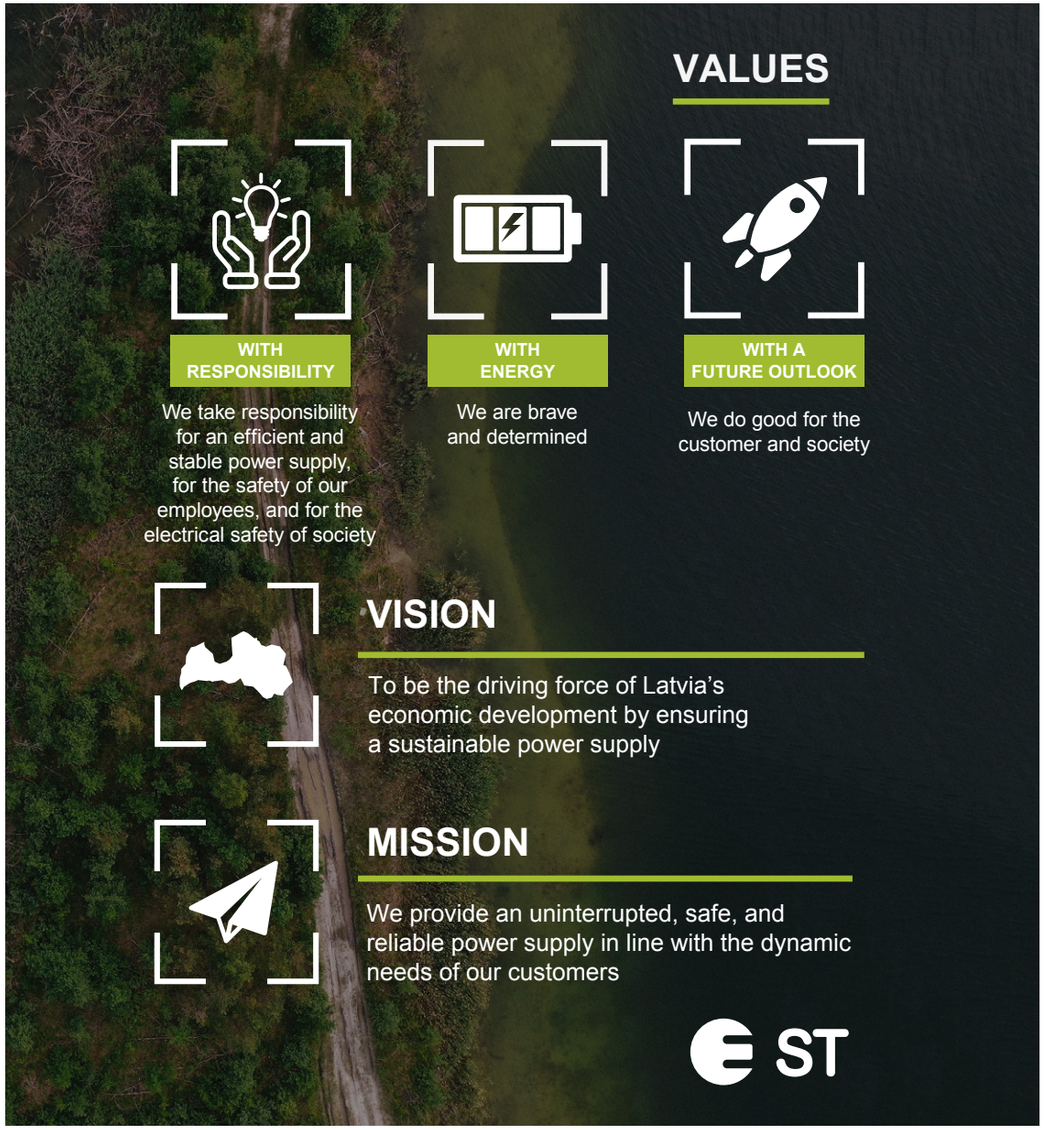
Strategy of Sadales tīkls AS for 2022–2027

In 2021, the Supervisory Board of Sadales tīkls AS approved the Sadales tīkls AS strategy for 2022–2027. It is integrated into the Strategy of Latvenergo Group for 2022–2026.

The overall long-term goal of Sadales tīkls AS is to provide a sustainable and economically justified electricity distribution service by efficiently managing the electricity network and improving the security and quality of the electricity supply, which is important for economic competitiveness and growth while promoting climate neutrality goals. To achieve the vision and overall strategic goal of the company, four objectives have been set for 2022–2027:

- **high-quality and reliable electricity supply –** The main areas of operation to achieve this objective include reducing the frequency and duration of power outages and developing and managing an efficient electricity network, including a smart grid.
- **digital transformation of the company –** The company purposefully develops digital solutions based on automated, standardised processes and a centralised data exchange and improves the digital environment and services for customers.
- **continuous improvement of the company and increase in value –** In the strategy period, the company plans to continue increasing the efficiency of the company's operations. The main directions for achieving this objective are the development of the company processes, synergy with other operators and communication holders, as well as financial sustainability and efficient management of resources.
- **sustainable development and climate neutrality –** The key actions to achieve this goal include maintaining customer and employee satisfaction, reducing GHG emissions and creating public connections for charging electric cars.

For each of the objectives, the key performance indicators to be achieved are also set, which allows one to determine the progress towards the objective. More information is available in the Annual Report of Sadales tīkls AS.



Key Figures

In order to ensure an objective and comparable presentation of the financial results, Latvenergo Group and Latvenergo AS uses various financial figures and ratios that are derived from the financial statements.

Latvenergo Group

Operational figures		2024	2023	2022	2021	2020
Total electricity supply, incl.:	GWh	8,552	8,659	7,346	9,260	8,854
- Retail*	GWh	6,140	6,208	5,452	6,706	6,394
- Wholesale**	GWh	2,412	2,450	1,894	2,554	2,460
Total natural gas supply, incl.:	GWh	2,559	1,554	1,040	1,026	516
- Retail	GWh	1,190	896	930	1,026	516
- Wholesale	GWh	1,369	658	110	–	–
Electricity generated	GWh	4,842	5,132	3,822	4,517	4,249
Thermal energy generated	GWh	1,665	1,698	1,777	2,072	1,702
Number of employees		3,436	3,497	3,316	3,153	3,295
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

EUR'000

Financial figures	2024	2023	2022	2021	2020
Revenue	1,703,588	2,034,425	1,841,801	1,065,219	773,391
EBITDA	588,368	601,769	360,209	198,813	277,894
Operating profit	337,556	404,596	193,961	81,890	121,350
Profit before tax	329,529	388,529	184,545	74,930	112,699
Profit for the year	273,651	350,917	183,874	71,623	116,309
Dividends paid to equity holder of the Parent Company	212,199	152,538	70,160	98,246	127,071
Assets***	4,438,106	4,174,183	3,855,330	3,475,890	3,358,835
Non–current assets	3,689,511	3,377,267	3,078,635	2,894,502	2,976,192
Equity	3,006,926	2,963,080	2,356,419	2,123,448	2,118,242
Borrowings	743,405	629,696	875,918	795,029	743,199
Net debt[1]	656,851	511,240	763,161	697,950	555,876
Net cash flows generated from operating activities	540,642	575,682	126,499	67,250	281,647
Adjusted funds from operations (FFO)[2]***	509,065	520,757	338,977	176,143	249,534
Capital expenditure	530,191	193,349	121,666	126,728	168,855

Financial ratios	2024	2023	2022	2021	2020	Formulas
EBITDA margin	34.5%	29.6%	19.6%	18.7%	35.9%	EBITDA / revenue
Operating profit margin	19.8%	19.9%	10.5%	7.7%	15.7%	Operating profit / revenue
Profit before tax margin	19.3%	19.1%	10.0%	7.0%	14.6%	Profit before tax / revenue
Profit margin	16.1%	17.2%	10.0%	6.7%	15.0%	Profit for the year / revenue
Adjusted FFO / net debt	87%	82%	46%	28%	45%	Adjusted FFO / ((net debt at the beginning of the reporting year + net debt at the end of the reporting year) /2)
Equity–to–asset ratio	68%	71%	61%	61%	63%	Equity at the end of the reporting year / assets at the end of the reporting year
Net debt / EBITDA	1.0	1.1	2.0	3.2	2.0	(Net debt at the beginning of the reporting year + net debt at the end of the reporting year) / 2 / EBITDA
Net debt / equity	0.22	0.17	0.32	0.33	0.26	Net debt at the end of the reporting year / equity at the end of the reporting year
Current ratio	1.6	2.0	1.2	1.4	1.5	Current assets at the end of the reporting year / current liabilities at the end of the reporting year
Return on assets (ROA)	6.4%	8.7%	5.0%	2.1%	3.2%	Profit for the year / ((assets at the beginning of the reporting year + assets at the end of the reporting year) / 2)
Return on equity (ROE)	9.2%	13.2%	8.2%	3.4%	5.3%	Profit for the year / ((equity at the beginning of the reporting year + equity at the end of the reporting year) / 2)
Adjusted ROE excluding distribution	12.3%	19.9%	16.3%	5.5%	7.7%	(Group's profit for the year – Sadales tīkls AS profit for the year) / ((Group's equity at the beginning of the reporting year – Sadales tīkls AS equity at the beginning of the reporting year + Group's equity at the end of the reporting year – Sadales tīkls AS equity at the end of the reporting year) / 2)
Return on capital employed (ROCE)	9.2%	11.9%	6.3%	2.9%	4.2%	Operating profit / ((equity at the beginning of the reporting year + equity at the end of the reporting year) / 2) + (borrowings at the beginning of the reporting year + borrowings at the end of the reporting year) / 2)
Dividend pay–out ratio	64%	73%	88%	63%	126%	Dividends paid to equity holder of the Parent Company / profit of the Parent Company in the previous year

Based on the most commonly used financial figures and ratios in the industry, the Latvenergo Group Strategy for 2022-2026, as well as the binding financial covenants set in the Group's loan agreements, Latvenergo Group has set here and therefore uses the following financial figures and ratios:

- profitability measures – EBITDA; EBITDA margin; operating profit margin; profit before tax margin; profit margin; return on assets (ROA); return on equity (ROE); adjusted ROE excluding distribution; return on capital employed (ROCE)
- capital structure and liquidity measures – net debt[1]; adjusted FFO[2]/net debt; equity–to–asset ratio; net debt / EBITDA; net debt / equity; current ratio
- a dividend policy measure – dividend pay–out ratio

* Including operating consumption

** Including sale of energy purchased within the mandatory procurement on the Nord Pool

*** Comparative figures recalculated, presenting the provisions for CO_2 emission quotas at gross value, separately from the purchased emission quotas in short-term intangible investments

1 Net debt = borrowings at the end of the reporting year – cash and cash equivalents at the end of the reporting year

2 Adjusted funds from operations (FFO) = Net cash flows generated from operating activities – (changes in inventories + changes in receivables from contracts with customers and other receivables) – changes in trade and other liabilities –compensation from the state-on-state support for the installed capacity of CHPPs

Latvenergo AS

Operational figures		2024	2023	2022	2021	2020
Total electricity supply, incl.:	GWh	5,714	6,090	4,700	5,304	5,318
- Retail*	GWh	3,561	3,830	3,540	3,999	4,235
- Wholesale**	GWh	2,153	2,261	1,161	1,305	1,083
Total natural gas supply, incl.:	GWh	2,324	1,435	905	804	453
- Retail	GWh	955	777	795	804	453
- Wholesale	GWh	1,369	658	110	–	–
Electricity generated	GWh	4,790	5,115	3,800	4,495	4,215
Thermal energy generated	GWh	1,423	1,457	1,531	1,800	1,475
Number of employees at the end of the reporting year		1,430	1,414	1,329	1,269	1,267
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

EUR'000

Financial figures	2024	2023	2022	2021	2020
Revenue	1,057,016	1,397,179	1,231,015	592,785	385,612
EBITDA	441,694	473,295	280,325	85,275	197,889
Operating profit	282,556	362,267	198,812	52,367	111,630
Profit before tax	313,857	362,660	209,362	79,520	154,848
Profit for the year	265,575	331,561	209,362	79,520	154,848
Dividends paid to equity holder of the Parent Company	212,199	152,538	70,160	98,246	127,071
Assets	3,734,345	3,520,293	3,305,536	2,915,587	2,760,155
Non–current assets	2,933,301	2,672,436	2,434,746	2,215,793	2,307,985
Equity	2,643,627	2,608,014	2,018,694	1,761,070	1,746,436
Borrowings	765,160	618,179	863,938	782,322	733,392
Net debt[1]	701,677	511,016	763,670	689,904	548,511
Net cash flows generated from operating activities***	421,327	423,244	258,419	291,049	436,615
Capital expenditure	66,239	64,452	30,040	29,545	50,999

* Including operating consumption

** Including sale of energy purchased within the mandatory procurement on the Nord Pool

*** Comparative figures recalculated, presenting the provisions for CO_2 emission quotas at gross value, separately from the purchased emission quotas in short-term intangible investments

1 Net debt = borrowings at the end of the reporting year – cash and cash equivalents at the end of the reporting year

Financial ratios	2024	2023	2022	2021	2020	Formulas
EBITDA margin	41.8%	33.9%	22.8%	14.4%	51.3%	EBITDA / revenue
Operating profit margin	26.7%	25.9%	16.2%	8.8%	28.9%	Operating profit / revenue
Profit before tax margin	29.7%	26.0%	17.0%	13.4%	40.2%	Profit before tax / revenue
Profit margin	25.1%	23.7%	17.0%	13.4%	40.2%	Profit for the year / revenue
Equity–to–asset ratio	71%	74%	61%	60%	63%	Equity at the end of the reporting year / assets at the end of the reporting year
Net debt / equity	0.27	0.20	0.38	0.39	0.31	Net debt at the end of the reporting year / equity at the end of the reporting year
Current ratio	2.1	3.0	1.5	1.8	2.3	Current assets at the end of the reporting year / current liabilities at the end of the reporting year
Return on assets (ROA)	7.3%	9.7%	6.7%	2.8%	5.3%	Profit for the year / ((assets at the beginning of the reporting year + assets at the end of the reporting year) / 2)
Return on equity (ROE)	10.1%	14.3%	11.1%	4.5%	8.4%	Profit for the year / ((equity at the beginning of the reporting year + equity at the end of the reporting year) / 2)
Return on capital employed (ROCE)	8.5%	11.9%	7.3%	2.1%	4.4%	Operating profit / ((equity at the beginning of the reporting year + equity at the end of the reporting year) / 2) + (borrowings at the beginning of the reporting year + borrowings at the end of the reporting year) / 2)
Dividend pay–out ratio	64%	73%	88%	63%	126%	Dividends paid to equity holder of the Parent Company / profit of the Parent Company in the previous year

Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In 2024:

- the Nord Pool system price decreased by 36% and the electricity price in Latvia decreased by 7%
- the price of natural gas at the TTF (the Dutch natural gas virtual trading point) (front month) decreased by 30%

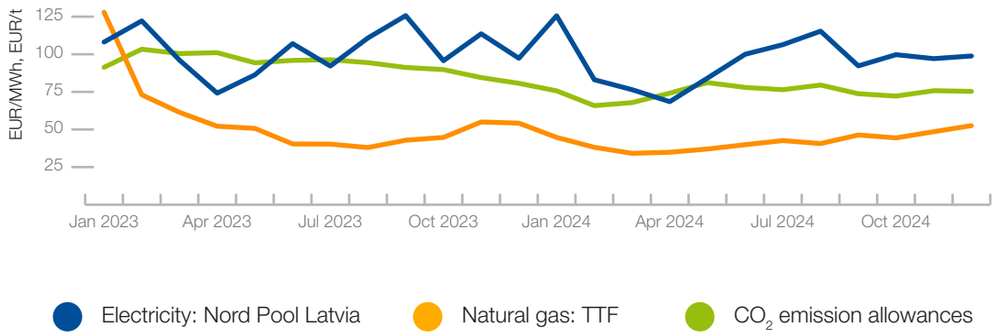
Electricity prices decreased

The electricity price decrease at the Nord Pool was mainly affected by lower natural gas prices and increased electricity generation through renewable energy sources, with an increase in their capacities. In the reporting year, electricity generation in the Nord Pool region increased by 17% at WPPs and by 29% at SPPs. Warmer weather in Europe and higher renewable energy generation reduced the demand for coal and natural gas power plant generation. This, combined with stable coal and natural gas import supplies and high gas storage levels, contributed to the price decrease at fossil fuel-powered electricity stations. In the Baltics, electricity prices were influenced by the prolonged maintenance on the cross-border interconnections, which limited electricity imports from the Nordic countries. The electricity market also stabilized with the help of the European Commission's REPowerEU plan, which aims to implement energy-saving measures, diversification of energy sources and accelerated development of renewable energy sources.

In 2024, electricity consumption in the Baltic states increased by 2%, reaching 27.5 TWh.

The amount of electricity generation in the Baltics increased by 13%, reaching 17.9 TWh. Due to lower generation at the Daugava HPPs, electricity generation in Latvia decreased by 5%, reaching 5.4 TWh. Due to higher renewable energy generation, total electricity generation increased by 5% in Estonia and by 40% in Lithuania, reaching 4.8 TWh and 7.7 TWh respectively.

Energy resource prices



Source: Nord Pool AS; Gas Infrastructure Europe (GIE); ICE Endex)

Average electricity price in Nord Pool regions (monthly), EUR/MWh

Region	2024	2023	Δ, %
System price	36.1	56.4	(36%)
Latvia	87.3	93.9	(7%)
Lithuania	87.2	94.4	(8%)
Estonia	87.1	90.8	(4%)
Poland	96.2	111.7	(14%)
Sweden	33.8	49.3	(31%)
Finland	45.6	56.5	(19%)
Denmark	70.7	84.3	(16%)
Norway	37.0	56.5	(35%)
Germany	78.5	95.2	(18%)
France	58.0	96.9	(40%)
Great Britain	81.8	108.0	(24%)

Source: Nord Pool AS

The natural gas price decreased

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In 2024, the average price of natural gas at the TTF (front month) reached 34 EUR/MWh, which is 30% lower than a year earlier. The decrease was mainly affected by the increase in renewable energy capacity in the EU, and stable liquefied natural gas (LNG) supplies. In the reporting year, electricity generation in EU natural gas stations decreased by about 6%, while generation from renewable energy sources increased by nearly 8% compared to 2023. In 2024, the average fill rate of natural gas storage facilities in Europe, according to Gas Infrastructure Europe data, was 78% (in 2023: 79%). The dynamics of the natural gas market are linked with the oil market and other energy resource markets. In 2024:

- The average price of Brent crude oil futures decreased by 2%, comprising 80 USD/bbl. The Brent crude oil market prices were influenced by concerns about global economic developments, primarily in China, resulting in sustained lower demand in the Brent crude oil market. Supply risks were affected by the geopolitical situation in Europe and the Middle East. Meanwhile, OPEC+ member countries plan to limit oil generation until 2025
- The average price of CO_2 emission allowances (EUA DEC futures) was 22% lower, reaching 66 EUR/t. The downward trend in emissions quota prices in the European Union was affected by lower demand for energy resources. The European Parliament's decision to allocate additional quotas for financing REPowerEU, increased the short-term supply of quotas.

Latvenergo AS has not imported natural gas from Russia since 2022, switching to supplies of LNG from other countries. Until 2032, Latvenergo AS has secured the rights to make regular natural gas deliveries to the KN Energies LNG terminal at a volume of 6 TWh per year. In 2024, Latvenergo AS purchased 7 TWh of natural gas using the KN Energies LNG terminal.

Financial Results

In 2024, Latvenergo Group's revenue reached EUR 1,703.6 million, which was EUR 330.8 million or 16% less than a year earlier. The revenue decline was affected by energy sales revenue decreasing by EUR 350.3 million, driven by lower energy sales prices. On the other hand, there was a positive impact from an increase in revenue in the distribution segment of EUR 27.9 million, following the introduction of the new distribution tariffs by Sadales tīkls AS starting from 1 July 2023.

Latvenergo Group's EBITDA was EUR 13.4 million or 2% lower than in 2023, reaching EUR 588.4 million. This was mainly negatively affected by the 16% decrease in electricity generation at the Daugava HPPs due to comparatively higher water inflow in the Daugava River in 2023. However, the Daugava HPPs' output was 10% higher than the long-term average output.

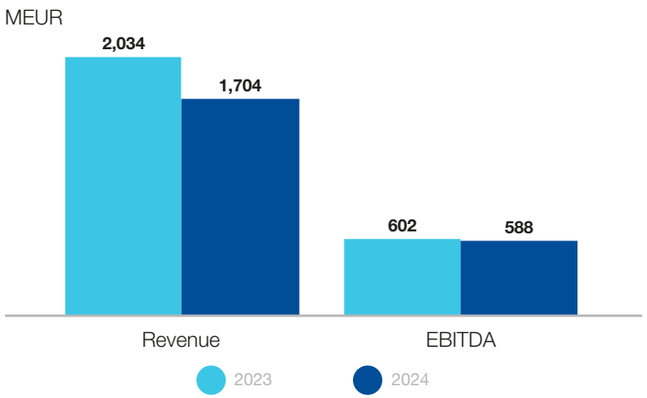
At the same time, EBITDA was positively impacted by the introduction of the new distribution tariffs by Sadales tīkls AS starting from 1 July 2023 and the lower natural gas purchase prices. In 2024, the average price of natural gas at the TTF (front month) reached 34 EUR/MWh, which is 30% lower than a year earlier. Additionally, there was a positive impact on EBITDA from the 33% increase in retail natural gas sales volume and 18% higher output at the CHPPs.

The Group's profit for the reporting year reached EUR 273.7 million.

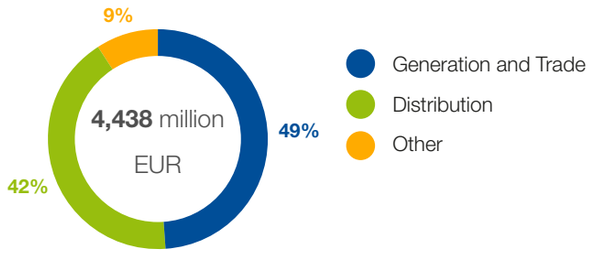
Latvenergo Group financial figures

	Units	2024	2023	Δ	Δ, %
Revenue	MEUR	1,703.6	2,034.4	(330.8)	(16%)
EBITDA	MEUR	588.4	601.8	(13.4)	(2%)
Profit for the year	MEUR	273.7	350.9	(77.3)	(22%)
Assets	MEUR	4,438.1	4,174.2	263.9	6%

Revenue and EBITDA



Assets



Generation and trade

Segment weight in Latvenergo Group	
Revenue	78%
EBITDA	75%
Assets	49%
Employees	32%

In the reporting year, generation and trade comprised Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 92% of the segment's revenue came from electricity and natural gas trade, while 8% came from thermal energy supply.

The segment's revenue was negatively impacted by EUR 350.3 million lower energy sales revenues due to the lower energy sales prices.

Meanwhile, the segment's EBITDA was mainly negatively affected by the 16% decrease in electricity generation at the Daugava HPPs due to comparatively higher water inflow in the Daugava River in 2023. However, the Daugava HPPs output was 10% higher than the long-term average output. At the same time, EBITDA was positively impacted by the lower natural gas purchase prices. In 2024, the average price of natural gas at the TTF (front month) reached 34 EUR/MWh, which is 30% lower than a year earlier. Additionally, there was a positive impact on EBITDA from the 33% increase in retail natural gas sales volume and 18% higher output at the CHPPs.

The total volume of electricity generated at Latvenergo Group's plants amounted to 4,842 GWh, which corresponded to 79% of the amount of electricity sold to retail customers (in 2023: 83%).

Operational figures	**Units**	**2024**	**2023**	**Δ**	**Δ, %**
Electricity customers	thous.	896	845	51	6%
Electricity supply	GWh	8,552	8,658	(106)	(1%)
*Retail**	*GWh*	*6,140*	*6,208*	*(68)*	*(1%)*
*Wholesale***	*GWh*	*2,412*	*2,450*	*(38)*	*(2%)*
Natural gas customers	thous.	65	49	16	33%
Natural gas supply	GWh	2,559	1,554	1,005	65%
Retail	*GWh*	*1,190*	*896*	*294*	*33%*
Wholesale	*GWh*	*1,369*	*658*	*711*	*108%*
Electricity generation	GWh	4,842	5,136	(294)	(6%)
HPPs	*GWh*	*3,147*	*3,729*	*(582)*	*(16%)*
CHPPs	*GWh*	*1,633*	*1,385*	*248*	*18%*
SPPs and WPPs	*GWh*	*44*	*5*	*39*	*747%*
Liepaja plants	*GWh*	*17*	*16*	*1*	*6%*
Thermal energy generation	GWh	1,665	1,698	(33)	(2%)
CHPPs	*GWh*	*1,423*	*1,457*	*(34)*	*(2%)*
Liepaja plants	*GWh*	*242*	*241*	*1*	*0%*

Financial figures	**Units**	**2024**	**2023**	**Δ**	**Δ, %**
Revenue	MEUR	1,368.7	1,724.7	(356.0)	(21%)
EBITDA	MEUR	443.8	480.2	(36.4)	(8%)
Assets	MEUR	2,178.9	1,986.9	192.0	10%
Capital expenditure	MEUR	395.0	76.8	318.1	414%

* Including operating consumption
** Including sale of energy purchased within the mandatory procurement on the Nord Pool

Generation

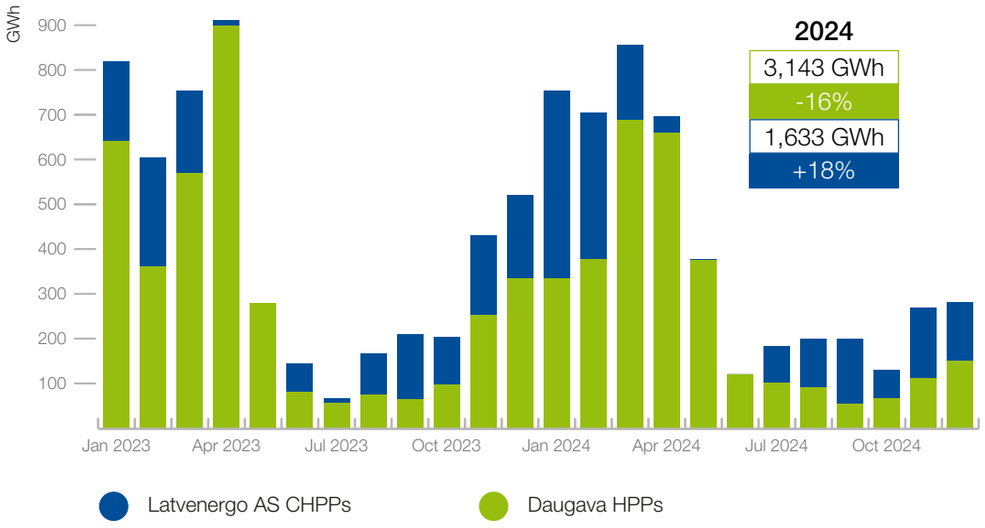
Latvenergo Group is one of the largest electricity producers in the Baltics. In 2024, Latvenergo Group produced 27% of the total electricity generated in the Baltics, and 66% of the electricity was generated from renewable energy sources (in 2023: 73%). The total amount generated by Latvenergo Group's power plants comprised 4,842 GWh of electricity and 1,665 GWh of thermal energy.

Although electricity generation at the Daugava HPPs decreased by 16% in 2024 compared to the year 2023 due to lower water inflow in the Daugava River, it was 10% higher than the long-term average output, reaching 3,143 GWh. According to data from the Latvian Environment, Geology and Meteorology Centre, the average water inflow in the Daugava River in 2024 was 628 m^3/s (in 2023 it was 789 m^3/s).

As natural gas prices gradually normalize, Latvenergo AS CHPPs are becoming increasingly competitive. The amount generated at the Latvenergo AS CHPPs increased by 18%, reaching 1,633 GWh. The operation of the Latvenergo AS CHPPs is adjusted to the conditions of the electricity market and heat demand.

The amount of heat energy generation has not changed significantly and reached 1,665 GWh.

Electricity generation at Daugava HPPs and Latvenergo AS CHPPs



Trade

At the end of 2024, the number of electricity customers reached 896 thousand, including more than 284 thousand foreign customers. The electricity customer portfolio shows a positive 6% increase mainly due to the increase in the number of customers within households in Lithuania and customers in Estonia.

In the reporting year, the Group supplied 6,140 GWh of electricity to its customers in the Baltics, which is approximately the same as in 2023. The overall amount of retail electricity trade outside Latvia accounted for about 42%. The electricity trade volume in Latvia was 3,561 GWh, while in Lithuania it was 1,894 GWh and in Estonia it was 685 GWh.

Growth in the natural gas segment continued. The number of natural gas customers increased by 33% compared to 2023, exceeding 65 thousand at the end of December. The Group's natural gas sales in the Baltics increased by 33%, reaching 1,190 GWh. In total, including wholesale, 2,559 GWh of natural gas was sold, which is 65% more than a year earlier.

Development of other retail products and services in the Baltic States:

- The *Elektrum Drive* electric car charging network in the Baltics continued to expand, with more than 750 charging ports available at the end of December. In the reporting year, more than 115 thousand electric vehicle charges were made, comprising 2,500 MWh, resulting in savings of more than 1,5 thousand tonnes of CO_2 emissions. By using the *Elektrum Drive* application, charging is also possible within the *e-mobi* network in Latvia and at LIDL charging stations in Lithuania and Estonia – providing customers access to a total of 974 charging points in the Baltics
- In 2024, the *Safety & Comfort* product group was established, which includes insurance products in the Baltic States, as well as a service product line in Latvia, offering various subscription services – chimney cleaning, gas boiler maintenance. The *Elektrum Insured* customer portfolio in the Baltics exceeded 145 thousand clients in total

Completed in 2024

6,140 GWh of electricity sold to Baltic retail customers.

1,190 GWh of natural gas sold to Baltic retail customers.

Elektrum Drive electric car charging network in the Baltics had more than 750 charging ports at the end of December.

At the end of December, the total number of *Elektrum Insured* customers exceeded 145 thousand.

Distribution

Segment weight in Latvenergo Group	
Revenue	22%
EBITDA	23%
Assets	41%
Employees	48%

As of 1 July 2023, the new distribution service tariffs of Sadales tīkls AS have come into effect, with the tariff calculation increasing the proportion of the fixed tariff, providing a more appropriate solution for the actual maintenance cost structure of the distribution network. Meanwhile, as of 1 January 2024, state support is provided for all Sadales tīkls AS electricity distribution system service plans *Basic*, ensuring gradual and predictable tariff increases. During the reporting year, state support amounted to EUR 42.6 million.

With the introduction of the new tariff and the 2% increase in distributed electricity, the financial results of the distribution segment have improved. In 2024, the segment's revenue increased by 8%, reaching EUR 371.3 million. Meanwhile, the segment's EBITDA increased by 19%, reaching EUR 133.2 million. Financial results were negatively impacted by EUR 7.8 million higher electricity transmission service costs, since the transmission service tariffs were also increased on 1 July 2023.

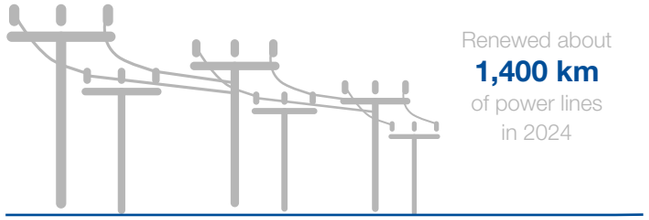
In 2024, the Sustainability Strategy of Sadales tīkls SIA for 2024–2027 was approved. The sustainability development goals outlined in the strategy balance responsible business practices with economic, environmental, social, and governance areas, which align with sustainability criteria and form the basis for cooperation with stakeholders.

For more information, see the section Operating Segments.

Operational figures	**Units**	**2024**	**2023**	**Δ**	**Δ, %**
Electricity distributed	GWh	6,116	6,021	95	2%
Distribution losses	GWh	237	242	(5)	(2%)
SAIFI*	times	2.17	2.70	(0.53)	(20%)
SAIDI*	minutes	214.7	266.0	(51.3)	(19%)

Financial figures	**Units**	**2024**	**2023**	**Δ**	**Δ, %**
Revenue	MEUR	371.3	343.3	27.9	8%
EBITDA	MEUR	133.2	111.9	21.3	19%
Assets	MEUR	1,841.6	1,800.4	41.2	2%
RAB	MEUR	1,582.7	1,582.7	0.1	0%
Capital expenditure	MEUR	122.3	99.6	22.7	23%

* Including mass damage caused by storms and other forces of nature



Renewed about
1,400 km
of power lines
in 2024

Investments

With the continued development of RES generation capacities in the Baltics, the volume of investments by Latvenergo Group increased significantly. In 2024, the total amount of investment comprised EUR 530 million, which is 2.7 times more than a year earlier. About 2/3 of it or EUR 345 million was made in new wind and solar generation capacities.

In the reporting year, 35% of Latvenergo Group's total investments were made in wind generation capacities. In 2024, Latvenergo AS purchased the wind project Telšiai, which will enable the start of wind energy generation with a capacity of 124 MW in 2026. The construction costs of the wind park are expected to be approximately EUR 200 million. Also, in 2024, Latvenergo AS acquired 100% shares of Laflora Energy SIA to build a wind farm with a total capacity of 109 MW in the Kaigu bog in the Līvbērze municipality, with electricity generation set to begin in 2026. The expected construction costs amount to EUR 185 million. In the reporting year, Akmene WPP (19.6 MW) started wind energy generation in Lithuania.

30% of Latvenergo Group's total investments were made in *Elektrum* solar park projects. In November 2024, Latvenergo AS acquired DSE Aizpute Solar SIA to construct its largest solar power plant to date, with a total capacity of 265 MW, by the end of 2025. The expected construction costs amount to EUR 135 million.

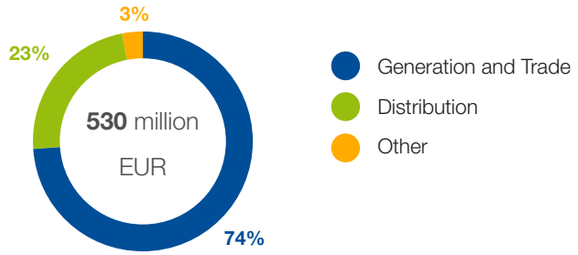
In total, during the reporting year, 10 solar parks in Latvia with a total capacity of 74 MW and 2 solar parks in Estonia with a total capacity of 24 MW, began operations, while in Lithuania, 2 solar parks with a total capacity of 16.9 MW were commissioned. Accordingly, the total number of commissioned parks in Lithuania increased to 7, and the total installed capacity reached 33.5 MW. Of this, 29.6 MW has been sold or leased to Elektrum Lietuva UAB clients, while 3.9 MW generates electricity for the Latvenergo Group's needs. At the end of 2024, Latvenergo Group already had 14 solar parks with an installed capacity of 102 MW.

Also, reconstruction work and procurement procedures continued for the reconstruction of the last three hydro units of the Daugava HPPs. In total, EUR 18.7 million were invested in the Daugava HPPs during the reporting year.

In the reporting year, investments in distribution comprised EUR 122.3 million, which is about one fourth of the Group's total investments. The majority of funds are invested in the construction and reconstruction of power lines and transformers, thereby ensuring high-quality network services, technical performance, and operational safety.

For more information, see the section Operating Segments.

Capital expenditure



Funding and liquidity

Latvenergo Group finances its investments from its own resources and external long-term borrowings, which are regularly sourced in financial and capital markets in a timely manner.

Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time.

During the reporting year, Latvenergo AS secured a new long-term loan from the Nordic Investment Bank in the amount of EUR 230 million for investment financing and refinancing. After the end of the reporting year, in March 2025, Latvenergo AS also secured a long-term loan of EUR 200 million from the European Investment Bank.

As of 31 December 2024, the Group's borrowings amount to EUR 743.4 million (31 December 2023: EUR 629.7 million), all of which are long-term loans, except for a short-term loan from the state development financial institution in the amount of EUR 30 thousand. The long-term loan portfolio includes loans from commercial banks and international financial institutions, as well as green bonds in the amount of EUR 200 million.

External funding sources are purposefully diversified in the long run, thus creating a balance between lender categories in the total loan portfolio.

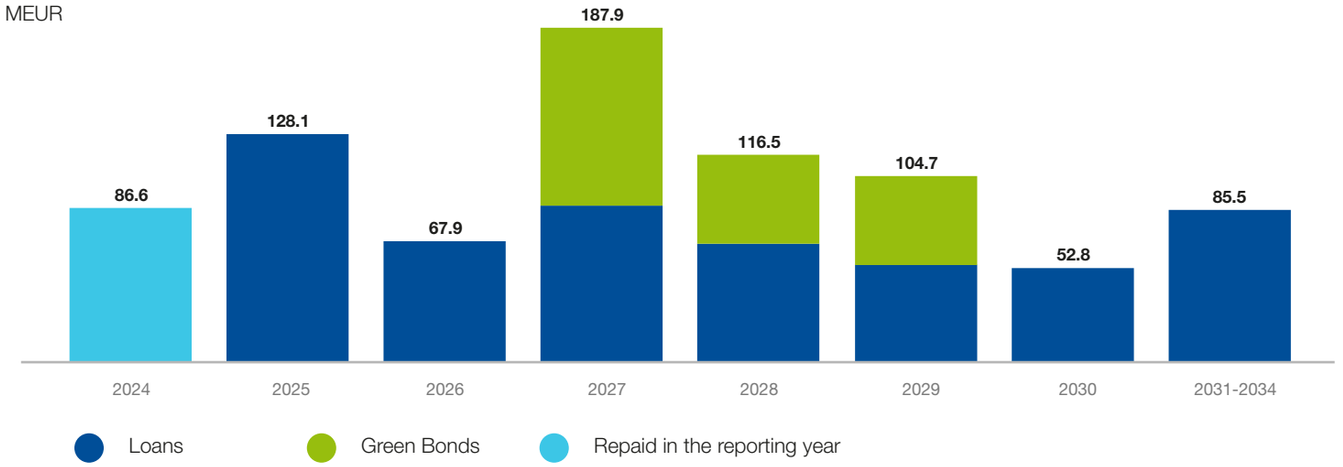
As of 31 December 2024, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 3.8 years (31 December 2023: 3.9 years). The effective weighted average interest rate (with interest rate swaps) is 3.3% (31 December 2023: 3.2%). Also, sufficient coverage of debt service requirements has been ensured.

In the reporting year, all the binding financial covenants set in Latvenergo Group's loan agreements were met.

After the end of the reporting year, in February 2025, Latvenergo AS for the fourth time won the award for the best investor relations among all bond issuers on the Nasdaq Baltic regulated markets in the Baltic countries. Since 2012, the bonds have been issued with consistently high investor valuations.

Also, after the end of the reporting year, in March 2025, the international credit rating agency Moody's reaffirmed Latvenergo AS credit rating at Baa2 with a stable outlook. The credit rating Baa2 for Latvenergo AS has been stable since 2015, confirming the consistency of operations and financial soundness of Latvenergo Group.

Latvenergo Group's long-term debt repayment schedule



Financial Risk Management

The activities of Latvenergo Group are exposed to a variety of financial risks: market risks, credit risk, and liquidity and cash flow risk. Latvenergo Group's Financial Risk Management Policy focuses on mitigating the potential adverse effects from such risks on financial performance. In the framework of financial risk management, Latvenergo Group uses various financial risk controls and hedging to reduce certain risk exposures.

a) Market risks

I) Price risk

Price risk might negatively affect the financial results of the Group due to falling revenue from generation and a mismatch between floating market prices and fixed retail prices.

The main sources of Latvenergo Group's exposure to price risk are the floating market prices of electricity on the Nord Pool power exchange in Baltic bidding areas and the fuel price for CHPPs. The financial results of the Group may be negatively affected by the volatility of the electricity market price, which depends on the weather conditions in the Nordic countries, global prices of resources, and the influence of local factors (water availability and ambient air temperature) on electricity generation opportunities. Due to supply-demand factors and seasonal fluctuations, natural gas price volatility may have a negative effect on the difference between fixed retail electricity prices in contracts with customers and variable generation costs at CHPPs.

In order to hedge the price risk, the Group enters into long-term fixed price customer contracts, uses electricity financial derivatives and enters into fixed price contracts for natural gas supply. The impact of price risk on generation is hedged gradually – 68% of projected electricity output is sold prior to the upcoming year. Further hedging of risk is limited by the seasonal generation pattern of the Daugava HPPs. The price fixing level reached 77% of the annual generation volume by the end of December.

II) Interest rate risk

Latvenergo Group's interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to the risk that finance costs might increase significantly when the reference rate surges. Most of the borrowings from financial institutions have a variable interest rate, comprising 6-month EURIBOR and a margin. The Group's Financial Risk Management Policy stipulates maintaining at least 35% of its borrowings as fixed interest rate borrowings (taking into account the effect of interest rate swaps and issued bonds) with a duration of 1–4 years. Taking into account the effect of interest rate swaps and bonds with a fixed interest rate, 37% of the long-term borrowings had a fixed interest rate with an average period of 1.4 years as of 31 December 2024.

III) Currency risk

Foreign currency exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency other than the functional currency.

As of 31 December 2024, all borrowings of Latvenergo Group are denominated in euros, and during the reporting year, there was no substantial exposure to foreign currency risk as regards the Group's investments.

To manage the Group's foreign currency exchange risk, the Financial Risk Management Policy envisages use of foreign exchange forward contracts. In the reporting year, the Group and Latvenergo AS did not have foreign currency exchange forward contracts.

b) Credit risk

Credit risk is managed at the Latvenergo Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, and receivables. Credit risk exposure of receivables is limited due to the large number of Group customers as there is no significant concentration of credit risk with any single counterparty or group of counterparties with similar characteristics.

Credit risk related to cash and short-term deposits with banks is managed by balancing the placement of financial assets in order to simultaneously choose the best offers and reduce the probability of incurrence of loss. No credit limits were exceeded during the reporting year, and the Group's management does not expect any losses due to the occurrence of credit risk.

c) Liquidity risk and cash flow risk

Latvenergo Group's liquidity and cash flow risk management policy is to maintain a sufficient amount of cash and cash equivalents and the availability of long and short-term funding through an adequate amount of committed credit facilities in order to meet existing and expected commitments and compensate for fluctuations in cash flows due to the occurrence of a variety of financial risks. On 31 December 2024, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 86.6 million (31 December 2023: EUR 118.5 million), while the current ratio was 1.6 (2.0).

The Group plans to use its funds in the amount of EUR 86.6 million for repayment of the existing loan principal, dividend payout and financing investments and operating expenses.

The Group continuously monitors cash flow and liquidity forecasts, evaluating the total volume of undrawn borrowing facilities and cash and cash equivalents.

Events After the Reporting Year

Estonia, Latvia, and Lithuania have successfully synchronised their electricity systems with the Continental Europe Synchronous Area on 9 February 2025. With the synchronization, the Baltic balancing capacity market of the transmission system operators of Estonia, Latvia and Lithuania has started its work. Latvenergo AS has qualified the Daugava HPP and CHPP facilities for the provision of balancing services and is participating in the provision of balancing services.

In March 2025, Latvenergo AS has attracted loan from European Investment Bank for a total amount of EUR 200 million with a 15 year maturity.

In March 2025, the international credit rating agency Moody's Investors Service has affirmed Latvenergo AS credit rating. The rating of Latvenergo AS remains unchanged Baa2 with a stable outlook.

On April 8, the Shareholders' Meeting of Latvenergo AS appointed Rodžers Jānis Grigulis as a Member of the Supervisory Board of Latvenergo AS for a five-year term, having been recognized as the most suitable by the selection committee formed by The State Chancellery.

There have been no other significant events since the last day of the reporting year that would materially affect the audited financial statements of Latvenergo Group and Latvenergo AS for the year ended 31 December 2024.

Profit Distribution

According to the Law "On state budget for 2025 and budgetary framework for 2025, 2026 and 2027" the expected amount of dividends to be paid by Latvenergo AS for the use of state capital in 2025 (for the reporting year 2024) is 70% of the profit for the reporting year, but not less than EUR 183.9 million, corporate income tax calculated and paid in accordance with the laws and regulations. The distribution of net profit and amount of dividends payable is subject to a resolution of the Latvenergo AS Shareholders Meeting.

General Information

ESRS 2 BP-1, BP-2

Sustainability Statement preparation

Sustainability Statement period	01.01.2024–31.12.2024
Sustainability Statement frequency	Annual
Regulatory framework	The consolidated Sustainability Statement ('Sustainability Statement') has been prepared in accordance with the requirements of the Sustainability Information Disclosure Law, and it includes the requirements of Taxonomy Regulation (EU) 2020/852 Article 8 and Delegated Regulation (EU) 2023/2772 as regards sustainability reporting standards (ESRS).
ESRS topical standards	ESRS topical standards included in the Sustainability Statement: ESRS E1 — Climate Change ESRS E2 — Pollution ESRS E4 — Biodiversity and Ecosystems ESRS E5 — Resource Use and Circular Economy ESRS S1 — Own Workforce ESRS S3 — Affected Communities ESRS S4 — Consumers and End-users ESRS G1 — Business Conduct ESRS topical standards not included in the Sustainability Statement: ESRS E3 — Water and Marine Resources ESRS S2 — Workers in the Value Chain
Scope of the Sustainability Statement	The Sustainability Statement has been prepared on a consolidated basis, consistent with the scope of the Latvenergo Group's Consolidated Annual Report. For information about the companies within Latvenergo Group, see Notes 1 and 16 to the Financial Statements. In accordance with the applicable regulations, the obligation to prepare a Sustainability Statement for 2024 only applies to the Group's parent company, Latvenergo AS.
Upstream and downstream value chain and estimates	Information in the Sustainability Statement was expanded to include information about material impacts, risks and opportunities (IROs) related to Latvenergo Group and its direct and indirect business relationships upstream and downstream on the value chain. For more information about the Latvenergo Group value chain, see the section Value chain. Estimates of upstream and downstream value chain data from indirect sources were not used in the preparation of the Sustainability Statement.
Classified and sensitive information	In accordance with ESRS 1 Section 7.7 Classified and sensitive information, and information about intellectual property, know-how or results of innovation, Latvenergo Group does not disclose sensitive information in relation to the amount of future operating expenses (OPEX) and capital expenditures (CAPEX) necessary to achieve its strategic goals.
Phased-in disclosure requirements used	In accordance with ESRS 1, Appendix C, qualitative information is provided in the first reporting year regarding the anticipated financial effects of sustainability-related risks and opportunities (E1-9; E2-6; E4-6 and E5-6).
Period	Latvenergo Group uses the definitions of periods set in the ESRS: short-term <1 year, mid-term 1 to 5 years, long-term >5 years
Sources of uncertainty in estimates and results	This Sustainability Statement does not include quantitative indicators and monetary amounts that have high uncertainty.
Changes in the preparation of sustainability information	The Sustainability Statement 2024 is the first statement prepared in accordance with the requirements of the Sustainability Information Disclosure Law, in line with ESRS requirements. Between 2009 and 2023, Latvenergo Group's sustainability reports were prepared in accordance with the guidelines of the Global Reporting Initiative (GRI).
Comparative information	In accordance with paragraph 136 of ESRS 1, in the first reporting year, Latvenergo Group discloses comparative information only for a part of the indicators included in the Sustainability Statement.
Inclusion with reference	For the requirements of the ESRS in terms of the disclosure of information that is included in the Sustainability Statement with a reference, see the section ESRS information disclosure requirements, inclusion of information with references. This section outlines the detailed ESRS disclosure requirements and references the specific sections of the Management Report, Sustainability Statement, or Financial Statements where the relevant information can be found.
Independent Auditors' Assurance Report	The assurance report on the Sustainability Statement 2024 was prepared by Ernst & Young Baltic SIA.
Contact details	E-mail address for suggestions and questions: sustainability@latvenergo.lv

List of ESRS 2 disclosure requirements incorporated by reference in the Sustainability Statement

The information presented in the table below is incorporated by reference to relevant sections of the Management Report, Sustainability Statement or Financial Statements. For further details on the list of the specific ESRS 2 disclosure requirements, along with references to the respective sections where the information is disclosed, see the section ESRS information disclosure requirements, inclusion of information with references:

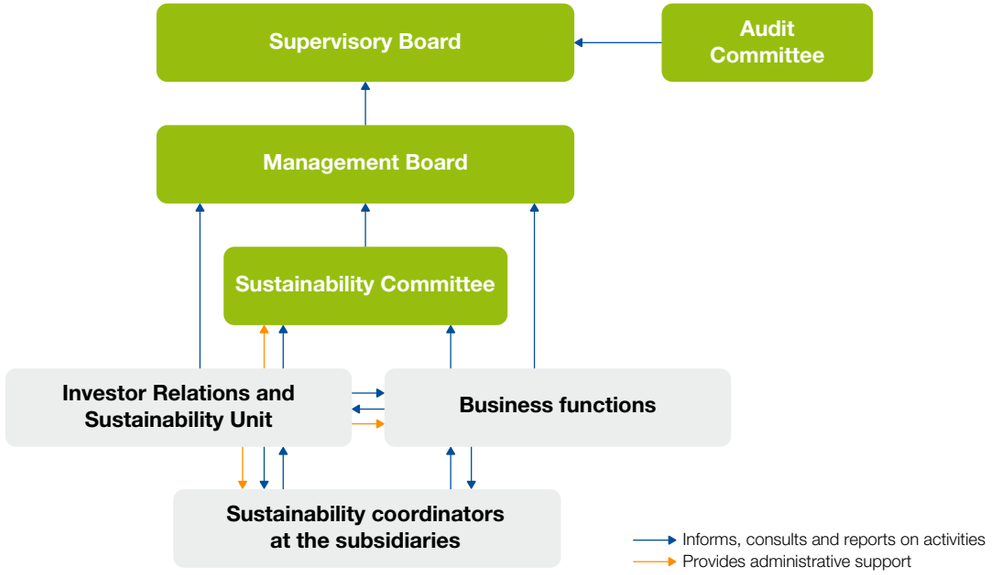
No.	Reporting Area	ESRS requirements
GOV-1	Governance (GOV)	The role of the administrative, management and supervisory bodies
GOV-2	Governance (GOV)	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies
GOV-3	Governance (GOV)	Integration of sustainability-related performance in incentive schemes
GOV-5	Governance (GOV)	Risk management and internal controls over sustainability reporting
SBM-1	Strategy (SBM-1)	Strategy, business model and value chain
SBM-3	Strategy (SBM-3)	Material impacts, risks and opportunities and their interaction with strategy and business model
IRO-1	Impact, risk and opportunity management (IRO-1)	Description of the processes to identify and assess material impacts, risks and opportunities
MDR-P	Impact, risk and opportunity management (IRO)	Policies adopted to manage material sustainability matters
MDR-A	Impact, risk and opportunity management (IRO)	Actions and resources in relation to material sustainability matters
MDR-M	Metrics and targets (MT)	Metrics in relation to material sustainability matters
MDR-T	Metrics and targets (MT)	Tracking effectiveness of policies and actions through targets

Sustainability management

ESRS 2 GOV-1, GOV-2

Sustainability management model

Latvenergo Group organises its sustainability management via a structured approach that encompasses a number of mutually related elements making it possible to manage sustainability affairs in line with best practices. Within the Group, responsibility for sustainability is deliberately not concentrated in a single company unit, but is rather divided among those in charge of areas of sustainability, with the additional establishment of a unit that coordinates sustainability affairs: the Investor Relations and Sustainability Unit of Latvenergo AS. This way, experts in each area take charge of progress in the respective sustainability issue, broadly covering sustainability affairs through management within the Group and strengthening the knowledge, skills and competencies pertaining to sustainability that are available as necessary support to the Management Board and Supervisory Board when managing sustainability affairs and processes. The management of IROs is integrated into the operating processes of the Group's companies, and the supervision of these issues is addressed within the framework of fulfilling and monitoring strategies and operational plans. The diagram below illustrates the model for managing sustainability affairs within the Group:



Sustainability management elements:

The Management Board of Latvenergo AS handles the implementation of the Group's strategy and policies and regularly submits reports regarding its activities to the **Supervisory Board of Latvenergo AS**. Twice a year, the Management Board of Latvenergo AS assesses the progress of implementing the Sustainability Strategy.[31]

Information about the responsibilities of **the Supervisory Board, Management Board and Audit Committee of Latvenergo AS,** as related to the management of sustainability, is presented in the Corporate Governance sections Management Board, Supervisory Board and Audit Committee.

Various tools are used to equip the Management Board and Supervisory Board members with the requisite knowledge of sustainability. For example, in developing the Latvenergo Group Sustainability Strategy, discussions were held with the Management Board and Supervisory Board of Latvenergo AS involving experts in the respective areas of sustainability, giving the Management Board and Supervisory Board of Latvenergo AS a broader insight into current sustainability issues. In 2023, in order to deepen their understanding of sustainability management, members of the Supervisory and Management Boards of Latvenergo AS participated in a seminar held by the Baltic Institute of Corporate Governance: ESG Insights for the Boards: Overall Landscape and Target Setting. Members of the Management Board and Supervisory Board regularly attend conferences and take part in discussions that expand their knowledge of sustainability issues.

The Sustainability Committee of Latvenergo Group functions as an advisory body on sustainability issues, serving to facilitate the improvement of Latvenergo Group's sustainability performance, submitting reports to the Management Board of Latvenergo AS twice a year on the status of implementation of the Sustainability Strategy. The committee is chaired by the Chief Financial Officer. In August 2024, changes were made to the Committee, expanding it to the Group level (previously it only functioned as the Sustainability Committee of Latvenergo AS). Since August, six units of Latvenergo AS responsible for different areas of sustainability and a representative of Sadales tīkls AS have been included on the Committee. Other functions are involved in the review of affairs relevant to them. The main tasks of the Committee are set in its regulations, published on Latvenergo's website. The Latvenergo Group Sustainability Committee annually reviews and, if necessary, updates the list of IROs as part of its double materiality assessment process, reporting the results of the double materiality assessment to the Management Board of Latvenergo AS, which confirms the result. The Committee's meetings are held as necessary, but at least four times a year. The Sustainability Committee had six meetings in 2024.

The Latvenergo Group Sustainability Strategy 2024–2026 was developed in 2023 under the guidance of the Sustainability Committee, complementing the Group's Medium-term Operational Strategy. For more information about the Latvenergo Group strategy and sustainability goals, see the Group Strategy section.

The Investor Relations and Sustainability Unit of Latvenergo AS coordinates sustainability affairs at the Group level, provides administrative support to the Latvenergo Group Sustainability Committee, supports the Group's units in implementing the Sustainability Strategy and monitors the process of its implementation, prepares the Sustainability Statement, prepares the green bond framework, and organises the determination of sustainability ratings.

Sustainability coordinators at the subsidiaries: at the biggest subsidiaries of Latvenergo AS – Sadales tīkls AS, Elektrum Lietuva UAB and Elektrum Eesti OÜ – one of the members of their Management Boards is appointed to take charge of sustainability affairs, and at each of these companies, a contact person for sustainability affairs is appointed as well.

Business functions are in charge of the progress of corresponding sustainability areas and implementing Latvenergo Group's Sustainability Strategy goals and activities, as well as achieving the indicators set, such as those pertaining to environmental management, risk management, HR management, etc. Annual goals for business functions are set in accordance with the Group's strategic goals and their implementation is monitored by the Management Board/Chief Officers.

ESRS 2 SBM-2

Stakeholder engagement

Stakeholder engagement is an important element of Latvenergo Group's responsible business conduct and management of sustainability matters. Stakeholders are identified, assessed and grouped according to ESRS standards and the AA1000 Stakeholder Engagement Standard. The Group assesses the social, environmental, and governance impact of its activities and regularly engages stakeholders in addressing and assessing mutually material issues and setting relevant Targets.

Stakeholder engagement takes place in a variety of formats, tailored to the current issues of the specific period and the Group's operational plans, for example:

- discussions and planning activities engaging stakeholders on Latvenergo Group activities that have an environmental impact, such as improvements in fish migration
- webinars and discussions on the Group's Sustainability Strategy, to discuss key issues, including the development and prioritisation of targets
- face-to-face events and regular consultations that allows to discuss and coordinate targets in detail, with various stakeholder groups

This approach ensures that the target indicators set by the Group are in line with the interests of employees and the public, as well as the needs of environmental protection and the expectations of other stakeholders. The regular and structured approach enables the Group to maintain a dialogue on key issues and build support for the Group's Sustainability Strategy. As a result of this, Targets are developed based on stakeholder views, encouraging public awareness and participation. To ensure effective communication and information exchange, representatives of the Management Board and Supervisory Board of the Group's companies are involved in direct engagement with stakeholders and are regularly informed about the views and interests of stakeholders. This information is integrated into the Group's strategic planning and decision-making processes, using various mechanisms, as well as discussing current and material issues within the framework of operational activities.

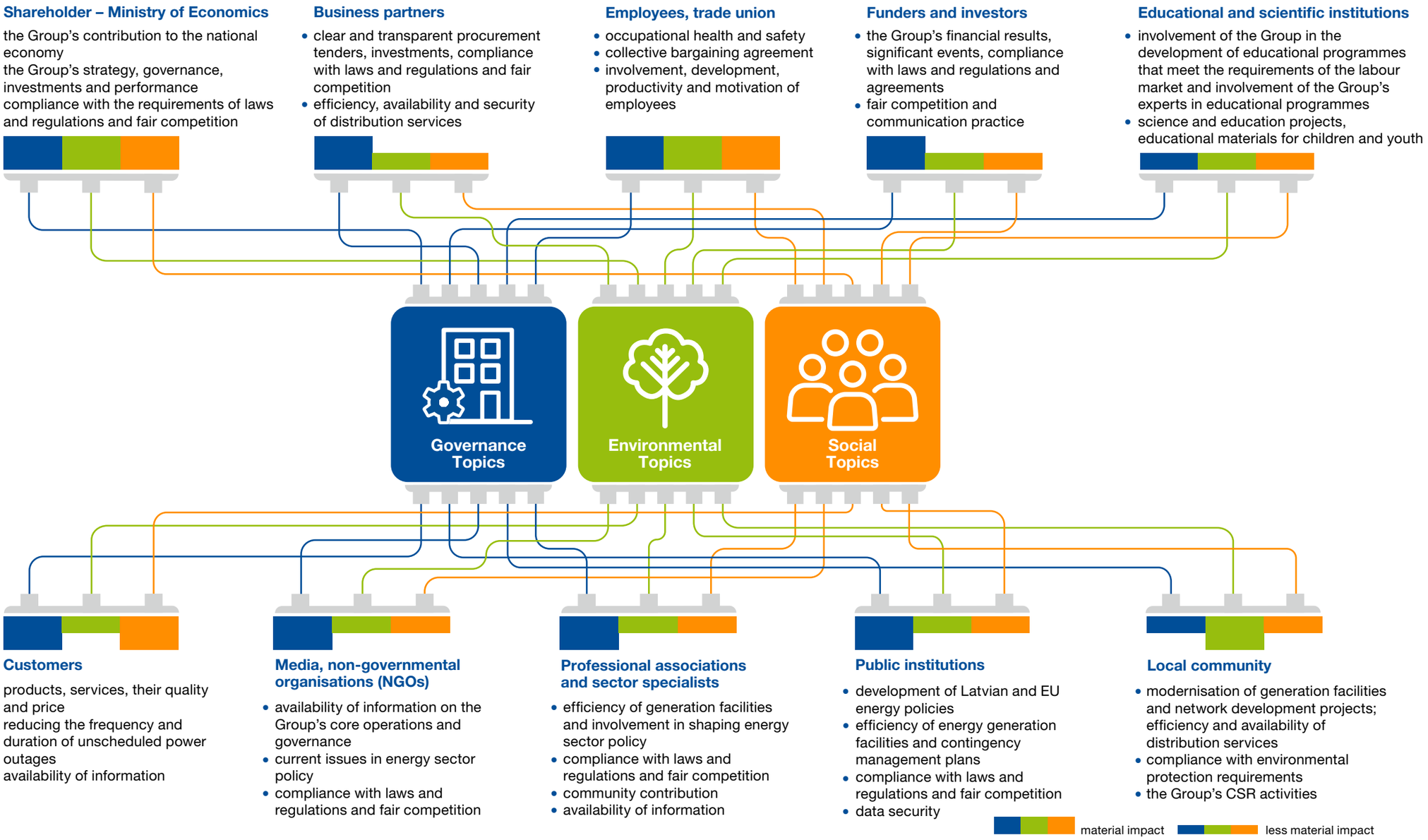
31 ESRS 2 22 (d)

Key measures to involve stakeholders taken during the reporting year:

- quarterly, following the publication of Latvenergo Group's unaudited condensed financial statements, the Group organises online discussions with analysts and economists from the Bank of Latvia, the Council for Fiscal Discipline, and Latvia's largest commercial banks. The discussions provided insights into the operations and financial performance of the Group and analysed how energy interacts with other sectors of the economy
- in conjunction with the Latvian Chamber of Commerce and Industry, Sadales tīkls AS organised a series of *Electricity and Business* podcasts. As part of this, economic and energy experts, businesspeople, and policymakers were brought together for informal discussions on current affairs in the industry, looking at them from the perspective of business interests
- in June, Latvenergo AS and Latvijas vēja parki SIA held the conference *Human-WPP Interaction. Shared Benefits and Opportunities for Society*. The aim of the event was to inform the public, municipal governments, environmental organisations, and NGOs about the latest developments in the wind energy sector and the positive aspects of developing wind farms in Latvia
- in August, professional training for Sadales tīkls AS electricians and other energy specialists took place at the Cinevilla film studio backlot in Tukums Municipality. Given the situation in the region, the training was organised with a simulation of a military invasion for the first time to strengthen the electrical specialists' skills in working under high stress and in emergency conditions. About 450 participants from all over the Baltic states, including employees and contractors of Sadales tīkls AS, as well as Lithuanian and Estonian power supply operator specialists, took part in the training
- in order to help people living near potential wind farms in Limbaži, Valmiera and Valka learn more about their physical impacts and biodiversity, Latvijas vēja parki SIA offered a number of meetings with experts in environmental impacts, as well as a guided tour of the latest wind farm in Saarde, Estonia. In August, a group of twenty people, including local residents and representatives of Valmiera City Council, the Nature Conservation Agency, and the media, explored the wind farm commissioned in Estonia a year prior. During the event, they could measure actual noise levels generated by the wind turbines at different distances and ask Estonian experts about their experience with wind farms
- in September, an online stakeholder survey was carried out as part of the double materiality assessment. Stakeholders were asked to provide their opinions on the relevance of sustainability topics to Latvenergo Group's operations, the materiality of the impacts caused, and the risks that have a substantial effect on the company's operations. Questionnaires were sent to 80 stakeholders, including the shareholder of Latvenergo AS, its business partners, trade union, funders and investors; educational and scientific institutions; customers; non-governmental organisations; professional associations; industry experts; public institutions; and representatives of local communities. A total of 35 completed questionnaires were received, including 13 from the Group's business partners
- in October, the inspection and occupational safety specialists of Sadales tīkls AS held their annual seminar for skilled workers. The seminar was attended by 80 occupational safety specialists from 50 companies. The specialists shared their experience regarding challenges and difficulties in setting up an occupational safety system, compliance with occupational safety standards at their companies, and possible improvements and success stories in the field
- the most recent stakeholder seminar to discuss the Group's Sustainability Strategy and future steps was organised in November 2023. This face-to-face workshop brought together representatives of the shareholder, funders, sustainability and energy experts, and other external stakeholders. Across 4 thematic discussions, participants discussed the draft of the Sustainability Strategy and made suggestions for the strategy's further development and implementation. Almost 90% of the stakeholders agreed that state-owned companies should serve as examples of best practices in sustainable development. Most of the participants saw wind and solar energy as the most promising areas for developing generation assets
- on 20 October and 14 December 2023, Latvenergo Group held webinars on the Group's Sustainability Strategy for its employees. Representatives of the Group's management and its Sustainability Committee presented sustainability targets and activities to the employees and discussed sustainability management practices and key challenges

For information about the double materiality aspects jointly determined by the stakeholders and the Group, see the section Double materiality assessment.

Latvenergo Group stakeholders, mutual impact, and material topics



Stakeholders

	Shareholder – Ministry of Economics	Business partners	Employees, trade union	Funders and investors	Educational and scientific institutions
Level of cooperation	collaboration	involvement	negotiation, involvement	consultation, collaboration	collaboration
Description of cooperation	Cooperation with the shareholder takes place regularly, in line with the legal requirements and good governance guidelines. For information about the number of shareholder meetings in 2024 and their key decisions, see the section Corporate Governance.	Latvenergo Group maintains and regularly updates its Register of Qualified Candidates, encouraging its partners to submit applications for their inclusion in the qualification system. The Group organises supplier day events to inform its business partners about the key future development plans of the Group's companies. See the section G1 Business Conduct.	Representatives of the Group's companies regularly communicate with representatives of the employee trade union concerning the organising of work and other topical matters. During the reporting year, the Latvian trade union Enerģija and the companies of the Group agreed on a new collective bargaining agreement, effective from 1 May 2024 to 31 December 2029. See the section S1 Own Workforce.	The Group provides regular information and twice a year organises online conferences on financial results and current operational affairs. Stakeholders can ask questions online at the Group's webinars. See the Corporate Governance Report of Latvenergo AS.	During the reporting year, Latvenergo AS and the National Renewable Energy Laboratory of the US Department of Energy signed a research and development agreement to implement an energy transformation and industrial research project, within it modelling of several investment scenarios for Latvenergo AS will be performed. See the section Corporate Social Responsibility

	Customers	Media, non-governmental organisations (NGOs)	Professional associations and sector specialists	Public institutions	Local community
Level of cooperation	involvement	consultation, involvement	consultation, involvement	consultation, involvement	consultation, involvement, negotiation
Description of cooperation	Latvenergo Group conducts annual customer satisfaction surveys and takes measures to improve customer satisfaction. During the reporting year, Sadales tīkls AS developed a new service and made it available to customers: a comprehensive smart metering service that includes the remote collection and transmission of energy data from the customers internal networks. See the section S4 Consumers and End-users.	Cooperation with national and regional media includes press releases, media events and press conferences. In 2024, the main topics were the Group's financial and operating performance, the Group's governance, electricity generation from renewable sources, availability of energy sources and prices, development of the electric vehicle charging network, responsible business practices, and support for Ukraine. The Group also provides information related to its core business to NGOs.	Representatives of Latvenergo Group regularly discuss the development of the energy industry and related sectors with industry specialists at various forums, conferences, seminars, and working groups. See the section G1 Business Conduct.	In 2024, according to a Cabinet of Ministers decision regarding Latvijas vēja parki SIA, Latvenergo AS became the 100% owner of its shares; previously, it held 80% of the shares in this joint company, with 20% belonging to Latvijas valsts meži AS. The Group works with the Competition Council in the manner stipulated by law and regularly provides information about its activities and financial results to the Public Utilities Commission.	The Group involves representatives of affected communities in public discussions on the development of new generation capacities, informs local governments about planned projects to renovate the power grid, regularly seeks the opinion of the Latvian public through various surveys and implements various CSR activities. See the sections S3 Affected Communities and Corporate Social Responsibility.

Affected stakeholders | **Sustainability Statement users**

consultation identification of current issues

negotiation participatory discussions

involvement participation in joint activities, development of solutions and action plans

collaboration joint decision-making and cooperation

ESRS 2 SBM-1

Value chain

Upstream

1. **Resource extraction**
2. **Processing and refinement**
3. **Production of goods**
4. **Transportation**
5. **Electricity generation**
6. **Natural gas infrastructure and storage**
7. **Nord Pool – power exchange**
8. **Electricity transmission system operator of Latvia**

Own operations

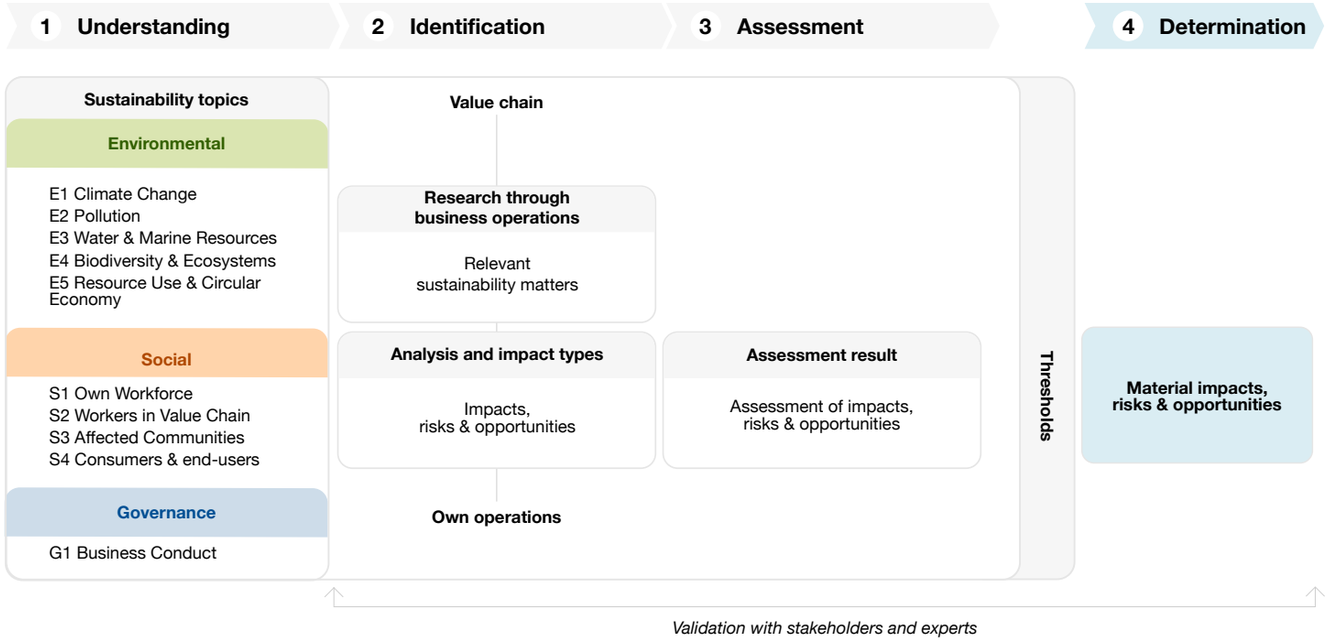
1. **HPPs** (1,560 MW_{el})
2. **SPPs** (102 MW_{el})
3. **WPPs** (21 MW_{el})
4. **CHPPs** (1,039 MW_{el}, 1,617 MW_{th})
5. **Thermal energy accumulation system** (1,000 MW_{th})
6. **Liepaja plants** (6 MW_{el}, 183 MW_{th})
7. **Battery energy storage system** (2030 target 250 MW_{el} /500 MWh)
8. **Electricity and thermal energy generation, electricity and natural gas trade, electricity balancing**
9. **EV charging network**
10. **Electricity distribution**
11. **Sustainable governance**

WPPs and SPPs in project / construction (878 MW_{el})

Downstream

1. **Society**
2. **Waste management**
3. **Nord Pool – power exchange**
4. **Electricity transmission system operator of Latvia**

Value chain management is an important element of sustainability management. The value chain of Latvenergo Group includes a material share of the Group's stakeholders and it is structured to ensure efficient and sustainable generation and supply of energy. The value chain starts with the acquisition and procurement of resources, following the principles of sustainable procurement and ensuring compliance with EU and Latvian law. Supplier management is a critical element, for which an electronic qualification system is used to ensure that suppliers meet ethical and sustainability standards (for more on supplier management, see Management of relationships with suppliers of the section G1 Business Conduct). The Group ensures the protection of critical resources by conducting supply chain assessments and identifying and managing potential risks. This approach makes it possible for Latvenergo Group to not only comply with current market and regulatory standards but also promote sustainable development and reliable partnerships in its supply chain, thus strengthening the Group's position in the energy market. For information on the geographical scope of Latvenergo Group's economic activities, as well as products and services see the sections About the Group and Operating Segments, providing an insight into the Group's spectrum of activities and its contribution to the energy market. These sections help to understand how Latvenergo, by integrating sustainability principles into all operating segments, from energy generation to its supply to end consumers, creates a strong foundation for efficient resource use, innovation and technological development. The Group focuses on sustainable development, which not only contributes to maintaining and expanding competitiveness both locally and internationally, but also strengthens its position as a reliable and responsible energy supplier, creating a positive impact on the environment and society as a whole.



ESRS 2 IRO-1

Double materiality assessment

The double materiality assessment is the starting point for disclosure of sustainability statements, and its goal is to identify the company's key IROs, in line with the ESRS. The double materiality assessment is an important process in the management of sustainability at Latvenergo Group. The first double materiality assessment for the Sustainability Statement took place in 2024, carried out through discussions and coordination with the Latvenergo Group Sustainability Committee, the Management Board of Latvenergo AS and the Audit Committee of Latvenergo AS (two of the Audit Committee members are also members of the Supervisory Board of Latvenergo AS). The results of the double materiality assessment were approved by the Management Board of Latvenergo AS. In line with the requirements of the double materiality assessment, the process involved compiling and assessing the IROs that are in essence integrated into the Group's Medium-term Operational Strategy, Sustainability Strategy and operational activities. Monitoring of these issues is addressed within the framework of fulfilling and monitoring strategies and operational plans. The development of the Group's Sustainability Strategy also involved a due diligence process, as part of which the companies identify, prevent and mitigate the actual and potential negative impact on the environment and people that is associated with the Group's business conduct. Due diligence is a regular practice that helps the Group adapt and react to changes in its strategy, operations and business relationships. The Latvenergo Group's double materiality assessment, including the identification and assessment of key sustainability IRO, took place in four stages.

1. Analysis stage

- Analysis of Latvenergo Group's core operations and internal documents
- Analysis of the Latvenergo value chain, identifying key suppliers and resources critical for Latvenergo Group
- Defining the stakeholders to be engaged in the double materiality assessment process and engagement form (questionnaire survey)
- Examples of good practice in the industry were studied – other energy companies in Europe

2. Identification stage

At this stage, potential environmental, social, and governance IROs were identified through discussions with the responsible company units and the Latvenergo Group Sustainability Committee. During this stage, particular attention was also paid to the analysis of sustainability performance to date, as well as industry best practices and feedback from past engagement with Latvenergo Group stakeholders.

3. Assessment stage

- An assessment methodology was developed to assess the IROs identified, defining various assessment criteria for environmental, social, and governance impacts, as well as the assessment criteria for risks and opportunities
- Stakeholders were involved in the quantitative assessment of IROs via a questionnaire
- Latvenergo's experts and its Sustainability Committee carried out a quantitative assessment of IROs following the assessment criteria developed and using the dimensions set for assessing IROs as determined in the table Dimensions for assessing IROs

Dimensions for assessing IROs

Impacts		Risks	Opportunities
Positive	**Negative**		
Scale Scope	Scale Scope Irremediable character of the impact (only for negative impacts as per ESRS 1, paragraph 45)	Financial impact amount Probability of occurrence	Financial impact amount Probability of occurrence
Severity* (average of the scale and scope for positive impacts, or average of the scale, scope and irremediable character for negative impacts) **Probability of occurrence** (only applicable to potential impacts)			
Impact materiality value = average of severity and probability of occurrence**		**Risk materiality value =** average of financial impact amount and probability of occurrence	**Opportunity materiality value =** average of financial impact amount and probability of occurrence

* According to ESRS 1, Annex A, paragraph AR10, severity is determined by the following factors: (a) scale: how grave the negative impact is or how beneficial the positive impact is for people or the environment; (b) scope: how widespread the negative or positive impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; (c) irremediable character: whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state.

** If an impact may result in potential human rights violations, then according to ESRS 1 paragraph 45, the severity of the impact takes precedence over its probability, in which case the impact was assigned the greater of the two values: severity value or the average of the severity and probability of occurrence.

4. Determination stage

To determine the material risks and opportunities, separate thresholds were set as average values for each of the sustainability areas – environment, social and governance. Meanwhile, to adequately assess material impacts, different thresholds were set based on sustainability areas, as well as considering whether impacts are negative or positive. The results of the double materiality assessment were approved by the Management Board of Latvenergo AS, and the material IROs that exceeded the thresholds were summarized and included in the topical standard sections of the Sustainability Statement – Material impacts, risks and opportunities.

The following results were obtained by using the double materiality thresholds:

- of the 57 impacts identified, 28 exceed the thresholds
- of the 49 risks identified, 22 exceed the thresholds
- of the 36 opportunities identified, 12 exceed the thresholds

Within the double materiality matrix, materiality of the topical standards is determined using an average value on a scale of 5. All ESRS topical standards for which the average materiality for the associated impacts and the risks and opportunities (financial materiality) exceeded 2.5 were defined as material and included in the Sustainability Statement. The material information to be disclosed in relation to material IROs was determined taking into account the criteria set out in Section 3.2 of ESRS 1, Material matters and materiality of information.

The following ESRS topical standards and their subtopics and IROs were identified as material for the preparation of the 2024 Latvenergo Group Sustainability Statement:

Environment

- ESRS E1 — Climate Change
  - Climate change adaptation
  - Climate change mitigation
  - Energy
- ESRS E2 — Pollution
  - Pollution of air
  - Pollution of water
  - Pollution of soil
- ESRS E4 — Biodiversity and Ecosystems
  - Direct impact drivers of biodiversity loss
  - Impacts on the state of species
  - Impacts on the extent and condition of ecosystems
  - Impacts and dependencies on ecosystem services
- ESRS E5 — Resource Use and Circular Economy
  - Resources inflows, including resource use
  - Waste

Social

- ESRS S1 — Own Workforce
  - Working conditions
  - Equal treatment and opportunities for all
- ESRS S3 — Affected Communities
  - Communities' economic, social and cultural rights
  - Communities' civil and political rights
- ESRS S4 — Consumers and End-users
  - Information-related impacts for consumers and/or end-users
  - Personal safety of consumers and/or end-users
  - Social inclusion of consumers and/or end-users

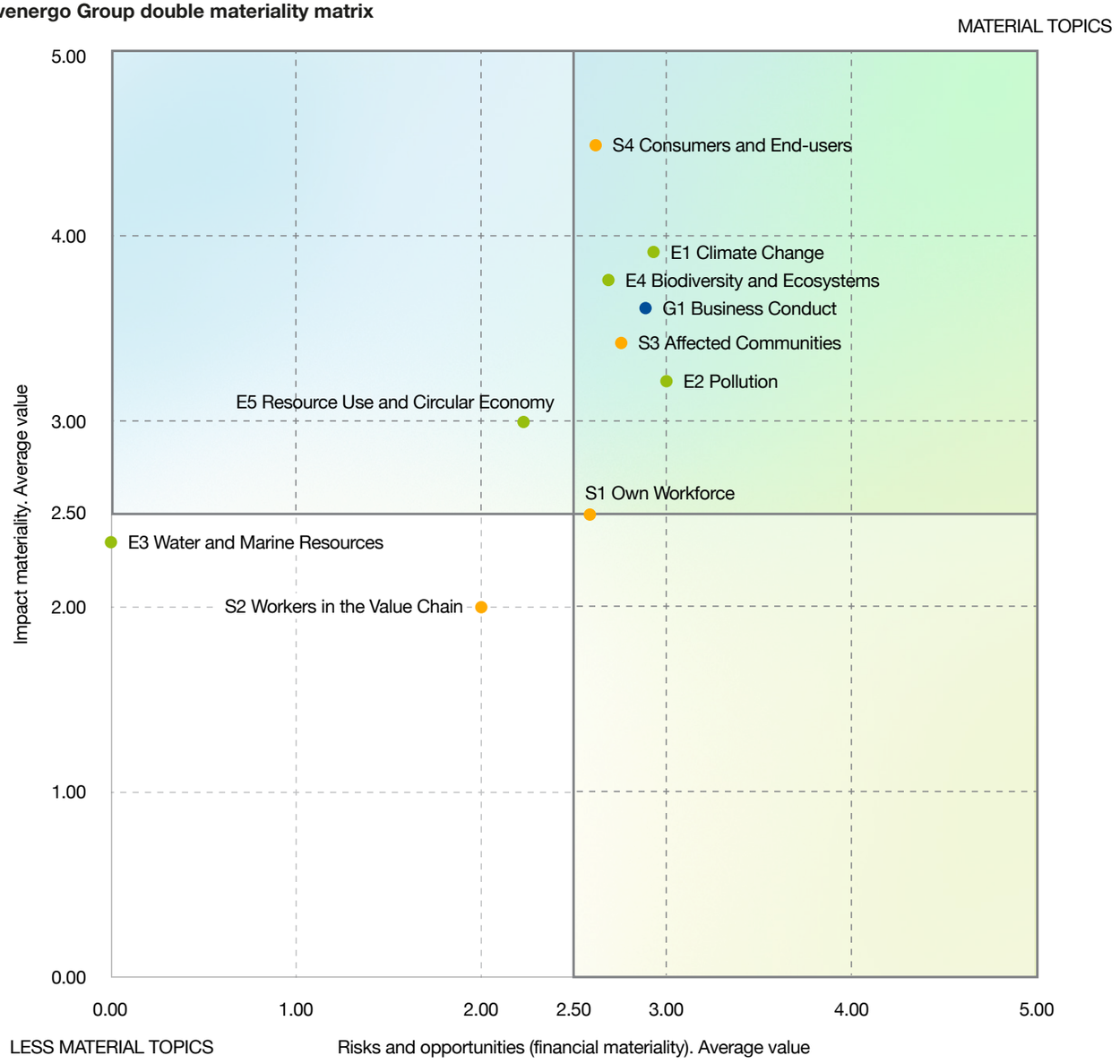
Governance

- ESRS G1 — Business Conduct
  - Corporate culture
  - Political engagement and lobbying activities
  - Management of relationships with suppliers including payment practices
  - Corruption and bribery

Breakdown of IROs in sustainability areas that exceeded and did not exceed the thresholds

	Impacts				Risks		Opportunities	
	Positive		Negative					
	exceeds	does not exceed	exceeds	does not exceed	exceeds	does not exceed	exceeds	does not exceed
Environment	6	6	7	3	6	7	5	8
Social	5	12	3	3	9	9	4	6
Governance	7	4	-	1	7	11	3	10
Exceeds, TOTAL				**28**		**22**		**12**

Latvenergo Group double materiality matrix



ESRS 2 SBM-3

Material impacts, risks and opportunities and their interaction with strategy and business model

An overview of the material IROs is provided in the section Material impacts, risks and opportunities of the topical standard sections E1 Climate Change, E2 Pollution, E4 Biodiversity and Ecosystems, E5 Resource Use and Circular Economy, S1 Own Workforce, S3 Affected Communities, S4 Consumers and End-users and G1 Business Conduct.

ESRS 2 MDR-P

Policies adopted to manage material sustainability matters

The energy sector has a major impact on the growth and competitiveness of many industries. Latvenergo Group is aware of its contribution to the overall economic development of the country, and it conducts its business in a sustainable manner, considering the requirements of the environment, employees and society, as well as best corporate governance practices. The principles of such activities are affirmed in the overall strategic objective of Latvenergo AS set by its shareholder: to contribute to the competitiveness and growth of a climate-neutral Latvia and to increase the value of Latvenergo Group in its home market in the Baltics and beyond through sustainable, innovative and economically sound development, through the provision of goods and services in the energy sector value chains, and through the efficient management of resources and infrastructure that play a strategic role in the development and security of the country, as well as in the Corporate Governance Policy of Latvenergo Group. The overall strategic goal set by the shareholder serves as the basis for Latvenergo Group's operations during the current strategy period, including the development of internal documents and business decisions.

Latvenergo Group has a number of internal documents, policies, guidelines, and regulations that it uses as guidance in managing its IROs. When developing internal documents, including policies, Latvenergo Group complies with regulatory requirements, as well as relies on internationally recognized best practices, guided by internationally recognized standards, such as the OECD Guidelines and the ILO Declaration on Fundamental Principles and Rights at Work. The Group's Medium-term Strategy and Sustainability Strategy drafts are coordinated with stakeholders and the feedback received is considered when reviewing subordinate documents, including policies. The Group complies with high standards of professional ethics in its operations and encourages its contractual partners to do the same.

The most important documents regulating sustainable operations at the Group are:

- Latvenergo Group 2022–2026 Medium-term Strategy
- Latvenergo Group 2024–2026 Sustainability Strategy
- Latvenergo Group Corporate Governance Policy
- Latvenergo Group Sustainability Policy
- Latvenergo Group Code of Ethics

Latvia's Commercial Law and Law on Governance of Capital Shares of a Public Person and Capital Companies set the framework for the activities of management boards and supervisory boards of state-owned companies. However, the specific and detailed competencies of Management Board and Supervisory Board in managing IROs, as integrated into the strategies and operations of the Group's companies, are defined in detail in company-specific regulatory documents: the Supervisory Board Regulations, the Management Board Regulations and the Latvenergo Group Corporate Governance Policy. According to the Group's internal documents, the Supervisory Board approves the Group's strategy and key corporate governance policies and oversees the operation of the risk management system, while the Management Board is responsible for implementing processes, including policies.

The Latvenergo Group Sustainability Policy sets common principles for the sustainable development of the Group. The principles defined in the policy are in line with international sustainability practices adopted by energy supply companies, as well as international and national laws, policy documents and standards, including the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

The Sustainability Policy applies to Latvenergo AS and companies in which Latvenergo AS owns all shares. The principles set in the policy and their implementation are complemented by other policies of the Group (see the ESRS topical standard policy sections and summary tables included in this section) and internal documents of the Group's companies.

The Sustainability Policy defines 10 principles:

- contribute to the achievement of the UN SDGs
- continuously improve environmental performance in all business segments
- respect human rights
- build a sustainable work environment and provide equal opportunities
- operate as a socially responsible business
- engage in ethical business practices
- ensure all-encompassing transparency in operations
- undergo sustainability assessments that provide incentives for further growth
- engage stakeholders
- work with sustainable contract partners

The Sustainability Policy was developed under the guidance of the Group's Sustainability Committee and is updated at least once every three years. The Sustainability Policy is published on the Latvenergo website.

Policies adopted to manage sustainability matters – Environment

ESRS sustainability topic	E1 Climate Change			E2 Pollution							E4 Biodiversity and Ecosystems				E5 Resource Use and Circular Economy		
ESRS sustainability sub-topic **Latvenergo policies adopted to manage material sustainability matters (IROs)**	Climate change adaptation	Climate change mitigation	Energy	Pollution of air	Pollution of water	Pollution of soil	Pollution of living organisms and food resources*	Substances of concern**	Substances of very high concern**	Microplastics***	Direct impact drivers of biodiversity loss	Impacts on the state of species	Impacts on the extent and condition of ecosystems	Impacts and dependencies on ecosystem services	Resources inflows, including resource use	Resource outflows related to products and services****	Waste
Action Plan for Migration and Natural Reproduction of Anadromous Fish of the Daugava River Basin 2021–2025											✓	✓	✓	✓			
Code of Ethics	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓
Suppliers Code of Conduct	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓
Sustainability Policy	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓
Procedure for management, quantification, and verification of greenhouse gas emissions data	✓	✓															
Corporate Governance Policy	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓
Risk Management Rules	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓
Risk Management Policy	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓
Environmental risk assessment methodology	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓
Environmental and Energy Management Policy	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓

* The sub-topic Pollution of living organisms and food resources is not material and policies are not applied to it
** The sub-topics Substances of concern and Substances of very high concern is not material and policies are not applied to it
*** The sub-topic Microplastics is not material and policies are not applied to it
**** The sub-topic Resource outflows related to products and services is not material and policies are not applied to it

Policies adopted to manage sustainability matters – Social

ESRS sustainability topic	S1 Own workforce				S3 Affected communities				S4 Consumers and end-users		
ESRS sustainability sub-topic	Working conditions	Equal treatment and opportunities for all	Other work-related rights*	Group specific topic – Labor market competition	Communities' economic, social and cultural rights	Communities' civil and political rights	Rights of indigenous peoples**	Group specific topic – Resilience of infrastructure	Information-related impacts on consumers and/or end-users	Personal safety of consumers and/or end-users	Social inclusion of consumers and/or end-users
Latvenergo policies adopted to manage material sustainability matters (IROs)											
Latvenergo AS Best Practices of Customer Service and Customer Service Standard									✓	✓	✓
Latvenergo AS Procedure for Handling Customer Submissions, Proposals and Complaints									✓		✓
Sadales tīkls AS Best Practices of Customer Service and Customer Service Standard									✓	✓	✓
Remuneration Policy	✓	✓		✓							
Occupational Safety Policy	✓			✓							
Elektrum Lietuva UAB Best Practices of Customer Service and Customer Service Standard									✓		✓
Code of Ethics	✓	✓		✓	✓	✓			✓	✓	✓
Suppliers Code of Conduct					✓	✓					
Sustainability Policy	✓	✓		✓	✓	✓		✓	✓	✓	✓
Corporate Governance Policy	✓	✓			✓	✓			✓	✓	✓
Human Resource Management Policy	✓	✓		✓							
Personal Data Breach Investigation and Reporting Procedure									✓		
Personal data processing and protection procedure									✓		
Risk Management Policy	✓	✓			✓	✓		✓	✓	✓	✓
Environmental and Energy Management Policy					✓	✓		✓			

* Sub-topic Other work-related rights is not material and policies are not applied to it
** Sub-topic Rights of indigenous peoples is not material and policies are not applied to it

Policies adopted to manage sustainability matters – Governance

ESRS sustainability topic	G1 Business Conduct							
ESRS sustainability sub-topic	Corporate culture	Whistleblower protection**	Animal welfare*	Political influence and lobbying activities	Management of relationships with suppliers, including payment practices	Corruption and bribery	Group specific topic – Direct and indirect economic impacts	
Latvenergo policies adopted to manage material sustainability matters (IROs)								
Remuneration Policy							✓	
Code of Ethics	✓			✓	✓	✓	✓	
Suppliers Code of Conduct	✓				✓	✓		
Rules Governing the Organisation of Procurement					✓			
Procurement Policy					✓			
Sustainability Policy	✓			✓	✓	✓	✓	
Corporate Governance Policy	✓			✓	✓	✓	✓	
Fraud and Corruption Risk Management Policy				✓		✓		
Procedure for the Development and Maintenance of Tax Risk Management Processes							✓	
Human Resource Management Policy							✓	
Risk Management Policy	✓			✓	✓	✓	✓	
Policy on Compliance with International and National Sanctions					✓			

* Sub-topic Animal welfare is not material and policies are not applied to it
** Sub-topic Whistleblower protection is not material and policies are not applied to it

ESRS 2 GOV-5

Risk management and internal controls over sustainability reporting

General information about the features and elements of the Latvenergo Group risk management and internal control system, as well as the risk assessment approach used, which, among other things, includes the sustainability reporting processes and reporting to administrative, management and supervisory bodies, is available in Internal control system and risk management of the section Corporate Governance.

The Group has also identified a number of risks associated with preparing the Sustainability Statement. One of the potential risks is inaccuracy of the information provided. It is also possible that the information included in the Sustainability Statement may not fully comply with the requirements of laws and regulations. One of the key control mechanisms for mitigating the risks associated with the preparation of the Sustainability Statement is having clearly defined rules for it, which enables a structured and systematic approach to this process. Separation of duties is also used at different stages of the preparation of data and information, including the processing, collection and verification of the data and information, which helps reduce the likelihood of errors or inaccuracies. In order to manage sustainability data as effectively as possible, the Group has set the goal of developing a single approach to the management of sustainability data. As part of achieving this goal, the Group plans to set up data management for the quantitative data that are necessary for preparing the Sustainability Statement by the end of 2025.

In order to achieve a better understanding of communication on sustainability among the Group's staff, including the correct use of terms and data, Latvenergo Group developed greenwashing prevention guidelines in the first quarter of 2025, which is also one of the tools identified to limit the risk of providing inaccurate information. In addition to this, the Group makes it possible for its employees to strengthen necessary competencies and improve their understanding of the requirements of the laws and regulations and of the reporting principles. Such control measures not only reduce risks but also encourage quality and responsibility in reporting practices.

The regulations for preparing the Sustainability Statement set out in detail all the stages of its preparation, the processes in each stage and the company units responsible. In order to achieve a single understanding and a coordinated approach, all the company units involved have familiarised themselves with the regulations. Furthermore, workshops and training sessions were organised in 2024, where invited sustainability experts shared information about the latest reporting requirements and best practices, tailored to the Group's industry and specific circumstances.

Statement on due diligence

Information about the due diligence process for sustainability affairs

Core elements of due diligence	Sections in the sustainability statement
a) Embedding due diligence in governance, strategy and business model	Group Strategy Group Strategy – Sustainability matters in the Group's Strategy General Information – Sustainability management
b) Engaging with affected stakeholders in all key steps of the due diligence	General Information – Stakeholder engagement E1 Climate Change – Material impacts, risks and opportunities; Actions and resources E2 Pollution – Material impacts, risks and opportunities; Policies E4 Biodiversity and Ecosystems – Material impacts, risks and opportunities; Policies E5 Resource Use and Circular Economy – Material impacts, risks and opportunities; Policies S1 Own Workforce – Stakeholder interests and opinions; Processes for engaging employees and employee representatives S3 Affected Communities – Stakeholder interests and opinions; Processes for engaging with affected communities S4 Consumers and End-users – Stakeholder interests and opinions; Processes for engaging with consumers and end-users G1 Business Conduct – Management of relationships with suppliers
c) Identifying and assessing adverse impacts	General Information – Double materiality assessment E1 Climate Change – Material impacts, risks and opportunities E2 Pollution – Material impacts, risks and opportunities; Policies E4 Biodiversity and Ecosystems – Material impacts, risks and opportunities; Policies S1 Own Workforce – Material impacts, risks and opportunities S3 Affected Communities – Material impacts, risks and opportunities
d) Taking actions to address those adverse impacts	E1 Climate Change – Actions and resources E2 Pollution – Actions and resources E4 Biodiversity and Ecosystems – Actions and resources S1 Own Workforce – Material impacts, risks and opportunities; Impact remediation and channels to raise concerns S3 Affected Communities – Material impacts, risks and opportunities; Impact remediation and channels for raising concerns
e) Tracking the effectiveness of these efforts and communicating	General Information – Sustainability management Group Strategy – Targets of the Group's Sustainability Strategy E1 Climate Change – Targets; Energy consumption and mix; GHG emissions E2 Pollution – Targets; Pollution of air, water and soil E4 Biodiversity and Ecosystems – Targets; Impact metrics S1 Own Workforce – Material impacts, risks and opportunities; Targets S3 Affected Communities – Material impacts, risks and opportunities; Targets S4 Consumers and End-users – Targets

ESRS data points arising from other EU laws

The table below lists all data points arising from other EU laws and listed in Annex B of ESRS 2. It offers information about where the data points can be found in the report, and identifies those that were found to be immaterial as a result of the assessment.

Disclosure requirement	Data point		SFDR reference	Pillar 3 reference	Reference to the Benchmarks Regulation	Reference to European Climate Law	Section	Page
ESRS 2 GOV-1	21 (d)	Management Board and Supervisory Board gender diversity	✓		✓		Sustainability Statement – S1 Own Workforce – Diversity metrics	152
ESRS 2 GOV-1	21 (e)	Percentage share of independent Supervisory Board members			✓		Corporate Governance – Governance Bodies – Supervisory Board	30
ESRS 2 GOV-4	30	Statement on due diligence	✓				Sustainability Statement – General Information – Statement on due diligence	88
ESRS 2 SBM-1	40 (d) i	Involvement in activities related to fossil fuel activities	✓	✓	✓		Financial Statements – Notes to the Financial Statements – 6. Revenue	204
ESRS 2 SBM-1	40 (d) ii	Involvement in activities related to chemical production paragraph	✓		✓		Not applicable[32]	
ESRS 2 SBM-1	40 (d) iii	Involvement in activities related to controversial weapons	✓		✓		Not applicable[32]	
ESRS 2 SBM-1	40 (d) iv	Involvement in activities related to cultivation and production of tobacco			✓		Not applicable[32]	
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050				✓	Sustainability Statement – E1 Climate Change – Transition plan	110
ESRS E1-1	16 (g)	Undertakings excluded from Paris-aligned Benchmarks		✓	✓		Sustainability Statement – E1 Climate Change – Transition plan	112
ESRS E1-4	34	GHG emission reduction targets	✓	✓	✓		Sustainability Statement – E1 Climate Change – Targets	114
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	✓				Sustainability Statement – E1 Climate Change – Energy consumption and mix	115
ESRS E1-5	37	Energy consumption and mix	✓				Sustainability Statement – E1 Climate Change – Energy consumption and mix	115
ESRS E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	✓				Sustainability Statement – E1 Climate Change – Energy consumption and mix	115
ESRS E1-6	44	Gross Scope 1, 2, 3 and Total GHG emissions	✓	✓	✓		Sustainability Statement – E1 Climate Change – GHG emissions	117
ESRS E1-6	53-55	Gross GHG emissions intensity	✓	✓	✓		Sustainability Statement – E1 Climate Change – GHG emissions	117
ESRS E1-7	56	GHG removals and carbon credits				✓	Sustainability Statement – E1 Climate Change – Projects financed through carbon credits[33]	120
ESRS E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks			✓		Sustainability Statement – E1 Climate Change – Anticipated financial effects of material physical risks[34]	120

32 Latvenergo Group is not involved in activities related to the manufacture of chemical products, controversial weapons, or the cultivation and production of tobacco.
33 Latvenergo Group does not currently use greenhouse gas (GHG) capture and storage technologies in its operations.
34 Only qualitative information is provided in the first reporting year, in accordance with Annex C of ESRS 1.

ESRS E1-9	66 (a); 66 (c)	Disaggregation of monetary amounts by acute and chronic physical risk; Location of significant assets at material physical risk		✓		Sustainability Statement – E1 Climate Change – Anticipated financial effects of material physical risks; Anticipated financial effects of material transition risks	120
ESRS E1-9	67 (c)	Breakdown of the carrying value of its real estate assets by energy-efficiency classes		✓		Not significant[35]	
ESRS E1-9	69	Degree of exposure of the portfolio to climate-related opportunities			✓	Sustainability Statement – E1 Climate Change – Potential to benefit from climate change-related opportunities	120
ESRS E2-4	28	Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	✓			Sustainability Statement – E2 Pollution – Pollution of air, water and soil[36]	125
ESRS E3-1	9	Water and marine resources	✓			Not significant[37]	
ESRS E3-1	13	Dedicated policy	✓			Not significant[37]	
ESRS E3-1	14	Sustainable oceans and seas	✓			Not significant[37]	
ESRS E3-4	28 (c)	Total water recycled and reused	✓			Not significant[37]	
ESRS E3-4	29	Total water consumption in m^3 per net revenue from own operations	✓			Not significant[37]	
ESRS 2 – SBM-3 – E4	16 (a) i	Negatively affected biodiversity-sensitive areas	✓			Sustainability Statement – E4 Biodiversity and Ecosystems – Material impacts, risks and opportunities	127
ESRS 2 – SBM-3 – E4	16 (b)	Significant negative impacts with regards to land degradation, desertification or soil sealing	✓			Sustainability Statement – E4 Biodiversity and Ecosystems – Material impacts, risks and opportunities	127
ESRS 2 – SBM-3 – E4	16 (c)	Information on whether it has operations that affect threatened species	✓			Sustainability Statement – E4 Biodiversity and Ecosystems – Material impacts, risks and opportunities	127
ESRS E4-2	24 (b)	Sustainable land / agriculture practices or policies	✓			Sustainability Statement – E4 Biodiversity and Ecosystems – Policies	128
ESRS E4-2	24 (c)	Sustainable oceans / seas practices or policies	✓			Not applicable[38]	
ESRS E4-2	24 (d)	Policies to address deforestation	✓			Sustainability Statement – E4 Biodiversity and Ecosystems – Policies	128
ESRS E5-5	37 (d)	Non-recycled waste (disposal/non-recycled waste)	✓			Sustainability Statement – E5 Resource Use and Circular Economy – Resource outflows	143
ESRS E5-5	39	Hazardous waste and radioactive waste	✓			Sustainability Statement – E5 Resource Use and Circular Economy – Resource outflows	143
ESRS 2 – SBM-3 – S1	14 (f)	Risk of incidents of forced labour	✓			Sustainability Statement – S1 Own Workforce – Interests and views of stakeholders	147
ESRS 2 – SBM-3 – S1	14 (g)	Risk of incidents of child labour	✓			Sustainability Statement – S1 Own Workforce – Interests and views of stakeholders	147
ESRS S1-1	20	Human rights policy commitments	✓			Sustainability Statement – S1 Own Workforce – Policies	148
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8			✓	Sustainability Statement – S1 Own Workforce – Policies	148
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	✓			Sustainability Statement – S1 Own Workforce – Policies	148

35 The consumption of energy in buildings is insignificant in the overall energy consumption of Latvenergo Group.
36 Information is only disclosed about those substances that are relevant to the activities of Latvenergo Group.
37 According to the results of the double materiality assessment, ESRS topical Standard E3 – Water and marine resources does not apply.
38 Sustainable oceans/seas practices or policies do not apply to the operations of Latvenergo Group.

ESRS S1-1	23	Workplace accident prevention policy or management system	✓		Sustainability Statement – S1 Own Workforce – Policies	148
ESRS S1-3	32 (c)	Grievance/complaints handling mechanisms	✓		Sustainability Statement – S1 Own Workforce – Impact remediation and channels to raise concerns	151
ESRS S1-14	88 (b), (c)	Number of fatalities and number and rate of work-related accidents	✓	✓	Sustainability Statement – S1 Own Workforce – Health and safety metrics	153
ESRS S1-14	88 (e)	Number of days lost to injuries, accidents, fatalities or illness	✓		Not applicable[39]	
ESRS S1-16	97 (a)	Unadjusted gender pay gap	✓	✓	Sustainability Statement – S1 Own Workforce – Compensation metrics (pay gap and total compensation)	153
ESRS S1-16	97 (b)	Ratio of the total annual remuneration of the highest-paid employee relative to the total median annual remuneration of all employees	✓		Sustainability Statement – S1 Own Workforce – Compensation metrics (pay gap and total compensation)	153
ESRS S1-17	103 (a)	Incidents of discrimination	✓		Sustainability Statement – S1 Own Workforce – Incidents, complaints and severe human rights impacts	154
ESRS S1-17	104 (a)	Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	✓	✓	Sustainability Statement – S1 Own Workforce – Incidents, complaints and severe impacts on human rights	154
ESRS 2 – SBM-3 – S2	11 (b)	Significant risk of child labour or forced labour in the value chain	✓		Not significant[40]	
ESRS S2-1	17	Human rights policy commitments	✓		Not significant[40]	
ESRS S2-1	18	Policies related to value chain workers	✓		Not significant[40]	
ESRS S2-1	19	Non-respect of UNGPs on Business and Human Rights and OECD	✓	✓	Not significant[40]	
ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8		✓	Not significant[40]	
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	✓		Not significant[40]	
ESRS S3-1	16	Human rights policy commitments	✓		Sustainability Statement – S3 Affected Communities – Policies	156
ESRS S3-1	17	Non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines	✓	✓	Sustainability Statement – S3 Affected Communities – Policies	156
ESRS S3-4	36	Human rights issues and incidents	✓		Sustainability Statement – S3 Affected Communities – Policies	156
ESRS S4-1	16	Policies related to consumers and end-user	✓		Sustainability Statement – S4 Consumers and End-users – Policies	161
ESRS S4-1	17	Non-respect of UNGPs on Business and Human Rights and OECD	✓	✓	Sustainability Statement – S4 Consumers and End-users – Policies	161
ESRS S4-4	35	Human rights issues and incidents	✓		Sustainability Statement – S4 Consumers and End-users – Policies	161
ESRS G1-1	10 (b)	Note on the absence of an anti-corruption or anti-bribery policy that complies with the United Nations Convention against Corruption	✓		Not applicable[41]	
ESRS G1-1	10 (d)	Whistleblower protection	✓		Sustainability Statement – G1 Business Conduct – Whistleblowing system and management	170
ESRS G1-4	24 (a)	Fines for breaches of anti-corruption and anti-bribery laws	✓	✓	Not applicable[42]	
ESRS G1-4	24 (b)	Actions taken to prevent violations of anti-corruption and anti-bribery procedures and standards	✓		Not applicable[42]	

39 The total days of sick leave are recorded in the time recording system. The system is not used to separately record days lost due to work-related injuries and deaths caused by accidents, or work-related illnesses and deaths caused by such illnesses.
40 According to the results of the double materiality assessment, ESRS Topical Standard S2 – Workers in the Value Chain does not apply.
41 Latvenergo Group has implemented a fraud and corruption risk management policy
42 No breaches of anti-corruption and anti-bribery laws, procedures or standards were detected at Latvenergo Group

ESRS information disclosure requirements, inclusion of information with references

Standard	No.	Reporting area	ESRS requirements	Disclosure requirements section (Highlighted disclosures are disclosed in the Management Report or Financial Statements sections)	Section	Page (section starting pages indicated)
ESRS 2 – General disclosures						
ESRS 2	BP-1	General	General basis for preparation of sustainability statements	5 (a); (b) i.; ii.; (c); (d)	Sustainability Statement – General information – Sustainability Statement preparation	72
ESRS 2	BP-2	General	Disclosures in relation to specific circumstances	9 (a); 10 (a); 11 (a); 15; 16	Sustainability Statement – General information – Sustainability Statement preparation	72
ESRS 2	GOV-1	Governance (GOV)	The role of the administrative, management and supervisory bodies	20 (a); (b); 21 (b); (c); (e); 22 (a); (b); (c) i.	Corporate governance – Governance Bodies	29
				21 (d)	Sustainability Statement – S1 Own Workforce – Diversity metrics	152
				20 (c); 22 (c) ii.; 23 (a); (b)	Sustainability Statement – General information – Sustainability Management	73
				22 (d)	About Latvenergo Group – Group Strategy – Sustainability matters in the Group's strategy	18
					Sustainability Statement – General information – Sustainability Management	73
				22 (c) iii.	Corporate Governance – Internal Control System and Risk Management	40
ESRS 2	GOV-2	Governance (GOV)	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	26 (a), (b)	Sustainability Statement – General information – Sustainability Management	73
				26 (c)	Corporate Governance – Governance Bodies	29
ESRS 2	GOV-3	Governance (GOV)	Integration of sustainability-related performance in incentive schemes	29 (a); (b); (c); (d); (e)	Corporate Governance – Governance Bodies	29
ESRS 2	GOV-4	Governance (GOV)	Statement on due diligence	30	Sustainability Statement – General information – Statement on due diligence	88
ESRS 2	GOV-5	Governance (GOV)	Risk management and internal controls over sustainability reporting	36 (a); (b); (c),	Sustainability Statement – General information – Risk management and internal controls over sustainability reporting	87
				36 (d)	Sustainability Statement – General information – Sustainability management	73
				36 (e)	Corporate Governance – Internal Control System and Risk Management	40

ESRS 2	SBM-1	Strategy (SBM-1)	Strategy, business model and value chain	40 (a) i.; ii.; iv	About Latvenergo Group – About the Group	8
					About Latvenergo Group – Group Strategy	12
					Operating Segments – Generation and Trade	45
				40 (a) iii	Sustainability Statement – S1 Own Workforce – Characteristics of the Group's employees	152
				40 (b)[43]	Financial Statement – Notes to the Financial Statement – 6. Revenue	204
				40 (d) i	Financial Statement – Notes to the Financial Statement – 6. Revenue	204
					Sustainability Statement – EU Taxonomy	101
				40 (e);(f);(g)	About Latvenergo Group – Group Strategy – Sustainability matters in the Group's strategy	18
				42 (a); (b); (c)	Sustainability Statement – General information – Value chain	78
ESRS 2	SBM-2	Strategy (SBM-2)	Interests and views of stakeholders	45 (a) i.; ii.; iii.; iv.; v.; (b); (c) i.; ii.; iii.; (d)	Sustainability Statement – General information – Stakeholder engagement	74
ESRS 2	SBM-3	Strategy (SBM-3)	Material impacts, risks and opportunities and their interaction with strategy and business model	48 (a); (b); (c) i.; ii.; iii.; iv.; (d); (e)[44] i.; ii.; (f); (g)[45]; (h); 49	Sustainability Statement – E1 Climate Change – Material impacts, risks and opportunities	107
					E2 Pollution – Material impacts, risks and opportunities	121
					E4 Biodiversity and Ecosystems – Material impacts, risks and opportunities	127
					E5 Resource use and Circular Economy – Material impacts, risks and opportunities	137
					S1 Own Workforce – Material impacts, risks and opportunities	146
					S3 Affected Communities – Material impacts, risks and opportunities	155
					S4 Consumers and End-users – Material impacts, risks and opportunities	160
					G1 Business Conduct – Material impacts, risks and opportunities	168
ESRS 2	IRO-1	Impact, risk and opportunity management (IRO-1)	Description of the process to identify and assess material impacts, risks and opportunities	53 (a); (b) i.; ii.; iii.; iv.; (c) i.; ii.; iii.; (g); (h)[46]	Sustainability Statement – General information – Double materiality assessment	79
				53 (c) iii		
				53 (d);(e);(f)	Corporate Governance – Risk Management	42
					Corporate Governance – Internal Control System and Risk management	40
ESRS 2	IRO-2	Impact, risk and opportunity management (IRO-2)	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	56	Sustainability Statement – General information – ESRS information disclosure requirements, inclusion of information with references	92
				56	Sustainability Statement – General information – ESRS data points arising from other EU laws	89
				58; 59	Sustainability Statement – General information – Double materiality assessment	79

43 The significant NACE sectors related to Latvenergo Group are Energy Production and Utilities, as well as Oil and Gas. In its financial statements, Latvenergo Group provides information and revenue distribution by segments in accordance with IFRS 8 "Operating Segments" requirements, which have been supplemented with information on revenue distribution by significant NACE sectors. This information can be found in the section Financial Statement – Notes to the Financial Statement – 6. Revenue

44 In the first reporting year, only qualitative information is provided, in accordance with the ESRS 1 C supplement

45 The year 2024 is the first reporting year in accordance with ESRS, therefore, changes in significant impacts, risks, and opportunities compared to the previous reporting period and/or previous reporting year are not provided.

46 The year 2024 is the first reporting year in accordance with ESRS, thus the process for identifying significant impacts, risks, and opportunities was implemented for reporting on the year 2024.

ESRS 2	MDR-P	Impact, risk and opportunity management (IRO)	Policies adopted to manage material sustainability matters	65 (a); (b); (c); (d); (e); (f)	Sustainability Statement – Policies adopted to manage material sustainability matters E1 Climate Change – Policies E2 Pollution – Policies E4 Biodiversity and Ecosystems – Policies E5 Resource Use and Circular Economy – Policies S1 Own Workforce – Policies S3 Affected communities – Policies S4 Consumers and End-users – Policies G1 Business Conduct – Business conduct policies and corporate culture; Management of relationships with suppliers; Political influence and lobbying activities; Group specific topic – Direct and indirect economic impacts	83 112 121 128 137 148 156 161 170; 172; 174; 175
ESRS 2	MDR-A	Impact, risk and opportunity management (IRO)	Actions and resources in relation to material sustainability matters	68 (a); (b); (c); (d); (e); 69[47] (a) (b); (c)	Sustainability Statement – E1 Climate Change – Actions and resources; Targets; Policies E2 Pollution – Actions and resources; Targets; Policies E4 Biodiversity and Ecosystems – Actions and resources; Targets; Policies E5 Resource use and Circular Economy – Actions and resources; Targets; Policies S1 Own Workforce – Material impacts, risks and opportunities; Targets; Policies S3 Affected communities – Material impacts, risks and opportunities; Targets; Policies S4 Consumers and End-users – Material impacts, risks and opportunities; Targets; Policies G1 Business Conduct – Business conduct policies and corporate culture; Management of relationships with suppliers; Political influence and lobbying activities; Group specific topic – Direct and indirect economic impacts	113; 114; 112 123; 123; 121 130; 133; 128 138; 139; 137 146; 151; 148 155; 158; 156 160; 163; 161 170; 172; 174; 175
ESRS 2	MDR-M	Metrics and targets (MT)	Metrics in relation to material sustainability matters	77 (a); (b); (c); (d)		
ESRS 2	MDR-T	Metrics and targets (MT)	Tracking effectiveness of policies and actions through targets	80 (a); (b); (c); (d); (e); (f); (g); (h); (i); (j)		
ESRS E1 – Climate change						
ESRS E1	GOV-3	Governance (GOV)	Integration of sustainability-related performance in incentive schemes	13	Corporate Governance – Governance Bodies	29
ESRS E1	E1-1	Strategy (SBM)	Transition plan for climate change mitigation	14; 16 (a); (b); (c); (d); (e); (f); (g); (h); (i); (j)	Sustainability Statement – E1 Climate Change – Transition plan	110
ESRS E1	SBM-3	Strategy (SBM)	Material impacts, risks and opportunities and their interaction with strategy and business model	18	Sustainability Statement – E1 Climate Change – Material impacts, risks and opportunities	107
				19 (a); (b); (c)	Sustainability Statement – E1 Climate Change – Strategy resilience analysis scope	108
ESRS E1	IRO-1	Impact, risk and opportunity management (IRO)	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	20 (a) ; (b) i.; ii.; (c) i.; ii.; 21	Sustainability Statement – General Information – Double materiality assessment	79

47 Latvenergo Group does not disclose sensitive information in relation to the amount of future operating expenses (OPEX) and capital expenditures (CAPEX) necessary to achieve its strategic goals.

ESRS E1	E1-2	Impact, risk and opportunity management (IRO)	Policies related to climate change mitigation and adaptation	24; 25 (a); (b); (c); (d); (e)	Sustainability Statement – E1 Climate Change – Policies	112
ESRS E1	E1-3	Impact, risk and opportunity management (IRO)	Actions and resources in relation to climate change policies	28; 29 (a); (b); (c) i.; ii.; iii.	Sustainability Statement – E1 Climate Change – Actions and resources	113
ESRS E1	E1-4	Metrics and targets (MT)	Targets related to climate change mitigation and adaptation	32; 33; 34 (a); (b); (c); (d); (e); (f)	Sustainability Statement – E1 Climate Change – Targets	114
ESRS E1	E1-5	Metrics and targets (MT)	Energy consumption and mix	37 (a); (b); (c) i.; ii.; iii.; 38 (a); (b); (c); (d); (e); 39; 40; 41; 42; 43	Sustainability Statement – E1 Climate Change – Energy consumption and mix	115
ESRS E1	E1-6	Metrics and targets (MT)	Gross Scopes 1, 2, 3 and Total GHG emissions	44 (a); (b); (c); (d); 47; 48 (a); (b); 49 (a); (b); 50 (a); 51; 52 (a); (b); 53; 54; 55	Sustainability Statement – E1 Climate Change – GHG emissions	116
ESRS E1	E1-7	Metrics and targets (MT)	GHG removals and GHG mitigation projects financed through carbon credits	-[48]	Sustainability Statement – E1 Climate Change – Projects financed through carbon credits	120
ESRS E1	E1-8	Metrics and targets (MT)	Internal carbon pricing	62	Sustainability Statement – E1 Climate Change – Internal carbon pricing	120
ESRS E1	E1-9[49]	Metrics and targets (MT)	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	66 (a); (b); (c); (d); 67 (a); (b); (d); (e); 68 (a); (b); 69 (a); (b)	Sustainability Statement – E1 Climate Change – Anticipated financial effects of material physical risks; Anticipated financial effects of material transition risks; Potential to benefit from climate change-related opportunities	120
ESRS E2 – Pollution						
ESRS E2	IRO-1	Impact, risk and opportunity management (IRO)	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	11 (a); 11 (b)	Sustainability Statement – General Information – Double materiality assessment	79
ESRS E2	E2-1	Impact, risk and opportunity management (IRO)	Policies related to pollution	14; 15 (a); (c)	Sustainability Statement – E2 Pollution – Policies	121
ESRS E2	E2-2	Impact, risk and opportunity management (IRO)	Actions and resources related to pollution	18	Sustainability Statement – E2 Pollution – Actions and resources	123
ESRS E2	E2-3	Metrics and targets (MT)	Targets related to pollution	22; 23 (a); (b); (c); 25	Sustainability Statement – E2 Pollution – Targets	123
ESRS E2	E2-4	Metrics and targets (MT)	Pollution of air, water and soil	28 (a); 30 (a); (b); (c); 31	Sustainability Statement – E2 Pollution – Pollution of air, water and soil	125
ESRS E2	E2-5	Metrics and targets (MT)	Substances of concern and substances of very high concern	-[50]	Sustainability Statement – E2 Pollution – Substances of concern and substances of very high concern	126
ESRS E2	E2-6[51]	Metrics and targets (MT)	Anticipated financial effects from pollution-related risks and opportunities	39 (a); (b); (c); 40 (a); (b); (c); 41	Sustainability Statement – E2 Pollution – Pollution-related risks and the financial effects thereof; Opportunities related to pollution prevention and control	126

48 Latvenergo Group currently does not utilize greenhouse gas (GHG) capture and storage technologies in its operations.
49 Only qualitative information is provided in the first reporting year, in accordance with Annex C of ESRS 1.
50 Latvenergo Group does not engage in the distribution, trade, or export of chemicals.
51 Qualitative information and partial quantitative information is provided in the first reporting year, in accordance with Annex C of ESRS 1.

ESRS E4 – Biodiversity and ecosystems						
ESRS E4	E4-1	Strategy (SBM)	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	13 (a)	Sustainability Statement – E4 Biodiversity and Ecosystems – Transition plan	127
ESRS E4	SBM-3	Strategy (SBM)	Material impacts, risks and opportunities and their interaction with strategy and business model	16 (a) i.; ii.; iii.; (c)	Sustainability Statement – E4 Biodiversity and Ecosystems – Material impacts, risks and opportunities	127
ESRS E4	IRO-1	Impact, risk and opportunity management (IRO)	Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks, dependencies and opportunities	17 (a); (b); (e) i.; ii.; iii.; 19 (a); (b)	Sustainability Statement – E4 Biodiversity and Ecosystems – Material impacts, risks and opportunities	127
ESRS E4	E4-2	Impact, risk and opportunity management (IRO)	Policies related to biodiversity and ecosystems	22; 23 (a); (b); (e); (f); 24 (a); (b); (d)	Sustainability Statement – E4 Biodiversity and Ecosystems – Policies	128
ESRS E4	E4-3	Impact, risk and opportunity management (IRO)	Actions and resources related to biodiversity and ecosystems	27; 28 (b) i.; ii.; iii.; 28 (c)	Sustainability Statement – E4 Biodiversity and Ecosystems – Actions and resources	130
ESRS E4	E4-4	Metrics and targets (MT)	Targets related to biodiversity and ecosystems	31; 32 (a); (b); (c); (d); (e); (f)	Sustainability Statement – E4 Biodiversity and Ecosystems – Targets	133
ESRS E4	E4-5	Metrics and targets (MT)	Impact metrics related to biodiversity and ecosystems change	35	Sustainability Statement – E4 Biodiversity and Ecosystems – Impact metrics	134
ESRS E4	E4-6[52]	Metrics and targets (MT)	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	45 (a); (b); (c)	Sustainability Statement – E4 Biodiversity and Ecosystems – Financial impacts related to biodiversity and ecosystem protection	135
ESRS E5 – Resource use and circular economy						
ESRS E5	IRO-1	Impact, risk and opportunity management (IRO)	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	11 (a); (b)	Sustainability Statement – General Information – Double materiality assessment	79
ESRS E5	E5-1	Impact, risk and opportunity management (IRO)	Policies related to resource use and circular economy	15 (a); (b)	Sustainability Statement – E5 Resource Use and Circular Economy – Policies	137
ESRS E5	E5-2	Impact, risk and opportunity management (IRO)	Actions and resources related to resource use and circular economy	20 (a); (b); (c); (d); (e); (f)	Sustainability Statement – E5 Resource Use and Circular Economy – Actions and resources	138
ESRS E5	E5-3	Metrics and targets (MT)	Targets related to resource use and circular economy	24 (a); (b); (c); (d); (e); (f); 25; 27	Sustainability Statement – E5 Resource Use and Circular Economy – Targets	139
ESRS E5	E5-4	Metrics and targets (MT)	Resource inflows	30; 31 (a); 32	Sustainability Statement – E5 Resource Use and Circular Economy – Resource inflows	141
ESRS E5	E5-5	Metrics and targets (MT)	Resource outflows	36 (a); 37 (a); (b) i; ii; iii; (c) i; ii; iii; (d); 38 (a); (b); 39; 40	Sustainability Statement – E5 Resource Use and Circular Economy – Resource outflows	142
ESRS E5	E5-6[53]	Metrics and targets (MT)	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	43 (a); (b); (c)	Sustainability Statement – E5 Resource Use and Circular Economy – Risks and financial effects from the circular economy and resource use; Anticipated financial effects from material opportunities	144

52 Qualitative information and partial quantitative information is provided in the first reporting year, in accordance with Annex C of ESRS 1.
53 Qualitative information is provided in the first reporting year, in accordance with Annex C of ESRS 1.

ESRS S1 – Own workforce						
ESRS S1	SBM-2	Strategy (SBM)	Interests and views of stakeholders	12	Sustainability Statement – S1 Own Workforce – Interests and views of stakeholders	147
ESRS S1	SBM-3	Strategy (SBM)	Material impacts, risks and opportunities and their interaction with strategy and business model	13 (a); (b); 14 (a); (b); (c); (d); (e); (f); i.; ii.; (g) i.; ii.; 15; 16	Sustainability Statement – S1 Own Workforce – Material impacts, risks and opportunities Sustainability Statement – S1 Own Workforce – Interests and views of stakeholders	146 147
ESRS S1	S1-1	Impact, risk and opportunity management (IRO)	Policies related to own workforce	19; 20 (a); (b); (c); 21; 22; 23; 24 (a); (b); (c); (d)	Sustainability Statement – S1 Own Workforce – Policies	148
ESRS S1	S1-2	Impact, risk and opportunity management (IRO)	Processes for engaging with Own Workforce and workers' representatives about impacts	25; 27 (a); (b); (c); (d); (e); 28	Sustainability Statement – S1 Own Workforce – Processes for engaging employees and employee representatives	150
ESRS S1	S1-3	Impact, risk and opportunity management (IRO)	Processes to remediate negative impacts and channels for own workforce to raise concerns	32 (a); (b); (c); (d); (e); 33	Sustainability Statement – S1 Own Workforce – Impact remediation and channels to raise concerns	151
ESRS S1	S1-4	Impact, risk and opportunity management (IRO)	Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	37; 38 (a); (b); (c); (d); 39; 40 (a); (b); 41; 43	Sustainability Statement – S1 Own Workforce – Material impacts, risks and opportunities	146
ESRS S1	S1-5	Metrics and targets (MT)	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	46; 47 (a); (b); (c)	Sustainability Statement – S1 Own Workforce – Targets	151
ESRS S1	S1-6	Metrics and targets (MT)	Characteristics of the undertaking's employees	50 (a); (b) i.; ii.; iii.; (c); (d) i.; ii.; (e); (f)	Sustainability Statement – S1 Own Workforce – Characteristics of the Group's employees	152
ESRS S1	S1-7	Metrics and targets (MT)	Characteristics of non-employees in the undertaking's own workforce	-[54]	Sustainability Statement – S1 Own Workforce – Characteristics of non-employee workers in the Group's own workforce	152
ESRS S1	S1-8	Metrics and targets (MT)	Collective bargaining coverage and social dialogue	60 (a); (b); 63 (a); (b)	Sustainability Statement – S1 Own Workforce – Collective bargaining coverage and social dialogue	152
ESRS S1	S1-9	Metrics and targets (MT)	Diversity metrics	66 (a); (b)	Sustainability Statement – S1 Own Workforce – Diversity metrics	152
ESRS S1	S1-10	Metrics and targets (MT)	Adequate wages	69	Sustainability Statement – S1 Own Workforce – Adequate wages	152
ESRS S1	S1-11	Metrics and targets (MT)	Social protection		Not material, information not provided in the Sustainability Statement	
ESRS S1	S1-12	Metrics and targets (MT)	Persons with disabilities		Not material, information not provided in the Sustainability Statement	
ESRS S1	S1-13	Metrics and targets (MT)	Training and skills development metrics	83 (a); (b)	Sustainability Statement – G1 Business Conduct – Group specific topic – Direct and indirect economic impacts	175
ESRS S1	S1-14	Metrics and targets (MT)	Health and safety metrics	88 (a); (b); (c); (d); 90	Sustainability Statement – S1 Own Workforce – Health and safety metrics	153
ESRS S1	S1-15	Metrics and targets (MT)	Work-life balance metrics		Not material, information not provided in the Sustainability Statement	
ESRS S1	S1-16	Metrics and targets (MT)	Remuneration metrics (pay gap and total remuneration)	97 (a); (b); (c)	Sustainability Statement – S1 Own Workforce – Compensation metrics (pay gap and total compensation)	153
ESRS S1	S1-17	Metrics and targets (MT)	Incidents, complaints and severe human rights impacts	103 (a); (c); 104 (a)	Sustainability Statement – S1 Own Workforce – Incidents, complaints and severe human rights impacts	154

54 There are no non-employee workers in the Latvenergo Group's own workforce.

ESRS S3 – Affected communities						
ESRS S3	SBM-2	Strategy (SBM)	Interests and views of stakeholders	7	Sustainability Statement – S3 Affected communities – Stakeholder interests and opinions	156
ESRS S3	SBM-3	Strategy (SBM)	Material impacts, risks and opportunities and their interaction with strategy and business model	8 (a); (b); 9 (a) i.; ii.; iii.; iv.; (b) i; ii; (c); (d); 10; 11	Sustainability Statement – S3 Affected communities – Material impacts, risks and opportunities	155
ESRS S3	S3-1	Impact, risk and opportunity management (IRO)	Policies related to affected communities	14; 15; 16 (a); (b); (c); 17	Sustainability Statement – S3 Affected communities – Policies	156
ESRS S3	S3-2	Impact, risk and opportunity management (IRO)	Processes for engaging with affected communities about impacts	21 (a); (b); (c); (d); 22; 23	Sustainability Statement – S3 Affected communities – Processes for engaging with affected communities	157
ESRS S3	S3-3	Impact, risk and opportunity management (IRO)	Processes to remediate negative impacts and channels for affected communities to raise concerns	27 (a); (b); (c); (d); 28	Sustainability Statement – S3 Affected communities – Impact remediation and channels to raise concerns	158
ESRS S3	S3-4	Impact, risk and opportunity management (IRO)	Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	31; 32 (a); (b); (c); (d); 33 (a); (b); (c); 34 (a); (b); 35; 38 36	Sustainability Statement – S3 Affected communities – Material impacts, risks and opportunities Sustainability Statement – S3 Affected communities – Policies	155 156
ESRS S3	S3-5	Metrics and targets (MT)	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	41; 42 (a); (b); (c)	Sustainability Statement – S3 Affected communities – Targets	158
ESRS S4 – Consumers and end-users						
ESRS S4	SBM-2	Strategy (SBM)	Interests and views of stakeholders	8	Sustainability Statement – S4 Consumers and End-users – Stakeholder interests and opinions	161
ESRS S4	SBM-3	Strategy (SBM)	Material impacts, risks and opportunities and their interaction with strategy and business model	9 (a); (b); 10 (a) i.; ii.; iii.; iv.; (b); (c); (d); 11	Sustainability Statement – S4 Consumers and End-users – Material impacts, risks and opportunities	160
ESRS S4	S4-1	Impact, risk and opportunity management (IRO)	Policies related to consumers and end-users	15; 16 (a); 16 (b); 16 (c)	Sustainability Statement – S4 Consumers and End-users – Policies	161
ESRS S4	S4-2	Impact, risk and opportunity management (IRO)	Processes for engaging with consumers and end-users about impacts	20 (a); (b); (c); (d); 21	Sustainability Statement – S4 Consumers and End-users – Processes for engaging with consumers and end-users	162
ESRS S4	S4-3	Impact, risk and opportunity management (IRO)	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	25 (a); (b); (c); (d); 26	Sustainability Statement – S4 Consumers and End-users – Impact remediation and channels to raise concerns	163
ESRS S4	S4-4	Impact, risk and opportunity management (IRO)	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	30; 31 (a); (c); (d); 33 (a); 37 35	Sustainability Statement – S4 Consumers and End-users – Material impacts, risks and opportunities Sustainability Statement – S4 Consumers and end-users – Policies	160 161
ESRS S4	S4-5	Metrics and targets (MT)	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	41 (a); (b); (c)	Sustainability Statement – S4 Consumers and end-users – Targets	163

ESRS G1 – Business conduct						
ESRS G1	IRO-1	Impact, risk and opportunity management (IRO)	Description of the processes to identify and assess material impacts, risks and opportunities	6	Sustainability Statement – General Information – Double materiality assessment	79
ESRS G1	GOV-1	Governance (GOV)	The role of the administrative, supervisory and management bodies	5 (a); (b)	Corporate Governance – Governance Bodies	29
ESRS G1	G1-1	Impact, risk and opportunity management (IRO)	Business conduct policies and corporate culture	7; 10 (a); (c) i.; ii.; (e); (g); (h)	Sustainability Statement – G1 Business Conduct – Business conduct policies and corporate culture	170
ESRS G1	G1-2	Impact, risk and opportunity management (IRO)	Management of relationships with suppliers	14	Sustainability Statement – G1 Business Conduct – Management of relationships with suppliers – Payment practices	173
				15 (a); (b)	Sustainability Statement – G1 Business Conduct – Management of relationships with suppliers	172
ESRS G1	G1-3	Impact, risk and opportunity management (IRO)	Prevention and detection of corruption and bribery	18 (a); (b); (c); 20; 21 (a); (b); (c)	Sustainability Statement – G1 Business Conduct – Business conduct policies and corporate culture – Prevention and detection of corruption and bribery	171
ESRS G1	G1-4	Metrics and targets (MT)	Incidents of corruption or bribery	24 (a); 25 (a)	Sustainability Statement – G1 Business Conduct – Business conduct policies and corporate culture – Operational compliance management	171
ESRS G1	G1-5	Metrics and targets (MT)	Political influence and lobbying activities	29 (a); (c); (d);	Sustainability Statement – G1 Business Conduct – Political influence and lobbying	174
				30	Corporate Governance – Governance Bodies	29
ESRS G1	G1-6	Metrics and targets (MT)	Payment practices	33 (a); (b); (c)	Sustainability Statement – G1 Business Conduct – Management of relationships with suppliers – Payment practices	173

Environmental Information

EU Taxonomy
E1 Climate Change
E2 Pollution
E4 Biodiversity and Ecosystems
E5 Resource Use and Circular Economy

As a result of the double materiality assessment, the material IROs were identified, which reflect the framework for the sustainable operations of Latvenergo Group.

The management of IROs is integrated into the operating processes of the Group's companies, and the supervision of these issues is addressed within the framework of fulfilling and monitoring strategies and operational plans. The Management Boards of the Group's capital companies handle the implementation of strategies and policies. Twice a year, the Management Board of Latvenergo AS assesses the progress of implementing the Sustainability Strategy (including the targets set). The determination of Latvenergo Group's material sustainability targets is based on internationally recognised standards, industry guidelines and examples of best practice, as well as the strategic objectives of the Group and impacts specific to its operations. The setting of targets and their implementation, with the exception of those related to GHG emissions, have not been validated by any external body. For more information, see the section Group Strategy.

The sections About the Group and Operating Segments provide information on the geographical scope of Latvenergo Group's operations.

Information on Latvenergo Group's sustainability management model and the Group's value chain is provided in the section Sustainability Management. Regarding stakeholder engagement in policy development, the Group applies an approach of coordinating the draft Medium-term Operational Strategy and Sustainability Strategy with stakeholders and using the feedback received in reviewing subordinate documents, including policies. For more information on the approach to stakeholder engagement, see the section Sustainability Management.

The sections Corporate Governance and Risk management and internal controls over sustainability reporting provide information on risk management, including the Group Risk Management Policy, which defines both the basic principles of risk management and the responsibilities of employees and management involved in the risk management process. In accordance with the Group Risk Management Policy, the Management Boards of the Group's capital companies are responsible for the capital companies' risk management. At least once a year, the Management Board of Latvenergo AS submits a report on the Group's risk management to the Supervisory Board of Latvenergo AS, which is responsible for overseeing the Group's risk management system.

The above approach is fully applied to the management of all sustainability issues and targets.

Broader use of renewable energy sources in the future and emission-free electricity production at the Latvenergo Group's hydropower plants ensure its progress towards the EU climate neutrality objectives. The strategy of the Group is to double the generation capacity of RES by 2030. Additionally, the Group's Sustainability Strategy sets out commitments and targets related to climate, pollution, circular economy and biodiversity. In the area of environmental protection and energy efficiency, the Group's activities are primarily planned in accordance with the Sustainability Policy, the Environmental and Energy Management Policy, environmental laws and regulations, and the core principles of ISO 14001 and ISO 50001 standards.

EU Taxonomy

To promote sustainable investment and the implementation of the European Green Deal, the European Commission has set up a special classification system for economic activities: the EU taxonomy. It aims to identify which activities can be considered sustainable and to facilitate the reorientation of capital flows towards sustainable investment.

To identify environmentally sustainable economic activities, the Taxonomy Regulation (EU) 2020/852 sets six environmental objectives:

1) climate change mitigation
2) climate change adaptation
3) sustainable use and protection of water and marine resources
4) transition to a circular economy
5) pollution prevention and control
6) protection and restoration of biodiversity and ecosystems

An economic activity is considered environmentally sustainable if it contributes significantly to one or more environmental objectives, does not cause significant harm to other environmental objectives and is carried out with at least the minimum social and governance safeguards specified. Companies in non-financial sectors that meet the criteria set out in the Taxonomy Regulation are required to report the share of turnover, capital expenditure (CAPEX) and operating expenditure (OPEX) accounted for by taxonomy-eligible and taxonomy-aligned economic activities.

It is important to note that not all activities not included in the taxonomy are harmful to the environment. The taxonomy currently includes those sectors and activities that have the greatest impact on the objectives set out in the Taxonomy Regulation, primarily on the climate change mitigation and adaptation. In the coming years, both the list of sectors included in the taxonomy and the list of economic activities will be expanded.

Taxonomy-eligible and aligned activities

Taxonomy-eligible activities are identified based on Delegated Regulations (EU) 2021/2139 and (EU) 2022/1214. Further, Latvenergo Group has carried out a detailed assessment of its taxonomy-eligible activities to determine which of these are considered taxonomy-aligned, namely:

1) whether the economic activity contributes significantly to climate change mitigation or adaptation

2) whether the economic activity causes significant harm to other environmental objectives included in the Taxonomy Regulation

3) whether the economic activity is carried out in compliance with the minimum safeguards set out in Article 18 of the Taxonomy Regulation

The first two steps were accomplished using the technical screening criteria for the respective economic activities published in Delegated Regulation (EU) 2021/2139.

Taxonomy-eligible activities	Activity description	Taxonomy-aligned activities
4.1. Electricity generation using solar photovoltaic technology	14 SPPs in the Baltics with a total capacity of 102 MW. 11 SPPs in Latvia and Lithuania in the construction stage, with a combined capacity of 587 MW.	✓
4.3. Electricity generation from wind power	In Lithuania's Akmene district, a WPP with a capacity of 19.6 MW has started electricity generation, while the Group's total WPP capacity reached 21 MW by the end of 2024. The Telšiai WPP construction project (124 MW) in Lithuania and the Laflora Energy WPP construction project (109 MW) in Latvia are scheduled for completion in 2026.	✓
4.5. Electricity generation from hydropower	The Daugava HPPs' cascade and the Aiviekste HPPs with a combined capacity of 1,560 MW.	✓
4.9. Transmission and distribution of electricity	Electricity distribution network providing distribution services to more than 798 thousand customers in Latvia	✓
4.11. Storage of thermal energy	Thermal storage system at CHPP-2, which allows thermal energy generated in cogeneration mode to be stored and CHPP operation modes to be adapted more optimally to market conditions and peak loads, achieving more efficient energy consumption and CO_2 emission savings.	✓
4.15. District heating/cooling distribution	Liepājas enerģija SIA heat networks, which provide centralised heating to more than 1,1 thousand buildings in Liepāja.	✓
4.20. Cogeneration of heat/cool and power from bioenergy	Liepājas enerģija SIA cogeneration plant, which uses woodchips to generate thermal energy and electricity. Its capacity is 10 MW_{th} and 2 MW_{el}.	✓
4.24. Production of heat/cool from bioenergy	Liepājas enerģija SIA generation plants using woodchips for thermal energy generation. Their total capacity is 40 MW_{th}.	✓
4.29. Electricity generation from fossil gaseous fuels	Latvenergo AS CHPP-2, which uses natural gas for electricity generation in condensation mode. The condensation capacity of the plant is 881 MW_{el}.	
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	Latvenergo AS CHPP-1 and CHPP-2 and Liepājas enerģija SIA cogeneration plant, which use natural gas for thermal energy and power generation. The total capacity of these plants is 693 MW_{th} and 994 MW_{el} (with CHPP-2 in cogeneration mode).	
4.31. Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	The Latvenergo AS CHPPs and Liepājas enerģija SIA (1,057 MW_{th}), which use natural gas for thermal energy generation and transfer the thermal energy generated to the centralised heating system.	
6.15. Infrastructure enabling lowcarbon road transport and public transport	The *Elektrum* electric vehicle charging network, which included more than 750 charging ports by the end of 2024. The *Elektrum Drive* app may be used to charge vehicles at partners' charging stations, with a total of 974 charging ports available to customers.	✓

Taxonomy-non-eligible activities include energy trading and related services and certain economic activities that are insignificant at the Group level.

The Group is committed to maintaining annual investments in EU taxonomy-aligned activities at a minimum of 80% of the total investments. In 2024, 95% of the investments made were in line with the EU taxonomy criteria.

Accounting policy

The calculations have been made in accordance with Taxonomy Regulation (EU) 2020/852, its delegated regulations and related documents. The calculations are based on several assumptions described below. For detailed indicator proportions, see the EU Taxonomy Tables section.

CAPEX

The share of taxonomy-eligible and aligned activities in CAPEX is determined by assessing capital investments in operational segments and more specifically in project segments. The most significant part of eligible investments consists of investments in the development of WPPs and SPPs, as well as distribution network renewal and development.

Revenue

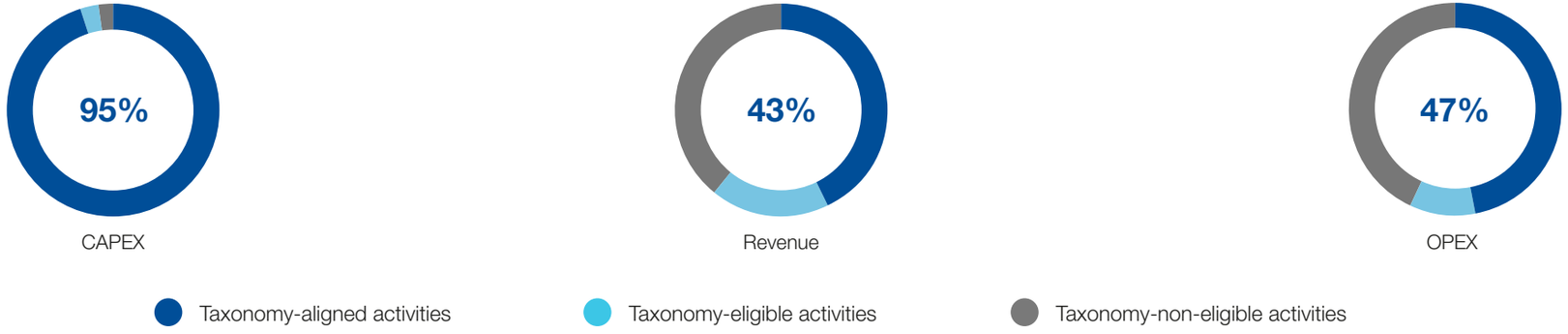
The share of taxonomy-eligible and aligned activities in revenues is based on an analysis of operating segments (e.g., the electricity distribution segment) and product and service revenues (e.g., generation and trade of thermal energy, electric vehicle charging services). In turn, electricity is provided to customers both from Latvenergo Group power plants that meet taxonomic requirements and by purchasing part of the energy on the market; therefore, taxonomic activities are basically attributed to a proportionate share of the total electricity sales revenue corresponding to the proportion of electricity generated by the Group's power plants to the total electricity sold.

OPEX

The share of taxonomy-eligible and aligned activities in OPEX are determined by assessing the costs by operating segments, for example, for the distribution service, as well as by analysing in detail the directly attributable costs for other activities, such as thermal energy and electricity generation at Latvenergo Group power plants. These expenses include directly attributable operating expenses for the operation of the plants, such as personnel, repairs, material expenses and other operating expenses. In cases where expenses are attributable by their nature to more than one of the types of electricity and thermal energy generation listed in the taxonomy, they have been reallocated in proportion to the amount of energy generated in each of these activities. The expense analysis does not include the cost of support services provided between Group companies.

The principles used for the allocation of revenue, CAPEX and OPEX ensure that these indicators are not allocated to several activities in the taxonomy at the same time.

Proportion of taxonomy-aligned activities



EU Taxonomy Tables

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities in 2024

Economic activities (1)	Code(s) (2)	Turnover (3)	Proportion of turnover (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover 2023 (18)	Category (enabling activity) (20)	Category (transitional activity) (21)
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES		**1,043.6**	**61.3**																
A.1. Taxonomy-aligned activities																			
Electricity generation using solar photovoltaic technology	4.1.	4.8	0.3	100							Y	N/A	N/A	Y	Y	Y	0.0		
Electricity generation from wind power	4.3.	0.1	0.0	100							Y	Y	N/A	Y	Y	Y	0.0		
Electricity generation from hydropower	4.5.	346.7	20.4	100							Y	Y	N/A	N/A	Y	Y	26.8		
Transmission and distribution of electricity	4.9.	370.0	21.7	100							Y	N/A	Y	Y	Y	Y	16.8	V	
Storage of thermal energy	4.11.	0.0	0.0	100							Y	Y	N/A	Y	Y	Y	0.0	V	
District heating/cooling distribution	4.15.	3.7	0.2	100							Y	Y	Y	N/A	Y	Y	0.2		
Cogeneration of heat/cool and power from bioenergy	4.20.	5.4	0.3	100							Y	Y	Y	N/A	Y	Y	0.3		
Production of heat/cool from bioenergy	4.24.	6.9	0.4	100							Y	Y	Y	N/A	Y	Y	0.4		
Infrastructure enabling low-carbon road transport and public transport	6.15.	0.7	0.0	100							Y	Y	Y	Y	Y	Y	0.0	V	
Turnover of taxonomy-aligned activities (A.1)		**738.4**	**43.3**														**44.6**		
A.2. Taxonomy-eligible-but-not-aligned activities																			
Electricity generation from fossil gaseous fuels	4.29.	61.4	3.6																
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	4.30.	211.4	12.4																
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	4.31.	32.4	1.9																
Turnover of taxonomy-eligible-but-not-aligned activities (A.2)		**305.2**	**17.9**																
TOTAL (A.1 + A.2)		**1,043.6**	**61.3**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		**660.0**	**38.7**																
Taxonomy-non-eligible activities		**660.0**	**38.7**																
TOTAL (A+B)		**1,703.6**	**100**																

Proportion of OPEX from products or services associated with Taxonomy-aligned economic activities in 2024

Economic activities (1)	Code(s) (2)	Turnover (3)	Proportion of turnover (4)	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover 2023 (18)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES		**150.2**	**56.8**																
A.1. Taxonomy-aligned activities																			
Electricity generation using solar photovoltaic technology	4.1.	0.7	0.3	100							Y	N/A	N/A	Y	Y	Y	0.0		
Electricity generation from wind power	4.3.	0.9	0.3	100							Y	Y	N/A	Y	Y	Y	0.1		
Electricity generation from hydropower	4.5.	21.5	8.1	100							Y	Y	N/A	N/A	Y	Y	7.0		
Transmission and distribution of electricity	4.9.	94.3	35.7	100							Y	N/A	Y	Y	Y	Y	36.2	V	
Storage of thermal energy	4.11.	0.0	0.0	100							Y	Y	N/A	Y	Y	Y	0.0	V	
District heating/cooling distribution	4.15.	0.8	0.3	100							Y	Y	Y	N/A	Y	Y	0.2		
Cogeneration of heat/cool and power from bioenergy	4.20.	0.8	0.3	100							Y	Y	Y	N/A	Y	Y	0.2		
Production of heat/cool from bioenergy	4.24.	1.2	0.5	100							Y	Y	Y	N/A	Y	Y	0.3		
Infrastructure enabling low-carbon road transport and public transport	6.15.	3.0	1.1	100							Y	Y	Y	Y	Y	Y	0.2	V	
OPEX of taxonomy-aligned activities (A.1)		**123.2**	**46.6**														**44.1**		
A.2. Taxonomy-eligible-but-not-aligned activities																			
Electricity generation from fossil gaseous fuels	4.29.																		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	4.30.	27.1	10.2																
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	4.31.																		
OPEX of taxonomy-eligible-but-not-aligned activities (A.2)		**27.1**	**10.2**																
TOTAL (A.1 + A.2)		**150.2**	**56.8**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		**114.2**	**43.2**																
Taxonomy-non-eligible activities		**114.2**	**43.2**																
TOTAL (A+B)		**264.4**	**100**																

Proportion of CAPEX from products or services associated with Taxonomy-aligned economic activities in 2024

Economic activities (1)	Code(s) (2)	Turnover (3)	Proportion of turnover (4)	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover 2023 (18)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES		**516.6**	**97.4**																
A.1. Taxonomy-aligned activities																			
Electricity generation using solar photovoltaic technology	4.1.	161.0	30.4	100							Y	N/A	N/A	Y	Y	Y	17.7		
Electricity generation from wind power	4.3.	184.1	34.7	100							Y	Y	N/A	Y	Y	Y	2.0		
Electricity generation from hydropower	4.5.	18.7	3.5	100							Y	Y	N/A	N/A	Y	Y	9.0		
Transmission and distribution of electricity	4.9.	122.3	23.1	100							Y	N/A	Y	Y	Y	Y	51.5	V	
Storage of thermal energy	4.11.	0.0	0.0	100							Y	Y	N/A	Y	Y	Y	0.0	V	
District heating/cooling distribution	4.15.	0.1	0.0	100							Y	Y	Y	N/A	Y	Y	0.2		
Cogeneration of heat/cool and power from bioenergy	4.20.	0.1	0.0	100							Y	Y	Y	N/A	Y	Y	0.0		
Production of heat/cool from bioenergy	4.24.	2.3	0.4	100							Y	Y	Y	N/A	Y	Y	1.7		
Infrastructure enabling low-carbon road transport and public transport	6.15.	13.7	2.6	100							Y	Y	Y	Y	Y	Y	1.2	V	
CAPEX of taxonomy-aligned activities (A.1)		**502.3**	**94.7**														**83.2**		
A.2. Taxonomy-eligible-but-not-aligned activities																			
Electricity generation from fossil gaseous fuels	4.29.																		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	4.30.	14.3	2.7																
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	4.31.																		
CAPEX of taxonomy-eligible-but-not-aligned activities (A.2)		**14.3**	**2.7**																
TOTAL (A.1 + A.2)		**516.6**	**97.4**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		**13.6**	**2.6**																
Taxonomy-non-eligible activities		**13.6**	**2.6**																
TOTAL (A+B)		**530.2**	**100**																

E1 Climate Change

ESRS 2 SBM-3, ESRS 2 IRO-1

Material impacts, risks and opportunities

Material sustainability IROs of Latvenergo Group were identified through the double materiality assessment. For information on the double materiality assessment process, including the methodology for identifying, assessing, and determining material IROs, see the Double materiality assessment in the section General Information.

Climate change adaptation					
	Impact of climate change on infrastructure resilience	LT			Latvenergo Group regularly assesses the risks caused by climate change and their impact on infrastructure, planning and implementing resilience standards and protection solutions for infrastructure that ensure long-term adaptation and resilience. Measures to improve infrastructure resilience are integrated into its strategic plans, also including climate risk assessments in the planning of new projects. The Group works with regulatory bodies and follows international guidelines to ensure compliance with best practices in climate resilience.
	As part of the Green Deal, there are opportunities to develop RES, storage solutions, the electric car charging network, and new business ventures that promote climate neutrality in the energy sector, related industries, and society as a whole	LT			In line with the Green Deal, Latvenergo Group: • develops RES generation capacity in line with the goals set in the strategy • expands the electric car charging network • implements energy efficiency measures • modernises and efficiently manages its distribution network, including the development of smart metering systems • promotes cooperation with research institutions as part of conducting energy transformation and industrial research projects
	Decarbonisation of the Group's CHPPs while preserving their competitiveness and life-cycle sustainability	LT			A plan to achieve climate neutrality for the Group's CHPPs was developed in 2024.
	Development of new products and services, and additional activities to develop the electric car charging network	MT			The development of new products and the improvement of existing ones ensure the Group's competitiveness and adaptation to market changes, contributing to its long-term growth. This enables the Group to expand into new niches and meet growing consumer demand for innovation, quality and sustainability, while improving the efficiency and added value of existing products.
	Increase the energy efficiency of production and business processes	MT			The Group continuously improves the energy efficiency of its production facilities, infrastructure and buildings, also making improvements in its monitoring and management systems and educating its employees and the public on topics related to energy efficiency.
Climate change mitigation					
	High RES share in the electricity generation mix and new projects to further develop RES generation capacity	MT	A	OO	Latvenergo consistently diversifies and expands its electricity generation portfolio using green technologies: • by developing RES capacity, especially WPPs and SPPs • by maintaining and modernising existing hydropower assets, ensuring their sustainable and reliable operation
	Green energy as a product for clients	LT	A	OO	The Group makes it possible for its clients to use electricity generated from RES, thus promoting sustainable consumption and contributing to the development of a green economy.
	Development of electromobility across the Baltic region	MT	A	OO	The development of electromobility makes an important contribution to Latvia's goals as part of the Green Deal and to building a sustainable future for the Baltics, through improvements in the quality of the environment, development of modern infrastructure, and economic benefits.
	Consistent strategic measures to reduce GHG emissions	MT	P	OO	The Latvenergo Group Sustainability Strategy sets a number of GHG emission reduction targets, including achieving climate neutrality in electricity generation by 2040.

	GHG emissions accelerate climate change	LT, MT	A, P	OO, VC	The Group conducts a detailed analysis of GHG emissions in accordance with the ISO 14064-1 and GHG protocol guidelines, in order to ensure accurate and responsible management of emissions and facilitate future reductions of these emissions. The Group plans to work more closely with suppliers, foster sustainable purchasing practices, and support solutions with lower GHG emissions across the value chain.
	The availability of infrastructure connections, necessary permit procedures and regulatory constraints could affect the implementation of RES projects	MT			The availability of the necessary connections to the electricity power transmission grid can impede the integration of renewable energy projects, affecting the ability of RES projects to deliver electricity efficiently and reliably. EIA procedures can be time-consuming and cause delays or additional costs if unforeseen environmental issues are found. Due to restrictions imposed by the Ministry of Defence, projects may be subject to additional restrictions in particularly sensitive areas associated with national security or military operations. These restrictions can affect the location, design, or operation of projects, potentially affecting project viability.
	Fossil fuel-using assets in the generation portfolio can make it difficult to raise external financing	MT			Fossil fuel-based assets may not meet the sustainability requirements set by lenders, which can affect the amount, price and other terms of available financing, making it more difficult to raise capital in the future.
	Rising costs of renewable energy technologies can delay the development of new projects or increase the costs of their implementation	MT			Higher costs can reduce the economic feasibility of projects. Investors and developers may face higher initial capital requirements and longer return-on-investment periods. This can slow down the growth of the industry and delay the transition to more sustainable energy sources.
Energy					
	Modernisation of the distribution network reduces electricity losses and improves the efficiency of its use	LT	A	OO	Modernisation and efficient management of the distribution network, while continuously improving the reliability and quality of the electricity supply, strengthens the competitiveness and growth of the economy while contributing to climate neutrality objectives.
	Energy consumption for maintaining business operations and production processes	LT	A	OO	The Group consumes a considerable amount of energy to conduct its economic activities.
	Electricity losses in the distribution network infrastructure	LT	A	OO	Electricity losses in the distribution network infrastructure are an unavoidable phenomenon, mainly influenced by technical parameters and the condition of the infrastructure.
	Increases in natural gas and CO_2 emission allowance prices can reduce the viability of operating fossil energy plants	LT			Increases in natural gas and CO_2 emission allowance prices can increase the production costs at Latvenergo's combined heat and power plants and reduce its competitiveness on the market. This could make it difficult to maintain the combined heat and power plants as an efficient and economically viable base capacity.

Positive impact · Negative impact · Risk · Opportunity · Climate-related transition risk · Climate-related physical risk · A Actual impact · P Potential impact · OO Own operations · VC Value chain · ST Short-term · MT Medium-term · LT Long-term

The Group communicates information on the impact of climate change by publishing reports and information about GHG emissions, cooperating with national environmental institutions, and engaging in public discussions on planned activities – thus promoting transparency and public participation in environmental matters.

Strategy resilience analysis scope

As a leader in the Baltic energy sector that focuses on the development of renewable energy, Latvenergo Group takes a comprehensive approach to assessing and managing the transitional and physical risks of climate change. Risk management is integrated into the development and implementation of its strategies, as well as operational activities. The Group pays attention to climate change risks at all stages of its value chain, starting from the delivery of raw materials and resources, with sustainable procurement practices and the assessment of suppliers in terms of environmental criteria. In the context of the main business, focus is placed on optimising production processes, improving energy efficiency, and increasing the share of RES. In the final stage of the value chain, the Group focuses on the development of sustainable products and services, as well as educating clients on energy efficiency and waste management in line with circular economy principles. Information about risk management at Latvenergo Group is available in the section Internal Control System and Risk Management.

Climate IROs are included in the Group's strategic approach. Transition risks and opportunities are analysed and managed taking economic, political, technological, and market factors into account, as well as physical climate risks and their impact on the Group's operations. The risks develop and change over time, as

they are related to and interact with socioeconomic, environmental and technological trends and changes. Therefore, the identification and implementation of structural and non-structural risk mitigation measures must be flexible, up-to-date, and adapted to the manifestations of the effects and consequences of changing threats. Rather than managing risks based solely on the experience of past events, anticipating future risks makes it possible for them to be monitored, with the prompt adaptation of mitigation measures.

Transition risks arise from the transition to a low-carbon economy and include factors such as new regulations, technological innovations, market trends, and changing consumer preferences. Latvenergo Group has been mitigating these risks by increasing its renewable energy capacity and adapting its operations to the 1.5 °C climate target. The monitoring of policy and regulatory changes is an important element of long-term planning. Global trends are observed and taken into account in strategic planning and day-to-day operations. Latvenergo acknowledges that the factors defining transition risks may affect the viability of certain business areas and create strategic risk for certain business models if the necessary adjustments are not introduced.

Physical risks arise from the physical effects of climate change, including acute events such as extreme weather (e.g., floods and heat/cold waves), as well as chronic changes, changes in temperature and wind direction. Chronic risks can lead to greater uncertainty in long-term generation forecasts, while acute risks can lead to, for example, prolonged temporary downtimes and increased demand for maintenance and repair work. The climate risk assessment is directly associated with efforts to ensure that the 'do no significant harm' requirements of the EU taxonomy for climate change adaptation are met, while taking the protection measures and operating risks into account.

The current resilience analysis focuses primarily on Latvenergo Group's own operations, as well as on its generation and distribution assets. The upstream and downstream elements of the supply chain were not included in the analysis for the time being. In terms of risks, the current analysis does not include persistent physical risks after 2030, indirect transition risks in the supply chain, and the cumulative long-term impact of risks. These limitations will be considered in the next resilience analysis cycle.

The low-carbon economy transition at Latvenergo Group is based on a number of mutually related critical assumptions. The energy source structure will gradually change as the share of renewables in the electricity generation portfolio increases. This transformation will be achieved through the combined use of the three main RES: hydropower, solar and wind. The Group plans to increase the share of renewable energy capacity in its generation portfolio to 80% by 2030. The Group has set clear goals aligned with EU climate policy scenarios: reduce GHG emissions by 47% by 2030 compared to 2021 levels, achieve climate neutrality in electricity generation by 2040, and achieve full climate neutrality in all segments of operations by 2050.

The financial impact is managed through consistent investments in renewable energy projects (see the section EU Taxonomy). In order to mitigate its risks, the Group is developing a diversified production portfolio, focusing on RES. By 2026, the Group plans to install or acquire WPPs and SPPs with a total capacity of 600 MW. After 2030, RES generation capacity is expected to increase to 2300 MW. These investments are a part of the Group's strategy aimed at sustainable development and strengthening its competitiveness on the regional energy market.

The goal of the physical climate risk assessment is to look at the potential impact of climate risks on the Group's operations and make evidence-based decisions on climate change mitigation and adaptation measures. Particular attention is paid to extreme events/acute risks, identifying potential threats and opportunities that could affect economic activity in the long run. Based on the degree of the climate risk identified, decisions are taken on the necessary adaptation measures, including their development, financing, division of responsibilities, and deadline planning.

The resilience analysis was carried out using the approach recommended by TCFD (Task Force on Climate-related Financial Disclosures) and the climate change analysis tool developed by Latvijas Vides, ģeoloģijas un meteoroloģijas centrs VSIA (Latvian Environment, Geology, and Meteorology Centre, LEGMC), which is based on the data produced at the LEGMC meteorological monitoring station as well as climate scenarios included in the IPCC (Intergovernmental Panel on Climate Change) fifth assessment report (AR5, 2014). The analysis is based on Latvenergo Group's Risk Management Policy and is supplemented by a double materiality assessment.

The impact of chronic climate change risks has not yet been analysed in detail because it is assumed that in the Baltic region climate change will mainly manifest itself as isolated weather risks with mildly rising frequency and severity. In the long run, no major changes are expected to arise that could materially threaten the Group's critical infrastructure. Latvenergo considers how climate and environment-related events could affect the continuity of its operations, as well as the extent to which the nature of these operations could increase reputation and/or liability risks.

The analysis of transition risks and physical risks is mainly focused on Latvenergo Group's own operations.

Resilience analysis methodology

Transition risks, including economic, business and geopolitical risks, are managed through Latvenergo Group's Risk Management Policy. The responsibility for risk management is allocated at different levels of the Group's management, setting clear duties with the goal of effective risk management within the Group and ensuring that risks are identified and managed in line with its risk appetite. The Risk Management Policy is supplemented by a double materiality assessment, used as an assessment methodology and as a focused approach to solving the issues of sustainability. New risks are regularly identified and integrated into the overall risk management system, enabling a prompt response to changes.

The 1.5 °C scenario was used to identify transition risks and opportunities, in line with the EU 2050 climate neutrality goals, the National Energy and Climate Goals and Latvenergo's own decarbonisation objectives.

In the short run (up to 1 year), this scenario includes an assessment of the impact of changes in regulatory requirements, fluctuations in CO_2 quota prices, operational changes, and current investment projects. In the mid-term (1–5 years), attention is paid to technology modernisation needs, product portfolio changes, market structure changes, and adaptations in the asset portfolio. The long-run assessment (more than 5 years) looks at fundamental changes in the business model, strategic investments, the development of new business lines, and the achievement of full decarbonisation.

In the future, it is planned to expand the analysis with more detail in the aspects of supply chain and downstream activities, and to carry out a more detailed evaluation of assets in various transition scenarios.

An in-depth assessment of **physical climate risks** takes place once every three years, with a revision every year. The last in-depth assessment was carried out in 2023. The analysis of risks was carried out based on a climate change analysis by LEGMC, and the IPCC fifth assessment report RCP4.5 and RCP8.5 scenarios, which describe medium and high future GHG emissions.

In the RCP4.5 scenario, it is assumed that the GHG emissions will peak in around 2040 and decline after that. This scenario is in line with moderate climate change impact, with average global temperatures rising by about 2–3 °C by the end of the century.

RCP8.5 is the 'pessimistic' scenario, predicting a continuous increase in GHG emissions, leading to a significant rise in global temperatures: 4–5 °C by the end of the century. This scenario is used to assess the impact of the worst-case scenario on the company's assets and operations.

The scenarios are analysed to identify physical risks and plan adaptation measures across all time periods:

- the RCP4.5 scenario is used to identify mid-level risks and the necessary adaptation measures
- the RCP8.5 scenario is used to identify the maximum potential risks and to assess the resilience of assets in extreme conditions

An approach based on an analysis of the frequency of incidents over a 10-year period is used for assessing the climate risks. The probability of a risk is ranked using five tiers, ranging from 'very likely' (an incident once a year) to 'very unlikely' (an incident less than once every 10 years). No detailed long-term risk analysis has been carried out so far due to the high uncertainty of the impact of climate change in the more distant future. However, given the long-term nature of climate change, it is planned to expand the period of the analysis in the future, in order to include the mid-term period up to 2035 and the long-term period up to 2050.

An approach that focuses on extreme (acute) weather conditions is used as part of climate risk assessment, as such conditions are predicted to involve the most significant changes and potentially the greatest negative impacts. An analysis of the prediction of Latvijas Vides, ģeoloģijas un meteoroloģijas centrs VSIA climate change analysis tool revealed that persistent risks will not have a material impact in the next 5–10 years, for which reason, only acute risks were assessed in detail before the next revision of the methodology takes place.

The exposure of assets and operations to climate risks is assessed using detailed criteria:

- extreme phenomenon criteria: extreme temperature, precipitation, wind, etc.
- risk assessment dimensions: likelihood (ranked using 5 tiers ranging from 'very likely' (once a year) to 'very unlikely' (less than once every 10 years)), severity of consequences (financial, environmental effects, effects on human health and life), and the effectiveness of preventive measures
- specific geographic features: location, climatic conditions typical of the region, and the particular vulnerability of the area in question to the identified risks

This detailed approach makes it possible to accurately identify and assess the impact of climate risks on the company's assets and operations, and to plan appropriate prevention and adaptation measures.

The Group plans to revise its climate risk assessment in order to align it with LEGMC's latest future climate change model forecasts based on the latest Shared Socioeconomic Pathway (SSP) climate model scenarios included in the IPCC sixth assessment report published in 2023.

The results of the resilience analysis show that all of the Group's assets are structurally protected against the physical risks caused by climate change. This protection is achieved through effective safety measures and risk mitigation strategies, aimed specifically at managing acute physical risks. Based on the analysis results and evaluated climate scenarios, no critical climate-related assumptions have been identified that would materially impact the Group's financial performance. Latvenergo Group is aware of the materiality of climate change risks and their gradual long-term development. It recognises that these risks evolve gradually and can accumulate in the long run, often materialising as rare events with severe consequences, which in turn highlights the necessity to consistently improve assessment methodologies in order to better understand climate change processes and their potential impact on the Group's operations. Latvenergo Group's risk management strategy also includes maximum damage assessments that quantify potential financial consequences and provides sufficient insurance coverage against unforeseen extreme events.

The global renewables market continues to grow, and considerable improvements in grid management, energy storage solutions and the deployment of new technologies are expected in the coming years. In order to successfully adapt to these dynamic changes, Latvenergo Group consistently monitors the market, analysing political, legal, technological, and market changes and assessing their potential impact on the Group's operations and development outlook.

Climate change and environmental risks are properly managed by ensuring appropriate and regular reporting to the management of the Group's capital companies.

The Group has identified assets and business activities requiring significant adaptation efforts, with relevant information disclosed in the sections Transition plan and EU Taxonomy. The Group does not engage in economic activities that are incompatible with the transition to a climate-neutral economy.

ESRS 2 GOV-3

Integration of sustainability-related performance in incentive schemes

Information about the remuneration of management board members, their performance assessment and the individual variable part of their remuneration (that takes climate considerations into account) and its percentage rate, as well as an assessment of performance in relation to GHG reduction target indicators, is available in the Remuneration Policy for the Supervisory Board, the Audit Committee, and the Management Board under the section Corporate Governance.

E1-1

Transition plan

The Group is committed to achieving climate neutrality by 2050, supporting the Paris Agreement's goal of limiting global warming. The Group's transition strategy focuses on three main areas: decarbonisation, development of RES, and improvements in energy efficiency.

The approach to achieving the climate targets is based on consistent work in the area of the environment, as evidenced by regular progress monitoring and independent expert assessments. The climate targets are integrated into the Group's Sustainability Strategy, approved at the end of 2023, adding specific environmental, social, and governance objectives and targets in the Medium-term Operational Strategy; see the section Group Strategy. Latvenergo Group has set two important climate targets:

- in the medium term, the Group plans to reduce its direct GHG emissions by 47% (compared to 2021) by 2030 while increasing the share of RES in electricity generation to 80%
- in the long term, the Group has an ambitious goal of achieving climate neutrality in electricity generation by 2040; in order to attain it, active research is taking place in the area of CHPP decarbonisation solutions, with assessments of other technological options to reduce emissions

Latvenergo plans to make substantial investments to achieve these goals through the use of its internal resources as well as through green financing and co-financing from EU funds.

In setting its strategic climate targets, Latvenergo Group conducted resilience analysis to ensure its strategy and operations are adaptable to economic, political, technological, and market factors associated with the low-carbon transition, while also assessing physical climate risks to understand how climate change could impact its operations

Latvenergo AS is the first company in the Baltics to have published a Moody's assessment of the Group's climate targets and the feasibility of achieving them. Moody's gave Latvenergo AS an NZ-3 score on the Net Zero Assessment climate target scale, confirming the high credibility of the Group's capacity to meet its climate targets and comply with the Paris Agreement. According to the Moody's assessment, Latvenergo Group's Scope 1 and Scope 2 emission reduction targets by 2030 are in line with the 1.5 °C scenario, while its Scope 3 targets correspond to a scenario well above 2 °C by 2030 and a 1.5 °C scenario by 2050. For detailed information, see Moody's report *Net Zero Assessment – Latvenergo AS assigned a NZ-3 score*.

The Group consistently takes decarbonisation measures to promote sustainable development and comply with climate change mitigation requirements, while ensuring competitiveness on the energy market. The Group's strategy includes achieving its GHG emission reduction targets and making significant changes in its product and service portfolio, with a focus on sustainable solutions. The strategic areas for decarbonisation are:

- expanding the use of RES – investments in new wind and solar parks to increase renewable energy production
- efficiency improvements – modernisation and digitalisation of production processes and infrastructure, aiming to reduce energy losses and increase generating efficiency
- assessment and gradual implementation of economically viable options for reducing fossil energy and decarbonising production facilities.

In the area of products and services, Latvenergo Group plans to pursue technological modernisation:

- as part of the development of the electric car charging infrastructure, it is expected that there will be 1,200–1,500 charging ports in the Baltics by 2026 and 3,000 by 2030; particular attention is being paid to ensuring that TEN-T (Trans-European Transport Network) has charging options for cars as well as cargo and heavy vehicles
- in the area of smart solutions, there are developments in modernising electronic metering systems and digitalising the distribution network, improving consumption analysis and reducing losses
- in developing the product and service portfolio, the focus is on expanding the green energy offering; energy efficiency services are being improved, providing clients with advice and solutions for optimising their energy consumption and reducing emissions; investment projects are being developed in line with the EU taxonomy regulations and climate neutrality targets
- decarbonisation of the value chain is realised in conjunction with suppliers, in order to encourage the use of sustainable raw materials and technologies

Latvenergo Group operates as a natural gas trader and uses natural gas in its power generation facilities. Although the Group is strategically moving towards decarbonisation and the development of RES, there are currently locked-in emissions associated with existing natural gas deliveries and the infrastructure used. Locked-in emissions are future GHG emissions resulting from already existing or planned infrastructure and contractual obligations. In the case of Latvenergo, these arise because the Group has long-term contracts for the supply of certain quantities of natural gas, and because natural gas is used to produce electricity and thermal energy at its CHPPs. Latvenergo's CHPPs play a critical role in the reliable and stable operation of Latvia's energy system, and there currently are no economically viable alternatives available to replace natural gas. In order to reduce the impact of locked-in emissions, Latvenergo continues to develop its RES capacity, improve energy efficiency, and explore possible decarbonisation technologies. Latvenergo Group knows that the transition to climate-neutral energy is a strategic challenge and continues to work on solutions that reduce GHG emissions while ensuring a reliable and secure supply of energy.

Latvenergo Group has conducted a comprehensive analysis of its GHG emissions. The assessment was carried out to ensure that GHG emission reduction targets are met and to mitigate the transition risks that may arise with changes in regulations and market requirements.

Latvenergo Group faces a number of material transition risks that affect its progress towards climate neutrality. The main financial and technological risks encompass the substantial investments necessary for deploying new RES technologies, upgrading existing generation assets, and ensuring compliance with tightening regulatory requirements. The rise in EU CO_2 emission allowance prices and the need to adapt to new market requirements could have a substantial effect on the Group's business operations.

However, several factors make achieving GHG emission reduction targets difficult. Firstly, the dependence on fossil fuels and the limited availability of stabilised decarbonisation technologies pose challenges for the transition to climate-neutral solutions. Secondly, geopolitical crises can cause short-term emissions increases, as in 2022, when diesel fuel was used as backup. Thirdly, grid infrastructure limitations hinder the shift to renewables, especially with the planned increase in RES capacity in the long term. Emissions are also expected to rise with increased CHPP operations. During the reporting year, preliminary work at the CHPPs aligned power generation with market demand and transmission system needs in preparation for the synchronisation of the Baltic power system with the European power grid. After synchronisation, the CHPPs will qualify for the balancing market, offering future service products. Long EIAs and delays in implementing the Renewable Energy Directive (RED III) also hinder RES project development. These administrative and regulatory challenges impact the ability to meet emission reduction targets on time.

Latvenergo Group's transition plan is integrated into its strategy and financial planning. The plan focuses on Latvenergo's transition to sustainable operations, with the aim of reducing GHG emissions,

thus contributing to the Group's compliance with the Paris Agreement and sustainable development goals. This is supported by the 2022–2026 strategy goals and mechanisms for achieving them. There is an ambitious growth programme envisaging an expansion of the generation portfolio with RES projects across the entire Baltic region.

The transition is supported by certain financial instruments and investment plans. The total investment in 2024 was EUR 530 million, allocated for the development of new projects and modernisation of existing assets. Some 2/3 of the investment, EUR 345 million, was used for new wind and solar generation capacity (see the section EU Taxonomy). In order to carry out the transition plan, a new subsidiary was created, Elektrum Next SIA, which specialises in the development of RES projects.

Latvenergo Group's transition plan has been approved by all its main executive bodies. The Latvenergo supervisory board has approved the Medium-term Operational Strategy and monitors its implementation. The Management Board approved a Sustainability Strategy in late 2023, complementing the Medium-term Operational Strategy. Latvenergo has a Sustainability Committee, chaired by its Chief Financial Officer, to oversee the implementation of the transition plan. For details on the management of sustainability affairs, see the section General Information. Latvenergo Group met the EU Paris-aligned Benchmarks criteria by the end of 2024.

E1-2

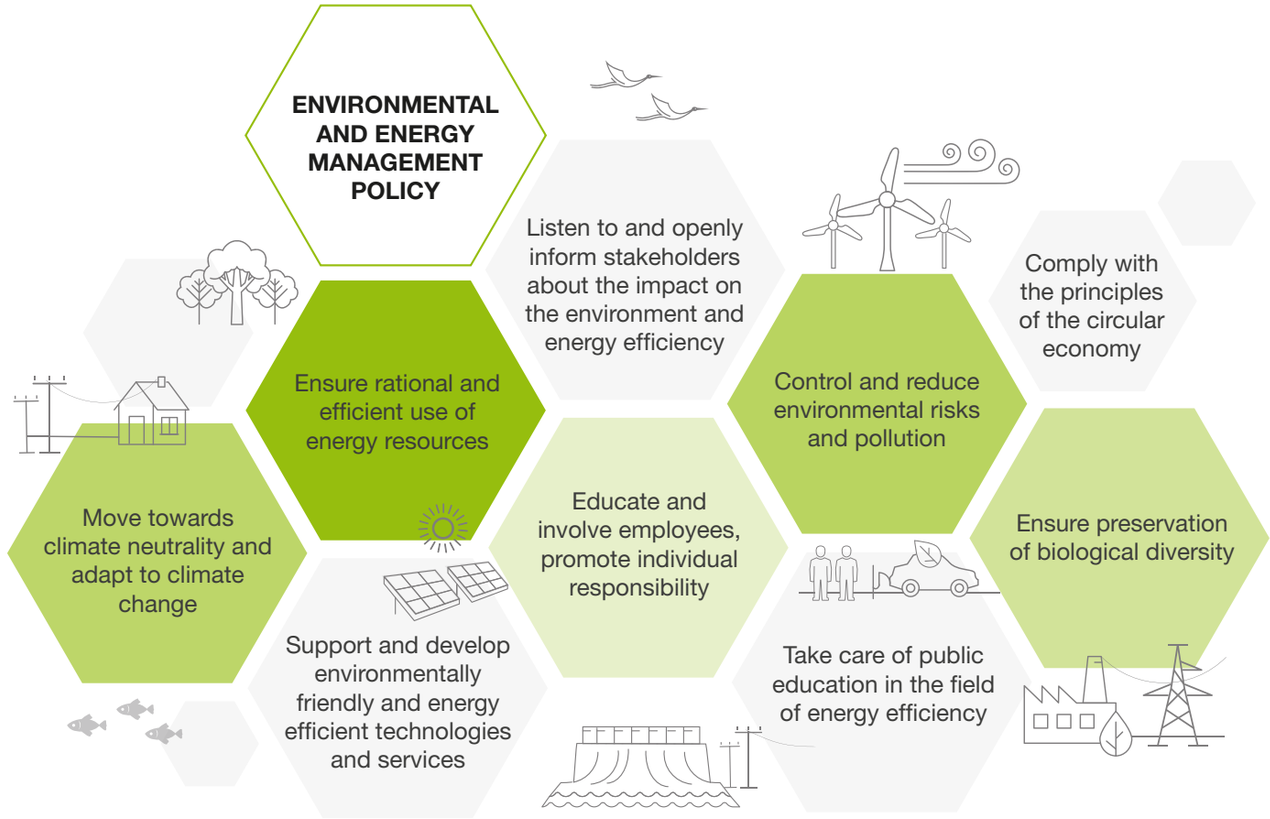
Policies

The key elements for managing climate change mitigation and adaptation measures, as well as assessing risks and opportunities, are included in the Latvenergo Group Medium-term Operational Strategy for 2022–2026 and the Latvenergo Group Sustainability Strategy for 2023–2026. In addition to the policies mentioned in the section General Information and the third-party standards and initiatives followed in their development, the Group's approach to sustainable development is based on its Environmental and Energy Management Policy. This policy is integrated into the Group's strategy, and its goal is to ensure sustainable business operations in line with national and international environmental standards. It emphasises:

- moving towards climate neutrality
- implementing circular economy principles
- involving staff and the public in environmental affairs
- improving energy efficiency
- increasing the use of renewable energy sources

For a summary of Latvenergo's policies on climate change issues (IROs) management, see Policies adopted to manage material sustainability matters in the section General Information. In addition to climate change mitigation activities, the Group implements a climate resilience programme that includes adaptation to the challenges of climate change. The adaptation to climate change takes place in accordance with the Group's risk management policies. General information about risk management at Latvenergo Group is available in the section Internal Control System and Risk Management.

The risk management system is embedded in the Group's risk management policy, prescribing a uniform approach to identifying and managing risks at all levels of governance. The climate risk management process includes regular assessments of environmental and climate risks, planning and implementing preventive measures, and consistent monitoring of progress, coordinated by the Environmental Management Function of Latvenergo AS in conjunction with the responsible units of the Group's companies.



At the same time, Latvenergo Group pursues a consistent energy efficiency policy aimed at optimising energy consumption and implemented in line with ISO 14001 and ISO 50001. The implementation of the policy is coordinated by the responsible units of the Group's companies. Energy efficiency improvements are implemented in a number of strategic areas, including the modernisation of buildings and infrastructure, optimisation of production processes, and changes in the everyday habits of employees.

The Group has made strengthening renewable energy a strategic priority. The share of renewable energy in the generation portfolio is expected to increase to 80% by 2030, with climate neutrality in electricity generation achieved by 2040, thus making a significant contribution to strengthening Latvia's energy independence and reducing shortages of electricity in the region.

The Group promotes circular economy practices and the sustainable use of resources, integrating climate considerations into supply chain management. Latvenergo Group is committed to responsibly sourcing goods and services, fostering a supply chain based on human rights, environmental protection, and ethical business practices. According to its Suppliers Code of Conduct, the Group expects suppliers to reduce their climate impact by tracking and cutting GHG emissions, implementing energy efficiency and low-emission technologies, using RES, minimizing emissions throughout product lifecycles, and promoting sustainable transport and logistics.

E1-3

Actions and resources

The Group takes consistent measures to reduce GHG emissions, increase energy efficiency, and expand the use of RES. As part of its climate change mitigation measures, the Group is investing in renewable energy projects, improving production efficiency and introducing low-carbon technological solutions that meet the sustainability criteria set in the EU taxonomy. At the same time, the adaptation strategy includes the modernisation of infrastructure and management of climate risks to ensure a continuous and reliable supply of energy in changing environmental conditions. See the sections Group Strategy and Operating Segments for more detailed information.

In terms of the impact of climate change on stakeholders, the Group has put a number of support and compensation mechanisms in place. As part of the client assistance programme, consultations on improving energy efficiency are provided, offering solutions for optimising electricity costs. The Group regularly informs its clients about energy-efficiency measures and provides recommendations for reducing electricity consumption.

In the field of adaptation of infrastructure, the modernisation of power grids was carried out, smart technologies were implemented, and preventive measures were taken to protect critical infrastructure against extreme weather events. Particular attention is paid to the safe operation of HPPs and the efficient management of water resources in the Daugava River Basin. The Group continues the development of the Plavinas HPP back-up spillway project in order to increase the reliability of the HPP and the energy security of the country. The purpose of the back-up spillway is to provide an additional water throughput capacity of at least 4,000 m^3/s, in order to reduce the risk of the dam breaking and to divert flood water.

Safety instructions have been developed, and the necessary protective equipment has been provided to ensure employee protection during extreme weather conditions. Emergency response training is organized regularly.

The measures resulted in better reliability of supply, reducing the number of unscheduled power interruptions. The Group continues assessing the impact of climate change and, if necessary, adjusts its support mechanisms to provide effective support to the affected parties. The Group manages its material climate impacts in a way that is not expected to result in harm to third parties. The Group deliberately manages its material climate IROs in order to avoid a negative impact on third parties and to mitigate potential risks in the future.

Actions taken to mitigate climate change during the reporting year

Developing RES — setting up new wind and solar parks to increase the share of renewable energy and reduce the use of fossil fuels:

- during the reporting year, 10 solar parks with a total installed capacity of 73.6 MW were put into operation in Latvia. 2024 saw the launch of operations of 2 more solar parks in Lithuania, with a total capacity of 16.9 MW, and 2 additional solar parks in Estonia, with a total capacity of 24.4 MW. As of the end of 2024, Latvenergo Group had a total of 14 solar parks with an installed capacity of 102.2 MW
- the Akmenes WPP in Lithuania was put into operation, with a capacity of 19.6 MW
- the Telšiai (124 MW) and, in Latvia, Laflora Energy SIA (109 MW) WPP projects were acquired. Both WPPs are expected to start generating electricity in 2026

About 2/3 of investment, EUR 345 million, was used for new wind and solar generation capacity (see the section EU Taxonomy).

Investments in modernising infrastructure – during the reporting year, investments in distribution system assets amounted to EUR 122.3 million, representing about a quarter of the Group's total investments (see the section EU Taxonomy). Most funds were allocated to power line and transformer construction and reconstruction, supporting a high quality service achievement, technical performance, and operational reliability. These investments aim to enhance energy supply reliability and quality, reduce the frequency and duration of scheduled and unscheduled power outages, and ensure proper voltage quality.

Fostering electromobility – in 2024, Latvenergo Group continued expanding the *Elektrum Drive* charging network in the Baltics, with more than 750 charging ports available as of the end of December. The development of this infrastructure contributes to the growth of electromobility and reduces emissions generated by the transport sector. The *Elektrum Drive* public electric car charging network provides its clients with electricity generated from RES, thereby reducing CO_2 emissions by 1.5 thousand tonnes.

During the reporting year, the heat storage system at CHPP-2 made it possible to store cogenerated heat and better adapt the operating modes of the CHPP to market conditions and to covering peak loads, resulting in efficient consumption of energy and 6.2 thousand tonnes of CO_2 emission savings.

In addition to technological solutions, Latvenergo Group implemented nature-based climate change mitigation measures: tree planting initiatives were implemented in conjunction with local partners to increase carbon capture potential.

The costs and investments associated with the above activities are shown in the activity costs, capital investments, and capital investment plan, as per the taxonomy (see the section EU Taxonomy). Latvenergo Group has set itself a goal of continuing to make at least 80% of its investments in EU taxonomy-compliant activities.

Targets

Latvenergo Group has set specific GHG emission reduction targets to manage material climate-related IROs. The year 2022 was selected as the baseline year, aligning with the period of the Latvenergo Group's Medium-term Operational Strategy for 2022–2026. An exception applies to Scope 1 GHG emissions, for which the baseline year is set at 2021. Due to the geopolitical situation and the unusual operation of generation facilities in 2022 (such as the use of diesel fuel as a backup in CHPP boilers) the emissions data from that year do not objectively reflect a reliable reference point for setting emissions targets.

The Group has set targets in the areas of climate change mitigation, energy, and climate change adaptation:

- in order to mitigate climate change, the Group aims to reduce Scope 1, 2 and 3 emissions
- the energy industry is the Group's core business, and the Group's 2022–2026 business strategy sets ambitious decarbonisation targets, including the development of new RES generation capacity and the modernisation of the power distribution grid in line with microgeneration and electrification trends (see the section Group strategy)
- in terms of adaptation to climate change, the Group is focused on efficient management of the power grid, improving the reliability and quality of power supply, including strengthening grid resilience to the impacts of climate change (see the section Distribution).

The primary long-term objective is to achieve climate neutrality by 2050, with an interim target of reducing direct GHG emissions by 47% by 2030, compared to the 2021 baseline. No interim targets have been set for the other target indicators. For information on stakeholder engagement in setting the strategy's goals, see the section General Information. A detailed description of the alignment between the targets and the objectives set out in the policies is provided in the section Policies.

Results achieved in 2024:

- Scope 1 emissions – direct (Scope 1) emissions fell by 16% compared to 2021 during the reporting year. The specific emissions rate was 0.095 tonnes of CO_2 per megawatt-hour (MWh) of electricity generated.
- Electricity generated from RES – during the reporting year, electricity generated from RES accounted for 66% of the total electricity output.
- Share of electric cars in fleet – during the reporting year, the share of electric vehicles in Latvenergo Group's fleet increased to 11.6%.
- Share of certified RES electricity in self-consumption – During the reporting year, the share of certified electricity in the Group's total consumption was 82%.
- Electricity distribution losses – the 2024 electricity distribution losses amounted to 3.62%, 0.10 percentage points less than in 2023.
- Emissions from electricity retail trade – emissions caused by the retail trade of electricity rose by 23% compared to 2022. The increase can be attributed to a few factors. Firstly, 2024 saw a relatively lower number of retail clients buying green energy, which had a direct impact on total emissions. Secondly, the retail sales of electricity increased overall, leading to additional emissions without an increase in the share of green energy. Thirdly, the emission factor for uncertified electricity in 2024

Scope 1 emissions		Electricity generated from RES	Share of electric cars in fleet
-47%* 2030 * compared to 2021	0.06 tCO_2/MWh electricity generated 2030	80% 2030	51% 2030
Reduce direct (Scope 1) greenhouse gas emissions and achieve climate neutrality in electricity generation by 2040			
Share of certified RES electricity in self-consumption	**Electricity distribution losses**	**Emissions from electricity retail trade**	**Customers choose green energy**
79% annually	<4% annually	-20%* 2030 * compared to 2022	30% 2030
Reduce indirect (Scope 2) greenhouse gas emissions		Reduce indirect (Scope 3) greenhouse gas emissions	

was significantly higher compared to the emission factor for uncertified electricity in 2022, meaning that every kilowatt-hour of uncertified electricity sold generated more emissions than during the previous reporting period.

- Clients choose green energy – during the reporting year, 9% of retail electricity clients chose green energy.

The GHG emissions reduction target indicators were developed with consideration of the EU Green Deal goals and the 2021–2030 Latvian National Energy and Climate Plan into account. The target indicators were set based on the International Energy Agency's (IEA) Net Zero Emissions by 2050 scenario and the energy sector decarbonisation roadmap.

During the reporting year, Latvenergo AS received an NZ-3 score from Moody's, which analyses the compliance of the Group's climate transition strategy and goals with global efforts to limit warming to 1.5 °C. The Moody's assessment is science-based, as it follows internationally accepted IPCC climate science findings and scenarios. The methodology used by Moody's integrates the latest IPCC climate models, permissible emissions calculations and sector decarbonisation trajectories, ensuring that the rating represents the most up-to-date scientific knowledge on climate change. Moody's assesses not only the ambitiousness of the goals but also their consistency with science-based decarbonisation strategies and realistic implementation opportunities, enabling a science-based approach to evaluating climate goals.

The target indicators were set with consideration of future development factors, including anticipated changes in sales, shifts in consumer habits and needs, regulatory requirements, and planned technological solutions.

For information on plans to introduce new technologies and their role in achieving GHG emissions reduction targets, see the sections Transition plan and Group Strategy.

E1-5

Energy consumption and mix

During the reporting year, total energy consumption rose by 9% compared to 2023. Fossil fuels accounted for 10% of energy consumption, while renewables accounted for 8%. The share of uncertified electricity from nuclear sources was 0.5% of the total energy consumption.

Energy consumption and energy source structure

	Units	2023	2024	Δ
Total energy consumption, fossil energy sources	**MWh**	**3,714,990**	**4,077,570**	**10%**
Fuel consumption from natural gas	MWh	3,459,468	3,859,343	
Fuel consumption from petroleum products	MWh	62,178	143	
Fuel consumption from coal and coal products	MWh	51	0	
Consumption of fuel for vehicles and machinery	MWh	31,489	28,424	
including diesel fuel consumption	*MWh*	*27,294*	*24,963*	
including petrol consumption	*MWh*	*4,195*	*3,462*	
Consumption of purchased fossil fuel electricity	MWh	158,513	186,062	
Consumption of purchased fossil fuel thermal energy	MWh	3,291	3,598	
Energy consumption, nuclear energy sources*	**MWh**	**37,076**	**23,314**	**-37%**
Total energy consumption, renewable energy sources	**MWh**	**364,272**	**364,160**	**0%**
Fuel consumption from renewable energy sources	MWh	264,802	270,720	
Consumption of purchased renewable energy electricity	MWh	95,910	89,579	
Consumption of purchased renewable thermal energy	MWh	3,561	3,860	
Total energy consumption	**MWh**	**4,116,339**	**4,465,044**	**8%**
Share of fossil energy resources in total energy consumption	%	90	91	
Share of nuclear energy in total energy consumption	%	0.9	0.5	
Share of renewable energy resources in total energy consumption	%	8.9	8.2	
Energy intensity**	**MWh/EUR**	**0.0020**	**0.0026**	**30%**

* Consumption as the share of nuclear power in uncertified electricity
** Total energy consumption per net income

Energy produced

	Units	2023	2024	Δ
Energy produced from renewable energy sources	**%**	**58**	**53**	**-5%**
Water	%	55	48	
Wind	%	<0.1	<0.1	
Sun	%	<0.1	0.7	
Wood materials	%	3	4	
Energy produced from fossil energy sources	**%**	**42**	**48**	**5%**
Natural gas	%	41	48	
Diesel fuel (including small amounts of coal and LPG)	%	0.9	<0.1	
Electricity generated	**GWh**	**5,134**	**4,842**	**-6%**
From renewable energy sources	%	73	66	-7%
From non-renewable energy sources	%	13	34	21%
Heating energy produced	**GWh**	**1,706**	**1,671**	**-2%**
From renewable energy sources	%	12	13	0,3%
From non-renewable energy sources	%	88	87	-0,3%

Energy consumption and its breakdown were calculated and grouped according to ESRS requirements, which may cause differences compared to reports from previous years, in which calculations were made using other standards. Energy consumption includes direct and indirect energy consumption. Direct energy consumption covers all forms of energy use, including those that contribute to Scope 1 GHG emissions. This includes all fuels used in the Group's CHPPs and boiler houses, as well as other energy sources: petrol and diesel fuel. Indirect energy consumption consists of the Group's heat and electricity consumption.

Latvenergo Group uses natural gas and biomass to produce energy. As an alternative to natural gas, the CHPPs can use diesel fuel, which was used to a limited extent during the reporting year. The use of sustainable wood as a fuel increased by 2% during the reporting year.

The overall amount of fuel used for transport and machinery fell by 10% year-on-year.

In 2024, 77 GWh of electricity was consumed to support production and operational processes, 4% less than in the previous reporting period. Sadales tīkls AS electricity losses during the reporting year were 3.62%, 0.10 percentage points less than in 2023.

The recording and calculation of energy sources is based on measurements or fuel supplier documentation and internal records, in accordance with the requirements set in emission permits and Latvian and EU legislation. Energy source consumption data and energy performance indicators are reviewed and verified during the annual ISO 50001 audits of the energy management system. This independent verification ensures data reliability, confirms the effectiveness of the energy management system, and guarantees that the company's energy efficiency goals are met and continuously improved.

All of the sectors of Latvenergo Group's business are in high climate impact areas. The net income from these sectors can be found in the section Statement of Profit or Loss. The energy intensity rate is calculated as total energy consumption divided by net income.

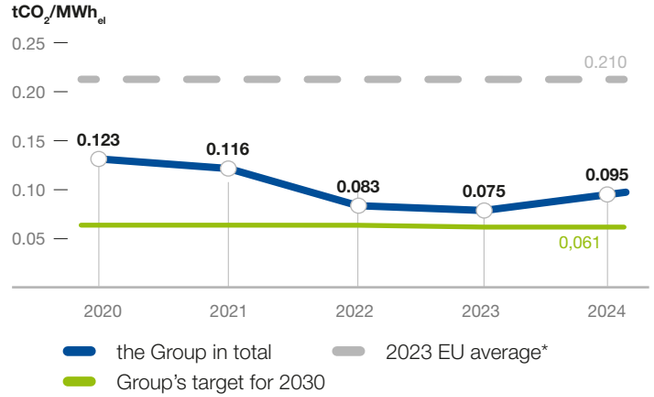
The share of energy from renewable sources generated during the reporting year was 53%, down 5% compared to 2023.

E1-6

GHG emissions

The assessment of Latvenergo Group's GHG emissions was conducted in accordance with the requirements of ISO 14064-1 and the GHG Protocol Corporate Accounting and Reporting Standard. The operational control approach was chosen for assessing Latvenergo Group's GHG emissions. The approach considers GHG emissions from activities over which the organisation has operational control, meaning the organization can make decisions and implement policies that directly address emission sources and their management. All GHG emissions are expressed in tonnes of carbon dioxide equivalent (t CO_2e) in order to standardise the impact of these gases, taking the global warming potential of each gas into account. This approach allows for the standardization of the impact of different GHGs (CO_2, HFC, SF_6), converting them into a single unit for easier comparison and more effective emissions management. The Group's emissions data are verified by a third party, confirming that the calculations comply with the requirements of the standard and that the data are reliable.

CO_2 emission intensity per unit of electricity output



Source: European Environment Agency (2024)

Direct (Scope 1) GHG emissions and their intensity

Direct, or Scope 1, GHG emissions are emissions originating from sources owned or controlled by the Group. The amount and intensity of these emissions at Latvenergo Group are influenced by a number of factors: the share of RES in primary energy consumption, the amount of energy generated, and the operating modes of the plants. GHG emissions intensity is expressed in tonnes of carbon dioxide equivalent and measured per unit of electricity (MWh) generated by the Group. The lower the indicator, the more electricity was produced from RES and the more efficiently the CHPPs operated.

The largest share of the Group's total direct emissions comes from combustion facilities participating in the EU Emissions Trading System (ETS). The total amount also includes emissions related to maintaining the process of energy production. In addition to these amounts, CO_2 is emitted through fuels used in vehicles and machinery.

During the reporting year, direct CO_2 emissions and CO_2 emissions per MWh of electricity generated increased due to the rise in the total amount of energy produced by CHPPs as compared to 2023.

The Group's total direct emissions consist of:

- emissions from facilities participating in the EU ETS (combustion facilities with a design thermal input of more than 20 MW)
- emissions from facilities not participating in this system, which emitted around 5.3 thousand tonnes of CO_2 during the reporting year, accounting for 0.7% of total emissions

The total amount also includes emissions related to maintaining the process of energy production. In addition to these amounts, CO_2 is emitted through fuels used in vehicles and machinery, which amounted to 7.5 thousand tonnes of CO_2 in 2024. The Group also operates equipment that uses fluorine-containing GHG gases. Leaks occurring during the reporting year produced emissions equivalent to 0.4 thousand tonnes of CO_2.

Direct GHG emissions from heat and power plants are calculated based on the amount of fuel used, following the rules of the EU ETS. Other direct emissions are calculated by multiplying the data for the activity by the respective emission factors.

Latvenergo Group GHG emissions

	Unit	2023	2024	Δ
Scope 1 GHG emissions	**thousand t CO_2e**	**717**	**780**	**9%**
From combustion plants	thousand t CO_2e	708	772	
From fuels used for vehicles and machinery	thousand t CO_2e	8	8	
Fluorine-containing GHG leaks	thousand t CO_2e	0.4	0.4	
Scope 1 GHG emissions as a percentage share of regulated ETS	%	98	98	
Scope 2 GHG emissions (geographic method)	**thousand t CO_2e**	**39**	**36**	**-6%**
From procured electricity generation	thousand t CO_2e	10	9	
From procured thermal energy generation	thousand t CO_2e	0.7	0.5	
From electricity distribution losses	thousand t CO_2e	27	27	
Scope 2 GHG emissions (market method)	**thousand t CO_2e**	**107**	**114**	**6%**
From procured electricity generation	thousand t CO_2e	9	8	
From procured thermal energy generation	thousand t CO_2e	0.7	0.5	
From electricity distribution losses	thousand t CO_2e	98	106	
Key Scope 3 GHG emissions	**thousand t CO_2e**	**3,002**	**3,413**	**14%**
(1) Goods and services purchased	thousand t CO_2e	73	123	
(2) Fixed assets	thousand t CO_2e	14	16	
(3) Activities related to the use of fuel and energy	thousand t CO_2e	2,628	3,034	
(5) Waste generated	thousand t CO_2e	N/A	0.5	
(6) Business trips	thousand t CO_2e	N/A	0.2	
(7) Staff travel	thousand t CO_2e	N/A	3.3	
(11) Use of products sold	thousand t CO_2e	179	236	
(4,8,9,12,13) Other Scope 3 GHG emissions	thousand t CO_2e	N/A	<0.1	
Total GHG emissions (geographic method)	**thousand t CO_2e**	**3,757**	**4,230**	**13%**
Total GHG emissions (market method)	**thousand t CO_2e**	**3,826**	**4,308**	**13%**
GHG emissions beyond Scopes 1–3	**thousand t CO_2e**	**91**	**97**	**7%**
Direct biogenic emissions	**thousand t CO_2e**	91	97	
GHG emissions intensity, net income*	t CO_2e/thousand EUR	1,847	2,482	34%
GHG emissions intensity, net income**	t CO_2e/thousand EUR	1,881	2,528	34%

* Using the geographic method; for net income, see the section Statement of Profit or Loss
** Using the market method, for net income, see the section Statement of Profit or Loss

Indirect (Scope 2) GHG emissions

Indirect Scope 2 GHG emissions are emissions generated as part of the production of electricity and heating energy consumed by the Group and purchased from other producers. Latvenergo Group not only generates energy but also consumes heat and electricity as part of maintaining its production and administrative buildings. The heating energy and electric power are purchased from various suppliers, and in order to determine the corresponding emissions, the Group's own heat and electricity consumption records are used, as well as supplier-provided data and publicly available reports.

Scope 2 emissions are calculated by multiplying the amount of energy purchased by the respective emission factors. Scope 2 emissions are calculated according to the GHG protocol, using the geographic and market methods. The market-based method for calculating emissions includes information on the guarantees of origin for electricity used: 82% of the Group's total electricity consumption (excluding power distribution losses) is certified with green energy guarantees of origin.

Indirect (Scope 3) GHG emissions

Scope 3 GHG emissions are other indirect emissions, generated as a result of Latvenergo's activities: through supply chains and the use of the Group's products and services. While the 2023 annual report included four categories of emissions in its Scope 3 calculation, the 2024 annual report already takes account of all significant Scope 3 emissions related to the Group's activities, with improvements in the emissions assessment methodology and an update on the amount of Scope 3 emissions in 2023. Scope 3 GHG emissions are calculated using emission factors that describe the ratio of the quantity of a pollutant to an activity-specific parameter associated with GHG emissions.

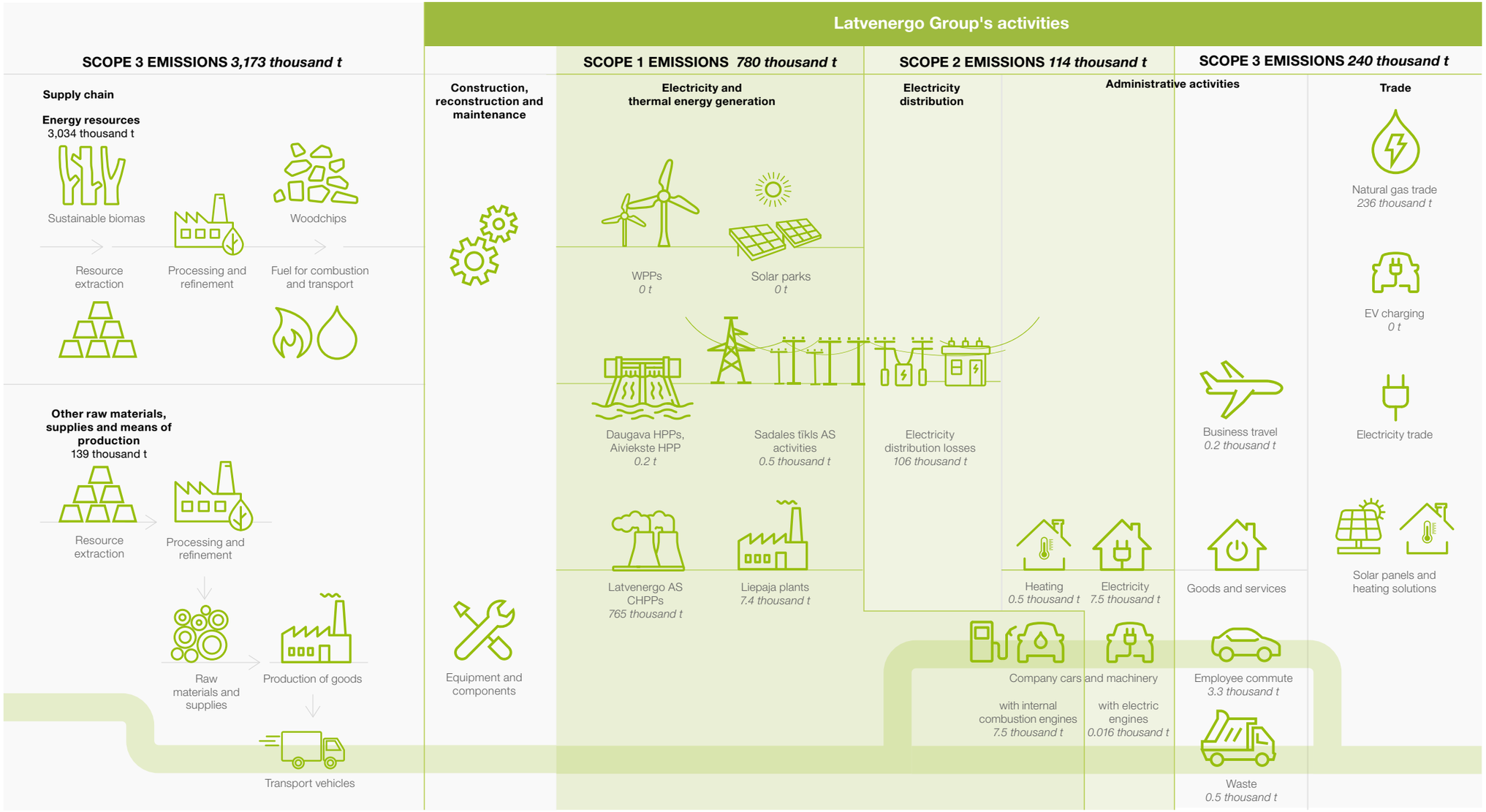
Emissions are not assessed for the categories Processing and handling of products sold (Category 10), Franchises (Category 14), or Investments (Category 15). The operations of Latvenergo Group companies are not associated with activities in these categories.

To date, no specific estimates have been made regarding the share of primary data in emissions calculations. Currently, most Scope 3 GHG emissions are calculated using secondary data, with emissions determined based on internationally recognized emissions factor databases as well as national emissions factors. The company plans to increase the proportion of primary data in future reporting periods as part of its ongoing efforts to improve GHG emissions tracking.

Emissions factors used to calculate GHG emissions

Scope 1 emissions	Scope 2 emissions	Scope 3 emissions	GHG emissions beyond Scopes 1–3
CO_2 emissions factor for heating and electricity fuel combustion 'Stationary fuel combustion CO_2 emissions calculation methodology' (2025), Latvijas Vides, ģeoloģijas un meteoroloģijas centrs VSIA	CO_2 emissions factor for procured electricity and power distribution losses *Association of Issuing Bodies (AIB): European Residual Mixes 2023 (2024)*	CO_2 emissions factor for procured products, services and fixed assets EXIOBASE emissions factor database (version 3.9)	Direct biogenic emissions 'Stationary fuel combustion CO_2 emissions calculation methodology' (2025), Latvijas Vides, ģeoloģijas un meteoroloģijas centrs VSIA
CO_2 emissions factor, taking the type of fuel used in transport and machinery into account Cabinet of Ministers Regulation No. 42 'Methodology for the calculation of greenhouse gas emissions' of 23 January 2018	CO_2 emissions factor for procured heating energy Information provided by centralised heating supply system operators and Cabinet of Ministers Regulation No. 222 'Methods for the calculation of the energy efficiency of a building, and rules for the energy certification of buildings'	Activities related to the use of fuel and energy Retail of electricity and activities related to its use: *Association of Issuing Bodies (AIB): European Residual Mixes 2023 (2024)*	
Values for the global warming potential of fluorine-containing GHG leaks Cabinet of Ministers Regulation No. 42 'Methodology for the calculation of greenhouse gas emissions' of 23 January 2018 and in accordance with Annex I of Regulation 2024/573		Activities related to the use of heating and electricity fuel: UK Department for Environment, Food & Rural Affairs (DEFRA) database: Conversion factors 2024: full set (2024)	
		Waste produced DEFRA database: – Conversion factors 2024: full set (2024)	
		Business trips DEFRA database: – Conversion factors 2024: full set (2024)	
		Staff travel Cabinet Regulation No. 42 'Methodology for the calculation of greenhouse gas emissions' of 23 January 2018	
		Use of products sold Use of natural gas: 'Stationary fuel combustion CO_2 emissions calculation methodology' (2025), Latvijas Vides, ģeoloģijas un meteoroloģijas centrs VSIA	

Latvenergo Group's GHG emissions by scope



The emissions factors used for calculating the Group's GHG emissions were selected based on the priority approach outlined in the GHG Protocol guidelines. National emissions factors were applied wherever available, as they provide the highest accuracy in reflecting the specific characteristics of the relevant geographical location and sector. In cases where national emissions factors were unavailable, internationally recognized sources, such as DEFRA emissions factors, were used, as they are widely accepted in global GHG reporting practices. Additionally, to calculate indirect (Scope 3) emissions, the EXIOBASE database was used, offering detailed emissions factors across various sectors and countries, enabling the assessment of supply chain emissions in different geographical areas and economic sectors.

E1-7

Projects financed through carbon credits

Latvenergo Group does not currently use GHG capture and storage technologies in its operations. The Group did not buy any carbon credits to reduce or capture GHG emissions. The Group continues to monitor climate change-related regulatory and market developments and will, if necessary, assess the potential for developing respective initiatives in the future.

E1-8

Internal carbon pricing

The Group currently does not use internal carbon pricing schemes. However, given the tightening of climate policy regulation and market trends, the Group plans to assess the possibility of introducing such schemes in the future. The assessment process will involve an analysis of how internal carbon pricing could support decision-making and contribute to the implementation of the Group's climate-related action policies and targets.

E1-9

Anticipated financial effects of material physical risks

Latvenergo Group is aware of the materiality of climate change risks and their gradual long-term development. These risks often materialise as rare events with severe consequences, highlighting the need for the continuous improvement of assessment methodologies. This enables a better understanding of climate change processes and their possible impact on the Group's operations. Latvenergo's risk management strategy includes maximum damage assessments that quantify potential financial consequences and provides sufficient insurance coverage against unforeseen extreme events. Climate change threatens both the stability of production capacity and the reliability of infrastructure, causing additional unpredictability in the Group's operations and financial flows.

Anticipated financial effects of material transition risks

The effect of transition risks on Latvenergo Group is determined by a number of mutually related factors, including regulatory changes, market trends and technological innovation. The rise in the price of carbon puts substantial financial pressure on the Group, as the rise in the price of CO_2 emission allowances increases its costs, especially in areas where fossil fuels are still used. At the same time, tightening requirements in renewable energy and decreasing subsidies on the energy market call for substantial additional investment in low-carbon generation capacity, which could lead to mid-term cash flow instability and affect financial results.

The growing sustainability expectations among consumers and investors have a substantial impact on lending terms and on the cost of raising investment. Stricter environmental, social, and governance (ESG) criteria and compliance with EU taxonomy requirements will become decisive factors in future financial planning and the raising of capital. Latvenergo faces a double challenge: on the one hand, it needs to reduce emissions and the costs associated with them; on the other, it has to provide substantial investment in green energy projects to remain competitive and compliant with regulations in the long run. Furthermore, changes in consumer behaviour leading towards more environmentally friendly products and services can create both new business opportunities and additional pressures to adapt the business models.

The availability of power transmission network connections, the complexity of EIA procedures and the restrictions imposed can impede the implementation of renewable energy projects, which can slow down project development and considerably increase costs.

Potential to benefit from climate change-related opportunities

Latvenergo Group faces a broad range of strategic opportunities in the context of energy transition and climate policy development, which can provide substantial long-term financial benefits. The planned investments in solar and wind projects up to 2030 can significantly increase green energy generation capacity, providing stable income streams that are less dependent on fluctuating fossil fuel prices and the cost of CO_2 emission allowances. Following the priorities of the European Green Deal, Latvenergo continues to develop renewable and other climate-neutral energy sources, something that is already being implemented as part of its mid-term and sustainability strategies. Active development of new production capacities enables the Group to strengthen its position on the regional energy market and reduce its dependence on imported energy.

Latvenergo has the potential to become a central player in the Baltic region's energy transition, taking advantage of its expertise in hydropower, innovative approaches to the development of renewable energy, and its regional presence. The Group's strong financial position makes it possible for it to implement large-scale investment projects that contribute to sustainable growth and the development of new business areas. Overall, Latvenergo can not only adapt to the challenges caused by climate change but also actively use the transformation of the energy sector to gain long-term financial benefits.

E2 Pollution

ESRS 2 IRO-1

Material impacts, risks and opportunities

Material sustainability IROs of Latvenergo Group were identified through the double materiality assessment. For information on the double materiality assessment process, including the methodology for identifying, assessing, and determining material IROs, see the Double materiality assessment in the section General Information.

Pollution of air				
Air pollutants are emitted as a result of combustion processes in incineration equipment	LT	A	OO	Emissions of air pollutants into the atmosphere directly depend on the amount of energy produced, the fuel used, the efficiency of its use, and the type of technology.
Pollution of air, water and soil				
Occurrence of unforeseen pollution at the sites of the Group	LT			Occurrence of unexpected, including historical, contamination at sites or properties may necessitate additional environmental investigations and remediation work, which requires significant financial resources and time. This situation can lead to additional costs, affect the reputation of the Group and cause legal challenges if the pollution is linked to past activities that do not meet modern environmental standards.
Improving the management of chemicals and replacement of hazardous chemicals	MT			The Group is continuously working to improve its chemical management practices and, where possible, replace hazardous chemicals with less hazardous ones.

Positive impact | Negative impact | Risk | Opportunity | A Actual impact | P Potential impact | OO Own operations | VC Value chain | ST Short-term | MT Medium-term | LT Long-term

The sections About the Group and Operating Segments provide information on the geographical scope of Latvenergo Group's economic activities. Further details on the types and sources of pollution related to IROs are presented in the section Pollution of air, water and soil.

The Group engages with communities affected by polluting activities by publishing environmental information, submitting annual emission monitoring reports for large combustion plants to local governments, and holding public consultations in the event of significant changes to ensure public opinion is taken into account.

E2-1

Policies

Latvenergo Group understands the importance of environmental protection for the sustainable development of the Group and implements the basic principles of environmental protection in all areas and processes of its activities. The principal way of achieving this is through continuous and rigorous compliance with environmental legislation. Environmental monitoring, supervision and control are ensured, limiting and minimising pollution and its environmental impact as far as possible. By identifying environmental risks and proposing appropriate risk management measures, their adverse effects on the environment are minimised in all areas of Latvenergo Group's activities.

Latvenergo AS and the capital companies of the Group have implemented a comprehensive approach to pollution management and control. The approach is integrated into the overall environmental management system, which is certified in accordance with ISO 14001 at Latvenergo AS and Sadales tīkls AS. Furthermore, Latvenergo AS maintains management systems for labour protection (ISO 45001), energy management (ISO 50001) and production quality (ISO 9001), which include elements for pollution management and control and together form the Integrated Management System.

In addition to the policies mentioned in the section General Information and the third-party standards and initiatives followed in their development, pollution management is also addressed by the Environmental and Energy Management Policy. This policy includes guiding principles for managing material IROs in the area of pollution; it is integrated into the Sustainability Strategy for 2024–2026 and aims to prevent, reduce and control pollution and its negative impacts, as well as to promote the responsible use of resources.

For a summary of Latvenergo's policies on pollution issues (IROs) management, see Policies adopted to manage material sustainability matters in the section General Information.

The policies of Latvenergo Group aim to reduce air, water and soil pollution, replace and minimise substances with potentially negative impacts, and prevent incidents and emergencies and limit their impact. The Group ensures compliance with the Industrial Emissions Directive (IED), which establishes stringent environmental emission limits for large combustion plants. In Latvia, the IED requirements have been transposed into national legislation through the Law on Pollution and corresponding regulations of the Cabinet of Ministers. The Group's CHPPs operate under Category A permits for polluting activities, issued in line with the IED framework and the application of Best Available Techniques (BAT).

Information on key pollutants is available in the permits for polluting activities, which are accessible through the Public Data Register of the State Environmental Service.

The primary focus of the policies is to reduce air pollution during energy production processes. In this context, Latvenergo Group is continuously upgrading its production facilities with the use of BAT in accordance with EU requirements. The Group performs emission monitoring and assessment to ensure compliance with the threshold values and environmental quality standards set out in the regulatory enactments.

The Group's pollution reduction goals and measures are aligned with the objectives of the EU Green Deal and the EU Action Plan 'Towards Zero Pollution for Air, Water and Soil':

- in the area of emissions reduction, air pollutant emissions are controlled and minimized through the use of best available technologies and continuous emission monitoring
- in the area of water resource protection, the Group has implemented processes for wastewater management. This includes regular monitoring of water quality and measures aimed at preventing water pollution
- to protect soil and groundwater, the Group regularly monitors sites and has developed action plans to address potential pollution risks. In cases of historical pollution, remediation measures are implemented in accordance with the requirements of regulatory enactments

In line with the EU Action Plan 'Towards Zero Pollution for Air, Water and Soil' Latvenergo Group has identified the prevention of significant environmental pollution as a key priority within its operations and facilities. The Group continues to implement measures aimed at reducing environmental risks associated with chemicals and mixtures.

The Group's policy includes regular environmental training for employees and assessments of the environmental management system's effectiveness. Trained employees are equipped to identify and address deviations from environmental standards, manage risks, prevent incidents, and enhance environmental practices. Internal and external audits are conducted to ensure regulatory compliance and identify improvement opportunities. Engagement with stakeholders, including national and local authorities, is a critical component of the policy.

The above policy, as well as the Supplier Code of Conduct, covers both the operations of Group companies themselves and upstream and downstream value chain processes, ensuring a comprehensive approach to addressing critical environmental issues. The Group expects suppliers to take active steps in reducing environmental pollution, including the reduction of emissions to air and wastewater, the reduction of the volume and hazardousness of chemicals and their mixtures, and systematic risk assessment and management in environmental pollution matters.

Latvenergo also provides training for contractors, sets strict requirements for their activities, and monitors compliance at the Group's production and infrastructure facilities. This approach reinforces adherence to environmental protection regulations at Latvenergo sites and helps to reduce environmental risks.

Latvenergo Group applies an integrated pollution control and management system to reduce the negative impact of air, water and soil pollution. The Group complies with national and international standards, including the requirements of BAT of the EU, which help control emissions and optimise resource use. Management of water resources and soil protection are ensured by a well-developed monitoring system that helps identify potential risks and implement necessary corrections promptly. Furthermore, regular audits are performed to verify the effectiveness of policies and compliance with them at all stages of operations.

A systematic approach is applied for pollution control at all production sites, by using state-of-the-art abatement technologies and continuous monitoring.

Management of chemicals

The management of chemicals and mixtures is a key component in controlling environmental pollution risks. By minimizing the quantity of chemicals and mixtures used and stored, and reducing their hazards, the risk of leakage and potential spill-related consequences is significantly reduced. The Group utilizes chemicals and mixtures exclusively to support production processes and maintain technological equipment. The Group only uses chemicals and mixtures to ensure its own production processes. The companies of the Group have established procedures for handling chemicals and mixtures in order to identify potential impacts and prevent or reduce the potential of harm to the environment, human health and property from the inherent properties of such chemicals and mixtures. The companies of the Group comply with the requirements of applicable laws and regulations, including the EU REACH (Registration, Evaluation, Authorisation and Restrichtion on Chemicals) Regulation, and keep abreast of legislative changes regarding substances of very high concern (SVHC) and very persistent and very bioaccumulative substances (vPvB).

In 2024, the Group, in cooperation with the Baltic Environmental Forum, started an in-depth assessment of chemicals and mixtures used in production and an analysis of substitution options. The assessment is implemented within the framework of the international project "Chemical Risk Management and Assessment of Alternatives: Tools and best practices to support circularity, create more sustainable products and avoid regrettable substitution". The Group plans to complete the assessment by 2026, prioritising environmentally friendly solutions where technically and economically feasible, to promote sustainable procurement and circular economy principles.

The management of chemicals and mixtures is included in the Sustainability Strategy of the Group to ensure a more responsible approach to substitution and the phase-out of chemicals in the future. The objective of activities in the area of management is to prevent, delay or reduce the likelihood of harm to the environment, human health and property that can be caused by chemicals and mixtures, by assessing the available alternatives for the substitution of chemicals and substituting them with less hazardous substances.

Incident management and emergency control

The incident prevention and management system of Latvenergo Group is based on a detailed environmental risk assessment methodology, which enables the systematic identification, assessment and control of potential risks. One type of environmental risk is related to the potential leakage of chemical substances and mixtures from production facilities, distribution infrastructure, and storage sites, which may lead to environmental contamination. To minimize the risk of such leaks and resulting pollution, the Group has an approach to emergency management, including preventive measures and crisis action plans. Procedures for liaising with emergency services and environmental authorities have been set up, along with clear protocols for communicating with stakeholders in the event of incidents. In 2024, the Group was subject to 11 inspections by the State Environmental Service. The Group did not experience any significant environmental incidents or receive any major reprimands from the controlling institutions.

An external audit that was conducted in 2024 confirmed the effectiveness of the Integrated Management System of Latvenergo Group and its ability to deliver the expected results in the area of emergency management. The auditors particularly noted the training of employees after technological disruptions and the organisation of emergency drills at production sites.

The Group regularly updates and improves its internal processes and guidelines taking the latest technological developments, regulatory changes and best practices of the sector into account. This systematic approach ensures effective pollution control while contributing to sustainable development and environmental protection. The Group's integrated approach to pollution control and environmental protection has been highly appreciated – in 2024, Latvenergo AS was awarded the Diamond category in the Sustainability Index assessment organised by the Institute for Corporate Sustainability and Responsibility for the third consecutive year, while Sadales tīkls AS and Liepājas enerģija SIA were awarded the Platinum category, confirming the results of systematic work in the area of the environment.

E2-2

Actions and resources

Latvenergo's approach to pollution management is based on cooperation with both supply chain partners and customers. In the upstream value chain, the Group works with fuel suppliers by setting strict quality requirements for natural gas and other fuels, as these directly impact emission levels. Collaboration with equipment and technology providers is also essential, focusing on the selection of solutions with higher environmental performance and with waste management companies to ensure proper recycling and disposal of waste. In the downstream value chain, the Group actively engages with end-users of electricity and thermal energy, promoting energy-efficient consumption. Cooperation with distribution system users is also being enhanced through the implementation of smart solutions and continuous improvements in network efficiency.

Latvenergo Group implements a comprehensive approach in pollution management, which is based on the use of state-of-the-art technologies and sustainable resource management. During the reporting year, the Group improved its activities and resources to reduce and control pollution, with a particular focus on reducing emissions and improving energy efficiency (for additional information see the sections Group Strategy, Operating Segments and EU Taxonomy):

- Development of RES is a key area of focus for reducing emissions – Latvenergo Group has actively invested in increasing its renewable energy production capacity. In the reporting year, approximately 2/3 of the total investment or EUR 345 million was diverted to the development of wind farms and solar parks. By the end of 2024, the new RES capacity of Latvenergo Group in the Baltic states reached 122 MW. Projects with a total capacity of 878 MW are under development and their gradual commissioning is scheduled between 2024 and 2025. RES generation facilities do not cause direct air, soil, or water pollution; therefore, their development contributes to an overall reduction in environmental pollution risks within the Group.
- Production modernization and efficiency improvement is the second key direction – In 2024, reconstruction and procurement continued for the last three hydropower units at the Daugava HPPs. EUR 18.7 million was invested in Daugava HPP assets, with EUR 7.3 million directed toward the hydropower unit reconstruction, ensuring operability for over 40 years. The reconstruction reduces chemical leak risks and evaluates oils with lower environmental impact. Investments in the distribution system totaled EUR 122.3 million, about a quarter of total Group investments, primarily allocated to power line and transformer construction, ensuring high service quality, technical performance, and reliability.

The targets and results of pollution reduction actions are presented in the section Targets.

To prevent and reduce pollution, Latvenergo Group carries out regular measurements and tests with the use of modern, verified metering instruments that comply with the standards of BAT. The Group also ensures compliance with the EU Taxonomy Regulation, which sets out principles for pollution control and mitigation, and with the criteria of the "causing no significant harm" principle.

The above actions also include replacing substances that have a high potential for adverse effects with safer alternatives, as well as gradually phasing out the use of these substances if they are not essential to the operations of the Group.

In the area of ecosystem restoration, the Group is actively working on mitigating the impacts of regular activities and on remediating historical pollution. A historically polluted area is situated in Aizkraukle, Dzelzceļa iela 10. It dates back to the mid-20th century, when a prefabricated concrete factory was operating there. As a result of the factory's operation, the soil and groundwater were contaminated with petroleum products to levels that exceed the regulatory quality limits in an area of about 10.6 hectares. In order to solve this problem, State Environmental Service, Aizkraukle Municipality, in cooperation with Latvenergo AS, have implemented several measures to determine the extent of pollution and develop remediation solutions.

To monitor and control pollution, the Group maintains an extensive network of monitoring systems, including:

- automatic air emission measurement systems at production plants
- wastewater quality control systems
- a groundwater quality monitoring network

Regular funding is provided for the maintenance and upgrading of these systems, which includes both technical maintenance and personnel training.

E2-3

Targets

Based on national laws and regulations, the relevant authorities issue environmental permits for all Latvenergo Group production facilities, which set specific emission and effluent limits for air pollutants. In addition to these requirements, the internal environmental management standards of the Group may set even stricter thresholds that reflect best available industry practices. The aim of this approach is not only to ensure compliance with regulatory requirements but also to reduce negative environmental impacts by promoting sustainable development. All target indicators are regularly monitored with the use of an integrated environmental monitoring system. Once a year, a detailed analysis of the target parameters is carried out and, where necessary, they are adjusted to take into account changes in technology, legislation or the specific nature of the Group's operations. Regular reports on the achievement of target parameters are provided to the management and stakeholders, ensuring the transparency and control of processes.

To ensure that the target parameters are met, Latvenergo Group allocates financial resources to research, the introduction of advanced technologies, and personnel training. The companies of the Group also collaborate with national and international environmental protection and sectors' organisations to use best practices and improve efficiency in achieving their objectives.

The targets of Latvenergo Group have been set voluntarily, taking into account industry guidelines and available research, technological capabilities and economic justification, the local

context and existing infrastructure, as well as stakeholder expectations. Although no detailed scientific analysis was conducted in the target-setting process, the targets are based on the requirements outlined in industry standards and regulatory enactments, which themselves are developed based on scientific research and best available practices. No interim targets have been established. For information on stakeholder involvement in the target-setting process of the strategy, please refer to the section General Information. In the area of pollution, Latvenergo Group has defined three key targets.

The commitment to reduce air pollutant emissions aims to lower emissions per unit of energy generated. These specific emissions reflect the efficiency of the Group's processes, technical solutions at CHPPs, and efforts to expand the RES portfolio throug WPPs and SPPs, partially replacing fossil fuels. The Group will continue to promote renewable energy development, increase generation efficiency, and maximise RES use. Latvenergo Group targets reducing air pollutant emissions by measuring carbon monoxide (CO) and nitrogen oxides (NO_x) per energy unit, reflecting processes efficiency, the technical solutions at CHPPs and RES expansion efforts.

"Mission 0" in the area of the environment – to prevent significant environmental damage – aims to ensure that environmental and industrial risks are managed to prevent significant environmental damage. To promote safety and environmental protection, the Group will continue and strengthen its environmental risk management, which includes risk identification, assessment and mitigation.

Reduction of the quantity and hazardousness of chemicals used focuses on evaluating alternatives to hazardous chemicals and mixtures used in operational processes, replacing them with less hazardous ones and reducing the overall quantity of chemicals and mixtures used in operations.

Progress towards the targets achievement is primarily assessed against the predefined target values rather than in comparison to historical baselines. This approach was chosen as it aligns more effectively with the Group's strategy and allows for greater flexibility in responding to developments within the energy sector. The targets are pursued through specific measures, including the development of RES, improvements in production efficiency, and systematic risk management. Results achieved in 2024:

- Emissions of pollutants into the air – NO_x and CO per unit of energy generated remained at the levels of the previous year: 0.08 kg/MWh NO_x and 0.05 kg/MWh CO, respectively. Although emissions have remained stable, they are above the Group's 2030 target of 0.03 kg/MWh or -50% compared to 0.07 kg/MWh of NO_x in 2022 and 0.02 kg/MWh or -50% compared to 0.04 kg/MWh of CO in 2022. This points to the need for further emission reduction measures, more efficient production processes and the development of renewable energy generation capacity, which will contribute to the overall reduction of GHG emissions and support the development of sustainable energy.
- Number of cases of significant environmental damage – no cases of significant environmental damage were recorded in the reporting year. This demonstrates the Group's effective environmental management, pollution prevention measures and compliance with environmental protection requirements.
- Reducing pollution risks related to chemicals – in the reporting year, the Group, in cooperation with the Baltic Environmental Forum, started an in-depth assessment of chemicals and mixtures used in production and an analysis of the substitution options. The Group plans to complete the assessment by 2026, prioritising environmentally friendly and sustainable solutions where technically and economically feasible.

Air emissions	Environmental pollution	Chemical-related pollution risks
-50%* per unit of energy produced 2030 * compared to 2021	0 major cases annually	Improved governance 2026
Reducing emissions of pollutants into the air	Preventing environmental pollution	Reducing the quantity and hazard of chemicals used

In addition to the objectives defined in the Sustainability Strategy, the Group has set other important environmental objectives:

Latvenergo Group aims to prevent pollutants from entering water bodies by ensuring the quality of wastewater before discharge. Emission limits for wastewater pollutants are set in line with national and EU legislation to protect water resources and ecosystems. Monitoring frequency, methods, and requirements are determined by the competent national authority.

To prevent cases of significant environmental damage and ensure soil protection, the Group has developed the internal Environmental Risk Assessment Methodology, assesses environmental risks in all activities and processes, ensures close monitoring and control of technological processes, sets requirements for contractors and monitors their implementation, and fosters the competence of the responsible employees. Storage and handling of chemicals and mixtures is carried out in a manner that is safe for humans and the environment, with design and technical solutions to prevent leakages. To promote safety and environmental protection, the Group will continue and strengthen its environmental risk management, which includes risk identification, assessment and mitigation.

E2-4

Pollution of air, water and soil

Emissions of air pollutants

Emissions of air pollutants by Latvenergo Group are directly affected by the type of fuel used, the scale of energy production and the efficiency of technologies. The Group's production facilities use three main fuels, each with its own characteristic emissions profile. The Group's air emissions primarily originate from large combustion plants. Other emission sources within the Group are considered insignificant; therefore, a detailed breakdown by source type, sector, or geographical area is not applicable. Natural gas used at the CHPPs of Latvenergo AS and the Liepaja plants emits NO_x and CO. In addition to NO_x and CO emissions, diesel fuel used as emergency fuel at the CHPPs also emits sulphur dioxide (SO_2), particulate matter and hydrocarbons during storage. Meanwhile, wood used at the Liepaja plants emits NO_x, CO, and particulate matter. Modern technologies are used to reduce emissions, including electronic filters and multicyclones installed at the Liepaja plants to capture particulate matter. In addition, automatic combustion control systems in CHPPs equipment, low-NO_x emission burners, and other technological solutions ensure an optimal and controlled combustion process, as well as operation in cogeneration mode further enhances fuel efficiency and reduces emissions per unit of energy produced.

The increase in pollutant emissions in 2024 was due to the higher amount of energy produced by the CHPPs. Meanwhile, SO_2 emissions have decreased significantly, as the CHPPs used significantly less diesel fuel – the main source of these emissions – compared to 2023. In 2022 and early 2023, due to the high price of natural gas and uncertainties regarding its supply, diesel fuel was periodically used in CHPPs water-heating boilers to produce heat, thereby helping to reduce the cost of heat production.

Emission quantities from combustion plants have been determined using emission monitoring data or emission factors obtained in accordance with laws and regulations.

Pollutants in water

	Unit	2024
Suspended solids (SS)	t	8
Chemical oxygen demand (COD)	t	81
Total nitrogen (Ntot)	t	5
Total phosphorus (Ptot)	t	0.3
Petroleum products	t	0.1

NO_X, CO, SO_2 and other emissions into the air

	Unit	Target for 2030	2020	2021	2022	2023	2024
NO_X	t		648	686	374	534	512
NO_X in combustion equipment	kg/MWh		0.19	0.15	0.13	0.17	0.15
Total NO_X of the Group	kg/MWh	0.03	0.11	0.10	0.07	0.08	0.08
CO	t		319	363	231	358	333
CO of combustion equipment	kg/MWh		0.09	0.08	0.08	0.12	0.10
CO of the Group	kg/MWh	0.02	0.05	0.05	0.04	0.05	0.05
SO_2	t		5	5	25	14	6
Particulate matter	t		11	13	17	17	21
Other*	t		5	6	6	6	4

* Includes volatile organic compounds and other hydrocarbons

Pollutants discharged into surface water

The Group's main sources of wastewater are production facilities that utilize water for technological purposes, as well as domestic wastewater. The facilities of the Group that discharge wastewaters into the environment (mainly CHPP-2, where the largest volume of wastewater within the Group is generated during production processes) are subject to regular effluent quality testing to ensure compliance with regulatory requirements. The testing analyses key pollutant parameters, including chemical oxygen demand, suspended solids and other potential pollutants.

The Group's operations have not identified any direct sources of pollution that would result in emissions into the soil. However, recognizing the importance of this environmental aspect, the Group monitors groundwater quality at its facilities to detect potential risks promptly and prevent any possible contamination. In cases of historical pollution, remediation measures are implemented and planned in compliance with regulatory requirements (for information on historical pollution, see the section Actions and Resources).

The use of microplastics in the Group's activities and operations is insignificant, as this material is not typically used in electricity and thermal energy generation and distribution processes.

The amount of pollution emitted is determined in accordance with the methods laid down in the regulatory enactments, the relevant permit, and analyses carried out by accredited laboratories or standardised calculations. The use of direct measurements is a priority; however, in cases where this is not possible, calculation methodologies are applied, with data sources clearly indicated.

Collection of data on emissions and the processing thereof takes place on several levels:

- automatic data collection from continuous monitoring systems
- regular sampling and laboratory tests

Where direct measurements are not possible or economically feasible, calculation methods are used. The main reasons for using calculation methods are the disproportionately high costs associated with direct measurements relative to the volume and impact of emissions, as well as the approach to specific emissions outlined in regulatory enactments. Two primary calculation methods are applied:

- calculation of the quantity of emissions with the use of emission factors (values that describe the ratio of the quantity of a pollutant to a parameter that characterises an activity related to the emission of that pollutant)
- mass balance calculations

To calculate air pollutant emissions, the Group uses emission factors that are derived from reliable and recognised data sources and databases that are used in industry practice and comply with regulatory requirements. Emission factors for combustion plants are determined by the regulation of the Cabinet of Ministers No. 17 Regulations on the Control of Air Pollution from Combustion Plants,

while the general approach to the selection of emission factors is determined by the regulatory enactments on the development of emission limit projects for stationary sources of pollution.

Data is stored in secure databases and record-keeping systems that ensure traceability and availability for analysis and reporting. This approach allows for trend identification and emission source analysis, ensuring compliance with legislation and sustainability targets. A multi-level control system ensures data quality, with regular internal checks and audits, including ISO 14001 and ISO 9001 certification processes and inspections by the State Environmental Service in connection with the submission of environmental statistical reports (2-Air, 2-Water). This integrated approach ensures the accuracy and reliability of the data. Latvenergo Group performs an environmental pollutant inventory in accordance with EC Regulation No. 166/2006, On the Establishment of a European Pollutant Release and Transfer Register.

E2-5

Substances of concern and substances of very high concern

Companies of the Group do not distribute, sell or export chemicals. All chemical materials used by the companies are purchased and used exclusively for the provision of internal production processes and equipment operation of the company.

E2-6

Pollution-related risks and the financial effects thereof

The Group has carried out a comprehensive analysis of the material risks associated with pollution and their expected financial impact over different periods of time. The Group's risk and opportunity assessment methodology includes the magnitude of the financial impact as one of the assessment criteria by determining a range of financial loss or gain for each degree of materiality. The main risks identified are related to air emissions from combustion equipment and potential historical pollution at the sites of the Group (see the section Material impacts, risks and opportunities).

In the short term, the expected financial impact is primarily related to the investments required to maintain and upgrade emission control systems. The activities currently implemented by the Group in the area of pollution prevention and control and the operation of its production facilities comply with the applicable BAT guidelines and the threshold values determined. In the medium term, the Group foresees the need to continue investing in the upgrading of production processes. In the longer term, however, it is expected that regulatory changes, technological developments and market requirements may require investments in switching to environmentally friendly technologies.

In addition to the aforementioned, the Group anticipates potential costs related to the remediation of historical pollution. In 2024, Latvenergo AS established a provision for environmental protection and remediation measures in the amount of EUR 2.1 million (see No. 27. Provisions, in the section Financial Statements). This provision is intended to cover potential remediation actions to mitigate environmental pollution risks associated with the historically contaminated area of the former Aizkraukle reinforced concrete plant, located on property owned by Latvenergo AS, and the potential threat it poses to the safety of the Plavinas HPP structures. To mitigate pollution risks, work was initiated during the reporting year to clean and remove historical waste from the TEC-2 sludge storage facility, generated during the period when fuel oil was used as a fuel source. The project costs total EUR 0.96 million and are disclosed in No. 10. Other operating expenses (under the heading of Environment protection and work safety), in the section Financial Statements.

No serious incidents or pollution were detected during the reporting period and therefore no operating or capital expenditure related to such was incurred.

Opportunities related to pollution prevention and control

The Group is continuously introducing new technologies and sustainable solutions to reduce the impact of pollution on the environment while promoting sustainable growth. Strategic investment in green technologies, innovative production processes, advanced pollution control methods and chemical management not only improves the efficiency of resource use but also contributes to cost optimisation and strengthening of the Group's competitiveness.

E4 Biodiversity and Ecosystems

ESRS 2 SBM-3, ESRS 2 IRO-1

Material impacts, risks and opportunities

Material sustainability IROs of Latvenergo Group were identified through the double materiality assessment. For information on the double materiality assessment process, including the methodology for identifying, assessing, and determining material IROs, see the Double materiality assessment in the section General Information.

Direct impact drivers of biodiversity loss/ Impacts and dependencies on ecosystem services				
Implementation of environmental and biodiversity impact assessment procedures for WPPs, SPPs and other investment projects, involving environmental experts	LT	P	OO	Latvenergo implements environmental and biodiversity impact assessments of investment projects, involving species and habitat experts to ensure responsible use of natural resources, balanced solutions for mitigating environmental impacts, and compliance with regulatory requirements, thus involving the public in the decision-making process as well.
Impacts on the state of species/ Impacts on the extent and condition of ecosystems				
Production processes, technologies and raw materials can have negative impacts on the environment, biodiversity and condition of species	LT, MT	A, P	OO, VC	Economic activities can cause changes in natural ecosystems, affecting biodiversity and the status of species by altering their natural habitats, migration routes and foraging opportunities. To mitigate or avoid these impacts, the Group continuously improves its environmental management, conducts research, implements solutions to help conserve habitats and species with a particular focus on protecting aquatic ecosystems, and collaborates with environmental experts and communities to strike a balance between economic activity and environmental conservation. The Group has developed the Suppliers' Code of Conduct for collaboration with suppliers, which includes a requirement to reduce negative impacts on biodiversity. This emphasises the need for suppliers to implement measures that ensure their activities do not harm ecosystems or threaten the diversity of species. Suppliers must comply with environmental standards and implement sustainable solutions that contribute to the conservation of natural resources and biodiversity.

Positive impact | Negative impact | Risk | Opportunity | A Actual impact | P Potential impact | OO Own operations | VC Value chain | ST Short-term | MT Medium-term | LT Long-term

The sections About the Group and Operating Segments provide information on the geographical scope of Latvenergo Group's economic activities. Information on the Group's biodiversity IROs and dependency assessment process is provided in the section Policies. In turn, information on the Group's impact on biodiversity – including effects on endangered species associated with its business activities – can be found in the sections Transition plan and Impact metrics. Meanwhile, information on measures taken to mitigate these impacts is available in the section Actions and resources.

During the reporting year, the activities of the Latvenergo Group, including the operation of power lines and production facilities, as well as the construction of new facilities, did not have a significant impact on specially protected natural areas.

The Group communicates the impact of its activities on biodiversity, biological resources, and ecosystems by ensuring public access to environmental information. This includes publishing relevant content in the Sustainability Statement and on the Group's website, as well as submitting information to the appropriate regulatory authorities. Public consultations are conducted for planned activities that may significantly affect biodiversity, with the active involvement of local communities. For detailed information, refer to the section Policies.

E4-1

Transition plan

Renewable energy development and biodiversity conservation are interlinked goals. Biodiversity conservation cannot be achieved without action to limit climate change. The Group therefore aims to balance the development of renewable energy generation capacity with economic interests, while ensuring affordable energy for society and care for the environment.

A formal comprehensive analysis of the sustainability of the business strategy in relation to biodiversity has not been conducted. However, the Group has undertaken a qualitative assessment of related risks and opportunities, which is integrated into its strategic planning processes.

Latvenergo Group is committed to promoting biodiversity conservation by implementing measures stipulated by laws and regulations, as well as voluntary measures that reduce impacts on protected nature areas, species and habitats. The Group provides for assessments of potential changes in the environment, as well as impacts on biodiversity, water, air, and other environmental spheres, at the planning, design and decision-making stages of various activities while taking measures to avoid or reduce adverse impacts. The most material potential impact on biodiversity of the Group's investment projects relates to the development of wind farms. To balance the negative impacts of the planned WPP projects, activities are planned in close cooperation with nature experts and institutions.

The operational strategy of Latvenergo Group has been developed taking the physical, transition and systemic risks to biodiversity and ecosystems into account.

The main **physical risks** are associated with the impact of Latvenergo Group's economic activities – including the operation of Daugava HPPs, the construction and operation of RES production facilities (biomass, wind, and solar), as well as the management of power distribution line routes – on landscapes, natural ecosystems, and the condition of species and habitats. At the same time, climate change is a significant factor contributing to biodiversity loss. It is therefore crucial to continue advancing the development of RES and improving electricity infrastructure, while striving to achieve a balanced approach between these efforts and environmental protection.

Transition risks include the need to adapt to increasingly stringent nature protection regulations, such as the EU Green Deal initiatives and the EU Biodiversity Strategy for 2030. Stricter requirements for the protection of species and habitats are being implemented in both the EU and Latvia, with the expansion of the Natura 2000 network of protected areas. These developments pose challenges for the development and operation of new renewable energy generation and storage capacities at the required scale.

Systemic risks are related to the impact of Latvenergo Group on biodiversity and ecosystems in its own operations, as well as in the value chain's upstream and downstream; furthermore, they are related to the impact of natural resource availability and climate change on hydropower generation potential, possible significant changes in average wind speeds, and opportunities for the sustainable use of biomass.

Latvenergo Group primarily assesses its impact on biodiversity and ecosystems within its own operations, as well as across both upstream and downstream of the value chain.

The Sustainability Strategy of the Group provides for the implementation of certain measures by 2026. In the longer term, the Group will carry out a resilience analysis in the area of ecosystems and biodiversity in accordance with its strategy, developing the biodiversity conservation plan and commencing its implementation in 2025–2026. In addition, the Group will implement monitoring plans and promote long-term cooperation with experts, local communities and environmental organisations to ensure effective protection of ecosystems and biodiversity.

E4-2

Policies

In addition to the policies listed in the section General Information and the third-party standards and initiatives followed in their development, biodiversity and ecosystems topics are also covered by:

- Environmental and Energy Management Policy, which forms the basis for the Group's operations in the area of biodiversity conservation. The policy sets out key principles, including assessing the impact of current and planned activities on biodiversity, implementing voluntary measures to conserve protected species and habitats, and taking science-based measures to improve river ecosystems in the Daugava River Basin. Particular attention is paid to ensuring the availability of habitats for high-value fish species and the conservation of the white stork population in Latvia.
- Action Plan for Migration and Natural Reproduction of Anadromous Fish of the Daugava River Basin 2021–2025, which includes five interlinked activities to promote the natural reproduction of fish populations. According to the plan's documentation, this includes improving habitat accessibility, installing artificial fish spawning nests and carrying out systematic research work. The plan aims to strengthen Latvenergo's position as a promoter of sustainable conservation of biodiversity elements.

These strategic documents provide a unified framework for the biodiversity conservation activities of the Group, ensuring a systematic and science-based approach to ecosystem protection while contributing to the sustainable development of the company.

For a summary of Latvenergo's policies on biodiversity and ecosystems issues (IROs) management, see Policies adopted to manage material sustainability matters in the section General Information.

The Group has identified and assessed the primary direct factors that may impact biodiversity:

- climate change – resulting from energy production processes
- land use changes – associated with the development of energy infrastructure, including alterations in the use of freshwater resources within the Daugava Basin
- direct exploitation – the use of natural resources for energy production
- pollution – arising from production processes
- other factors – such as the physical impact caused by the location of infrastructure facilities

The Group implements well-defined policies at several levels:

- environmental risk management – the Group uses a structured environmental risk assessment system, which includes five levels of risk, ranging from unacceptably high to insignificant. For each level of risk, specific timeframes for action and management measures are defined. For instance, in the event of unacceptably high risk, immediate intervention is carried out, while in the case of lower risk, preventive measures are implemented within technically and economically feasible timeframes
- environmental impact assessment – EIA are carried out at all major projects. Wind project development is assessed across the Baltic states and in different landscapes – forest land, developed wetlands and agricultural land – to diversify risks and boost renewable energy generation capacity. These assessments include detailed biodiversity surveys, which include species and habitat studies, as well as studies of ornithofauna and bats, as a result of which expert opinions are developed regarding locations where wind farms should be built. An integral part of the EIA involves developing monitoring plans for the evaluation and protection of birds and bats, as well as implementing measures to mitigate the impact of wind farms and their associated infrastructure on nature
- environmental mitigation and compensation measures – the Group implements various compensatory measures to conserve biodiversity (see the table Objectives and key performance indicators for mitigation measures):
  - natural fish restocking programmes in the Daugava River Basin, maintaining populations of anadromous and native fish species, improving the ecological quality of rivers and assessing opportunities to improve fish migration
  - measures to protect birds on the grounds of wind farms, including safety mechanisms to reduce the risk of collisions with turbines

- measures to compensate for forest areas used for the development of renewable energy infrastructure by planting new forests in an area that is at least equivalent to the area cleared for solar and wind farms;

- preventive approach – the Group takes a preventive approach to environmental protection, which includes:
  - early identification of risks at the project planning stage
  - regular monitoring and control
  - collaboration with environmental experts and scientists
  - training and educating personnel on environmental issues

The Group's biodiversity and ecosystem policies are designed to purposefully manage and mitigate the company's significant impact on biodiversity and ecosystems. The Group rigorously assesses the impact of both existing and planned operations on biodiversity and implements statutory as well as voluntary measures to mitigate impacts on protected areas, species, and habitats. The main interactions in the Group's activities are related to the Daugava River Basin and its hydrological regime. The cascade of the Daugava HPPs, with a total capacity of 1,560 MW, is the Group's largest renewable energy source. At the same time, the Group is developing new wind and solar capacities, which will result in additional interactions with the environment.

Latvenergo Group implements a systematic approach to ecosystem and biodiversity management in the following main areas:

- management of Daugava River Basin ecosystems
- impact management of wind and solar energy projects
- maintenance of electricity distribution infrastructure

For more detailed information on the management of the aforementioned areas, see the section Actions and resources.

Currently, the Group is not directly engaged in active cooperation with suppliers regarding biodiversity protection. However, in line with the Suppliers Code of Conduct, Latvenergo Group expects its suppliers to implement proactive measures to preserve and protect biodiversity. This includes not only assessing the impact of activities on protected areas, species and habitats but also mitigating these impacts by meeting strict environmental protection standards. Suppliers must assume responsibility for the sustainability of their operations by ensuring that appropriate measures are being implemented to preserve biodiversity.

The Group promotes collaboration with suppliers who can certify the origin of their raw materials and the environmental compatibility of their extraction methods. For instance, the use of wood as a fuel requires transparent documentation that confirms the wood's origin and extraction methods and ensures that it only comes from sustainable and certified sources that meet international environmental protection standards and the requirements of the Renewable Energy Directive.

Latvenergo Group continues to strive towards responsible resource management, pursuing goals that ensure sustainable development, environmental protection and a responsible approach to both the operations of the Group and the interests of society. The Group's strategy includes the sustainable use of resources and the development of supply chains, which promotes the protection of the environment and the development of a sustainable energy system.

Latvenergo Group addresses biodiversity conservation not only from an environmental perspective but also from a social one. Being aware that ecosystem and biodiversity management policies have a direct impact on different stakeholders, the Group develops and implements policies that promote a socially responsible approach to natural resource management and ensure a positive impact on local communities. The Group's biodiversity and ecosystem policies encompass the assessment and management of social impacts. Activities that affect biodiversity must evaluate and address their social impacts on local communities. This includes impacts on:

- local communities' access to natural resources and ecosystem services
- traditional farming methods and lifestyles
- recreational opportunities and landscape quality
- economic activities related to the use of natural resources

The policies outline specific courses of action to mitigate social impacts, including compensation mechanisms, provision of alternative resources, and community involvement in decision-making.

The well-being and engagement of local communities are ensured through a structured decision-making process. Community involvement is integrated into the planning process of new renewable energy projects, which includes organizing initial public consultations during the project idea stage, conducting regular consultations with municipalities and local residents throughout project development, holding public consultations during the EIA process, and maintaining ongoing dialogue with local communities during project implementation.

Prosperity of local communities

- Involvement in decision-making – the planning process for new renewable energy projects involves dialogue with local communities, listening to their opinions and interests, and dispelling myths and concerns about the environmental and human impacts of renewable energy.
- Safe operation of WPPs for people – during the planning phase, Latvenergo Group models, evaluates, and ensures compliance with applicable regulations and EU guidelines regarding the potential physical impacts of WPPs, including noise (also low-frequency), vibration, and shadow flicker. WPPs are sited no closer than 800 meters from residential buildings.
- Supporting the local economy – the use of local suppliers and resources is promoted, creating job opportunities and strengthening the regional economy.

Education and raising public awareness

The Group implements a range of educational programs and awareness campaigns to enhance public understanding of sustainable lifestyle practices, the importance of biodiversity, and opportunities for its preservation—fostering broader societal support for environmental protection initiatives.

The Group also actively involves its employees and their families in environmental protection activities. An example of this is the fish spawning nest project, which has been implemented for 14 years in collaboration with the "We Are for Fish" association. As a result, more than 4,700 spawning nests have been placed in the Daugava River over the years. More than 80 Latvenergo Group employees and their families participated in the 2024 Spring Clean-up, where they made 358 spawning nests. This approach not only promotes practical environmental protection but also provides for an educational experience and active participation in nature conservation.

The Group implements a public education programme:

- providing live underwater camera feeds to observe spawning, as well as live feeds from a white stork nest
- organising regular expert commentaries on natural processes
- creating interactive tools to showcase biodiversity activities
- implementing educational events and outdoor excursions

Stakeholder engagement

The Group also promotes voluntary initiatives and collaboration with non-governmental organisations working in the area of nature conservation and biodiversity restoration. This cooperation helps develop effective strategies for biodiversity conservation and promotes knowledge sharing and better-informed decision-making.

The Group maintains a structured cooperation with environmental specialists:

- in the area of fish research – with BIOR, a scientific institute for food safety, animal health and the environment
- the Latvian Ornithological Society on bird conservation issues
- nature experts and biologists on monitoring and research issues
- the Nature Conservation Agency

The policy of Latvenergo Group towards facilities located in or near biodiversity-sensitive areas is aimed at the responsible and sustainable use of natural resources. This includes a number of key elements to ensure minimal negative impacts on biodiversity and ecosystems, particularly as regards threatened habitats, species and other environmental features, and the compensation thereof where necessary.

Latvenergo Group's sustainable land use practices are guided by various key principles, including multifunctional land use, territorial revitalization, efficient land management, and biodiversity conservation.

The revitalisation of former industrial sites is another important aspect of the land use practices of the Group. For instance, former peat mining areas are being used for wind farm development, as evidenced by the WPP construction project of Laflora Energy, which involves the construction of a 109 MW wind farm on the former peat extraction areas of Kaigi Bog. This approach reduces the impact on natural and agricultural areas, promoting environmentally friendly development.

Latvenergo Group's approach to deforestation issues is guided by the Environmental and Energy Management Policy, which mandates the assessment of its activities' impact on biodiversity and the implementation of measures to mitigate effects on specially protected natural areas, species, and habitats. This policy is put into practice through the following actions:

- any deforestation for project purposes must be compensated by equivalent afforestation in other areas
- a comprehensive EIA must be conducted before the initiation of projects
- the 'avoid-reduce-compensate' hierarchy must be adhered to regarding forest areas
- the preservation of biologically valuable forest stands must be ensured

Latvenergo Group's policy on deforestation is grounded in a systematic approach to compensating for deforested areas, which includes afforesting equivalent areas and developing renewable energy projects while preserving biodiversity.

The development of wind farms in forest areas is studied in areas that Latvijas valsts meži AS, after processing its internal and publicly available data, has recognised, within the limits of the requirements of regulatory enactments, as suitable for commencing certified examinations by natural experts and environmental impact assessments. The optimisation of sites is carried out in collaboration with nature experts and the Nature Conservation Agency by combining several functions that promote efficient and multifunctional land use. To ensure environmental sustainability and reduce potential negative impacts on biodiversity, Latvenergo is working with industry experts and conducting research on suitable innovative technologies for use at its wind farms. The Group forms strategic partnerships with Latvijas valsts meži AS to ensure sustainable management of forest resources and engages professional environmental experts to carry out environmental impact assessments. Cooperation with ornithologists and other nature conservation specialists ensures that the mandatory requirements of environmental protection regulations are met and that wind farms comply with the laws and regulations.

E4-3

Actions and resources

Latvenergo actively pursues a biodiversity conservation and restoration strategy focusing on long-term ecosystem protection and sustainable management, which mainly includes:

- monitoring measures – regular surveillance of biodiversity and the status of ecosystems; monitoring fish populations and spawning grounds in the Daugava River Basin is particularly important, as is monitoring birds and bats in wind farm areas
- restoration work – river cleaning and restoration projects in the Daugava River Basin, artificial fish restocking, afforestation
- nature conservation measures and biodiversity awareness – personnel training, educational events for the public, information materials and live broadcasts from nature observation sites

Activities related to the management of ecosystems in the Daugava Basin

HPPs affect adjacent habitats, river ecosystems and fish migration. To mitigate these impacts, Latvenergo strictly adheres to the requirements of the water resource use permits issued to HPPs regarding minimum and maximum water level limits, level drop speed during operation and other operational restrictions, including restrictions during periods of massive fish spawning. To manage the ecosystems of the Daugava Basin, the Group has developed the 'Action Plan for Migration and Natural Reproduction of Anadromous Fish of the Daugava River Basin 2021–2025.' The plan outlines regular placement of artificial fish spawning nests in reservoirs, river cleaning projects within the Daugava Basin, scientific research to support fish migration, as well as monitoring and impact assessments.

Activities related to the management of the impacts of wind and solar parks

During the development of new renewable energy projects, comprehensive EIAs are conducted, and innovative, economically viable solutions for biodiversity preservation are sought. Impact assessment processes stipulated by laws and regulations

are implemented to provide information on biodiversity and ecosystems in the respective area. Action plans to mitigate potential impacts and identify restoration measures are developed on the basis of the environmental impact assessments.

To reduce risks, detailed EIA are performed prior to the construction of wind farms. They are designed to assess the impact on landscapes, habitats, birds and other species, and other factors. To minimise potential negative impacts, the process of wind farm development includes designing state-of-the-art technologies, such as camera systems to monitor bird migrations and automatic turbine shutdown mechanisms, as well as best practices with respect to wind farm location and design. Recognising the importance of ornithological research and bird conservation measures, Latvenergo AS has established a permanent position for an ornithologist, and a certified ornithologist started to work for the company in 2024. Furthermore, a study on the potential cumulative impact of Latvenergo wind farms developed on forest land on the black stork population in Latvia was launched in collaboration with the University of Latvia in 2024.

In the reporting year, Latvenergo participated in the preparation of guidelines for developing solar parks in Latvia. The main objective of these guidelines is to promote sustainable and efficient development of solar park projects while preserving nature and the landscape. The guidelines include recommendations on balancing nature conservation, public interest and economic benefits at all stages of solar park development – from site selection to decommissioning ¬– with an emphasis on responsible construction, management and maintenance practices. When developing solar parks, Latvenergo follows the recommendations provided in the guidelines, as well as, on its own initiative, makes additional improvements to solar parks that supplement the mandatory requirements of environmental protection regulations.

Electricity distribution line route management

Construction and maintenance of electricity power lines requires the clearing of land and creation of travel routes, which can have negative impacts on local ecosystems, especially if the work is carried out in areas with high biodiversity. To mitigate these risks, Sadales tīkls AS implements a number of measures:

- tailored planning – construction of the routes is planned taking into account the local ecosystem and its conservation needs to minimise biodiversity loss and avoid impacts on protected habitats and species; existing infrastructure corridors are used where possible to minimise additional impacts on the natural environment
- protection of trees and vegetation – selective tree felling methods are used for the clearing and maintenance of routes to prevent excessive tree felling and habitat damage, and less invasive methods are used to maintain vegetation, for instance, mowing, to help conserve lowland habitats and populations of pollinators
- soil and water protection – construction and maintenance work on transmission lines is organised in a manner that reduces the risk of pollution, for instance, by limiting heavy machinery in sensitive areas and using eco-friendly materials
- habitat restoration – habitat restoration measures are implemented after the completion of construction work to promote the recovery of biodiversity and reduce long-term damage to ecosystems; following construction or maintenance work on transmission line routes, habitat restoration measures are carried out, such as the restoration of native plant species and green space rehabilitation
- monitoring and surveillance – regular environmental monitoring is carried out to assess the degree of impact and make any necessary adjustments; transmission line maintenance work is planned and implemented in compliance with seasonal limitations

The role of Sadales tīkls AS in protecting the white stork is also important, as more than 70% of the Latvian white stork population (more than 8,700 nests) breeds on power line poles. To ensure the safety of birds, the company supports and implements measures to maintain the white stork population in Latvia.

To effectively reduce impacts on biodiversity and ecosystems, Latvenergo Group adheres to the mitigation hierarchy. This approach consists of three main steps:

1. the Group avoids project development in areas with high biodiversity and refrains from activities that may cause significant negative impacts on biodiversity and ecosystems
2. if avoidance is not feasible, the Group implements measures to mitigate the negative impacts
3. if impacts on ecosystems or biodiversity are unavoidable, the Group undertakes restoration measures to rehabilitate the affected areas and habitats

The Group implements both voluntary and regulatory environmental mitigation measures, along with additional nature protection initiatives, to balance impacts and ensure the sustainability and restoration of ecosystems. In the reporting year, the Group's activities did not result in biodiversity impacts that would require the implementation of compensatory measures.

Objectives and key performance indicators for mitigation measures

Mitigation measure	Objective	Description	Performance indicator in 2024
Replenishment of fish populations	Reducing the impact of Daugava HPP operations	The measure is implemented in accordance with the Artificial Fish Restocking Plan for 2021–2025 and in cooperation with the BIOR Research Institute. The annual amount of compensation by Latvenergo AS for the fish recovery programme is EUR 1,289,902. This programme involves breeding juvenile and larval fish and releasing them into the water bodies of the Daugava River basin in a scientifically sound composition of species.	Approximately 1.3 million juveniles of salmon, sea trout, vimba and pikeperch and approximately 5.6 million lamprey larvae were released into the rivers.
Natural resources tax on the use of water resources for electricity production at HPPs	Reducing the impact of HPP operations	One of the purposes of the Natural Resource Tax is to cover expenses related to reinforcing the banks of HPPs' reservoirs.	Payment of the natural resources tax on the use of water resources for electricity production at HPPs in the amount of EUR 4.9 million has been made.
Production of artificial fish spawning nests	Promoting opportunities for natural fish spawning under conditions of changing water levels	The event is organised in collaboration with the association "We Are for Fish". Fish species that spawn in the nests are scientifically evaluated in partnership with BIOR. Each nest provides a habitat for approximately 50,000 eggs.	450 spawning nests have been created and placed in three sections of the Daugava River – near Ikšķile, Kaibala and Klintaine.
River cleaning projects in the Daugava Basin	Improving the availability of habitats suitable for high-value fish species in rivers – by improving environmental conditions, facilitating fish spawning and migration, and contributing to overall biodiversity	The measure is implemented in accordance with the Action Plan for Migration and Natural Reproduction of Anadromous Fish of the Daugava River Basin 2021–2025. Beaver dams and tree debris are removed from rivers, thus improving the availability of habitats suitable for high-value fish species. The project monitors fish fauna in collaboration with BIOR to evaluate the effectiveness of the measures.	The cleaned section of the Bērzene River has been maintained by removing silt and fallen trees.
Installation of concrete bases for power line poles	Providing safe nesting sites for white storks	In Latvia, more than 70% of white storks choose to breed on power line poles, which can pose a threat to both the birds and the safety of the electricity supply. To mitigate the risks, Sadales tīkls AS installs an average of 500 metal nest bases on power line poles every year. In 2019, Sadales tīkls AS signed a letter of intent with the Latvian Ornithological Society to cooperate on issues of white stork conservation. This cooperation includes support for monitoring, protection and public education on the breeding of white storks. Currently, the breeding activity and breeding success of these birds are being monitored and analysed in 27 specially established sample plots. In addition, together with the Latvian Fund for Nature, a live broadcast from a white stork nest on one of the company's power line poles is provided, enabling everyone to observe the life of these birds up close. As an additional activity in 2024, falcon or hawk boxes have been installed on 11 power line poles to provide suitable nesting sites for these migratory birds.	979 metal bases for power line poles were installed. Support was provided for monitoring white stork breeding in Latvia. A live broadcast from a white stork nest on an active power line pole in Tukums Municipality has been provided.
Afforestation measures	Restoring forest areas used for RES infrastructure development by planting new forests in areas at least equivalent to those cleared for the construction of solar and wind parks, thereby ensuring a balance between green energy production and biodiversity conservation	In Latvia, the Law on Forests includes provisions for the use and sustainable management of forest resources. One such provision involves compensation measures, which ensure that the negative impacts of deforestation are fully or partially offset through afforestation. The Group has committed to fully compensating for deforestation resulting from the development of renewable energy projects by planting new forests in equivalent or larger areas, in line with principles for the protection of forest ecosystems.	Afforestation work has been carried out in an area of 14.3 ha, compensating for 100% of the area deforested in the reporting year.

The Group plans its activities based on its historical experience in nature conservation and on cooperation with scientific institutions and experts, local nature researchers, local communities and public organisations. Projects are implemented taking the specific nature of local ecosystems and historical development into account. Local knowledge is integrated through collaboration with local experts and researchers on the specifics of the territories, as well as by leveraging the experience of local communities in ecosystem management.

Targets

The targets of the Group are closely linked to its impact on biodiversity and ecosystems, as well as to dependencies, risks and opportunities identified along the value chain. The Group's strategy does not establish baseline values or base years; instead, it defines specific, achievable targets for the coming years. Progress towards the targets' achievement is primarily assessed against the predefined target values rather than in comparison to historical baselines. This approach was chosen as it aligns more effectively with the Group's strategy. No interim targets have been established. For information on stakeholder involvement in the target-setting process of the strategy, please refer to the section General Information. The targets are set voluntarily and:

- reflects the company's commitment to reducing negative impacts on ecosystems; they are designed to monitor and assess how the company's activities affect the natural environment
- helps manage the Group's reliance on nature's services and fosters the development of sustainable practices to ensure the long-term conservation of natural resources
- serves as a risk management tool by identifying environmental challenges and promoting investment in restoration and emissions reduction, while also creating opportunities for green technology development, environmentally friendly solutions, and enhanced cooperation with stakeholders in sustainable development

In general, the targets serve as a strategic tool that helps integrate biodiversity considerations into the decision-making processes of the company, thus strengthening its sustainability along the value chain.

Latvenergo Group is the framework for setting the targets, simultaneously defining the basic geographical boundaries within which these targets are applicable. The targets mainly relate to the Group's performance and include some elements of the upstream and downstream value chain. Biodiversity compensation measures have not been used in setting targets.

Latvenergo Group's biodiversity protection measures are planned and implemented in accordance with the internationally recognised mitigation hierarchy principle. Based on this approach, Latvenergo Group has set four commitments in the area of biodiversity and ecosystem protection. These commitments have been included and approved within the framework of the Sustainability Strategy of Latvenergo Group for 2024–2026, thus strengthening the Group's long-term commitment to nature conservation. The methodologies used in setting the goals are grounded in the Group's long-term collaboration with scientific institutions and experts. The target of improving the ecological quality of habitats is based on the annual survey and monitoring data from the BIOR Institute on river ecosystem quality. The target of enhancing the state of fish species and habitats is informed by the BIOR Institute's 2020–2023 scientific studies on the dynamics of migratory fish populations in the Daugava Basin and the assessment of fish migration opportunities. The target for the ratio of planted to felled trees is derived from studies on the effectiveness of forest restoration and regulatory requirements for developing WPPs. The methodology for assessing impacts on protected areas relies on the latest scientific research on the dynamics and distribution of protected species populations, ensuring a scientifically robust approach to impact assessment and the planning of protection measures.

Although the Group's Sustainability Strategy for 2024–2026 does not set specific interim goals, progress towards achieving the targets is regularly assessed throughout the year. Semi-annual assessments are conducted for each target, allowing for progress monitoring and, if necessary, adjustments to implementation plans. This approach ensures flexible and effective goal tracking while maintaining a focus on achieving the final outcomes.

Improving the ecological quality of habitats	Improving the status of fish species and habitats	Ratio of planted to felled trees	Impact on protected areas and species assessed	Conservation of biological diversity
25 km 2026	at least 1 project 2026	100% 2024	100% 2026	Plan approved 2025
Reducing the impact of HPPs on anadromous fish, native fish species and protected habitats		Mitigating the impact of investment projects on biodiversity		Assessing the impact of business activity and promoting the sustainable use of natural resources

Results achieved in 2024:

- Improvement of the ecological quality of 25 km of river habitats – in accordance with the Action Plan for Migration and Natural Reproduction of Anadromous Fish of the Daugava River Basin, the clean-up of an 8 km section of the Bērzene River continued. In cooperation with scientists, solutions were developed to improve the river's accessibility for anadromous fish. Underwater cameras were installed in the Bērzene River during the autumn spawning season to allow the public to observe fish behaviour and spawning.
- Improvement of the status of protected fish species and habitats – in recent years, the Group has carried out a number of research activities and, in cooperation with experts and stakeholders, continues to plan and develop projects to improve the migration of anadromous fish in the Daugava River Basin. In the reporting year, this work resulted in the submission of a LIFE

project application, which was developed in close collaboration with environmental experts and scientific institutions. The project provides solutions to facilitate the migration of anadromous fish and the restoration of river ecosystems.

- Number of trees planted vs number of trees felled – during the reporting year, afforestation work was carried out in an area of 14.3 ha, compensating for 100% of the area deforested in the reporting year.
- Impact on protected areas and species assessed – all projects are subject to a systematic EIA. An additional initiative was launched in the reporting year – assessment of SPP projects in accordance with the Latvian Best Practice Guidelines – thus ensuring a comprehensive and standardised approach to environmental assessment.
- Conservation of biological diversity – the development of the biodiversity protection plan has been launched by involving international experts with extensive experience in the area of environmental protection and biodiversity.

The Sustainability Strategy of Latvenergo does not explicitly use the concept of ecological thresholds as a determining factor in defining targets. However, the approach is based on scientific knowledge and international guidelines to ensure that the Group's activities do not exceed critical limits, which could cause irreversible damage to ecosystems.

In addition to specific environmental thresholds related to specific facilities, impact type, geographical context and characteristics of the ecosystem, the Group also adheres to general environmental principles that apply to sustainable operations at the level of the Group:

- conservation of biodiversity by preventing the loss of species and habitats in territories managed by the Group, wherever possible, and ensuring the continuity of ecosystem functionality; if the construction of new generating capacity and infrastructure affects biodiversity, measures are developed to mitigate or compensate for the impacts
- protection of ecosystem and natural habitat integrity by avoiding irreversible damage to the environment
- preservation of soil, water and air quality by promoting the sustainable use of natural resources
- protection of populations of wild species and their migration routes to ensure their viability and ecological balance

Responsibility for meeting environmental thresholds is allocated according to the management structure, environmental management system and specific functions, ensuring long-term protection of ecosystems and the sustainability of the company. Effective collaboration between internal departments and external stakeholders is essential. Information on the responsibilities and main tasks of the Latvenergo AS Supervisory Board, Management Board, Audit Committee and Sustainability Committee with regard to the management of sustainability issues is provided in the section General Information.

At the planning and coordination level, the environmental management of Latvenergo AS is responsible for determining, observing and monitoring environmental thresholds; developing procedures; monitoring and drafting reports on environmental impacts; coordinating with external partners, including experts, regulators and local communities; identifying environmental risks, ensuring their integration into the overall risk management system of the company; and assessing potential violations and their impact on the Group's operations.

At the operational level, production and technical units ensure compliance with established environmental thresholds on a daily basis, for instance, by maintaining adequate water levels at HPPs, monitoring emissions and water quality, and implementing preventive measures to mitigate environmental impacts. Engineers and technical personnel ensure accurate measurements and record-keeping to monitor ecological thresholds and react promptly to any deviations from acceptable values.

External monitoring and the role of stakeholders include national monitoring bodies, among them the National Environmental Service, which carry out regular inspections and audits to verify compliance with regulatory thresholds. Local communities and non-governmental organisations are involved in providing suggestions and monitoring the ecosystem impacts of the company.

The Group implements a structured and targeted approach to biodiversity conservation and restoration in compliance with international environmental standards and EU biodiversity targets. The Group's strategy includes ecosystem protection and restoration, sustainable water management, and direct GHG emissions reduction, which complies with the EU strategy. These initiatives follow science-based approaches and are regularly evaluated for effectiveness. The Group operates in compliance with national legislation and regulatory documents on protected areas, sustainable management of water resources, and improvement of environmental quality by integrating these aspects into its business processes.

E4-5

Impact metrics

The report includes data on the Group's key indicators in the area of habitat conservation, ecosystem restoration initiatives and species protection measures. It also provides information on the company's efforts to balance its business activities with the principles of sustainable development, thus contributing to a positive impact on the natural environment.

Sites in protected areas and areas of high biodiversity value and material impacts on biodiversity

In the reporting year, the activities of Latvenergo Group (operation of power lines, production facilities and construction of new facilities) did not result in material impacts on protected nature areas.

Overhead and cable power lines located in specially protected areas or micro-reserves stretch for 6,500 km and cover an area of 4,700 ha, or 0.05% of the total area of power lines. The data is obtained through geospatial analysis using publicly available GIS (Geographic Information Systems) data on specially protected nature areas (SPNAs) and species and habitat micro-reserves. This analysis enables precise area calculations, as accurate data with geographic coordinates on the location of SPNAs and power lines is readily accessible. The construction and maintenance of power lines is carried out by Sadales tīkls AS in compliance with the laws and regulations governing the protection and use of protected nature areas, ensuring the preservation of nature and preventing a negative impact on these territories. In forest areas, only potentially dangerous trees in the overhead power line protection zone, which is outside the power line route, are felled. Overhead power lines are gradually being converted into underground cable lines, reducing the width of the power line route and the protective zone and its impact on the landscape and wildlife. Overhead power lines are rebuilt using insulated conductors and overhead suspension cables.

Other Latvenergo Group facilities, as well as sites of planned activities (WPPs, SPPs, electricity charging stations) that are owned or leased by the Group, or sites where development rights have been acquired by the Group, are located outside areas with high biodiversity value.

Latvenergo Group activities in protected nature areas

Type of area	Type of activity	Area, ha	Location
Natura 2000 and locally important protected nature areas	Cable power lines	616.0	Latvia
	Overhead power lines	4,123.7	Latvia
Micro-reserves of species or habitats	Cable power lines	1.9	Latvia
	Overhead power lines	11.1	Latvia
	TOTAL	**4,752.7**	

Wind farms often require land adaptation, including land-use change and deforestation, which can impact the environment and biodiversity. No change of land use is required for the construction of solar parks. Solar parks are built on industrial, agricultural or degraded land. In this context, the Group is aware of the need to collect and analyse data on land use change and related processes, including deforestation, in order to ensure a transparent and responsible approach to land development. All land-use change activities have been carried out in compliance with the current legislation and environmental protection requirements.

The construction of solar and wind farms can affect the spatial configuration of the landscape, including habitat fragmentation and ecosystem connectivity. These impacts depend on the scale and location of the project and the ecosystem type on the site of the project. To reduce impacts, less sensitive areas are selected, biological corridors are preserved, landscape integration solutions are used, and compensatory measures are implemented to restore biodiversity. The impact of planned activities on the structure of the landscape and the connectivity of ecosystems is assessed during the EIA process in order to identify and mitigate potential negative effects. The assessment is carried out using a variety of methods, such as geospatial analysis tools, satellite imagery, ecological monitoring, and field studies.

Latvenergo AS is also aware of the impact of HPPs on river ecosystems, especially on fish migration processes. A number of key measures are being implemented to mitigate these impacts and ensure the biological connectivity of rivers. Preventive measures include optimising the water level regime during the spawning season and introducing technical solutions to protect fish. Particular attention is paid to maintaining shallow water areas in spawning grounds and preserving natural rapid stream areas.

The company continues to invest in improving fish migration infrastructure and introducing new solutions to ensure the sustainable functioning of river ecosystems. In line with the Group's Action Plan for Migration and Natural Reproduction of Anadromous Fish of the Daugava River Basin, the Group has carried out a number of studies in recent years and, in cooperation with experts and stakeholders, continues to plan and develop projects to improve the migration of anadromous fish in the Daugava River Basin.

The activities of the Group are not directly attributable to the accidental or deliberate introduction of invasive alien species. At the same time, the Group ensures that appropriate measures are implemented to limit the spread of invasive species, such as Sosnowsky's hogweed, on land owned by Latvenergo Group.

Protected species with habitats in areas affected by the activities of the organisation

Species listed on the Red List of the International Union for Conservation of Nature (IUCN) with habitats affected by the activities of Latvenergo Group and regarding which activities are being implemented to prevent or mitigate impacts.

Animal species	Activity of Latvenergo Group	Risk level of species extinction	Conservation status of the species in Latvia
White stork (*Ciconia ciconia*)	Maintenance of power lines	Safe species (least concern)	Species of special conservation concern
Salmon (*Salmo salar*)	HPP operation	Vulnerable species	Specially protected species of restricted use
Sea trout (*Salmo trutta*)	HPP operation	Safe species (least concern)	Specially protected species of restricted use
River lamprey (*Lampetra fluviatilis*)	HPP operation	Safe species (least concern)	Specially protected species of restricted use

The Group implements mitigation and compensation measures to reduce the impact on protected species and their habitats (see the table Objectives and key performance indicators for mitigation measures).

E4-6

Financial impacts related to biodiversity and ecosystem protection

Considering the identified actual impact of the Group on biodiversity, the expected financial impacts related to the protection of biodiversity and ecosystems include expenses for implementing compensatory measures and for voluntary measures to mitigate impacts on protected areas, species and habitats, including:

- measures to improve river ecosystems and protect fish populations
- the natural resources tax on water used to generate electricity at the Daugava HPPs which is partly earmarked to cover the costs of bank reinforcement works at the water reservoirs of the Daugava HPPs
- measures to mitigate or compensate for environmental impacts of developing solar and wind farms
- measures to protect the white stork and other bird species during the operation of power lines
- research projects and collaboration projects with environmental institutions and non-governmental organisations to develop and implement future biodiversity conservation measures

The total cost of implementing biodiversity compensation and mitigation measures is estimated at more than EUR 6.2 million.

The Group earmarks additional expenses related to environmental monitoring activities in areas of WPP operation. Restrictions on the operation of WPPs for biological protection purposes (for instance, periodic shutdown of turbines to protect bats and birds) reduce the company's revenues and the amount of electricity generation. In the longer term, more investment may be needed to protect ecosystems exposed to the impacts of climate change to mitigate long-term risks for the Group's operations.

Critical assumptions and uncertainties relate to a number of factors affecting the HPPs, as well as the operation of WPPs and SPPs. Regulatory assumptions include a trend towards stronger environmental protection and biodiversity conservation, which can lead to substantial costs and challenges for the

energy sector. The uncertainty in this case is linked to several factors. Firstly, uncertainty about how regulations will be implemented and the exact requirements that will apply to hydropower, WPPs and SPPs projects can make it difficult to accurately predict the likely costs and impacts on business operations. Additional uncertainty is related to potential biodiversity protection measures that may be required, for instance, additional requirements for ecosystem and habitat restoration, which may increase the required investment and timelines.

Another major source of uncertainty is the impact of climate change on biodiversity and ecosystem functions. Climate change can alter rainfall patterns, water levels and river discharge, which affect the ability of HPPs to generate energy and impact the health of local ecosystems. Climate change thus creates additional uncertainty about the future availability of hydropower resources and the effect of it on biodiversity. Climate change may also change the availability of wind and solar energy resources since the changing climate can affect wind speeds and the intensity of sunlight, eventually affecting the efficiency of these energy sources and, respectively, the company's revenues.

In total, these critical assumptions and sources of uncertainty in relation to biodiversity can pose significant challenges that need to be taken into account when calculating future financial impacts. Adaptation to new regulations by applying new technologies and investing in biodiversity protection may be needed to maintain the company's sustainability and ensure compliance with environmental protection requirements.

E5 Resource Use and Circular Economy

ESRS 2 IRO-1

Material impacts, risks and opportunities

Material sustainability IROs of Latvenergo Group were identified through the double materiality assessment. For information on the double materiality assessment process, including the methodology for identifying, assessing, and determining material IROs, see the Double materiality assessment in the section General Information.

Waste				
Waste generated from economic activities is sent for recycling (treatment)	LT	F	OO	Waste generated as a result of economic activities is collected separately and sent for recycling or treatment to promote the reuse of resources. This approach facilitates waste reduction and aligns with the principles of the circular economy.
Resources inflows, including resource use				
The use of critical resources in developing RES, storage technologies and energy infrastructure introduces supply chain risks	MT			The development of RES and related technologies relies on critical resources. Limited availability and dependence on certain supplier countries creates supply chain risks, including price volatility and potential supply disruptions. To address these challenges and support sustainable resource use, increasing emphasis is being placed on the reuse, recycling and substitution of materials with alternative, less critical resources. This approach reduces reliance on scarce inputs and enhances the company's long-term sustainability.
Increasing the resilience of RES technologies to the acute effects of climate change and promoting the use of durable, recyclable equipment can help reduce potential resource losses and waste generation	MT			The risks posed by climate change necessitate increasing the resilience and adaptability of RES technologies. At the same time, promoting the use of durable, easily repairable, and recyclable equipment can help reduce resource losses and waste. This approach enhances resource efficiency, strengthens resilience to climate-related challenges, and mitigates the risk of operational disruptions and financial losses.

Positive impact | Negative impact | Risk | Opportunity | A Actual impact | P Potential impact | OO Own operations | VC Value chain | ST Short-term | MT Medium-term | LT Long-term

The sections About the Group and Operating Segments provide information on the geographical scope of Latvenergo Group's economic activities. For detailed information on resource use and circular economy regarding IROs, see the sections Resource inflow and Resource outflows.

The Group communicates information on resource efficiency and circular economy measures by publishing relevant details in the Sustainability Statement and by submitting data to the responsible institutions.

E5-1

Policies

Latvenergo Group strives for sustainable production and consumption. Continuous improvement of environmental and energy efficiency performance is promoted in each business unit. The Group actively pursues resource efficiency and implements the principles of the circular economy, evaluating the consumption of services and products, both provided and received, and ensuring that their life cycle is as long as possible. Special attention is paid to waste prevention issues and the reduction of waste, ensuring appropriate waste management, as well as evaluating the possibilities of reuse, regeneration and recycling.

Latvenergo Group has implemented a number of complementary policies that cover key aspects of resource management and the circular economy, both in the operations of the companies of the Group and in the most important upstream and downstream parts of the value chain. In addition to the policies mentioned in the section General Information and the third-party standards and initiatives followed in their development, the use of resources and circular economy management are addressed by the following regulatory documents of Latvenergo Group:

- Environmental and Energy Management Policy, the main priorities of which include introducing the principles of the circular economy, improving energy efficiency, and involving employees and the public in environmental issues
- Suppliers Code of Conduct, which sets out the basic principles and expectations the Group has of its suppliers in terms of the responsible use of resources

For a summary of Latvenergo's policies on resource use and circular economy (IROs) management, see Policies adopted to manage material sustainability matters in the section General Information.

To shift from the use of virgin resources to secondary (recycled) resources, Latvenergo Group promotes the introduction of waste recycling and resource reuse systems that reduce the consumption of virgin materials. The Group sets targets for reducing waste and increasing the proportion of recycling in its own operations, and it expects its suppliers to do the same.

In addition, Latvenergo Group promotes the sustainable use of renewable resources such as hydropower, wind and solar energy and implements measures to reduce the impact on the environment. These measures include optimising technological

processes and selecting environmentally friendly materials. The Group's strategy is to systematically increase the share of RES, as well as the use of sustainable biomass.

The policies of the Group take into account the IROs in relation to suppliers, business partners and customers, with the aim of ensuring that Latvenergo Group:

- identifies and assesses the impacts of resource use – systematic monitoring and analysis of resource consumption and waste generation is being implemented
- manages and controls material IROs – measurable targets are set to improve the efficiency of resources and the continuous shift towards the principles of the circular economy
- promotes decarbonisation – specific targets are set for increasing renewable generation capacity and the use of sustainable biomass

In an upstream value chain, based on the Suppliers Code of Conduct, the Group expects its suppliers to responsibly and efficiently manage the use of resources, including the reduction of resource consumption, promotion of longer product and material life cycles, waste reduction, waste sorting, proper management, reuse or recycling, and the use of environmentally friendly materials and technologies. In addition, the Group has implemented a supplier evaluation and selection policy that includes environmental criteria to ensure sustainable supply. Furthermore, the Group has developed the sustainable procurement guidelines, which give preference to environmentally friendly products and services.

The Group implements a number of activities in the downstream value chain to improve the efficiency of resource use, reduce the risk of environmental pollution and resource depletion, and promote the introduction of the principles of the circular economy. These activities include customer education programmes on energy efficiency and sustainable solutions, equipment disposal and recycling programmes to ensure responsible management of end-of-life equipment, and cooperation with waste management companies for the efficient recycling and disposal of production by-products and waste.

E5-2

Actions and resources

Latvenergo Group invests in improving resource efficiency, cooperates with partners and implements initiatives to promote the use of resources and introduce the principles of the circular economy. Targets and results of actions related to resource use and the circular economy cover both the Group's operations and upstream value chain, as outlined in the section Targets.

Resource efficiency

Latvenergo Group promotes the efficient use of energy resources by recording and analysing the flow of energy consumption, identifying the essential energy consumption for ensuring production and economic processes and implementing measures to reduce energy consumption. The Group has a balanced generation portfolio, consisting mostly of HPPs and highly efficient CHPPs. The efficiency of energy use in CHPPs is significantly influenced by the selected operating mode: cogeneration – both heat and electricity are produced simultaneously; condensation – only electricity is produced.

Operating CHPPs in cogeneration mode allows for the most efficient use of fuel and significantly reduces the emissions per unit of energy produced. Using cogeneration potential, CHPP-1 saved 27% of primary energy resources in the reporting year, and the savings of CHPP-2 amounted to 18%. Furthermore, the thermal storage system at CHPP-2, constructed in 2021, enables the accumulation of thermal energy generated in cogeneration mode

and optimises the adjustment of the CHPP operating modes to the changing market conditions and to cover peak loads. In 2024, the system delivered primary energy savings of 1.5 GWh.

The biomass fuels used by the Group meet the criteria for sustainability and the reduction of GHG emissions, ensuring compliance with the requirements of the regulatory enactments of the EU and the Republic of Latvia regarding the origin, extraction and use of RES. Full traceability of biomass is ensured throughout the supply chain. Biomass extraction is performed in accordance with the principles of sustainable forestry that promote the conservation of biodiversity and reforestation.

The water consumption balance of the Group includes water from the surface, groundwater and centralised water supply networks. The Group ensures efficient water use through the implementation and maintenance of technologies in CHP plants, in accordance with BAT guidelines.

The energy management system implemented at the companies of the Group promotes the efficient use of energy resources. To minimise the waste of energy, Latvenergo AS and Liepājas enerģija SIA have implemented an energy management system, while the principles of energy management of Sadales tīkls AS have been integrated into the environmental management system. In accordance with the principles of energy management, energy efficiency indicators have been developed, baseline economic energy consumption has been established and changes in energy consumption compared to baseline consumption are analysed.

Recycled resources

In order to increase the use of recycled materials, the companies of the Group have introduced separate waste collection and management and have entered into agreements with waste management systems that ensure a number of important aspects related to sustainable waste management and compliance with the principles of the circular economy.

Sustainable consumption

The operations of Latvenergo Group are characterised by a number of circular business practices related to the sustainable use of resources and waste management.

Latvenergo Group systematically implements a number of value conservation initiatives aimed at the sustainable use of resources. The Group regularly maintains and repairs equipment and infrastructure to extend the life of assets. Maintenance and upgrading of production plant equipment is also carried out along with the renewal of existing infrastructure elements. Particular attention is paid to technology upgrades aimed at improving plant efficiency and reducing emissions.

In the area of value development, the Group actively promotes more extensive use of energy efficiency solutions, which maximises value for consumers. Important projects, such as the development of the electricity charging network, are being carried out in close cooperation with local authorities and other organisations to ensure greater access to infrastructure. Work is also underway on expanding the use of RES and initiatives aimed at reducing CO_2 emissions. In addition, the Group actively supports local communities and Ukrainian aid initiatives by donating recyclable materials. Such measures promote compliance with the principles of the circular economy, strengthen cooperation with community members and contribute to sustainable resource management.

End-of-life activities include the recycling and reuse of end-of-life equipment and components in the industry. The same approach is also expected from suppliers and business partners. All types of waste, including hazardous waste, are managed in strict compliance with laws and regulations and the principles of sustainable development.

The Group uses the principles of industrial symbiosis in cooperation with other companies to promote system efficiency. For instance, the ash from energy production is sold for agricultural use to improve the land. In addition, the Group actively collaborates with suppliers and partners to ensure maximum transparency and traceability of resources, especially in the solar panel supply chain.

Waste management

The operations of Latvenergo Group include a number of strategic elements that contribute to preventing waste creation in both the upstream and downstream value chain. These elements include sustainable use of resources, careful selection of suppliers, application of industrial symbiosis principles and implementation of energy-efficient solutions:

- use of sustainable resources – Liepājas enerģija SIA uses sustainable biomass fuels that meet the criteria for saving GHG emissions, thus contributing to waste minimisation at the resource extraction stage
- careful selection of suppliers – sustainability requirements, including responsible sourcing and production, are taken into account in the selection process for suppliers. This approach helps reduce negative environmental impacts and prevents the development of waste
- procurement planning for materials and equipment – Latvenergo Group carefully plans its procurement of materials and equipment to avoid overstocking or build-up of unused materials
- by-product reuse – the use of ash from production to improve land, thus preventing it from becoming waste and promoting industrial symbiosis

The Group's focus on sustainable energy production and efficient management of materials contributes to optimising waste management and reducing environmental pressures.

E5-3

Targets

Latvenergo Group strives for sustainable production and consumption. It promotes continuous improvement of the environmental and energy performance of each business unit, pursuing the efficient use of resources and the implementation of circular economy principles. The consumption of services and products provided and received is evaluated and the life cycle of products is maintained as long as possible. A strong focus is placed on waste prevention and reduction, ensuring appropriate waste management, as well as evaluating the possibilities of reuse, regeneration and recycling.

Waste management objectives have been set taking into account the requirements of the EU Waste Framework Directive (2008/98/EC) and the waste management hierarchy, national waste management objectives, the Group's Sustainability Strategy, as well as the local context and available infrastructure.

The targets are set on a voluntary basis, using a methodology that considers the current situation, the feasibility of technical and economic solutions, the capacity of existing waste management infrastructure, and examples of best practices within the sector. While industry guidelines and available research are taken into account, a detailed scientific analysis has not been conducted. No interim targets have been established. For information on stakeholder involvement in the target-setting process of the strategy, please refer to the section General Information.

Progress towards the targets' achievement is primarily assessed against the predefined target values rather than in comparison to historical baselines. This approach was chosen as it aligns more effectively with the Group's strategy and allows for greater flexibility in responding to developments within the energy sector. Progress is regularly reviewed and, if necessary, updated in line with changes in regulatory frameworks and the development of the Group's operations.

Latvenergo Group's commitments in the area of the circular economy and performance in the reporting year:

- Use of sustainable biomass – Liepājas enerģija SIA uses a biomass fuel – wood – at its production sites. Over the reporting year, 100% of biomass fuels used met the criteria for sustainability and saving GHG emissions, ensuring compliance with the requirements of the regulatory enactments of the European Union and the Republic of Latvia. Traceability of biomass is ensured throughout the supply chain. Biomass extraction is based on the principles of sustainable forestry, thus ensuring the conservation of biodiversity and reforestation.
- Measures to promote sustainable consumption – Latvenergo Group implemented more than ten measures to promote sustainable consumption in the reporting year.

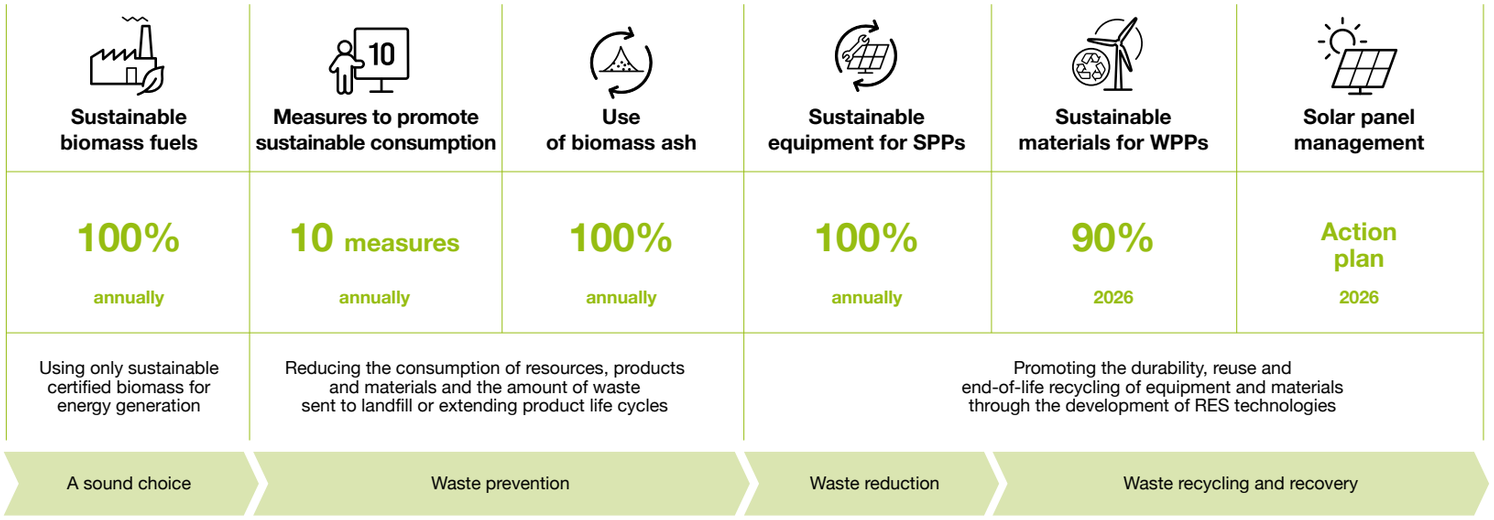
Efficient use of equipment has been ensured at the combined heat and power plants by carrying out regular maintenance repairs and renewing key components, consequently extending the life of the equipment and avoiding premature replacement.

In the area of electricity network infrastructure, the share of the isolated network in 2024 reached 67% of the total volume of power lines, which is a 2% increase from 2023. Sadales tīkls AS implements the Technical Policy, which defines common basic principles for efficient maintenance and sustainable development of the distribution electricity network. This resulted in a reduction of electricity losses from 3.72% to 3.62% in the reporting year.

Recycling of dismantled materials is an important contribution to the reuse of materials. More than 1,500 tonnes of end-of-life grid infrastructure materials were submitted for recycling in 2024. Furthermore, 22 items of specialised equipment were allocated, and support was provided to Ukraine with 15 items of specialised equipment, power generators and power grid materials.

Latvenergo Group promotes cooperation with local entrepreneurs, developing innovations, using local resources and reducing the environmental impact of the materials used. For example, in the construction process of Laflora Energy WPP, the Latvian branch of the company Nordex (Germany) will provide innovative technology by building turbine towers in a combined design – reinforced concrete and metal. The reinforced concrete tower sections will be manufactured in Latvia, at the factory of SIA "Consolis Latvia".

In addition, the Group promotes the return of used materials to the economic cycle wherever possible, thus contributing to the circular economy and resource efficiency.

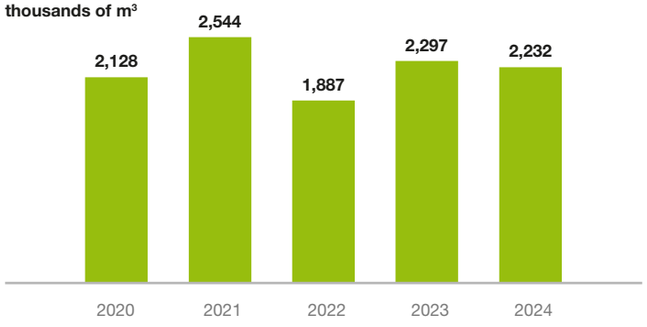


- Use of biomass ash – in the reporting year, 100% of wood ash produced by Liepājas enerģija AS was used as liming material for land improvement. The ash is registered as a fertiliser with the National Plant Protection Service, thus enabling its reuse;
- Sustainable equipment for SPPs – compliance of SPPs with taxonomy requirements has been ensured. High-efficiency, long-life panels have been used that meet high quality and sustainability standards, as evidenced by their certification according to IEC 61215 and IEC 61730 standards.
- Sustainable materials for WPPs – the Akmene WPP in Lithuania started operating in the reporting year, with the recycling rate of the main elements of the installed turbines exceeds 95%.
- Solar panel management – Latvenergo AS has developed internal procedures for the management of solar panels and concluded contracts for their end-of-life waste management

Latvenergo Group focus the importance of diverse environmental issues, involves employees in creating a sustainable environment, improves the energy efficiency of offices and promotes and ensures the reduction of resource consumption. To ensure a systematic approach to reducing the environmental impact of Latvenergo Group headquarters and Group events, by 2026 the Group plans to develop internal criteria that comply with the guidelines for sustainable offices and events, implementing and monitoring their progress.

All commitments are voluntary and have been approved as part of the Sustainability Strategy of Latvenergo Group for 2024–2026. They are consistent with the waste management hierarchy set out in the EU Waste Directive (2008/98/EC), the circular economy model, and the priorities and actions set out to protect the environment and promote the circular economy.

Water consumption



E5-4

Resource inflows

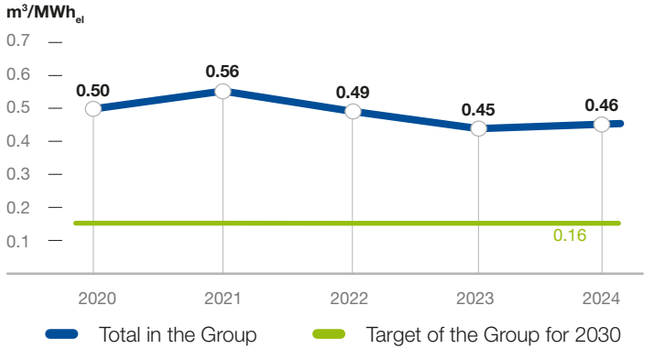
The resources essential for Latvenergo Group's operations are those related to power generation, electricity distribution and infrastructure maintenance. These resources are fundamental to ensuring the continuity and quality of the Group's operations.

Water resources

In accordance with the Water Resources Atlas of the World Resources Institute, Latvia is in a low to low-medium water stress zone; therefore, there are no specific water consumption restrictions and no areas with increased water stress are identified in the water consumption data. Limits on surface and groundwater consumption are set in permits for water resource use and permits for polluting activities. During the reporting year, these limits were not exceeded.

The Group mainly uses water resources for the provision of production processes and, in small quantities, for other economic needs and for the water supply to external consumers. The amount of surface and/or groundwater consumption is specified in the permits of each facility.

Specific water consumption



Water is the principal resource for electricity generation in the HPPs. The availability and volume of this resource depends on natural conditions and seasonal fluctuations in water levels.

The Group's water consumption balance includes water from the surface, groundwater and centralised water supply networks. Water consumption data is obtained from verified commercial meters, whose accuracy is regularly checked in accordance with the requirements of regulatory enactments on metrological control of measuring instruments. As the water consumption of CHPPs is mainly influenced by the operating modes of the production facilities and the amount of energy generated, the amount of water consumed has increased as a result of the increase in generation.

In 2024, 2.2 million m^3 of water was consumed, of which 98% was surface and groundwater, which was obtained in the low-medium water stress zone. The largest consumer of water is CHPP-2, which consumed 2.08 million m^3 of water in the reporting year, 92% of which was cooling water. The largest consumers of groundwater are CHPP-1 and CHPP-2, which used 48 thousand m^3 and 25 m^3 thousand of groundwater respectively.

Heating fuels and fuels

The main fuel of the CHPPs of Latvenergo AS and Liepājas enerģija SIA, which provides electricity and heat generation, is natural gas. It is used to generate electricity and thermal energy, ensuring an efficient and stable energy supply, even during periods of high energy demand. Natural gas plays a strategic role in the operations of Latvenergo Group as it contributes to energy security and independence. Compared to other fossil fuels, natural gas is considered a greener resource and is a transition fuel in the process of decarbonising the energy sector, as the combustion of natural gas produces less emissions of GHG and other pollutants. Diesel is used as a back-up fuel at the CHPPs in abnormal or emergency conditions. Natural gas consumption increased by 12% in the reporting year, while diesel fuel was only used in small quantities (see the table Energy consumption and energy source structure in the section E1 Climate change).

The consumption of petrol for transport and machinery purposes at the Group is down by approximately 17% compared to the previous year, while the consumption of diesel fuel is down by approximately 9% year-on-year (see the table Energy consumption and energy source structure in the section E1 Climate change).

Liepājas enerģija SIA uses a biomass fuel – wood – at its production sites. Biomass fuels used in the reporting year met the criteria for sustainability and saving GHG emissions, ensuring compliance with the requirements of the regulatory enactments of the European Union and the Republic of Latvia. Traceability of biomass is ensured throughout the supply chain. Biomass extraction is based on the principles of sustainable forestry, thus ensuring the conservation of biodiversity and reforestation.

Energy resource accounting and calculation is carried out based on measurements or in accordance with the fuel supplier's documentation and internal accounting, as well as in accordance with the requirements set out in legal acts. Measurements are made with verified commercial accounting meters, the verification of which is carried out by independent accredited institutions, while petrol station meters are verified in accordance with the requirements of regulatory enactments on metrological control of measuring instruments. Other consumption data is not validated externally, except for the annual certification of reports by independent auditors.

Energy distribution infrastructure components

The operations of Sadales tīkls AS focus on the maintenance, upgrading and provision of reliable energy supply to customers. To support these activities, the company uses a number of key input resources: wires and cables, transformers, substation equipment, poles and supports for overhead lines, electrical metering equipment and technological resources.

Other materials

The companies of the Group are actively pursuing the construction of SPPs and WPPs, thus promoting the use of RES and the development of sustainable energy production.

The main input to SPPs is solar panels made of silicon, glass, aluminium, and other components. The quality and efficiency of the panels have a direct impact on the energy generation performance, sustainable operation and project outcome. Solar parks also require other essential resources, including inverters for electricity conversion, special mounting structures to install the panels, cabling systems to transmit power, transformers, and advanced data monitoring and control systems.

In the reporting year, durable equipment was purchased for the construction of solar parks, which is recyclable and easy to dismantle and rebuild, thus contributing to the circular economy and the efficient use of resources. The solar panels meet high quality standards, as evidenced by their certification according to IEC 61215 and IEC 61730 standards, which guarantees their durability, safety and long-term efficiency. Selected solar panels, based on their composition, are not classified as hazardous waste at the end of their life cycle.

In 2024, Latvenergo AS acquired two WPP projects: Telšiai in Lithuania and Laflora Energy SIA in Latvia. The Akmene WPP in Lithuania started operating in the reporting year. The main resource of WPPs is wind turbines, which include rotors, blades, towers, and generators. The main materials used for these components in the wind turbines installed at Akmene WPP mainly include steel and iron materials, which account for approximately 87% of the total weight of the turbines. Light alloys, mainly aluminium, account for approximately 0.6% of the total amount of materials, while non-ferrous metals, mainly copper, account for approximately 0.5%. The remaining materials used in turbine construction include polymers and composite materials used in turbine blades, as well as other materials and compounds, for instance, ceramics and glass. Electronics and electrical equipment constitute a small part of the material mix, while lubricants and fluids are used in very small quantities. Unspecified materials also account for a small share of the total amount. In addition, concrete is used to build the foundations of turbines.

A detailed assessment of critical raw materials and rare earth elements has not yet been conducted. However, given Latvenergo Group's initiatives in the development of RES and the implementation of storage technologies, the Group recognises the strategic importance of these materials and the related supply chain risks. Accordingly, this assessment is planned for inclusion in future reporting periods. For information on the Group's current and planned actions to evaluate and mitigate supply chain risks, see the section Sustainability requirements for suppliers and supplier evaluation in the G1 Business Conduct.

Data on the use of materials and resources is obtained through both direct measurements (e.g., using weighing equipment) and estimations based on procurement records and technical specifications. Material consumption data is presented in the original form in which the materials are used in the production process, without additional recalculations.

See the section Resources outflows for details on the approach taken to prevent double counting of materials and resources.

Measures that reduce consumption, waste or extend the life cycle of products

Sustainable management of production assets is one of the Group's priorities. The maintenance strategy for CHPPs and HPPs involves regular renewal and repair of key components, thus extending the lifetime of the plants and avoiding the need for total replacement. The recycling of used oil (in the amount of 68 m^3) for further use instead of using disposal services demonstrates compliance with circular economy principles and resource efficiency.

The electricity grid infrastructure has also seen a number of major improvements. The production process of wooden poles has been upgraded to meet the EN 14229 standard, and the impregnation system management has been upgraded to ensure more efficient use of chemical products. Sadales tīkls AS actively engages in the recycling of dismantled materials. In the reporting year, 1,696 tonnes of wood by-products (bark and wood chips) generated during the production of wooden poles were used as fuel for heat generation. Furthermore, dismantled wooden poles and reinforced concrete posts were also recycled, contributing to the Group's circular economy efforts. As part of the grid modernisation programme, the share of the isolated grid increased to 67% in 2024, reaching 61,830 km. The updated Technical Policy has been supplemented with points defining sustainable action, including specifying equipment lifetimes and renewal periods.

During the development of alternative energy sources, special focus has been placed on the sustainable management of solar panels, by developing internal procedures and concluding contracts for their end-of-life waste management.

E5-5

Resource outflows

The main products of Latvenergo Group are electricity and thermal energy produced in HPPs and CHPPs. In addition, the Group offers electricity and natural gas trading, energy efficiency solutions, electromobility services and other sustainable products in the market of the Baltic states. The production process generates by-products and waste, which are managed in accordance with the principles of the circular economy. Latvenergo Group's priority is to prevent waste from ending up in landfills, with preference given to recycling, energy recovery or reuse.

The Group has introduced measures and technologies that help reduce waste at the source. Processes are improved and resource use is optimised to reduce consumption of materials and energy resources, thus reducing the generation of waste and promoting its reuse.

All waste is thoroughly sorted to ensure maximum reuse and recycling. Latvenergo AS, in compliance with the principles of environmental protection and sustainability, cooperates with operators that adhere to extended producer responsibility to ensure recycling and recovery of waste in accordance with the requirements of the regulatory enactments and not less than to the amounts specified in these regulatory enactments.

Waste that cannot be recycled or reused is treated and disposed of in a safe and environmentally friendly way. All safe disposal measures are carried out in cooperation with waste management companies.

Latvenergo AS is also actively involved in changing the waste management habits of society. Since 1997, the EEC, the only one of its kind in the Baltic states, has been operating under the auspices of Latvenergo with the purpose of creating public awareness on the efficient use of energy resources, including the introduction of environmentally friendly solutions and waste management. During the reporting year, the EEC organised various educational activities, seminars and campaigns, including campaigns aimed at promoting public involvement in the circular economy and reaching sustainability objectives.

Waste and recyclable materials

	Unit	2024
Non-hazardous waste and materials	**tonnes**	**8,071**
Reuse	tonnes	4,823
Recycling or recovery	tonnes	2,364
Disposal	tonnes	884
Hazardous waste and materials	**tonnes**	**251**
Reuse	tonnes	60
Recycling or recovery	tonnes	176
Disposal	tonnes	15
Total	**tonnes**	**8,322**
Reuse	%	59
Recycling or recovery	%	31
Disposal	%	11

In the reporting year, the management of waste generated by the companies of the Group was organised according to the principles of the circular economy. Of the total waste generated, 59% was submitted for reuse without further treatment. 100% of wood ash produced by Liepājas enerģija AS was used as liming material for land improvement. The ash is registered as a fertiliser with the National Plant Protection Service, thus enabling its reuse. The dismantled reinforced concrete and wooden poles of Sadales tīkls AS were recycled and the transformer oil of Latvenergo AS, which is classified as oil with reduced quality criteria after use but retains certain properties for use, is recycled and thus returned to the circular economy. In the reporting year, 60 tonnes of oil were donated to support Ukraine.

31% of the total waste was recycled or recovered, which included metal, construction, packaging, electrical and electronic equipment waste, and other materials.

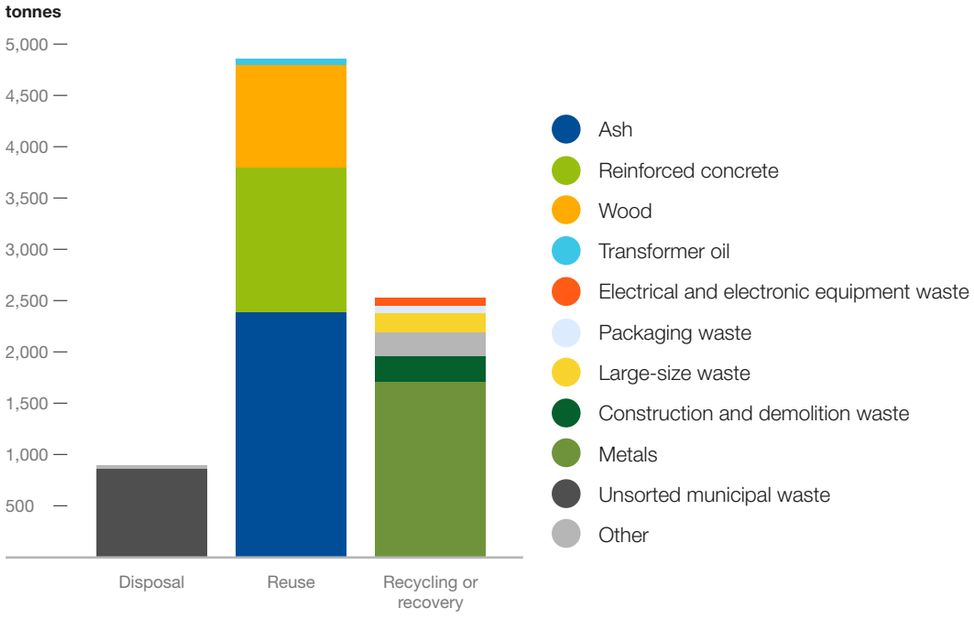
To avoid double counting between the categories of reused and recycled materials, materials are classified in only one category based on their final use. Materials that are reusable are counted under the category "reuse" and materials that are recycled into new products are counted under the category "recycling or recovery".

The materials sent for disposal were mainly unsorted municipal waste and a small amount of other materials that cannot, technically, be recycled or recovered. The Group does not generate, store or manage radioactive waste in its operations.

Classification of waste and recyclable materials

The Group's companies currently do not have detailed accounting of waste material composition. Waste accounting is carried out in accordance with the requirements of regulatory enactments according to waste classification codes. The Group is evaluating the possibilities of introducing more detailed accounting of waste composition in the future.

Data on the amount of waste managed is compiled from invoices issued by waste managers, as well as waste transportation consignment notes. If necessary, coefficients are used to convert from waste volume in cubic meters (m^3) to weight (tonnes) as specified in the regulation of the Cabinet of Ministers No. 1075 Regulations on State Statistical Report Forms for Environmental Protection and in the MEPRD methodological instructions On Filling in Statistical Report No. 3 – Waste. Report on Waste. These coefficients are regularly reviewed and updated in accordance with changes in regulatory enactments.



E5-6

Risks and financial effects from the circular economy and resource use

The materiality assessment of the Group identified one material risk with a potential financial impact.

The risk of critical supply chains is associated with potential disruptions that can lead to increases in production costs and reduced resource availability. The financial impact of this risk is difficult to quantify in the short term, but in the medium and long term, it can have a significant impact on the Group's competitiveness, especially if dependence on certain suppliers increases or new regulations on imported materials are introduced. To mitigate this risk, alternative sources of supply are being explored, and the resilience of supply chains is being improved.

Anticipated financial effects from material opportunities

The Group has identified one material opportunity in the area of resource use and the circular economy.

Improving the sustainability of equipment – investments to improve the long-term resilience of equipment to the impacts of climate change, which will reduce potential financial losses from damage to the infrastructure. In this context, particular attention is paid to electricity generation and distribution infrastructure that is exposed to extreme weather events, for instance, severe storms and floods. Such investments will not only improve the longevity of assets but also contribute to more stable and predictable financial flows.

Innovative solutions for waste recycling – introduction of new technological solutions for recycling solar panels and WPPs components at the end of their life cycle. This approach not only reduces management costs but also generates additional revenue by using recycled materials to manufacture new products. Furthermore, given the rapid development of the regulation on the circular economy in the European Union, the Group can benefit from actively participating in the development of relevant regulatory enactments and adapting its operations to sustainable business models.

A number of critical assumptions are essential for the successful implementation of the circular economy and resource efficiency strategy. One of these is a stable and predictable regulatory framework in the waste management sector, enabling effective planning and long-term investment in sustainable management systems. The development and availability of recycling technologies is equally crucial, since it will promote more efficient and cost-effective reuse of resources.

Social Information

S1 Own Workforce
S3 Affected Communities
S4 Consumers and End-users

As a result of the double materiality assessment, the material IROs were identified, which reflect the framework for the sustainable operations of Latvenergo Group.

The management of IROs is integrated into the operating processes of the Group's companies, and the supervision of these issues is addressed within the framework of fulfilling and monitoring strategies and operational plans. The Management Boards of the Group's capital companies handle the implementation of strategies and policies. Twice a year, the Management Board of Latvenergo AS assesses the progress of implementing the Sustainability Strategy (including the targets set). The determination of Latvenergo Group's material sustainability targets is based on internationally recognised standards, industry guidelines and examples of best practice, as well as the strategic objectives of the Group and impacts specific to its operations. The setting of targets and their implementation, with the exception of those related to GHG emissions, have not been validated by any external body. For more information, see the section Group Strategy.

The sections About the Group and Operating Segments provide information on the geographical scope of Latvenergo Group's operations.

Information on Latvenergo Group's sustainability management model and the Group's value chain is provided in the section Sustainability Management. Regarding stakeholder engagement in policy development, the Group applies an approach of coordinating the draft Medium-term Operational Strategy and Sustainability Strategy with stakeholders and using the feedback received in reviewing subordinate documents, including policies. For more information on the approach to stakeholder engagement, see the section Sustainability Management.

The sections Corporate Governance and Risk management and internal controls over sustainability reporting provide information on risk management, including the Group Risk Management Policy, which defines both the basic principles of risk management and the responsibilities of employees and management involved in the risk management process. In accordance with the Group Risk Management Policy, the Management Boards of the Group's capital companies are responsible for the capital companies' risk management. At least once a year, the Management Board of Latvenergo AS submits a report on the Group's risk management to the Supervisory Board of Latvenergo AS, which is responsible for overseeing the Group's risk management system.

The above approach is fully applied to the management of all sustainability issues and targets.

The priorities of Latvenergo Group include strengthening employee engagement, motivation, and development and developing a safe work environment that promotes innovation. The Group's goal is to build long-term and mutually beneficial relationships with customers; the Group uses innovative solutions and the basic principles of cost-effectiveness and operational excellence to achieve this goal. It is important for the Group to be in as close contact as possible with local communities in the vicinity of facilities and to contribute to the development of these communities.

S1 Own Workforce

ESRS 2 SBM-3, S1-4

Material impacts, risks and opportunities

Material sustainability IROs of Latvenergo Group were identified through the double materiality assessment. For information on the double materiality assessment process, including the methodology for identifying, assessing, and determining material IROs, see the section General Information.

Working conditions				
The workload of employees exceeds the desired levels in some units	MT	P	OO	The Group regularly collects overtime data and analyses trends. If the number of overtime hours approaches a critical threshold, the managers in charge are informed, and increased monitoring of the units involved takes place. The Group complies with the legal requirements governing the number of working hours and overtime hours. During the reporting year, monitoring led to a 21.5% reduction in overtime in the parent company compared to 2023. In 2024, the number of overtime hours at Sadales tīkls AS fell by 9.6% in comparison with 2023. The Group has not identified any material impact from the transition plans to the green deal.
Potential complications in social dialogue can cause challenges in cooperation between employers and employees	MT			The Group has been working with the Enerģija trade union since 1990. The terms of the collective bargaining agreement apply equally to all employees. The collective bargaining agreement is regularly revised and improved, considering employee suggestions and labour market trends. The current version of the collective bargaining agreement was signed in 2024.
Potential workplace accidents can affect the performance of the workforce and create reputation risks	ST			The Group's annual risk assessments involving occupational safety specialists, occupational safety-trained trustees, and employees identify potential hazards and health risks at work so that effective measures can be developed to mitigate these risks. See the section Health and safety metrics.
Possible overload of employees can affect performance and cause conflicts	MT			The Group makes detailed workload plans, recording working time according to the duties and responsibilities of the employees. To reduce persistent work overload and boost the performance of employees, they are provided with a range of educational activities covering work-life balance, time management, and setting priorities. In 2024, 119 employees participated in supervision sessions. 55 managers participated in the Manager Power Group development programme, and 800 employees attended various educational conferences.
Implement the Pay Transparency Directive (EU/2023/970) in a meaningful way to improve understanding among employees and their confidence that they are remunerated fairly	MT			The Group regularly revises job positions and adheres to the principles of determining fair remuneration in accordance with the Group's Remuneration Policy. In 2024, the Group launched an in-depth remuneration assessment to prepare for the implementation of the Pay Transparency Directive in 2026 in time.
Equal treatment and opportunities for all				
Develop a diversity management programme appropriate to the specific nature of the company	MT			In 2024, Latvenergo AS started the development of its Strategic Human Resources Planning Concept. One of its goals is to ensure the succession of unique and difficult-to-replace knowledge, thus fostering intergenerational cooperation and strengthening its value. The implementation of the concept is planned for 2025.
Labour market competition				
Competition for specialists in various fields has intensified significantly on the labour market	MT			Labour availability issues can make it difficult to implement projects and complete work tasks. In 2024, to proactively attract skilled employees, the Group worked to support education in STEM fields through a range of activities for school and university students. See the section Corporate Social Responsibility.

Positive impact · Negative impact · Risk · Opportunity · A Actual impact · P Potential impact · OO Own operations · VC Value chain · ST Short-term · MT Medium-term · LT Long-term

Information on material risks an opportunities arising from the Group's impact and dependencies on its own workforce see in the section Double materiality assessment. The Group has no specific category of employees that would be more severely exposed to these IROs. Forms of employment see in the sections Characteristics of the Group's employees and Characteristics of non-employee workers in the Group's own workforce. Activities for IROs management and remediation of negative impact see in the section Processes for engaging employees and employee representatives. Processes for impact remediation and management of risks and opportunities see in the section General Information. Resources for IROs management see in the section Targets. Activities for material IROs are directly linked with main policy principles described in section Policies. IROs targets see in the sections Targets, Compensation metrics and Group Strategy.

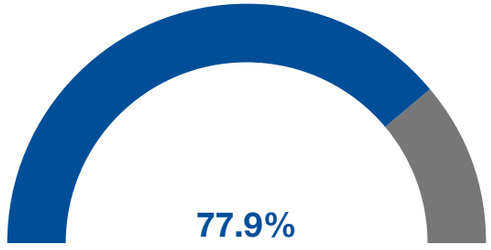
ESRS 2 SBM-2, S1-2

Interests and views of stakeholders

Latvenergo Group's draft Medium-term Operational Strategy and its draft Group Sustainability Strategy were coordinated with stakeholders, including the Group's own workforce; see the sections Group Strategy and Stakeholder Engagement. The Group ensures that its workforce is involved in daily activities and processes. Every employee's opinion and experience are important, affecting future improvements of the work environment and helping set the Group's priorities. Various surveys make it possible for every employee to submit questions and comments. The Group's HR units assess the survey results and organise onsite interviews with employees to discuss improvements. Before new projects are initiated, employees can express their views through focus surveys. For example, occasional short surveys are conducted regarding the quality of information technology (IT) services and system use habits to improve the efficiency of system use. Action plans are prepared for future periods based on employees' suggestions.

The Group conducts its business in the Baltic states and respects fundamental human rights in all areas of its operations, as enshrined in the national laws of these states, as well as in the international treaties binding on them. The work environment and processes are designed to prevent the possibility of infringing the human rights of employees of the Group and its subcontractors to the extent that the Group can influence. Latvenergo Group's operations are maintained by its own workforce: the Group does not employ children, outsourced workers or self-employed workers. According to the human rights rating values of Latvia (0.94), Lithuania (0.91), and Estonia (0.96) and responsible business practices, the Group does not face significant risks of forced or compulsory labour and child labour. Respect for human rights within the Group and among its business partners is prescribed in the Group's Code of Ethics; see the section Policies.

Employees' experience level (EX Index)



2023 78.8%
Average value for Latvian companies: 73.2%

Employee commitment study

A comprehensive study was carried out in 2024, assessing employee commitment using the TRI*M methodology and employee experience using the EX Index methodology. 2,666 respondents, or 82% of the Group's total workforce, took part in the survey. The commitment indicator is based on the answers the employees gave to questions about general satisfaction, willingness to recommend the workplace, willingness to reapply for their job, motivation of colleagues, and assessment of the company's performance and competitiveness. During the reporting year, the commitment indicator reached 70 index points (69 in 2023), which is in line with the target value for 2024. The value is medium-high, indicating a good and stable work environment. For 2025, the goal is to maintain Latvenergo Group's commitment indicator at 70 by continuing to implement various employee engagement initiatives.

For the third year in a row, the study also assessed the level of employee experience across several dimensions and factors that help identify priorities for improving employee experience. In 2024, Latvenergo Group's EX Index was 77.9%, which corresponds to the Experienced level (70–85%). The strengths include meaningful work, immediate superiors, and mutual support in teams. Meanwhile, the internal culture, growth, and investment in the emotional well-being of employees need to be improved. As part of the study, employees

Employee commitment indicator TRI*M

	Units	2020	2021	2022	2023	2024
Target indicator	index score	56	63–66	63–66	64-67	64-67
Indicator achieved	index score	66	66	68	69	70

Employees' experience dimensions

	2024		2023	Average value for Latvian companies
Immediate superior	84.9%		85.4%	78.6%
Meaningfulness of work	82.0%		83.1%	76.5%
Cooperation and team	81.9%		81.5%	77.2%
Work procedure and processes	81.4%		80.0%	78.4%
Technology and equipment	81.3%		82.6%	75.3%
Wages and benefits	77.5%		77.4%	69.3%
Internal communication	77.3%		77.7%	71.1%
Growth	74.6%		75.0%	68.5%
Internal culture	74.3%		75.8%	73.1%
Well-being	69.0%		68.4%	64.1%

could also comment on and raise concerns about the work environment and make suggestions for improvement. Employees express a sense of pride in belonging to the Group, while indicating on the expected improvements in office equipment, the work environment and the provision of feedback.

The study includes a section on demographics, collecting data on the views of employees across different groups, based on education, age, seniority, and gender. The strengths and weaknesses of employee experience identified as part of the study are analysed, seeking correlations based on these demographic groups. The results are discussed within the company units, and during the reporting year, no significant differences were observed between various demographic groups.

Workplace risk assessment

Annual work environment risk assessments involving occupational safety specialists, occupational safety-trained trust representatives, and employees identify potential hazards and health risks at work so that effective measures can be developed to mitigate these risks. Remote work is also included in work environment risk assessments since employees can work remotely or based on a hybrid schedule if their position allows. Several methods are used to identify and assess risks, including employee surveys. Employees are given ergonomic instructions for setting up their remote workplace, and they have access to consultations from an occupational safety specialist for assessing their workplace. Individual interviews with remote workers are also held if necessary.

S1-1

Policies

Latvenergo Group has approved the following material policies related to its own workforce: the Human Resource Management Policy, the Occupational Safety Policy, the Code of Ethics, the Sustainability Policy, and the Remuneration Policy.

The Group has no separate policy for inclusion of vulnerable groups in its own workforce. These principles are integrated into the Code of Ethics and the Human Resource Management Policy. The summary of the Groups' policies on the IROs management of own workforce is available in the table Policies adopted to manage material sustainability matters – Social in the section General Information.

Human resource management

The Human Resource Management Policy supports the HRM directions set in Latvenergo Group's consolidated Medium-term Operational Strategy:

- development of the skills and competencies of employees to foster the creation and implementation of ideas that are innovative and beneficial to the business
- management of knowledge and use of technology to ensure that employees learn new knowledge and technologies quickly and apply them successfully at work
- fostering an understanding of values and their integration into the culture of the organisation with the goal of changing the attitudes, behaviours and actions of employees to help achieve the goals set in the strategy

The principles of the HRM policy are based on the purpose, vision, mission, and values of Latvenergo Group.

Occupational health and safety

The goal of the Occupational Safety Policy is to provide a work environment that is safe and not harmful to health, thus contributing to the creation of high-quality and safe workplaces and increasing employee satisfaction, making health and safety of employees the company's priority values at every stage of its operations and in its interactions with the public. One of the principles of occupational health and safety is to develop a zero-accident mindset and continuously improve health and safety performance. By signing the Mission Zero charter and following the principles of the initiative, Latvenergo AS un Sadales tīkls AS undertake to implement and follow business principles that focus on people, their health and their safety.

Ethical conduct

The Group's Code of Ethics establishes a set of principles and ethical standards for the conduct and actions of the Group's employees and business partners, ensuring that their working and business relationships are based on respect, trust and loyalty. In accordance with the Code of Ethics, all employees are provided with equal opportunities and are treated equally regardless of their gender, race, ethnic or national origin, age, disability, religious, political or other beliefs, social origin, property, marital status, sexual orientation, or other status.

The Code of Ethics prescribes that in all areas of its business, the Group respects fundamental human rights enshrined in the Latvian Constitution, as well as laws and international treaties Latvia is bound by, including the prohibition of human trafficking and forced labour.

The principles described in the Code of Ethics are implemented through training on how to apply these principles in daily work. Whenever an employee encounters a breach of the principles of the Code of Ethics, they can report it anonymously. Every report is dealt with on an individual basis, without revealing the identity of the person.

Remuneration

In accordance with the remuneration principles approved in the Latvenergo Group Corporate Governance Policy, the Group's Remuneration Policy sets the principles for competitive employee remuneration that aims to achieve the goals of the Group. The Remuneration Policy is implemented in accordance with the following principles:

- internal fairness — an equal approach to setting remuneration for work of relatively equal value
- external fairness — remuneration appropriate to the labour market, size of the company, and regulations to recruit and retain employees and specialists
- equal approach — applying the same principles to all employees, with strict guidelines set for defining exceptions
- fostering employee actions that aim to achieve the Group's short and long-term operating goals, rewarding individual performance and contribution
- compliance of the level of remuneration with the Group's financial capabilities, making reasonable use of financial assets
- flexibility — remuneration components can be adjusted based on business and labour market conditions, and their relative shares can be changed, expanded and replaced

Sustainable work principles

The principles of the Group's Sustainability Policy include respect for human rights, a sustainable work environment, and equal opportunities for employees. The work environment and processes are designed to prevent the possibility of infringing the human rights of the Group's employees and its contractors to the extent that the Group can influence. The Group provides its employees and

contractors with a safe, flexible, and inspiring work environment and applies equal conditions of employment and treatment to all its employees. See the section Policies adopted to manage material sustainability matters.

Compliance with international standards

The Group's policies are aligned with internationally recognised standards that are consistent with the principles described in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct:

- we respect the right of employees to form or join trade unions or representative organisations of their own choosing, including not interfering in the decisions of employees to form or join such trade unions or representative organisations
- we respect the principle of equal opportunity and equal treatment and do not discriminate against our employees within the context of their employment or occupation because of their race, colour, sex, age, religion, political views, ethnic or social background, disability, or other status
- we provide a safe and healthy work environment in line with the ILO Declaration on Fundamental Principles and Rights at Work
- we maintain compliance with top occupational health and safety standards

Access to action policies

The Group's employees have access to policies and other internal documents via the *LEports* intranet and internal document management systems. Online courses have been developed on the principles and good practices of the Code of Ethics, explaining in detail desired conduct in various situations.

Processes for engaging employees and employee representatives

Type of involvement	Description
Management meetings with employees	During the reporting year, Latvenergo AS and Sadales tīkls AS held remote meetings involving the management board and employees to discuss the operating results, current topics and future goals, as well as to answer employee questions. Such meetings have become an important tradition, promoting open dialogue between management and employees, covering current business issues, strategic directions and topics that interest employees.
Employee development interviews	See Jobs, as well as training and skills acquisition in the section G1 Business Conduct.
Trustees	Within the companies of the Group, trustees represent the interests of employees in occupational safety and cooperate with the units and management in order to improve the work environment. Trustees have the right to freely express their own opinions and those of employees related to the setup and implementation of the occupational safety system at the company and to receive regulatory documents, explanations and other information related to occupational safety. In 2024, Latvenergo AS and Sadales tīkls AS had 27 employee-elected trustees from the Latvian trade union Enerģija. The employer provides occupational safety training for trustees.
Channels of communication	The Group has communication channels in place enabling employees to participate in decision-making and affect ongoing processes. Using the *LEports* intranet, employees receive Group news daily. Employees can express their views about the intranet content by posting their comments and questions. The Group has a single platform for submitting ideas and suggestions: the *Bank of Ideas*. Any employee of the Group can register their ideas for new products, suggestions on improving routine work processes, or other recommendations for further improvements at the Group. Any employee can vote and comment on the ideas posted on the platform. The author can participate and follow the implementation of their idea.
Collective bargaining agreement	See the section Collective bargaining coverage and social dialogue.
Equality in recruitment	The recruitment process is fair and non-discriminatory. Recruitment specialists: • assess all applications based on uniform criteria • cooperate with managers and employees involved across all stages of recruitment • ensure the equal treatment of all candidates • follow the approach of non-discrimination in accordance with the Labour Law, Code of Ethics and good recruitment practices
New jobs for the transition to the green economy	As part of building its capacity in the development of SPPs and WPPs, the Group created 32 new jobs during the reporting year. The development of the Baltic states' electric vehicle charging network created 5 new jobs. The number of employees in the combined heat and power plants remained unchanged during the reporting year. 1 job was created for developing microgeneration services at the subsidiary Sadales tīkls AS in 2024. Sadales tīkls AS implemented a work management system (DRPR) for digital work order processing and time tracking. Following this, specialists receive work orders electronically and travel to sites from their place of residence. The introduction of DRPR has also optimised the organising of site repairs, contributing to significant reductions in fuel consumption and CO_2 emissions.
Measures to promote the internal culture and cooperation	The Group's Baltic Summer Festival, Latvenergo AS and Sadales tīkls AS nominations events make it possible for employees to take an active part in recognising their colleagues' achievements and shaping the company culture.
Participation in conferences	Since 2023, Latvenergo AS has made it possible for its employees to participate in online conferences and access video recordings of the conferences. In 2024, employees were provided access to conferences such as *Life Balance* Part 1 and 2, *Longevity*, *Capability*, *LeadFactor* and *Subject:Creativity*. More than 800 participants attended the conferences. Employees greatly appreciate the conferences offered: in 2024, 124 employees provided feedback with an average rating of 8.9 out of 10.
Supervision	In 2023, as part of a pilot project, customer service employees had an opportunity to try supervision as one of the most effective methods of emotional self-regulation and stress management. In 2024, supervision was offered to employees in units where the work environment risk assessment revealed high psycho-emotional risk, as well as units with the lowest ratings in the well-being dimension of the employee experience survey. 17 supervision groups were set up in 2024, involving 119 employees. Supervision sessions are continuing in 2025.
Safety training	The Group provides both professional upskilling training and safety training to its employees. The Group organises training in first aid, electrical safety, working at heights, working with hazardous equipment, and other specialised training to meet the needs of its employees. The Group fully covers the cost of such training, and employees can attend it during working hours.

Performance of hazardous work	Since the Group's business segments include thermal energy and electricity generation, as well as electricity distribution hazardous work is organised and conducted that involves the generation equipment/infrastructure operating workforce. Only properly trained and skilled employees are allowed to carry out hazardous work. Workplaces are specially prepared for the safe performance of work, including checks of the equipment and tools needed to ensure safe operation. Particular attention is paid to conducting goal-specific briefings, used to explain to employees the safety requirements of the corresponding work, the procedure for performing the work, the potential risks and their mitigation measures, and the course of action in emergencies. To ensure safe operations, individuals are appointed to supervise work performance, monitor compliance with safety requirements, and perform regular checks to prevent any breaches of the requirements set. This ensures that hazardous work is carried out safely, reducing the risk of incidents.
Protective equipment	Employees of the Group are provided with collective and personal protective equipment. The selection of workwear, footwear, and personal protective equipment is based on the specific nature of the work, the degree of protection required and the latest solutions available.

S1-3

Impact remediation and channels to raise concerns

Latvenergo Group has several processes in place for employees to express their concerns and remediate impacts, and employees are aware of these channels.

Any employee can anonymously submit complaints and observations about the Group's activities in the form of a whistleblower report, an e-mail, or via the intranet *LEports*. Employees can also directly contact the Human Resources function or the Compliance Control function of the Group company and report any breaches. The Compliance Control function prepares an annual report for the management boards of the Group's companies regarding any whistleblower reports registered at the respective companies, as well as decisions taken and risk mitigation measures. A report on whistleblower reports at the Group is prepared for the management board of Latvenergo AS. The suggestions of employees are forwarded for review and processing to the respective units of the Group. The Group's Code of Ethics protects whistleblowers from reprisals. For more information about the whistleblowing system, see the section Whistleblowing system and management.

The interests of employees in relation to occupational safety are represented by trustees; see the section Processes for engaging employees and employee representatives.

In 2024, to support managers and improve the employee experience, Latvenergo AS created 3 new positions for HR business partners, who serve as trust representatives for both managers and employees, ensuring effective internal communication and preventive problem-solving. One of the HR business partners also provides their services at Elektrum Eesti OÜ and methodological support to the HR staff of Elektrum Lietuva UAB. A similar position has already been created at the Group's subsidiary Sadales tīkls AS.

During the reporting year, no incidents or confirmed complaints pertaining to discrimination among the staff, serious impacts on human rights, or other aspects relevant to the Group's own workforce were recorded via the Group's whistleblowing system.

Impact remediation takes place through several mutually supporting activities: specialised training programmes, the collective bargaining agreement, the Benefits Selection System, supervision, and Manager Power Groups. See the section Processes for engaging employees and employee representatives.

S1-5

Targets

The Management Board of Latvenergo AS sets Latvenergo Group's annual targets in line with the targets set in its Medium-term Operational Strategy. The annual targets are broken down further to define, meet and evaluate targets and performance indicators at the unit and individual level, reaching every employee. The process of setting and approving targets is formalised via the *Delta* employee self-service system, which can be used to follow their status and performance. In accordance with the Group's Corporate Governance Policy, the annual targets are checked (forecast) on a quarterly basis. The activities for managing the IRO of the Group's own workforce are performed by the human resource management and occupational safety units.

For 2024, Latvenergo Group set a target of maintaining employee commitment at 64–67 index points. In the reporting year, the Group's employee commitment score was 70. Approximately 70% (annual target ≥ 65%) of employees positively evaluated aspects of emotional and physical well-being in employee commitment and experience study. For a description of the employee commitment study, see the section Interests and views of stakeholders. See the section Targets of the Group's Sustainability Strategy for the target indicators specified in the Group's Sustainability Strategy, their achievement and methodology. Progress towards target achievement is primarily assessed annually against established target values, rather than relative to a historical baseline. For employee engagement in definition of targets and assessment of the operational results see the section Interests and views of stakeholders. Data on the workforce of Latvenergo Group are obtained from the *Oracle HR* personnel data base using a business intelligence tool. All personnel-related data is maintained and regularly updated in the system, including the number of employees, structure, turnover, training, compensation metrics, length of the employment and other material personnel data. Occupational safety data is entered and maintained in the Occupational Safety Data Management System and a business intelligence tool is used for summaries.

S1-6

Characteristics of the Group's employees

At the end of the reporting year, Latvenergo Group employed 3,436 people across the Baltic states (3,160 in Latvia, 243 in Lithuania, and 33 in Estonia). Compared to 2023, the number of employees fell by 1.7%. This reduction is mainly due to process improvements and digitalisation. The energy sector is characterised by a high number of technical positions, which is why the Group's workforce has a relatively large share of male employees: in 2024, 2,346 or 68% of employees were men and 1,090 or 32% were women. Most employment contracts were for full-time employment and open-ended. In 2024, 12 employees, or 0.3% of the entire staff (7 men and 5 women), worked part-time. 2,323 men and 1,063 women had open-ended employment contracts. 50 employees, or 1.4% of the total (22 men and 28 women), had a fixed-duration contract. These indicators did not change significantly compared to previous years. All employees of the Group have guaranteed working hours. In 2024, a total of 315 employees terminated their employment with the Group on their own initiative. Staff turnover (voluntary) at the Group was 9%. The data are presented as the current total number of employees at the end of the reporting year. Methodology for obtaining personnel data see in the section Targets.

Number of employees by operating segments

	Units	2020	2021	2022	2023	2024
Generation and trade	number	875	912	1,052	1,202	1,104
Distribution	number	1,876	1,681	1,665	1,665	1,652
Corporate functions	number	544	560	599	630	680
TOTAL	**number**	**3,295**	**3,153**	**3,316**	**3,497**	**3,436**
female	number	952	947	1,010	1,094	1,090
men	number	2,343	2,206	2,306	2,403	2,346

S1-7

Characteristics of non-employee workers in the Group's own workforce

There are no non-emloyee workers among the own workforce of the Group's companies.

S1-8

Collective bargaining coverage and social dialogue

The Group's companies Latvenergo AS, Sadales tīkls AS and Enerģijas publiskais tirgotājs SIA have a collective bargaining agreement signed with the trade union *Enerģija*. The collective bargaining agreement protects the legal, economic and social interests of employees, in addition to meeting the requirements laid down by law. In 2024, 90% of the Group's employees were covered by the collective bargaining agreement. The terms of the collective bargaining agreement not only apply to trade union members but to all employees of those companies. Employees who are also elected officials of the trade union can use working time to conduct union activities. There is no agreement with employees of Latvenergo Group on their representation in the European Works Councils (EWC), the works council of Societas Europaea (SE) or the works council of Societas Cooperativa Europaea (SCE). Methodology for obtaining personnel data see in the section Targets.

S1-9

Diversity metrics

Gender representation in senior management*

	Group				Latvenergo AS			
	Women	Men	Total	Diversity ratio**	Women	Men	Total	Diversity ratio**
Supervisory board	4	19	23	21%	0	4	4	0%
Management board	5	19	24	26%	1	4	5	25%
Total	**9**	**38**	**47**	**24%**	**1**	**8**	**9**	**11%**

* information is also required by the ESRS 2 GOV-1 21 (d). Methodology for obtaining personnel data see in the section Targets.
** diversity ratio among members of the Supervisory Board and members of the Management Board. It is calculated as an average ratio of female to male.

Employee age structure, broken down by age group

Age group	Women	Men	Total	Share
under 30 years	108	202	310	9%
30 to 50 years	700	1,352	2,052	60%
over 50 years	282	792	1,074	31%
Total	**1,090**	**2,346**	**3,436**	**100%**
Share	**32%**	**68%**		

S1-10

Adequate wages

The companies of the Group comply with the law, and all employees of the Group are paid adequate wages. In accordance with the Remuneration Policy, the main salary is determined according to the breakdown of jobs into salary groups based on special criteria, and a salary range is set for each salary group. The salary groups are revised and approved by the management board at least once a year, considering labour market and industry information on salary levels and/or changes in them and considering the financial capacity of the company. Positions within the Group are regularly revised and fair remuneration is set for work of equal or similar value.

S1-14

Health and safety metrics

The Group's occupational health and safety system focuses on a sustainable work environment, using innovative and modern personal protective equipment and taking care of the health and well-being of employees. The goal of this system is to prevent both physical and psycho-emotional factors that can negatively affect the workplace health and safety of employees and to educate and involve employees to foster a positive work environment and prevent the risk of accidents. Each company's occupational health and safety (OHS) system represents a comprehensive approach to ensuring a healthy work environment. When planning occupational health and safety measures, the companies follow the Group's occupational health and safety policy. The safety requirements and procedures developed to govern work processes help reduce the likelihood of risks.

Employees can report dangerous situations or violations to occupational health and safety specialists, heads of company units, or trust representatives. Latvenergo AS and Sadales tīkls AS have an incident register that any employee can use to submit information about events or observations related to occupational safety and the environment. The incident register also allows anonymous submission of such information. Work instructions include clauses on situations when it is prohibited to start work. In accordance with the Group's Occupational Safety Policy, an employee may refuse to perform work in hazardous conditions, reporting this to the head of the unit or a trust representative — verbally or in writing. Accidents within the Group are recorded and investigated in the manner prescribed by law. In addition, near-accidents are also listed and analysed. The conclusions and lessons learnt are implemented to improve the occupational health and safety system.

The occupational health and safety management systems of Latvenergo AS, Sadales tīkls AS, Liepājas enerģija SIA, Elektrum Lietuva UAB, and Elektrum Eesti OÜ were developed based on legal requirements and cover the entirety of the companies' own workforce. The occupational health and safety management systems of Latvenergo AS and Elektrum Lietuva UAB meet the requirements of ISO 45001:2018. They are audited and certified by an outsourced contractor.

Incidents involving the Group's own workforce in 2024

Group company	Number of incidents	Number of accidents
Latvenergo AS	1	-
Sadales tīkls AS	3	2
Liepājas enerģija SIA	-	1
Elektrum Lietuva UAB	-	3
Elektrum Eesti OÜ	-	-
TOTAL	**4**	**6**

During the reporting year, the Group had no deaths among its own staff or that of its value chain working at the Group's sites. No deaths of other workers at the Group's sites were caused by work-related injuries or illnesses.

6 accidents were recorded at the Group in 2024. The total number of hours worked at the Group during the reporting year was 5,948,161. The Group's work-related injury rate in 2024 was 1.01.

Work-related injury rate is calculated according to the ESRS methodology:

$$\frac{\text{Number of accidents}}{\text{Total hours worked}} * 1{,}000{,}000$$

During the reporting year, the Group recorded 5 cases of occupational diseases at the subsidiary Sadales tīkls AS, related to physical strain.

The total days of sick leave are recorded in the time recording system. The system is not used to separately record days lost due to work-related injuries and deaths caused by accidents, or work-related illnesses and deaths caused by such illnesses. Methodology for obtaining occupational safety data see in the section Targets.

S1-16

Compensation metrics (pay gap and total compensation)

The Sustainability Strategy of the Group includes the goal of creating a sustainable work environment and maintaining a fair remuneration system without discriminatory pay differences. The total wage median relative to the remuneration of the management board chairperson is set and maintained in line with the business practices of the company, not exceeding a ratio of 1:9.

In 2024, the annual total remuneration ratio of the highest-paid individual relative to the total annual remuneration of all employees (excluding the highest-paid individual) was 1:7.5. The calculation includes all companies of the Group.

The annual total remuneration ratio is calculated according to the ESRS methodology:

Annual total remuneration for the undertaking's highest-paid individual / Median employee annual total remuneration (excluding the highest-paid individual)

The gender pay gap at the Group was 1.5% in 2024. The calculation considers total wages for the reporting year and includes all companies of the Group.

The gender pay gap is calculated according to the ESRS methodology:

(Average gross hourly pay level of male employees – average gross hourly pay level of female employees) / Average gross hourly pay level of male employees x 100

Methodology for obtaining personnel data see in the section Targets.

Incidents, complaints and severe human rights impacts

To detect and prevent various types of breaches or dishonest behaviour, Latvenergo Group has a whistleblowing system, the principles and key provisions of which are specified in the Group's Code of Ethics; see the section Whistleblowing system and management.

During the reporting year, no incidents or confirmed complaints pertaining to discrimination among the staff, serious impacts on human rights, or other aspects relevant to the Group's own workforce were recorded via the Group's whistleblowing system.

Group specific topic – Labour market competition

Group's policy on addressing workforce accessibility see in the section Policies. Activities for proactive attraction of qualified personnel see in the section Corporate Social Responsibility. Targets, including the number of implemented activities to promote workforce accessibility and support STEM education areas, see in the sections Targets defined in the Sustainability Strategy 2024–2026 and Corporate Social Responsibility.

S3 Affected Communities

ESRS 2 SBM-3, S3-4

Material impacts, risks and opportunities

Material sustainability IROs of Latvenergo Group were identified through the double materiality assessment. For information on the double materiality assessment process, including the methodology for identifying, assessing, and determining material IROs, see the the section General Information.

Communities' economic, social and cultural rights				
Disruptions of supply via electricity distribution infrastructure can temporarily reduce comfort of living and potentially lead to costs	ST	P	OO	Disruptions of the electricity supply can reduce the comfort of living by affecting a household's ability to use everyday electrical appliances, lighting and heating systems. Interruptions can also lead to costs for businesses that depend on an uninterrupted electricity supply to maintain their production processes and service provision. Elektrum offers a range of products and services for the safety and comfort of households and businesses. The Group is actively working on upgrading and maintaining the distribution system to improve the reliability and quality of the electricity supply; see the section Targets.
The Group promotes the capacity of the education system in STEM subjects, the know-how of students and teachers on the Green Deal, resource efficiency and electrical safety	LT	A	OO	Annual educational activities include seminars, workshops and developing teaching materials to help students and teachers better understand the importance of energy and progress towards the Green Deal. The Group collaborates with educational institutions to promote young people's interest in STEM subjects and foster future professionals who can solve energy and sustainability challenges; see the section Corporate Social Responsibility.
Communities' civil and political rights				
Public support for new wind and solar power plants varies depending on their impact on public or individual interests – the sociological phenomenon of "not in my backyard"	LT			In a 2024 sociological survey, 77% of the Latvian population supported the construction of new solar and wind farms in Latvia. However, public consultations demonstrate opposition from the local community if implementation of such projects is planned in their immediate vicinity. The Group engages representatives of affected communities in dialogue to explain the public importance and benefits of the projects and provides environmental impact assessments. In 2024, more than 20 public consultations and workshops or informative seminars were organised to raise awareness and enable more extensive involvement of affected communities in discussing and expressing their views on planned generation projects.
Resilience of infrastructure				
Damage to infrastructure can cause consequences for nearby communities	ST	P	OO	The Group carries out a comprehensive and continuous assessment and monitoring of the safety status of its facilities and infrastructure, obtaining expert opinions where necessary. A crisis management system has been developed at the Group. Civil protection plans have been developed for the plants, which have been approved by the SFRS. Annual tests of the effectiveness of plans are conducted and the plans are updated and supplemented where necessary. For this impact, the Sustainability Strategy sets a performance indicator on the annual number of high-impact incidents. No such incidents were identified in 2024.
Communities' economic, social and cultural rights – safety-related impact				
Educating the public about the advantages of RES generation capacities through examples of projects implemented by the Group. Implementing pilot projects to combine RES capacity with biodiversity, recreation and tourism to foster public support for the implementation of new RES projects.	MT			Latvenergo Group educates the public about the benefits of RES and provides opportunities to learn about successful examples of RES generation capacity development projects. For information on the development of RES capacities, see the section Operating Segments. Pilot projects combining RES with biodiversity, recreation and tourism promote synergies between energy generation, environmental protection and co-benefits for society. Sheep graze at the solar power plant in Birži, which was opened in 2024, to prevent grass from overgrowing and obscuring the solar panels.

Educating personnel and critical infrastructure partners to respond effectively to national threats, strengthening the readiness of the infrastructure and the ability of society to cope with crises. Improvements in physical security management by setting up an internal National Guard unit.	MT		The Group annually organises regular training and workshops to prepare employees and partners for crisis situations, with an emphasis on swift and coordinated action. The readiness of infrastructure is also being consolidated through regular inspections and improvement of security protocols. To ensure the security of critical infrastructure, the Group has created internal units staffed by members of the National Guard, who can provide support and expertise in the event of a national emergency. These initiatives improve the crisis management capacity of society and the operational continuity of critical infrastructure.

Positive impact | Negative impact | Risk | Opportunity | A Actual impact | P Potential impact | OO Own operations | VC Value chain | ST Short-term | MT Medium-term | LT Long-term

For remediation of significant impacts, see the section Impact remediation and channels to raise concerns. The results of activities for impact mitigation on affected communities are assessed by the responsible business functions. Human resources for management of material impacts see in the section Interests and views of stakeholders. During the reporting period, no incidents or confirmed complaints related to serious impacts on human rights and affected communities were registered in the Group's whistleblowing system.

ESRS 2 SBM-2

Stakeholder interests and opinions

According to its business segments and operation in the Baltic States, the Group cooperates with local communities throughout Latvia, as well as near wind and solar farms in Lithuania and Estonia; see the section About the Group. Functional decisions on collaboration with affected communities are made by heads of environmental management, communications, corporate governance support, marketing and other functions, as well as Management Boards and Chief Officers of capital companies. See the section Group Management.

The Group informs communities and involves them in public consultations, providing channels for raising concerns and remediation opportunities on an equal basis for all affected communities, including indigenous peoples. The Group encourages its suppliers to identify and consider the impact of their activities on affected communities; see the section Policies.

The interests, needs and opinions of stakeholders, including affected communities, are material aspect in the Medium-Term Operational Strategy of Latvenergo Group for 2022–2026 and the Sustainability Strategy of the Group for 2024–2026. The relations of the Group with affected communities are conducted in compliance with human rights, the principles of transparent and open communication, principles of ethical and corporate governance, and the requirements of the laws and regulations. For more information on stakeholder engagement, see the General Information section Stakeholder Engagement.

S3-1

Policies

Latvenergo Group has adopted the following key policies in respect of affected communities: the Sustainability Policy, the Environmental and Energy Management Policy, the Code of Ethics, the Code of Ethics for Cooperation with Suppliers and the Risk Management Policy. These policies are available on the homepage of Latvenergo Group and apply to all communities affected by the Group, including indigenous peoples. For a summary of Latvenergo's policies on affected communities issues (IROs) management, see Policies adopted to manage material sustainability matters in the section General Information. Indigenous peoples are part of the Group's affected communities. For more information see the section Processes for engaging with affected communities.

Sustainability Policy

In accordance with the Sustainability Policy, the local community is one of the priority stakeholders of the Group. It is important for the Group to be in as close contact as possible with local communities in the vicinity of facilities and to contribute to the development of these communities. See the section Policies adopted to manage material sustainability matters.

Environmental and Energy Management Policy

The Environmental and Energy Management Policy of Latvenergo Group provides for regular and open provision of information to the public on activities in the areas of environmental protection and energy efficiency. The Group improves and expands EIA methods and tools, as well as the content and volume of information provided to stakeholders, and educates and involves stakeholders in activities that reduce the impact on the environment and nature.

Code of Ethics

In all areas of its operation, the Group respects fundamental human rights, which are enshrined in the Constitution, the applicable laws, and international treaties binding on Latvia. In accordance with the Code of Ethics of the Group, if any stakeholder, including members of the local community, suspects that violations of requirements of ethics have occurred at the Group, they may submit a report via the public (anonymous) reporting links available on the Latvenergo website. See the section G1 Business Conduct.

Code of Ethics for Cooperation with Suppliers

Latvenergo Group has published the Code of Ethics for Cooperation with Suppliers and expects its suppliers to be aware of their company's impact on local communities and ensure, as much as possible, that it:

- does not harm local communities or contribute to the deterioration of their social, economic or environmental conditions
- collaborates with local communities in accordance with best practices and engages in transparent dialogue with local communities to understand and address their concerns
- consults local communities before taking any action that could have a significant impact on the quality of life of the local communities

Risk Management Policy

The Risk Management Policy of Latvenergo Group defines common risk management principles and responsibilities across the Group to promptly identify and manage major adverse impacts, including in cooperation with affected communities; see the section Internal Control System and Risk Management.

Compliance with internationally recognised standards

The Group's policies in respect of affected communities are in line with internationally recognised guidelines, including the principles described in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct:

- The companies of the Group respect human rights in all countries where they operate.
- The Group is responsive to requests for information from affected communities, provides clear and complete information on planned development projects, and involves the affected communities in public consultations on the implementation of these projects.
- The Group implements activities to educate affected communities about energy and the Green Deal.

During the reporting year, no human rights violations according to the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises relating to affected communities were detected in the activities of the Group.

S3-2

Processes for engaging with affected communities

The Group ensures that affected communities, including indigenous peoples, are engaged in impact-related consultations. The forms of engagement are diverse and aim to meet the needs of different community members in terms of providing their opinions and feedback. See the sections Stakeholder interests and opinions and Targets.

Public consultations

In accordance with the law, the Group informs the public about its planned activities, such as projects to develop RES generation capacity, and provides the opportunity to submit proposals, both in writing and electronically, regarding the potential impacts of these activities. The EIA procedure involves an initial public consultation on the proposed activity and a public consultation regarding the EIA report.

The objective of the initial public consultation is to ensure public involvement at the earliest possible stage – before the EIA report is drawn up. Sufficient information about the proposed action is provided to the part of the community concerned to enable them to decide whether they wish to be engaged in the further process. Stakeholders can provide feedback in the form of written proposals on the likely environmental effects of the proposed action. The proposals are considered when updating the EIA.

During the EIA, experts assess the potential impacts of the proposed activity on people, their health and safety, biodiversity, the soil, the subsoil, the air, the water and the climate, the landscape, material assets, cultural and natural heritage and other factors. The results of the EIA examination and proposals for avoiding or minimising adverse effects, are presented during the public consultation regarding the EIA report.

Public consultations are organised in a hybrid format, ensuring full participation of members of the public, both face to face and remotely.

Up-to-date information on public consultations, informative seminars, and answers to frequently asked questions are published on the website of Latvijas vēja parki SIA, a subsidiary of the Group.

In 2024, the Group organised seven initial public consultations, three public consultations regarding the EIA report and 11 informative seminars. In 2024, the community of the Livonian cultural space of Vidzeme was involved in the public consultation on the Limbaži WPP. The EIA report for the Limbaži WPP is being upgraded in accordance with the proposals received. This includes a public participation section, which will describe the proposals received and their status.

Working groups or informative seminars

Residents of affected communities can participate in working groups or informative seminars organised by the subsidiary of the Group Latvijas vēja parki SIA, where experts provide information on various aspects of the planned projects, for instance, socio-economic impacts, biodiversity, landscape impacts and physical impacts of the wind farms. Although legislation does not require the organisation of such informative seminars, the Group considers this to be an opportunity to engage and inform residents on a wider scale. These meetings provide local residents with the opportunity to meet and hold discussions with the experts carrying out the EIA and to share their knowledge. Experience shows that local communities are sometimes in possession of facts and information that is not widely known, such as the breeding location of a rare bird. Questions and comments of the residents that are raised at these meetings are included in the final EIA report.

In June 2024, Latvenergo AS and Latvijas vēja parki SIA held the conference Human and WPP Interaction. Shared Benefits and Opportunities for Society to inform the public, municipal authorities, environmental organisations and NGOs about the latest developments in the wind sector and the positive aspects of developing wind farms in Latvia.

Construction of an emergency spillway for the Plavinas HPP

In 2024, Latvenergo AS continued one of the most important projects for energy sustainability in Latvia: the construction of the emergency spillway for the Plavinas HPP. This will increase the operational safety of the hydraulic structures of the Plavinas HPP and is an energy security project for society and the country. The site for the emergency spillway of the Plavinas HPP has been selected in accordance with the EIA; a sketch design has been developed, and research has been carried out. In 2024, activities required to start the design work for the emergency spillway and to acquire the land property for Latvenergo AS were implemented to ensure that the first construction work could start in 2030 and the project could be fully completed by 2034. In developing the project, Latvenergo AS has been successfully cooperating with Aizkraukle municipality, which sees the benefits for the urban environment after the project's implementation: a well-organised landscape for the town and for the inhabitants of the surrounding area. As allotments had been developed on the construction site, closure thereof was scheduled

for the autumn of 2024, at the end of the season, by harvesting all the crops and providing the opportunity for relocating the necessary plantings and existing temporary structures to new sites designated by the municipality.

Awareness raising of affected communities on the operation of the sites

During the reporting year, Latvijas vēja parki SIA provided an opportunity for residents of affected communities, representatives of the Nature Conservation Agency, local authorities and the media to visit the wind park which was commissioned in Estonia in 2023. To inform affected communities, the Group published a series of articles on WPP projects in regional newspapers and produced 14 educational videos on the impacts and benefits of WPPs, sharing them on social media. See the section Stakeholder engagement.

Visits to municipal authorities

The subsidiary of the Group Sadales tīkls AS regularly informs local governments about the latest developments in the sector, investments made to improve the electricity supply, and planned electricity network reconstruction projects. In 2024, the annual visits focused on issues that contribute to the growth of cities and municipalities: capacity availability, distributed electricity and generation, the importance of the electricity supply and business continuity, capital investment and grid development, opportunities in the regulatory environment and digital solutions.

Guidelines for SPP construction

Latvenergo AS is a member of the association "Solar Energy for Latvia", which prepared the Environment Protection Guidelines for the Development of Solar Parks in Latvia in cooperation with environmental organisations in 2024. Experts of the Group participated in the working group for the development of the guidelines. The aim of the guidelines is to facilitate the development of sustainable solar energy projects in Latvia. They outline environmental and sustainability good practice scenarios for the design, construction and operation of solar parks. The guidelines include recommendations for landowners and solar park developers to balance nature conservation, public interest and economic benefits.

Survey of residents on the Green Deal

The Group assesses its cooperation with affected communities through regular resident surveys, such as the annual survey on the opinions of the Latvian population on the environment, climate and energy. In accordance with the survey of 2024, 77% of residents supported the construction of new renewable electricity (i.e., wind and solar) generation plants in Latvia. According to respondents, the main reasons why Latvia should build new renewable electricity power plants include energy independence from other countries, economic development of Latvia, reduced volume of imported electricity and thus an improved import-export balance for Latvia, GDP growth and the opportunity for Latvia to become an electricity exporter.

Elektrum Lietuva UAB local community support fund

To promote cooperation with affected communities, the subsidiary of the Group Elektrum Lietuva UAB established the Community Support Fund in the reporting year. It aims to improve the wellbeing of local communities by organising calls for projects for non-governmental organisations in sports, education and culture. A call for proposals for EUR 110,000 to support five communities in different regions was launched in 2024.

Corporate social responsibility activities

For more information, see the section Corporate Social Responsibility.

S3-3

Impact remediation and channels to raise concerns

Representatives of affected communities can submit suggestions and raise concerns about the operations of the Group in a more convenient way – by posting a message on the whistleblowing website, by calling +371 67 728 222, or by sending information to the following email addresses: ksa@latvenergo.lv and info@latvenergo.lv.

Representatives of affected communities can use the whistle-blower reporting procedure and submit anonymous or signed reports on the Latvenergo website. Information on the protection of the whistleblower identity see in the section G1 Business Conduct. In 2024, two reports from representatives of affected communities were registered regarding clean-up issues at the sites of the Group, which were promptly resolved.

The Group will provide remediation to affected communities in the vicinity of which wind farms will be built in accordance with the laws and regulations. The financial benefit for municipalities and citizens will be EUR 2,500 per each MW of installed nominal WPP capacity per year. It will be split equally in two: 50% for the residents (current building owners) and 50% for the municipality. The minimum financial benefit per year will be equal to one minimum monthly salary and the maximum will be equal to three minimum monthly salaries. The financial benefit will not be subject to personal income tax. The municipality will be able to use the funds to implement various projects, clean up the municipal infrastructure, repair roads and streets, etc. The financial benefits for citizens will contribute to their quality of life and increase their purchasing power, boosting the consumption of goods and services. The investment in the local community will apply to both offshore and onshore wind farms with a capacity of at least 1 MW. The investment in the local community will apply in cases where onshore wind turbines are located within 2 km of a residential building and offshore wind farms are located up to 25 km from the coast. By increasing the capacity of an existing wind power plant or increasing the number of turbines in an existing wind farm, the Group will also contribute to the local community.

During the reporting year, an email address was set up for each wind farm project that stakeholders, including representatives of affected communities, can send questions, suggestions and complaints to. In 2024, approximately 200 emails were received at these e-mail addresses. EIA reports include a section with information on the status of proposals received and are updated in accordance with these proposals. Indicators on the quality and safety of the electricity supply see in the section Targets.

S3–5

Targets

The Sustainability Strategy of Latvenergo for 2024–2026 sets targets and performance indicators for managing impacts, risks and opportunities related to affected communities; see the sections

General Information and Targets of the Group's Sustainability Strategy. Monitoring the implementation of the Sustainability Strategy is described in the section Sustainability Management.

To facilitate effective engagement with affected communities and promptly identify opportunities for improvement, the Group has established performance indicators that are annually included in the objectives of the Environmental Management Function in accordance with the Medium-term Operational Strategy and Sustainability Strategy of the Group. Performance indicators for engagement with affected communities are set by the Environmental Management Director and approved by the Chief Officer. Progress towards target achievement is primarily assessed annually against established target values, rather than relative to a historical baseline. At the end of the reporting year, the results are assessed, and appropriate targets are set for the following year.

In 2024, the Environmental Management Function of Latvenergo AS had the objective to ensure the EIA of WPP projects and inform the public. In 2024, the target performance indicator was achieved: 11 (target – 6) stakeholder workshops were organised in Latvia and 14 (target – 4) educational videos on WPP activities were produced. Policy activities for achievement of the targets see in the section Policies.

Group specific topic – Resilience of infrastructure

Group's policies related to infrastructure resilience and public awareness see in the section Policies. Activities to promote infrastructure resilience see in the section Material impacts, risks and opportunities and Processes for engaging with affected communities. Infrastructure resilience targets and their performance see in the section Material impacts, risks and opportunities.

S4 Consumers and End-users

ESRS 2 SBM-3, S4-4

Material impacts, risks and opportunities

Material sustainability IROs of Latvenergo Group were identified through the double materiality assessment. For information on the double materiality assessment process, including the methodology for identifying, assessing, and determining material IROs, see the section General Information.

Personal safety of consumers and/or end-users				
The Group provides the energy required by society and the economy	LT	A	OO	Latvenergo Group is one of the largest providers of energy supply services in the Baltics engaged in the generation as well as trade of energy. In addition to its existing generation capacities, the Group is continuously developing new RES generation capacity in the Baltic states, contributing to the green transition in the entire Baltic region.
Sustainable and economically viable distribution service and a safe and high-quality electricity supply (SAIFI and SAIDI) are provided	LT	A	OO	The Group closely monitors safety and voltage quality at each site and in the power grid as a whole. In 2024, overall performance excluding massive damage was improved, including SAIFI and SAIDI; see the section Targets. Well-targeted annual investment in the reconstruction of distribution networks and intensive clearance work on power line routes contributed to the improved performance indicators.
Management of critical infrastructure and protection of information resources is ensured	LT	A	OO	Latvenergo Group has adopted a Business continuity assurance policy, while conceptually supporting the implementation of a single business continuity management system. Education activities and knowledge tests, including data management and information protection, have been maintained and supplemented for employees.
Social inclusion of consumers and/or end-users				
Customer service is being improved and developed	LT	A	OO	Latvenergo Group continuously improves its customer service by developing modern digital solutions and self-service options. See the Processes for engaging with consumers and end-users section.
Ineffective product price management can affect customer loyalty in a changing market environment	VT			Electricity and natural gas market prices are subject to fluctuations that are influenced by various external factors, such as the weather, resource prices on global markets and local factors such as the availability of water and air temperature. These fluctuations can pose challenges for the Group while ensuring the effective adjustment of prices to remain competitive.
Information-related impacts on consumers and/or end-users				
Lack of transparency in communication with stakeholders on sustainability can affect the reputation and market position of the Group	MT			The Group communicates data-driven sustainability information. The Sustainability Strategy of the Group aims to develop a unified approach to sustainability data management in 2025.
Insufficient sustainability measures can affect customer loyalty	ST			The Sustainability Strategy of the Group sets out sustainability targets, activities and performance indicators, including for the promotion of sustainability on the customer's side; see the section Group Strategy.
Datu aizsardzība				
Insufficient internal controls for the management of personal data can affect the reputation of the Group and customer loyalty	MT			To ensure compliance with the requirements of the General Data Protection Regulation (EU) 2016/679, Latvenergo Group is constantly improving its personal data processing and introducing measures to reduce the risks of personal data processing. For staff whose duties include handling personal data, training, seminars and knowledge tests are organised at different intervals and according to the specific nature of the job.

Positive impact | Negative impact | Risk | Opportunity | A Actual impact | P Potential impact | OO Own operations | VC Value chain | ST Short-term | MT Medium-term | LT Long-term

Customers of Latvenergo Group are segmented into households and legal entities. For the geographical scope of IRO activities, see the section About the Group. For information on the effectiveness and assessment of impact and risk activities, see the sections Group Strategy and Targets. Information on the activities for implementation of policy principles see in the section Policies. Information on additional activities to promote positive impact on consumers and end-users see in the section Corporate Social Responsibility. The material risks do not affect specific groups of consumers and end users.

ESRS 2 SBM-2

Stakeholder interests and opinions

The interests, needs and opinions of Latvenergo Group's consumers are material aspect in the Medium-Term Operational Strategy of Latvenergo Group for 2022–2026 and the Sustainability Strategy of the Group for 2024–2026. The Group has organised workshops for stakeholders, including customers and consumer rights organisations, to discuss the draft Medium-Term Strategy and draft Sustainability Strategy of the Group; see the General information section Stakeholder engagement. The interests of the Group's customers are also explored through market research and surveys, such as a customer satisfaction and loyalty study, product research, and dynamic customer recommendation index measurements on customer communication channels. The Group's relations with consumers are implemented in compliance with human rights, the principles of equal competition and fair communication, the requirements of personal data protection regulations, the principles of ethics and corporate governance of Latvenergo Group, the requirements of legislation and the control of sanctions. The Group continuously monitors changing customer habits and needs, which is the basis for service improvement and the development of new services.

Latvenergo Group's brand *Elektrum* offers competitive products and services related to electricity, natural gas, electricity consumption and energy efficiency in the Baltic states that meet customer needs. Meanwhile, the distribution services of Sadales tīkls AS are based on providing a high-quality, uninterrupted and secure electricity supply in Latvia. The goal of the Group is to build long-term and mutually beneficial customer relationships. The Group uses innovative solutions and the basic principles of cost-effectiveness and operational excellence to achieve this goal. For instance, the Group is developing digital self-service tools for customers and advanced customer interface solutions (virtual assistants and interactive voice response for customer call queuing) and optimising internal processes and systems solutions, which includes introducing innovations in the use of big data and ensuring virtual assistants for customer service personnel. The Group also provides state support to protected users for the payment of electricity bills.

The Group is committed to educating consumers on aspects of service use, which includes organising seminars and developing educational materials on electrical safety, energy efficiency and other topics covered by the Green Deal; see the Corporate Social Responsibility section. Customers are informed about news and developments of the Group and energy sector through regular mailings to household and business customers, for instance, in the *Electricity Market Review* and *Elektrum for Your Home* publication. Customers' wishes and their consent to receive information or participate in opinion polls are always respected during communication.

S4-1

Policies

For a summary of Latvenergo's policies on consumers and end-users issues (IROs) management, see Policies adopted to manage material sustainability matters in the section General Information.

Customer service

Due to the differences in business segments, the companies of the Group have adopted different policies towards consumers and end-users.

To ensure high standards of customer relations, the Best Practices of Customer Service of Latvenergo AS and Elektrum Eesti OÜ, as well as the Customer Service Standard of Sadales tīkls AS, have been introduced. They describe the principles, requirements and actions of customer communication in different situations. The basic principles of customer service include equal and fair treatment of all customers, regardless of their gender, age, race or other aspects of diversity.

To improve the customer experience, Latvenergo AS has developed a procedure for granting customer loyalty bonuses. The procedure sets out the basic principles and procedures for thanking household and legal customers of *Elektrum* for their loyalty or apologising to them in the event of an error in operations or customer service that has caused them inconvenience or an unsuccessful experience with the company.

Handling customer proposals

Latvenergo AS and Elektrum Lietuva UAB have approved the Procedure for Handling Customer Submissions, Proposals and Complaints, which sets out common principles for receiving, registering, handling, preparing, and responding to submissions, proposals and complaints.

Data processing and protection

The companies of the Group have approved personal data processing and protection procedures which set out the rights, duties and responsibilities of employees in the processing of personal data. Meanwhile, the Personal Data Breach Investigation and Reporting Procedure provides for a uniform approach to the identification, investigation, impact assessment, registration, and reporting of personal data breaches. In the reporting year, the subsidiary of the Group Elektrum Eesti OÜ developed drafts of these documents which are expected to be approved in 2025.

The Group's companies have developed principles for processing personal data that apply to customers, business partners and other natural persons whose data are at the disposal of the Group's companies. These principles explain the purposes and legal basis for data processing and the rights of individuals regarding the processing of their data. Compliance with them ensures that the data is processed fairly, lawfully and transparently, guaranteeing the confidentiality and security of information.

Processing of personal data by the information systems of Latvenergo Group is carried out in compliance with the requirements of regulatory enactments on the security of restricted information. Data processing processes in customer service portals, mobile applications, and direct communication activities are customised to ensure compliance with data processing and protection requirements.

Compliance with internationally recognised standards

The policies of the Group are aligned with internationally recognised guidelines relevant to consumers and/or end-users, including the principles described in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct:

- providing accurate, verifiable and clear information that is sufficient for consumers to make informed decisions
- educating consumers in areas related to the business activities of the Group – efficient use of energy and resources
- the Group's practices regarding the collection and use of consumer data are legal, transparent and fair, and the Group takes all reasonable steps to ensure the security of personal data

During the reporting year, no human rights violations according to the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises relating to consumers and end-users were detected in the activities of the Group.

S4-2

Processes for engaging with consumers and end-users

Improving customer experience, services and service development is a continuous process. The Group's cooperation with its customers is based on high standards of customer service – excellence in every contact. Functional decisions on the activities and principles of the company in managing consumer relations are made by the heads of customer service, sales and marketing, the Management Boards of the companies, and Chief Officers. For support to vulnerable groups see the section Stakeholder interests and opinions.

Elektrum customer service channels

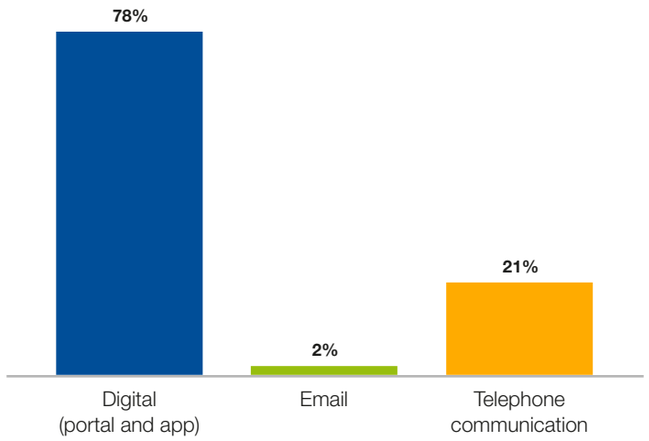
Several customer service channels are offered to maintain a high level of customer satisfaction and service quality and availability:

- Digital self-service tools – the elektrum.lv portal and *Elektrum* mobile app provide customers with access to all services: signing or amendments to contracts, billing information and payment options, various consumption and price reports, an equalised payment barometer, application options, etc. Lelde, the *Elektrum* virtual assistant, is also available on digital channels.
- Customer service phone number 8400 and customer service by sending an email to klientu.serviss@elektrum.lv.
- Customer communication on social networks.

The most popular customer service channel is the portal elektrum.lv, which is used by 71% of *Elektrum* customers. Meanwhile, 22% of customers use the *Elektrum* app. Both digital channels are used by 78% of customers (2024 target: 73.3%) and account for the largest share of customer engagement, with around 1.1 million visits per month in the portal and 1.7 million on the mobile app.

The customer portal and mobile app are available in Latvian and English, while in individual communication with the customer, *Elektrum* tries to adapt to the language that is most comfortable for the customer. Continuous development of digital customer service channels is in progress to offer greater accessibility and ease of use to our customers, such as a wide range of options to analyse their energy consumption in different reports, follow the price dynamics on service exchanges, and create price change notifications. *Elektrum* is the only energy service provider that offers the option of a balanced payment method for settlements to customers in Latvia. 21% of *Elektrum* customers use this payment format. In 2024, significant improvements were made to the *Elektrum* portal by providing a full digital self-service environment for customers with disabilities and achieving an increase in the Accessibility Index from 84 to 94. The Accessibility Index is measured by the Google Lighthouse Accessibility Tool and expressed on a scale from 0 to 100.

Customer service channels used by customers



Sadales tīkls AS customer service channels

The communication channels offered by Sadales tīkls AS enable continuous availability of services and high-quality customer service remotely and at any time:

- The company's website sadalestikls.lv provides extensive information on services, several e-calculators, digital maps, and e-consultations. The virtual assistant Valts provides important support and immediate answers to questions at any time of day. In the reporting year, the number of sessions with Valts exceeded 40 thousand. The experience of using Valts has also been improved (more accurate navigation, ability to continue a previous conversation, evaluation of the usefulness of a conversation, etc.).
- The self-service portals e-st.lv and saskano.sadalestikls.lv enable customers to perform any operation from an application for a service to the conclusion of a contract, as well as to coordinate projects and plans and obtain permits for construction, forestry and excavation work. The virtual assistant Valts is available in these portals as well.
- At the end of 2022, a solution for reporting power cuts, voltage problems and infrastructure faults was introduced on the company's website, and as many as 33% of reports have been registered in the e-environment over the two years of its operation.
- You can still report power grid damage in an emergency or, if you have no internet connection, by calling the free emergency hotline at 8404. A new service has also been developed – night alerting – which is particularly important for customers with critical infrastructure (for instance, hospitals) to ensure continuity of their operations.
- An information hotline, 8403, has been established for customers to obtain information. In 2024, as many as 70 thousand customers received information through this channel, with the most popular consultation topics being new connections, loads and technical network issues.

Digital and technological solutions ensure remote electricity metering and a wide range of energy data for users, including the ability to monitor their electricity consumption and choose the most appropriate time, for instance, for more intensive generation. Since 2021, Sadales tīkls AS has offered automated delivery of information to customer data systems. In the reporting year, the number of sites connected to the service increased significantly, reaching more than 5,000. In 2024, Sadales tīkls AS developed a new service, full-service smart metering, which provides remote acquisition and transmission of energy data from the customer's internal networks. The new service offers convenient business process optimisation options for customers.

S4-3

Impact remediation and channels to raise concerns

Latvenergo AS customers can submit complaints about services or service-related matters by calling the customer service line, sending an email or posting a letter – whichever is most convenient for them. Customer submissions and complaints are dealt with in accordance with the Procedure for Handling Customer Submissions, Proposals and Complaints. A total of 6,529 submissions and 81 complaints were received in 2024. 90% of the complaints were resolved within 3 business days.

Sadales tīkls AS manages customer complaints and improves the process to reduce the volume of complaints. As many as 1,436 customer complaints were received in 2024, including about unplanned power outages, voltage quality and the technical condition of the electricity grid. Upgrades to customer service led to a 46% reduction in complaints in 2024. Latvenergo Group also provides public information to consumers and end-users in the media.

Latvenergo AS, as an insurance ancillary service intermediary, offers insurance services to its customers. In 2024, 44 complaints about insurance services were registered. Based on an analysis of the complaints, Latvenergo AS is improving its communication with customers and promoting customer know-how and awareness of the service, as well as cooperation with insurers to maintain the quality of the service.

Customers and business partners of the Group can use the whistleblower reporting procedure and submit anonymous or submitter-identifying reports on the Latvenergo website. 3 customer reports of customer service issues were recorded and resolved in 2024 in accordance with the customer service processes. For a description of whistleblower rights protection, see the G1 Business Conduct section.

In 2024, over 13 thousand faults were registered through the fault reporting section on the website of Sadales tīkls AS, with particularly active registration occurring in massive damage situations. The fault-reporting tool has recorded 70 thousand visits. Persons, including consumers, whose interests have been directly or indirectly infringed by an employee's conduct may initiate an investigation into a breach of the Code of Ethics by emailing a complaint to: sos@sadalestikls.lv. No such reports were received in 2024.

S4-5

Targets

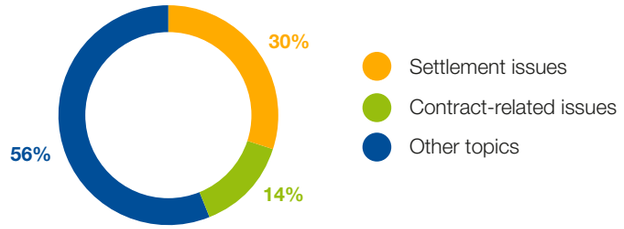
To evaluate the quality of service and promptly identify opportunities for improvement, the Group has established several customer service indicators that are annually included in the Customer Service targets in accordance with the Medium-term Operational Strategy and trading strategy of the Group. Targets are defined for customer service, safety and quality of the electricity supply, as well as critical infrastructure management impacts. Data on Latvenergo AS customer service key performance indicators are obtained from the systems used in the customer service processes (Cisco, CC&B, FreshDesk, Evaluagent, Google analytics) and are analysed with a business intelligence tool. Data on the distribution system, including SAIDI and SAIFI performance indicators, are obtained from the Geographic Information System module for network operational management support using a business intelligence tool. Customer service indicators are determined by the Customer Service Director and approved by the Chief Officer. Progress towards target achievement is primarily assessed annually against established target values, rather than relative to a historical baseline. At the end of the reporting year, the results are assessed, and appropriate targets are set for the following year.

Elektrum customer satisfaction and loyalty surveys in the household and business segments in Latvia are also conducted on a regular basis. These surveys measure customer satisfaction with the Group, its services, customer service, payment options, and the availability and content of information. Customer satisfaction is also assessed in comparison with the reference group – a sample of companies in the energy and services sector. The Sustainability Strategy of the Group sets an annual target – a household customer satisfaction index in Latvia that is higher than the reference group average.

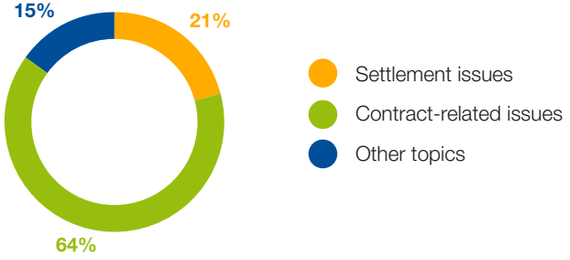
Key *Elektrum* Customer Service Performance Indicators in Latvia

	Unit	Performance indicator to be achieved	2020	2021	2022	2023	2024
Calls answered	%	85	91	88	89	86	94
Calls answered within 30 seconds	%	75	82	77	75	72	86
Emails answered within 24 hours	%	70	73	76	63	63	91
Complaints answered within 3 days	%	80	85	84	81	79	90
First call resolution for the household segment	%	90	91	90	90	90	92

Topics of Customer Submissions



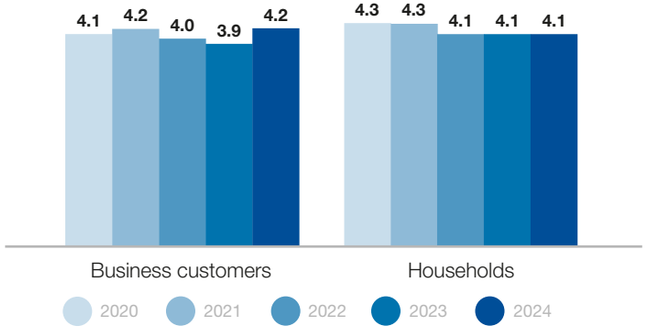
Topics of Customer Complaints



The total number of customer complaints is 0.015% of the total number of customer contacts served (excluding customer digital self-service contacts) and 0.014% of the total number of customers

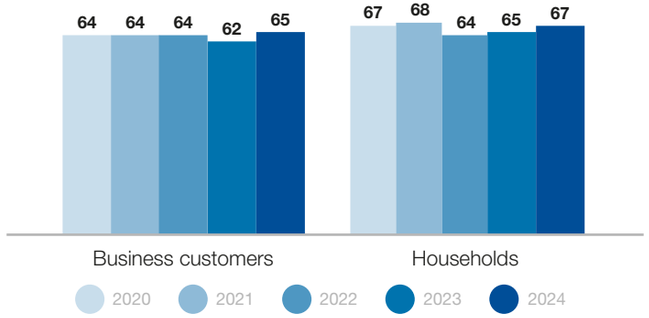
Elektrum customer satisfaction index

- demonstrates customer satisfaction with the service provider
- measured on a scale from 1 to 6
- in 2024, customer satisfaction remained at the level of the previous year in the household segment while increasing in the business segment



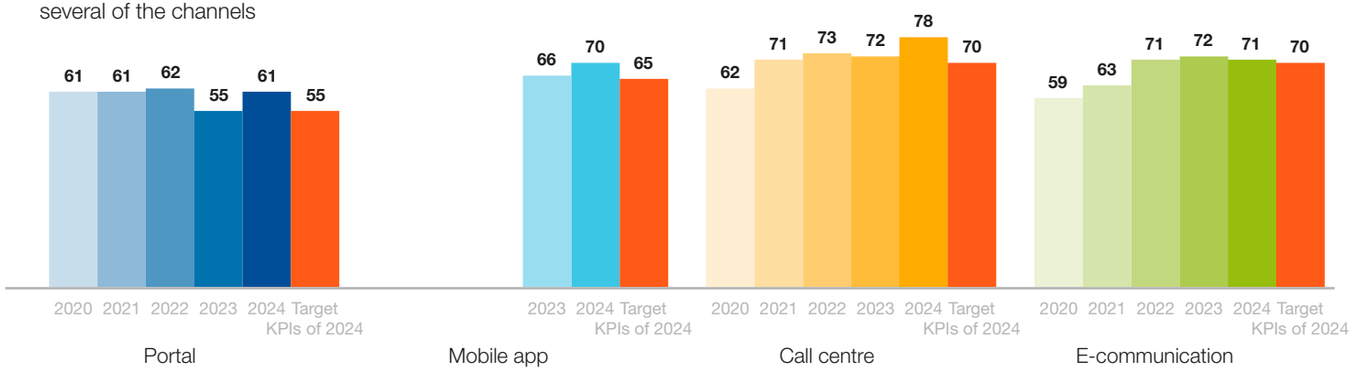
Elektrum customer loyalty index

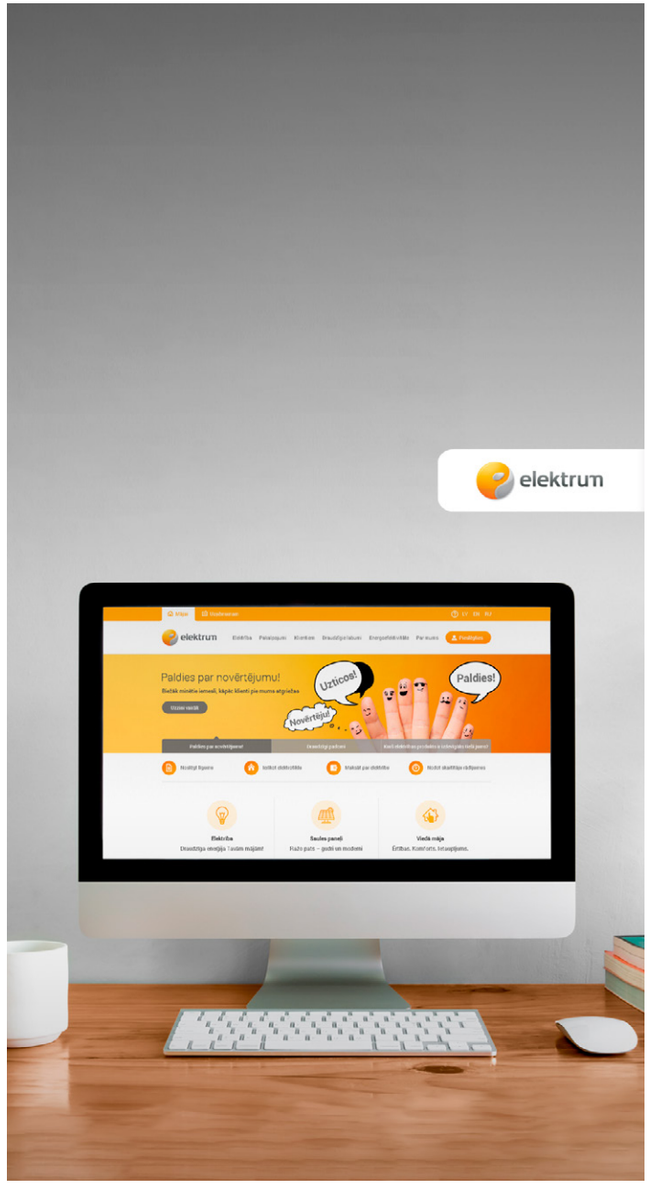
- demonstrates the level of customer loyalty – commitment to the service provider and readiness to continue cooperation in the long term
- measured on a scale from 1 to 100
- in 2024, customer loyalty increased in both the household and business segments



Elektrum net promoter score

- demonstrates the readiness of customers to recommend the service provider based on their service experience
- measured on a scale from -100 to +100 (according to the international NPS methodology)
- in 2024, the NPS of customer service channels was very high, above the target indicator, showing a positive upward trend in several of the channels





In 2024, customer satisfaction with *Elektrum* was 6% higher than the average of the reference group. See the sections Group Strategy and Operating Segments.

Customer service digitalisation

Customer service digitalisation targets are measured to monitor performance efficiency. In 2024, 97% of the communications of the parent company to customers, including billing information, were digital (target for 2024 – 94.5%) and in 97% of cases of customer communications with the parent company, customers used digital channels (target for 2024 – 97.3%); see the section Processes for engaging with consumers and end-users. In 2024, the activity of Sadales tīkls AS customers in the e-environment was 98.6% (target for 2024 – 98.5%). The Group measures its digitalisation target indicators through representative customer and market research, as well as through statistical reports on performance indicators.

Indicators on the quality and safety of the electricity supply

Well-targeted investment in the reconstruction of distribution networks and intensive clearance work on power line routes contributes to improving System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) indicators. New work execution technologies enable an increase in the scope of maintenance and repair work without disconnecting the power supply to customers. Improving the quality and reliability of the electricity supply is one of the objectives of the Sadales tīkls AS Strategy for 2022–2027. To ensure the sustainable quality and reliability of the electricity supply, the distribution network is designed with attention to network safety and the quality of the voltage in each facility and the network as a whole.

In 2024, the System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) indicators, excluding massive damage, improved, reaching the lowest values over a five-year period.

As of the beginning of 2023, bare conductors are no longer used to construct 20 kV medium-voltage electricity networks, and lines are constructed and reconstructed using cables or insulated conductors. The Sustainability Strategy of Sadales tīkls AS sets a target of increasing the share of the insulated (cable, insulated wire or aerial cable) electricity network in the total volume of power lines to 72% in 2027. Increasing the share of the insulated electricity network in all areas of the system to 67% of the total network was achieved in 2024. Investment projects for underground cables implemented in 2024 increase safety and security in dense and populated areas, and investment projects for insulated overhead lines increase safety and security in the rest of the electricity network.

The SAIFI and SAIDI indicators are also reduced by the smart grid management improvements implemented – the use of automated and digital solutions for power flow monitoring and remote control, as well as the use of smart meters to provide additional information on the location of potential damage in the low-voltage network and enable faster remediation of detected damage. Smart grid development ensures a customer-centric, reliable and high-quality electricity supply, the availability of new services to customers, and more efficient integration of renewable energy sources into

System Average Interruption Frequency Index (SAIFI)

	Unit	2020	2021	2022	2023	2024
Unscheduled: weather conditions (massive damage)	number	0.2	0.2	0.6	0.7	0.4
Unscheduled: damage (incl. by third parties)	number	1.5	1.7	1.4	1.5	1.3
Scheduled: network maintenance and overhaul	number	0.6	0.5	0.5	0.5	0.5
TOTAL	**number**	**2.3**	**2.3**	**2.5**	**2.7**	**2.2**

System Average Interruption Duration Index (SAIDI)

	Unit	2020	2021	2022	2023	2024
Unscheduled: weather conditions (massive damage)	min	25	15	53	98	70
Unscheduled: damage (incl. by third parties)	min	83	91	78	85	71
Scheduled: network maintenance and overhaul	min	111	102	110	83	74
TOTAL	**min**	**219**	**208**	**240**	**266**	**215**

the overall electricity grid. In 2024, to mitigate the impact of natural conditions, 5,500 km of power line routes (target: 5,000 km per year) were cleared of bushes and potentially dangerous trees in the protection zone.

Electricity loss reduction

One of the most important indicators describing the efficiency of the distribution segment is distribution losses as a percentage of total electricity received in the grid. The rebuilding, renewal and replacement of transformers in the distribution grid maintains the level of electricity losses within the limit of 4%. In the reporting year, the electricity loss rate in the distribution network was 3.62% (target: 4%). The losses have been reduced by 0.37 percentage points over the last five years.

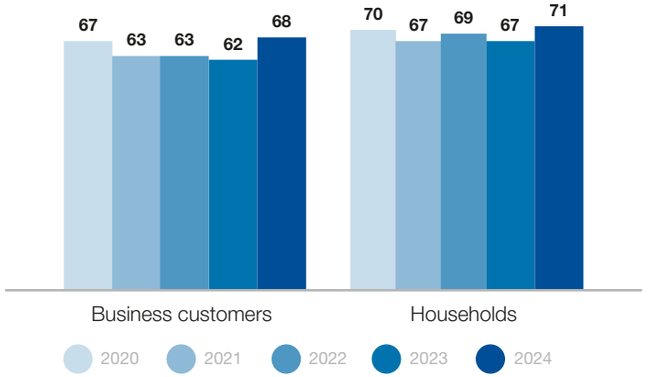
To reduce overall system losses and operating costs, upgrading of the electricity distribution system is being implemented within the framework of the EU Recovery and Resilience Facility (RRF) and REPowerEU programme. In 2024, 108 transformers were replaced under the ANM project, achieving a reduction in losses of 110 MWh. To increase the available capacity for populated areas, 8.6 km of medium-voltage cable lines to populated areas were built in 2024.

Customer satisfaction and loyalty index of Sadales tīkls AS

Satisfaction and loyalty of Sadales tīkls AS customers in 2024 reached 70 index points (a 6-point increase compared to 2023), approaching the threshold of a high index. Significant increases were achieved in both the business (68 points, +6 points) and household (71 points, +4 points) segments. The highest increase in the reporting year was achieved in the small business segment (68 points, +8 points) due to the development of the customer service model – the change in the structure of communication channels, support in the e-environment, and individual, active communication with customers about connection efficiency, flexibility and other opportunities offered by Sadales tīkls AS. The excellent service of Sadales tīkls AS is evidenced by the particularly high rating from the large business and municipality segments (74 points). Customer needs remain unchanged: continuity of the electricity supply, value for money, reputation of the company, ease of cooperation and information.

Customer satisfaction and loyalty index of Sadales tīkls AS

- demonstrates customer satisfaction with the service provider
- measured on a scale from 1 to 100
- the target for 2024 was 60–70 index points
- customer satisfaction and loyalty increased to an all-time high of 70 index points in 2024



Distribution losses

	Units	2020	2021	2022	2023	2024
Distribution losses	%	3.99	3.79	3.73	3.72	3.62

Governance Information

G1 Business Conduct

As a result of the double materiality assessment, the material IROs were identified, which reflect the framework for the sustainable operations of Latvenergo Group.

The management of IROs is integrated into the operating processes of the Group's companies, and the supervision of these issues is addressed within the framework of fulfilling and monitoring strategies and operational plans. The Management Boards of the Group's capital companies handle the implementation of strategies and policies. Twice a year, the Management Board of Latvenergo AS assesses the progress of implementing the Sustainability Strategy (including the targets set). The determination of Latvenergo Group's material sustainability targets is based on internationally recognised standards, industry guidelines and examples of best practice, as well as the strategic objectives of the Group and impacts specific to its operations. The setting of targets and their implementation, with the exception of those related to GHG emissions, have not been validated by any external body. For more information, see the section Group Strategy.

The sections About the Group and Operating Segments provide information on the geographical scope of Latvenergo Group's operations.

Information on Latvenergo Group's sustainability management model and the Group's value chain is provided in the section Sustainability Management. Regarding stakeholder engagement in policy development, the Group applies an approach of coordinating the draft Medium-term Operational Strategy and Sustainability Strategy with stakeholders and using the feedback received in reviewing subordinate documents, including policies. For more information on the approach to stakeholder engagement, see the section Sustainability Management.

The sections Corporate Governance and Risk management and internal controls over sustainability reporting provide information on risk management, including the Group Risk Management Policy, which defines both the basic principles of risk management and the responsibilities of employees and management involved in the risk management process. In accordance with the Group Risk Management Policy, the Management Boards of the Group's capital companies are responsible for the capital companies' risk management. At least once a year, the Management Board of Latvenergo AS submits a report on the Group's risk management to the Supervisory Board of Latvenergo AS, which is responsible for overseeing the Group's risk management system.

The above approach is fully applied to the management of all sustainability issues and targets.

Good governance is one of the most important cornerstones of sustainable business. Latvenergo Group purposefully and in the long term improves its processes, based on the principles of best practice, creating an effective management system, ensuring risk and opportunity management, transparency, responsible decision-making and credibility in relations with stakeholders. For this purpose, a number of regulatory documents have been developed, as well as the internal structure and processes have been reviewed and improved. In its activities, the Group complies with laws and regulations as well as high professional ethical standards and encourages its partners to comply with equivalent ethical principles.

G1 Business Conduct

ESRS 2 SMB-3

Material impacts, risks and opportunities

Material sustainability IROs of Latvenergo Group were identified through the double materiality assessment. For information on the double materiality assessment process, including the methodology for identifying, assessing, and determining material IROs, see the section General Information.

Corporate culture					
	Sustainability Strategy 2024–2026 developed and approved	LT	A	OO	The Sustainability Strategy not only promotes sustainable and responsible progress but also improves the company's performance and competitiveness, which in turn creates value for the shareholder, society as a whole, and environmental well-being, fitting into sustainable financing programmes and the value chains of sustainability-oriented partners.
	Proactive cooperation with stakeholders	ST	A	OO	The Group actively communicates with its stakeholders and informs them about its performance and various activities and initiatives, thereby raising their awareness of the energy sector.
	Non-compliance with regulatory requirements	MT			Non-compliance with regulatory requirements in various areas, for example, in connection with supply chain management or corporate sustainability obligations, can seriously damage a company's reputation and lead to financial sanctions.
	The challenge of maintaining a consistently high sustainability score in a changing environment	MT			A variety of circumstances (both Group-dependent and Group-independent) can result in situations that negatively affect the Group's assessment as a sustainability-focused company, which can affect reputation, leading to repercussions.
	Uncertainties in the development of the energy sector	LT			Changing course in relation to energy investment areas, which complicates decision-making and can have an impact on financial flow.
	Establishment of a Group company to manage green electricity generation assets	MT			Launch an active green electricity generation company with good sustainability management, creating an environment for better fundraising opportunities.
	Green bonds, green loans	ST			Green bonds and green loans confirm the image of a company focused on sustainable development, thus enhancing the Group's reputation and providing more attractive borrowing opportunities.
	Well-organised sustainability data management	MT			Well-organised sustainability data management ensures data reliability and responsiveness for decision-making and greatly facilitates the provision of information to stakeholders.
Political influence and lobbying activities					
	Transparent involvement in sector policymaking	LT	A	OO	The Group engages directly with policymakers and regulators. The Group provides its proposals, feedback and suggestions for policy-planning documents, laws, rules and other regulations in its sectors of activity through a process of public hearings, as well as public meetings of the legislator or regulatory body.

Management of relationships with suppliers, including in relation to payment practices				
Fair payment practices and tax payment	LT	A	OO	Latvenergo Group has a fair payment practice, making payments within 30 days according to contractual terms, except in rare cases, and responsibly meeting tax payment deadlines.
Sustainability requirements for contractual partners and an open dialogue with suppliers	LT	A	OO	Latvenergo Group has developed the Suppliers Code of Conduct, which sets out the basic principles and requirements expected of the Group's suppliers in order to build trusted partnerships and jointly promote sustainable development.
Limited range of cooperation partners	LT			The CSDDD framework and the extensive requirements of Latvenergo under it reduce the potential pool of cooperation partners, which may increase the cost of resources purchased by the Group.
Sanctions risks	MT			Damage to the Group's reputation, financial loss or legal liability if a potential or existing business partner is placed on an international sanctions list.
Improper handling of sensitive Group information by a stakeholder	MT			A stakeholder (business partner, etc.) disclosing sensitive information that could have a negative impact on the Group's reputation may result in financial losses and lead to additional costs due to litigation.
Direct and indirect economic impacts				
Provides jobs, as well as training and skills acquisition	LT	A	OO	The Group provides a significant number of jobs and ensures training and skills acquisition, which has a positive impact on society.
Payments made into the state budget	LT	A	OO	The Group's tax and dividend payments have a positive impact on the population and the public sector.

Positive impact | Negative impact | Risk | Opportunity | A Actual impact | P Potential impact | OO Own operations | VC Value chain | ST Short-term | MT Medium-term | LT Long-term

The Group has implemented a number of regulatory documents and activities to combat corruption and bribery; therefore, no significant IROs were identified in relation to these aspects during the double materiality assessment process. However, as the issue of combating corruption and bribery is closely integrated into the Group's corporate governance, information on this is disclosed.

G1-1

Business conduct policies and corporate culture

Good corporate governance is critical to a company's competitiveness and sustainability. It helps a company manage resources, risks and opportunities effectively and promotes long-term success and trust among stakeholders. The Group is managed in accordance with laws and regulations and best corporate governance practice.

Latvenergo Group has approved the following key action policies related to business activity and corporate culture: the Corporate Governance Policy, the Sustainability Policy, the Code of Ethics, the Fraud and Corruption Risk Management Policy, the Procurement Policy, the Suppliers Code of Conduct, the Rules Governing the Organisation of Procurement, the Human Resource Management Policy, the Remuneration Policy, the Procedure for the Development and Maintenance of Tax Risk Management Processes, the Risk Management Policy, and the Policy on Compliance with International and National Sanctions.

For a summary of Latvenergo's policies on the management of business conduct issues (IROs), see Policies adopted to manage material sustainability matters in the section General Information.

Corporate Governance Policy

The Group has established and maintains uniform corporate governance principles in the Corporate Governance Policy to ensure the Group's strategic direction, integrity, and accountability and the prerequisites for achieving the objectives set out in the Medium-term Strategy and the Sustainability Strategy, as well as for increasing the Group's value in a focused and systematic manner. The corporate governance principles of Latvenergo Group have been developed in line with the international principles of best practices set out in the OECD Guidelines for the Corporate Governance of State-Owned Enterprises. Key principles integrated into the Corporate Governance Policy:

- The Supervisory Board oversees the strategic management of the Group.
- The Group operates on the market on the basis of the principles of equal competition and collaborates with all market participants based on equal, non-discriminatory terms.
- The Group conducts its business in a responsible manner towards the environment, employees and society.
- The Group ensures the prompt disclosure of audited, accurate and unambiguous material financial and non-financial information.
- An internal control system has been introduced at the Group. The operational risks of the Group are identified and managed on an ongoing basis.
- The remuneration system is transparent and linked to the performance of a Group company.

Sustainability Policy

In accordance with its Sustainability Policy, the Group has prioritised the creation of an ethical business environment and the prevention of fraudulent or corrupt practices, ensuring comprehensive transparency and collaboration with sustainable contractual partners, see Policies adopted to manage material sustainability matters in the section General Information.

For information on Code of Ethics, Fraud and Corruption Risk Management Policy, Procurement Policy, Suppliers Code of Conduct, Rules Governing the Organisation of Procurement, Human Resource Management Policy, Remuneration Policy, Procedure for the Development and Maintenance of Tax Risk Management Processes, see the sections below.

Risk Management Policy

The Risk Management Policy of Latvenergo Group defines common risk management guiding principles and responsibilities across the Group to promptly identify and manage major adverse impacts, including on issues related to good corporate governance; see the section Risk management.

Policy on Compliance with International and National Sanctions

In accordance with the Policy on Compliance with International and National Sanctions, the Group does not cooperate with subjects of sanctions. It does not conclude new transactions on the procurement of goods, services and construction work and, to the extent possible, terminates already concluded transactions. The basic principles of the policy are available on the Latvenergo website.

Code of Ethics

In order to ensure a common understanding of how to create and respect a responsible and ethical business environment, Latvenergo Group has developed a policy-level document – the Code of Ethics. The Code defines the corporate values and the high professional conduct and ethical standards for ensuring that all employees of the Group perform their responsibilities and make decisions in an unbiased manner and prevent fraud, corruption and illegitimate or dishonest conduct in their activities. The Code of Ethics is approved by the Supervisory Board of the Group's parent company and is reviewed and updated every three years.

The activities of the Group's companies are organised so as to observe the principles specified in the Code of Ethics and general norms of morality and conduct. Latvenergo Group applies the principles of responsibility, transparency, sustainability, fairness, and equal treatment. In order to comply with the principles and values set out, the Group ensures ethical communication, prohibition of conflicts of interest, prohibition of corrupt practices and fraud, responsibility in occupational safety and health, reasonable protection of information and communication, and the protection of privacy.

Employees of the Group are required to consult the Code of Ethics on the Group's internal document storage site. When a new version of the Code of Ethics is approved, it is sent to employees electronically with the task "To read", and the employee is required to sign in the record-keeping system that he/she has read it. Training on the requirements of the Code of Ethics must be completed by all employees of the Latvenergo Group.

The Code of Ethics is also available on the Group's website, where it can be viewed by any third party, including all cooperation partners of the Group.

The Group also urges its contractual partners to comply with the same ethical principles and base mutual cooperation on the principles of fair business cooperation.

Whistleblowing system and management

Latvenergo Group has introduced a whistleblowing system, the basic principles and key provisions of which are disclosed in the Code of Ethics, in order to detect and prevent fraud and corruption, as well as other types of misconduct or dishonest behaviour.

The Code of Ethics also contains provisions on whistleblower protection. The whistleblower is provided with the protection provided for in the laws and regulations under the Whistleblowing Law, which has been drafted to transpose Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report infringements of EU law. The identity of the whistleblower is not disclosed, and the whistleblower cannot be punished, fired, or demoted, or face unfavourable consequences in any other way. The whistleblower's report received, the evidence attached to it and the case investigation materials are restricted information; in particular, the identity and personal data of the whistleblower, as well as their relatives and related persons, are protected and may not be disclosed to third parties. The Group protects (does not disclose) the identity of the employee who has reported potential violations of the Code of Ethics or other illegal activities.

The Group provides regular training and information to its employees on the whistleblowing system. Training on the requirements of the Code of Ethics is developed and organised at least every three years. A separate section of the e-learning platform raises awareness of the principles of whistleblowing and the benefits of internal reporting. An internal guidance document has also been developed detailing whistleblowing procedures for the Group's employees. The document is regularly updated in line with amendments to external laws and regulations and is circulated electronically to employees. In order to facilitate reporting, informative material was published on the Group's internal website LEports in 2024, which (1) reminds employees of the reporting possibilities and reporting channels, (2) highlights employee protection if a report is filed, (3) explains the reporting path from submission to consideration of the report's content, (4) provides statistics on cases of misconduct reported within the company with real examples, (5) contains an invitation from the parent company's management for employees to report and not remain silent in the event of misconduct.

Several reporting channels are set up within the system. The whistleblower's report form is available in both Latvian and English on the Group's website. Any employee of the Group may report a potential violation. Contractual partners, customers and other interested parties can also use the Group's whistleblowing channels to submit a complaint about the Group's activities or personal interests that have been harmed.

Employees and other affected parties can also report a possible infringement anonymously.

In accordance with the Fraud and Corruption Risk Management Policy of the Group, employees of Compliance Control, a unit of the Group's parent company, are responsible for handling whistleblower reports. The Compliance Control Manager and the Compliance Control Specialist receive regular training on changes to the regulatory framework. Compliance Control receives and investigates all reports of suspected irregularities, including fraud and malpractice, submitted through the Group's reporting channels. Upon receiving a report of a possible violation, the responsible employees of the Compliance Control assess its prima facie compliance with the whistleblowing criteria set out in the Whistleblowing Law and make a decision on whether or not to recognize the application as a whistleblower report. The Fraud Risk Event Register established by the Group lists all reported cases of fraud, corruption and employee misconduct. The Fraud Risk Event Register records all reports received on alleged violations and other types of complaints made through whistleblowing channels. Whistleblowers' reports of alleged fraud and malpractice are recorded in the Fraud Risk Event Register with pseudonymised personal data. On a quarterly basis, the Management Board of Latvenergo AS is informed about reports received at the Group during the quarter, as well as about decisions taken.

G1-3

Prevention and detection of corruption and bribery

The Group implements fraud and corruption risk management and continuously improves risk mitigation measures. The Group has introduced the **Fraud and Corruption Risk Management Policy**, which sets out the main principles for managing such risk. It aims to reduce the risk of fraud and corruption, potential losses, reputational damage, and the possibility of legal obligations or sanctions being imposed.

The Fraud and Corruption Risk Management Policy is related to the Group's Code of Ethics, which prohibits corrupt activities, fraud and conflict of interest situations.

Employees of the Group are required to consult the Fraud and Corruption Risk Management Policy on the internal document storage site of the Group. When a new version of the policy is approved, it is sent electronically to employees with the task "To read", and the employee is required to sign in the record-keeping system that he/she has read it.

Operational compliance management

The parent company of the Group has established a unit – Compliance Control – whose tasks include the coordination of compliance control issues at all Latvenergo Group companies, including monitoring whistleblowing channels, administration of reports received, ensuring whistleblower protection, investigating and preventing potential violations, and developing risk mitigation measures. The unit is also responsible for communicating with whistleblowers and advising both Group management and employees on fraud and corruption risk management, conflict of interest prevention, whistleblowing and other compliance issues.

In accordance with the Fraud and Corruption Risk Management Policy of the Group, Compliance Control is responsible for ensuring that fraud cases and whistleblower reports of fraud or employee misconduct are investigated. The inspections are carried out in accordance with the internally approved "Procedure for Compliance Control of Latvenergo AS to Carry Out Compliance Inspections at Capital Companies of Latvenergo Group".

The Group has established and maintains the Fraud Risk Event Register, which shows all reported cases of fraud, corruption and employee misconduct. On a quarterly basis, the Management Board of Latvenergo AS is informed about fraud risk events at the Group during the quarter, as well as about decisions taken and risk and/or impact mitigation measures. The Supervisory Board and the Audit Committee of Latvenergo AS are also immediately informed of fraud risk events that could cause significant damage to the Group's reputation or result in losses.

Training and monitoring

To promote corporate culture activities and compliance with the principles of the Code of Ethics, the companies of Latvenergo Group organise regular training and awareness-raising events, and conflict of interest declarations have been introduced.

Training on the requirements of the Code of Ethics is developed and organised at least once every three years in accordance with CM Regulation of the Republic of Latvia No. 630 "Regulations Regarding the Basic Requirements for an Internal Control System for the Prevention of Corruption and Conflict of Interest in an Institution[55] of a Public Person". In 2024, up-to-date training was

55 Paragraph 11 of CM Regulation No. 630 states that in order to educate employees whose office is subject to the risk of corruption on issues of corruption and conflict of interest, the head of the institution or his or her authorised person shall ensure training for employees who commence work in a public institution and additional training at least once in three years.

organised for employees returning from long-term absence and for new employees. A new training programme on the requirements of the Code of Ethics was developed in Q4 2024, and it is planned for all Group employees in 2025.

Given the wide range of topics covered by the Group's training and its relevance to every employee's daily life, it must be acquired not only by employees exposed to corruption risk but by all employees of Latvenergo Group. Members of the Supervisory Board, the Audit Committee, the Management Board and all managers and employees are required to attend this training, and all of them must also pass a knowledge test. Training is also provided on an ongoing basis to new employees of the Group's companies and to employees returning from long-term absences. Training on the requirements of the Code of Ethics is developed in the form of an e-learning programme with a theoretical part and practical examples, covering, among other things, prevention of conflict of interest situations, prevention of fraud and corruption, and whistleblowing within the Group. A separate section of the e-learning platform raises awareness of the principles of whistleblowing and the benefits of internal reporting.

In the reporting year, 92% of Latvenergo Group employees (99% in the parent company) completed the current e-learning programme on the requirements of the Code of Ethics, which includes the following thematic sections:

- Code of Ethics. Latvenergo Group values and principles.
- Preventing conflicts of interest. Theory and practice.
- Preventing fraud and corruption. Theory and practice.
- Whistleblowing.

Training received is continuously monitored and controlled until a new training programme is developed.

In accordance with CM Regulation No. 630 "Regulations Regarding the Basic Requirements for an Internal Control System for the Prevention of Corruption and Conflict of Interest in an Institution of a Public Person" and the document "Guidelines on Basic Requirements of the Internal Control System for Preventing the Risk of Corruption and Conflict of Interest in Public Institutions" developed by the Corruption Prevention and Combating Bureau, the Group's largest capital companies – Latvenergo AS and Sadales tīkls AS – have identified areas and processes that are exposed to corruption risk, and a list of positions exposed to corruption risk has been developed in these capital companies. The positions at the Group identified as exposed to corruption risk in various areas of activity comprise managers, executives and employees at all levels who, in the course of their duties, participate in decision-making and are authorised to sign various documents and have access to restricted information. These employees are required to submit an annual declaration of conflict of interest.

Members of supervisory boards and management boards of state capital companies have the status of public officials, which restricts their activities that fall outside the framework of their official powers to prevent personal or financial interests in their activities. Members of supervisory boards and management boards are obliged to submit annual asset declarations as public officials. Members of supervisory boards and management boards must also obtain permission to combine positions. The declarations of public officials are publicly available on the State Revenue Service's public disclosure database.

Upon entering employment, new employees confirm their commitment to prevent conflicts of interest within their activities. Employees are also not allowed to combine positions or perform additional work outside Latvenergo Group without their employer's approval.

G1-4

Incidents of corruption or bribery

The following indicators have been established by the Group in the area of compliance:

- no significant fines imposed by regulators or other supervisory authorities for compliance violations or no significant non-compliance identified
- no corruption events detected
- no events with significant reputational or financial impact identified

All indicators were met In the reporting year, therefore, there were no convictions or fines imposed for violations of anti-corruption or anti-bribery laws.

G1-2

Management of relationships with suppliers

Basic principles of the procurement process

To ensure its operations, Latvenergo Group procures electricity, energy resources, and various types of construction work, goods and services. Most of the Group's procurement comes from suppliers and service providers in the Baltics and the Nordic countries. The total number of suppliers amounts to several thousand. The procurement process is carried out in accordance with the laws and regulations of the EU, Latvia and other countries where the Group operates. The Group's companies operating in the Republic of Latvia carry out procurement in accordance with the principles of the Law on the Procurement of Public Service Providers, which is based on Directive 2014/25/EU of the European Parliament and of the Council. The Group's procurement process is organised in accordance with the **Procurement Policy of Latvenergo Group**, whose main guiding principles promote competition, openness and equality. All procurement is carried out electronically with the use of information technology.

Latvenergo Group companies also have their own procurement rules, which regulate in detail how procurement is organised, the conduct of the employees involved and the procedures for selecting suppliers in accordance with the Latvenergo Group's Procurement Policy. Procurement tenders are announced on the publicly accessible website Latvenergo Electronic Procurement System. The criteria for the selection of suppliers are proportionate to the subject matter of the procurement and the range of suppliers.

For information on policy to prevent late payments, see the section Payment practices below.

Sustainable procurement

In procurement procedures, the Group follows the principles of sustainable procurement where possible and economically feasible. The capital companies of the Group, which operate in the Republic of Latvia, comply with CM Regulation No. 353 "Requirements for Green Public Procurement and the Procedure for their Application" of 20 June 2017 and apply the green procurement criteria to the groups of procurement goods and services referred to in the Regulation.

The above-mentioned CM Regulation No. 353 states:

- the green procurement principles, the requirements and procedures for the application thereof, the groups of products, services, and construction work subject to the requirements of the green public procurement, the tender evaluation criteria, the conditions for the implementation of the procurement agreement, and the procedures for the control thereof
- the requirements and criteria for green procurement applied in the public procurement of such construction work, products and services which are subject to the mandatory application of green procurement
- the requirements and criteria for green procurement which can be applied in the public procurement of construction work and also other priority product and service groups
- the methodology of life cycle costs for energy-consuming products

The Group has developed the Sustainable Procurement Guidelines, which serve as a basis for developing sustainability requirements in procurement. The aim of these requirements is to ensure a common understanding of the criteria for sustainable procurement and ensure that at least 30% of all procurements are already sustainable in 2024. These guidelines include criteria on the circular economy, environmental protection, corporate governance, etc. The target of 30% sustainable procurement in 2024 was met.

Sustainability requirements for suppliers and supplier evaluation

When selecting suppliers, the Group complies with the Law on International Sanctions and National Sanctions. To limit the sanctions risk, before concluding a procurement agreement, the companies of the Group check whether the potential winner and its subcontractors have been sanctioned, which could negatively affect the implementation of the agreement.

Latvenergo Group is committed to purchasing goods and services sustainably and responsibly, building a supply chain based on respect for human rights, environmental protection and ethical business practices. Latvenergo strictly complies with labour law, environmental law, and fair taxation principles and sets such requirements for its suppliers. The Group does not enter into agreements with suppliers that have been found to be in breach of labour laws or in tax arrears.

Latvenergo AS has implemented the Electronic Qualification System (QS), which identifies qualified suppliers after a supplier selection process. For the development of WPP projects, the qualification system "Environmental Impact Assessment Services" and "Natural Expert Services" has been set up within the framework of the QS, with 24 suppliers already qualified.

To promote the development of a responsible supply chain and reduce the risk that the Group does not comply with sustainability regulations in relation to suppliers, in 2024, Latvenergo Group developed the **Suppliers Code of Conduct** for cooperation with suppliers with the aim of purchasing goods and services sustainably and responsibly. The Code sets out the basic principles and requirements expected of the Group's suppliers. The Code is published on the Group's website. In 2025, supply chain risk assessment and supplier mapping are planned – to identify the most critical suppliers, determine their impact on the Group's sustainability objectives and categorise suppliers into risk groups. Latvenergo AS is currently assessing the implementation of agreements and the performance of suppliers.

The selection process for suppliers takes the size, relevance and risks of the subject matter of the procurement into account when developing sustainability criteria. Suppliers' compliance with sustainability requirements is monitored during the implementation of the agreement, and a supply chain monitoring tool is foreseen for the future.

Key management activities

The Group's key activities in managing supplier relationships are as follows:

- risk management criteria are in place and reviewed annually, identifying risks and an action plan for a sustainable supply chain
- Latvenergo Group ensures supplier consultation in large-scale procurement
- progress is being made towards the goal of only concluding agreements with suppliers whose activities meet the requirements set out in the Code of Ethics for Cooperation with Suppliers of Latvenergo Group
- cooperation with suppliers is ensured in accordance with the specificities of the subject matter of the procurement and the necessary certificates (including qualification requirements)
- promoting the inclusion of small and medium-sized enterprises in the supply chain by imposing proportionate requirements on them (possibility to participate in price surveys and to close the deal); cooperation is closely monitored and in the coming years, educational measures are planned to strengthen suppliers' values in line with the basic principles set out in the Suppliers Code of Conduct of Latvenergo Group
- Supplier Days are organised once in two years to strengthen cooperation with suppliers; the most recent Supplier Days were held in 2023
- Latvenergo Group suppliers are surveyed every two years to find out their overall satisfaction with the procurement process; the results of the 2024 survey show that Latvenergo has a high reputation among suppliers that have participated in procurement in the last two years and maintains its 2022 level with 71 index points
- in accordance with the Suppliers Code of Conduct of Latvenergo Group, in 2025, the Group plans to start regular supplier training and on-site inspections of suppliers with certain risks
- to limit the risk of fraud and corruption, the Group's employees regularly complete training on the requirements of the Code of Ethics

G1-6

Payment practices

In accordance with the **Rules Governing the Organisation of Procurement**, the aim of which is to establish uniform basic principles for conducting procurement in order to ensure economically efficient use of funds and sustainable operations, payment to suppliers and contractors is made within 30 days of the receipt of the goods or services, completion of the work (signing of the deed of completion) and receipt of the invoice. Other payment deadlines apply in settlements with state or local authorities, stock exchanges or in other cases where the payment deadline is not determined by a mutual business relationship. Transactions may be settled in less than 30 days if this is advantageous to the Group's company entering into the transaction. The payment deadlines of transactions may deviate from the standard 30-day payment deadline if this is in accordance with the generally accepted practice for the transaction in question, meets the requirements of regulatory authorities, or is agreed voluntarily with the other party to the transaction. The Group's companies pay for goods received and work performed based on the deadlines specified in agreements and invoices unless there is a dispute about

the receipt, quality or other material terms of the agreement, or the payment documents are submitted later than contractually agreed and take longer to process than the payment deadline.

The largest companies of the Group have specific payment processing procedures which, among other things, ensure that invoices are paid in accordance with the invoice deadlines entered. The practice of the Group's companies is not to miss the payment deadlines specified in agreements and invoices, including in their business relations with the small and medium enterprises.

In 2024, Latvenergo AS made payments for goods and services within 25 days on average from the date of invoicing, when the contractual or statutory payment period begins, while the Group's other companies made payments within 30 days on average. 94% of Latvenergo AS invoices were paid within 30 days or less after the date of invoicing, with similar estimates regarding this indicator for the Group overall. Data on the payment practices of Latvenergo AS and the Group is retrieved from the accounting system via a business intelligence tool, selecting all invoices paid by suppliers and contractors during the year and calculating the average number of days from the date of each invoice to its actual payment date. In order to implement fair payment practices, the Group aims to ensure payments to partners within 30 days, taking contractual terms and business ethics into account.

At the end of 2024, the Group had no pending legal proceedings related to late payments.

G1-5

Political influence and lobbying activities

The Group does not tolerate any corrupt practices, illegal lobbying or influence peddling in its activities. The Group refrains from any direct or indirect influence on, and does not finance or otherwise support, politicians, political parties/movements, their representatives or their candidates, or political party campaigns and does not engage with political parties or politicians.

In all Group companies with Supervisory Boards, these issues are discussed and evaluated by the full Supervisory Board, while the Chairman of the Board is responsible for overseeing these issues in the Management Boards of the Group companies.

The Group engages directly with policymakers and regulators. The Group provides its proposals, feedback and suggestions for policy-planning documents, laws, rules and other laws and regulations in its sectors of activity through a process of public hearings, as well as public meetings of the legislator or regulatory body. In 2024, the Group participated in the adoption of the following key laws and regulations and policy-planning documents, which are important for the achievement of the Group's strategic objectives:

- Amendments to the Electricity Market Law, which changed the principles of cost allocation for electricity connection work, introduced the principle of interruptible connection of generation capacity, as well as the adoption of directives. These changes are linked to the Group's objectives: in the case of transmission capacity, the objective is to make connection capacity available to completed projects that meet the generation development objective. The changes to the distribution system connection regulation will facilitate the attraction of new customers and more efficient utilisation of the distribution infrastructure, and they are in line with the shareholder's overall strategic objective to efficiently manage infrastructure of strategic importance for the development of the country.
- Amendments to the Energy Law, which introduced the principles of the residual heat market. Integrating residual heat into the heat market is intended to promote the efficient use of energy and prioritises residual heat. This is in line with sustainability objectives by reducing direct GHG emissions per unit of electricity and heat produced.
- Amendments to the Climate Law to revise the ban on the geological storage of carbon dioxide. The option of geological storage of carbon dioxide is an important element for the decarbonisation of combined heat and power plants and for Latvenergo Group's objective of climate neutrality in 2050 and climate-neutral electricity generation in 2040.
- Changes to the Public Utilities Regulatory Commission's regulation "Network Code in the Electricity Sector" which modify the procedure for calculating balancing services and imbalance after the Baltic region's system synchronises with continental European electricity systems. The creation of a market for balancing services is an integral part of the future operation of the Latvian and pan-Baltic energy systems which has a direct impact on the Group's strategic objectives – to expand and diversify its generation portfolio with green technologies, reducing Latvia's energy dependence and moving towards climate neutrality in 2050.
- Establishing a regulatory framework for the net electricity settlement system, strengthening the Group's leading position in strategic customer segments, diversifying revenues and developing innovative and sustainable products and services that meet customer needs.
- Establishing a framework for WPP payments for local community development. The framework on payment to the local community is one component of the overall framework regulating the development of WPPs in Latvia. Given Latvenergo's objective to develop new renewable generation capacities, the framework is an important instrument to create favourable conditions for the introduction of new generation capacities in Latvia, thus expanding and diversifying Latvenergo's generation portfolio with green technologies, reducing Latvia's energy dependence and moving towards climate neutrality in 2050.
- The updated National Energy and Climate Plan 2021–2030 and the Latvian Energy Strategy 2050 are the Latvian policy-planning documents that set out the country's objectives and policies for implementing its energy and climate objectives. Appropriate environmental, climate and energy policies can contribute to achieving the Group's strategic objectives.

The companies and employees of the Group are represented and act as experts in the Eurelectric Association, representing the Latvian Association of Electrical Engineers and Energy Constructors, which is a member of the Eurelectric Association. Participation in Eurelectric contributes to the national and EU sustainability objectives: renewable energy development, energy efficiency, energy security, competitiveness, and climate-neutral mobility. Sadales tīkls AS, a company of the Group, is a member of European Distribution System Operators (E.DSO) and participates in relevant committees and working groups, sharing knowledge, preparing joint proposals for industry policy documents and addressing industry issues at the EU legislative level.

Membership in industry associations, unions and organisations is voluntary for Latvenergo Group and provides information on current developments in the energy and related sectors while ensuring representation of the Group's interests during the drafting of national and international policy documents, legislative acts and standards.

Latvenergo AS is registered in the EU Transparency Register under registration no. 986626193486-59.

For information about the appointment of any members of the administrative, management and supervisory bodies who held a comparable position in public administration (including regulators) in the two years preceding such appointment in the current reporting period, see the section Corporate Governance.

Group specific topic – Direct and indirect economic impacts

Jobs, as well as training and skills acquisition

The Group is one of the largest employers in Latvia and provides competitive salaries, pension contributions, and career development and training opportunities to almost 3.5 thousand employees.

The **Group's Human Resource Management Policy** sets out the principles for the development of employee skills and competencies, the **Remuneration Policy** sets out the principles for competitive and goal-oriented remuneration for employees, see Policies in the section S1 Own Workforce. Activities for securing jobs, as well as for the development of employee skills and competencies, see Processes for engaging employees and employee representatives in the section S1 Own Workforce.

Training and skills development opportunities are provided to all employees of the Group. The Group's capital companies regularly hold employee development interviews, in which the performance of the previous year is assessed, and the employee and the manager agree on possible career growth and development.

	2024
Proportion of employees who had development interviews	78%
Proportion of training participants*	71%
Average number of training hours per employee*	21

* The indicators do not include data on Liepājas enerģija SIA.

Data on Latvenergo Group' personnel is retrieved from the Oracle HR personnel database via a business intelligence tool. All personnel-related data is maintained and regularly updated in the system, including the number of employees, structure, turnover, training, length of employment and other important personnel data. The table shows the proportion of employees, in relation to the total number of employees, who have had at least one development interview or have undergone at least one training course during the year. The average number of training hours per employee is calculated by dividing the total number of training hours for all employees by the total number of employees.

For metrics and targets for securing jobs, as well as for developing employees' skills and competencies, see Targets and Compensation metrics in the section S1 Own Workforce. For information on personnel expenses, see the Personnel expenses in the section Financial Statements.

Payments made into the state budget

Latvenergo Group is one of the largest energy companies in the Baltic states, providing a wide range of products and services to more than 896 thousand customers. Given the scale of the Group's operations, it has a significant impact on economic growth throughout the Baltic states. This impact is particularly significant in Latvia, as Latvenergo AS is a state-owned company that pays a significant share of its profits to the state in dividends each year. Over the last five years, EUR 660 million has been paid out in dividends. Dividend payments go into the state budget and are earmarked for the relevant needs of Latvian society and business, as well as for state aid programmes. In 2024 and 2025, gradual levelling of the electricity distribution tariff increase is performed from the dividends of Latvenergo AS received by the state budget, thus ensuring a sustainable approach and predictability regarding changes in the future. The Group is one of the largest taxpayers in Latvia. In the reporting year, EUR 296.4 million was paid to the state budget and an additional EUR 212.2 million was paid in dividends for the use of state capital. In Lithuania and Estonia, EUR 55.0 million and EUR 14.6 million respectively were paid in taxes.

Latvenergo Group administers taxes and ensures tax risk management, including honest and timely payment of taxes to the state budget in accordance with regulatory enactments. Latvenergo AS has developed the **Procedure for the Development and Maintenance of Tax Risk Management Processes** and specific tax risk management procedures that determine tax risks and controls, tax risk processes, responsibilities, and document flow.

The Latvenergo Group Sustainability Strategy 2024-2026 (see the section Group Strategy) defines the target of Latvenergo AS to fulfil the highest level in the Cooperation programme with the State Revenue Service. To fulfil the target, the company must comply with good tax compliance, deadlines for submitting reports and declarations, tax payments, as well as wage assessment criteria. The commitment was fulfilled in the reporting year.

Tax payments by Latvenergo Group (by cash flow)*

2024	Units	Latvia	Lithuania	Estonia	TOTAL
Taxes borne	**MEUR**	**96.4**	**4.4**	**0.4**	**101.2**
Corporate income tax	MEUR	53.6	2.9	–	56.5
Payroll taxes paid by the employer	MEUR	25.6	0.2	0.4	26.2
Other taxes (excise, environmental, electricity, real estate taxes, advance payments for taxes)	MEUR	17.2	1.3	–	18.5
Taxes collected	**MEUR**	**200.0**	**50.6**	**14.2**	**264.8**
Value-added tax	MEUR	168.4	46.2	14.0	228.6
Payroll taxes paid by employees	MEUR	31.6	4.4	0.2	36.2
TOTAL	**MEUR**	**296.4**	**55.0**	**14.6**	**366.0**

* Data on the Group's tax payments is retrieved from the accounting system via a business intelligence tool.

Latvenergo

Green Bond Report

Latvenergo AS has issued green bonds within two bond offering programmes.

- The green bond programme was launched in 2015, and thus, Latvenergo AS became the first state-owned company in Eastern Europe to issue green bonds. Bonds in the total amount of EUR 100 million were issued within this programme that was concluded in 2016. These bonds were repaid in June 2022.
- The next green bond programme was carried out in 2021–2023 when three tranches in the total amount of EUR 200 million were issued.

Green bonds issued by Latvenergo AS are admitted to the Baltic Regulated Market Corporate Bonds list and are listed on Nasdaq Riga AS. At the end of the reporting year, the amount of outstanding bonds was EUR 200 million, constituting 27% of the Group's total borrowings.

The main requirement for green bonds is that the funds raised are used exclusively for environmentally friendly projects. The selection procedure and criteria for eligible projects, the creation of a special account, and regular reporting until the bonds are fully repaid are set out in the Green Bond Framework, which was last updated in April 2020.

The Green Bond Framework was awarded the highest possible rating – Dark Green – by CICERO Shades of Green, an independent environmental expert. This indicated the compliance of the planned eligible projects with long-term environmental protection and climate change mitigation targets as well as good corporate governance and transparency. Internal audits were conducted on the management of proceeds from the issuance of all green bonds and the compliance of the selection of eligible projects. The audits concluded that, in all material respects, the procedures applied and actions taken comply with the Green Bond Framework.

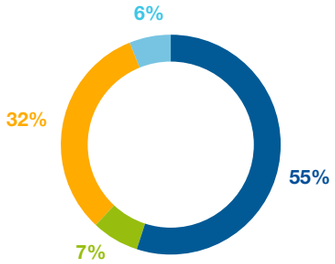
The funds raised within the green bond programme were allocated to generation and distribution projects. The largest eligible projects are the Daugava HPP hydropower unit reconstruction programme and the building and reconstruction of distribution power lines and transformer points.

According to the Green Bond Framework, the projects are divided into three groups:

- renewable energy and related infrastructure – reconstruction of existing hydropower units, as well as construction of new bioenergy and wind energy capacities and reconstruction of existing capacities
- energy efficiency – building and reconstruction of distribution networks, including smart grid projects, and development of low emission transport infrastructure
- sustainable management of living natural resources and land use – research and development in the field of nature protection and biodiversity, as well as protection of ecosystems and biodiversity

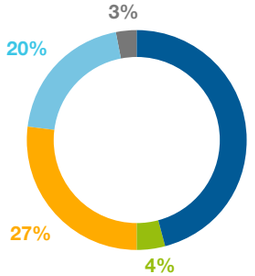
ISIN code	LV0000802460	LV0000870129	LV0000802684
Issuance year	2021	2022	2023
Issuance amount	EUR 50 million	EUR 100 million	EUR 50 million
Issuance organised by	Luminor Bank AS and Swedbank AB (publ.)	Luminor Bank AS and Swedbank AB (publ.)	Luminor Bank AS and Swedbank AB (publ.)
Maturity date	17 May 2028	5 May 2028	22 February 2029
Fixed annual interest rate (coupon)	0.5%	2.42%	4.952%

Investors by region



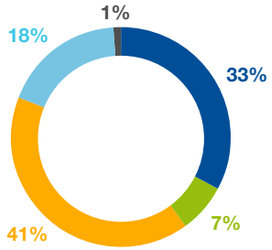
Latvia
Lithuania
Estonia
Great Britain

according to the coupon payment of May 2024



Latvia
Lithuania
Estonia
Great Britain
Austria

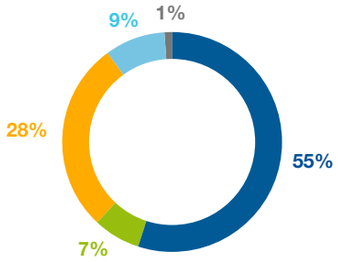
according to the coupon payment of May 2024



Latvia
Lithuania
Estonia
Great Britain
Germany

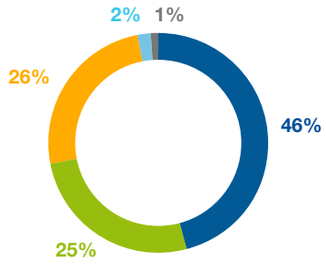
according to the coupon payment of February 2024

Investors by type



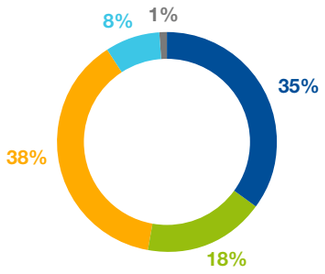
Pension funds
Banks
Asset managers
Insurers
Other

according to the coupon payment of May 2024



Pension funds
Banks
Asset managers
Insurers
Other

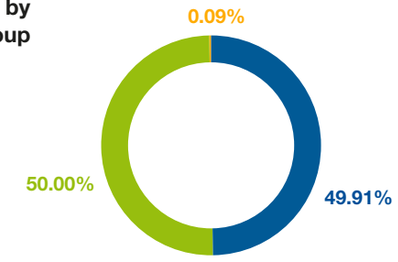
according to the coupon payment of May 2024



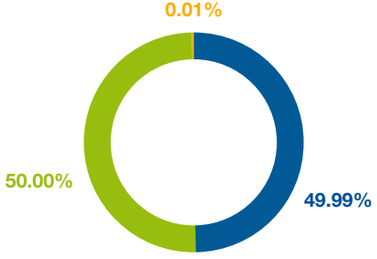
Pension funds
Banks
Asset managers
Insurers
Other

according to the coupon payment of February 2024

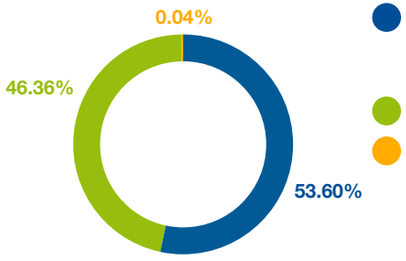
Investment by project group



Renewable energy and related infrastructure
Energy efficiency
Environmentally sustainable management of living natural resources and land use



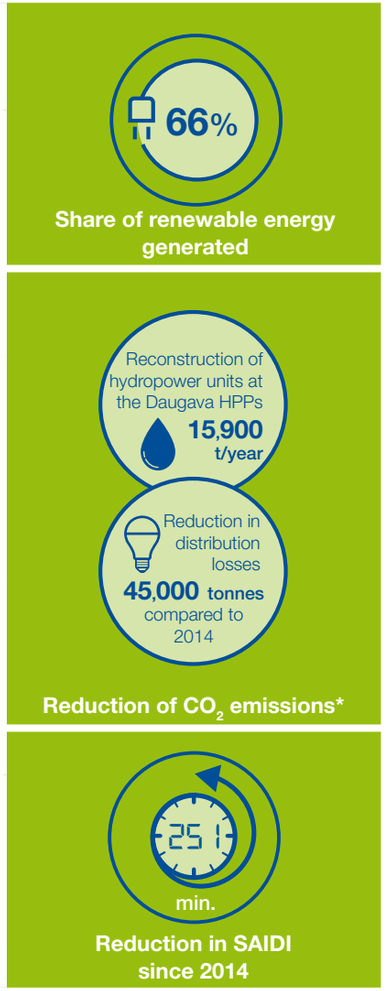
Renewable energy and related infrastructure
Energy efficiency
Environmentally sustainable management of living natural resources and land use



Renewable energy and related infrastructure
Energy efficiency
Environmentally sustainable management of living natural resources and land use

Use of proceeds and benefits from the project implementation

Group operating segment (share of total allocated proceeds)	Eligible projects	Allocated proceeds, MEUR	Allocated proceeds, 2021 issue	Allocated proceeds, 2022 issue	Allocated proceeds, 2023 issue	Project objectives and benefits
GENERATION 51%	Reconstruction of hydropower units and technological equipment at the Daugava and Aiviekste HPPs	**101.74**	24.95	49.99	26.8	Extending the service life of the hydropower units and increasing their capacity and efficiency ratios. Maintaining a high share of renewables in energy generation. Increasing the safety of operation of the Daugava HPPs. Reducing the oil leakage risk. Implementation of the programme allows for a reduction of CO_2 emissions of up to 15,900 tonnes per year. In 2024, the share of electricity generated from renewable energy sources by the Group was 66%. In 2021, full reconstruction of the Aiviekste HPP was completed.
	Protection of biodiversity	**0.08**	0.05	0.01	0.02	Reducing the impact of the Daugava HPPs on fish stocks and biodiversity in the Daugava River basin. Every year, more than 400 fish spawning nests are placed in the Daugava River. An 8 km long stretch of the Berzene River has been cleaned from obstructions and the research to identify possible measures to facilitate the migration of migratory fish in the Berzene River and to improve the habitats of protected species has been carried out.
DISTRIBUTION 49%	Building and reconstruction of electricity lines and transformer points	**78.32**	22.3	47.02	9	Reducing the duration of power interruptions and electricity losses. Extending the service life of the distribution grid. Since the introduction of the green bond programme in 2015, interruption duration and interruption frequency indexes have been reduced substantially (SAIFI by 43% and SAIDI by 54%). The reduction of CO_2 emissions resulting from the decrease in distribution losses is around 45 thousand tonnes.
	Smart meters	**19.86**	2.7	2.98	14.18	Reducing the duration of power interruptions and electricity losses. Opportunities for more efficient electricity consumption and use of smart energy efficiency products and services. Since the introduction of the green bond programme in 2015, more than 1.1 million smart meters have been installed; these account for around 99% of the total fleet of electricity meters.
	KOPĀ	**200.00****	**50.00****	**100.00****	**50.00****	



* The potential reduction in CO_2 emissions resulting from the reconstruction of the Daugava HPP hydropower units is up to 15,921 tonnes per year (at specific CHPP-2 emissions in the condensation mode of 0.375 t CO_2/MWh). Since the introduction of the green bond programme in 2015, the reduction in CO_2 emissions resulting from the decrease in distribution losses is 44,985 tonnes.
** 100% of the proceeds from green bonds are used to finance projects completed within one year prior to the issue or later.

Terms and Abbreviations

autotransformer	transformer with one winding, which is the highest voltage winding, but part of this winding forms the lowest voltage winding
BAT	best available techniques
BESS	battery energy storage system
biodiversity or biological diversity	the variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities and ecosystems
biomass	the biodegradable fraction in products and waste of agriculture, forestry and related industries, as well as the biodegradable fraction in industrial and municipal waste
CAPEX	capital expenditures
CHPP	see *combined heat and power plant*
climate neutrality	maintaining a balance between carbon emissions and carbon absorption from the atmosphere through carbon sequestration systems
cogeneration	cogeneration of heat and electricity in one energy installation; significantly reduces fuel consumption compared to separate heat and electricity generation
combined heat and power plant	a power plant that produces electricity from thermal energy obtained by burning fossil fuels; thermal power plant
condensation	electricity generation mode in which heat is not generated
coupon (bond coupon)	the amount of interest on a security for a predetermined period of time
credit raiting	assessment of a borrower's creditworthiness, which is expressed by a special index or combination of letters and which indicates the degree of risk
critical infrastructure	facilities and systems, the destruction or malfunction of which would significantly affect the implementation of state functions
CSDDD	Corporate Sustainability Due Diligence Directive
CSR	corporate social responsibility
CSRD	Corporate Sustainability Reporting Directive
derivative financial instruments	bilateral agreements, the value of which depends on and changes according to fluctuations in the value of the guarantee (shares, currency, bonds, interest rates) underlying the instrument
distribution system	system which ensures the flow of electricity from the electricity transmission network and electricity generators connected to the distribution networks to electricity consumers
EBITDA	earnings before interest, taxes, depreciation, and amortization
EC	European Commision
ecological threshold (or breakpoint)	the point at which a relatively small change in external conditions causes a rapid change in an ecosystem. When an ecological threshold has been passed, the ecosystem may no longer be able to return to its state by means of its inherent resilience
ecosystem(s)	a dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit. A typology of ecosystems is provided by the IUCN Global Ecosystem Typology 2.0
EEOS	energy efficiency obligation scheme
EIA	Environmental Impact Assessment
electromobility	an integral part of the transport sector, consisting of environmentally friendly electric motor vehicles
energy efficiency	more optimal and efficient use of energy
energy management	a set of energy consumer actions aimed at reducing energy consumption
energy sources	fuel stocks and energy sources that can be used for direct use or energy generation
ETS	Emissions Trading System
EU	European Union

EU taxonomy	classification system for economic activities that aims to identify which activities can be considered sustainable
ESRS	European Sustainability Reporting Standards
European Green Deal	the growth strategy aspiring to transform the EU into a climate-neutral, fair and prosperous society with a modern, resource-efficient and competitive economy
fossil energy sources	non-renewable energy sources, the use of which results in the release of greenhouse gas emissions into the atmosphere, which have a significant impact on climate change (oil products, natural gas, peat and coal)
green bonds	bonds used to finance projects that have a positive impact on the environment and/or the climate
green energy	energy from renewable sources
green procurement	procurement which includes criteria for the purchase of goods and services with the least possible impact on the environment
greenhouse gases	greenhouse Gases (GHG) are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of terrestrial radiation emitted by the Earth's surface, the atmosphere itself and by clouds. This property causes the greenhouse effect. Water vapour (H_2O), carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4) and ozone (O_3) are the primary GHGs in the Earth's atmosphere. Moreover, there are a number of entirely human-made GHGs in the atmosphere, such as the halocarbons and other chlorine- and bromine-containing substances, dealt with under the Montreal Protocol. Besides CO_2, N_2O and CH_4, the Kyoto Protocol deals with the GHGs sulphur hexafluoride (SF_6), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs)
hazardous waste	hazardous waste means waste which displays one or more of the hazardous properties listed in Annex III of the Waste framework directive
high voltage	electrical voltage greater than 1000 volts; in Latvia, it is defined as 110 kV–330 kV voltage
HPP	see *hydropower plant*
hydropower plant	a power plant in which energy from the movement of water is converted into electricity
IFRS	International Financial Reporting Standards
IRO	impacts, risks, opportunities
ISO	International Organization for Standardization
LNG	liquified natural gas
NGO	non-governmental organisation
OECD	Organization for Economic Cooperation and Development
OPEX	operating expenses
OÜ	limited liability company (in Estonia)
pollution	the direct or indirect introduction, as a result of human activity, of pollutants into air, water or soil which may be harmful to human health and/or the environment, which may result in damage to material property, or which may impair or interfere with amenities and other legitimate uses of the environment
PUC	Public Utilities Commission
REACH	The Regulation on the registration, evaluation, authorisation and restriction of chemicals
remediation	means to counteract or make good a negative impact or provision of remedy
renewable energy sources	energy sources available indefinitely that regenerate faster than their consumption rate (wind, water, solar radiation, biomass, geothermal energy, waves, tides)
RES	see *renewable energy sources*
RTU	Riga Technical University
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SPP	solar power plant
STEM	science, technology, engineering and mathematics

Substances of concern	i. meets the criteria laid down in Article 57 and is identified in accordance with Article 59(1) of Regulation (EC) No 1907/2006; ii. is classified in Part 3 of Annex VI to Regulation (EC) in one of the following hazard classes or hazard categories: • No 1272/2008 – carcinogenicity categories 1 and 2, • germ cell mutagenicity categories 1 and 2, • reproductive toxicity categories 1 and 2, [to be added in the course of the legislative procedure once Regulation (EC) No 1272/2008 contains these hazard classes: Persistent, Bioacumulative, Toxic (PBTs), very Persistent very Bioaccumulative (vPvBs); Persistent, Mobile and Toxic (PMT), very Persistent very Mobile (vPvM); Endocrine disruption], • respiratory sensitisation category 1, • skin sensitisation category 1, • chronic hazard to the aquatic environment categories 1 to 4, • hazardous to the ozone layer, • specific target organ toxicity • repeated exposure categories 1 and 2, • specific target organ toxicity – single exposure categories 1 and 2; or iii. any other substance that are set out in applicable EU legislation
substances of very high concern	substances that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006 (REACH) and were identified in accordance with Article 59(1) of that Regulation
Sustainability Index	assessment of corporate sustainability and responsibility, which is carried out annually by the Institute for Corporate Sustainability and Responsibility in Latvia, based on an internationally recognised methodology
Sustainable Development Goals	global development goals set by the UN that are to be achieved by 2030
transmission system	330 kV and 110 kV power transmission lines, substations and distribution points that ensure electricity transmission
UN	United Nations
value chain	the full range of activities, resources and relationships related to the undertaking's business model and the external environment in which it operates.
WPP	wind power plant

Statement of Management Responsibility

Based on the information available to the Management Board of Latvenergo AS, the Group consolidated financial statements and Latvenergo AS financial statements for the year ended 31 December 2024 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and in all material aspects present a true and fair view of the financial position, profit and loss and cash flows of Latvenergo Group and Latvenergo AS.

The Management Report of the Group's Consolidated and Latvenergo AS Annual Report for 2024 provides a description of the main risks and uncertainties the Group faces. The sustainability information included in the Management Report has been prepared in accordance with the European Sustainability Reporting Standards defined by Sustainability Information Disclosure Law and Article 8(4) of Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

Information provided in the Management Report is accurate.

Latvenergo Group Consolidated and Latvenergo AS Annual Report 2024 is approved by the Management Board of Latvenergo AS on 29 April 2025 and is signed by Chairman of the Management Board Mārtiņš Čakste and Member of the Management Board Guntars Baļčūns as authorized persons.

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Mārtiņš Čakste
Chairman of the Management Board
of Latvenergo AS

Guntars Baļčūns
Member of the Management Board
of Latvenergo AS

Latvenergo

Latvenergo Group Consolidated and Latvenergo AS Financial Statements

Financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the European Union, and converted to the (ESEF) report

Contents

Statement of Profit or Loss

EUR'000

	Note	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Revenue	6	1,703,588	2,034,425	1,057,016	1,397,179
Other income	7	31,413	31,896	27,618	28,343
Raw materials and consumables	8	(921,528)	(1,248,320)	(525,665)	(846,986)
Personnel expenses	9	(154,874)	(141,882)	(71,148)	(63,366)
Other operating expenses	10	(70,231)	(74,350)	(46,127)	(41,875)
EBITDA*		**588,368**	**601,769**	**441,694**	**473,295**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets	13 a,14 a, 15	(250,812)	(197,173)	(159,138)	(111,028)
Operating profit		**337,556**	**404,596**	**282,556**	**362,267**
Finance income	11	13,993	9,226	34,994	24,747
Finance costs	11	(22,020)	(25,293)	(22,762)	(25,278)
Dividends from subsidiaries	16	–	–	19,069	924
Profit before tax		**329,529**	**388,529**	**313,857**	**362,660**
Income tax	12	(55,878)	(37,612)	(48,282)	(31,099)
Profit for the year		**273,651**	**350,917**	**265,575**	**331,561**
Profit attributable to:					
- Equity holder of the Parent Company	21 c	272,081	349,749	265,575	331,561
- Non-controlling interests		1,570	1,168	–	–
Basic earnings per share (in euros)	21 c	0.344	0.443	0.336	0.420
Diluted earnings per share (in euros)	21 c	0.344	0.443	0.336	0.420

* See Alternative Performance Measures in Note 2 for the definition of this Alternative Performance Measure

The notes on pages 190 to 237 are an integral part of these Financial Statements.

Statement of Comprehensive Income

EUR'000

	Note	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Profit for the year		**273,651**	**350,917**	**265,575**	**331,561**
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods, net of tax:					
- (losses) / gains from change in hedge reserve	21 a, 24	(19,645)	99,380	(19,645)	99,380
Net other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods		**(19 645)**	**99,380**	**(19,645)**	**99,380**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:					
- gains on revaluation of non-current assets	14 a, 21 a	–	312,061	–	312,061
- gains / (losses) on remeasurement on defined benefit plan	21 a, 27	4,520	(2,709)	1,882	(1,144)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**4,520**	**309,352**	**1,882**	**310,917**
Other comprehensive (loss) / income for the year		**(15,125)**	**408,732**	**(17,763)**	**410,297**
TOTAL comprehensive income for the year		**258,526**	**759,649**	**247,812**	**741,858**
Attributable to:					
- Equity holder of the Parent Company		256,956	758,481	247,812	741,858
- Non-controlling interests		1,570	1,168	–	–

The notes on pages 190 to 237 are an integral part of these Financial Statements.

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Mārtiņš Čakste
Chairman of the Management Board

Guntars Baļčūns
Member of the Management Board

Liāna Ķeldere
Accounting director of Latvenergo AS

Statement of Financial Position

EUR'000

	Note	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
ASSETS					
Non-current assets					
Intangible assets	13 a	105,566	57,326	22,514	21,647
Property, plant and equipment	14 a	3,523,090	3,301,051	1,412,707	1,505,411
Right-of-use assets	15	31,910	11,219	3,514	4,710
Investment property	14 b	2,098	2,309	2,049	2,261
Non-current financial investments	16	82	42	857,359	671,720
Non-current loans to related parties	29 e	22,244	863	632,564	463,030
Other non-current receivables	18 c	540	447	470	447
Deferred income tax assets	12	1,857	800	–	–
Derivative financial instruments	24	2,124	3,210	2,124	3,210
Total non-current assets		**3,689,511**	**3,377,267**	**2,933,301**	**2,672,436**
Current assets					
Inventories	17	169,562	183,798	140,078	146,045
Current intangible assets	13 b	54,616	69,312	54,616	69,312
Receivables from contracts with customers	18 a	190,108	224,922	128,660	161,674
Other current receivables	18 b, c	32,928	50,081	35,239	52,280
Deferred expenses		3,196	2,388	2,720	2,156
Current loans to related parties	29 e	–	–	165,108	161,268
Prepayment for income tax		491	–	–	–
Derivative financial instruments	24	1,298	7,959	1,298	7,959
Other current financial investments	19	209,842	140,000	209,842	140,000
Cash and cash equivalents	19	86,554	118,456	63,483	107,163
Total current assets		**748,595**	**796,916**	**801,044**	**847,857**
TOTAL ASSETS		**4,438,106**	**4,174,183**	**3,734,345**	**3,520,293**

EUR'000

	Note	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
EQUITY AND LIABILITIES					
EQUITY					
Share capital	20	790,368	790,368	790,368	790,368
Reserves	21 a	1,660,068	1,681,852	1,301,728	1,320,419
Retained earnings		549,328	483,016	551,531	497,227
Equity attributable to equity holder of the Parent Company		**2,999,764**	**2,955,236**	**2,643,627**	**2,608,014**
Non-controlling interests		7,162	7,844	–	–
Total equity		**3,006,926**	**2,963,080**	**2,643,627**	**2,608,014**
LIABILITIES					
Non-current liabilities					
Borrowings	23	615,280	536,316	608,119	527,082
Lease liabilities	15	29,828	9,015	2,417	3,607
Deferred income tax liabilities	12	8,003	5,475	–	–
Provisions	27	17,113	18,240	8,981	8,565
Deferred income from contracts with customers and advances received	28 I) a	150,842	138,506	601	668
Other deferred income	28 I) b, c	112,408	112,509	72,203	94,263
Other non-current liabilities	13 a	21,592	–	21,489	–
Total non-current liabilities		**955,066**	**820,061**	**713,810**	**634,185**
Current liabilities					
Borrowings	23	128,125	93,380	157,041	91,097
Lease liabilities	15	2,723	2,391	1,207	1,217
Trade and other payables	26	210,487	173,826	127,596	107,754
Deferred income from contracts with customers and advances received	28 II) a	48,700	50,211	5,933	7,613
Other deferred income	28 II) b, c	25,104	24,973	24,156	24,152
Provisions	27	48,010	46,261	48,010	46,261
Derivative financial instruments	24	12,965	–	12,965	–
Total current liabilities		**476,114**	**391,042**	**376,908**	**278,094**
Total liabilities		**1,431,180**	**1,211,103**	**1,090,718**	**912,279**
TOTAL EQUITY AND LIABILITIES		**4,438,106**	**4,174,183**	**3,734,345**	**3,520,293**

The notes on pages 190 to 237 are an integral part of these Financial Statements.

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Mārtiņš Čakste
Chairman of the Management Board

Guntars Baļčūns
Member of the Management Board

Liāna Ķeldere
Accounting director of Latvenergo AS

Statement of Changes in Equity

EUR'000

	Note	Group						Parent Company			
		Attributable to equity holder of the Parent Company						Attributable to equity holder of the Parent Company			
		Share capital	Reserves	Retained earnings	Total	Non-controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
As of 31 December 2022		**790,368**	**1,282,683**	**276,242**	**2,349,293**	**7,126**	**2,356,419**	**790,368**	**910,683**	**317,643**	**2,018,694**
Dividends for 2022		–	–	(152,538)	**(152,538)**	(450)	**(152,988)**	–	–	(152,538)	**(152,538)**
Disposal of non-current assets revaluation reserve	21 b	–	(9,613)	9,613	**–**	–	**–**	–	(561)	561	**–**
Formed other reserves	21 a	–	50	(50)	**–**	–	**–**	–	–	–	**–**
Total transactions with owners and other changes in equity		**–**	**(9,563)**	**(142,975)**	**(152,538)**	**(450)**	**(152,988)**	**–**	**(561)**	**(151,977)**	**(152,538)**
Profit for the year		–	–	349,749	**349,749**	1,168	**350,917**	–	–	331,561	**331,561**
Other comprehensive income for the year	21 a	–	408,732	–	**408,732**	–	**408,732**	–	410,297	–	**410,297**
Total comprehensive income for the year		**–**	**408,732**	**349,749**	**758,481**	**1,168**	**759,649**	**–**	**410,297**	**331,561**	**741,858**
As of 31 December 2023		**790,368**	**1,681,852**	**483,016**	**2,955,236**	**7,844**	**2,963,080**	**790,368**	**1,320,419**	**497,227**	**2,608,014**
Acquisition of non-controlling interests		–	–	(229)	**(229)**	(173)	**(402)**	–	–	–	**–**
Dividends for 2023	21 b	–	–	(212,199)	**(212,199)**	(2,079)	**(214,278)**	–	–	(212,199)	**(212,199)**
Disposal of non-current assets revaluation reserve	21 a	–	(10,754)	10,754	**–**	–	**–**	–	(928)	928	**–**
Formed other reserves	21 a	–	4,095	(4,095)	**–**	–	**–**	–	–	–	**–**
Total transactions with owners and other changes in equity		**–**	**(6,659)**	**(205,769)**	**(212,428)**	**(2,252)**	**(214,680)**	**–**	**(928)**	**(211,271)**	**(212,199)**
Profit for the year		–	–	272,081	**272,081**	1,570	**273,651**	–	–	265,575	**265,575**
Other comprehensive loss for the year	21 a	–	(15,125)	–	**(15,125)**	–	**(15,125)**	–	(17,763)	–	**(17,763)**
Total comprehensive income for the year		**–**	**(15,125)**	**272,081**	**256,956**	**1,570**	**258,526**	**–**	**(17,763)**	**265,575**	**247,812**
As of 31 December 2024		**790,368**	**1,660,068**	**549,328**	**2,999,764**	**7,162**	**3,006,926**	**790,368**	**1,301,728**	**551,531**	**2,643,627**

The notes on pages 190 to 237 are an integral part of these Financial Statements.

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Mārtiņš Čakste
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Guntars Baļčūns
Member of the Management Board

Liāna Ķeldere
Accounting director of Latvenergo AS

Statement of Cash Flows

EUR'000

	Note	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Cash flows from operating activities					
Profit before tax		**329,529**	**388,529**	**313,857**	**362,660**
Adjustments:					
- Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets	13 a, 14 a, 15	250,812	197,173	159,138	111,028
- Loss / (gain) from disposal of non-current assets	2	7,044	6,629	(964)	(373)
- Interest expense	11	21,789	24,961	22,509	24,981
- Interest income	11	(10,909)	(6,149)	(31,910)	(21,670)
- Fair value loss / (gain) on derivative financial instruments	8	1,068	(23,079)	1,068	(23,079)
- Dividends from subsidiaries	16	–	–	(19,069)	(924)
- Increase / (decrease) in provisions	27	5,141	7,044	4,045	6,949
- Other finance costs	11	7	4	45	–
Interest paid		(24,805)	(23,638)	(24,291)	(23,402)
Interest paid on leases	15	(404)	(114)	(29)	(37)
Interest received		10,327	5,506	9,570	5,270
Paid corporate income tax		(56,544)	(32,119)	(48,282)	(31,099)
Funds from operations (FFO)*		**533,055**	**544,747**	**385,687**	**410,304**
Decrease in inventories and current intangible assets	2	31,737	113,366	20,662	117,076
Decrease in receivables from contracts with customers and other receivables		52,416	57,353	85,033	76,230
Increase in other current financial investments	19	(70,000)	(140,000)	(70,000)	(140,000)
(Decrease) / increase in trade and other liabilities		(6,566)	216	(10,012)	(57,714)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net	29 e	–	–	9,957	17,348
Net cash flows generated from operating activities		**540,642**	**575,682**	**421,327**	**423,244**

EUR'000

	Note	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Cash flows from investing activities					
Loans issued to related parties	29 e	(21,399)	(863)	(152,368)	–
Repayment of loans to related parties	29 e	–	–	–	68,272
Purchase of intangible assets and PPE	2	(472,101)	(181,515)	(59,446)	(61,263)
Dividends received from subsidiaries	16	–	–	2,164	924
Investments in subsidiaries	16	(1,354)	–	(160,151)	(28,399)
Net cash flows (used in) investing activities		**(494,854)**	**(182,378)**	**(369,801)**	**(20,466)**
Cash flows from financing activities					
Proceeds on issued debt securities (bonds)	23	–	50,000	–	50,000
Proceeds on borrowings from financial institutions	23	200,030	2,000	200,030	–
Repayment of borrowings from financial institutions	23	(86,625)	(301,090)	(84,491)	(295,276)
Received financing from European Union		25,577	16,245	2,778	2,625
Provided financing from European Union to subsidiary as cooperation partner, net		–	–	(672)	–
Lease payments	15	(1,994)	(1,772)	(652)	(694)
Acquisition of non-controlling interests		(400)	–	–	–
Dividends paid to non-controlling interests	21 b	(2,079)	(450)	–	–
Dividends paid to equity holder of the Parent Company	21 b	(212,199)	(152,538)	(212,199)	(152,538)
Net cash flows (used in) financing activities		**(77,690)**	**(387,605)**	**(95,206)**	**(395,883)**
Net (decrease) / increase in cash and cash equivalents		**(31,902)**	**5,699**	**(43,680)**	**6,895**
Cash and cash equivalents at the beginning of the year	19	118,456	112,757	107,163	100,268
Cash and cash equivalents at the end of the year	19	**86,554**	**118,456**	**63,483**	**107,163**

* See Alternative Performance Measures in Note 2 for the definition of this Alternative Performance Measure

The notes on pages 190 to 237 are an integral part of these Financial Statements.

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Mārtiņš Čakste
Chairman of the Management Board

Guntars Baļčūns
Member of the Management Board

Liāna Ķeldere
Accounting director of Latvenergo AS

Notes to the Financial Statements

1. Corporate Information

All shares of public limited company Latvenergo, parent company of Latvenergo Group (hereinafter – Latvenergo AS or the Parent Company) are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia. The registered address of the Parent Company is 12 Pulkveža Brieža Street, Riga, Latvia, LV–1230. According to the Energy Law of the Republic of Latvia, Latvenergo AS is designated as a national economy object of State importance.

Latvenergo AS is power supply utility engaged in electricity and thermal energy generation, as well as sales of electricity and natural gas. Latvenergo AS is one of the largest corporate entities in the Baltics.

Subsidiaries included in Latvenergo Group (hereinafter – the Group), participating interest in subsidiaries, associated companies and other non-current financial investments are disclosed in Note 16.

Latvenergo AS and its subsidiaries Sadales tīkls AS and Enerģijas publiskais tirgotājs SIA are also shareholders with 48.15% interest held in company Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS holds 46.30% of interest) that manages a defined–contribution corporate pension plan in Latvia.

The Management Board of Latvenergo AS:

Since 26 January 2024 the Management Board of Latvenergo AS was comprised of the following members: Mārtiņš Čakste (Chairman of the Board), Dmitrijs Juskovecs, Guntars Baļčūns, Harijs Teteris and Ilvija Boreiko.

Since 3 January 2022 till 26 January 2024 the Management Board of Latvenergo AS was comprised of the following members: Mārtiņš Čakste (Chairman of the Board), Dmitrijs Juskovecs, Guntars Baļčūns, Harijs Teteris and Kaspars Cikmačs until 24 September 2023.

The Supervisory Board of Latvenergo AS:

Since 1 March 2024 the Supervisory Board of Latvenergo AS was comprised of the following members: Aigars Laizāns (Chairman since 8 March 2024), Kaspars Rokens (Deputy Chairman), Toms Siliņš and Gundars Ruža.

Since 11 June 2020 till 1 March 2024 the Supervisory Board of Latvenergo AS was comprised of the following members: Ivars Golsts (Chairman), Kaspars Rokens (Deputy Chairman), Aigars Laizāns, Toms Siliņš and Gundars Ruža.

The Supervisory body – Audit Committee:

Since 3 February 2021 and re-elected for a term of three years from 3 February 2024, Audit Committee was comprised of the following members: Svens Dinsdorfs, Torbens Pedersens (Torben Pedersen), Ilvija Grūba, Toms Siliņš and Gundars Ruža.

The Latvenergo Group's and Latvenergo AS auditor is the certified audit company Ernst & Young Baltic SIA (40003593454) (licence No. 17) and certified auditor in charge is Diāna Krišjāne, certificate No. 124.

The Management Board of Latvenergo AS has approved the Latvenergo Group and Latvenergo AS Financial statements 2024 on 29 April 2025. The Financial Statements are subject to Shareholder's approval in the Shareholder's Meeting.

2. Summary Of Material Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements as a whole are set out below; while remaining accounting policies are described in the notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Financial Statements of the Latvenergo Group and Latvenergo AS are prepared in accordance with the IFRS Accounting Standards as adopted by the European Union for use in the European Union (IFRS). Due to the European Union's endorsement procedure, the standards and interpretations not approved for use in the European Union are also presented in this note as they may have impact on the Financial Statements in the following periods if endorsed.

The Financial Statements are prepared under the historical cost convention, except for some financial assets and liabilities (including derivative financial instruments and non-current financial investments) measured at fair value and certain property, plant and equipment carried at revalued amounts as disclosed in the accounting policies presented below.

The Financial Statements for 2024 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the year ended 31 December 2024 and comparative information for 2023. Where it has been necessary, comparatives for 2023 are reclassified using the same principles applied for preparation of the Financial Statements for 2024.

Changes in accounting policies for CO_2 emission accounting

The Group and the Parent Company has reclassified individual positions in the statement of financial position ended 31 December 2023 and in the statement of cash flows for the year 2023 for CO_2 emission rights.

During the year 2024, the Group and the Parent Company conducted market research to evaluate industry practices for the presentation of purchased emission allowances and provisions for CO_2 emissions in the Statement of Financial Position. Historically, the Group and the Parent Company presented assets related to purchased emission allowances net of provisions for CO_2 emissions, given that the Group and the Parent Company had historically determined CO_2 emissions with precision.

The Group's and the Parent Company's decision on changes in accounting policies is based on ESMA (European Securities and Markets Authority) public statement "Clearing the smog: Accounting for Carbon Allowances in Financial Statements", dated 8 October 2024. Market research revealed that the prevailing practice among major market participants is to apply a gross accounting method for purchased emission allowances and provisions for CO_2 emissions in the Statement of Financial Position. Market practice to present gross information is considered to provide users with more relevant information compared to the previous policy.

In order to enhance the transparency of the Statement of Financial Position and to align with market trends, in 2024, following the approval of the Latvenergo Group and Latvenergo AS Financial Statements for 2023, the Group and the Parent Company began presenting these items on a gross basis and restated the respective assets and liabilities as of 31 December 2023. The adjustment in accounting policy was implemented due to the increased reliability and relevance of gross presentation between market participants. This method ensures that the data and cost of assets are easily verifiable, and its adoption aligns with the prevailing market practice.

As of 31 December 2023, this change resulted in an increase in current assets and current liabilities of EUR 46,261 thousand. The following tables summarises the impact on the Consolidated and the Parent Company's Statement of Financial Position and Statement of Cash Flows for the comparative period.

Changes of individual positions in the Statement of Financial Position for the year ended 31 December 2023:

EUR'000

	Group			Parent Company		
	31/12/2023 as previously reported	Adjustments	31/12/2023 as restated	31/12/2023 as previously reported	Adjustments	31/12/2023 as restated
Current assets						
Current intangible assets	23,051	46,261	69,312	23,051	46,261	69,312
Total current assets	**750,655**	**46,261**	**796,916**	**801,596**	**46,261**	**847,857**
TOTAL ASSETS	**4,127,922**	**46,261**	**4,174,183**	**3,474,032**	**46,261**	**3,520,293**
Current liabilities						
Provisions	–	46,261	46,261	–	46,261	46,261
Total current liabilities	**344,781**	**46,261**	**391,042**	**231,833**	**46,261**	**278,094**
Total liabilities	**1,164,842**	**46,261**	**1,211,103**	**866,018**	**46,261**	**912,279**
TOTAL EQUITY AND LIABILITIES	**4,127,922**	**46,261**	**4,174,183**	**3,474,032**	**46,261**	**3,520,293**

Changes in individual positions in the Statement of Cash Flows for the year ended 31 December 2023:

EUR'000

	Group			Parent Company		
	31/12/2023 as previously reported	Adjustments	31/12/2023 as restated	31/12/2023 as previously reported	Adjustments	31/12/2023 as restated
Cash flows from operating activities						
- Increase / (decrease) in provisions	(35)	7,079	7,044	(130)	7,079	6,949
Funds from operations (FFO)	**537,668**	**7,079**	**544,747**	**403,225**	**7,079**	**410,304**
Decrease in inventories and current intangible assets	120,445	(7,079)	113,366	124,155	(7,079)	117,076
Net cash flows generated from operating activities	**575,682**	**–**	**575,682**	**423,244**	**–**	**423,244**

The Latvenergo Group's and Latvenergo AS Financial Statements have been prepared in euros (EUR) currency and all amounts shown in these Financial Statements except non-monetary items are presented in thousands of EUR (EUR'000).

All figures, unless stated otherwise are rounded to the nearest thousand. Certain monetary amounts, percentages and other figures included in this report are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent.

The preparation of the Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from those. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

Alternative Performance Measures

In order to ensure a fair presentation of the Group's and the Parent Company's operations, the Group and the Parent Company uses Alternative Performance Measures that are not defined in IFRS or in the Accounting Law of the Republic of Latvia. The Alternative Performance Measures are described below, including their definitions and how they are calculated.

The Group and the Parent Company believes that these measures provide valuable supplementary information for stakeholders and the management. These financial measures should not be seen as a substitute for measures that are defined according to IFRS, and these are not comparable with measures used by other companies.

EBITDA – operating profit before depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets (Earnings Before Interest, Tax, Depreciation and Amortisation).

Funds from operations (FFO) = Net cash flows from operating activities – changes in inventories and current intangible assets – changes in receivables from contracts with customers and other receivables – changes in other current financial investments – changes in trade and other liabilities – Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net.

Capital expenditure – additions of property, plant and equipment, intangible assets and investment properties, including assets from the acquisition of subsidiaries.

European Single Electronic Format (ESEF) reporting

The Group and the Parent Company are required to file annual report in the European Single Electronic Format (ESEF) using the XHTML format and to tag the consolidated financial statements including notes using Inline eXtensible Business Reporting Language (iXBRL). The prepared financial statements comply with 2024 taxonomy. Where a financial statement line item or text block is not defined in the ESEF taxonomy, an extension to the taxonomy has been created.

Adoption of new and/or changed IFRS, International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations

a) Standards issued and which became effective, and that have been endorsed by the European Union, and are relevant for the Group's and the Parent Company's operations

The adopted policies correspond to the accounting policies of the previous financial year, except for the following IFRS amendments, which the Group and the Parent Company has adopted starting from 1 January 2024:

- **IAS 1 Classification of Liabilities as Current or Non-current (Amendments)**

The amendments become effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted, and amendments must be applied prospectively in accordance with IAS 8. The purpose of the amendments is to clarify IAS 1 principles for classifying liabilities as current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied within twelve months after the reporting period. The Group's and the Parent Company's management assessed that these amendments had no impact on the classification of liabilities and the financial statements.

b) Standards and its amendments issued, which have not yet become effective and have not yet endorsed by the European Union, but are relevant for the Group's and the Parent Company's operations and are not early adopted

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early adoption of amendments related to the classification of financial assets and the related disclosures is permitted, with the option to apply the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the obligation is discharged, cancelled, expired, or otherwise qualifies for derecognition. They introduce an accounting policy option to derecognise liabilities settled via electronic payment systems before the settlement date, subject to specific conditions. They also provide guidance on assessing the contractual cash flow characteristics of financial assets with environmental, social, and governance (ESG)-linked features or other similar contingent features. Additionally, they clarify the treatment of non-recourse assets and contractually linked instruments and require additional disclosures under IFRS 7 for financial assets and liabilities with contingent event references (including ESG-linked) and equity instruments classified at fair value through other comprehensive income. The Group and the Parent Company will assess the impact of these amendments on the classification of financial instruments and disclosures in the financial statements but does not expect them to have a significant impact on the Group's and the Parent Company's financial position.

- **IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating; investing; financing; income taxes; and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or losses', 'profit or losses before financing and income taxes' and 'profit or losses'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. The Group and the Parent Company will assess the impact of the new standard, particularly on the structure of the statement of profit or loss, the statement of cash flows and the disclosure of additional information required to disclose the management's determined performance. The Group and the Parent Company will also assess the impact on how information is grouped in the financial statements, including in relation to items currently designated as "other".

- **Annual Improvements to IFRS Accounting Standards – Volume 11**

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. The Annual Improvements to IFRS Accounting Standards – Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the

standards. The Group and the Parent Company will evaluate the impact of these annual improvements on the financial statements but does not expect them to have a material impact on the Group's and the Parent Company's financial position.

c) Standards and its amendments issued and which became effective, and that have been endorsed by the European Union, and which are not relevant for the Group's and the Parent Company's operations

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures – Supplier Finance Arrangements (Amendments)

d) Standards and its amendments issued and endorsed by the European Union but are not yet effective and are not early adopted and are not relevant to the Group's and the Parent Company's operations

- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)

e) Standards and its amendments issued and have not yet endorsed by the European Union but are not yet effective and are not early adopted and are not relevant to the Group's and the Parent Company's operation

- IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity (Amendments)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Foreign currency translation

a) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Group's entity operates ("the functional currency"). The Financial Statements have been prepared in euros (EUR), which is the Parent Company's functional currency, and presented in thousands of EUR. All figures, unless stated otherwise are rounded to the nearest thousand.

b) Transactions and balances

All transactions denominated in foreign currencies are translated into functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate at the last day of the reporting year. The resulting gain or loss is charged to the Statement of Profit or Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Financial assets and liabilities

Financial Assets

The Group and the Parent Company classify its financial assets under IFRS 9 in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

The Group and the Parent Company reclassify debt investments only when their business model for managing these assets changes.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Parent Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Parent Company classify all of their debt instruments:

- at Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortised cost using the effective interest (EIR) method and are subject to impairment. Any gain or loss arising on de-recognition is recognised directly in profit or loss. Impairment losses are presented as separate item 'Expected credit losses (including reversals) on financial instruments' in the statement of profit or loss position 'Other operating expenses' (Note 10).

Equity instruments

The Group and the Parent Company subsequently measure all equity investments at fair value. Dividends from such investments continue to be recognised in profit or loss when the Group's and the Parent Company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income (FVOCI) or financial instruments at fair value through profit or loss (FVPL) are not reported separately from other changes in fair value.

Impairment

The Group and the Parent Company assess on a forward-looking basis the expected credit loss associated with their debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Rules for estimating and recognising impairment losses are described in Note 4 b.

The Group and the Parent Company have applied two expected credit loss models: counterparty model and portfolio model.

Counterparty model is used on individual contract basis for deposits, investments in State Treasury bonds, loans to subsidiaries and cash and cash equivalents. The expected credit losses according to this model for those are based on assessment of the individual counterparty's risk of default based on Moody's 12 months corporate default and recovery rates if no significant increase in credit risk is identified. The circumstances indicating a significant increase in credit risk is significant increase in Moody's default and recovery rates (by 1 percentage point) and counterpart's inability to meet payment terms (overdue 30 days or more, insolvency or bankruptcy, or initiated similar legal proceedings and other indications on inability to pay). If significant increase in credit risk is identified, calculated lifetime expected credit loss is recognised.

For estimation of expected credit loss for unsettled revenue on mandatory procurement, individually significant other receivables and other receivables of energy industry companies and related parties the Group and the Parent Company apply the simplified approach and record lifetime expected losses based on corporate default and recovery rates.

Portfolio model is used for trade receivables by grouping together receivables with similar risk characteristics and the days past due and defined for basic business activities. For trade receivables grouped by portfolio model the Group and the Parent Company apply the simplified approach and record lifetime expected losses on receivables based on historically observed default rates, adjusted for forward-looking estimates, if any significant exists.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains or losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group and the Parent Company have decided to continue to apply hedge accounting requirements of IAS 39. Accounting principles for derivative financial instruments are disclosed in Note 24.

3. Financial Risk Management

3.1. Financial risk factors

The Group's and the Parent Company's activities expose them to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's and the Parent Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Parent Company's financial performance. The Group and the Parent Company use derivative financial instruments to hedge certain risk exposures.

Risk management (except for price risk) is carried out by the Parent Company's Treasury department (the Group Treasury) according to the Financial Risk Management Policy approved by the Parent Company's Management Board. The Group Treasury identifies, evaluates and hedges financial risks in close co–operation with the Group's operating units / subsidiaries. The Parent Company's Management Board by approving the Financial Risk Management Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, liquidity risk, and credit risk, use of financial instruments and investment of excess liquidity. Price risk management is carried out by the Parent Company's Electricity Trading department according to Electricity Wholesale Regulation approved by the Parent Company's Management Board.

Financial assets that are exposed to financial risks disclosed in the table below by measurement categories:

EUR'000

	Note	Group			Parent Company		
		Financial assets at amortised cost	Derivatives used for hedging	Financial instruments at fair value through profit or loss	Financial assets at amortised cost	Derivatives used for hedging	Financial instruments at fair value through profit or loss
Financial assets as of 31 December 2024							
Receivables from contracts with customers	18 a	190,108	–	–	128,660	–	–
Other current financial receivables	18 b	31,757	–	–	34,601	–	–
Loans to related parties	29 e	22,244	–	–	797,672	–	–
Derivative financial instruments	24 l	–	–	3,422	–	–	3,422
Cash and cash equivalents	19	86,554	–	–	63,483	–	–
		330,663	**–**	**3,422**	**1,024,416**	**–**	**3,422**
Financial assets as of 31 December 2023							
Receivables from contracts with customers	18 a	224,922	–	–	161,674	–	–
Other current financial receivables	18 b	47,972	–	–	51,225	–	–
Loans to related parties	29 e	863	–	–	624,298	–	–
Derivative financial instruments	24 l	–	5,297	5,872	–	5,297	5,872
Cash and cash equivalents	19	118,456	–	–	107,163	–	–
		392,213	**5,297**	**5,872**	**944,360**	**5,297**	**5,872**

Financial liabilities that are exposed to financial risks disclosed in the table below by measurement categories:

EUR'000

	Note	Group			Parent Company		
		Financial liabilities at amortised cost	Derivatives used for hedging	Financial instruments at fair value through profit or loss	Financial liabilities at amortised cost	Derivatives used for hedging	Financial instruments at fair value through profit or loss
Financial liabilities as of 31 December 2024							
Borrowings	23	743,405	–	–	765,160	–	–
Derivative financial instruments	24 l	–	8,149	4,816	–	8,149	4,816
Lease liabilities	15	32,551	–	–	3,624	–	–
Trade and other financial current payables	26	178,787	–	–	112,741	–	–
		954,743	**8,149**	**4,816**	**881,525**	**8,149**	**4,816**
Financial liabilities as of 31 December 2023							
Borrowings	23	629,696	–	–	618,179	–	–
Lease liabilities	15	11,406	–	–	4,824	–	–
Trade and other financial current payables	26	136,014	–	–	87,078	–	–
		777,116	**–**	**–**	**710,081**	**–**	**–**

a) Market risk

I) Foreign currencies exchange risk

As of 31 December 2024 and 31 December 2023 the Group and the Parent Company had borrowings denominated only in euros (Note 23). Their revenues and most of the financial assets and liabilities were denominated in euros. Accordingly, neither the Group nor the Parent Company were subject to a significant foreign currencies exchange risk.

Foreign currencies exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the Group's and the Parent Company's functional currency. The Group's Treasury Financial Risk Management Policy is to hedge all anticipated cash flows (capital expenditure and purchase of inventory) in each major foreign currency that might create significant currency risk.

Considering that in 2024 and 2023 the Group and the Parent Company were not exposed to significant currencies exchange risk, no currency forward contracts were concluded during 2024 and 2023.

II) Interest rate risk

As the Group and the Parent Company have significant floating interest–bearing assets and liabilities exposed to interest rate risk, the Group's, and the Parent Company's financial income and operating cash flows are substantially dependent on changes in market interest rates.

During 2024 if euro interest rates had been 50 basis points higher with all other variables held constant, the Group's income from the cash reserves held at bank for the year would have been EUR 491 thousand higher (2023: EUR 737 thousand) and the Parent Company's income from the cash reserves held at bank for the year would have been EUR 437 thousand higher (2023: EUR 715 thousand).

The Group's and the Parent Company's cash flow interest rate risk mainly arises from long–term borrowings at variable rates. They expose the Group and the Parent Company to a risk that finance costs might increase significantly when interest rates rise up. The Group's policy is to maintain more than 35% of

its borrowings as fixed interest rates borrowings (considering the effect of interest rate swaps and issued bonds) with duration between 1–4 years.

The Group and the Parent Company analyse their interest rate risk exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and hedging. Based on these scenarios, the Group and the Parent Company calculate the impact on profit and loss as well as on cash flows of a defined interest rate shift.

Generally, the Group and the Parent Company raise long–term borrowings from financial institutions at floating rates and based on the various scenarios, the Group and the Parent Company manage their cash flow interest rate risk by using floating–to–fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Thereby fixed rates are obtained that are lower than those available if the Group and the Parent Company borrowed at fixed rates directly. Under the interest rate swaps, the Group and the Parent Company agree with other parties to exchange, at specified intervals (primarily semi–annually), the difference between fixed contract rates and floating–rate interest amounts calculated by reference to the agreed notional amounts.

To hedge cash flow interest rate risk, the Group and the Parent Company have entered into interest rate swap agreements with total notional amount of EUR 76 million (2023: EUR 105 million) (Note 24 II). 37% of the Group's and 38% the Parent Company's long–term borrowings as of 31 December 2024 (31/12/2023: 46% and 47% respectively) had fixed interest rate (considering the effect of the interest rate swaps) and average fixed rate duration was 1.4 years for the Group and 1.5 years for the Parent Company (2023: 2.1 years for the Group and 2.1 years the Parent Company).

If interest rates on euro denominated long-term borrowings at floating base interest rate (after considering hedging effect) had been 50 basis points higher with all other variables held constant over the period until the next annual report, the Group's profit for the year and equity would have been EUR 3,568 thousand lower (over the next 12 months period after 31/12/2023: EUR 1,914 thousand), the Parent Company's profit for the year and equity would have been EUR 3,523 thousand lower (over the next 12 months period after 31/12/2023: EUR 1,857 thousand).

As of 31 December 2024, if short–term and long–term euro interest rates had been 50 basis points higher with all other variables held constant fair value of interest rate swaps would have been EUR 871 thousand higher (31/12/2023: EUR 1,213 thousand higher), which would have been attributable to the Statement of Comprehensive Income as hedge accounting item. However, if short–term and long–term euro interest rates had been 50 basis points lower with all other variables held constant fair value of interest rate swaps would have been EUR 892 thousand lower (31/12/2023: EUR 1,246 thousand lower), which would have been attributable to the Statement of Comprehensive Income as hedge accounting item and an ineffective portion recognised in the Statement of Profit or Loss.

III) Price risk

Price risk is the risk that the fair value and cash flows of financial instruments will fluctuate in the future due to reasons other than changes in the market prices resulting from interest rate risk or foreign exchange risk. The purchase and sale of goods produced, and the services provided by the Group and the Parent Company under the free market conditions, as well as the purchases of resources used in production is impacted by the price risk.

The most significant price risk is related to purchase of electricity and natural gas and usage of natural gas inventories. To hedge the risk related to changes in the price of electricity and natural gas the Parent Company during 2024 has entered into electricity swap and natural gas swap contracts (Note 24 III).

b) Credit risk

Credit risk is managed at the Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments at fair value through profit or loss (FVPL), other financial assets carried at amortised cost, including outstanding receivables. Credit risk concentration in connection with receivables is limited due to broad range of the Group's and the Parent Company's customers. The Group and the Parent Company have no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics, except receivables from state for unsettled revenue on mandatory procurement, loans to and receivables from subsidiaries. When assessing the credit risk for the loans to subsidiaries the Parent Company considers that Latvenergo AS has granted loans to subsidiaries in which it holds all the shares and accordingly monitors the operations and financial situation of the subsidiaries (borrowers). Impairment loss has been deducted from gross amounts in the statement of financial position.

The maximum credit risk exposure related to financial assets (see table below) comprises of carrying amounts of cash and cash equivalents (Note 19), receivables from contracts with customers and other receivables (Note 18), derivative financial instruments (Note 24) and loans to related parties (Note 29 e).

Assessment of maximum possible exposure to credit risk

EUR'000

	Note	Group		Parent Company	
		31/12/2024	31/12/2023	31/12/2024	31/12/2023
Receivables from contracts with customers	18 a	190,108	224,922	128,660	161,674
Other current financial receivables	18 b	31,757	47,972	34,601	51,225
Loans to related parties	29 e	22,244	863	797,672	624,298
Cash and cash equivalents	19	86,554	118,456	63,483	107,163
Derivative financial instruments	24	3,422	11,169	3,422	11,169
		334,085	**403,382**	**1,027,838**	**955,529**

Under IFRS 9 the Group and the Parent Company measure the probability of default upon initial recognition of a receivable, except receivables from contracts with customers, and at each balance sheet date consider whether there has been a significant increase of credit risk since the initial recognition (see Notes 2 and 18 b).

For banks and financial institutions, independently rated parties with own or parent bank's minimum rating of investment grade are accepted. Otherwise, if there is no independent rating, management performs risk control to assess the credit quality of the financial counterparty, considering its financial position, past co–operation experience and other factors. After performed assessment individual credit limits are set based on internal ratings in accordance with principles set by the Financial Risk Management Policy. Depending on set credit limits, the cash held in one bank or financial institution cannot exceed fifty percent of total balance of cash. The basis for estimating the credit quality of individually significant financial assets not past due is credit ratings assigned by the rating agencies or, in their absence, the earlier credit behaviour of clients and other parties to the contract.

Credit risk related to cash and short–term deposits with banks is managed by balancing the placement of financial assets in order to maintain the possibility to choose the best offers and to reduce probability to incur losses. Credit risk assessment related to receivables from contracts with customers and other financial receivables is described in Notes 4 b and 18.

The table below shows the balance of cash and cash equivalents by financial counterparties at the end of the reporting year:

EUR'000

	Group		Parent Company	
	31/12/2024	**31/12/2023**	**31/12/2024**	**31/12/2023**
Investment level credit rating*	86,554	118,456	63,483	107,163
	86,554	**118,456**	**63,483**	**107,163**

* Investment level credit rating assigned to the parent companies of banks

The table represents exposure to banks and financial counterparties broken down per rating class according to Moody's rating scale. The expected credit losses are not significant (below 1%) as the majority of cash and cash equivalents are held at banks and financial institutions belonging to financial groups with investment level credit rating and financial assets are considered to have good credit worthiness.

EUR'000

	Group		Parent Company	
	31/12/2024	**31/12/2023**	**31/12/2024**	**31/12/2023**
Aa3	60,434	79,177	39,081	79,602
Baa1	22,609	17,344	20,986	16,461
Baa2	3,511	21,110	3,416	11,100
Baa3	–	825	–	–
	86,554	**118,456**	**63,483**	**107,163**

Set limits of credit exposure to the financial counterparties were not exceeded during the reporting period, and the Group's and the Parent Company's management do not expect any losses arising from a potential default of financial counterparty, as assessed that financial counterparties' credit risk are in Stage 1.

The Group and the Parent Company invest only in listed debt instruments with very low probability of default (State Treasury bonds).

c) Liquidity risk

Latvenergo Group's liquidity and cash flow risk management policy is to maintain sufficient amount of cash and cash equivalents (Note 19) and the availability of long and short-term funding through an adequate amount of committed credit facilities in order to meet existing and expected commitments and compensate for fluctuations in cash flows due to the occurrence of a variety of financial risks.

The table below analyses the Group's and the Parent Company's financial liabilities into relevant maturity groupings based on the settlement terms. The amounts disclosed in the table are the contractual undiscounted cash flows. Contractual undiscounted cash flows originated by the borrowings are calculated considering the actual interest rates at the end of the reporting period.

Liquidity analysis (contractual undiscounted gross cash flows)

EUR'000

	Note	Group					Parent Company				
		Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years	TOTAL	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years	TOTAL
As of 31 December 2024											
Borrowings from financial institutions		138,175	80,052	231,202	145,264	**594,693**	135,737	78,242	226,422	144,055	**584,456**
Issued debt securities (bonds)		5,153	5,146	210,284	–	**220,583**	5,153	5,146	210,284	–	**220,583**
Current borrowings from related parties	29 e, II	–	–	–	–	**–**	31,101	–	–	–	**31,101**
Derivative financial instruments		12,965	–	–	–	**12,965**	12,965	–	–	–	**12,965**
Lease liabilities*		4,144	3,483	8,051	59,772	**75,450**	1,255	576	953	1,181	**3,965**
Trade and other current financial payables	26	178,787	–	–	–	**178,787**	112,741	–	–	–	**112,741**
		339,224	**88,681**	**449,537**	**205,036**	**1,082,478**	**298,952**	**83,964**	**437,659**	**145,236**	**965,811**
As of 31 December 2023											
Borrowings from financial institutions		105,333	119,825	158,276	99,286	**482,720**	102,632	117,339	152,874	96,710	**469,555**
Issued debt securities (bonds)		5,146	5,153	162,925	52,483	**225,707**	5,146	5,153	162,925	52,483	**225,707**
Lease liabilities*		2,455	2,336	3,539	4,337	**12,667**	1,284	1,281	1,461	1,193	**5,219**
Trade and other current financial payables	26	136,014	–	–	–	**136,014**	87,078	–	–	–	**87,078**
		248,948	**127,314**	**324,740**	**156,106**	**857,108**	**196,140**	**123,773**	**317,260**	**150,386**	**787,559**

* The carrying amount of the lease (discounted) for the Group is EUR 32,599 thousand and for the Parent Company EUR 3,624 thousand (31 December 2023: Group – EUR 11,406 thousand, Parent Company – EUR 4,824 thousand) (Note 15)

3.2. Capital management

The Group's and the Parent Company's objectives when managing capital are to safeguard the Group's and the Parent Company's ability to continue as a going concern as well as to ensure necessary financing for investment program and to avoid breaches of covenants (no breaches in 2024 nor 2023), which are linked to capital structure and are stipulated in the majority of loan agreements.

In order to maintain or adjust the capital structure, the Group and the Parent Company may evaluate the amount and timing of raising new debt due to investment programs or initiate new investments in the share capital by shareholder. To comply with loan covenants, the Group and the Parent Company monitor capital on the basis of the capital ratio.

This ratio is calculated by dividing the equity by the sum of total assets. According to the Group's strategy and defined loan covenants as per loan agreements the capital ratio shall be maintained at least at 30% level.

The capital ratio figures were as follows:

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Total equity	3,006,926	2,963,080	2,643,627	2,608,014
Total assets	4,438,106	4,174,183	3,734,345	3,520,293
Capital Ratio	**68%**	**71%**	**71%**	**74%**

4. Critical Accounting Estimates And Judgements

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and the Parent Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The Group and the Parent Company considers climate-related matters in estimates and assumptions, where appropriate. Latvenergo Group is making targeted investments to develop a portfolio of zero-emission and low-emission plants and to contribute to climate change mitigation. The Group implements technologies and measures that reduce, prevent or adapt to climate change. For more information please see Environmental information section "E1 Climate change" in the Management report. Even though climate-related risks might not currently have a significant impact on measurement, useful lives of property, plant and equipment or impairment of non-financial assets, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

The Management of the Group and the Parent Company has assessed the situation at the end of the reporting period and has determined that the events related to Russian military action in Ukraine and related sanctions against Russia and Belarus, have not created a significant negative impact on the Group's and the Parent Company's financial results, considering the nature and continuity of services provided by the Group and the Parent Company. The Management of the Group and the Parent Company continuously takes the necessary actions to ensure both the continuation of the operations of the electricity distribution system operator and the availability of the services provided to customers, and the Management does not foresee significant operational disruptions in the future that could affect the continuation of the Group's and the Parent Company's operations and the valuation of assets and liabilities.

The assumptions of the Group's and the Parent Company's Management are based on the information available at the date of approval of the financial statements. The impact of future events on the Group's and the Parent Company's future operations may differ from the current assessment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Estimates concerning property, plant and equipment

I) Useful lives of property, plant and equipment

The Group and the Parent Company make estimates concerning the expected useful lives and residual values of property, plant and equipment. These are reviewed at the end of each reporting period and are based on the past experience as well as industry practice. For the assets that are planned to be reconstructed, the remaining useful life is determined to be till the date of reconstruction. Previous experience has shown that the actual useful lives have sometimes been longer than the estimates. Values of fully depreciated property, plant and equipment are disclosed in Note 14 a. Quantifying an impact of potential changes in the useful lives is deemed impracticable, therefore sensitivity analysis is not disclosed.

II) Recoverable amount of property, plant and equipment

The Group and the Parent Company perform impairment tests for items of property, plant and equipment when the events and circumstances indicate a potential impairment. For the items of PPE are defined separate cash–generating units. According to these tests' assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance and repairs of the assets, as well as in respect of the inflation and discount rates. The estimates are based on the forecasts of the general economic environment, consumption and the estimated sales price of electricity. If the situation changes in the future, either additional impairment could be recognised, or the previously recognised impairment could be partially or fully reversed. Such factors as high maintenance and reconstruction costs, significant changes in expected discount rates, low load of several auxiliaries, comparatively substantial maintenance expense, limited facilities to sell property, plant and equipment in the market and other essential factors have an impact of decreasing of the recoverable amounts. Impairment charges recognised during the current reporting year are disclosed in Note 14 c.

III) Revaluation

Revaluation for part of the Group's and the Parent Company's property, plant and equipment are performed by independent, external and certified valuation experts by applying the depreciated replacement cost model or income method. Valuation has been performed according to international standards on property valuation, based on current use of property, plant and equipment that is estimated as the most effective and best use of these assets, also by determining the most appropriate valuation method for each group of revaluated property, plant and equipment. As a result of valuation, revaluated value is determined for hydropower plants and distribution system asset groups.

Using depreciated replacement cost model, depreciated replacement cost is the difference between the cost of replacement or renewal of similar asset at the time of revaluation and the accumulated loss of an asset's value that encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence. Physical depreciation is determined proportionally to the age of the property, plant and equipment item. In assessment of property, plant and equipment items for which a reconstruction is planned in the near future additional functional depreciation is determined. Remaining useful lives of property, plant and equipment items after revaluation are revised according to estimated total depreciation.

Income method is based on the identification and analysis of generation capacity, forecasting of electricity trade prices, analysis of historical generation and operating expenses and forecast of future costs, capital expenditure, net cash flows, as well calculation of discount and capitalisation rates, based on market data.

PPE are revalued regularly but not less frequently than every five years. Revaluation may be performed more frequently if there are significant and sustained changes in the civil engineering construction costs, significant changes in expected discount rates or electricity prices. The revaluation process is initiated if the changes in the civil engineering construction costs exceeds 10% for two consecutive quarters since the previous revaluation, according to data of the Central Statistical Bureau, and are expected long lasting changes in the costs or due to significant and sustained changes (at least in year period) in discount rates and energy prices.

For detailed most recent revaluation results see Note 14 c.

b) Impairment of financial assets

The Group and the Parent Company have the following types of financial assets that are subject to the expected credit loss model:

- non-current and current loans to related parties
- other non-current receivables
- other financial investments (debt instruments)
- receivables from contracts with customers
- other current receivables
- cash and cash equivalents.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Parent Company use judgement in making these assumptions and selecting the inputs to the calculation of expected credit losses, based on the Group's and the Parent Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group and the Parent Company apply two expected credit loss models: portfolio model and counterparty model (Note 2 and 18).

Using the portfolio model the Group and the Parent Company apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables of basic business activities (electricity, natural gas and heat and supporting services sales, IT and telecommunication services sales). To measure expected credit losses these receivables have been grouped based on shared credit risk characteristics and the days past due. The Group and the Parent Company therefore have concluded that the expected loss rates for these receivables are a reasonable approximation of the credit risk exposure. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. When calculating the expected credit losses, the current and forward-looking information on macroeconomic factors that affect the ability of customers to cover receivables has been considered. The Group and the Parent Company have assessed that the influence of these factors is not significant.

Counterparty model is used on individual contract basis for non-current and current loans to related parties, other financial investments and cash and cash equivalents. If no significant increase in credit risk is identified, the expected credit losses according to this model are based on assessment of the individual counterparty's or counterparty's industry risk of default and recovery rate assigned by Moody's credit rating agency for 12 months expected losses rates. The circumstances indicating a significant increase in credit risk is significant increase in Moody's default and recovery rates (by 1 percentage point) and counterparty's inability to meet payment terms (overdue 30 days or more). If significant increase in credit risk is identified, lifetime expected credit loss is calculated. The Group and the Parent Company considers a financial asset in default and lifetime expected credit losses are recognised when contractual payments are overdue 90 days or more, exists counterparty's insolvency or bankruptcy, initiated similar legal proceedings and other internal or external indications on inability to pay outstanding contractual amounts.

Counterparty model is also used for other non-current and current financial receivables, individually significant receivables, receivables of energy industry companies and related parties by calculating lifetime expected losses based on corporate default and recovery rates.

None of the Group's and the Parent Company's other financial investments measured at amortised cost (investments in State Treasury bonds) have significant increase in credit risk and therefore are considered to have low credit risk (Moody's credit rating – A3) and are in Stage 1, the loss allowance therefore was immaterial and wasn't recognised.

While cash and cash equivalents are also subject to the expected credit loss requirements of IFRS 9, the identified expected credit loss was immaterial, also considering fact that almost all of cash and cash equivalents are held in financial institutions with the credit rating grade of the institution or its parent bank at investment grade credit rating (mostly 'A level' credit rating) (Stage 1).

c) Estimates and judgements concerning revenue recognition from contracts with customers

I) Recognition of distribution system services and transmission system services

Management has evaluated that the Group and the Parent Company does not have influence and control over distribution system services and transmission system services, therefore acts as an agent. In particular, Management has considered the following indicators that the Group and the Parent Company is acting as an agent because it:

- does not control provision of distribution system and transmission system services,
- includes the distribution system and transmission system services in invoices issued to the customers on behalf of distribution system operator or transmission system operator and receives payment, but is not entitled to the respective revenues,
- has no discretion in distribution system or transmission system services price, either directly or indirectly (see also Note 6).

II) Recognition of connection service fees to distribution system (Group)

Connection fees to distribution system are not considered as separate (distinct) performance obligations, as are not distinct individually or within the context of the contract. Sales of distribution services are provided after customers have paid for the network connection; therefore network connection fees and sales of distribution services are highly interdependent and interrelated.

Revenue from connection and other revenue for reconstruction of distribution system assets on demand of clients are deferred as an ongoing service is identified as part of agreement to provide distribution system services to customers and accounted as deferred income (contract liabilities) from contracts with customers under IFRS 15 (see Note 6 and 28). Connection fees are recognised as revenue over the estimated customer relationship period. Based on Management estimate, 20 years is the estimated customer relationship period, which is estimated as period after which requested power output for connection object could significantly change due to technological reasons.

Thus period over which revenue is recognised is based on Management estimate, as it is reasonably certain that assets, whose costs are partly reimbursed by connection service fees, will be used to provide distribution system services for a longer period than the term stated in agreement with the customer (Note 6).

III) State support for sales of distribution services for end-users

In 2024 in accordance with state support regulations in Latvia for reducing energy prices, are granted support for end-users for sales of distribution services (in 2023 – support for end-users for trade of energy, sales of distribution services and heat in Latvia, Lithuania and Estonia). These regulations do not change agreements on the scope of provided services and do not change the approved distribution system tariffs and energy prices and respectively do not change the Group's and the Company's revenue recognition principles, but the process of receiving the transaction fees and the payer for the services, therefore not classified as government grant to the Group and the Parent Company (Note 6).

d) Recognition of provisions for post–employment benefits

The Group and the Parent Company recognise provisions for post–employment benefits (Note 27). The amount and timing of the settlement of these obligations is uncertain. A number of assumptions and estimates have been used to determine the present value of provisions, including the amount of future expenditure, inflation rates, and the timing of settlement of the expenditure. For revaluation of provisions for post–employment obligations probabilities of retirement in different employees' aging groups as well as variable demographic factors and financial factors (including expected remuneration increase and determined changes in benefit amounts) have been estimated. The probabilities and other factors were determined on the basis of previous experience.

e) Evaluation of effectiveness of hedging instruments

The Group and the Parent Company have concluded significant number of forward and future contracts and swap agreements to hedge the risk of the changes in prices of electricity and natural gas as well as interest rate fluctuations to which cash flow risk hedge accounting is applied and the gains and losses from changes in the fair value of the effective hedging instruments and items secured against risk are included in respective equity reserve. The evaluation of the effectiveness of the hedging is based on Management's estimates with regard to future purchase transactions of electricity and natural gas and signed variable interest loan agreements. When hedging instruments turn out to be ineffective, gains/losses from the changes in the fair value are recognised in the Statement of Profit or Loss (Note 25).

f) Recognition of one-off compensation in relation to cogeneration power plants

In October 2017, the Parent Company applied for a one-off compensation from the state, at the same time opting out of the receipt of 75% of the guaranteed annual payments for installed electrical capacity in combined heat and power plant CHPP–1 and CHPP–2. The one-off compensation was calculated as 75% of the discounted future guaranteed payments for installed electrical capacity. Conditional grant part recognised as deferred income in the Group's and the Parent Company's statement of financial position (Note 28) and to be allocated to income on a straight–line basis until fulfilling obligation till the end of the support period – 23 September 2028 (Note 7).

g) Deferred tax recognition

The untaxed profits of the subsidiaries are subject to deferred tax charge in the Consolidated Financial Statements to the extent that the Parent Company as a shareholder will decide in a foreseeable future on distribution of this profit through dividends which will be taxed on distribution with applicable tax rate of net expense (Note 12). Management of the Parent Company has made judgement on the expected timing and extent of the distribution profits of subsidiaries and recognised in the Group's Consolidated Financial Statements deferred tax liability related to profit of its subsidiaries to be distributed.

h) Fair values

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated based on market prices and discounted cash flow models as appropriate. The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. The quoted market prices used for financial assets held by the Group and the Parent Company are the actual closing prices. The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. The Group and the Parent Company use a variety of methods and make assumptions that are based on market conditions existing at end of reporting period. Estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair value of assets is based on other observable market data, directly or indirectly
- Level 3: fair value of assets is based on non–observable market data.

Methods and assumptions used to estimate the fair values are disclosed in Note 25.

i) Asset acquisition

The Group's Parent Company and its subsidiaries has acquired subsidiaries for the purpose of developing parks for electricity generation from RES. Assessing whether the transaction to purchase of a subsidiary is a business combination, the Group has analysed whether the acquisition is a business combination in accordance with IFRS 3. If the acquired subsidiaries are not operational (in a "ready to build" or "ready to design" phase), does not involve significant processes and does not have significant outputs, the Group has assessed that such acquisition does not constitute acquisitions of businesses and are therefore is outside the scope of accounting for business combinations. The Group has accounted for such transactions as intangible asset acquisitions, by assessing the acquired rights to develop the parks meets criteria of recognition of assets.

5. Operating Segment Information

For segment reporting purposes, the division into operating segments is based on internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the operating segment decision maker – management of the Group's company operating in each of segments. The Management Board of the Parent Company reviews financial results of operating segments.

The profit measure monitored by the chief operating decision maker primarily is EBITDA, but it also monitors operating profit. In separate financial statements operating profit excludes the dividend income and interest income from subsidiaries. The subsidiaries operate independently from the Parent Company under the requirements of EU and Latvian legislation and their businesses are different from that of the Parent Company. Therefore, the Parent Company's chief operating decision maker monitors the performance of the Parent Company and makes decisions regarding allocation of resources based on the operating results of the Parent Company.

The Group divides its operations into two main operating segments – generation and trade, and distribution. The Parent Company divides its operations into one main operating segment – generation and trade.

In addition, corporate functions, that cover administration and other support services, are presented in the Group and the Parent Company as separate segment.

Generation and trade comprises the Group's electricity generation (including generation from renewable energy sources) and thermal energy generation operations, electricity and natural gas trade (including wholesale), as well as administration of the mandatory procurement process provided by Enerģijas publiskais tirgotājs SIA.

Distribution segment provides electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia).

Corporate functions provide management services to subsidiaries, as well as provides IT and telecommunication, rental services to external customers.

The following table presents revenue, financial results and profit information and segment assets and liabilities of the Group's and the Parent Company's operating segments. Inter–segment revenue is eliminated on consolidation and reflected in the 'adjustments and eliminations' column. All transactions between segments are made based on the regulated tariffs, where applicable, or on an arm's length principle.

EUR'000

	Group						Parent Company				
	Generation and trade	Distribution	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Parent Company
2024											
Revenue											
External customers	1,325,469	370,049	8,070	**1,703,588**	–	**1,703,588**	1,018,649	38,367	**1,057,016**	–	**1,057,016**
Inter-segment	43,224	1,211	66,813	**111,248**	(111,248)	**–**	–	40,692	**40,692**	(40,692)	**–**
TOTAL revenue	**1,368,693**	**371,260**	**74,883**	**1,814,836**	**(111,248)**	**1,703,588**	**1,018,649**	**79,059**	**1,097,708**	**(40,692)**	**1,057,016**
Results											
EBITDA	**443,768**	**133,157**	**11,443**	**588,368**	**–**	**588,368**	**423,433**	**18,261**	**441,694**	**–**	**441,694**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(152,302)	(84,691)	(13,819)	**(250,812)**	–	**(250 812)**	(145,177)	(13,961)	**(159,138)**	–	**(159,138)**
Segment profit before tax	**291,466**	**48,466**	**(2,376)**	**337,556**	**(8,027)**	**329 529**	**278,256**	**4,300**	**282,556**	**31,301**	**313,857**
Segment assets at the end of the year	**2,178,943**	**1,841,614**	**118,723**	**4,139,280**	**298,826**	**4 438 106**	**1,656,586**	**149,403**	**1,805,989**	**1,928,356**	**3,734,345**
Segment liabilities at the end of the year	**345,144**	**261,650**	**10,184**	**616,978**	**814,202**	**1 431 180**	**283,333**	**12,205**	**295,538**	**795,180**	**1,090,718**
Other disclosures											
Capital expenditure	394,978	122,334	13,200	**530,512**	(321)	**530,191**	53,039	13,200	**66,239**	–	**66,239**
2023											
Revenue											
External customers	1,683,894	342,460	8,071	**2,034,425**	–	**2,034,425**	1,362,802	34,377	**1,397,179**	–	**1,397,179**
Inter-segment	40,806	869	55,437	**97,112**	(97,112)	**–**	4,648	31,931	**36,579**	(36,579)	**–**
TOTAL revenue	**1,724,700**	**343,329**	**63,508**	**2,131,537**	**(97,112)**	**2,034,425**	**1,367,450**	**66,308**	**1,433,758**	**(36,579)**	**1,397,179**
Results											
EBITDA	**480,181**	**111,853**	**9,735**	**601,769**	**–**	**601,769**	**459,763**	**13,532**	**473,295**	**–**	**473,295**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(102,660)	(82,233)	(12,280)	**(197,173)**	–	**(197,173)**	(98,586)	(12,442)	**(111,028)**	–	**(111,028)**
Segment profit before tax	**377,521**	**29,620**	**(2,545)**	**404,596**	**(16,067)**	**388,529**	**361,177**	**1,090**	**362,267**	**393**	**362,660**
Segment assets at the end of the year	**1,986,902**	**1,800,405**	**127,578**	**3,914,885**	**259,298**	**4,174,183**	**1,821,772**	**155,340**	**1,977,112**	**1,543,181**	**3,520,293**
Segment liabilities at the end of the year	**267,328**	**221,656**	**16,570**	**505,554**	**705,549**	**1,211,103**	**239,157**	**18,266**	**257,423**	**654,856**	**912,279**
Other disclosures											
Capital expenditure	76,848	99,608	18,254	**194,710**	(1,361)	**193,349**	46,198	18,254	**64,452**	–	**64,452**

The Group's and the Parent Company's revenue from external customers (Note 6)

EUR'000

	Group					Parent Company			
	Generation and trade	Distribution	Corporate Functions	TOTAL segments	TOTAL Group	Generation and trade	Corporate Functions	TOTAL segments	TOTAL Parent Company
2024									
Revenue from contracts with customers recognised over time:									
Trade of energy and related supply services	1,187,397	3,388	–	**1,190,785**	**1,190,785**	920,800	–	**920,800**	**920,800**
Distribution system services	–	346,486	–	**346,486**	**346,486**	–	–	**–**	**–**
Heat sales	108,685	108	–	**108,793**	**108,793**	90,236	–	**90,236**	**90,236**
Sales of goods and energy related solutions	21,400	–	–	**21,400**	**21,400**	3,771	–	**3,771**	**3,771**
Other revenue	7,987	19,986	6,638	**34,611**	**34,611**	3,760	35,185	**38,945**	**38,945**
Total revenue from contracts with customers	**1,325,469**	**369,968**	**6,638**	**1,702,075**	**1,702,075**	**1,018,567**	**35,185**	**1,053,752**	**1,053,752**
Other revenue:									
Lease of other assets	–	81	1,432	**1,513**	**1,513**	82	3,182	**3,264**	**3,264**
Total other revenue	**–**	**81**	**1,432**	**1,513**	**1,513**	**82**	**3,182**	**3,264**	**3,264**
TOTAL revenue, including	**1,325,469**	**370,049**	**8,070**	**1,703,588**	**1,703,588**	**1,018,649**	**38,367**	**1,057,016**	**1,057,016**
Latvia	619,744	369,953	7,815	**997,512**	**997,512**	654,945	33,188	**688,133**	**688,133**
Outside Latvia	705,725	96	255	**706,076**	**706,076**	363,704	5,179	**368,883**	**368,883**
2023									
Revenue from contracts with customers recognised over time:									
Trade of energy and related supply services	1,432,815	3,395	–	**1,436,210**	**1,436,210**	1,157,028	–	**1,157,028**	**1,157,028**
Distribution system services	–	319,643	–	**319,643**	**319,643**	–	–	**–**	**–**
Heat sales	213,540	136	–	**213,676**	**213,676**	193,224	–	**193,224**	**193,224**
Sales of goods and energy related solutions	31,652	–	–	**31,652**	**31,652**	10,842	–	**10,842**	**10,842**
Other revenue	5,887	19,209	6,670	**31,766**	**31,766**	1,708	31,307	**33,015**	**33,015**
Total revenue from contracts with customers	**1,683,894**	**342,383**	**6,670**	**2,032,947**	**2,032,947**	**1,362,802**	**31,307**	**1,394,109**	**1,394,109**
Other revenue:									
Lease of other assets	–	77	1,401	**1,478**	**1,478**	–	3,070	**3,070**	**3,070**
Total other revenue	**–**	**77**	**1,401**	**1,478**	**1,478**	**–**	**3,070**	**3,070**	**3,070**
TOTAL revenue, including	**1,683,894**	**342,460**	**8,071**	**2,034,425**	**2,034,425**	**1,362,802**	**34,377**	**1,397,179**	**1,397,179**
Latvia	948,591	342,447	7,844	**1,298,882**	**1,298,882**	969,462	30,531	**999,993**	**999,993**
Outside Latvia	735,303	13	227	**735,543**	**735,543**	393,340	3,846	**397,186**	**397,186**

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets, interest rate swaps (derivative financial instruments) and deferred taxes are not allocated to individual segments as the underlying instruments are managed on a group basis. Taxes and certain financial assets and liabilities, including loans and borrowings are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Reconciliation of profit before tax

EUR'000

	Note	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
EBITDA		**588,368**	**601,769**	**441,694**	**473,295**
Depreciation, amortisation and impairment of intangible assets, PPE and right-of-use assets	13 a, 14 a, 15	(250,812)	(197,173)	(159,138)	(111,028)
Segment profit before tax		**337,556**	**404,596**	**282,556**	**362,267**
Finance income	11	13,993	9,226	34,994	24,747
Finance costs	11	(22,020)	(25,293)	(22,762)	(25,278)
Dividends received from subsidiaries	16	–	–	19,069	924
Profit before tax		**329,529**	**388,529**	**313,857**	**362,660**

Reconciliation of assets

EUR'000

	Note	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
Segment operating assets		**4,139,280**	**3,914,885**	**1,805,989**	**1,977,112**
Non-current financial investments and joint ventures	16	82	42	857,359	671,720
Loans to related parties	29 e	–	–	797,672	624,298
Other current financial investments		209,842	140,000	209,842	140,000
Prepayment for income tax		2,348	800	–	–
Cash and cash equivalents	19	86,554	118,456	63,483	107,163
TOTAL assets		**4,438,106**	**4,174,183**	**3,734,345**	**3,520,293**

Reconciliation of liabilities

EUR'000

	Note	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
Segment operating liabilities		**616,978**	**505,554**	**295,538**	**257,423**
Deferred income tax liabilities	12	8,003	5,475	–	–
Borrowings	23	743,375	629,696	765,130	618,179
Provisions and other payables		62,824	70,378	30,050	36,677
TOTAL liabilities		**1,431,180**	**1,211,103**	**1,090,718**	**912,279**

EUR'000

	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
Non-current assets*				
Latvia	3,363,749	3,335,325	1,442,598	1,534,029
Outside Latvia	300,729	36,580	–	–
TOTAL non-current assets	**3,664,478**	**3,371,905**	**1,442,598**	**1,534,029**

* Non-current assets that consist of intangible assets, property, plant and equipment, right-of-use assets and investment properties.

Revenue from major customer in 2024 for the Group amounted to EUR 110,917 thousand and for the Parent Company EUR 110,910 thousand (2023: EUR 188,918 thousand and EUR 188,630 thousand) arising from sales by the generation and trade segment.

6. Revenue

Accounting policy

Revenue from contracts with customers (IFRS 15)

Revenue from contracts with customers in scope for IFRS 15 encompasses sold goods or services provided as output of the entity's ordinary activities.

In evaluating whether collectability of an amount of consideration is probable, the Group and the Parent Company use portfolio approach practical expedient for all energy and related supply services, distribution system services and heat sales customers. Group and the Parent Company reasonably expect that the effects on the financial statements from applying these requirements to the portfolio would not differ materially from applying the requirements to the individual contracts within the portfolio. Collectability is assessed individually for other customers.

The Group and the Parent Company consider only the customer's ability and intention to pay that amount of consideration when it is due.

Major distinct performance obligations identified in the contracts with customers by the Group and the Parent Company include sale of energy and related supply services, provision of distribution system services and sale of heat. The Group has assessed that connecting a customer to the distribution network as a separate performance obligation is not distinct within the context of the contract due to being highly interrelated to sales of distribution services (Note 4 c II).

Where contracts with customers include variable consideration, the Group and the Parent Company estimate at contract inception the variable consideration expected over the life of the respective contracts and update that estimate each reporting period. A constrained variable consideration is identified in relation to sales of distribution system services.

The Group and the Parent Company recognise revenue when (or as) it satisfies a performance obligation to transfer a promised good or service to a customer. Revenue is recognised when customer obtains control of the respective good or service.

The Group and the Parent Company use output method to measure progress towards complete satisfaction of a performance obligations. Revenue from sale of energy and related supply services, provision of distribution system services and sale of heat are recognised over time as a continuous delivery of these goods and services is made over the term of the respective contracts, except revenue from natural gas wholesale, from sales of certificates of origin and revenue from electric vehicles charging that are recognised at a point in time.

Payment terms for goods or services transferred to customers according to contract terms are within 20 to 45 days from the provision of services or sale of goods. Invoices are mostly issued monthly.

State support for trade of energy, sales of distribution services and heat

In accordance with state support regulations in Latvia, Lithuania, and Estonia for reducing energy prices are granted support for end-users for trade of energy, sales of distribution services and heat. These regulations do not change agreements on the scope of provided services and do not change the approved distribution system tariffs and energy prices and respectively do not change the Group's and the Company's revenue recognition principles, but the process of receiving the transaction fees and the payer for the services. The Group and the Company has the right to receive the full fee for the provided services: from customer at a reduced price within the specified period of time and the payment for the reduction in price receive from the state.

Trade of energy and related supply services

Revenue from electricity and natural gas sales are recognised on the basis of meter readings. Revenue from other energy and related supply services are recognised on the basis of goods delivered or provided services and prices included in contracts with customers. Revenues from trade of electricity in Nord Pool power exchange are based on the calculated market prices in accordance with contract terms, therefore 'right to

invoice' practical expedient is used to recognise revenue from such contracts as the amount corresponds directly with the value of the performance completed to date. NACE code – 35.11, 35.14 (Parent Company).

Sales of distribution system services (the Group)

Revenues from electricity distribution services are based on regulated tariffs that are subject to approval by the Public Utilities Commission and regulations by Cabinet of Ministers of the Republic of Latvia 'Regulations on electricity trade and usage'. The Group recognises revenue from sales of distribution system services at the end of each month based on the automatically made meter readings or customers' reported meter readings, on the period in which the services are rendered. Revenue is recognised in the amount for which the Group has right to invoice.

Heat sales

Revenue from sales of thermal energy is recognised at the end of each month based on the meter readings and corresponds to the invoiced amount. NACE code – 32.99 (Parent Company).

Sales of goods and energy related solutions

Revenue from sales of goods and completed customers' orders is recognised at the moment when the asset and property rights are transferred to the customer and therefore transferred control (e.g. sales and installation of solar panels and heat pumps). NACE code – 47.91 (Parent Company).

Sales of IT & telecommunication services

Revenues derived from information technology services (internet connection services, data communication services), open electronic communication network and telecommunication services to customers. Revenues are recognised upon usage of services listed in telecommunications billing system. Revenue is recognised in the amount for which the Group and the Parent Company have right to invoice. NACE code – 62.03 (Parent Company).

Connection fees to distribution system (the Group)

Connection fees to distribution system are non-refundable upfront fees paid by customers to secure connection to the distribution network, such fees are not distinct performance obligations as are highly interrelated with distribution system services. Connection fees partly reimburse for the cost of infrastructure to be built needed to connect the respective customer to the network. Connection fees to distribution system fee is calculated in accordance with Latvian regulatory authority (Public Utilities Commission) stated methodology.

Revenue from connection fees to distribution system are initially recognised as deferred income (contract liabilities) and recognised over the estimated customer relationship period of 20 years (Note 4 c II).

EUR'000

	IFRS applied	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Revenue from contracts with customers:					
Trade of energy and related supply services	IFRS 15	1,190,785	1,436,210	920,800	1,157,028
Distribution system services	IFRS 15	346,486	319,646	–	–
Heat sales	IFRS 15	108,793	213,676	90,236	193,224
Sales of goods and energy related solutions	IFRS 15	21,400	31,652	3,771	10,842
Construction services	IFRS 15	1,572	–	1,572	–
Other revenue	IFRS 15	33,039	31,763	37,373	33,015
TOTAL revenue from contracts with customers		**1,702,075**	**2,032,947**	**1,053,752**	**1,394,109**
Other revenue:					
Lease of other assets	IFRS 16	1,513	1,478	3,264	3,070
TOTAL other revenue		**1,513**	**1,478**	**3,264**	**3,070**
TOTAL revenue		**1,703,588**	**2,034,425**	**1,057,016**	**1,397,179**

In 2024 in accordance with state support regulations in Latvia for reducing energy prices, end-users have been granted state support for sales of distribution services (in 2023 – support for end-users for trade of energy, sales of distribution services and heat in Latvia, Lithuania and Estonia). The support did not change tariffs and energy prices (and thus gross revenue is recognised for the Group and the Company) rather the process of receiving the transaction fees, part from the end-users and part from the state budget. Allocated state support for the end-users in 2024 is EUR 42,669 thousand for the Group (2023: EUR 124,376 thousand).

The Group's and the Parent Company's revenue from contracts with customers based on the timing of revenue recognition:

EUR'000

	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Goods and services transferred over time	1,538,202	1,906,710	895,015	1,191,969
Goods and services transferred at a point in time	163,873	126,237	158,737	202,140
TOTAL revenue from contracts with customers	**1,702,075**	**2,032,947**	**1,053,752**	**1,394,109**

The Group and the Parent Company derive revenue from contracts with customers from Latvia and outside Latvia – Estonia, Lithuania, Nordic countries.

EUR'000

	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Latvia	995,999	1,297,409	656,750	997,107
Outside Latvia	706,076	735,538	397,002	397,002
TOTAL revenue from contracts with customers	**1,702,075**	**2,032,947**	**1,053,752**	**1,394,109**

Contract liabilities

EUR'000

	Note	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
Non-current deferred income from connection fees	28 I, a	150,240	137,838	–	–
Current deferred income from connection fees	28 II, a	17,571	16,510	–	–
Non-current other deferred income	28 I, a	601	668	601	668
Current other deferred income	28 II, a	408	4,794	67	67
Advances received	28 II, a	30,722	28,907	5,866	7,546
TOTAL liabilities		**199,542**	**188,717**	**6,534**	**8,281**

Movement in contract liabilities (non-current and current part)

EUR'000

	Note	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
At the beginning of the year		**188,717**	**177,985**	**8,281**	**19,817**
Connection fees recognised as deferred income	28	30,176	23,015	–	–
Recognised deferred income	28	–	4,357	–	–
Changes in advances received		1,815	13,368	(1,680)	2,179
Credited to the Statement of Profit or Loss		(21,166)	(30,008)	(67)	(13,715)
At the end of the year		**199,542**	**188,717**	**6,534**	**8,281**

Contract liabilities include current advances received from the customers before the transfer of related goods or services, transferred in less than 12 months.

Accounting policy

The Group and the Parent Company have concluded that it is acting as an agent in the provision of distribution system services and transmission system services because have no control over these services (Note 4 c l).

Revenue from mandatory procurement (MP)

Revenue from mandatory procurement (MP) in the Group is recognised on net (agent) basis. MP is managed by subsidiary Enerģijas publiskais tirgotājs SIA (hereinafter – EPT) within the context of mandatory procurement process and is the difference (residual) between the revenue from the sale of electricity in Nord Pool power exchange by market price, revenue from the sale of guarantees of origin, received government grant for compensating the increase of mandatory procurement costs and the related costs – costs of purchased electricity under the mandatory procurement from electricity producers, as well as guaranteed fees for installed electrical capacity in cogeneration plants. EPT is acting as an agent in administration of the mandatory procurement process and receives revenue from mandatory procurement administration services (agent fee), which is recognised over time in the Group's Statement of Profit or Loss as other revenue from contracts with customers.

Distribution system and transmission system services

The Group and the Parent Company on behalf of distribution system operator (DSO) and transmission system operator (TSO) issue single combined invoice including the fees for the distribution system or transmission system services and transfers these fees to DSO or TSO accordingly.

Distribution system services and transmission system services are based on regulated tariffs that are subject to approval by the Public Utilities Commission. The Group and the Parent Company consider itself an agent in these transactions, therefore, the fees for distribution system and transmission system services received from customers and transferred to DSO and TSO are recognised in the Statement of Profit or Loss in net amount by applying the agent accounting principles.

Gross amounts invoiced to customers by applying agent accounting principle, recognised on net basis under trade of energy and related supply services

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
Distribution system services	75,759	45,897	179,841	154,869
Transmission system services	1,962	1,601	1,991	1,616
Insurance intermediation	2,053	1,775	1,922	1,674
TOTAL revenue recognised applying agent accounting principle	**79,774**	**49,273**	**183,754**	**158,159**

Net effect in revenue from applying agent accounting principle is 0.

7. Other Income

EUR'000

	Note	Group		Parent Company	
		2024	2023	2024	2023
Compensation from the state–on–state support for the installed capacity of CHPPs	4 f	23,990	23,990	23,990	23,990
Fines and penalties		2,917	2,994	1,480	1,702
Net gain on sale of assets held for sale, intangible assets and property, plant and equipment		2,052	1,458	1,148	560
Compensations and insurance claims		1,081	2,463	519	1,898
Other operating income		1,373	991	481	193
TOTAL other income		**31,413**	**31,896**	**27,618**	**28,343**

8. Raw Materials And Consumables

EUR'000

	Note	Group		Parent Company	
		2024	2023	2024	2023
Energy costs:					
Electricity and costs of related supply services		345,714	378,502	68,131	89,028
Electricity transmission services costs	29 a	90,072	82,376	2,741	2,834
Natural gas and other energy resources costs		397,297	727,774	387,221	714,823
CO_2 emission allowances costs		48,096	46,238	48,096	46,238
Losses / (gains) on fair value changes on energy futures, forwards, and swaps	24 l	1,036	(23,198)	1,036	(23,198)
		882,215	**1,211,692**	**507,225**	**829,725**
Raw materials, spare parts, and maintenance costs		39,313	36,628	18,440	17,261
TOTAL raw materials and consumables		**921,528**	**1,248,320**	**525,665**	**846,986**

Decrease of energy costs in 2024 affected by decrease of price of natural gas at the TTF (the Dutch natural gas virtual trading point) by 30%, decrease of Nord Pool system price by 36% and decrease of the electricity price in Latvia by 7%.

9. Personnel Expenses

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
Wages and salaries	118,297	111,418	53,318	48,413
State social insurance contributions	25,481	23,927	12,399	11,276
Expenditure of employment termination	4,926	1,435	2,124	710
Pension costs – defined contribution plan	4,935	4,647	2,439	2,233
Benefits defined in the Collective Agreement and other benefits system costs	3,596	2,916	1,548	1,158
Capitalised personnel expenses	(2,361)	(2,461)	(680)	(424)
TOTAL personnel expenses, including remuneration to the management	**154,874**	**141,882**	**71,148**	**63,366**
Remuneration to the management:				
Wages and salaries	3,615	2,925	1,270	1,158
State social insurance contributions	758	623	286	267
Expenditure of employment termination	23	14	–	–
Pension costs – defined contribution plan	22	21	11	10
Benefits defined in the Collective Agreement and other benefits system costs	28	21	–	–
TOTAL remuneration to the management*	**4,446**	**3,604**	**1,567**	**1,435**

* Remuneration to the Group's management includes remuneration to the members of the Management Boards of the Group entities, the Supervisory Board, and the Supervisory body (Audit Committee) of the Parent Company. Remuneration to the Parent Company's management includes remuneration to the members of the Parent Company's Management Board, the Supervisory Board, and the Supervisory body (Audit Committee).

The Group and the Parent Company make monthly contributions to a closed defined contribution pension plan on behalf of their employees. The plan is managed by the non–profit public limited company Pirmais

Slēgtais Pensiju Fonds, with the participation of the Group companies amounting for 48.15% (Parent Company – 46.30%) of its share capital. A defined contribution plan is a pension plan under which the Group and the Parent Company pay contributions into the plan. The Group and the Parent Company have no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions amount to 5% of each pension plan member's salary. The Group and the Parent Company recognise the contributions to the defined contribution plan as an expense when an employee has rendered services in exchange for those contributions.

Number of employees

	Group		Parent Company	
	2024	2023	2024	2023
Number of employees at the end of the year	3,436	3,497	1,430	1,414
Average number of employees during the year	3,495	3,456	1,455	1,388

10. Other Operating Expenses

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
Selling expenses and customer services	5,174	8,322	1,869	2,407
Information technology maintenance	7,404	6,838	6,831	6,343
Transportation expenses	6,759	6,845	2,089	1,884
Environment protection and work safety	13,148	11,121	11,807	10,112
Real estate maintenance and utilities expenses	6,893	6,571	5,468	4,933
Telecommunications services	2,807	2,802	2,314	2,287
Public utilities regulation fee	2,939	1,763	2,339	1,093
Audit services*	258	127	127	55
Receivables written off as uncollectible	1,981	2,048	1,510	1,789
Expected credit losses (including reversals) on financial instruments	(4,237)	6,944	(788)	2,868
Net losses from disposal of PPE	6,876	6,855	98	147
Other expenses	20,229	14,114	12,463	7,957
TOTAL other operating expenses	**70,231**	**74,350**	**46,127**	**41,875**

* Audit services cover the audit of financial statements, a limited assurance review of the sustainability report, and other related assurance services, such as reporting on covenant compliance, providing reasonable assurance over ESEF reporting, and other Agreed-Upon Procedure deliverables

11. Finance Income And Costs

a) Finance income

EUR'000

	Note	Group		Parent Company	
		2024	2023	2024	2023
Interest income		9,964	6,146	10,071	5,913
Interest income on loans to related parties		945	3	21,839	15,757
Interest income on interest rate swaps		3,077	3,068	3,077	3,068
Gains on fair value changes on interest rate swaps	24	7	9	7	9
TOTAL finance income		**13,993**	**9,226**	**34,994**	**24,747**

b) Finance costs

EUR'000

	Note	Group		Parent Company	
		2024	2023	2024	2023
Interest expense on borrowings from financial institutions		18,510	21,340	19,532	21,439
Interest expense on issued debt securities (bonds)		5,153	4,786	5,153	4,786
Interest expense on assets lease		363	162	61	83
Losses on fair value changes on interest rate swaps	24	38	128	38	128
Capitalised borrowing costs	14 a	(2,236)	(1,328)	(2,236)	(1,328)
Net losses on redemption of other financial investments		21	21	21	21
Other finance costs		171	184	193	149
TOTAL finance costs		**22,020**	**25,293**	**22,762**	**25,278**

12. Income Tax

Accounting policy

Corporate income tax

Latvia

Corporate income tax is paid on distributed profits. Both distributed profits and deemed profit distributions are subject to the tax rate of 20% of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognised in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while as regards other deemed profit distribution items, at the time when expense is incurred in the reporting year.

Lithuania

Current corporate income tax is applied at the rate of 15% on taxable income generated by a company during the taxation period. Income tax expense for the period comprises current income tax and deferred income tax. Current income tax charges are calculated on current profit before tax using the tax rate 15% in accordance with applicable tax regulations as adjusted for certain non–deductible expenses/non–taxable income and are based on the taxable income reported for the taxation period. Since 1 January 2025 the standard 15% corporate income tax rate increases to 16%.

Estonia

In accordance with the effective Estonian Income Tax Act, until 31 December 2024 dividends were taxed at the rate of 20/80 of the amount distributed as the net dividend. Starting from 1 January 2025 the rate is 22/78. From 2019, a lower tax rate on dividends of 14/86 were entered into force in Estonia for regular dividend payments – the more favourable tax rate can be applied to a dividend distribution that amounts to up to three preceding years' average dividend distribution that has been taxed. This means that a resident company was able to both apply a lower tax rate of 14/86 and a standard tax rate of 20/80.

The income tax calculated on dividends is recognised as the income tax expense of the period in which the dividends are declared irrespective of the period for which the dividends are declared or the period in which the dividends are ultimately distributed.

Deferred income tax

Latvia and Estonia

Deferred tax liabilities are recognised in the consolidated financial statements on undistributed profits of the subsidiaries, which will be subject to taxation upon distribution in foreseeable future. No other deferred tax assets and liabilities are recognised.

Lithuania

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit of the respective Group entity will be available against which the temporary differences can be utilised. As of 31 December 2024 deferred tax asset was calculated using income tax rate applicable since 1 January 2025 (16%).

EUR'000

	Group		Parent Company	
	2024	**2023**	**2024**	**2023**
Current income tax	54,406	33,604	48,282	31,099
Deferred income tax	1,472	4,008	–	–
TOTAL income tax	**55,878**	**37,612**	**48,282**	**31,099**

The movement on the deferred income tax accounts:

EUR'000

	Group			
	2024		**2023**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Deferred income tax at the beginning of the year	**800**	**5,475**	**–**	**667**
Deferred income tax on foreseeable profit distributions of subsidiaries	–	2,528	–	4,808
Deferred income tax relating to temporary differences	1,057	–	800	–
Deferred income tax at the end of the year	**1,857**	**8,003**	**800**	**5,475**

Article 50 of global minimum tax Directive (EU) 2022/2523 of 14 December 2022 allows member states that have 12 (twelve) or fewer ultimate parent entities (UPEs) of in-scope multinational enterprises (MNEs) groups to hold off on applying the Income Inclusion Rule (IIR) and Undertaxed Profit Rule (UTPR) for 6 (six) consecutive fiscal years starting on December 31. The Ministry of Finance of Republic of Latvia postponed the implementation of the Pillar Two rules by 6 (six) years starting from 31 December 2023 as allowed by exception. Considering the status of endorsement, the Group and the Parent Company has not identified material impact on its' financial statements.

13. Intangible Assets

a) Intangible assets (except greenhouse gas emission allowances)

Accounting policy

Assets under development are recognised in Statement of Financial Position within intangible assets and measured at cost until the intangible assets are completed and received.

Usage rights, licenses and software are shown at historical cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight–line method to allocate the cost of usage rights, licenses, and software over their estimated useful lives. Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding a period of use defined in agreement or five years.

Connection usage rights are the payments for the rights to use the transmission or distribution system's power grid. Connection usage rights are measured at cost net of amortisation and accumulated impairment that is calculated on straight–line basis to allocate the cost of connection usage rights to the residual value over the estimated period of relationship with a supplier (connection installer).

Goodwill is initially measured at cost. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group and the Parent Company re–assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's and the Company's cash–generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the acquisition of subsidiaries does not constitute a business, the transaction is accounted as assets acquisition. The cost of the group (net assets) is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase, and no goodwill is recognised. Acquired intangible assets are amortised over the best estimate of their useful life. If the economic benefit that flows from the acquired rights (intangible asset) is deferred pending action on other components of the business plan, the amortisation starts when related asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

EUR'000

	Group					Parent Company			
	Goodwill	Usage rights and licences	Software	Assets under development	TOTAL	Usage rights and licences	Software	Assets under development	TOTAL
As of 31 December 2022									
Cost	2,546	60,871	59,252	991	**123,660**	10,865	56,135	879	**67,879**
Accumulated amortisation	–	(27,136)	(44,735)	–	**(71,871)**	(6,854)	(42,628)	–	**(49,482)**
Net book amount	**2,546**	**33,735**	**14,517**	**991**	**51,789**	**4,011**	**13,507**	**879**	**18,397**
Year ended 31 December 2023									
Additions	–	–	–	6,608	**6,608**	–	–	6,717	**6,717**
Acquisition of subsidiaries	–	5,375	–	–	**5,375**	–	–	–	**–**
Transfers	–	10	5,406	(5,416)	**–**	10	5,065	(5,075)	**–**
Amortisation charge	–	(3,157)	(3,289)	–	**(6,446)**	(463)	(3,004)	–	**(3,467)**
Closing net book amount as of 31 December 2023	**2,546**	**35,963**	**16,634**	**2,183**	**57,326**	**3,558**	**15,568**	**2,521**	**21,647**
As of 31 December 2023									
Cost	2,546	66,253	63,729	2,183	**134,711**	10,875	60,270	2,521	**73,666**
Accumulated amortisation	–	(30,290)	(47,095)	–	**(77,385)**	(7,317)	(44,702)	–	**(52,019)**
Net book amount	**2,546**	**35,963**	**16,634**	**2,183**	**57,326**	**3,558**	**15,568**	**2,521**	**21,647**
Year ended 31 December 2024									
Additions	–	–	–	6,534	**6,534**	–	–	4,971	**4,971**
Acquisition of subsidiaries	1,602	47,546	–	–	**49,148**	–	–	–	**–**
Transfers	–	1,622	4,619	(6,241)	**–**	582	–	(582)	**–**
Impairment charge	–	(847)	–	–	**(847)**	–	–	–	**–**
Amortisation charge	–	(2,693)	(3,902)	–	**(6,595)**	(480)	–	(3,624)	**(4,104)**
Closing net book amount as of 31 December 2024	**4,148**	**81,591**	**17,351**	**2,476**	**105,566**	**3,660**	**15,568**	**3,286**	**22,514**
As of 31 December 2024									
Cost	4,148	115,422	68,311	2,476	**190,357**	11,456	60,270	6,874	**78,600**
Accumulated amortisation	–	(33,831)	(50,960)	–	**(84,791)**	(7,796)	(44,702)	(3,588)	**(56,086)**
Net book amount	**4,148**	**81,591**	**17,351**	**2,476**	**105,566**	**3,660**	**15,568**	**3,286**	**22,514**

As of 31 December 2024, cost of fully amortised intangible assets which are still in use for the Group amounted to EUR 17,857 thousand (31/12/2023: EUR 21,721 thousand) and for the Parent Company amounted to EUR 17,372 thousand (31/12/2023: EUR 21,268 thousand).

In 2024 and 2023 the Group and the Parent company has recognised intangible assets which are related with the rights acquired during acquisition of subsidiaries engaged in generation of electricity from renewable energy sources. It was evaluated that the acquisition does not constitute a business considering the parks were not operational at the moment of acquisition and did not involve in significant processes, therefore has to be accounted for as an asset acquisition. The use of the rights is deferred pending action on other components of the business plan. The ability to receive the economic benefits from the rights is linked directly to the ability to use the energy generation units, therefore, the rights are only available for use when the generation units are in place. Consequently, amortisation of the rights commences at the date the generation units are available for use. Estimated useful life for rights acquired is 25 years.

b) Current intangible assets (Greenhouse gas emission allowances)

Accounting policy

Emission rights for greenhouse gases (or allowances) are recognised at purchase cost when the Group or the Parent Company is able to exercise the control. Subsequently they are carried at cost less any impairment losses. Allowances received from the Government free of charge are recognised at zero cost. In those cases, when the quantity of emitted greenhouse gases exceeds the quantity of allowances allocated by the state free of charge, the Group and the Parent Company purchase additional allowances.

	Group		Parent Company	
	2024	2023	2024	2023
	Number of allowances	Number of allowances	Number of allowances	Number of allowances
At the beginning of the year	**1,020,342**	**1,116,363**	**995,397**	**1,099,264**
Allowances allocated free of charge*	68,468	79,673	60,311	70,737
Purchased allowances	518,000	479,000	518,000	479,000
Written off verified allowances	(702,688)	(654,694)	(700,364)	(653,604)
Sold allowances	(11,000)	–	–	–
At the end of the year	**893,122**	**1,020,342**	**873,344**	**995,397**

* The number of allowances received by the Group and the Parent Company from the Government free of charge, in accordance with the law "On Pollution" and Directives of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia. Therefore, their carrying amount as of 31 December 2024 was nil (31/12/2023: nil).

The Group and the Parent Company has reclassified individual positions in the statement of financial position ended 31 December 2023 related to CO_2 emission rights, presenting changes in current intangible assets and current liabilities (Note 2).

Current intangible assets

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
Net book amount at the beginning of the year	**69,312**	**70,847**	**69,312**	**70,847**
Additions	31,649	37,624	31,649	37,624
Written–off verified quotas	(46,345)	(39,159)	(46,345)	(39,159)
Closing net book amount at the end of the year	**54,616**	**69,312**	**54,616**	**69,312**

14. Property, Plant And Equipment

a) Property, plant and equipment

Accounting policy

Property, plant and equipment (PPE) are measured on initial recognition at cost. Following initial recognition PPE are stated at historical cost or revalued amount less accumulated depreciation and accumulated impairment loss, if any.

If an item of PPE consists of components with different useful lives and acquisition costs of such components are significant concerning the PPE value, these components are accounted as separate items.

Land is not depreciated. Depreciation on the other assets is calculated using the straight–line method to allocate their cost over their estimated useful lives, as follows:

Type of property, plant and equipment (PPE)	Estimated useful life, years
Buildings and facilities	15 – 100
Assets of Hydropower plants:	
- hydropower plants' buildings and facilities,	25 – 100
- hydropower plants' technology equipment and machinery	10 – 40
Distribution system electricity lines and electrical equipment:	
- electricity lines	30 – 50
- electrical equipment of transformer substations	30 – 35
Technology equipment and machinery	3 – 40
Other property, plant and equipment	2 – 25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Those are included in the Statement of Profit or Loss. If revalued property, plant and equipment have been sold, appropriate amounts are reclassified from revaluation reserve to retained earnings.

All PPE under construction are stated at historical cost and comprise of costs of construction of assets. The initial cost includes construction and installation costs and other direct costs related to construction of PPE. General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets is substantially ready for their intended use. Borrowing costs consist of interest and other costs that the Group or the Parent Company incur in connection with the borrowing of funds. Borrowing costs are capitalised to PPE proportionally to the part of the cost of PPE under construction over the period of construction. Assets under construction are not depreciated until the relevant assets are completed and ready for intended use, impairment test is performed when there is indication for impairment, either individually or at the cash-generating unit level. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the recoverable amount that is higher of the asset's the fair value less costs to sell and value in use.

The Group and the Parent Company classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and sale is considered highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Transfers are made from (or to) property, plant and equipment to (or from) investment property only when there is a change in use, and it does not change the carrying amount of the property transferred and do not change the cost measurement method of that property.

Impairment charge or reversed charge is included in the Statement of Profit or Loss under "Depreciation, amortisation and impairment of intangible assets, PPE and right-of-use assets".

Net book amounts and movements of property, plant and equipment by groups, including groups of revalued categories are as follows:

EUR'000

	Group							Parent Company					
	Land, buildings and facilities	Assets of Hydro Power Plant	Distribution system electricity lines and electrical equipment	Technology equipment and machinery	Other PPE	Assets under construction	Property, plant and equipment TOTAL	Land, buildings and facilities	Assets of Hydro Power Plant	Technology equipment and machinery	Other PPE	Assets under construction	Property, plant and equipment TOTAL
As of 31 December 2022													
Cost or revalued amount	430,936	2,522,235	3,049,406	661,918	174,442	65,536	**6,904,473**	345,690	2,522,235	630,073	102,954	38,667	**3,639,619**
Accumulated depreciation and impairment	(246,316)	(1,524,145)	(1,424,749)	(578,082)	(117,067)	(8,744)	**(3,899,103)**	(221,145)	(1,524,145)	(560,822)	(82,437)	(8,410)	**(2,396,959)**
Net book amount	**184,620**	**998,090**	**1,624,657**	**83,836**	**57,375**	**56,792**	3,005,370	**124,545**	**998,090**	**69,251**	**20,517**	**30,257**	1,242,660
Year ended 31 December 2023													
Additions	183	–	–	71	–	181,111	**181,365**	–	–	–	–	57,735	**57,735**
Transfers	6,611	6,889	84,967	6,937	16,697	(122,101)	**–**	1,653	6,889	1,975	10,559	(21,076)	**–**
Reclassified to investment property, net	(612)	–	–	–	–	–	**(612)**	(58)	–	–	–	–	**(58)**
Reclassified to non-current assets for sale	–	–	–	–	(39)	–	**(39)**	–	–	–	(18)	–	**(18)**
Disposals	(281)	(4)	(7,971)	(135)	(137)	(87)	**(8,615)**	(456)	(3)	(117)	(8)	(73)	**(657)**
Increase of assets as a result of revaluation	–	312,061	–	–	–	–	**312,061**	–	312,061	–	–	–	**312,061**
Reversed impairment charge as a result of revaluation	–	1,108	–	–	–	–	**1,108**	–	1,108	–	–	–	**1,108**
Impairment charge (Note14 c I)	(3,142)	–	–	(19,167)	–	(123)	**(22,432)**	(3,142)	–	(19,167)	–	(14)	**(22,323)**
Depreciation	(13,305)	(40,544)	(69,946)	(30,091)	(13,269)	–	**(167,155)**	(9,552)	(40,545)	(28,652)	(6,348)	–	**(85,097)**
Closing net book amount as of 31 December 2023	**174,074**	**1,277,600**	**1,631,707**	**41,451**	**60,627**	**115,592**	3,301,051	**112,990**	**1,277,600**	**23,290**	**24,702**	**66,829**	1,505,411
As of 31 December 2023													
Cost or revalued amount	436,256	2,842,752	3,080,841	668,461	182,656	124,459	**7,335,425**	346,561	2,842,752	631,707	105,830	75,254	**4,002,104**
Accumulated depreciation and impairment	(262,182)	(1,565,152)	(1,449,134)	(627,010)	(122,029)	(8,867)	**(4,034,374)**	(233,571)	(1,565,152)	(608,417)	(81,128)	(8,425)	**(2,496,693)**
Net book amount	**174,074**	**1,277,600**	**1,631,707**	**41,451**	**60,627**	**115,592**	3,301,051	**112,990**	**1,277,600**	**23,290**	**24,702**	**66,829**	1,505,411
Year ended 31 December 2024													
Additions	–	–	–	–	–	455,632	**455,632**	–	–	–	–	61,268	**61,268**
Acquisition of a subsidiary	603	–	–	8,111	–	10,163	**18,877**	–	–	–	–	–	**–**
Transfers	20,642	9,712	103,718	51,509	13,855	(199,436)	**–**	2,947	9,713	21,950	8,624	(43,234)	**–**
Reclassified (to) / from investment property, net	(123)	–	–	–	–	–	**(123)**	75	–	–	–	–	**75**
Reclassified to non-current assets for sale	(474)	–	–	(2,295)	(72)	–	**(2,841)**	–	–	(1)	(15)	–	**(16)**
Disposals	(197)	(91)	(8,014)	(31)	(216)	(73)	**(8,622)**	(41)	(92)	(15)	(21)	(25)	**(194)**
Impairment charge (Note14 c I)	(35,793)	–	–	(7,343)	(3,184)	(30,049)	**(76,369)**	(35,793)	–	(5,927)	(3,184)	(29,918)	**(74,822)**
Depreciation	(13,554)	(40,707)	(72,513)	(23,792)	(13,949)	–	**(164,515)**	(9,489)	(40,707)	(21,876)	(6,943)	–	**(79,015)**
Closing net book amount as of 31 December 2024	**145,178**	**1,246,514**	**1,654,898**	**67,610**	**57,061**	**351,829**	3,523,090	**70,689**	**1,246,514**	**17,421**	**23,163**	**54,920**	1,412,707
As of 31 December 2024													
Cost or revalued amount	456,848	2,848,451	3,130,581	724,600	190,184	390,746	**7,741,410**	349,426	2,848,451	653,526	109,429	93,262	**4,054,094**
Accumulated depreciation and impairment	(311,670)	(1,601,937)	(1,475,683)	(656,990)	(133,123)	(38,917)	**(4,218,320)**	(278,737)	(1,601,937)	(636,105)	(86,266)	(38,342)	**(2,641,387)**
Net book amount	**145,178**	**1,246,514**	**1,654,898**	**67,610**	**57,061**	**351,829**	3,523,090	**70,689**	**1,246,514**	**17,421**	**23,163**	**54,920**	1,412,707

The Group and the Parent Company have recognised impairment on capital expenditure projects for which operations have not taken place in the last 12 months and it is not known whether they will be completed within next 2 years, and a decision has not been taken on termination of the project.

As of 31 December 2024, cost of fully depreciated PPE which are still in use for the Group amounted to EUR 393,676 thousand (31/12/2023: EUR 347,207 thousand) and for the Parent Company amounted to EUR 351,717 thousand (31/12/2023: EUR 307,910 thousand).

In 2024 the Group and the Parent Company have capitalised borrowing costs in the amount of EUR 2,236 thousand (2023: EUR 1,328 thousand) (see Note 11). Rate of capitalised borrowing costs was of 2.86% (2023: 2.23%).

Information about the pledged property, plant and equipment is disclosed in Note 23 I.

b) Property, plant and equipment revaluation

Accounting policy

Revaluations have been made with sufficient regularity to ensure that the carrying amount of property, plant and equipment items subject to valuation does not differ materially from that which would be determined using fair value at the end of reporting period.

The following hydropower plants and distribution system assets (property, plant and equipment) are revalued regularly but not less frequently than every five years:

a) Assets of Hydropower plants:
- hydropower plants' buildings and facilities,
- hydropower plants' technology equipment and machinery.

b) Distribution system electricity lines and electrical equipment:
- electricity lines,
- electrical equipment of transformer substations.

Increase in the carrying amount arising on revaluation is recognised in the Statement of Comprehensive income as "Non-current assets revaluation reserve" in shareholders' equity. Decrease in the carrying amount arising on revaluation primarily offset previous increases recognised in 'Comprehensive income' and if decrease exceeds revaluation reserve, it is recognised in the Statement of Profit or Loss.

At the date of revaluation, initial carrying amounts and accumulated depreciation are increased or decreased proportionately with the change in the carrying amount of the asset so that the carrying amount of the asset after the revaluation equals its revalued amount.

Non-current assets revaluation reserve is decreased and transferred to retained earnings at the moment, when revalued asset has been written off or disposed.

Revaluation reserve cannot be distributed in dividends, invested in share capital, used for indemnity, reinvested in other reserves, or used for other purposes.

Carrying amounts of revalued categories of property, plant and equipment groups at revalued amounts and their cost basis are as follows:

EUR'000

	Group		
	Revalued property, plant and equipment groups		
	Assets of Hydropower plants (the Parent Company)	Distribution system electricity lines and electrical equipment	TOTAL revalued PPE
AT REVALUED AMOUNTS			
As of 31 December 2024			
Revalued	2,848,451	3,130,581	5,979,032
Accumulated depreciation	(1,601,937)	(1,475,683)	(3,077,620)
Revalued net book amount	**1,246,514**	**1,654,898**	**2,901,412**
As of 31 December 2023			
Revalued	2,842,752	3,080,841	5,923,593
Accumulated depreciation	(1,565,152)	(1,449,134)	(3,014,286)
Revalued net book amount	**1,277,600**	**1,631,707**	**2,909,307**
AT AMOUNTS STATED ON HISTORICAL COST BASIS			
As of 31 December 2024			
Cost	487,119	1,730,649	2,217,768
Accumulated depreciation	(217,404)	(611,155)	(828,559)
Net book amount	**269,715**	**1,119,494**	**1,389,209**
As of 31 December 2023			
Cost	479,618	1,628,116	2,107,734
Accumulated depreciation	(209,160)	(569,891)	(779,051)
Net book amount	**270,458**	**1,058,225**	**1,328,683**

Assets of Hydropower plants

Assets of Hydropower plants were revalued in 2023. The revaluation was performed by an independent, external and certified valuation expert by applying the income method or the replacement cost model. Income method is based on average perennial water inflow in each HPP, power exchange forecasts of electricity prices, analysis of historical generation and operating expenses, forecast of expenses based on publicly available state statistics, forecast of capital expenditure, forecast of net cash flows, as well as discount and capitalisation rate calculation based on market data.

Considering that the estimated replacement cost of the assets exceeded the value determined by using income method, the value of each of the hydropower plant assets item's estimated depreciated replacement cost was reduced to recognise the economic depreciation. The replacement cost was determined according to technical characteristics of property, plant and equipment, current technical requirements, and the cost of replacement of functional analogue less physical, functional, and economic depreciation.

As a result of revaluation in 2023 the carrying amounts of property, plant and equipment of hydropower plants increased by EUR 313,169 thousand. Increase of property, plant and equipment in the

amount of EUR 312,062 thousand is included in the equity as non-current assets revaluation reserve (see Note 21 a), while reversal of previously recognised impairment in the amount of EUR 1,108 thousand was recognised in the Statement of Profit or Loss.

The nominal pre–tax discount rate used in valuation was 8.88%. If the pre-tax rate would have been increased by 1% point then the value of the revalued assets of hydropower plants would have been decreased by EUR 174,063 thousand. If the pre–tax rate would have been decreased by 1% point, the value of the revalued assets of hydropower plants would have been increased by EUR 228,159 thousand. If electricity price would have been increased by 5%, the value of assets would have been increased by EUR 127,937 thousand, if the prices would have been by 5% less, the value of assets would have been decreased by EUR 127,937 thousand.

Distribution system assets

Distribution system electrical equipment was revalued as of 1 April 2020 and distribution system electricity lines were revalued as of 1 January 2021.

External valuation expert used cost approach and assessed how components of the replacement or renewal costs of the same property, plant and equipment items have changed since the previous revaluation. The same approach was used in valuation of electricity lines, by assessing the control estimate values of cost items of the electricity lines construction used for the construction of Sadales tīkls AS electricity network. The control estimate is an estimate of the median object for the construction or reconstruction of electricity lines, which corresponds to the median value of the price for each group of electricity lines (property, plant and equipment), not considering the extreme costs of construction. In the calculation of replacement costs, cost items of construction control estimates are priced according to market prices as of 1 January 2021.

Compared to 2020, when electrical equipment and electrical lines were revalued using the depreciated replacement cost method, there has been a general increase in inflation, construction and labour costs, as well as material prices. However, the Public Utilities Commission's "Methodology for Capital Cost Accounting and Calculation" stipulates that, when calculating the regulated asset base, asset values must be used without considering the impact of any asset revaluations performed after 31 December 2021. The management of Sadales tīkls AS has assessed that, in accordance with the methodology, the aforementioned cost increases cannot be included in the calculation of the recoverable (value in use) amount of the assets and has concluded that the fair value of the assets does not differ significantly from their carrying amount as of 31 December 2024.

c) Impairment

Accounting policy

Assets that are subject to depreciation or amortisation, land and investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects the current market expectations regarding the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash–generating unit to which the asset belongs. Impairment losses are recognised in Other comprehensive income and reversed to the asset revaluation surplus in equity for the assets accounted at revalued amount and in the Statement of Profit or Loss within 'amortisation, depreciation and impairment charge expenses' for the assets that are accounted at cost, less depreciation and impairment, or for the assets accounted at revalued amount in case if impairment charge exceeds revaluation surplus previously recognised on individual asset.

The key assumptions used in determining recoverable amount of the asset are based on the Group entities' or the Parent Company's management best estimation of the range of economic conditions that will exist over the remaining useful life of the asset, on the basis of the most recent financial budgets and forecasts approved by the management for a maximum period of 10 years. Assets are reviewed for possible reversal of the impairment whenever events or changes in circumstances indicate that impairment must be reviewed. The reversal of impairment for the assets that are accounted at cost, less depreciation and impairment, is recognised in the Statement of Profit or Loss. Reversal of impairment loss for revalued assets is recognised in the Statement of Profit or Loss to the extent that an impairment loss on the same revalued asset was previously recognised in the Statement of Profit or Loss; the remaining reversals of impairment losses of revalued assets are recognised in Other comprehensive Income.

I) Latvenergo AS combined heat and power plants (Latvenergo AS CHPPs)

Impairment review performed for Latvenergo AS CHPPs (generation and trade segment) is based on value in use calculations. The cash–generating unit is defined as the assets of Latvenergo AS CHPPs.

In October 2017, the Parent Company applied for a one-off compensation from the state, at the same time opting out of the receipt of 75% of the guaranteed annual payments for installed electrical capacity in combined heat and power plant CHPP–1 and CHPP–2 (Note 4 f). The one-off compensation was calculated as 75% of the discounted future guaranteed payments for installed electrical capacity. On 21 November 2017, the Cabinet of Ministers of the Republic of Latvia accepted an order on one–off compensation to Latvenergo AS on guaranteed support for the installed capacity of cogeneration power plants. Conditional grant part recognised as deferred income in the Group's and the Parent Company's statement of financial position (Note 28) and to be allocated to income on a straight-line basis until fulfilling obligation till the end of the support period 23 September 2028. EUR 23,990 thousand were recognised as 'Other income' in the Group's and Parent Company's statement of profit or loss in 2024 (2023: EUR 23,990 thousand) (Note 7). Consequently, EUR 89,470 thousand remained recognised as deferred income as of 31 December 2024 (31/12/2023: EUR 113,460 thousand) and to be allocated to income on a straight-line basis until fulfilling obligation till the end of the support period – 23 September 2028.

As of 31 December 2024, the future discounted cash flows generated by the operation of Latvenergo AS CHPPs are evaluated as negative in the amount of EUR 28,805 thousand (31/12/2023: EUR 34,351 thousand). More detailed information is given below. Consequently, the value of Latvenergo CHPPs assets is estimated equal to the sum of deferred income and future discounted cash flows as of 31 December 2024 EUR 60,665 thousand (31/12/2023: EUR 147,811 thousand). The book value of Latvenergo AS CHPPs assets as on 31 December 2024 is EUR 124,736 thousand (31/12/2023: EUR 170,120 thousand).

EUR'000

	31/12/2024	31/12/2023
Deferred income	89,470	113,460
Future discounted cash flow value	(28,805)	34,351
True value of assets	**60,665**	**147,811**
Book value	124,736	170,120
Impairment	**(64,071)**	**(22,309)**

As a result of the above transactions, in 2024 additional impairment was recorded in the amount of EUR 64,071 thousand for Latvenergo AS CHPPs (2023: impairment EUR 22,309 thousand) and included within class of assets: 'Land, buildings and facilities', 'Technology equipment and machinery', 'Other PPE' and 'Assets under construction'. The recognised impairment is included in the Statement of Profit or Loss position "Depreciation, amortisation and impairment of intangible assets, PPE and right-of-use assets". The accumulated impairment as of 31 December 2024 amounted to EUR 285,561 thousand (31/12/2023: EUR 221,491 thousand).

In order to ensure that the carrying amount is consistent with their recoverable amount in future periods, the expected future cash flows arising from the operations for the generation of electricity and heat of the Latvenergo AS CHPPs were assessed. The forecasts include the period from 2025 to 2028 and the assessment – of the terminal value in 2028, which is expressed as the amount of the future value of diesel fuel inventories necessary to ensure uninterrupted operations and water-heating boilers. The revenue cash flow forecast includes revenues from electricity and heat generation, as well as reduced electricity capacity payments since 2018, which are set for the CHPP-2 support period until 23 September 2028, in accordance with the Regulations of the Cabinet of Ministers of the Republic of Latvia No. 561 of 2 September 2020. The market prices of electricity, natural gas and emission allowances were forecast based on the latest estimates of third-party experts. The cost forecast is based on historical data, the 2025 budget approved by the management, concluded maintenance and equipment servicing contracts and the long-term inflation forecast of 2%. The nominal pre-tax discount rate used in 2024 is 9.26% (2023: 8.88%).

In addition, the assessment of the expected cash flow also includes the possible variations in the amount of potential negative impact if CHPP-2 fails to meet the efficiency criteria set out in the regulatory enactments in any of the next 4 years (indicator of primary energy savings >10%), as a result of which Latvenergo AS will be obliged to return a proportional part of the compensation received from the state in 2017 for waiving the 75% CHPP support intensity, which is 89.5 million EUR as of the end of 2024 (Note 28), but will decrease by EUR 24 million per year thereafter. The risk of not achieving the efficiency criterion set in the regulatory enactments is caused by expected increase of electricity generation in condensation mode and decrease in efficient cogeneration electricity output which will result in a decrease in overall CHPP efficiency indicator. Starting from February 2025 after the synchronization of the Baltic power systems with continental Europe, it is expected that the need to ensure CHPP electricity generation in condensation mode will increase by providing of balancing services in formed Baltic balancing capacity market. At the same time warmer weather conditions on average and increasing competition in the heat energy market will reduce the possibility of CHPP to operate in an efficient cogeneration mode. The operation of Latvenergo AS CHPP is flexibly adaptable to electricity market conditions and guarantees for Latvia significant electricity base capacities. Thermal power plants can almost completely ensure Latvia's electricity consumption in situations when, due to some circumstances, electricity imports from abroad are limited. Considering the synchronization was already known at the end of the year 2024 and as well considering both warmer weather conditions on average and increasing competition in the heat energy market, in assessment used weighted average of all possible outcomes and the negative impact on the expected cash flow in the coming years from the above-mentioned risk assessment is EUR 29,817 thousand. A discount rate of 3.9% was applied for risk assessment. The probability of the risk occurring in the next 4 year period, until 28 September 2028, when is binding the requirement to ensure the efficiency criteria of CHPP operations, is assessed with a probability of 60%, equally distributed in each of the individual years (15%). The assessment based on the above-mentioned factors that are expected to affect the generation regimes of CHPP.

The discounted future cash flow obtained as a result of the calculation in the reporting year is negative EUR 28,805 thousand (in 2023: positive EUR 34,351 thousand).

As of 31 December 2024, the Group and the Parent Company has performed a sensitivity analysis of the fair value test of Latvenergo AS CHPPs to changes in inputs:

EUR'000

	Discount rate		Electricity price*		Natural gas price*		Probability of not meeting the efficiency criterion in the next 4 years (60%)	
	1 pp increase	1 pp decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
Possible changes of CHPPs assets value	209	(206)	26,211	(26,211)	(13,680)	13,680	(4,969)	4,969

* Natural gas and electricity commodity costs are historically closely correlated

II) Sadales tīkls AS distribution system assets

Impairment review performed for electricity distribution system assets in accordance with IAS 36 and based on value in use calculations. Distribution system assets defined as the cash–generating unit. The nominal pre-tax discount market rate is used to determine the value in use of the cash flow generating unit by discounting the cash flow.

Key assumptions used in asset valuation	2024	2023
Discount rate	7.69%	7.24%
Long-term growth rate	2.00%	2.29%

In 2024, economic growth continued to be affected by geopolitical instability and the resulting uncertainty, leading to persistently high material costs. However, a positive trend emerged with declining interest rates. When evaluating asset impairment, the company considered price forecasts for key revenue and cost streams, as well as assumptions related to capital investment plans (based on approval from the Regulator). Considering these factors, no asset impairment was recognized in 2024 (2023: no impairment recognized). Furthermore, an asset recoverability test confirmed that the recoverable value of assets exceeded their balance sheet value. The Sadales tīkls AS management assumptions are based on the best available information at the time of financial statement approval. However, the impact of future events on the Sadales tīkls AS operations may differ from current estimates.

As of 31 December 2024, the Group has performed a sensitivity analysis of the fair value test of Sadales tīkls AS distribution system assets to changes in inputs:

	31/12/2024	31/12/2023
	Discount rate 1 pp increase	Discount rate 1 pp increase
Possible changes of distribution system assets value	no impairment	no impairment

The Management of Sadales tīkls AS has assessed that other indicators are not sensitive as according to regulatory framework are completely recoverable either through new tariff project or through regulatory account during current regulatory period.

d) Investment property

Accounting policy

Investment properties are land, or a building or part of a building held by the Group or the Parent Company as the owner to earn rentals or for capital appreciation, rather than for use in the production of goods or supply of services or for administrative purposes, or sale in the ordinary course of business. Investment property generates cash flows independently of the other assets held. The Group and the Parent Company apply the cost model in measurement of investment properties and subsequently measure at acquisition cost net of accumulated depreciation and impairment losses

The applied depreciation rates are based on estimated useful life set for respective fixed asset categories – from 15 to 80 years.

EUR'000

	Group			Parent Company		
	Investment properties for lease*	Investment property held for capital appreciation	TOTAL Investment property	Investment properties for lease*	Investment property held for capital appreciation	TOTAL Investment property
As of 31 December 2022						
Cost at the beginning of the year	1,784	758	2,542	2,700	214	2,914
Accumulated depreciation and impairment at the beginning of the year	(211)	(34)	(245)	(691)	(1)	(692)
Net book amount	**1,573**	**724**	**2,297**	**2,009**	**213**	**2,222**
Year ended 31 December 2023						
Reclassified from / (to) property, plant and equipment	–	612	612	–	58	58
Disposal	–	(7)	(7)	–	(1)	(1)
Sold	–	(581)	(581)	–	–	–
Depreciation	(12)	–	(12)	(18)	–	(18)
Closing net book amount as of 31 December 2023	**1,561**	**748**	**2,309**	**1,991**	**270**	**2,261**
As of 31 December 2023						
Cost at the beginning of the year	1,784	829	2,613	2,700	287	2,987
Accumulated depreciation and impairment at the beginning of the year	(223)	(81)	(304)	(709)	(17)	(726)
Net book amount	**1,561**	**748**	**2,309**	**1,991**	**270**	**2,261**
Year ended 31 December 2024						
Reclassified from / (to) property, plant and equipment	–	123	123	(196)	121	(75)
Disposal	–	(307)	(307)	–	(122)	(122)
Sold	–	(14)	(14)	–	(1)	(1)
Depreciation	(12)	–	(12)	(14)	–	(14)
Closing net book amount as of 31 December 2024	**1,549**	**550**	**2,099**	**1,781**	**268**	**2,049**
As of 31 December 2024						
Cost at the beginning of the year	1,784	632	2,416	2,328	286	2,614
Accumulated depreciation and impairment at the beginning of the year	(235)	(82)	(317)	(547)	(18)	(565)
Net book amount	**1,549**	**550**	**2,099**	**1,781**	**268**	**2,049**

* leased property, plant and equipment and real estate related to distribution and transmission system assets

15. Leases

a) Right-of-use assets and lease liabilities

Accounting policy

At the time of conclusion of the contract, the Group and the Parent Company assess whether the contract is a lease or contains a lease. A contract is a lease, or contains a lease, when the contract gives the right to control the use of an identified asset throughout the period of time in exchange for consideration.

Leases and right-of-use assets are recognised for all long–term leases that meet the criteria of IFRS 16 (the remaining lease term exceeds 12–months at the date of implementation of the standard).

Low value leases are not accounted fully, applying the additional exemptions for leases of land under transformer substations and electric transport charging stations, which are considered immaterial according to IFRS 16 criteria, as well as the value of assets is immaterial.

Leases are recognised as right-of-use assets and the corresponding lease liabilities at the date when leased assets are available for use of the Group and the Parent Company. The cost of the right-of-use an asset consists of:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs.

The right-of-use the asset is recognised as a separate item in the composition of non-current assets and is classified according to groups of property, plant and equipment.

The Group and the Parent Company account for the right-of-use assets of land, buildings, and facilities.

The right-of-use asset is amortised on a straight–line basis from the commencement date to the end of the useful life of the underlying asset. Depreciation is calculated on a straight–line basis from the commencement date of the lease to the end of the lease term unless an asset is scheduled to be redeemed. The right-of-use asset is periodically reduced for impairment losses, if any, and adjusted for any remeasurement of the lease liabilities.

Assets and lease liabilities arising from leases at commencement date are measured at the amount equal to the present value of the remaining lease payments, discounted by the interest rate implicit in the lease.

Lease liabilities are subsequently measured when there is a change in future lease payments due to changes of an index or a rate used to determine these payments, when the Group's and the Parent Company's estimate of expected payments changes, or when the Group and the Parent Company change their estimates of the purchase option, lease term modification due to extension or termination. When a lease liability is subsequently remeasured, the corresponding adjustment is made to the carrying amount of the right-of-use asset or recognised in the statement of profit or loss if the carrying amount of the right-of-use asset decreases to zero.

Each lease payment is divided between the lease liability and the interest expense on the lease. Interest expense on lease is recognised in the statement of profit or loss over the lease term to form a constant periodic interest rate for the remaining lease liability for each period.

Lease payments related to short–term leases are recognised as an expense in the statement of profit or loss on a straight–line basis. Short–term leases are leases with a lease term of 12 months or less at the commencement date.

The Group and the Parent Company have recognised the right-of-use assets for land, buildings and facilities, and on a lease of the fiber of the combined optical cable (OPGW – optical ground wire with dual function).

Right-of-use assets

EUR'000

	Group	Parent Company
	Land, buildings and facilities	Land, buildings and facilities
As of 31 December 2022		
Cost	16,784	8,436
Accumulated depreciation	(6,258)	(3,370)
Net book amount	**10,526**	**5,066**
Year ended 31 December 2023		
Additions	3,178	1,113
Recognised changes in lease agreements	(250)	(238)
Depreciation	(2,235)	(1,231)
Closing net book amount as of 31 December 2023	**11,219**	**4,710**
As of 31 December 2023		
Cost	17,994	9,311
Accumulated depreciation	(6,775)	(4,601)
Net book amount	**11,219**	**4,710**
Year ended 31 December 2024		
Additions	23,328	–
Recognised changes in lease agreements	(99)	(13)
Depreciation	(2,538)	(1,183)
Closing net book amount as of 31 December 2024	**31,910**	**3,514**
As of 31 December 2024		
Cost	41,034	9,297
Accumulated depreciation	9,124	(5,783)
Net book amount	**31,910**	**3,514**

Lease liabilities

EUR'000

	Group	Parent Company
As of 31 December 2022	**10,675**	**5,166**
Of which are:		
- Non-current	8,648	4,206
- Current	2,027	960
Year ended 31 December 2023		
Additions	3,178	1,113
Recognised changes in lease agreements	(245)	(238)
Payments for lease liabilities	(2,364)	(1,300)
Recognised interest liabilities	162	83
As of 31 December 2023	**11,406**	**4,824**
Of which are:		
- Non-current	9,015	3,607
- Current	2,391	1,217
Year ended 31 December 2024		
Additions	23,540	–
Recognised changes in lease agreements	(99)	(13)
Payments for lease liabilities	(2,754)	(1,248)
Recognised interest liabilities	463	61
As of 31 December 2024	**32,551**	**3,624**
Of which are:		
- Non-current	29,828	2,417
- Current	2,723	1,207

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

b) Expenses from leases (IFRS 16)

The following amounts are recognised in profit or loss:

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
Depreciation for the right-of-use assets (land buildings and facilities)	2,473	2,235	1,183	1,231
Interest expense on lease liabilities (included in finance costs)	363	162	61	83
Short–term and low value lease expenses	236	151	203	48
Variable lease payments not included in the lease liabilities	238	112	155	82
TOTAL expenses from leases	**3,310**	**2,660**	**1,602**	**1,444**

In the Statement of Cash Flows for the year ended 31 December 2024, lease payments of the Group in amount of EUR 372 thousand and the Parent Company in amount of EUR 505 thousand have been made by non–cash offsetting and included in cash flows from operating activities in working capital adjustments (2023: the Group in amount of EUR 370 thousand and the Parent Company in amount of EUR 534 thousand). Other lease payments of the Group in amount of EUR 2,398 thousand and the

Parent Company in amount of EUR 681 thousand are included in the cash flows from financing activities (payments of principal on leases) and in cash flows from operating activities (payments of interest on leases) (2023: the Group EUR 1,886 thousand and the Parent Company EUR 731 thousand).

c) Income from leases

EUR'000

	Note	Group		Parent Company	
		2024	2023	2024	2023
Income from leases (the Group and the Parent Company is the lessor)	6	1,513	1,478	3,264	3,070

Future minimum lease payments receivable under operating lease contracts by due dates (the Group and the Parent Company are the lessor):

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
– < 1 year	1,515	1,489	3,264	3,070
– 1–5 years	2,224	2,219	9,193	8,520
– > 5 years	1,486	1,486	1,486	1,486
TOTAL rental income	**5,225**	**5,194**	**13,943**	**13,076**

16. Non-current Financial Investments

Accounting policy

Basis of consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries' financial reports are consolidated from the date on which control is transferred to the Parent Company and are no longer consolidated from the date when control ceases. General information about entities included in consolidation and its primary business activities are disclosed in Note 16.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed to the Statement of Profit or Loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Intercompany transactions, balances, and unrealised gains on transactions between the Group's entities are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions with non-controlling interests and owners

The Group treats transactions with non-controlling interests as transactions with equity owners of the economic entity. Changes in a Parent's ownership interest in a subsidiary that do not result in the Parent losing control over the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners).

The Parent Company's effective ownership interest in subsidiaries

Company name	Date of establishment or acquisition	Country of incorporation	Operating segment	Principal activities	Effective ownership interest, %		Non-controlling interest's effective ownership interest, %	
					31/12/2024	31/12/2023	31/12/2024	31/12/2023
Sadales tīkls AS	18/09/2006	Latvia	Distribution	Electricity distribution	100%	100%	–	–
Enerģijas publiskais tirgotājs SIA	25/02/2014	Latvia	Generation and trade	Administration of mandatory electricity procurement process	100%	100%	–	–
Elektrum Eesti OÜ	27/06/2007	Estonia	Generation and trade	Electricity and natural gas trade	100%	100%	–	–
Elektrum Lietuva, UAB	07/01/2008	Lithuania	Generation and trade	Electricity and natural gas trade	100%	100%	–	–
Latvijas vēja parki SIA	22/07/2022	Latvia	Generation and trade	Electricity generation from RES	100%	80%	–	20%
Krāslavas SES SIA	05/01/2024	Latvia	Generation and trade	Electricity generation from RES	100%	–	–	–
Telšių vėjo parkas UAB	23/05/2024	Lithuania	Generation and trade	Electricity generation from RES	100%	–	–	–
Laflora Energy SIA	17/09/2024	Latvia	Generation and trade	Electricity generation from RES	100%	–	–	–
DSE Aizpute Solar SIA	07/11/2024	Latvia	Generation and trade	Electricity generation from RES	100%	–	–	–
Elektrum Next SIA	13/11/2024	Latvia	Generation and trade	Electricity generation from RES	100%	–	–	–
Liepājas enerģija SIA	06/07/2005	Latvia	Generation and trade	Thermal energy generation and trade, electricity generation	51%	51%	49%	49%

The Parent Company's subsidiaries' effective ownership interest

Company name	Date of establishment or acquisition	Country of incorporation	Operating segment	Principal activities	Effective ownership interest, %	
					31/12/2024	31/12/2023
Subsidiaries of Elektrum Eesti OÜ:						
Elektrum Latvija SIA	18/09/2012	Latvia	Generation and trade	Electricity trade	100%	100%
Energiaturu Võrguehitus OÜ	26/08/2021	Estonia	Generation and trade	Electricity microgrid services	100%	100%
HN Põld ja Mets 1 OÜ	31/05/2023	Estonia	Generation and trade	Electricity generation from RES	100%	100%
Solarpark Kuusalu OÜ	19/07/2024	Estonia	Generation and trade	Electricity generation from RES	100%	–
Subsidiaries of Elektrum Lietuva, UAB:						
Klaipėda unlimited sun UAB	27/01/2023	Lithuania	Generation and trade	Electricity generation from RES	100%	100%
Secundus Navitas UAB	25/05/2024	Lithuania	Generation and trade	Electricity generation from RES	100%	–

The Group's other non-current financial investments

EUR'000

Company name	Country of incorporation	Business activity profile	Effective ownership interest, %	
			31/12/2024	31/12/2023
Investments in joint ventures and associates (Group):				
Geniva UAB	Lithuania	Electricity generation from RES	50%	50%
Vėjo miestas UAB	Lithuania	Electricity generation from RES	50%	50%
Other non-current financial investments (Group):				
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15%	48.15%
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	0.0051%

The Group owns 48.15% of the shares of the closed pension fund Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS – 46.30%, Enerģijas publiskais tirgotājs SIA and Sadales tīkls – jointly 1.85%). However, the Group and the Parent Company are only a nominal shareholder as the Pension Fund is a non-profit company, and all risks and benefits arising from company's activities and investments in the pension plan are taken and accrued by the members of the Pension Fund pension plan. For this reason, the investment in Pirmais Slēgtais Pensiju Fonds AS is valued at acquisition cost.

Movement in non-current investments

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
At the beginning of the year	**42**	**40**	**671,720**	**647,320**
Acquisition of shares	–	4	49,318	–
Invested in share capital	–	–	135,921	24,400
Acquired shares from non-controlling interest	–	–	400	–
Change of investments in joint ventures using equity method	40	(2)	–	–
At the end of the year	**82**	**42**	**857,359**	**671,720**

Summarised financial information for subsidiaries

EUR'000

	Equity		Net profit / (loss) for the year		Dividends from subsidiaries*		Carrying amount of interest from investment	
Subsidiaries	**31/12/2024**	**31/12/2023**	**2024**	**2023**	**2024**	**2023**	**31/12/2024**	**31/12/2023**
Subsidiaries of the Parent Company:								
Sadales tīkls AS	999,955	985,972	28,256	16,906	16,906	–	641,450	641,450
Enerģijas publiskais tirgotājs SIA	40	40	–	–	–	–	40	40
Elektrum Eesti OÜ	748	1,031	(283)	359	–	455	35	35
Elektrum Lietuva, UAB	31,073	29,425	1,648	4,069	–	–	25,000	25,000
Companies of renewable energy generation	138,049	1,134	(2,415)	(675)	–	–	187,239	1,600
Liepājas enerģija SIA	15,556	16,793	3,005	3,243	2,163	469	3,556	3,556
TOTAL Subsidiaries of the Parent Company	**1,185,421**	**1,034,395**	**30,211**	**23,902**	**19,069**	**924**	**857,320**	**671,681**
Subsidiaries of Elektrum Eesti OÜ:								
Total Elektrum Eesti OÜ interests	**4,549**	**3,593**	**772**	**657**	**–**	**–**	**7,739**	**6,204**
Subsidiaries of Elektrum Lietuva, UAB:								
Total Elektrum Lietuva, UAB interests	**(380)**	**3**	**(380)**	**–**	**–**	**–**	**5,696**	**3,932**

* in 2024 dividends from subsidiaries received in cash in the amount of EUR 2,163 thousand and with non–cash offset in the amount of EUR 16,906 thousand (2023: EUR 924 thousand received in cash)

Summarised financial information for non-controlling interests

EUR'000

	Non-current assets		Current assets		Non-current liabilities		Current liabilities	
Meitassabiedrības nekontrolējošā līdzdalība	**31/12/2024**	**31/12/2023**	**31/12/2024**	**31/12/2023**	**31/12/2024**	**31/12/2023**	**31/12/2024**	**31/12/2023**
Latvijas vēja parki SIA (20%)*	–	754	–	297	–	–	–	824
Liepājas enerģija SIA (49%)	14,484	14,632	2,106	3,815	6,011	7,260	2,956	2,959

* On 23 April 2024, Latvijas valsts meži AS and Latvenergo AS entered into an agreement on alienation of all shares of Latvijas vēja parki SIA owned by Latvijas valsts meži (20%), thus, on 2 May 2024, Latvenergo AS became the owner of 100% of the shares of Latvijas vēja parki SIA

Business combinations and acquisition of ownership interests

Accounting policy

The Group and the Company applied the acquisition accounting method to account for business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group's management carried out the assessment and established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents goodwill.

On 19 July 2024 the Parent Company's subsidiary Elektrum Eesti OÜ acquired 100% of ownership interest in Solarpark Kuusalu OÜ. Acquired company specialises in generation of electricity from RES, and thus increased Latvenergo Group's competitiveness in the Estonian renewable energy generation market. Business combinations are accounted for by applying the acquisition method.

17. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using the weighted average method, except of natural gas inventory held per Inčukalns underground gas storage where cost is determined using FIFO method. Goods for sale are determined using FIFO or weighted average cost method, or specific identification method.

Purchase cost of inventories consists of the purchase price, import charges and other fees and charges, freight–in and related costs as well as other costs directly incurred in bringing the materials and goods to their present location and condition. The value of inventories is assigned by charging trade discounts, reductions, and similar allowances. Existence of inventories as of the end of reporting period is verified during stock–taking.

At the end of each reporting year the inventories are reviewed for any indications of obsolescence. When obsolete or damaged inventories are identified, allowances are recognised to their recoverable amount. Additionally, during the reporting year at least each month inspection of idle inventories is performed with the purpose to identify obsolete and damaged inventories. Allowances for an impairment loss are recognised for those inventories.

The following basic principles are used in determining impairment losses for idle inventories:

a) Maintenance inventories for machinery and equipment of hydropower plants and thermal power plants that haven't turned over during last 12 months are impaired in amount of 90%, while inventories haven't turned over during last 6 months are impaired in amount of 45%

b) Inventories that haven't turned over during last 12 months are fully impaired, while inventories that haven't turned over during last 6 months are impaired in amount of 50%,

c) Allowances are not calculated for the fuel necessary to ensure uninterrupted operations of hydropower and combined heat and power plants, for natural gas and scraps.

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Natural gas (at cost)	117,552	119,250	117,552	119,250
Raw materials and materials (at cost)	22,265	23,377	1,167	1,205
Goods for sale (at lower of cost and net realisable value)	9,749	13,809	1,537	3,916
Other inventories (at cost)	19,285	19,359	18,906	18,900
Unfinished products and orders (at cost)	659	6,490	–	88
Prepayments for natural gas and other inventories	4,976	4,603	2,189	4,026
Allowances for impaired inventories	(4,924)	(3,090)	(1,273)	(1,340)
TOTAL inventories	**169,562**	**183,798**	**140,078**	**146,045**

Increase in the allowance for raw materials and materials at warehouses in amount of EUR 1,834 thousand (2023: increase of EUR 1,710 thousand) for the Group and decrease in amount of EUR 67 thousand (2023: increase of EUR 471 thousand) for the Parent Company are included in the Statement of Profit or Loss position 'Raw materials and consumables used'.

18. Receivables From Contracts With Customers And Other Receivable

Accounting policy

Receivables from contracts with customers and other receivables are classified in groups:

a) Energy (electricity and natural gas) and related services sales, including distribution system services,

b) Heating sales,

c) Other sales (IT & telecommunication services, connection service fees and other services),

d) Receivables from subsidiaries,

e) Other financial receivables.

Receivables from contracts with customers are recognised initially when they originated. Receivables without a significant financing component are initially measured at the transaction price and subsequently are measured at amortised cost.

The Group and the Parent Company consider the evidence of impairment for the receivables from contracts with customers and other receivables at both an individual and a collective level. All individually significant receivables and receivables of energy industry companies and related parties are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Receivables that are not individually significant are collectively assessed for impairment using the portfolio model. Collective assessment is carried out by grouping together receivables with similar risk characteristics and the days past due. The Group and the Parent Company have applied two expected credit loss models: portfolio model and counterparty model.

The expected loss rates used for portfolio model are based on the payment profiles of sales over a period of 5 years and the corresponding historical credit losses experienced within this period and are adjusted to reflect current and forward-looking information. The Group and the Parent Company apply the IFRS 9 simplified approach to measuring expected credit losses of the collectively assessed receivables (portfolio model) using lifetime expected loss allowance.

For individually significant other receivables and other receivables of energy industry companies and related parties' receivables the Group and the Parent Company apply the IFRS 9 general approach to measuring expected credit losses (counterparty model) using expected credit loss allowance on assessment of significant increase of credit risk. The expected credit losses according to this model are based on assessment of the individual counterparty's risk of default based on Moody's corporate default and recovery rates for the Latvenergo group's and the relevant industry's entities (Note 4 b).

a) Receivables from contracts with customers, net

Receivables from contracts with customers grouped by the expected credit loss (ECL) assessment model, net

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Individually assessed receivables with lifetime ECL assessment (counterparty model)	47,125	28,381	44,587	30,943
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	142,983	196,541	84,073	130,731
TOTAL receivables from contracts with customers	**190,108**	**224,922**	**128,660**	**161,674**

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Receivables from contracts with customers:				
- Electricity, natural gas trade and related services customers (portfolio model)	143,911	194,928	86,585	128,213
- Electricity and related services customers (counterparty model)	19,770	8,273	–	–
- Heating customers (portfolio model)	17,252	23,907	14,341	20,289
- Other receivables from contracts with customers (portfolio model)	3,461	4,418	459	1,279
- Other receivables from contracts with customers (counterparty model)	27,432	20,165	25,985	19,936
- Subsidiaries (counterparty model)	–	–	18,663	11,057
	211,826	**251,691**	**146,033**	**180,774**
Allowances for expected credit loss from contracts with customers:				
- Electricity, natural gas trade and related services customers (portfolio model)	(19,840)	(24,752)	(16,956)	(18,682)
- Electricity and related services customers (counterparty model)	(24)	(17)	–	–
- Heating customers (portfolio model)	(341)	(360)	(333)	(348)
- Other receivables from contracts with customers (portfolio model)	(1,460)	(1,600)	(23)	(20)
- Other receivables from contracts with customers (counterparty model)	(53)	(40)	(52)	(40)
- Subsidiaries (counterparty model)	–	–	(9)	(10)
	(21,718)	**(26,769)**	**(17,373)**	**(19,100)**
Receivables from contracts with customers, net:				
- Electricity, natural gas trade and related services customers (portfolio model)	124,071	170,176	69,629	109,531
- Electricity and related services customers (counterparty model)	19,746	8,256	–	–
- Heating customers (portfolio model)	16,911	23,547	14,008	19,941
- Other receivables from contracts with customers (portfolio model)	2,001	2,818	436	1,259
- Other receivables from contracts with customers (counterparty model)	27,379	20,125	25,933	19,896
- Subsidiaries (counterparty model)	–	–	18,654	11,047
	190,108	**224,922**	**128,660**	**161,674**

Receivables from contracts with customers with lifetime expected credit losses (ECL) assessed on the portfolio model basis and grouped by past due days

EUR'000

		Group						Parent Company					
		31/12/2024			31/12/2023			31/12/2024			31/12/2023		
Late payment delay in days	ECL rate	Receivables	Allowances for ECL	Net	Receivables	Allowances for ECL	Net	Receivables	Allowances for ECL	Net	Receivables	Allowances for ECL	Net
On time	0,20%	138,332	(290)	**138,042**	186,282	(389)	**185,893**	82,100	(180)	**81,920**	123,163	(267)	**122,896**
Less than 30 days	3%	3,767	(113)	**3,654**	6,693	(201)	**6,492**	1,404	(42)	**1,362**	5,136	(154)	**4,982**
Past due 30 – 59 days	20%	719	(144)	**575**	1,154	(231)	**923**	479	(96)	**383**	795	(159)	**636**
Past due 60 – 89 days	50%	307	(154)	**153**	3,337	(1,668)	**1,669**	154	(77)	**77**	2,809	(1,405)	**1,404**
Past due 90 – 179 days	60%	622	(373)	**249**	1,806	(1,084)	**722**	309	(186)	**123**	426	(255)	**171**
Past due 180 – 359 days	75%	917	(687)	**230**	1,668	(1,251)	**417**	511	(383)	**128**	900	(675)	**225**
Past due more than 360 days	100%	10,186	(10,186)	**–**	10,049	(10,049)	**–**	6,820	(6,820)	**–**	7,366	(7,366)	**–**
Individually assessed	90%	8,228	(8,148)	**80**	10,763	(10,338)	**425**	8,126	(8,046)	**80**	7,776	(7,359)	**417**
Insolvent debtors*	100%	1,546	(1,546)	**–**	1,501	(1,501)	**–**	1,482	(1,482)	**–**	1,410	(1,410)	**–**
TOTAL		**164,624**	**(21,641)**	**142,983**	**223,253**	**(26,712)**	**196,541**	**101,385**	**(17,312)**	**84,073**	**149,781**	**(19,050)**	**130,731**

* Receivables under insolvency process and with an established payment schedule

Receivables from contracts with customers with lifetime expected credit losses (ECL) assessed on the counterparty model basis

EUR'000

	Note	Group		Parent Company	
		31/12/2024	31/12/2023	31/12/2024	31/12/2023
Receivables of electricity and related services customers		19,770	8,273	–	–
Allowances for expected credit loss on receivables of electricity and related services customers		(24)	(17)	–	–
Other receivables from contracts with customers		27,432	20,165	25,985	19,936
Allowances for expected credit loss on other receivables from contracts with customers		(53)	(40)	(52)	(40)
Receivables from subsidiaries	29 b	–	–	10,611	10,779
Accrued income from subsidiaries	29 c	–	–	8,052	278
Allowances for expected credit loss on subsidiaries receivables	29 b	–	–	(9)	(10)
TOTAL		**47,125**	**28,381**	**44,587**	**30,943**

Allowances for impairment loss are calculated based on Moody's credit rating agency corporate default and debt recovery rate assigned for credit rating level – Baa2 (stable) (for receivables from related parties) and corporate default and debt recovery rate assigned for energy utilities industry.

There is no significant concentration of credit risk with respect to receivables from contracts with customers as the Group and the Parent Company have large number of customers except major heating customer the net debt of which as of 31 December 2024 amounted to EUR 15,291 thousand (31/12/2023: EUR 25,757 thousand).

The Management assumptions and methodology for estimation of impairment for receivables from contracts with customers and evaluation of impairment risk are described in Note 4.

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
At the beginning of the year	**26,769**	**19,957**	**19,100**	**16,411**
Receivables written off during the year as uncollectible	(1,981)	(2,048)	(1,510)	(1,789)
Allowances for expected credit losses	(3,070)	8,860	(217)	4,478
At the end of the year	**21,718**	**26,769**	**17,373**	**19,100**

b) Other financial receivables (assessed on the counterparty model basis)

EUR'000

	Level of SICR	Group		Parent Company	
		31/12/2024	31/12/2023	31/12/2024	31/12/2023
Current financial receivables:					
Unsettled costs of mandatory procurement and guaranteed fee for the installed electrical capacity of CHHP, net*	Stage 1	23,544	32,286	–	–
Receivables for lease	Stage 1	15	15	11	9
	Stage 3	–	3	–	2
Other current financial receivables	Stage 1	10,156	12,289	7,327	2,589
	Stage 3	–	4,429	–	3,854
Other accrued income	Stage 1	315	586	315	586
Allowances for expected credit loss	Stage 1	(2,273)	(102)	–	(50)
	Stage 3	–	(1,534)	(1,934)	(1,237)
Receivables for lease from subsidiaries (Note 29 b)	Stage 1	–	–	21	26
Other financial receivables from subsidiaries (Note 29 b)	Stage 1	–	–	23,377	30,837
Other accrued income from subsidiaries (Note 29 c)	Stage 1	–	–	5,501	14,630
Allowances for expected credit loss on subsidiaries receivables (Note 29 b)	Stage 1	–	–	(17)	(21)
TOTAL other financial receivables		**31,757**	**47,972**	**34,601**	**51,225**

* by applying agent principle, uncovered costs of mandatory procurement and guaranteed fee for the installed electrical capacity of cogeneration power plants are recognised as assets in net amount, as difference between revenue and costs recognised under the mandatory procurement.

As of 31 December 2024 the Group and the Parent Company have no significant concentration of credit risk with respect to other financial receivables except the Group's receivable from State for uncovered costs of mandatory procurement and guaranteed fee for the installed electrical capacity of cogeneration power plants recognised as assets – EUR 23,544 thousand (31/12/2023: EUR 32,286 thousand) and for the Company as of 31 December 2024 receivable from subsidiary Sadales tīkls AS – the net debt of which amounted to EUR 28,784 thousand (31/12/2023: EUR 31,320 thousand). Loss allowance for other financial receivables assessed individually and based on counterparty's model (Note 4).

c) Other non-financial receivables

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Non-current non–financial receivables	540	447	470	447
Current non–financial receivables	1,171	2,109	638	1,055
TOTAL non–financial receivables	**1,711**	**2,556**	**1,108**	**1,502**

None of the receivables are secured with pledges or otherwise. The carrying amounts of other receivables are assumed to approximate their fair values.

19. Cash And Cash Equivalents

Accounting policy

Cash and cash equivalents include cash balances on bank accounts, demand deposits at bank and other short–term deposits with original maturities of three months or less.

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Cash at bank	86,471	78,373	63,400	67,080
Short–term bank deposits	–	40,000	–	40,000
Other cash equivalents	83	83	83	83
TOTAL cash and cash equivalents	**86,554**	**118,456**	**63,483**	**107,163**

Cash at bank balances earns daily interest for the Group mostly based on floating interbank deposit rates. Short–term deposits are placed by the Group for different periods between three and six months depending on the immediate cash needs of the Group and cash flow forecasts. During 2024 the average annual effective interest rate earned on short–term cash deposits was 3.91% (in 2023: 3.60%).

As of 31 December 2024, the Group and the Parent Company had deposits at banks in amount of EUR 209,842 thousand (including provisions for impairment of EUR 158 thousand), with maturity date longer than 3 months that does not comply with the principles of recognition as cash equivalents (31/12/2023: EUR 140,000 thousand). These deposits are presented as 'Other current financial investments' in the Statement of Financial Position.

The carrying amounts of cash are assumed to approximate their fair values.

20. Share Capital

As of 31 December 2024, the registered share capital of the Latvenergo AS is EUR 790,368 thousand (31/12/2023: EUR 790,368 thousand) and consists of 790,368 thousand ordinary shares (31/12/2023: 790,368 thousand) with the nominal value of EUR 1 per share (31/12/2023: EUR 1 per share). All shares have been fully paid.

21. Reserves, Dividends And Earnings Per Share

a) Reserves

EUR'000

	Note	Group					Parent Company			
		Non-current assets revaluation reserve	Hedge reserve	Defined benefit plan revaluation reserve	Other reserves	TOTAL	Non-current assets revaluation reserve	Hedge reserve	Defined benefit plan revaluation reserve	TOTAL
As of 31 December 2022		**1,373,991**	**(90,265)**	**(1,153)**	**110**	**1,282,683**	**1,002,274**	**(90,265)**	**(1,326)**	**910,683**
Increase of non-current assets revaluation reserve as a result of revaluation	14 a	312,061	–	–	–	**312,061**	312,061	–	–	**312,061**
Disposal of revaluation reserve	14 a	(9,613)	–	–	–	**(9,613)**	(561)	–	–	**(561)**
Losses on re–measurement of defined post–employment benefit plan	27 a	–	–	(2,709)	–	**(2,709)**	–	–	(1,144)	**(1,144)**
Gains from fair value changes of derivative financial instruments	24 l	–	99,380	–	–	**99,380**	–	99,380	–	**99,380**
Formed statutory reserves		–	–	–	50	**50**	–	–	–	**–**
As of 31 December 2023		**1,676,439**	**9,115**	**(3,862)**	**160**	**1,681,852**	**1,313,774**	**9,115**	**(2,470)**	**1,320,419**
Disposal of revaluation reserve	14 a	(10,754)	–	–	–	**(10,754)**	(928)	–	–	**(928)**
Losses on re–measurement of defined benefit plan	27 a	–	–	4,520	–	**4,520**	–	–	1,882	**1,882**
Losses from fair value changes of derivative financial instruments	24 l	–	(19,645)	–	–	**(19,645)**	–	(19,645)	–	**(19,645)**
Formed statutory reserves		–	–	–	4,095	**4,095**	–	–	–	**–**
As of 31 December 2024		**1,665,686**	**(10,530)**	**656**	**4,255**	**1,660,067**	**1,312,846**	**(10,530)**	**(588)**	**1,301,728**

Non-current assets revaluation reserve, post–employment benefit plan revaluation and hedge reserves cannot be distributed as dividends. Other reserves are maintained with the aim to maintain stability in the operations of the Group entities.

b) Dividends

Accounting policy

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Parent Company's shareholders.

In June 2024 Latvenergo AS paid dividends to the State in amount of EUR 212,199 thousand for reporting year 2023 profit or EUR 0.268 per share (in 2023 for 2022: EUR 152,538 thousand or EUR 0.232 per share).

According to the Law "On state budget for 2024 and budgetary framework for 2025, 2026 and 2027" the expected amount of dividends to be paid by Latvenergo AS for the use of state capital in 2025 (for the reporting year 2024) is 70% of the profit for the reporting year, but not less than EUR 183.9 million, corporate income tax calculated and paid in accordance with the laws and regulations. The distribution of net profit and amount of dividends payable is subject to a resolution of the Latvenergo AS Shareholders Meeting.

c) Earnings per share

Accounting policy

The Group's share capital consists of the Parent Company's ordinary shares. All shares have been fully paid.

Basic earnings per share are calculated by dividing profit attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding (Note 20). As there are no potential ordinary shares, diluted earnings per share are equal to basic earnings per share in all comparable periods.

	Group		Parent Company	
	2024	2023	2024	2023
Profit attributable to the equity holder of the Parent Company (in thousand EUR)	272,081	349,749	265,575	331,561
Weighted average number of shares (thousand)	790,368	790,368	790,368	790,368
Basic earnings per share (in euros)	0.344	0.443	0.336	0.420
Diluted earnings per share (in euros)	0,344	0.443	0.336	0.420

22. Changes In Liabilities Arising From Financing Activities

The changes in lease liabilities (Note 15):

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
Net book amount at the beginning of the year	**11,406**	**10,675**	**4,824**	**5,166**
Recognised changes in lease agreements	23,436	2,933	(13)	875
Paid lease payments in cash	(2,398)	(1,886)	(681)	(731)
Paid lease payments by non-cash offset	(372)	(370)	(505)	(534)
Change in accrued liabilities	16	(108)	(62)	(35)
Recognised interest liabilities	463	162	61	83
Closing net book amount at the end of the year	**32,551**	**11,406**	**3,624**	**4,824**

In 2024, the movement for borrowings (Note 23) relates to cash flows, except the effect of accrued but not yet paid interest – for the Group increase in the amount of EUR 304 thousand and for the Parent company increase in the amount of EUR 341 thousand (2023: the Group – increase of EUR 2,868 thousand, the Parent Company – increase of EUR 2,834 thousand).

In 2024, deferred income on financing from European Union funds (Note 28) consists of movement in cash, except the credited amount to Statement of Profit or Loss – for the Group in the amount of EUR 948 thousand and for the Parent company in the amount of EUR 142 thousand (2023: the Group – EUR 909 thousand, the Parent Company – EUR 142 thousand).

23. Borrowings

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Non-current portion of non-current borrowings from credit institutions	415,351	336,408	408,190	327,174
Non-current portion of issued debt securities (bonds)	199,929	199,908	199,929	199,908
Total non-current borrowings from financial institutions	**615,280**	**536,316**	**608,119**	**527,082**
Current portion of non-current borrowings from credit institutions	121,057	86,625	118,982	84,491
Current borrowings from state development finance institutions	30	–	30	–
Accrued interest on non-current borrowings from credit institutions	3,167	2,891	3,057	2,742
Accrued coupon interest on issued debt securities (bonds)	3,871	3,864	3,871	3,864
Total current borrowings from financial institutions	**128,125**	**93,380**	**125,940**	**91,097**
TOTAL borrowings from financial institutions	**743,405**	**629,696**	**734,059**	**618,179**
Current borrowings from related parties*	–	–	31,101	–
Total current borrowings	**128,125**	**93,380**	**157,041**	**91,097**
TOTAL borrowings	**743,405**	**629,696**	**765,160**	**618,179**

Movement in borrowings:

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
At the beginning of the year	**629,696**	**875,918**	**618,179**	**863,938**
Received borrowings from credit institutions	200,000	2,000	200,000	–
Repaid borrowings from credit institutions	(86,625)	(301,090)	(84,491)	(295,276)
Received borrowings from state development finance institutions	30	–	30	–
Proceeds from issued debt securities (bonds)	–	50,000	–	50,000
Borrowings received / (repaid) from related parties	–	–	31,101	(3,317)
Change in accrued interest on borrowings from credit institutions	283	2,847	320	2,813
Changes in outstanding value of issued debt securities (bonds)	21	21	21	21
At the end of the year	**743,405**	**629,696**	**765,160**	**618,179**

Borrowings by categories of lenders:

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
International financial Institutions	192,409	224,186	192,409	224,186
Commercial banks	347,166	201,738	337,820	190,221
State institution	30	–	30	–
Issued debt securities (bonds)	203,800	203,772	203,800	203,772
Total borrowings from financial institutions	**743,405**	**629,696**	**734,059**	**618,179**
Related parties*	–	–	31,101	–
TOTAL borrowings	**743,405**	**629,696**	**765,160**	**618,179**

* Within the framework of the Agreement 'On Provision of Mutual Financial Resources', as of 31 December 2024, Parent Company had a borrowing from Sadales tīkls AS in the amount of EUR 31,101 thousand (31/12/2023: nil), (the information is disclosed in the Note 29. II).

Borrowings from financial institutions by contractual maturity, excluding the impact of derivative instruments to the interest rate:

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Fixed rate non – current and current borrowings:				
- < 1 year (current portion of non-current borrowings)	3,871	3,864	3,871	3,864
- 1–5 years	199,929	149,908	199,929	149,908
- > 5 years	–	50,000	–	50,000
Total fixed rate borrowings	**203,800**	**203,772**	**203,800**	**203,772**
Floating rate non – current and current borrowings:				
- < 1 year (current borrowings)	30	–	30	–
- < 1 year (current portion of non-current borrowings)	124,203	89,495	122,018	87,212
- 1–5 years	277,056	246,228	271,068	239,433
- > 5 years	138,316	90,201	137,143	87,762
Total floating rate borrowings	**539,605**	**425,924**	**530,259**	**414,407**
TOTAL borrowings	**743,405**	**629,696**	**734,059**	**618,179**

Borrowings from financial institutions by repricing of interest, including the impact of derivative instruments:

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
- < 1 year	467,286	344,074	457,940	332,557
- 1–5 years	276,119	235,622	276,119	235,622
- > 5 years	–	50,000	–	50,000
TOTAL borrowings	**743,405**	**629,696**	**734,059**	**618,179**

As of 31 December 2024, and as of 31 December 2023 all of the Group's and the Parent Company's borrowings were denominated in euros.

The fair value of current and non-current borrowings with floating interest rates approximate their carrying amount, as their actual floating interest rates approximate the market price of similar financial instruments available to the Group and the Parent Company, i.e., the floating part of the interest rate corresponds to the

money market price while the added part of the interest rate corresponds to the risk premium the lenders in financial and capital markets require from companies of similar credit rating level; therefore, the effect of fair value revaluation is not significant.

Lease liabilities of the Group and the Parent Company are disclosed in Note 15.

I) Pledges

As of 31 December 2024, the Group's and the Parent Company's assets are not pledged to secure the borrowings, except the pledge on assets of Liepājas Enerģija SIA of maximum secured claims in the amount of EUR 19 million (31/12/2023: EUR 19 million) to secure its current and non-current borrowings. As of the end of the reporting year there has been pledged the property, plant and equipment in the net book amount of EUR 16 million and the claims on the receivable's accounts in the amount of EUR 3 million (31/12/2023: EUR 15 million and EUR 4 million, respectively).

II) Un–drawn borrowing facilities

As of 31 December 2024, the un–drawn committed non-current credit facilities amount to EUR 230 million (31/12/2023: EUR 200 million).

As of 31 December 2024, the Group had entered into one overdraft agreements with total notional amount of EUR 100 million (31/12/2023: six overdraft agreements of EUR 236 million) of which one overdraft agreements were entered by the Parent Company with total notional amount of EUR 100 million (31/12/2023: four overdraft agreements of EUR 230 million). In respect of all the overdraft agreements all conditions precedent have been met.

At the end of the reporting year of total credit lines limits were used EUR 71.7 million in a form as bank issued bank guarantee by the Group and by the Parent Company (31/12/2023: Parent Company used EUR 16.1 million).

III) Weighted average effective interest rate

During the reporting year the weighted average effective interest rate of the Group (including interest rate swaps) on non-current borrowings was 3.3% (2023: 3.2%), weighted average effective interest rate for current borrowings from financial institutions was 0.29% (2023: 0.48%). As of 31 December 2024, interest rates for non-current borrowings in euros were 6 months EURIBOR+ 0.94% (31/12/2023: + 0.87%) for the Group and 6 months EURIBOR+ 0.93% (31/12/2023: + 0.86%) for Latvenergo AS. As of 31 December 2024, the total notional amount of interest rate swap agreements concluded by the Group amounted to EUR 76 million (31/12/2023: EUR 105 million) and the interest rate was fixed for the initial periods from 7 to 10 years.

IV) Issued and outstanding debt securities (bonds)

In 2015 and in 2016 the Parent Company (Latvenergo AS) issued green bonds in the total amount of EUR 100 million with the maturity date 10 June 2022 (ISIN code – LV0000801777) with the annual coupon rate of 1.9%. In 2021 Latvenergo AS issued green bonds in the total amount of EUR 50 million with the maturity date 17 May 2028 (ISIN code – LV0000802460) with the annual coupon rate of 0.5% under the third bond programme in the total amount of EUR 200 million. Continuing bond issuance within the framework of the third bond programme, on May 5, 2022, Latvenergo AS issued five-year green bonds with a total nominal value of EUR 100 million, a maturity date of 5 May 2027, a fixed annual interest rate (coupon) and a yield of 2.42% (ISIN code – LV0000870129). On February 22, 2023, Latvenergo AS concluded the bond program by issuing six-year green bonds with a total nominal value of EUR 50 million with a maturity date of February 22, 2029, and a fixed interest rate (coupon) and yield of 4.952% per year (ISIN code – LV0000802684). The total nominal amount of outstanding bonds as of 31 December 2024 was EUR 200 million (31/12/2023: EUR 200 million). All issued bonds are quoted in NASDAQ Baltic Stock Exchange. The issued debt securities (bonds) are measured at amortised cost at the end of reporting year.

As of 31 December 2024, the carrying amount of issued debt securities (bonds) exceeds their fair value by EUR 7.7 million (31/12/2023: by EUR 15.1 million). The fair value of debt securities (bonds) issued is calculated by discounting their future cash flows and using the market quoted yield to maturity rates of the respective bonds as of the end of the reporting year as discount factor (Level 2).

24. Derivative Financial Instruments

Accounting policy

The Group and the Parent Company use derivatives such as interest rate swaps, electricity forwards and futures, natural gas forwards and currency exchange forwards to hedge risks associated with the interest rate and purchase price fluctuations, respectively. The Group and the Parent Company have decided to continue to apply hedge accounting requirements of IAS 39 for derivatives.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re–measured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature / content of the item being hedged. Other derivatives are accounted for at fair value through profit or loss.

The Group and the Parent Company designate certain derivatives as hedges of a particular risk associated with highly probable forecasted transactions or variable rate borrowings. The Group and the Parent Company document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and the Parent Company also document their assessment, both at hedge inception and on an on–going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of the derivative instruments is presented as current or non-current based on settlement date. Derivative instruments that have maturity of more than twelve months and have been expected to be hold for more than twelve months after the end of the reporting year are classified as non-current assets or liabilities, by separating current part of the derivative instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity within 'Hedging reserve'. The gain or loss relating to the ineffective portion, if such arise, is recognised immediately in the Statement of Profit or Loss.

Amounts accumulated in equity are recognised in the Statement of Profit or Loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Profit or Loss.

I) Outstanding fair values of derivatives and their classification

EUR'000

	Note	Group 31/12/2024 Assets	Group 31/12/2024 Liabilities	Group 31/12/2023 Assets	Group 31/12/2023 Liabilities	Parent Company 31/12/2024 Assets	Parent Company 31/12/2024 Liabilities	Parent Company 31/12/2023 Assets	Parent Company 31/12/2023 Liabilities
Interest rate swaps	24 II	3,422	–	5,872	–	3,422	–	5,872	–
Energy forwards, futures, and swaps	24 III	–	(12,965)	5,297	–	–	(12,965)	5,297	–
Currency exchange forwards	24 IV	–	–	–	–	–	–	–	–
TOTAL outstanding fair values of derivatives		**3,422**	**(12,965)**	**11,169**	**–**	**3,422**	**(12,965)**	**11,169**	**–**

EUR'000

	Group 31/12/2024 Assets	Group 31/12/2024 Liabilities	Group 31/12/2023 Assets	Group 31/12/2023 Liabilities	Parent Company 31/12/2024 Assets	Parent Company 31/12/2024 Liabilities	Parent Company 31/12/2023 Assets	Parent Company 31/12/2023 Liabilities
Non-current	2,124	–	3,210	–	2,124	–	3,210	–
Current	1,298	(12 965)	7,959	–	1,298	(12 965)	7,959	–
TOTAL fair values of derivative financial instruments	**3,422**	**(12,965)**	**11,169**	**–**	**3,422**	**(12,965)**	**11,169**	**–**

Gains / (losses) on fair value changes as a result of realised hedge agreements:

EUR'000

	Note	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Included in the Statement of Profit or Loss	8				
Interest rate swaps	11	(31)	(119)	(31)	(119)
Energy forwards, futures, and swaps	8	(1,036)	23,198	(1,036)	23,198
		(1,067)	**23,079**	**(1,067)**	**23,079**
Included in the other comprehensive income	21 a				
Interest rate swaps	24 II	(2,419)	(4,288)	(2,419)	(4,288)
Energy forwards, futures, and swaps	24 III	(17,226)	102,169	(17,226)	102,169
Currency exchange forwards	24 IV	–	1,499	–	1,499
		(19,645)	**99,380**	**(19,645)**	**99,380**
TOTAL loss on fair value changes		**(20,712)**	**122,459**	**(20,712)**	**122,459**

II) Interest rate swaps

As of 31 December 2024, the Group and the Parent Company had interest rate swap agreements with total notional amount of EUR 76 million (31/12/2023: EUR 105 million). In force interest rate swaps are concluded with 9.5–to–10–year initial maturities and hedged floating rates are 6 months EURIBOR. As of 31 December 2024, fixed interest rates vary from 0.087% to 0.809% (31/12/2023 from 0.087% to 0.809%).

As at the end of the year all the outstanding interest rate swap agreements with total notional amount of EUR 76 million were eligible for hedge accounting and were assessed prospectively and retrospectively to test whether they are effective within the hedging period (31/12/2023: 100% with notional amount of EUR 105 million). All contracts are designed as cash flow hedges. During the prospective and retrospective testing, in 2023 an ineffective portion in the amount of EUR 0.03 million (2023: EUR 0.12 million) has been identified and recognised in the Statement of Profit or Loss in Finance income or costs.

Fair value changes of interest rate swaps

EUR'000

	Group 2024 Assets	Group 2024 Liabilities	Group 2023 Assets	Group 2023 Liabilities	Parent Company 2024 Assets	Parent Company 2024 Liabilities	Parent Company 2023 Assets	Parent Company 2023 Liabilities
Outstanding fair value at the beginning of the year	**5,872**	**–**	**10,279**	**–**	**5,872**	**–**	**10,279**	**–**
Included in Statement of Profit or Loss	(38)	7	(128)	9	(38)	7	(128)	9
Included in other comprehensive Income	(2,412)	(7)	(4,279)	(9)	(2,412)	(7)	(4,279)	(9)
Outstanding fair value at the end of the year	**3,422**	**–**	**5,872**	**–**	**3,422**	**–**	**5,872**	**–**

The main interest rate hedging criteria stated in the Financial Risk Management policy is to ensure average fixed rate duration from 1 to 4 years and fixed rate portion at more than 35% of borrowings. As of 31 December 2024, 37% (31/12/2023: 46%) of the Group's and 38% (31/12/2023: 47%) of the Parent Company's borrowings had fixed interest rates (considering the effect from the interest rate swaps), and average remaining time to interest re–pricing was 1.4 years for the Group and 1.5 years for the Parent Company (2023: 2.1 years for the Group and 2.1 years for the Parent Company).

III) Energy forwards, futures, and swaps

As of 31 December 2024, the Group and the Parent Company have entered into 8 electricity future contracts with total outstanding electricity purchase volume of 233,470 MWh and notional value of EUR 18.9 million (31/12/2023: no contracts). As of 31 December 2024 the Group and the Parent Company have entered into 10 natural gas price swap contracts (31/12/2023: 48 contracts) with total outstanding natural gas purchase volume of 1,154,580 MWh (31/12/2023: 2,850,456 MWh) and notional value of EUR 46 million (31/12/2023: EUR 139 million). Natural gas swap contracts are concluded with the maturities for one month or one quarter and with termination date during the period of 1 January to 30 April 2025.

The Group and the Parent Company conclude natural gas price swap contracts with financial institutions and other counterparties. Natural gas swap contracts are intended for hedging of the natural gas price risk and are used for fixing the price of natural gas purchased in wholesale gas market.

At the end of reporting year all natural gas swap contracts with total outstanding volume of 1,154,580 MWh are designated to comply with hedge accounting treatment (31/12/2023: 34 contracts of 2,020,806 MWh) and were reassessed prospectively and retrospectively to test whether they are effective within the hedging period. All contracts are designed as cash flow hedges. For the contracts which are fully effective contracts fair value gains are included in other comprehensive income.

Fair value changes of energy forwards, futures, and swaps EUR'000

	Note	Group 2024 Assets	Group 2024 Liabilities	Group 2023 Assets	Group 2023 Liabilities	Parent Company 2024 Assets	Parent Company 2024 Liabilities	Parent Company 2023 Assets	Parent Company 2023 Liabilities
Outstanding fair value at the beginning of the year		**5,297**	**–**	**450**	**(120,520)**	**5,297**	**–**	**450**	**(120,520)**
Included in the Statement of Profit or Loss	8	(783)	(253)	333	22,865	(783)	(253)	333	22,865
Included in other comprehensive income		(4,514)	(12,712)	4,514	97,655	(4,514)	(12,712)	4,514	97,655
Outstanding fair value at the end of the year		**–**	**(12,965)**	**5,297**	**–**	**–**	**(12,965)**	**5,297**	**–**

25. Fair Values And Fair Value Measurement

Accounting policy

The Group and the Parent Company measure financial instruments, such as, derivatives, at fair value at each balance sheet date. Non–financial assets such as investment properties are measured at amortised cost, but some items of property, plant and equipment at revalued amounts.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated based on market prices and discounted cash flow models as appropriate.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. The quoted market prices used for financial assets held by the Group and the Parent Company are the actual closing prices.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. The Group and the Parent Company use a variety of methods and make assumptions that are based on market conditions existing at end of reporting period. Estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

In this Note are disclosed the fair value measurement hierarchy for the Group's and the Parent Company's financial assets and liabilities and revalued PPE.

The following methods and assumptions were used to estimate the fair values:

a) The fair values of revalued property, plant and equipment are equal to revalued amounts, that are based on periodic valuations by external independent valuers or by the Group's or the Parent Company's management, less subsequent accumulated depreciation, and subsequent accumulated impairment losses (Level 3),

b) The management of the Group and the Parent Company assessed that the fair values of cash and short–term deposits, receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short–term maturities of these instruments (Level 3),

c) Non-current financial investments in Pirmais Slēgtais Pensiju Fonds AS are valued at acquisition cost not at fair value because the Group and the Parent Company are only a nominal shareholder in the Pension Fund that is a non–profit company, and all risks and benefits arising from Pension Fund activities and investments in the pension plan are taken and accrued by the members of the Pension Fund pension plan (Level 3),

d) The fair values of borrowings with floating interest rates approximate their carrying amount, as their actual floating interest rates approximate the market price of similar financial instruments available to the Group and the Parent Company, i.e., the floating part of the interest rate corresponds to the money market price while the added part of the interest rate corresponds to the risk premium the lenders in financial and capital markets require from companies of similar credit rating level (Level 2),

e) The fair value of loans to subsidiaries with fixed rates calculations are based on discounted cash flows using discount factor of respective maturity EUR swap rates increased by average market margin of short–term financing (Level 2),

f) The Group and the Parent Company enter into derivative financial instruments with various counterparties, financial institutions, and energy utility company, with investment grade credit ratings. The fair value of derivative financial instruments is determined by using various valuation methods and models with market observable inputs. The models incorporate the credit quality of counterparties, foreign exchange spot and forward rates. The fair values of interest rate swaps are obtained from corresponding bank's revaluation reports and fair values of financial instruments as specified by banks are recognised in financial statements. To make sure the fair values of interest rate swaps are accurate in any material aspect, the Group and the Parent Company makes its own interest rate swaps fair value calculations by discounting financial instruments future contractual cash flows using 6 months Euribor swap rate curve. The fair value of electricity forward and future contracts and natural gas swap contracts is calculated as discounted difference between actual market and settlement prices for the volume set in the agreements. If counterparty is a bank, calculated fair values of financial instruments are compared to bank's revaluation reports and the bank's calculated fair values of the financial instruments are used in the financial reports; In case of electricity forward and future contracts and natural gas swap contracts are concluded with counterparties, fair values as calculated by the Group and the Parent Company are recognised in Financial Statements (Level 2),

g) The fair value of the bonds issued are calculated by discounting their future cash flows using the market quoted yield to maturity rates of the respective bonds as of the end of the reporting year as discount factor (Level 2),

h) The fair value of investment properties is determined using the income method, by discounting expected future cash flows. In 2024, the nominal pre–tax discount rate used to determine the fair value of investments is 6.15% (2023: 7.24%) as included in the electricity distribution and transmission system service tariff calculation methodology (Level 3).

Quantitative disclosures of fair value measurement hierarchy for assets at the end of the year

EUR'000

Type of assets	Note	Group				Parent Company			
		Fair value measurement using				Fair value measurement using			
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 31 December 2024									
Assets measured at fair value									
Revalued property, plant and equipment	14 c	–	–	2,901,412	**2,901,412**	–	–	1,246,514	**1,246,514**
Non-current financial investments	16	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:									
Interest rate swaps	24	–	3,422	–	**3,422**	–	3,422	–	**3,422**
Energy forwards, futures, and swaps	24	–	–	–	**–**	–	–	–	**–**
Assets for which fair values are disclosed									
Investment properties	14 b	–	–	2,099	**2,099**	–	–	2,049	**2,049**
Loans to related parties:									
- Floating rate loans	29 e	–	–	–	**–**	–	517,656	–	**517,656**
- Fixed rate loans	29 e	–	22,244	–	**22,244**	–	280,016	–	**280,016**
Current financial receivables	18 a, b	–	–	221,865	**221,865**	–	–	163,261	**163,261**
Cash and cash equivalents	19	–	86,554	–	**86,554**	–	63,483	–	**63,483**
As of 31 December 2023									
Assets measured at fair value									
Revalued property, plant and equipment	14 c	–	–	2,909,307	**2,909,307**	–	–	1,277,600	**1,277,600**
Non-current financial investments	16	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:									
Interest rate swaps	24	–	5,872	–	**5,872**	–	5,872	–	**5,872**
Energy forwards, futures, and swaps	24	–	5,297	–	**5,297**	–	5,297	–	**5,297**
Assets for which fair values are disclosed									
Investment properties	14 b	–	–	2,309	**2,309**	–	–	2,261	**2,261**
Loans to related parties:									
- Floating rate loans	29 e	–	–	–	**–**	–	263,182	–	**263,182**
- Fixed rate loans	29 e	–	863	–	**863**	–	361,116	–	**361,116**
Current financial receivables	18 a, b	–	–	272,894	**272,894**	–	–	212,899	**212,899**
Cash and cash equivalents	19	–	118,456	–	**118,456**	–	107,163	–	**107,163**

There have been no transfers for assets between Level 1, Level 2, and Level 3 during the reporting year.

Quantitative disclosures of fair value measurement hierarchy for liabilities at the end of the year

EUR'000

Type of liabilities	Note	Group: Fair value measurement using – Quoted prices in active markets (Level 1)	Group: Fair value measurement using – Significant observable inputs (Level 2)	Group: Fair value measurement using – Significant unobservable inputs (Level 3)	Group: TOTAL	Parent Company: Fair value measurement using – Quoted prices in active markets (Level 1)	Parent Company: Fair value measurement using – Significant observable inputs (Level 2)	Parent Company: Fair value measurement using – Significant unobservable inputs (Level 3)	Parent Company: TOTAL
As of 31 December 2024									
Liabilities measured at fair value									
Derivative financial instruments, including:									
Energy forwards, futures, and swaps	24	–	12,965	–	**12,965**	–	12,965	–	**12,965**
Liabilities for which fair values are disclosed									
Issued debt securities (bonds)	23	–	203,800	–	**203,800**	–	203,800	–	**203,800**
Borrowings from financial institutions	23	–	539,605	–	**539,605**	–	530,259	–	**530,259**
Borrowings from related parties		–	–	–	**–**	–	31,101	–	**31,101**
Trade and other financial current payables	26	–	–	178,787	**178,787**	–	–	112,741	**112,741**
As of 31 December 2023									
Liabilities for which fair values are disclosed									
Issued debt securities (bonds)	23	–	203,772	–	**203,772**	–	203,772	–	**203,772**
Borrowings from financial institutions	23	–	425,924	–	**425,924**	–	414,407	–	**414,407**
Trade and other financial current payables	26	–	–	136,014	**136,014**	–	–	87,078	**87,078**

There have been no transfers for liabilities between Level 1, Level 2, and Level 3 during the reporting year.

The fair value hierarchy for the Group's and the Parent Company's financial instruments that are measured at fair value, by using specific valuation methods, is disclosed above.

Set out below, is a comparison by class of the carrying amounts and fair values of the Group's and the Parent Company's financial instruments, other than those with carrying amounts which approximates their fair values:

EUR'000

	Group: Carrying amount 31/12/2024	Group: Carrying amount 31/12/2023	Group: Fair value 31/12/2024	Group: Fair value 31/12/2023	Parent Company: Carrying amount 31/12/2024	Parent Company: Carrying amount 31/12/2023	Parent Company: Fair value 31/12/2024	Parent Company: Fair value 31/12/2023
Financial assets								
Fixed rate loans to related parties	22,244	863	22,244	863	280,016	361,116	269,792	343,998
Financial liabilities								
Issued debt securities (bonds)	203,800	203,772	196,077	188,678	203,800	203,772	196,077	188,678

Management assessed that cash and short–term deposits, receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short–term maturities of these instruments.

26. Trade And Other Payables

EUR'000

	Note	Group		Parent Company	
		31/12/2024	31/12/2023	31/12/2024	31/12/2023
Financial liabilities:					
Payables for suppliers		128,936	94,389	72,327	56,524
Payables to related parties	29 b	14,810	9,795	20,708	16,800
Accrued expenses		27,579	21,212	9,153	7,139
Accrued expenses from related parties	29 d	–	–	5,705	3,321
Other financial current payables		7,462	10,618	4,848	3,295
Total financial liabilities		**178,787**	**136,014**	**112,741**	**87,079**
Non–financial liabilities:					
Taxes		27,614	33,681	13,234	19,055
Other current payables		4,086	4,131	1,621	1,620
Total non–financial liabilities		**31,700**	**37,812**	**14,855**	**20,675**
TOTAL trade and other current payables		**210,487**	**173,826**	**127,596**	**107,754**

The carrying amounts of trade and other payables are assumed to approximate their fair values.

27. Provisions

Accounting policy

Provisions are recognised when the Group or the Parent Company have a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required for settling the obligation by using pre–tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation as a discount rate. The increase in provisions due to passage of time is recognised as interest expense.

EUR'000

	Group		Parent Company	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Non-current:				
- post–employment benefits (recognised in profit or loss)	15,669	14,378	6,595	6,265
- post–employment benefits (recognised in equity)	(656)	3,862	286	2,300
- environmental provisions	2,100	–	2,100	–
	17,113	**18,240**	**8,981**	**8,565**
Current:				
- CO_2 emission rights provisions	48,010	46,261	48,010	46,261
	48,010	**46,261**	**48,010**	**46,261**
TOTAL provisions	**65,123**	**64,501**	**56,991**	**54,826**

Provisions for post–employment benefits

Accounting policy

The Group and the Parent Company provide certain post–employment benefits to employees whose employment conditions meet certain criteria. Obligations for benefits are calculated considering the current level of salary and number of employees eligible to receive the payment, historical termination rates as well as number of actuarial assumptions.

The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method.

The liability recognised in the Statement of Financial Position in respect of post–employment benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using weighted average discount rate of the European Insurance and Occupational Pensions Authority (EIOPA) risk-free interest rate and EURBMK BBB electricity industry rate. The discount rate used is determined by reference to market yields on government bonds due to lack of deep market on high quality corporate bonds. The Group and the Parent Company use projected unit credit method to establish the present value of fixed benefit obligation and related present and previous employment expenses. According to this method it has been stated that each period of service gives rise to an additional unit of benefit entitlement and the sum of those units comprises total Group's and the Parent Company's obligations of post–employment benefits. The Group and the Parent Company use objective and mutually compatible actuarial assumptions on variable demographic factors and financial factors (including expected remuneration increase and determined changes in benefit amounts).

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Comprehensive Income in the period in which they arise. Past service costs are recognised immediately in the Statement of Profit or Loss.

EUR'000

	Note	Group		Parent Company	
		2024	2023	2024	2023
At the beginning of the year		**18,240**	**15,566**	**8,565**	**7,552**
Current service cost		2,293	253	1,140	153
Interest cost		662	492	310	225
Post–employment benefits paid		(1,662)	(780)	(1,120)	(508)
(Gains) / losses on remeasurement on defined benefit plan	21 a	(4,520)	2,709	(1,881)	1,143
Transfer of Latvenergo AS employees to Sadales tīkls AS		–	–	(133)	–
At the end of the year		**15,013**	**18,240**	**6,881**	**8,565**

Total charged / (credited) provisions are included in the Statement of Profit or Loss position 'Personnel expenses' within state social insurance contributions and other benefits defined in the Collective agreement (Note 9):

EUR'000

	Note	Group		Parent Company	
		2024	2023	2024	2023
At the beginning of the year		**18,240**	**15,566**	**8,565**	**7,552**
(Credited) / charged to the Statement of Comprehensive Income	21 a	(4,520)	2,709	(1,881)	1,143
Charged to the Statement of Profit or Loss		1,293	(35)	330	(130)
Transfer of Latvenergo AS employees to Sadales tīkls AS		–	–	(133)	–
At the end of the year		**15,013**	**18,240**	**6,881**	**8,565**

Weighted average discount rate used for discounting benefit obligations was 3.62% (2023: 2.98%), considering EIOPA risk-free interest rate and EURBMK BBB electricity industry rate at the end of the reporting year. The Group's Collective Agreement provides indexation of employees' wages at least at the level of inflation. Long–term inflation determined at the level of 5.0% (2023: 5.0%) when calculating long–term post–employment benefits. In calculation of these liabilities also the probability, determined on the basis of previous experience, of retirement in different employees' aging groups was also considered.

A quantitative sensitivity analysis for significant assumptions on provisions for post–employment benefits as of the end of the year is as shown below:

EUR'000

Assumptions	Date of valuation	Group						Parent Company					
		Discount rate		Future salary changes		Retirement probability changes		Discount rate		Future salary changes		Retirement probability changes	
		1pp increase	1pp decrease	1pp increase	1pp decrease	1pp increase	1pp decrease	1pp increase	1pp decrease	1pp increase	1pp decrease	1pp increase	1pp decrease
Impact on provisions for post–employment benefits	31/12/2024	1,620	(1,360)	1,684	(1,436)	1,797	(1,516)	731	(612)	759	(645)	810	(681)
	31/12/2023	2,107	(1,754)	2,065	(1,754)	2,279	(1,912)	943	(782)	924	(781)	1,019	(851)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on post-employment benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Contributions are monitored on an annual basis and the current agreed contribution rate is 5%. The next valuation is due to be completed as of 31 December 2025. Expected contributions to post–employment benefit plan for the year ending 31 December 2024 is EUR 4.9 million. In 2024 the weighted average duration of the defined benefit obligation is 19.53 years (2023 – 19.58 years).

EUR'000

		Group				Parent Company			
		Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL	Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL
Defined benefit obligation	31/12/2024	2,102	3,110	9,801	**15,013**	1,194	1,355	4,332	**6,881**
	31/12/2023	2,831	3,209	12,200	**18,240**	1,896	1,394	5,275	**8,565**

Environmental provisions

Accounting policy

Environmental protection provisions are recognised to cover environmental damages that have occurred before the end of the reporting period when this is required by law or when the Group's or the Parent Company's past environmental policies have demonstrated that the Group or the Parent Company have a constructive present obligation to liquidate this environmental damage. Experts' opinions and prior experience in performing environmental work are used to set up the provisions.

EUR'000

	Group		Parent Company	
	2024	2023	2024	2023
At the beginning of the year	**–**	**–**	**–**	**–**
Charged to the Statement of Profit or Loss	2,100	–	2,100	–
At the end of the year	**2,100**	**–**	**2,100**	**–**

The environmental provision represents the estimated costs of cleaning up groundwater relief drainage system on the right bank of the Plavinas HPP in accordance with the request of the State Environmental Service for the cleaning up works of the adjacent territory and the technical and economic study on this project.

CO_2 emission rights provisions

	Group		Parent Company	
	2024	2023	2024	2023
At the beginning of the year	**46,261**	**39,182**	**46,261**	**39,182**
Charged to the Statement of Profit or Loss	1,749	7,079	1,749	7,079
At the end of the year	**48,010**	**46,261**	**48,010**	**46,261**

Provisions recognised for the liabilities of used but not yet verified CO_2 emission rights at the end of the reporting year.

On 26 March 2025, the State Environmental Service of the Republic of Latvia made a decision, verifying the emissions for the prior year and the Group and the Parent Company surrendered the quantity of the emission allowances equivalent to their CO_2 emissions in 2024.

28. Deferred Income and Advances Received

Accounting policy

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Government grants are recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. For grants received as part of a package of financial or fiscal aid to which a number of conditions are attached, those elements which have different costs and conditions are identified. Treatment of the different elements determine the periods over which the grant will be earned.

In Latvia, Lithuania, and Estonia, according to the state support mechanism for reducing the prices of energy, end-users have been granted state support. This state support was provided for electricity, distribution system services, consumed natural gas and for heat. These regulations do not change agreements on the scope of provided services and do not change the approved distribution system tariffs and energy prices, and respectively do not change the Group's and the Parent Company's revenue recognition principles, but the process of receiving the transaction fees and the payer for the services. The Group or the Parent Company are not considered to be a grant receiver because the provision of services and sales of goods are still provided in full, and revenues are recognised in accordance with IFRS 15 (Note 6).

Grants related to expense items

When a grant relates to an expense item, and it has a number of conditions attached, it is initially recognised at fair value as deferred income. Grants are credited to income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Management judgements related to the measurement of government grants is disclosed in Note 4.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to a company with no future related costs are recognised in profit or loss of the period in which it becomes receivable. Related income is recognised in the Statement of Profit or Loss as 'Other income' (Note 7).

Grants related to assets

Property, plant and equipment received at nil consideration are accounted for as grants. Those grants are recognised at fair value as deferred income and are credited to the Statement of Profit or Loss on a straight–line basis over the expected lives of the related assets.

Accounting policy on recognition of deferred income from connection fees to distribution and transmission system disclosed per Note 6.

EUR'000

	Note	IFRS/IAS applied	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
I) Non-current deferred income and advances received						
a) contracts with customers						
Deferred income from connection fees	6	IFRS 15	150,241	137,838	–	–
Other deferred income		IFRS 15	601	668	601	668
			150,842	**138,506**	**601**	**668**
b) operating lease						
Other deferred income		IFRS 16	280	300	280	300
			280	**300**	**280**	**300**
c) other						
On grant for the installed electrical capacity of CHPPs		IAS 20	65,480	89,470	65,480	89,470
On financing from European Union funds *		IAS 20	46,619	22,702	6,414	4,456
Other deferred income		IAS 20	29	37	29	37
			112,128	**112,209**	**71,923**	**93,963**
TOTAL non-current deferred income and advances received			**263,250**	**251,015**	**72,804**	**94,931**
II) Current deferred income and advances received						
a) contracts with customers						
Deferred income from connection fees	6	IFRS 15	17,570	16,510	–	–
Other deferred income		IFRS 15	408	4,794	67	67
Advances received			30,722	28,907	5,866	7,546
			48,700	**50,211**	**5,933**	**7,613**
b) operating lease						
Other deferred income		IFRS 16	20	20	20	20
			20	**20**	**20**	**20**
c) other						
On grant for the installed electrical capacity of CHPPs		IAS 20	23,990	23,990	23,990	23,990
On financing from European Union funds		IAS 20	1,094	963	146	142
			25,084	**24,953**	**24,136**	**24,132**
TOTAL current deferred income and advances received			**73,804**	**75,184**	**30,089**	**31,765**
TOTAL deferred income and advances received			**337,054**	**326,199**	**102,893**	**126,696**

In 2024 Sadales tīkls AS received financing in the amount of EUR 12,570 thousand (2023: EUR 12,570 thousand) as part of the agreement with the Ministry of Economics of the Republic of Latvia on the financing of the European Union Recovery and Resilience Facility and in the amount EUR 10,000 (2023: nil) European Union funds' financing from the Central Finance and Contracting Agency and was implementing "The electricity distribution network modernization project – REPowerEU", Latvenergo AS – financing in the amount of EUR 2,750 thousand (2023: EUR 2,625 thousand) from Connecting Europe Facility (CEF) for the development of electric vehicles charging network and Liepājas Enerģija SIA – European Union financing in the amount of EUR 237 thousand for fossil fuels substitution in Liepāja (2023: EUR 1,050 thousand).

The Group and the Parent Company ensure the management, application of internal controls and accounting for the Group's and the Parent Company's projects financed by the European Union funds, according to the guidelines of the European Union and legislation of the Republic of Latvia.

Accounting of the transactions related to the projects financed by the European Union is ensured using separately identifiable accounts. The Group and the Parent Company ensure separate accounting of financed projects with detailed income and expense, non-current investments and value added tax in the relevant positions of the Statement of Profit or Loss and Statement of Financial Position.

Movement in deferred income and advances received (non-current and current part)

EUR'000

	Note	Group		Parent Company	
		2024	2023	2024	2023
At the beginning of the year		**326,199**	**324,066**	**126,696**	**159,767**
Received connection fees for connection to distribution system	6	30,176	23,015	–	–
Changes in advances received	6	1,815	13,368	(1,680)	2,179
Received deferred income (financing and other income)		25,577	20,606	2,778	2,625
EU co-financing transferred to the subsidiary as a cooperation partner, net		–	–	(672)	–
Other deferred income credited to the Statement of Profit or Loss		(25,025)	(24,933)	(24,141)	(24,139)
Deferred income from contracts with customers and operating lease credited to the Statement of Profit or Loss		(21,688)	(29,923)	(88)	(13,736)
At the end of the year		**337,054**	**326,199**	**102,893**	**126,696**

29. Related Party Transactions

Accounting policy

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group and the Parent Company are Shareholder of the Company who controls the Company in accepting operating business decisions, members of Latvenergo Group entities' management boards, members of the Supervisory board of the Company, members of Supervisory body of the Company – the Audit Committee and close family members of any above–mentioned persons, as well as entities over which those persons have control or significant influence.

Trading transactions taking place under normal business activities with the Latvian government including its departments and agencies and transactions between state–controlled entities and providers of public utilities are excluded from the scope of related party quantitative disclosures. The Group and the Parent Company enter into transactions with many of these bodies on an arm's length basis. Transactions with government related entities include sales of energy and related services and does not contain individually significant transactions and quantitative disclosure of transactions with those related parties is impossible due to broad range of the Latvenergo Group's and the Parent Company's customers, except for transactions with transmission system operator.

a) Sales/purchases of goods, PPE, and services to/from related parties

EUR'000

	Group		Parent Company			
	2024	2023	2024		2023	
	Other related parties*	Other related parties*	Subsidiaries	Other related parties*	Subsidiaries	Other related parties*
Sales of goods, PPE and services, finance income:						
- Sales of goods and services	63,692	54,759	132,083	63,023	183,807	54,665
- Sales of property, plant and equipment	–	–	–	–	–	–
- Lease of assets	879	882	1,831	879	1,669	882
- Interest income	–	–	21,766	–	15,757	–
TOTAL	**64,571**	**55,641**	**155,680**	**63,902**	**201,233**	**55,547**
Purchases of goods, PPE, and services						
- Purchases of goods and services	141,787	122,209	173,613	51,931	149,371	39,274
- *including gross expenses from transactions with Sadales tīkls AS recognised in net amount*	–	–	*164,508*	–	*145,236*	–
- Purchases of property, plant and equipment and construction services	8,775	7,774	236	506	1,408	830
- Lease of assets	1,029	1,049	164	665	150	669
TOTAL	**151,591**	**131,032**	**174,013**	**53,102**	**150,929**	**40,773**

* Other related parties included transmission system operator – Augstsprieguma tīkls AS and its subsidiary Conexus Baltic Grid AS, Latvijas valsts meži AS (till 01/05/2024), Pirmais Slēgtais Pensiju Fonds AS

EUR'000

	Note	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
b) Receivables and payables at the end of the year arising from sales/purchases of goods, PPE, and services:					
Receivables from related parties:					
- Subsidiaries	18 a, b	–	–	34,009	41,642
- Other related parties*		13,647	15,506	12,952	15,172
- Loss allowances for expected credit loss from receivables of subsidiaries	18 a, b	–	–	(26)	(31)
- Loss allowances for expected credit loss from receivables of other related parties*		(25)	(33)	(24)	(33)
		13,622	**15,473**	**46,911**	**56,750**
Payables to related parties:	26				
- Subsidiaries		–	–	15,024	15,214
- Other related parties*		14,810	14,864	5,684	6,176
		14,810	**14,864**	**20,708**	**21,390**
c) Accrued income raised from transactions with related parties:					
- For goods sold / services provided for subsidiaries	18 a, b	–	–	8,302	11,425
- For interest received from subsidiaries	18 a, b	–	–	5,251	3,483
- For goods sold/services provided for other related parties*		175	–	175	–
		175	**–**	**13,728**	**14,908**
d) Accrued expenses raised from transactions with related parties:	26				
- For purchased goods / received services from subsidiaries		–	–	5,705	3,321
		–	**–**	**5,705**	**3,321**

* Other related parties included transmission system operator – Augstsprieguma tīkls AS and its subsidiary Conexus Baltic Grid AS, Latvijas valsts meži AS (till 01/05/2024), Pirmais Slēgtais Pensiju Fonds AS

The Group and the Parent Company have not incurred write–offs of trade payables and receivables from transactions with related parties, as all debts are recoverable.

Receivables and payables with related parties are current balances for services and goods. None of the amounts at the end of the reporting year are secured.

Remuneration to the Latvenergo Group's management includes remuneration to the members of the Management Boards the Group entities, the Supervisory Board, and the Supervisory body (Audit Committee) of the Parent Company. Remuneration to the Parent Company's management includes remuneration to the members of the Parent Company's Management Board, the Supervisory Board, and the Supervisory body (Audit Committee). Information disclosed in Note 9.

Dividend payments to Shareholder of the Parent Company and share capital contributions are disclosed in Note 20 and Note 21 b, respectively.

Dividends received from subsidiaries are disclosed in Note 16.

e) Loans to related parties

Non–current and current loans to related parties

EUR'000

	Group 31/12/2024	Group 31/12/2023	Parent Company 31/12/2024	Parent Company 31/12/2023
Non-current loans to subsidiaries				
Non-current loans to other related parties	22,244	863	–	–
Total non-current loans	**22,244**	**863**	**632,564**	**463,030**
Current portion of non-current loans to subsidiaries	–	–	96,638	107,609
Current loans to subsidiaries	–	–	68,470	53,659
TOTAL current loans	**–**	**–**	**165,108**	**161,268**
TOTAL loans to related parties	**22,244**	**863**	**797,672**	**624,298**

Counterparty model is used on individual contract basis for assessment of expected credit risk for non-current and current loans to subsidiaries. The expected credit losses according to this model are based and impairment for expected credit loss is recognised on assessment of the individual counterparty's risk of default and recovery rate assigned by Moody's credit rating agency for 12 months expected losses (Note 4 b). Credit risk of subsidiaries is assessed at the same level as Latvenergo AS credit risk considering that they are 100% controlled by Latvenergo AS – 'Baa2 level' credit rating. Since the initial recognition of loans, credit risk has not increased significantly that matches Stage 1.

All current loans to related parties as of 31 December 2024 will be settled in 2025.

Movement in loans issued to related parties

EUR'000

	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
At the beginning of the year	**863**	**–**	**624,298**	**713,308**
Change in current loans in cash (net)	–	–	104,317	(68,272)
Change in current loans by non–cash offsetting of operating receivables and payables (net)	–	–	128,797	76,311
Issued non-current loans in cash	21,399	863	48,051	–
Repaid non-current loans by non–cash offset	–	–	(107,653)	(96,977)
Impairment for expected credit loss	(18)		(138)	(72)
At the end of the year	**22,244**	**863**	**797,672**	**624,298**
incl. loan movement through bank account				
Issued loans to subsidiaries	21,399	863	883,043	719,798
Repaid loans issued to subsidiaries	–	–	(730,675)	(788,070)
Issued / (repaid) loans, net	**21,399**	**863**	**152,368**	**(68,272)**

Interest received from related parties

EUR'000

	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Interest received	945	3	21,839	15,812
TOTAL Interest paid	**945**	**3**	**21,839**	**15,812**

I) Non-current loans, including current portion

Concluded non-current loan agreements with Sadales tīkls AS

EUR'000

Agreement conclusion date	Principal amount of the loan	Outstanding loan amount 31/12/2024	Outstanding loan amount 31/12/2023	Interest rate	Maturity date
29/09/2011	316,271	1,610	4,156	6 months EURIBOR + floating rate	01/09/2025
18/09/2013	42,686	–	–	fixed rate	10/08/2023
29/10/2014	90,000	–	10,000	fixed rate	10/09/2024
20/10/2015	90,000	10,000	20,000	fixed rate	21/10/2025
22/08/2016	60,000	13,333	20,000	fixed rate	22/08/2026
22/08/2016	50,000	15,000	20,000	fixed rate	14/06/2027
14/12/2018	260,000	119,687	147,750	fixed rate	31/01/2030
03/03/2020	200,000	131,202	154,136	fixed rate + floating rate	25/03/2030
08/03/2022	175,000	154,412	175,350	6 months EURIBOR + floating rate	31/03/2032
31/08/2023	175,000	123,925	–	6 months EURIBOR + floating rate	31/01/2034
TOTAL	**1,458,957**	**569,169**	**551,392**		

As of 31 December 2024, total outstanding amount of non-current loans with Sadales tīkls AS amounted to EUR 569,169 thousand (31/12/2023: EUR 551,392 thousand), including current portion of the loan repayable in 2025 – EUR 94,860 thousand (31/12/2023: EUR 105,839 thousand). As of 31 December 2024, 50.76% of non-current loans issued to Sadales tīkls AS (31/12/2023: 34.46%) was bearing floating interest rate, which was influenced by 6 months EURIBOR interbank rate fluctuations. During 2024 the effective average interest rate of non-current loans was 2.86% (2023: 2.22%). As of 31 December 2024, for non-current floating rate loans issued to Sadales tīkls AS 6-month EURIBOR ranged from 2.886% to 3.590% (31/12/2023: 6M EURIBOR ranged from 4.000% to 4.125%). As of 31 December 2024, impairment for expected credit loss of non-current loans to Sadales tīkls AS in the amount of EUR 455 thousand EUR (31/12/2023: EUR 441 thousand) was recognised. Non-current loans are not secured with a pledge or otherwise.

Non-current loans to Sadales tīkls AS by maturity

EUR'000

	Parent Company 31/12/2024	Parent Company 31/12/2023
Non-current loan:		
- < 1 year (current portion)	94,860	105,839
- 1 – 5 years	339,719	326,443
- > 5 years	134,590	119,110
	569,169	**551,392**

Concluded non-current loan agreements with Elektrum Eesti OÜ:

EUR'000

Agreement conclusion date	Principal amount of the loan	Outstanding loan amount 31/12/2024	Outstanding loan amount 31/12/2023	Interest rate	Maturity date
25/08/2021	**7,860**	**6,960**	**7,260**	6 months EURIBOR + fixed rate	24/08/2031

As of 31 December 2024, total outstanding amount of non-current loans with Elektrum Eesti OÜ amounted to EUR 6,960 thousand (31/12/2023: EUR 7,260 thousand), including current portion of the loan repayable in 2025 – EUR 300 thousand (31/12/2023: EUR 300 thousand). The annual interest rate according to the loan agreement is six months EURIBOR (Euro Interbank Offer Rate) plus margin 0.74% (2023: 0.74%). If the Base rate is negative, it is equal to zero. The final repayment date of the loan is 24 August 2031.

Non-current loans to Elektrum Eesti OÜ by maturity

EUR'000

	Parent Company 31/12/2024	Parent Company 31/12/2023
Non-current loan:		
- < 1 year (current portion)	300	300
- 1 – 5 years	600	600
- > 5 years	6,060	6,360
	6,960	**7,260**

Concluded non-current loan agreements with Elektrum Lietuva, UAB:

EUR'000

Agreement conclusion date	Principal amount of the loan	Outstanding loan amount 31/12/2024	Outstanding loan amount 31/12/2023	Interest rate	Maturity date
31/10/2021	**150,000**	**105,605**	**12,443**	6 months EURIBOR + fixed rate	29/09/2031

As of 31 December 2024, total outstanding amount of non-current loans with Elektrum Lietuva, UAB amounted to EUR 105,605 thousand (31/12/2023: EUR 12,443 thousand), including current portion of the loan repayable in 2025 – EUR 1,555 thousand (31/12/2023: EUR1,555 thousand). The annual interest rate according to the loan agreement is 6 (six) months EURIBOR (Euro Interbank Offer Rate) plus margin 0.68% – 1.25% (2023: 0.68%). If the Base rate is negative, it is equal to zero. The final repayment date of the loan is 29 March 2034.

Non-current loans to Elektrum Lietuva, UAB by maturity

EUR'000

	Parent Company 31/12/2024	Parent Company 31/12/2023
Non-current loan:		
- < 1 year (current portion)	1,555	1,555
- 1 – 5 years	50,795	6,222
- > 5 years	53,255	4,666
	105,605	**12,443**

Concluded current and non-current loan agreements with subsidiaries of renewable energy generation by maturity:

EUR'000

Agreement conclusion date	Principal amount of the loan	Outstanding loan amount 31/12/2024	Interest rate	Maturity date
29/05/2024	160 500	48,051	6 months EURIBOR + fixed rate	30/05/2036
25/08/2024	146 000	5,876	6 months EURIBOR + fixed rate	31/08/2034
21/11/2024	105 000	2,617	6 months EURIBOR + fixed rate	08/11/2034
02/09/2024	626	626	6 months EURIBOR + fixed rate	29/08/2025
TOTAL	**412,126**	**57,170**		

The total outstanding amount of non-current loans to the subsidiaries of renewable energy generation (Telšių vėjo parkas UAB, Laflora Energy SIA, DSE Aizpute Solar SIA and Elektrum Next SIA) as of 31 December 2024 was EUR 57,170 thousand, including the current portion of the loan to be repaid in 2025 – EUR 9,119 thousand. The annual interest rate according to the loan agreements is 6 (six) months EURIBOR (Euro Interbank Offer Rate) plus a margin 1.25%. If the base rate is negative, it is equal to zero.

Non-current loans / current loan to subsidiaries of renewable energy generation by maturity

EUR'000

	Parent Company 31/12/2024
Loan:	
- < 1 year (current portion)	9,119
- 1 – 5 years	19,977
- > 5 years	28,074
	57,170

II) Current loans / borrowings

To ensure efficiency and centralised management of Latvenergo Group companies' financial resources and using the functionality of Group accounts and possibility for non–cash offsetting of mutual invoices between the parties, current loans / borrowings are provided. In the reporting period Latvenergo AS issued loans to subsidiaries in accordance with mutually concluded agreement 'On provision of mutual financial resources', allowing the subsidiaries to borrow and to repay the loan according to daily operating needs and including non-cash offsetting of operating receivables and payables. In 2024 the effective average interest rate was 4.14% (2023: 3.70%). Within the framework of this agreement, as of 31 December 2024, Parent Company issued loans to subsidiaries in the amount of EUR 68,276 (31/12/2023: EUR 53,703 thousand), as of 31 December 2024 Latvenergo AS had current borrowing from Sadales tīkls AS in the amount of EUR 31,101 thousand (31/12/2023: there was no current borrowings from subsidiaries).

As of 31 December 2024 impairment for expected credit loss of current loans to related parties is recognised in the amount of EUR 55 thousand (31/12/2023: EUR 44 thousand).

f) Interest paid to related parties

Financial transactions between related parties have been carried out by using current loans / borrowings with a target to manage Latvenergo Group companies' financial resources effectively and centrally, using Group accounts. In the reporting period Latvenergo AS has received borrowings from subsidiaries in accordance with mutually concluded agreement "On provision of mutual financial resources". In 2024 the effective average interest rate was 4.14% (2023: 3.70%).

EUR'000

	Parent Company 2024	2023
Interest paid	71	12
TOTAL interest paid	**71**	**12**

30. Commitments And Contingent Liabilities

As of 31 December 2024, the Group had commitments amounting to EUR 462.4 million (31/12/2023: EUR 112.2 million) and the Parent Company had commitments amounting to EUR 75.5 million (31/12/2023: EUR 57.1 million) for capital expenditure contracted but not delivered at the end of the reporting period.

Latvenergo AS has issued support letters to its subsidiaries – on 26 February 2025 to Sadales tīkls AS, on 24 February 2025 to Elektrum Eesti OÜ, on 13 February 2025 to Latvijas vēja parki SIA, on 7 February 2025 to Enerģijas publiskais tirgotājs SIA, Laflora Energy SIA and Telšių vėjo parkas UAB, acknowledging that its position as the shareholder is to ensure that subsidiaries are managed so that they have sufficient financial resources and are able to carry their operations and settle their obligations.

31. Events After The Reporting Year

Accounting policy

Events after the reporting period that provide significant additional information about the Group's and the Parent Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

Latvenergo AS has attracted loan from European Investment Bank for a total amount of EUR 200 million with a 15 year maturity. Attracted financing will be invested in the refurbishment of electricity distribution network.

Estonia, Latvia, and Lithuania have successfully synchronised their electricity systems with the Continental Europe Synchronous Area on 9 February 2025. After the synchronization Estonian, Latvian and Lithuanian transmission system operators – Augstsprieguma tīkls AS, Elering AS and Litgrid AS formed the Baltic balancing capacity market that has started operating. Latvenergo AS has qualified the Daugava HPP and Riga CHPP equipment for the provision of balancing services and participates in the provision of balancing services.

The international credit rating agency Moody's Investors Service has affirmed Latvenergo AS credit rating. The rating of Latvenergo AS remains unchanged Baa2 with a stable outlook.

There have been no other significant events after the end of the reporting year that might have a material effect on the Latvenergo Consolidated and Latvenergo AS Annual Financial Statements for the year ending 31 December 2024.

This document is signed with a secure digital signature and contains a time stamp

Mārtiņš Čakste
Chairman of the Management Board

Guntars Baļčūns
Member of the Management Board

Liāna Ķeldere
Accounting director of Latvenergo AS

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INDEPENDENT AUDITORS' REPORT

DOCUMENT DATE IS THE TIME OF ITS ELECTRONIC SIGNATURE

To the Shareholder of Latvenergo AS

Report on the audit of the financial statements

Opinion

We have audited the accompanying consolidated financial statements of Latvenergo AS and its subsidiaries (the Group) and the accompanying financial statements of Latvenergo AS (the Parent Company) set out on pages 184 to 237 of the accompanying Annual Report, which comprise the statements of financial position as at 31 December 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Group and the Parent Company give a true and fair view of the financial position of the Group and the Parent Company as at 31 December 2024, and of financial performance of the Group and the Parent Company and cash flows of the Group and the Parent Company for the year then ended in accordance with the IFRS Accounting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and the Parent Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Parent

Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and the Parent Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements of the Group and the Parent Company.

Key audit matter	How we addressed the key audit matter
Revenue recognition from contracts with customers with focus on periodization (the Group and the Parent Company)	
The Group and the Parent Company in 2024 have recognized in the statements of comprehensive income revenue from contracts with customers amounting to EUR 1 702 075 thousand and EUR 1 053 752 thousand, respectively, as disclosed in Note 6. Accurate revenue recognition is inherently more complex in the energy sector when compared to some other industries due to the large number of the customers, including both residential and corporate customers, and various pricing arrangements included in the range of products and services provided to different groups. Given the variety of contractual terms with the customers, as well as different revenue streams and product types and services included in each stream, appropriate periodization of revenue recognition is considered to be relatively complex and requires, among other things, continual operating effectiveness of controls over the various categories of revenue streams. Revenue recognition, including its proper periodization, was significant to our audit due to the materiality of revenue to the financial statements and the variety of products and components included in revenue.	In relation to revenue recognition, we performed the following procedures, among others: • we updated our understanding of the revenue recognition and measurement for electricity supply, distribution system services revenue streams and other material revenue streams. • we updated our understanding and tested the relevant key controls implemented over revenue recognition and measurement for electricity supply and distribution system services revenue streams. Our test covered key controls over revenue recording, calculation of amounts billed to the Group's and Parent Company's customers and matching of cash receipts to the customers' accounts; • we obtained external customer confirmations for selected largest trade receivables balances; • we performed analytical review procedures by forming an expectation of revenue based on the key performance indicators, including taking into consideration the number and composition of the Group's and Parent Company's customers, electricity supply volumes, changes in electricity prices and also comparing the results of our analysis against the prior reporting period; • we tested a sample of revenue transactions near the financial year-end for their recognition in the appropriate accounting period. We also assessed the adequacy of the revenue related disclosures contained in Note 2, Note 5 and Note 6. In addition, we evaluated the sufficiency of

	disclosures made regarding significant judgements made by the management in relation to revenue recognition Note 4 c).
Impairment assessment of property, plant and equipment (the Group and the Parent Company)	
As at 31 December 2024, the Group and the Parent Company have recognized property plant and equipment (PPE) amounting to EUR 3 523 090 thousand and EUR 1 412 707 thousand, respectively, as reported in the statements of the financial position and disclosed in in Note 4 a) II) III), Note 14 a) and in Note 14 c). Certain PPE categories are carried at revalued amounts, as disclosed in the accounting policies. The Group performed impairment tests based on the value in use estimation. In addition, the Parent Company performed impairment tests for certain Hydro power plants (HPPs) (combined impairment test for Riga, Plavinu and Keguma HPPs) and assets of Riga Combined Heat and Power Plant (CHP). Each of the above in the judgement of the management represents a separate cash generating unit (CGU). In relation to the impairment tests for the assets of the distribution system assets, significant assumptions used by the management include the selection of the discount rate, pricing forecast for major revenue streams, which are contingent on regulatory approvals, assumptions related to capital investment plans, as well as terminal value calculation. HPPs impairment test is based on significant assumptions in relation to the selection of the discount rate, electricity price and operating expenses forecasts, as well as terminal value calculation. Riga Combined Heat and Power Plant CGU impairment test is based on significant assumptions in relation to the selection of the discount rate, variable revenue stream forecast in view of legislation regulating the cogeneration unit capacity component payments and the terminal value calculation. Impairment test was significant to our audit as it involves significant management estimates and material judgements.	In relation to impairment assessment of property, plant and equipment, we performed the following procedures: • we updated our understanding of the impairment assessment process; • for distribution system and CHP CGU impairment tests we involved our valuation specialists to assist us with the assessment of the impairment test models and discount rates applied in each model; • for distribution system and CHP CGU impairment tests we assessed significant management assumptions; • we held discussions with management regarding the significant assumptions, management judgments, and data utilized in the impairment tests for distribution system and CHP CGU impairment tests. • for distribution system and CHP CGU impairment tests we compared the most significant inputs to the source data. We also compared the amounts used by the management in the cash flow forecasts with the historical results and compared the estimated cash flows with the long-term budgets approved by the management. Finally, we evaluated the adequacy of the disclosures in relation to the impairment tests and the outcome of these tests as disclosed in Note 4 a) II), III) and in Note 14 c).

Reporting on other information

Management is responsible for the other information. The other information comprises:

- the Management Report consisting of information about Latvenergo Group, Corporate governance, Operating segments, Results, Statement of Management Responsibility, as set out on pages 4 to 70, and 183 of the accompanying annual report;
- the Statement of Corporate Governance, as set out in a separate statement provided by the Parent Company's management and available on the Parent Company's website https://latvenergo.lv/en section Investors;
- the Sustainability Report, as set out on pages 71 to 175 of the accompanying annual report;

Other information does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as described in the Other reporting responsibilities in accordance with the legislation of the Republic of Latvia section of our report. However, we note that we have issued a limited assurance report with respect to Sustainability Report set out on pages 71 to 175.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, the Statement of Corporate Governance, the Non-financial Statement. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report (excluding Sustainability Report on which a separate limited assurance report is issued and enclosed to this annual report), is prepared in accordance with the requirements of the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report (excluding the Sustainability Report) has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in Article 56^2, paragraph three of the Financial Instruments Market Law.

Based solely on the work undertaken in the course of our audit, in our opinion, the Statement of Corporate Governance includes the information required in Article 56^2, paragraph three of the Financial Instruments Market Law.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Sustainability Report our responsibility is to report whether the Parent Company has prepared the Sustainability Report and whether the Sustainability report is included in the Management Report or prepared as a separate element of the Annual Report or is included in the consolidated Sustainability report of the Company's Parent Company.

We hereby report that the Group has prepared a Sustainability Report, and it is included in the Management Report.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and European Union when providing audit services to public interest entities

We were first appointed as auditors of the Group and the Parent Company in the year 2021 by Shareholders. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 4 years.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Parent Company;
- as stipulated in paragraph 37[6] of the Law on Audit Services of the Republic of Latvia we have not provided to the Group and the Parent Company the prohibited non-audit services (NASs) referred to in EU Regulation (EU) No 537/2014 Article 5(1). We also remained independent of the audited entity in conducting the audit.

Report on the auditors examination of the European Single Electronic Format (ESEF) Report

Report on the compliance of format of the Group and the Parent Company financial statements with the requirements for European Single Electronic Reporting Format

Based on our agreement we have been engaged by the management of the Parent Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European Single Electronic Reporting format of the Group and the Parent Company financial statements, including Group and the Parent Company financial statements for the year ended 31 December 2024 (the Single Electronic Reporting Format of the Group and the Parent Company financial statements) contained in file latvenergo-2024-12-31-0-en.zip (SHA-256-checksum: b508febdd9fe01acdf57fc33de1f43d502791f2d8d0bf8c389e59281d57c98ba).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the Group and the Parent Company financial statements has been applied by the management of the Parent Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a Single Electronic Reporting Format (the ESEF Regulation). The applicable requirements regarding the Single Electronic Reporting Format of the Group and the Parent Company financial statements are contained in the ESEF Regulation.

The requirements described in the preceding paragraph determine the basis for application of the Single Electronic Reporting Format of the Group and the Parent Company financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

Management is responsible for the application of the Single Electronic Reporting Format of the Group and the Parent Company financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the Group and the Parent Company financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibility

Our responsibility is to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the Group and the Parent Company financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the ISAE 3000 (R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the Group and the Parent Company financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect a material misstatement when it exists.

We apply International Standard on Quality Management 1 (ISQM 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the Group and the Parent Company financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions.

Our procedures include in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the Group and the Parent Company financial statements, including the preparation of the XHTML format and marking up the Group and the Parent Company financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the Group and the Parent Company financial statements using the iXBRL markup language according to the requirements of the implementation of Single Electronic Reporting Format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion, the Single Electronic Reporting Format of the Group and the Parent Company financial statements for the year ended 31 December 2024 complies, in all material respects, with the ESEF Regulation.

The responsible certified auditor on the audit resulting in this independent auditors' report is Diāna Krišjāne.

ERNST & YOUNG BALTIC SIA
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Riga, THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SAFE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

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INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON THE AS LATVENERGO GROUP'S SUSTAINABILITY STATEMENT

To the shareholder of AS Latvenergo

Limited assurance conclusion

We have conducted a limited assurance engagement to determine whether the consolidated sustainability statement of AS Latvenergo and its subsidiaries (hereinafter the "Group"), included in the Sustainability Statement section of the management report (on pages 72 to 175) (hereinafter the "Sustainability Statement"), as at 31 December 2024 and for the year then ended has been prepared in accordance with Article 7 of the Sustainability Information Disclosure Law implementing Article 29(a) of EU Directive 2013/34/EU.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Group's consolidated Sustainability Statement as at 31 December 2024 and for the year then ended is not prepared, in all material respects, in accordance with Article 7 of the Sustainability Information Disclosure Law implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Sustainability Statement (the "Process") is in accordance with the description set out in the Double materiality assessment (ESRS 2 IRO-1) section of the Sustainability Statement; and
- compliance of the disclosures in the EU Taxonomy section of the Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)").

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our responsibilities under this standard are further described in the Practitioner's responsibilities section of our report.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law of the Republic of Latvia on Audit Services, and have the required competencies and experience to conduct this assurance engagement.

We also apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities for the Sustainability Statement

Management is responsible for designing and implementing a process to identify the information reported in the Sustainability Statement in accordance with the ESRS and for disclosing this Process in the Double materiality assessment (ESRS 2 IRO-1) section of the Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

The Group's management is further responsible for the preparation of the Sustainability Statement in accordance with Article 7 of the Sustainability Information Disclosure Law implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- compliance of the disclosures in the EU Taxonomy section of the Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process.

Inherent limitations in preparing the Sustainability Statement

In reporting forward-looking information in accordance with the ESRS, management is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

In defining the disclosures in the Sustainability Statement, the Group's management interprets legal and other terms that are not clearly defined. Undefined legal and other terms are subject to varying interpretations, including consideration of the legal responsibility for their interpretation, and are therefore subject to uncertainty.

Practitioner's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the engagement.

Our responsibilities in respect of the Sustainability Statement, in relation to the Process, include:

- Obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and
- Designing and performing procedures to evaluate whether the Process is consistent with the description set out in the Double materiality assessment (ESRS 2 IRO-1) section of the Sustainability Statement.

Our other responsibilities in respect of the Sustainability Statement include:

- Obtaining an understanding of the entity's control environment, processes and information systems relevant to the preparation of the Sustainability Statement but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures responsive to where material misstatements are likely to arise in the Sustainability Statement. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Statement. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise in the Sustainability Statement, whether due to fraud or error.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process.
- Evaluated whether the evidence obtained from our procedures with respect to the Process implemented by the Group was consistent with the description of the Process set out in the Double materiality assessment (ESRS 2 IRO-1) section of the Sustainability Statement.

In conducting our limited assurance engagement, with respect to the Sustainability Statement, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Statement by:
  - Obtaining an understanding of the Group's control environment, processes and information system relevant to the preparation of the Sustainability Statement, but not for the purpose of providing a conclusion on the effectiveness of the Group's internal control; and
  - Obtaining an understanding of the roles and responsibilities in the preparation of the Sustainability Statement, including communication within the Group and between management and those charged with governance.
- Evaluated whether the information identified by the Process is included in the Sustainability Statement;
- Evaluated whether the structure and the presentation of the Sustainability Statement is in accordance with the ESRS;
- Performed inquires of relevant personnel and analytical procedures on selected information in the Sustainability Statement;
- Performed substantive assurance procedures on selected information in the Sustainability Statement;
- Where applicable, compared disclosures in the Sustainability Statement with the corresponding disclosures in the financial statements and the management report;
- Obtained evidence on the methods for developing material estimates and forward-looking information and on how these methods were applied;
- Obtained an understanding of the Group's process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Statement.

Other matter

The comparative information included in the Sustainability Statement of the Group as at 31 December 2023 and for the year then ended was not subject to an assurance engagement. Our conclusion is not modified in respect of this matter.

SIA Ernst & Young Baltic
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Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No 124

Riga,

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