

Unaudited results of Latvenergo Group for 2021

Today, on 28 February, the unaudited condensed financial statements of Latvenergo Group for 2021 are published.

Last year, the recovery of the global economy after the restrictions of COVID-19 and the impact of the weather on the consumption of energy resources and electricity generation caused a so-called *perfect storm* - an unprecedented rise in the price of electricity and energy resources. In 2021, electricity spot prices in the Baltics increased more than two and a half times compared to 2020. Global demand for electricity increased significantly as the restrictions related to the COVID-19 pandemic eased; electricity consumption in the Baltic states has also increased by 4%. As the demand for resources exceeds the supply, the need to increase generation capacities with renewable resources has become more important, which would simultaneously address the achievement of climate neutrality.

Last year, Latvenergo Group was the largest producer of green energy in the Baltic states, generating a total of 4,517 gigawatt hours (GWh) of electricity, which is 6% more than in 2020. In 2021, the Group's revenue increased by 38% and reached EUR 1,065.2 million. EBITDA is EUR 198.8 million, which is 28% less than a year ago. In turn, the profit of the Group comprised EUR 71.6 million. The Group has continued to make significant progress towards solar energy and electromobility. In the Group's growth strategy, developed in 2021, the new directions for the use of renewable energy are set as a priority for the period from 2022 to 2026.

The operations of Latvenergo Group in 2021 have been affected by the unprecedented rise in energy prices on world markets. In 2021, the electricity spot price in Latvia has reached 88.8 EUR/ MWh, which is 2.6 times higher than in 2020. The rise in prices in the Nord Pool region was affected by various factors - multiple increases in natural gas prices and CO₂ emission allowances, 5% higher demand for electricity in the region, and lower wind electricity generation in Europe. The price of natural gas reached 115.8 EUR/MWh in December 2021, while in December 2020 it was 16.2 EUR/MWh. Meanwhile, the price of emission allowances hit EUR 80 per tonne in December 2021, which is 2.6 times more than a year earlier.

In the reporting year, Latvenergo Group was the leader in green energy generation in the Baltics, whose output accounted for 29% of the total electricity output in the Baltic states. 59% of it is generated using renewable energy sources - last year the volume of output at the Daugava HPPs increased by 4%, and it is 2,636 GWh.

Electricity generation at Latvenergo AS CHPP has been 10% higher, reaching 1,854 GWh. Relatively higher generation was affected by lower generation in 2020, when the weather was warm during the heating season and electricity prices were low. The generation of thermal energy has also increased by 22%, which was affected by colder weather conditions during the heating season. In total Latvenergo Group generated 4,517 GWh of electricity and 2,072 GWh of thermal energy at its facilities.

In 2021, Latvenergo Group was represented in all energy trade segments in Latvia, Lithuania and Estonia. The Group has supplied 5% more electricity to its customers than a year earlier, or 6,706 GWh. Latvenergo Group has 750 thousand customers, incl. more than 90 thousand outside Latvia. Electricity supplied outside Latvia accounts for approximately 40% of the overall amount of electricity supplied to end consumers.

The year has been particularly successful in the sale of solar panels - compared to 2020, the number of contracts for the installation of solar panels and trade of solar park components in the Baltics increased more than two times, exceeding 1,300. The total capacity of solar panels installed for retail customers of Latvenergo Group already exceeds almost 11 MW, which makes Latvenergo one of the leading providers of this service in the Baltics.

In 2021, the target set at the beginning of the year for the number of electric car charging ports has been reached - the *Elektrum* charging network consists of 90 ports, and the number of charges made at public charging stations by customers of the mobile application increased by 50%, compared to year 2020, reaching 8,500 charges, and comprising 160 MWh.

In the reporting year, Latvenergo Group's revenue reached EUR 1 065.2 million, which is EUR 291.8 million or 38% more than last year. EBITDA¹ has decreased by EUR 79.1 million or 28% - comprising EUR 198.8 million. Accordingly, the Group's profit for the reporting year is EUR 71.6 million or 38% less than in 2020.

In 2021, the total amount of investment comprised EUR 126.7 million. It is EUR 42.1 million or 25% less than in 2020, which is determined by smaller investments in transmission assets and their unbundling from Latvenergo Group in June 2020. During the reporting year, EUR 11.7 million was invested in the Daugava HPPs' hydropower unit reconstruction. The reconstruction will ensure functionality of the hydropower units for another 40 years. 67% of total investments have been made in network modernisation. Last year, investments were made to expand operations in Estonia, investing a total of almost EUR 10 million.

According to the Law on the State Budget for 2022, Latvenergo AS dividend payout in the year 2022 (for the reporting year 2021) is not less than EUR 70.2 million. The actual amount of the dividend payout is set at the Shareholder's Meeting of Latvenergo AS after the approval of the annual report, upon evaluation of the results of the previous year.

During the reporting year, the Supervisory Board of Latvenergo AS elected a new Chairman of the Management Board and members of the Management Board with a five-year term. Mārtiņš Čakste has been appointed as the Chairman of the Management Board of Latvenergo AS, while Dmitrijs Juskovecs and Harijs Teteris have been appointed as members of the Management Board. Guntars Baļčūns and Kaspars Cikmačs continue employment in the Management Board.

In 2021, the Latvenergo Group's medium-term strategy for 2022–2026 with new strategic targets was developed and at the end of the year conceptually approved by the Supervisory Board of Latvenergo AS. The growth strategy is focused on expanding the Group's operations and leading the development of renewable energy. According to it, in 2030, 75% of the energy generated by Latvenergo Group will be obtained from renewable sources, giving priority to the development of wind energy, and thus generating such a large amount of electricity with new generation facilities, allowing it to be exported. This year, at the 22 February meeting, the Cabinet of Ministers conceptually approved the proposal of the Ministry of Economics, which urgently addresses the targets of the National Energy and Climate Plan for 2021-2030 and strengthens the state's energy independence. The state plans to build new wind farms of strategic importance on state-owned land by entrusting the implementation of this project to a joint venture established by the Latvenergo AS and Latvijas valsts meži AS.

Taking into account the extraordinary increase in energy prices in 2021, in December 2021, the Cabinet of Ministers adopted a decision to grant all end-users of electricity state aid for the reduction of the electricity distribution system service fee by 50%, which was compensated from the state budget. Meanwhile, in January 2022, the Saeima of the Republic of Latvia adopted a Law on measures to reduce the extraordinary rise in energy prices, which aims to significantly expand support to natural and legal persons from 1 January 2022 to 30 April, in order to partially compensate for the sharp rise in energy prices.

The unaudited condensed financial statements of Latvenergo Group for 2021 are available at www.latvenergo.lv in the section [Investors/Reports](#). The audited results of Latvenergo Group for 2021 will be published on 13 April 2022.

¹ earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets