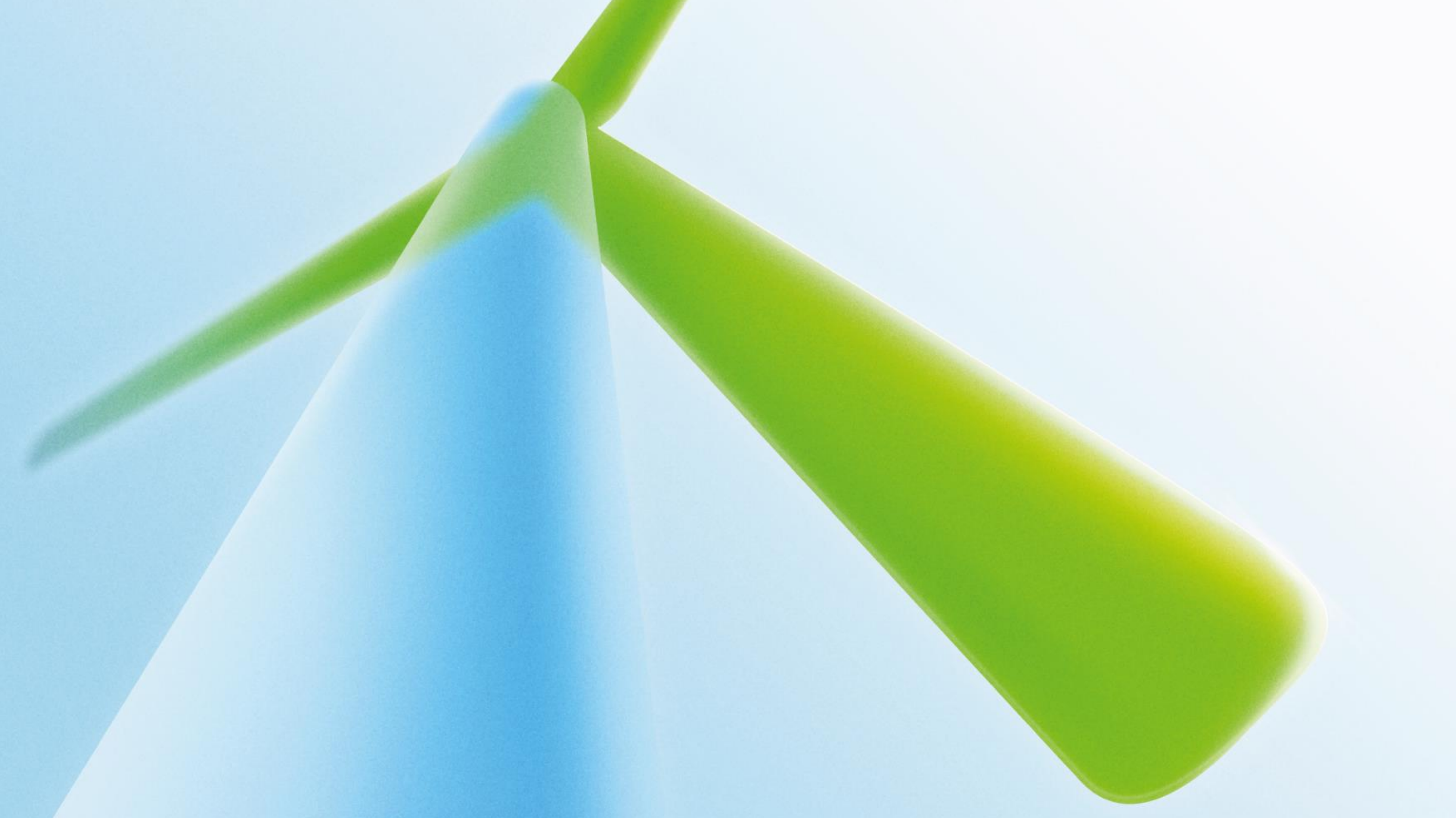

LATVENERGO CONSOLIDATED AND LATVENERGO AS UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR 2023

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29. 11. 2024.
Condensed Consolidated Interim Financial Statements for the 9-Month Period of 2024 (unaudited)

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DISCLAIMER

The financial report includes future projections that are subject to risks, uncertainties and other important factors beyond the control of Latvenergo Group; therefore, the actual results in the future may differ materially from those stated or implied in the future projections.

The report has been prepared in Latvian and in English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version shall prevail.

* *Financial Statements include* Latvenergo *consolidated and Latvenergo AS financial information prepared in accordance with the International Financial Reporting Standards as adopted by the European Union*

Highlights

Electricity and natural gas prices decreased by about 60% in 2023.

In 2023, electricity spot prices in the Baltics were on average 57% lower than the previous year. Meanwhile, the average price of natural gas at the TTF (front month) reached 49 EUR/MWh, which is 63% lower than a year ago. The price of CO_2 emission allowances reached 85 EUR/t, which is 5% higher than a year earlier.

The second largest amount of electricity in the last 25 years was generated at the Daugava hydroelectric power plants.

In 2023, electricity output at Latvenergo Group's plants reached 5.1 TWh, which is 34% more than a year earlier. Due to a significantly higher water inflow in the Daugava River, the Daugava HPPs generated the largest amount of electricity since 2017 and the second largest amount in the last 25 years – 3.7 TWh, which is 39% more than in 2022. Meanwhile, the amount of electricity generated at the Latvenergo AS CHPPs increased by 23%, reaching 1.4 TWh. The operation of the CHPPs is adjusted to the conditions of the market. The amount of thermal energy generated did not change significantly, reaching 1.7 TWh.

Latvenergo operates in all energy trade segments in Latvia, Lithuania and Estonia.

845 thous. customers

6.2 TWh of electricity sold to Baltic retail customers

49 thous. customers

0.9 TWh of natural gas sold to Baltic retail customers

In the reporting year, the Group supplied 6.2 TWh of electricity to Baltic retail customers, which is 14% more than a year earlier. In total, 1.6 TWh of natural gas was sold, which is half as much as in the year earlier. The number of *Latvenergo* customers increased in both the electricity and natural gas segments. We have about 845 thousand electricity customers, and almost 227 thousand of them are outside Latvia. The number of natural gas customers comprised more than 49 thousand at the end of December.

EBITDA increased by 67%.

MEUR

2,027.2	601.8	350.2	4,127.3
REVENUE	EBITDA	PROFIT	ASSETS

In 2023, Latvenergo Group's revenue was 10% or EUR 185.4 million higher than in the previous year. This was mainly positively impacted by the greater amount of electricity sold, higher sales prices and the greater amount of power generated at the Daugava HPPs.

The Group's EBITDA increased by 67% or EUR 241.6 million compared to the year 2022. This was mainly positively impacted by the greater amount of power generated at the Daugava HPPs, lower electricity and natural gas purchase prices and higher revenues in the distribution segment.

Sustainable investments advancing the Group's strategy.

In 2023, the total amount of investment comprised EUR 194.7 million, of which half was made in distribution network assets, promoting the quality and security of the energy supply. As per Latvenergo Group's strategic plan for 2022-2026, there will be a substantial increase in investments towards expanding the Group's renewable energy sources (RES) production capacity. This will lead to a significant reduction in greenhouse gas emissions and contribute to Latvia's goal of achieving climate neutrality by 2050. During the reporting year, EUR 34.9 million were invested in solar park projects, which is almost 1/5 of Latvenergo Group's total investments.

Latvenergo Group's RES production capacity was expanded.

After the end of the reporting year, in early 2024, Latvenergo Group's RES generation capacity portfolio was expanded with seven solar power plant (SPP) projects in Latvia, with a total capacity of 40 MW. Additionally, the development of a new wind power plant (WPP) project was initiated in Lithuania, in the Akmenė region, with a capacity of up to 15 MW. Solar and wind parks are expected to be gradually commissioned in 2024–2025.

Latvenergo Group in Brief

Latvenergo Group is one of the largest power suppliers and energy generators in the Baltics, operating in electricity and thermal energy generation and trade, natural gas trade, supply of products and services related to electricity consumption and energy efficiency, and electricity distribution services.

Latvenergo Group is comprised of a set of commercial enterprises, where the decisive influence is held by the parent company Latvenergo AS. All shares of Latvenergo AS are owned by the state and held by the Ministry of Economics of the Republic of Latvia. For more details, please see Note 9 attached to this report.

Latvenergo Group divides its operations into two operating segments: 1) generation and trade and 2) distribution. This division was made according to the internal organisational structure, which forms the basis for regular performance monitoring, decision-making on resources allocated to segments and their performance measurement. From a commercial point of view, each segment is managed differently.

The generation and trade segment

- comprises electricity and thermal energy generation operations, electricity and natural gas trade in the Baltics and administration of mandatory procurement in Latvia.

The distribution segment

- provides electricity distribution services in Latvia. Sadales tīkls AS is the largest state distribution system operator, covering approximately 99% of the territory of Latvia. Distribution system tariffs are approved by the Public Utilities Commission (PUC).

Latvenergo Group in Brief

Latvenergo Group's Strategy

The European Union has prioritised issues pertaining to climate and environmental change, as well as digitalization. These priorities follow the European Commission's Communication on the European Green Deal of 2019, which focuses on the use of renewable energy sources (RES) and progress towards climate neutrality by 2050.

Taking into account the climate and energy policy settings and the significant changes they bring to the energy sector, at the end of 2021, the Cabinet of Ministers (CM) set a new general strategic objective for Latvenergo AS:

promote the competitiveness and growth of climate-neutral Latvia and increase the value of Latvenergo Group in the domestic market in the Baltics and beyond through developing and providing goods and services in the energy and related business value chains in a sustainable, innovative and economically sound manner and the effective management of resources and infrastructure that are strategically important for the country's development and security.

In March, 2022, Latvenergo Group's medium-term strategy for 2022–2026, with strategic operational and financial objectives, was approved by the Supervisory Board of Latvenergo AS.

The strategy was developed in accordance with the guidelines on corporate governance of state-owned enterprises set by the Organization for Economic Cooperation and Development. Taking into account the general strategic objective set by the shareholder, the strategic priorities of Latvenergo Group were defined, which are further detailed in specific objectives. During the development phase of the strategy, extensive discussions were held in thematic working group sessions, which involved both the Group's employees and external experts. An online seminar was held to identify the Group's stakeholders' vision for the Group's development.

Latvia 2030 - Sustainable Development Strategy of Latvia outlines the need to promote the country's energy independence, and this goal can be achieved by developing the potential of renewable energy. The importance of energy dependence grew significantly after Russia's invasion of Ukraine, as the geopolitical situation in the region changed.

The financial objectives of the Strategy are divided into four groups: profitability, capital structure, dividend policy, and other targets.

The financial objectives are set to ensure:

- 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;
- an optimal and industry-relevant capital structure that limits potential financial risks;
- an adequate dividend policy that is consistent with the planned investment policy and capital structure targets;
- an investment-grade credit rating to secure funding for the strategy's ambitious investment programme.

The Group's financial objectives

Target group	Ratio	Year 2026
Profitability	Return on equity (ROE) excluding distribution*	> 7%
Capital structure	Adjusted FFO / Net debt ratio	> 25%
Dividend policy	Dividend payout ratio	> 64%
Other	Moody's credit rating	Maintain an investment-grade credit rating

* The profitability of the regulated services provided by the Group is determined by the Public Utilities Commission. The most significant share in the Group's regulated services is the distribution service. When evaluating the fulfilment of the ROE target, the Group's return indicator will be assessed, excluding the regulated return on the distribution service – ROE excluding distribution.

Latvenergo Group in Brief

The Group's strategic objectives

GENERATION Expand and diversify the generation portfolio with green technologies.	The aim is to grow the RES generation portfolio, focusing on WPP and SPP: • 2026: constructed or acquired WPP and SPP with total capacity of 600 MW; • 2030: constructed or acquired WPP and SPP with total capacity of 2,300 MW. The objective also provides for: • increasing the Daugava HPPs' asset value, guaranteeing their safe operation in the long run; • ensuring stable, efficient and economically viable operation of the CHPPs in the long run.
TRADE Strengthen the position of *Elektrum* as the most valuable energy trader in the Baltics.	The goal is to increase the customer portfolio; promote microgeneration, electrification, energy efficiency and product innovation.
ELECTROMOBILITY Develop electrification of the transport sector.	The objective is to develop a public charging network in the Baltics: • 2026: 1200-1,500 charging ports; • 2030: about 3,000 charging ports.
DISTRIBUTION Ensure a sustainable and economically viable distribution service and improve the security and quality of electricity supply.	The objective is to systematically and cost-effectively improve the quality and security of electricity supply: • SAIDI reduced to 160 min. in 2026; • SAIFI reduced to 1.85 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, we plan to prevent CO_2 emissions* in this amount:

- **2026: 2.6 million tonnes**
- **2030: 17.8 million tonnes**

SDGs 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 (SDGs). 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 innovation to increase the efficiency of technological and corporate processes.

* the calculation is based on the assumption that the green energy generated by Latvenergo's new capacity replaces the same amount of energy that would be produced using coal or fuel stone

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		2023	2022	2021	2020	2019
Retail electricity 1)	GWh	6,208	5,452	6,706	6,394	6,505
Natural gas sales	GWh	1,554	1,040	1,026	516	303
Electricity generation	GWh	5,132	3,822	4,517	4,249	4,880
Thermal energy generation	GWh	1,698	1,777	2,072	1,702	1,842
Number of employees		3,497	3,316	3,153	3,295	3,423
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		2023	2022	2021	2020	2019
Revenue*	MEUR	2,027.2	1,841.8	1,065.2	773.4	841.6
EBITDA 2)*	MEUR	601.8	360.2	198.8	277.9	243.5
Profit	MEUR	350.2	183.9	71.6	116.3	94.4
Assets	MEUR	4,128.2	3,855.3	3,475.9	3,358.8	3,864.9
Equity	MEUR	2,962.3	2,356.4	2,123.4	2,118.2	2,265.5
Net debt 2)*	MEUR	511.2	763.2	698.0	555.9	564.0
Adjusted funds from operations (FFO) 2)**	MEUR	513.7	339.0	176.1	249.5	259.2
Capital expenditure	MEUR	194.7	121.7	126.7	168.9	229.4

Latvenergo Group Financial Ratios

	2023	2022	2021	2020	2019
Return on equity (ROE) 2)	13.2%	8.2%	3.4%	5.3%	4.1%
Adjusted FFO / net debt	80.6%	46.4%	28.1%	44.6%	48.5%
Net debt / EBITDA 2)	1.1	2.0	3.2	2.0	2.2
EBITDA margin 2)	30%	20%	19%	36%	29%
Return on assets (ROA) 2)	8.8%	5.0%	2.1%	3.2%	2.5%
Return on capital employed (ROCE) 2)*	11.9%	6.3%	2.9%	4.2%	3.4%
Net debt / equity 2)	17%	32%	33%	26%	25%

* Figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership). For more details, please see the Group's annual report for 2020.
** Comparative figures recalculated, presenting changes in current intangible assets (CO_2 emission rights) in net cash flows from operating activities as changes in current assets
1) Including operating consumption
2) Formulas are available on page 21

Operating Environment

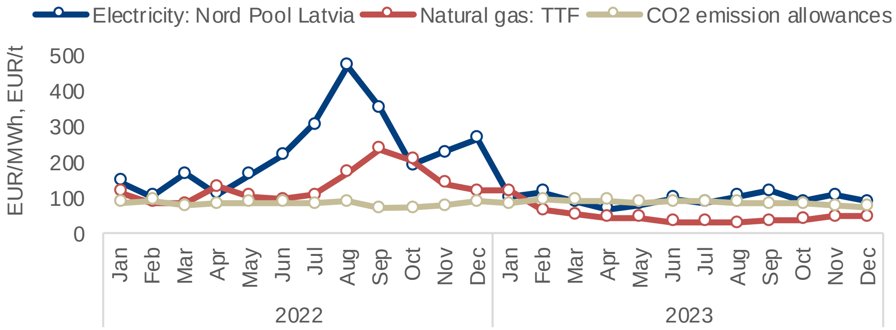
Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In 2023:

- both the Nord Pool system price and the electricity price in Latvia decreased by 58%
- the price of natural gas at the TTF (the Dutch natural gas virtual trading point) decreased by 63% compared to the previous year

Electricity prices decreased

In 2023, both the Nord Pool system price and the electricity price in Latvia decreased by 58% compared to the previous year. In the European Union (EU), the reduction in electricity prices was mainly affected by lower natural gas prices and increased electricity generation through renewable energy resources. According to Ember data, in 2023, the installed capacity of wind power plants (WPP) and solar power plants (SPP) in the European Union (EU) increased by 75 MW. Consequently, the development of wind power stations in the EU increased by 13% in 2023, while the development of solar power stations increased by 17%, collectively accounting for 27% o total electricity generation in 2023. Improved hydrological conditions also contributed to a 15% increase in hydroelectric power generation. Additionally, there was a decrease in electricity demand of approximately 2–3%. The electricity market was also stabilized with the help of the European Commission's REPowerEU plan, in response to the difficulties in the world energy market caused by the Russian invasion of Ukraine. The REPowerEU plan envisions implementing energy-saving measures, diversification of energy sources to reduce dependence on Russian fossil fuels and accelerated development of renewable energy resources.

Energy resource prices



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

Region	2023	2022	Δ, %
SYS	**56.4**	135.9	(58%)
Latvia	**93.9**	225.9	(58%)
Lithuania	**94.4**	229.2	(59%)
Estonia	**90.8**	192.0	(53%)
Poland	**111.7**	166.7	(33%)
Sweden	**49.3**	100.3	(51%)
Finland	**56.5**	153.5	(63%)
Denmark	**84.3**	213.7	(61%)
Norway	**56.5**	117.0	(52%)
Germany	**95.2**	235.5	(60%)
France	**96.9**	275.9	(65%)
Great Britain	**108.0**	239.4	(55%)

In 2023, total electricity consumption in the Baltics was on average 3% lower compared to the previous year, reaching 26.8 TWh. The decrease was affected by energy efficiency measures introduced by consumers, as well as the development of microgeneration.

Meanwhile, the amount of overall electricity generation in the Baltics decreased by 3%, reaching 15.8 TWh (in 2022, it was 16.2 TWh). Due to higher output at the Daugava HPPs, the total volume of electricity generation in Latvia increased by 26%, reaching 5.7 TWh. The increased generation of wind energy has led to a 25% rise in total electricity generation in Lithuania, reaching 5.5 TWh. Meanwhile, in Estonia electricity output decreased by 37% to 4.6 TWh, which was mainly impacted by 52% lower output at oil shale plants. In the reporting year, the electricity purchased from neighbouring countries decreased by 4%; it amounted to 10.5 TWh.

Operating Environment

The natural gas price decreased

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In 2023, the average price of natural gas at the TTF (front month) reached 49 EUR/MWh, which is 63% lower than a year earlier. Slower global economic growth, along with high liquefied natural gas (LNG) imports, increased RES output and reduced natural gas consumption, contributed to an increase in the natural gas reserve fill rate in EU gas storage facilities. In 2023, the average fill rate of natural gas storage facilities, according to *Gas Infrastructure Europe* data, was 79% (in 2022, it was 61%). The REPowerEU plan, aiming for voluntary measures to reduce gas consumption by 15% across the EU territory by March 2024, is also ongoing.

The dynamics of the natural gas market are linked with the oil market and other energy resource markets. In 2023:

- The average price of Brent crude futures oil was 82.2 USD / bbl., which is 17% lower than in 2022. Despite the OPEC+ member countries' decision to reduce oil production, the decrease in oil market prices was influenced by concerns about the risk of a global economic recession and the slower pace of China's economic recovery. At the end of the reporting year, the escalation of military activities in the Middle East affected supply risks.
- The average price of coal (API2 Rotterdam coal futures front month) was 50% lower than in 2022, reaching 133.9 USD / t. The decrease in the coal price was affected by lower coal consumption in Europe due to the lower price of natural gas and LNG, higher output of renewable energy, and high levels of coal stockpiles in European ports.
- The average price of CO_2 emission allowances (EUA DEC futures) was 5% higher compared to the year 2022, reaching 85.3 EUR / t. However, at the end of the year, there was a downward trend in prices, affected by the reduction in natural gas prices and slower economic development. The European Parliament's decision to allocate additional quotas for financing REPowerEU, aimed at reducing Europe's dependence on Russian energy resources, led to an increased supply of quotas in the short term. The climate goal of the European Commission to reduce CO_2 emissions by 55% by 2030 compared to the levels of 1990 remains relevant.

Latvenergo AS has not imported natural gas from Russia since 24 February 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 Klaipeda SDG terminal at a volume of 6 TWh per year. For the period 2024-2026, Latvenergo AS has entered into a supply agreement with the Norwegian company Equinor ASA for deliveries totalling 6 TWh, utilizing the Klaipeda SDG terminal.

Dividends

In May 2023, Latvenergo AS paid 134.0 million EUR of its 2022 profit to the state as dividends, paying a corporate income tax of 26.5 million EUR accordingly. On 18 October, at the extraordinary shareholders' meeting of Latvenergo AS, a decision was made to pay additional dividends to the state in the amount of EUR 18.5 million from the undistributed profit of the 2022 financial year. The additional dividends paid will be directed towards reducing the extraordinary increase in energy resource prices. According to the law "On the state budget for 2024 and budgetary framework for 2024, 2025 and 2026", Latvenergo AS dividend payout in the year 2024 (for the reporting year 2023) amounts to 64% of profit for the reporting year and is not less than EUR 199.3 million. Accordingly, corporate income tax is calculated and paid in accordance with laws and regulations. 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. Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 31 December 2023, the Group's asset value exceeds EUR 4.1 billion and its equity exceeds EUR 2.9 billion.

Wind energy development in Latvia

In November 2023, Latvijas vēja parki SIA was granted the right to enter into a land lease agreement for the strategically significant placement of wind parks in state forest territories. In order to achieve the installation of WPPs with a total capacity of at least 800 MW by 2030, these plants, along with the associated infrastructure, will be designed, constructed, and operated on state-owned land managed by Latvijas valsts meži AS. In 2024, environmental impact assessment studies are planned for the 40 thousand hectares of forested areas that have been allocated. This includes project design work and the procurement of equipment.

Financial Results

In 2023, Latvenergo Group's revenue reached EUR 2,027.2 million, which was EUR 185.4 million or 10% more than a year earlier. This was mainly impacted by EUR 135.8 million higher energy sales revenues mainly due to a 14% greater amount of electricity sold in retail, higher sales prices, a 39% greater amount of power generated at the Daugava HPPs and an increase in revenue in the distribution segment of 42.1 million EUR, following the introduction of the new distribution tariffs by Sadales tīkls AS starting from July 1, 2023.

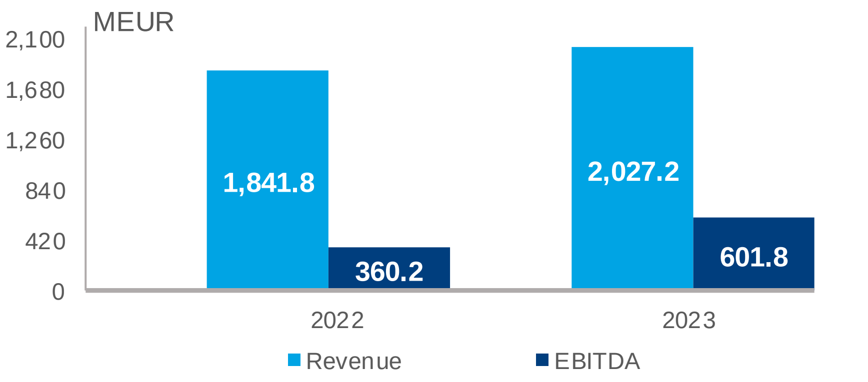
> Latvenergo Group's EBITDA increased by 67%

Latvenergo Group financial figures		2023	2022	Δ	Δ, %
Revenue	MEUR	2,027.2	1,841.8	185.4	10%
EBITDA	MEUR	601.8	360.2	241.6	67%
Net profit	MEUR	350.2	183.9	166.3	90%
Assets	MEUR	4,128.2	3,855.3	272.9	7%

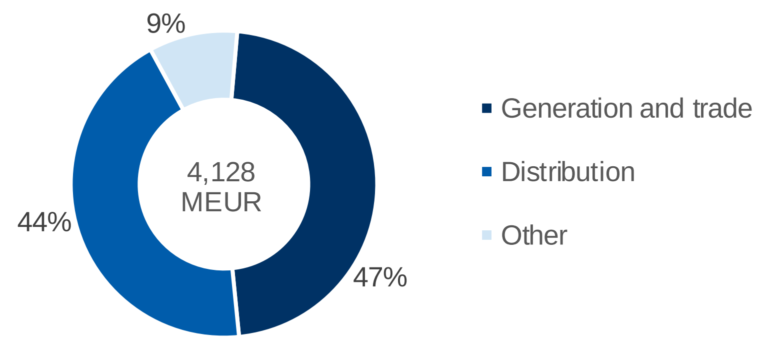
Latvenergo Group's EBITDA increased by EUR 241.6 million, which is 67% more than a year earlier, reaching EUR 601.8 million. This was mainly positively impacted by the greater amount of power generated at the Daugava HPPs, lower electricity and natural gas purchase prices and an increase in revenue in the distribution segment

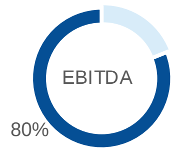
The Group's profit for the reporting year reached EUR 350.2 million.

Revenue and EBITDA



Assets





Generation and Trade

Segment weight in Latvenergo Group

Revenue
83%

EBITDA
80%

Assets
47%

Employees
34%

In 2023, generation and trade comprised Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 88% of the segment's revenue came from electricity and natural gas trade, while 12% came from thermal energy supply.

The segment's revenue was positively impacted by EUR 135.8 million higher energy sales revenues mainly due to a 14% greater amount of electricity sold in retail, higher sales prices and a 39% greater amount of power generated at the Daugava HPPs.

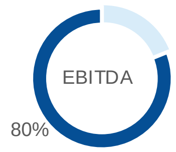
Meanwhile, the segment's EBITDA was mainly positively impacted by the greater amount of power generated at the Daugava HPPs and lower electricity and natural gas purchase prices.

In the reporting year, the total volume of electricity generated at Latvenergo Group's plants amounted to 5,132 GWh, which corresponded to 83% of the amount of electricity sold to retail customers (in 2022: 70%).

Operational figures		**2023**	**2022**	**Δ**	**Δ, %**
Electricity customers	thous.	845	818	27	3%
Electricity supply	GWh	8,659	7,346	1,313	18%
*Retail**	*GWh*	*6,208*	*5,452*	*757*	*14%*
*Wholesale***	*GWh*	*2,450*	*1,894*	*556*	*29%*
Natural gas customers	thous.	49	22	28	127%
Natural gas supply	GWh	1,554	1,040	514	49%
Retail	*GWh*	*896*	*930*	*(34)*	*(4%)*
Wholesale	*GWh*	*658*	*110*	*548*	*498%*
Electricity generation	GWh	5,132	3,822	1,309	34%
Daugava HPPs	GWh	*3,725*	*2,671*	*1,055*	*39%*
CHPPs	GWh	*1,385*	*1,123*	*263*	*23%*
Liepaja plants and small plants	GWh	*21*	*29*	*(8)*	*(26%)*
Thermal energy generation	GWh	1,698	1,777	(79)	(4%)
CHPPs	GWh	*1,457*	*1,531*	*(73)*	*(5%)*
Liepaja plants	GWh	*241*	*247*	*(6)*	*(2%)*

Financial figures		**2023**	**2022**	**Δ**	**Δ, %**
Revenue	MEUR	1,717.4	1,559.6	157.9	10%
EBITDA	MEUR	480.2	275.2	205.0	74%
Assets	MEUR	1,941.7	1,833.1	108.6	6%
Capital expenditure	MEUR	76.8	20.7	56.2	272%

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



Generation and Trade

Generation

Latvenergo Group is one of the largest electricity producers in the Baltics. In 2023, Latvenergo Group produced 1/3 of the total electricity generated in the Baltics. Moreover, 73% of the electricity was generated from renewable energy sources (in 2022: 70%). The total amount generated by Latvenergo Group's power plants comprised 5.1 TWh of electricity and 1.7 TWh of thermal energy.

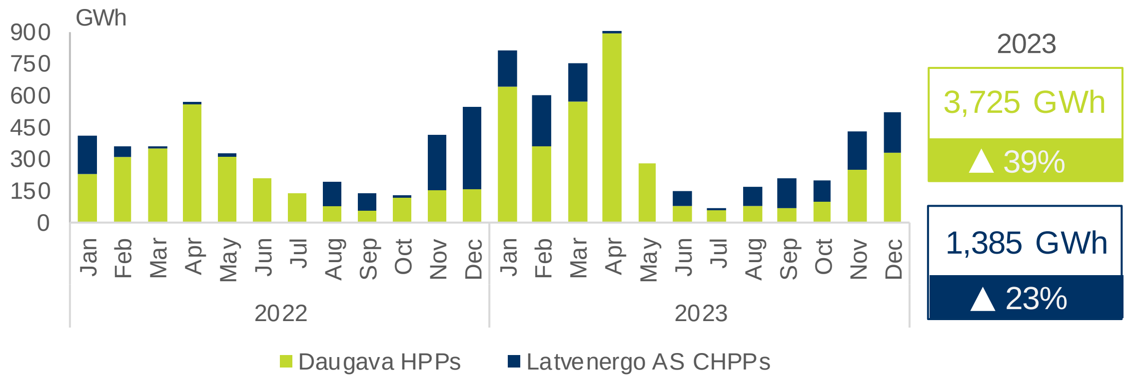
> The Daugava HPPs generated the second largest amount of electricity in the last 25 years

The Daugava HPPs generated the largest amount of electricity since 2017 and the second largest amount in the last 25 years – 3.7 TWh, which is 39% more than in 2022. The amount of power generated at the Daugava HPPs was impacted by 56% higher water inflow in the Daugava River. According to data from the Latvian Environment, Geology and Meteorology Centre, the average water inflow in the Daugava River in 2023 was 789 m^3/s, while a year earlier it was 506 m^3/s.

The amount generated at the Latvenergo AS CHPPs increased by 23%, reaching 1.4 TWh. The increase was influenced by relatively low generation in the previous year, which was then affected by high natural gas prices. The operation of the CHPPs is adjusted to the conditions of the electricity market and heat demand.

The amount of thermal energy generated did not significantly change, reaching 1.7 TWh.

Electricity generation at Daugava HPPs and Latvenergo AS CHPPs



Generation and Trade

Trade

At the end of the reporting year, the number of electricity customers was more than 845 thousand, including almost 227 thousand foreign customers. The electricity customer portfolio shows a positive 3% increase mainly due to the increase in the number of customers within households in Lithuania. Under the *Elektrum* brand, Latvenergo Group has become the second-largest electricity supplier in the household customer segment in Lithuania.

> Latvenergo operates in all energy trade segments in Latvia, Lithuania and Estonia

In 2023, the Group supplied 6.2 TWh of electricity to its customers in the Baltics, which is 14% more than a year earlier. The increase in electricity sales volume was mainly impacted by the growth in sales volume in the business customer segment, as well as the increase in sales volume in the household market in Lithuania.

The overall amount of retail electricity trade outside Latvia accounted for about 38%. The electricity trade volume in Latvia was 3.8 TWh, while in Lithuania it was 1.9 TWh and in Estonia it was 0.5 TWh.

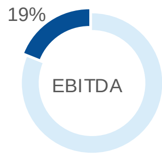
Meanwhile, the number of natural gas customers has more than doubled, comprising more than 49 thousand at the end of December. The Group's natural gas sales in the Baltics decreased by 4%, reaching 896 GWh. The decrease is associated with a general decline in natural gas consumption in the Baltic market. The Group's natural gas sales in the Baltics reached 1.6 TWh, which is almost half as much as in 2022.

In the reporting year, we continued to develop retail activities of other products and services related to electricity consumption and energy efficiency:

- The number of contracts for the installation of solar panels and trade of solar park components in the Baltics exceeded 1,600. The total installed solar panel capacity (including remote solar parks) provided to Latvenergo Group's retail customers in the Baltics exceeded 70 MW at the end of December; thus, Latvenergo is one of the leading providers of this service in the Baltics. Almost 3/4 of panels are installed for customers outside Latvia.
- Steady growth in the number of *Elektrum Insured* customers in the Baltics continued, reaching about 130 thousand.
- In the reporting year, we further strengthened our leading position in the electric vehicle charging station market in Latvia. The *Elektrum Drive* electric car charging network in the Baltics grew, reaching 400 charging ports. In 2023, 44.3 thousand electric vehicle charges were made, comprising 880 MWh, resulting in savings of 530 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 – providing customers access to a total of 571 charging points.

Completed in 2023

- 6.2 TWh of electricity sold to Baltic retail customers.
- 0.9 TWh of natural gas sold to Baltic retail customers.
- More than 1,600 contracts were concluded for the installation of solar panels in the Baltics.
- More than 44.3 thousand electric vehicle charges were made at the *Elektrum Drive* electric car charging stations.



Distribution

Segment weight in Latvenergo Group

Revenue
17%

EBITDA
19%

Assets
44%

Employees
48%

As of 1 July 2023, the new distribution 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 to the actual maintenance cost structure of the distribution network. With the introduction of the new tariff, the financial results of the distribution segment have improved. In 2023, the segment's revenue increased by 14%, reaching EUR 343.3 million. Meanwhile, the segment's EBITDA increased by 57%, reaching EUR 111.9 million. In addition, a positive impact on EBITDA was made by 20.8 million EUR lower electricity loss costs due to a lower market price of electricity. Meanwhile, financial results were negatively impacted by 3.5% lower electricity distributed, which was affected by lower consumption due to energy efficiency measures implemented by customers, the development of microgeneration, a rise in operating costs due to inflation and increased electricity transmission service costs.

Under the law on measures to reduce the extraordinary rise in energy prices, from 1 September 2023 to 31 December 2023, a 60% reduction was applied to the fixed component of the electricity distribution tariff (maintenance fee for power) for all households. This reduction is compensated through funds allocated from the state budget and dividends received from Latvenergo AS.

To ensure a more sustainable approach and predictability of changes for customers in the future, from 1 January 2024 to 31 December 2025, the increase in the capacity payments of the electricity distribution tariff for household users will be applied gradually. The difference between the approved tariff and the one applied to customers will be compensated from dividends of Latvenergo AS paid in the state budget.

Operational figures		**2023**	**2022**	**Δ**	**Δ, %**
Electricity distributed	GWh	6,021	6,241	(220)	(4%)
Distribution losses	GWh	223	252	(29)	(12%)
SAIFI*	number	2.7	2.5	0.2	10%
SAIDI*	minutes	266	240	26	11%

Financial figures		**2023**	**2022**	**Δ**	**Δ, %**
Revenue	MEUR	343.3	301.2	42.1	14%
EBITDA	MEUR	111.9	71.3	40.6	57%
Assets	MEUR	1,800.4	1,791.7	8.7	0%
RAB	MEUR	1,582.7	1,587.4	(4.6)	(0%)
Capital expenditure	MEUR	99.6	84.6	15.0	18%

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

Considering the possibilities of obtaining financing, as well as the increase in energy resource prices in the last two years, microgeneration development in the country has been stimulated significantly. In 2022, the volume of new microgenerator connections to the distribution grid reached its peak, and in 2023, overall customer activity remained high. At the end of the reporting year, the total generation capacity of microgenerators and generators connected to the distribution system reached 550 MW. In 2023, the capacity of microgenerators connected to the distribution grid reached almost 70 MW, while the total generation capacity of connected generators increased by 137 MW.

In December 2023, the PUC approved the Sadales tīkls AS development plan for the next 10 years. The main directions of investment in line with the development plan include:

- Even reconstruction of the electrical grid
- Improvement of the quality of electricity supply
- Smart grid management

Unfavourable weather conditions significantly affected SAIDI and SAIFI indicators in 2023. However, excluding mass damage, the reliability and quality of electricity supply have been increasing each year, and over the last five years, SAIFI has decreased by 16%, and SAIDI by 21%.

Investments

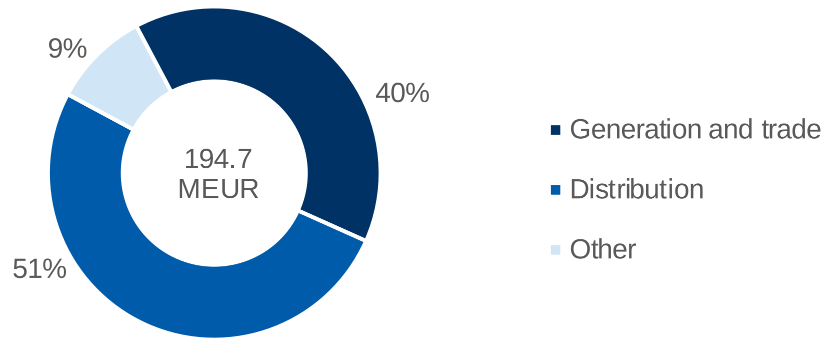
In 2023, the total amount of investment comprised EUR 194.7 million, which is 60% or EUR 73.0 million more compared to the previous year, and the largest increase was generated by investments in the development projects of solar power plants.

Investment in power distribution network assets – half of the total

In the reporting year, investments in distribution comprised EUR 99.6 million, which is half 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. The purpose of investments in the distribution segment is to promote the quality and security of the energy supply, reduce the frequency and duration of power supply disruptions caused by planned and unplanned maintenance, and ensure the appropriate voltage quality.

In the reporting year, EUR 34.9 million was allocated towards the development of *Elektrum* solar parks, which is almost 1/5 of Latvenergo Group's total investments. Also, the reconstruction work and procurement procedures continued for the reconstruction of the last three hydro units of the Daugava HPPs. In 2023, EUR 8.2 million was invested in the Daugava HPPs' hydropower unit reconstruction. 8 hydro units included in the programme have already been reconstructed as of 31 December 2023.

Capital expenditure



As per Latvenergo Group's strategic plan for 2022-2026, there will be a substantial increase in investments towards expanding the Group's renewable energy production capacity. This will lead to a significant reduction in greenhouse gas emissions and contribute to Latvia's goal of achieving climate neutrality by 2050.

Latvenergo Group purposefully develops renewable generation capacity in the Baltic region

In the reporting year, 3 solar parks with a total capacity of 18.7 MW were put into operation in Lithuania. By the end of the reporting year, we had 6 *Elektrum* solar parks in operation with a total capacity of almost 30 MW in Lithuania. The solar park capacity in Lithuania will be distributed in three revenue streams: selling capacity to customers, leasing capacity to customers, and supplying generated energy to customers. Meanwhile, in Latvia, the first solar park with a total capacity of 11.7 MW is expected to be operational by the end of April 2024. In the Baltic region, the Group has solar and wind park projects in the project or construction stage with a total capacity of about 400 MW, including seven SPP projects in Latvia, with a total capacity of 40 MW and a new WPP project in Lithuania, in the Akmenė region, with a capacity of up to 15 MW; these projects were added to the Group's RES generation capacity portfolio in early 2024. Solar and wind parks are expected to be gradually commissioned in 2024–2025.

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.

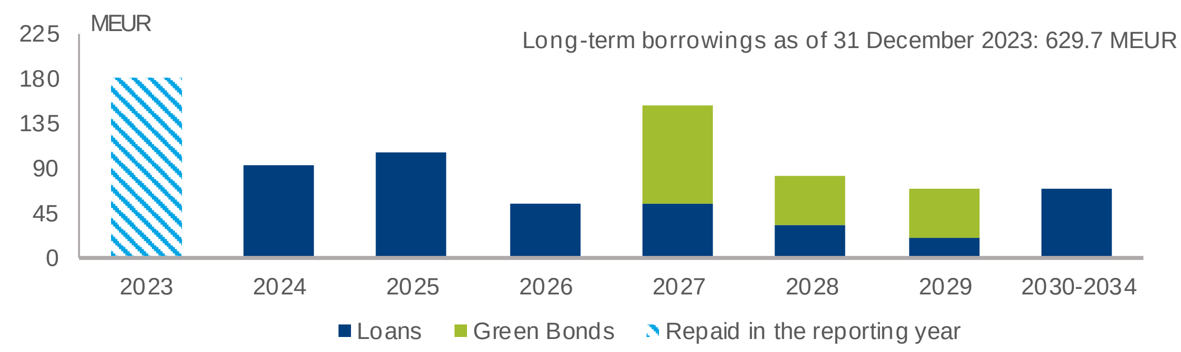
Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time.

On February 22, 2023, Latvenergo AS concluded the third bond programme in the amount of EUR 200 million 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. The bonds are listed on Nasdaq Riga AS.

The bonds were issued in the format of green bonds, according to the Green Bond Framework of Latvenergo AS. The independent research centre CICERO Shades of Green has rated the updated Latvenergo AS Green Bond Framework as Dark Green (the highest category), indicating the compliance of the planned projects with long-term environmental protection and climate change mitigation objectives, as well as good governance and transparency.

As of 31 December 2023, the Group's borrowings amount to EUR 629.7 million, all of which are long-term loans (31 December 2022: EUR 875.9 million, including long-term loans in the amount of EUR 756.2 million). The loan portfolio includes long-term loans from commercial banks and international financial institutions, as well as green bonds in the amount of EUR 200 million.

Latvenergo Group's long-term debt repayment schedule



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 2023, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 3.9 years (31 December 2022: 3.9 years). The effective weighted average interest rate (with interest rate swaps) is 3.2% (31 December 2022: 1.2%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 2.8).

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

On 9 March 2023, Moody's published an updated Credit Opinion of Latvenergo AS. The rating of Latvenergo AS remains unchanged: 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.

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 – 60%–65% 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 71% of the annual production 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, 46% of the long-term borrowings had a fixed interest rate with an average period of 2.1 years as of 31 December 2023.

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 2023, all borrowings of Latvenergo Group are denominated in euros, and during the reporting period, 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 2023, the Group and Latvenergo AS concluded several foreign currency exchange forward contracts to limit the currency risk of the planned payments regarding natural gas purchases. All transactions have been concluded as instruments for mitigating cash flow risk, and they are in accordance with risk mitigation accounting requirements. All currency exchange forwards concluded during the year 2023 were fully executed.

Financial Risk Management

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 period, 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 2023, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 118.5 million (31 December 2022: EUR 112.8 million), while the current ratio was 2.1 (1.2).

The Group plans to use its funds in the amount of EUR 118.5 million for dividend payout, repayment of the existing loan principal, 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.

Latvenergo AS Key Performance Indicators

Latvenergo AS operational figures

		2023	2022	2021
Electricity supply	GWh	6,090	4,700	5,304
Retail[2]	*GWh*	*3,830*	*3,540*	*3,999*
Wholesale[3]	*GWh*	*2,261*	*1,161*	*1,305*
Natural gas supply	GWh	1,435	905	804
Retail	*GWh*	*777*	*795*	*804*
Wholesale	*GWh*	*658*	*110*	–
Electricity generation	GWh	5,115	3,800	4,495
Thermal energy generation	GWh	1,457	1,531	1,800
Number of employees		1,414	1,329	1,269
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		2023	2022	2021
Revenue	MEUR	1,390.5	1,231.0	592.8
EBITDA[1]	MEUR	473.3	280.3	85.3
Profit	MEUR	331.6	209.4	79.5
Assets	MEUR	3,474.0	3,305.5	2,915.6
Equity	MEUR	2,608.0	2,018.7	1,761.1
Net debt (adjusted)[1]	MEUR	511.0	763.7	689.9
Capital expenditure	MEUR	64.5	30.0	29.5

Latvenergo AS financial ratios

	2023	2022	2021
Return on equity (ROE)[1]	14.3%	11.1%	4.5%
Net debt / equity (adjusted)[1]	20%	38%	39%
EBITDA margin[1]	34%	23%	14%

1) Formulas are available on page 21
2) Including operating consumption
3) Including sale of energy purchased within the mandatory procurement on the Nord Pool

Statement of Management Responsibility

Based on the information available to the Management Board of Latvenergo AS, the *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements for 2023,* including the Management Report, have been prepared in accordance with the International Financial Reporting Standards and in all material respect present a true and fair view of the assets, liabilities, financial position and profit and loss of Latvenergo Group and Latvenergo AS. Information provided in the Management Report is accurate.

The *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements for 2023* were approved by the Management Board of Latvenergo AS on 27 February 2024 and have been signed by Member of the Management Board Guntars Baļčūns as authorized person.

This document is signed with a secure digital signature and contains a time stamp

Guntars Baļčūns — Member of the Management Board

27 February 2024

Formulas

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

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

- Profitability measures: EBITDA; EBITDA margin; return on assets (ROA); return on equity (ROE); ROE excluding distribution; return on capital employed (ROCE);
- Financial leverage measures: net debt; equity-to-asset ratio; net debt / EBITDA; net debt / equity; debt service coverage ratio; Adjusted Funds from operations (FFO) / Net debt;
- Liquidity measure: current ratio;
- Dividend policy measure: dividend pay-out ratio.

The financial ratios binding on loan agreements are: equity-to-asset ratio. net debt / EBITDA and debt service coverage ratio. Other ratios and financial figures. including net debt / EBITDA are the most commonly used ones in the industry.

The definitions and components of the financial figures and ratios are described below.

These financial figures and ratios have not changed compared to the financial statements for 2021.

Net debt* = borrowings at the end of the period - cash and cash equivalents at the end of the period

Adjusted Funds from operations (FFO) =
funds from operations (FFO) – compensation from the state-on-state support for the installed capacity of CHPPs

Adjusted Funds from operations (FFO) / Net debt =

$$\frac{\text{adjusted FFO (12-month rolling)}}{\text{(net debt at the beginning of the 12-month period + net debt at the end of the 12-month period)/2}} \times 100\ \%$$

Net debt/ EBITDA =

$$\frac{\text{(net debt at the beginning of the 12-month period + net debt at the end of the 12-month period)} \times 0.5}{\text{EBITDA (12-month rolling)}}$$

$$\text{EBITDA margin} = \frac{\text{EBITDA (12-month rolling)}}{\text{revenue (12-month rolling)}} \times 100\%$$

$$\text{Net debt/equity} = \frac{\text{net debt at the end of the reporting period}}{\text{equity at the end of the reporting period}} \times 100\%$$

Return on assets =

$$\frac{\text{net profit (12-month rolling)}}{\text{(assets at the beginning of the 12-month period + assets at the end of the 12-month period)/2}} \times 100\%$$

Return on equity =

$$\frac{\text{net profit (12-month rolling)}}{\text{(equity at the beginning of the 12-month period + equity at the end of the 12-month period)/2}} \times 100\%$$

Return on equity excluding distribution=
(Group's profit – Sadales tīkls AS profit (12-month rolling)) / ((Group's equity – Sadales tīkls AS equity (at the beginning of the 12-moth period)

+ Group's equity – Sadales tīkls AS equity (at the end of the 12-month period) / 2)

$$\text{Return on capital employed} = \frac{\text{operating profit of the 12-month period}}{\text{average value of equity + average value of borrowings (without LET)}} \times 100\%$$

Average value of borrowings =

$$\frac{\text{borrowings from FI at the beginning of the 12-month period + borrowings from FI at the end of the 12-month period}}{2}$$

$$\text{Debt service coverage ratio} = \frac{\text{net income +/- extraordinary items + depreciation + interest expense}}{\text{principal payments + interest payments}}$$

$$\text{Current ratio} = \frac{\text{current assets at the end of the reporting period}}{\text{current liabilities at the end of the reporting period}}$$

$$\text{Dividend payout ratio} = \frac{\text{dividends paid in the reporting year}}{\text{profit of the parent company in the previous reporting year}} \times 100\%$$

* Financial figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership)

List of Abbreviations

AST –	Augstsprieguma tīkls AS
bbl –	barrel of oil (158.99 litres)
CHPPs –	Latvenergo AS combined heat and power plants
CM –	Cabinet of Ministers
CO_2 –	Carbon dioxide
Daugava HPPs –	Daugava hydropower plants
EBITDA –	earnings before interest. corporate income tax. share of profit or loss of associates. depreciation and amortization. and impairment of intangible and fixed assets
EU –	European Union
GW –	gigawatt
kV –	kilovolt
LET –	Latvijas elektriskie tīkli AS
LNG –	liquid natural gas
MEUR –	million euros
MW –	megawatt
MWh –	megawatt hour (1.000.000 MWh = 1.000 GWh = 1 TWh)
MP –	mandatory procurement
MPC –	mandatory procurement component
nm^3 –	normal cubic meter
PUC –	Public Utilities Commission
RAB –	Regulated asset base
RES –	Renewable energy sources
SAIDI –	System Average Interruption Duration Index
SAIFI –	System Average Interruption Frequency Index
SDG –	Sustainable Development Goals
SPP –	Solar power plant
TTF –	the Dutch natural gas virtual trading point
WACC –	Weighted average cost of capital
WPP –	Wind power plant

Unaudited Condensed Financial Statements

Statement of Profit or Loss

EUR'000

	Notes	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Revenue	4	2,027,160	1,841,801	1,390,499	1,231,015
Other income		39,164	31,174	35,023	28,690
Raw materials and consumables	5	(1,248,320)	(1,333,708)	(846,986)	(891,138)
Personnel expenses		(141,882)	(116,993)	(63,366)	(52,812)
Other operating expenses		(74,315)	(62,065)	(41,875)	(35,430)
EBITDA*		**601,807**	**360,209**	**473,295**	**280,325**
Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment (PPE) and right–of–use assets	7, 8	(197,173)	(166,248)	(111,028)	(81,513)
Operating profit		**404,634**	**193,961**	**362,267**	**198,812**
Finance income	6 a	9,226	1,414	24,747	10,767
Finance costs	6 b	(25,293)	(10,830)	(25,278)	(10,802)
Dividends from subsidiaries		–	–	924	10,585
Profit before tax		**388,567**	**184,545**	**362,660**	**209,362**
Income tax		(38,397)	(671)	(31,099)	–
Profit for the year		**350,170**	**183,874**	**331,561**	**209,362**
Profit attributable to:					
– Equity holder of the Parent Company		349,002	183,443	331,561	209,362
– Non–controlling interests		1,168	431	–	–

* 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)

Statement of Comprehensive Income

EUR'000

	Notes	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Profit for the year		**350,170**	**183,874**	**331,561**	**209,362**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
– gains / (losses) from change in hedge reserve	13	99,380	(109,483)	99,380	(109,483)
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		**99,380**	**(109,483)**	**99,380**	**(109,483)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
– gains on revaluation of non–current assets	7 c	312,061	227,695	312,061	227,695
– (losses) / gains on remeasurement on defined benefit plan		(2,710)	645	(1,144)	210
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**309,351**	**228,340**	**310,917**	**227,905**
Other comprehensive income for the year		**408,731**	**118,857**	**410,297**	**118,422**
TOTAL comprehensive income for the year		**758,901**	**302,731**	**741,858**	**327,784**
Comprehensive income attributable to:					
– Equity holder of the Parent Company		757,733	302,300	741,858	327,784
– Non–controlling interests		1,168	431	–	–

Statement of Financial Position

EUR'000

	Notes	Group 31/12/2023	Group 31/12/2022	Parent Company 31/12/2023	Parent Company 31/12/2022
ASSETS					
Non–current assets					
Intangible assets	7 a	58,133	51,789	21,093	18,397
Property, plant, and equipment	7 c	3,301,605	3,005,370	1,505,965	1,242,660
Right–of–use assets	8 a	11,219	10,526	4,710	5,066
Investment property	7 d	2,308	2,297	2,261	2,222
Non–current financial investments	9	42	40	671,720	647,320
Non–current loans to related parties	19 e	863	–	463,030	510,468
Other non–current receivables	11 c	447	482	447	482
Derivative financial instruments	15	3,210	8,131	3,210	8,131
Total non–current assets		**3,377,827**	**3,078,635**	**2,672,436**	**2,434,746**
Current assets					
Inventories	10	183,798	295,638	146,045	261,586
Current intangible assets	7 b	23,051	31,664	23,051	31,664
Receivables from contracts with customers	11 a	224,698	314,109	161,674	233,192
Other current receivables	11 b, c	50,021	17,521	52,280	36,451
Deferred expenses		2,388	2,408	2,156	2,191
Current loans to related parties	19 e	–	–	161,268	202,840
Derivative financial instruments	15	7,959	2,598	7,959	2,598
Other current financial investments	12	140,000	–	140,000	–
Cash and cash equivalents	12	118,456	112,757	107,163	100,268
Total current assets		**750,371**	**776,695**	**801,596**	**870,790**
TOTAL ASSETS		**4,128,198**	**3,855,330**	**3,474,032**	**3,305,536**
Equity					
Share capital		790,368	790,368	790,368	790,368
Reserves	13	1,681,801	1,282,683	1,320,419	910,683
Retained earnings		482,319	276,242	497,227	317,643
Equity attributable to equity holder of the Parent Company		**2,954,488**	**2,349,293**	**2,608,014**	**2,018,694**
Non–controlling interests		7,844	7,126	–	–
Total equity		**2,962,332**	**2,356,419**	**2,608,014**	**2,018,694**
Liabilities					
Non–current liabilities					
Borrowings	14	536,316	574,754	527,082	561,551
Lease liabilities	8 b	9,015	8,648	3,607	4,206
Deferred income tax liabilities		5,475	667	–	–
Provisions		18,239	15,566	8,565	7,552
Deferred income from contracts with customers	18 I, a	139,030	133,116	668	735
Other deferred income	18 I, b, c	98,624	121,180	91,638	115,798
Other non–current liabilities		–	265	–	–
Total non–current liabilities		**806,699**	**854,196**	**631,560**	**689,842**
Current liabilities					
Borrowings	14	93,380	301,164	91,097	302,387
Lease liabilities	8 b	2,391	2,027	1,217	960
Trade and other payables	17	217,091	165,274	117,925	133,768
Deferred income from contracts with customers	18 II, a	21,331	29,330	67	13,714
Other deferred income	18 II, b, c	24,974	24,901	24,152	24,152
Derivative financial instruments	15	–	122,019	–	122,019
Total current liabilities		**359,167**	**644,715**	**234,458**	**597,000**
Total liabilities		**1,165,866**	**1,498,911**	**866,018**	**1,286,842**
TOTAL EQUITY AND LIABILITIES		**4,128,198**	**3,855,330**	**3,474,032**	**3,305,536**

Statement of Changes in Equity

EUR'000

	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 2021	**790,368**	**1,175,355**	**151,430**	**2,117,153**	**6,295**	**2,123,448**	**790,368**	**795,731**	**174,971**	**1,761,070**
Non–controlling interests' contributions to share capital	–	–	–	**–**	400	**400**	–	–	–	**–**
Dividends for 2021	–	–	(70,160)	**(70,160)**	**–**	**(70,160)**	–	–	(70,160)	**(70,160)**
Disposal of non–current assets revaluation reserve	–	(11,529)	11,529	**–**	–	–	**–**	(3,470)	3,470	**–**
Total transactions with owners and other changes in equity	–	**(11,529)**	**(58,631)**	**(70,160)**	**400**	**(69,760)**	**–**	**(3,470)**	**(66,690)**	**(70,160)**
Profit for the year	–	–	**183,443**	**183,443**	431	**183,874**	–	–	209,362	**209,362**
Other comprehensive income for the year	–	118,857	–	118,857	–	**118,857**	**–**	118,422	**–**	**118,422**
Total comprehensive income for the year	**–**	**118,857**	**183,443**	**302,300**	**431**	**302,731**	**–**	**118,422**	**209,362**	**327,784**
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	–	(9,613)	9,613	–	–	**–**	–	(561)	561	**–**
Total transactions with owners and other changes in equity	**–**	**(9,613)**	**(142,925)**	**(152,538)**	**(450)**	**(152,988)**	**–**	**(561)**	**(151,977)**	**(152,538)**
Profit for the year	–	–	349,002	**349,002**	1,168	**350,170**	–	–	331,561	**331,561**
Other comprehensive income for the year	–	408,731	–	**408,731**	–	**408,731**	–	410,297	–	**410,297**
Total comprehensive income for the year	**–**	**408,731**	**349,002**	**757,733**	**1,168**	**758,901**	**–**	**410,297**	**331,561**	**741,858**
As of 31 December 2023	**790,368**	**1,681,801**	**482,319**	**2,954,488**	**7,844**	**2,962,332**	**790,368**	**1,320,419**	**497,227**	**2,608,014**

Statement of Cash Flows

EUR'000

	Notes	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Cash flows from operating activities					
Profit before tax		**388,567**	**184,545**	**362,660**	**209,362**
Adjustments:					
– Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right–of–use assets, and loss from disposal of non–current assets*		203,802	170,232	110,655	79,028
– Net financial adjustments		(4,265)	19,488	(19,768)	9,881
– Other adjustments		(33)	509	(130)	227
– Dividends from subsidiaries		–	–	(924)	(10,585)
Interest paid		(23,752)	(9,186)	(23,439)	(8,935)
Interest received		5,506	27	5,270	27
Paid corporate income tax		(32,119)	(2,648)	(31,099)	–
Funds from operations (FFO)		**537,706**	**362,967**	**403,225**	**279,005**
Decrease / (increase) in current assets*		38,082	(200,772)	60,385	(192,818)
Increase / (decrease) in trade and other liabilities		1,255	(35,696)	(57,714)	(49,662)
Impact of non–cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	17,348	221,894
Net cash flows generated from operating activities		**577,043**	**126,499**	**423,244**	**258,419**
Cash flows from investing activities					
Loans (repaid from) / issued to subsidiaries, net	19	–	–	68,272	(225,482)
Loans issued to other related parties		(863)	–	–	–
Purchase of intangible assets and property, plant, and equipment*		(179,874)	(118,210)	(61,263)	(28,570)
Dividends received from subsidiaries		–	–	924	156
Investments in subsidiaries		(3,002)	–	(28,399)	(2,102)
Net cash flows used in from investing activities		**(183,739)**	**(118,210)**	**(20,466)**	**(255,998)**
Cash flows from financing activities					
Repayment of issued debt securities (bonds)	14	–	(100,000)	–	(100,000)
Proceeds on issued debt securities (bonds)	14	50,000	100,000	50,000	100,000
Proceeds on borrowings from financial institutions	14	2,000	207,846	–	200,013
Repayment of borrowings from financial institutions	14	(301,090)	(129,118)	(295,276)	(123,801)
Received financing from European Union		16,245	4	2,625	–
Lease payments		(1,772)	(1,583)	(694)	(623)
Proceeds from non–controlling interests' contributions to share capital		–	400	–	–
Dividends paid to non–controlling interests		(450)	–	–	–
Dividends paid to equity holder of the Parent Company		(152,538)	(70,160)	(152,538)	(70,160)
Net cash flows (used in) / generated from financing activities		**(387,605)**	**7,389**	**(395,883)**	**5,429**
Net increase in cash and cash equivalents		**5,699**	**15,678**	**6,895**	**7,850**
Cash and cash equivalents at the beginning of the year	12	112,757	97,079	100,268	92,418
Cash and cash equivalents at the end of the year	**12**	**118,456**	**112,757**	**107,163**	**100,268**

* Comparative figures recalculated, presenting changes in current intangible assets (CO_2 emission rights) in net cash flows from operating activities as changes in current assets

Funds from operations = Net cash flows from operating activities – changes in current assets – changes in trade and other liabilities - Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net

Notes to the Unaudited Condensed 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 and, therefore, is not subject to privatisation.

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.

Latvenergo AS heads the Latvenergo Group (hereinafter – the Group) and subsidiaries included in the Group are presented in Note 9.

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 helds 46.30% of interest) that manages a defined–contribution corporate pension plan in Latvia.

Latvenergo AS shareholding in subsidiaries and other non–current financial investments are disclosed in Note 9.

The Management Board of Latvenergo AS:
Since 3 January 2022 the Management Board of Latvenergo AS was comprised of the following members: Mārtiņš Čakste (Chairman of the Board), Dmitrijs Juskovecs, Guntars Baļčūns, Kaspars Cikmačs (until 24 September 2023), Harijs Teteris and Ilvija Boreiko since 26 January 2024.

The Supervisory Board of Latvenergo AS:
Since 11 June 2020 the Supervisory Board of Latvenergo AS was comprised of the following members: Ivars Golsts (Chairman), Kaspars Rokens (Deputy Chairman), Toms Siliņš, Aigars Laizāns 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.

Latvenergo Group Consolidated and Latvenergo AS Annual Report 2022 has been approved on 11 May 2023 by the Latvenergo AS Shareholder's meeting (see on Latvenergo AS web page section "Investors":
http://www.latvenergo.lv/eng/investors/reports/.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements for 2023 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the year starting on 1 January 2023 and ending on 31 December 2023 and comparative information for the year of 2022 starting on 1 January 2022 and ending on 31 December 2022.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements for 2023 were authorised by the Latvenergo AS Management Board on 27 February 2024.

2. Significant accounting policies

These Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union (IFRS) and principal accounting policies applied to these financial statements were identical to those used in the Latvenergo Group Consolidated and Latvenergo AS Financial Statements of 2022. These policies have been consistently applied to all reporting periods presented in financial statements, unless otherwise stated. Where it is necessary, comparatives are reclassified.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed 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 accounting policies presented in Latvenergo Group Consolidated and Latvenergo AS Annual Report 2022.

Unaudited Condensed Financial Statements had been prepared in euros (EUR) currency and all amounts except non–monetary items shown in these Financial Statements 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 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.

3. Operating segment information

Operating segments of the Group and the Parent Company

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.

Corporate functions provide management services to subsidiaries as well as provides IT and telecommunication, rental services to external customers.

Generation and trade comprises the Group’s electricity and thermal energy generation operations, which are organised into the legal entities: Latvenergo AS and Liepājas enerģija SIA; electricity and natural gas trade (including electricity and natural gas wholesale) in the Baltics carried out by Latvenergo AS, Elektrum Eesti OÜ (including its subsidiaries – Energiaturu Võrguehitus OÜ and HN põld ja mets 1 OÜ) and Elektrum Lietuva, UAB (including its subsidiary – Klaipėda unlimited sun, UAB), development of wind farms provided by Latvijas vēja parki SIA, as well as administration of the mandatory procurement process provided by Enerģijas publiskais tirgotājs SIA.

The operations of the distribution operating segment relate to the provision of electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia).

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	Distri-bution	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group
2023											
Revenue											
External customers	1,676,626	342,463	8,071	**2,027,160**	–	**2,027,160**	1,356,122	34,377	**1,390,499**	–	**1,390,499**
Inter–segment	40,806	869	55,437	**97,112**	(97,112)	**–**	4,648	31,931	**36,579**	(36,579)	**–**
TOTAL revenue	**1,717,432**	**343,332**	**63,508**	**2,124,272**	**(97,112)**	**2,027,160**	**1,360,770**	**66,308**	**1,427,078**	**(36,579)**	**1,390,499**
Results											
EBITDA	**480,216**	**111,856**	**9,735**	**601,807**	**–**	**601,807**	**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 / (loss) before tax	**377,556**	**29,623**	**(2,545)**	**404,634**	**(16,067)**	**388,567**	**361,177**	**1,090**	**362,267**	**393**	**362,660**
Capital expenditure	76,848	99,608	18,254	**194,710**	**–**	**194,710**	46,198	18,254	**64,452**	**–**	**64,452**
2022											
Revenue											
External customers	1,533,150	300,610	8,041	**1,841,801**	–	**1,841,801**	1,199,418	31,597	**1,231,015**	–	**1,231,015**
Inter–segment	26,421	578	50,823	**77,822**	(77,822)	**–**	2,175	29,192	**31,367**	(31,367)	**–**
TOTAL revenue	**1,559,571**	**301,188**	**58,864**	**1,919,623**	**(77,822)**	**1,841,801**	**1,201,593**	**60,789**	**1,262,382**	**(31,367)**	**1,231,015**
Results											
EBITDA	**275,216**	**71,268**	**13,725**	**360,209**	**–**	**360,209**	**266,131**	**14,194**	**280,325**	**–**	**280,325**
Depreciation, amortisation and impairment o intangible assets, property, plant, and equipment and right–of–use assets	(73,208)	(81,087)	(11,953)	**(166,248)**	–	**(166,248)**	(69,418)	(12,095)	**(81,513)**	–	**(81,513)**
Segment profit / (loss) before tax	**202,008**	**(9,819)**	**1,772**	**193,961**	**(9,416)**	**184,545**	**196,713**	**2,099**	**198,812**	**10,550**	**209,362**
Capital expenditure	20,659	84,633	16,374	**121,666**	**–**	**121,666**	13,666	16,374	**30,040**	**–**	**30,040**

Segment assets

EUR'000

	Group						Parent Company				
	Generation and trade	Distri-bution	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group
As of 31 December 2023	1,941,718	1,800,405	127,577	**3,869,700**	258,498	**4,128,198**	1,775,511	155,340	**1,930,851**	1,543,181	**3,474,032**
As of 31 December 2022	1,833,099	1,791,684	117,750	**3,742,533**	112,797	**3,855,330**	1,700,079	144,561	**1,844,640**	1,460,896	**3,305,536**

The Group's and the Parent Company's revenue from external customers (Note 4) EUR'000

	Group					Parent Company			
	Generation and trade	Distribution	Corporate Functions	TOTAL segments	TOTAL Group	Generation and trade	Corporate Functions	TOTAL segments	TOTAL Group
2023									
Revenue from contracts with customers:									
Trade of energy and related supply services	1,425,547	3,395	–	**1,428,942**	**1,428,942**	1,150,348	–	**1,150,348**	**1,150,348**
Distribution system services	–	319,646	–	**319,646**	**319,646**	–	–	**–**	**–**
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	**1,676,626**	**342,386**	**6,670**	**2,025,682**	**2,025,682**	**1,356,122**	**31,307**	**1,387,429**	**1,387,429**
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**
2022									
Revenue from contracts with customers:									
Trade of energy and related supply services	1,352,745	3,349	–	**1,356,094**	**1,356,094**	1,052,486	–	**1,052,486**	**1,052,486**
Distribution system services	–	278,169	–	**278,169**	**278,169**	–	–	**–**	**–**
Heat sales	150,548	146	–	**150,694**	**150,694**	133,634	–	**133,634**	**133,634**
Sales of goods and energy related solutions	25,252	–	–	**25,252**	**25,252**	12,247	–	**12,247**	**12,247**
Other revenue	4,600	18,874	6,141	**29,615**	**29,615**	1,051	28,240	**29,291**	**29,291**
Total revenue from contracts with customers	**1,533,145**	**300,538**	**6,141**	**1,839,824**	**1,839,824**	**1,199,418**	**28,240**	**1,227,658**	**1,227,658**
Other revenue:									
Lease of other assets	5	72	1,900	**1,977**	**1,977**	–	3,357	**3,357**	**3,357**
Total other revenue	**5**	**72**	**1,900**	**1,977**	**1,977**	**–**	**3,357**	**3,357**	**3,357**

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets, 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

	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
EBITDA	**601,807**	**360,209**	**473,295**	**280,325**
Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right–of–use assets	(197,173)	(166,248)	(111,028)	(81,513)
Segment profit before tax	**404,634**	**193,961**	**362,267**	**198,812**
Finance income	9,226	1,414	24,747	10,767
Finance costs	(25,293)	(10,830)	(25,278)	(10,802)
Dividends received from subsidiaries	–	–	924	10,585
Profit before tax	**388,567**	**184,545**	**362,660**	**209,362**

Reconciliation of assets EUR'000

	Group 31/12/2023	Group 31/12/2022	Parent Company 31/12/2023	Parent Company 31/12/2022
Segment operating assets	**3,869,700**	**3,742,533**	**1,930,851**	**1,844,640**
Non–current financial investments	42	40	671,720	647,320
Loans to related parties	–	–	624,298	713,308
Other current financial investments	140,000	–	140,000	–
Cash and cash equivalents	118,456	112,757	107,163	100,268
TOTAL assets	**4,128,198**	**3,855,330**	**3,474,032**	**3,305,536**

4. Revenue

EUR'000

	IFRS or IAS applied	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Revenue from contracts with customers:					
Trade of energy and related supply services	IFRS 15	1,428,942	1,356,094	1,150,348	1,052,486
Distribution system services	IFRS 15	319,646	278,169	–	–
Heat sales	IFRS 15	213,676	150,694	193,224	133,634
Sales of goods and energy related solutions	IFRS 15	31,652	25,252	10,842	12,247
Other revenue	IFRS 15	31,766	29,615	33,015	29,291
Total revenue from contracts with customers		**2,025,682**	**1,839,824**	**1,387,429**	**1,227,658**
Other revenue:					
Lease of other assets	IFRS 16	1,478	1,977	3,070	3,357
Total other revenue		**1,478**	**1,977**	**3,070**	**3,357**
TOTAL revenue		**2,027,160**	**1,841,801**	**1,390,499**	**1,231,015**

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. The support did not change tariffs and energy prices (and thus gross revenue is recognised) rather the process of receiving the transaction fees, the payment being partially received from the end-users and partially from the state budget. During the reporting year, the Group has recognised gross revenue for the allocated state support for the end–users of the Group companies in amount of EUR 124,376 thousand (2022: in amount of EUR 179,707 thousand).

The Group's and the Parent Company's revenue from contracts with customers based on the timing of revenue recognition:

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
Goods and services transferred over time	1,899,446	1,760,646	1,185,289	1,159,820
Goods and services transferred at a point in time	126,236	79,178	202,140	67,838
TOTAL revenue from contracts with customers	**2,025,682**	**1,839,824**	**1,387,429**	**1,227,658**

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	
	2023	2022	2023	2022
Mandatory procurement PSO fees*	(152)	7,931	(4)	8,767
Distribution system services	46,049	30,780	154,873	90,892
Transmission system services	1,601	706	1,616	720
Insurance intermediation	1,775	1,468	1,674	1,440
TOTAL revenue recognised applying agent accounting principle	**49,273**	**40,885**	**158,159**	**101,819**

* Recalculation of previous periods and starting from 1 May 2023 the mandatory procurement PSO fees payment for electricity end–users has been cancelled. In 2022, in accordance with state support mechanism for reducing the prices of energy, the government granted support to all end–users for mandatory procurement PSO fees by 100% of the fee.

Net effect in revenue from applying agent accounting principle is 0.

5. Raw materials and consumables

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
Energy costs:				
Electricity and costs of related supply services	378,502	708,114	89,028	374,581
Electricity transmission services costs	82,376	72,583	2,834	2,999
Natural gas and other energy resources costs	774,012	517,052	761,061	492,537
(Gains) / losses on fair value changes on energy futures, forwards, and swaps (Note 15 II)	(23,198)	10,096	(23,198)	9,827
	1,211,692	**1,307,845**	**829,725**	**879,944**
Raw materials, spare parts, and maintenance costs	36,628	25,863	17,261	11,194
TOTAL raw materials and consumables used	**1,248,320**	**1,333,708**	**846,986**	**891,138**

6. Finance income and costs

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
a) Finance income:				
Interest income on loans to related parties	–	–	15,757	9,353
Interest income on interest rate swaps	3,068	279	3,068	279
Interest income	6,149	27	5,913	27
Gains on fair value changes on interest rate swaps (Note 15 I)	9	1,074	9	1,074
Net gain on issued debt securities (bonds)	–	34	–	34
TOTAL finance income	**9,226**	**1,414**	**24,747**	**10,767**

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
b) Finance costs:				
Interest expense on borrowings from financial institutions	21,340	7,989	21,439	8,066
Interest expense on issued debt securities (bonds)	4,786	2,679	4,786	2,679
Interest expense on assets lease	162	136	83	80
Losses on fair value changes on interest rate swaps	128	–	128	–
Capitalised borrowing costs	(1,328)	(310)	(1,328)	(310)
Other finance costs	205	336	170	287
TOTAL finance costs	**25,293**	**10,830**	**25,278**	**10,802**

7. Intangible assets and property, plant, and equipment

a) Non–current intangible assets

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
Cost	123,660	120,295	67,879	64,687
Accumulated amortisation	(71,871)	(66,738)	(49,482)	(47,281)
Net book amount at the beginning of the year	**51,789**	**53,557**	**18,397**	**17,406**
Additions	7,415	4,559	6,163	4,387
Acquisition of subsidiaries	5,375	–	–	–
Amortisation charge	(6,446)	(6,327)	(3,467)	(3,396)
Closing net book amount at the end of the year	**58,133**	**51,789**	**21,093**	**18,397**
Cost	135,518	123,660	73,112	67,879
Accumulated amortisation	(77,385)	(71,871)	(52,019)	(49,482)
Closing net book amount at the end of the year	**58,133**	**51,789**	**21,093**	**18,397**

b) Current intangible assets

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
Net book amount at the beginning of the year	**31,664**	**24,266**	**31,664**	**24,266**
Additions	37,624	46,643	37,624	46,643
Disposals	(46,237)	(39,245)	(46,237)	(39,245)
Closing net book amount at the end of the year	**23,051**	**31,664**	**23,051**	**31,664**

c) Property, plant, and equipment

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
Cost or revalued amount	6,904,473	6,396,917	3,639,619	3,170,860
Accumulated depreciation and impairment	(3,899,103)	(3,570,263)	(2,396,959)	(2,103,887)
Net book amount at the beginning of the year	**3,005,370**	**2,826,654**	**1,242,660**	**1,066,973**
Additions	181,662	117,108	58,289	25,653
Acquisition of a subsidiaries	257	–	–	–
Reclassified to investment properties	(612)	(823)	(58)	(315)
Reclassified to non–current assets held for sale	(39)	(8)	(18)	(8)
Disposals	(8,615)	(7,395)	(658)	(410)
Increase in value of assets as a result of revaluation	312,061	227,695	312,061	227,695
Reversal of impairment charge as a result of revaluation	–	417	–	417
Recognised impairment charge	(21,324)	(2,413)	(21,214)	(2,364)
Depreciation	(167,155)	(155,865)	(85,097)	(74,981)
Closing net book amount at the end of the year	**3,301,605**	**3,005,370**	**1,505,965**	**1,242,660**
Cost or revalued amount	7,335,979	6,904,473	4,002,658	3,639,619
Accumulated depreciation and impairment	(4,034,374)	(3,899,103)	(2,496,693)	(2,396,959)
Closing net book amount at the end of the year	**3,301,605**	**3,005,370**	**1,505,965**	**1,242,660**

d) Investment property

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
Cost or revalued amount	2,542	3,807	2,914	4,561
Accumulated depreciation and impairment	(245)	(491)	(692)	(959)
Net book amount at the beginning of the year	**2,297**	**3,316**	**2,222**	**3,602**
Reclassified from property, plant, and equipment	612	823	58	315
Disposal	(7)	(31)	–	–
Sold	(582)	(1,799)	(1)	(1,678)
Depreciation	(12)	(12)	(18)	(17)
Closing net book amount at the end of the year	**2,308**	**2,297**	**2,261**	**2,222**
Cost or revalued amount	2,613	2,542	2,987	2,914
Accumulated depreciation and impairment	(305)	(245)	(726)	(692)
Closing net book amount at the end of the year	**2,308**	**2,297**	**2,261**	**2,222**

e) Property, plant, and equipment revaluation

Hydropower plants and distribution system assets (property, plant, and equipment) of the Group and the Parent company are revalued regularly but not less frequently than every five years, revaluation may be performed more frequently if there is a significant and sustained increase in the civil engineering construction costs.

a) Assets of Hydropower plants:
– hydropower plants' buildings and facilities, revalued as of 1 April 2023 and previously revalued as of 1 April 2022.

b) Distribution system electricity lines and electrical equipment:
– electricity lines, revalued as of 1 January 2021.
– electrical equipment of transformer substations, revalued as of 1 April 2020.

As of 31 December 2023, the management of Sadales tīkls AS has assessed internal and external indicators that a revaluation would be needed. In this assessment, the increase in the price levels of general construction costs and electrical equipment costs accompanied with the increase of inflation and discount rates, which are exceeding criteria determined in the Group accounting policies, are indicators that revaluation of assets should be performed. After examining the recoverable value of the assets, the management of Sadales tīkls AS concluded that the fair value of the assets does not significantly differ from the assets book value on 31 December 2023.

Such conclusion was mainly driven by the "Methodology of capital costs accounting and calculation" approved by the decision of the Public Utilities Commission as of 29 August 2022, which stipulates that the value of assets used in calculations of regulatory asset base are included without the effect of asset revaluations after 31 December 2021. Considering the above, revaluation of assets as of 31 December 2023 does not need to be carried out.

8. Leases

a) Right–of–use assets

EUR'000

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
Cost	16,784	12,871	8,436	7,342
Accumulated depreciation	(6,258)	(4,559)	(3,370)	(2,199)
Net book amount at the beginning of the year	**10,526**	**8,312**	**5,066**	**5,143**
Recognised changes in lease agreements	2,928	4,261	875	1,094
Depreciation	(2,235)	(2,047)	(1,231)	(1,171)
Closing net book amount at the end of the year	**11,219**	**10,526**	**4,710**	**5,066**
Cost	17,994	16,784	9,311	8,436
Accumulated depreciation	(6,775)	(6,258)	(4,601)	(3,370)
Closing net book amount at the end of the year	**11,219**	**10,526**	**4,710**	**5,066**

b) Lease liabilities

EUR'000

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
At the beginning of the year	**10,675**	**8,428**	**5,166**	**5,226**
Of which are:				
– non–current	*8,648*	*6,540*	*4,206*	*4,085*
– current	*2,027*	*1,888*	*960*	*1,141*
Recognised changes in lease agreements	2,933	4,261	875	1,094
Decrease of lease liabilities	(2,364)	(2,150)	(1,300)	(1,234)
Recognised interest liabilities (Note 6)	162	136	83	80
At the end of the year	**11,406**	**10,675**	**4,824**	**5,166**
Of which are:				
– non–current	*9,015*	*8,648*	*3,607*	*4,206*
– current	*2,391*	*2,027*	*1,217*	*960*

9. Non–current financial investments

The Parent Company's participating interest in subsidiaries and other non–current financial investments

Name of the company	Country of incorporation	Business activity held	31/12/2023 Interest held, %	31/12/2023 EUR'000	31/12/2022 Interest held, %	31/12/2022 EUR'000
Investments in subsidiaries						
AS "Sadales tīkls" (18/09/2006)	Latvia	Electricity distribution	100%	641,450	100%	641,450
SIA "Enerģijas publiskais tirgotājs" (25/04/2014)	Latvia	Administration of mandatory electricity procurement process	100%	40	100%	40
Elektrum Eesti OÜ (27/06/2007)	Estonia	Electricity and natural gas trade	100%	35	100%	35
Elektrum Lietuva, UAB (07/01/2008)	Lithuania	Electricity and natural gas trade	100%	25,000	100%	600
SIA "Latvijas vēja parki" (22/07/2022)	Latvia	Development of wind parks and generation of electricity	80%	1,600	80%	1,600
SIA "Liepājas enerģija" (06/07/2005)	Latvia	Thermal energy generation and trade, electricity generation	51%	3,556	51%	3,556
TOTAL				**671,681**		**647,281**
Other non–current financial investments						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	46.30%	36	46.30%	36
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				**39**		**39**
				671,720		**647,320**

Subsidiaries' participating interest held (%)

Name of the company	Country of incorporation	Business activity held	31/12/2023 Interest held, %	31/12/2022 Interest held, %
***Elektrum Eesti OÜ* subsidiaries**				
Elektrum Latvija, SIA	Latvia	Electricity trade	100%	100%
Energiaturu Võrguehitus OÜ	Estonia	Electricity microgrid services	100%	100%
HN põld ja mets 1 OÜ	Estonia	Renewable energy generation	100%	–
***Elektrum Lietuva, UAB* subsidiary**				
Klaipėda unlimited sun, UAB	Lithuania	Renewable energy generation	100%	–

The Group's non–current financial investments

Name of the company	Country of incorporation	Business activity held	31/12/2023 Interest held, %	31/12/2023 EUR'000	31/12/2022 Interest held, %	31/12/2022 EUR'000
Other non–current financial investments						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15%	37	48.15%	37
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
Other	Lithuania	Renewable energy generation	50%	2	–	–
TOTAL				**42**		**40**

The Group owns 48.15% of the shares of the closed pension fund Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS – 46.30%). 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 associate'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.

10. Inventories

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Natural gas	119,250	241,588	119,250	241,588
Raw materials and materials	23,377	18,888	1,205	1,084
Goods for sale	12,807	12,802	3,916	3,259
Other inventories	19,360	16,585	18,900	16,055
Unfinished products and orders	6,490	5,128	88	–
Prepayments	4,603	2,027	4,026	469
Allowances for impaired inventories	(2,089)	(1,380)	(1,340)	(869)
TOTAL inventories	**183,798**	**295,638**	**146,045**	**261,586**

Movement on the allowance for inventories

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
At the beginning of the year	**1,380**	**1,110**	**869**	**735**
Charged to the Statement of Profit or Loss	709	270	471	134
At the end of the year	**2,089**	**1,380**	**1,340**	**869**

11. Receivables from contracts with customers and other receivables

Receivables from contracts with customers grouped by the expected credit loss (ECL) assessment model, net

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Individually assessed receivables with lifetime ECL assessment (counterparty model)	28,381	59,630	30,943	46,609
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	196,317	254,479	130,731	186,583
TOTAL receivables from contracts with customers	**224,698**	**314,109**	**161,674**	**233,192**

a) Receivables from contracts with customers, net

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	194,704	214,542	128,213	152,285
– Electricity, natural gas trade and related services customers (counterparty model)	8,273	36,133	–	14,953
– Heating customers (portfolio model)	23,907	54,228	20,289	49,237
– Other receivables from contracts with customers (portfolio model)	4,418	5,622	1,279	1,444
– Other receivables from contracts with customers (counterparty model)	20,165	23,541	19,936	18,181
– Subsidiaries (counterparty model) (Note 19 b)	–	–	11,057	13,503
	251,467	**334,066**	**180,774**	**249,603**
Allowances for expected credit loss from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(24,752)	(17,642)	(18,682)	(15,938)
– Electricity, natural gas trade and related services customers (counterparty model)	(17)	(18)	–	–
– Heating customers (portfolio model)	(360)	(448)	(348)	(422)
– Other receivables from contracts with customers (portfolio model)	(1,600)	(1,823)	(20)	(23)
– Other receivables from contracts with customers (counterparty model)	(40)	(26)	(40)	(20)
– Subsidiaries (counterparty model) (Note 19 b)	–	–	(10)	(8)
	(26,769)	**(19,957)**	**(19,100)**	**(16,411)**

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	169,952	196,900	109,531	136,347
– Electricity, natural gas trade and related services customers (counterparty model)	8,256	36,115	–	14,953
– Heating customers (portfolio model)	23,547	53,780	19,941	48,815
– Other receivables from contracts with customers (portfolio model)	2,818	3,799	1,259	1,421
– Other receivables from contracts with customers (counterparty model)	20,125	23,515	19,896	18,161
– Subsidiaries (counterparty model) (Note 19 b)	–	–	11,047	13,495
	224,698	**314,109**	**161,674**	**233,192**

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
At the beginning of the year	**19,957**	**17,028**	**16,411**	**14,009**
Receivables written off during the year as uncollectible	(2,048)	(2,372)	(1,789)	(2,284)
Allowances for expected credit losses	8,860	5,301	4,478	4,686
At the end of the year	**26,769**	**19,957**	**19,100**	**16,411**

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Current financial receivables:				
Uncovered costs of mandatory procurement and guaranteed fee for the installed electrical capacity of cogeneration power plants, net*	32,286	108	–	–
Receivables for lease	18	35	11	32
Other current financial receivables	16,658	18,182	6,443	13,953
Other accrued income	586	280	586	280
Allowances for expected credit losses	(1,636)	(1,516)	(1,287)	(1,198)
Receivables for lease from subsidiaries (Note 19 b)	–	–	26	13
Other financial receivables from subsidiaries (Note 19 b)	–	–	30,837	21,037
Other accrued income from subsidiaries (Note 19 c)	–	–	14,630	2,150
Allowances for expected credit losses on subsidiaries receivables (Note 19 b)	–	–	(21)	(14)
TOTAL other current financial receivables	**47,912**	**17,089**	**51,225**	**36,253**

* 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.

c) Other non–financial receivables

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Non–current non–financial receivables	447	482	447	482
Current non–financial receivables	2,109	432	1,055	198
TOTAL non–financial receivables	**2,556**	**914**	**1,502**	**680**

12. Cash and cash equivalents

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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Cash at bank	78,456	112,757	67,163	100,268
Short–term bank deposits	40,000	–	40,000	–
TOTAL cash and cash equivalents	**118,456**	**112,757**	**107,163**	**100,268**

As of 31 December 2023, the Group and the Parent Company had deposits at banks that does not comply with the principles of recognition as cash equivalents in amount of EUR 140,000 thousand (31/12/2022: EUR 0 thousand), disclosed as Other current financial investments.

13. Reserves

EUR'000

	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 2021	**1,157,825**	**19,218**	**(1,798)**	**110**	**1,175,355**	**778,049**	**19,218**	**(1,536)**	**795,731**
Increase of non–current assets revaluation reserve as a result of revaluation (Note 7 c)	227,695	–	–	–	**227,695**	227,695	–	–	**227,695**
Disposal of revaluation reserve	(11,529)	–	–	–	**(11,529)**	(3,470)	–	–	**(3,470)**
Gains on remeasurement on defined benefit plan	–	–	645	–	**645**	–	–	210	**210**
Losses from fair value changes of derivative financial instruments (Note 15)	–	(109,483)	–	–	**(109,483)**	–	(109,483)	–	**(109,483)**
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 (Note 7 c)	312,061	–	–	–	**312,061**	312,061	–	–	**312,061**
Disposal of revaluation reserve	(9,613)	–	–	–	**(9,613)**	(561)	–	–	**(561)**
Losses on remeasurement on defined benefit plan	–	–	(2,710)	–	**(2,710)**	–	–	(1,144)	**(1,144)**
Gains from fair value changes of derivative financial instruments (Note 15)	–	99,380	–	–	**99,380**	–	99,380	–	**99,380**
As of 31 December 2023	**1,676,439**	**9,115**	**(3,863)**	**110**	**1,681,801**	**1,313,774**	**9,115**	**(2,470)**	**1,320,419**

14. Borrowings

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Non–current portion of non-current borrowings from financial institutions	336,408	424,867	327,174	411,664
Non-current portion of issued debt securities (bonds)	199,908	149,887	199,908	149,887
Total non-current borrowings from financial institutions	**536,316**	**574,754**	**527,082**	**561,551**
Current portion of non–current borrowings from financial institutions	86,625	177,778	84,491	175,798
Overdraft from financial institutions	–	119,478	–	119,478
Accrued interest on non–current borrowings from financial institutions	2,891	2,161	2,742	2,047
Accrued coupon interest on issued debt securities (bonds)	3,864	1,747	3,864	1,747
Total current borrowings from financial institutions	**93,380**	**301,164**	**91,097**	**299,070**
TOTAL borrowings from financial institutions	**629,696**	**875,918**	**618,179**	**860,621**
Current borrowings from related parties (Note 19 f)	–	–	–	3,317
Total current borrowings	**93,380**	**301,164**	**91,097**	**302,387**
TOTAL borrowings	**629,696**	**875,918**	**618,179**	**863,938**

Movement in borrowings:

EUR'000

	Group		Parent Company	
	2023	2022	2023	2022
At the beginning of the year	**875,918**	**795,029**	**863,938**	**782,322**
Received borrowings from financial institutions	2,000	207,846	–	200,013
Repaid borrowings from financial institutions	(301,090)	(129,118)	(295,276)	(123,801)
Proceeds from issued debt securities (bonds)	50,000	100,000	50,000	100,000
Borrowings received from related parties	–	–	(3,317)	3,317
Repayment of issued debt securities (bonds)	–	(100,000)	–	(100,000)
Change in accrued interest on borrowings from financial institutions	2,847	2,195	2,813	2,121
Changes in outstanding value of issued debt securities (bonds)	21	(34)	21	(34)
At the end of the year	**629,696**	**875,918**	**618,179**	**863,938**

15. Derivative financial instruments

Outstanding fair values of derivatives and their classification

EUR'000

	Group				Parent Company			
	31/12/2023		31/12/2022		31/12/2023		31/12/2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	5,872	–	10,279	–	5,872	–	10,279	–
Energy forwards, futures, and swaps	5,297	–	450	(120,520)	5,297	–	450	(120,520)
Currency exchange forwards	–	–	–	(1,499)	–	–	–	(1,499)
Total outstanding fair values of derivatives	**11,169**	**–**	**10,729**	**(122,019)**	**11,169**	**–**	**10,729**	**(122,019)**

Gains / (losses) on fair value changes as a result of realised hedge agreements

EUR'000

	Notes	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Included in the Statement of Profit or Loss					
Interest rate swaps	6	(119)	1,074	(119)	1,074
Energy forwards, futures, and swaps	5	23,198	(10,096)	23,198	(9,827)
		23,079	**(9,022)**	**23,079**	**(8,753)**
Included in the Statement of Comprehensive Income					
Interest rate swaps	15 I	(4,288)	13,517	(4,288)	13,517
Energy forwards, futures, and swaps	15 II	102,169	(121,501)	102,169	(121,501)
Currency exchange forwards	15 III	1,499	(1,499)	1,499	(1,499)
		99,380	**(109,483)**	**99,380**	**(109,483)**
TOTAL gains / (losses) on fair value changes		**122,459**	**(118,505)**	**122,459**	**(118,236)**

I) Interest rate swaps

The Group and the Parent Company enters into interest rate swap agreements with 7 to 10 year initial maturities and hedged floating rates are 6 month EURIBOR. All contracts are designed as cash flow hedges and are eligible for hedge accounting. During the prospective and retrospective testing, an ineffective portion of some transactions has been identified and recognised in the Statement of Profit or Loss.

Fair value changes of interest rate swaps

EUR'000

	Group 2023 Assets	Group 2023 Liabilities	Group 2022 Assets	Group 2022 Liabilities	Parent Company 2023 Assets	Parent Company 2023 Liabilities	Parent Company 2022 Assets	Parent Company 2022 Liabilities
Outstanding fair value at the beginning of the year	**10,279**	**–**	**–**	**(4,312)**	**10,279**	**–**	**–**	**(4,312)**
Included in the Statement of Profit or Loss (Note 6)	(128)	9	–	1,074	(128)	9	–	1,074
Included in the Statement of Comprehensive Income	(4,279)	(9)	10,279	3,238	(4,279)	(9)	10,279	3,238
Outstanding fair value at the end of the year	**5,872**	**–**	**10,279**	**–**	**5,872**	**–**	**10,279**	**–**

II) Energy forwards, futures, and swaps

The Group and the Parent Company enter into electricity future contracts in the *Nasdaq Commodities* exchange and with energy companies., as well as concludes natural gas price swap contracts with other counterparties. Electricity future contracts are used for fixing the price of electricity sold in the *Nord Pool* AS power exchange. 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. For the contracts which are fully effective contracts fair value gains or losses are included in other comprehensive income.

Fair value changes of energy forward and future contracts

EUR'000

	Group 2023 Assets	Group 2023 Liabilities	Group 2022 Assets	Group 2022 Liabilities	Parent Company 2023 Assets	Parent Company 2023 Liabilities	Parent Company 2022 Assets	Parent Company 2022 Liabilities
Outstanding fair value at the beginning of the year	**450**	**(120,520)**	**25,735**	**(14,208)**	**450**	**(120,520)**	**25,466**	**(14,208)**
Included in Statement of Profit or Loss (Note 5)	333	22,865	181	(10,277)	333	22,865	450	(10,277)
Included in Statement of Comprehensive Income	4,514	97,655	(25,466)	(96,035)	4,514	97,655	(25,466)	(96,035)
Outstanding fair value at the end of the year	**5,297**	**–**	**450**	**(120,520)**	**5,297**	**–**	**450**	**(120,520)**

III) Currency exchange forwards

The Group and the Parent Company has concluded several forward foreign currencies exchange transactions in order to limit the currency risk of the payments in foreign currencies planned in the natural gas purchase agreements. All contracts are designed as cash flow hedges and are eligible for hedge accounting.

Fair value changes of forward currencies exchange contracts EUR'000

	Group				Parent Company			
	2023		2022		2023		2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	**–**	(1,499)	**–**	**–**	**–**	(1,499)	**–**	**–**
Included in Statement of Comprehensive Income	–	1,499	–	(1,499)	–	1,499	–	(1,499)
Outstanding fair value at the end of the year	**–**	**–**	**–**	**(1,499)**	**–**	**–**	**–**	**(1,499)**

16. Fair values and fair value measurement

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 property, plant and equipment.

Quantitative disclosures of fair value measurement hierarchy for assets at the end of the year EUR'000

Type of assets	Group: Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Parent Company: Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 31 December 2023								
Assets measured at fair value								
Revalued property, plant, and equipment	–	–	2,909,307	**2,909,307**	–	–	1,277,600	**1,277,600**
Non-current financial investments (Note 9)	–	–	42	**42**	–	–	39	**39**
Derivative financial instruments, including:								
Interest rate swaps (Note 15 I)	–	5,872	–	**5,872**	–	5,872	–	**5,872**
Energy forwards, futures, and swaps (Note 15 II)	–	5,297	–	**5,297**	–	5,297	–	**5,297**
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	2,308	**2,308**	–	–	2,261	**2,261**
Loans to related parties:								
– Floating rate loans (Note 19 c)	–	–	–	**–**	–	263,182	–	**263,182**
– Fixed rate loans (Note 19 c)	–	863	–	**863**	–	361,116	–	**361,116**
Current financial receivables (Note 11 a, b)	–	–	272,610	**272,610**	–	–	212,899	**212,899**
Cash and cash equivalents (Note 12)	–	118,456	–	**118,456**	–	107,163	–	**107,163**

Type of assets	Group – Fair value measurement using – Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Parent Company – Fair value measurement using – Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 31 December 2022								
Assets measured at fair value								
Revalued property, plant, and equipment	–	–	2,622,747	**2,622,747**	–	–	998,090	**998,090**
Non-current financial investments (Note 9)	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:								
Interest rate swaps (Note 15 I)	–	10,279	–	**10,279**	–	10,279	–	**10,279**
Energy forwards, futures, and swaps (Note 15 II)	–	450	–	**450**	–	450	–	**450**
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	2,297	**2,297**	–	–	2,222	**2,222**
Loans to related parties:								
– Floating rate loans (Note 19 c)	–	–	–	**–**	–	266,737	–	**266,737**
– Fixed rate loans (Note 19 c)	–	–	–	**–**	–	446,571	–	**446,571**
Current financial receivables (Note 11 a, b)	–	–	331,198	**331,198**	–	–	269,445	**269,445**
Cash and cash equivalents (Note 12)	–	112,757	–	**112,757**	–	100,268	–	**100,268**

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	Group – Fair value measurement using – Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Parent Company – Fair value measurement using – Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 31 December 2023								
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14)	–	203,772	–	**203,772**	–	203,772	–	**203,772**
Borrowings from financial institutions (Note 14)	–	425,924	–	**425,924**	–	414,407	–	**414,407**
Trade and other financial current payables (Note 17)	–	–	135,790	**135,790**	–	–	87,078	**87,078**
As of 31 December 2022								
Liabilities measured at fair value								
Derivative financial instruments, including:								
Energy forwards, futures, and swaps (Note 15 II)	–	120,520	–	**120,520**	–	120,520	–	**120,520**
Forward currencies exchange contracts (Note 15 III)	–	1,499	–	**1,499**	–	1,499	–	**1,499**
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 23)	–	151,634	–	**151,634**	–	151,634	–	**151,634**
Borrowings from financial institutions (Note 23)	–	724,284	–	**724,284**	–	708,987	–	**708,987**
Borrowings from related parties (Note 23)	–	–	–	**–**	–	3,317	–	**3,317**
Trade and other financial current payables (Note 26)	–	–	107,811	**107,811**	–	–	99,902	**99,902**

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				Parent Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Financial assets								
Fixed rate loans to related parties	863	–	911	–	361,116	446,571	343,998	414,187
Financial liabilities								
Issued debt securities (bonds)	203,772	151,634	188,678	128,948	203,772	151,634	188,678	128,948

Management assessed that 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.

17. Trade and other payables

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Financial liabilities:				
Payables for materials and services	94,165	59,392	56,524	19,283
Payables to related parties (Note 19 b)	9,795	8,191	16,800	24,026
Accrued expenses	21,212	27,204	7,139	21,351
Accrued expenses from related parties (Note 19 b)	–	–	3,321	31,191
Other financial current payables	10,618	13,024	3,294	4,051
TOTAL financial liabilities	**135,790**	**107,811**	**87,078**	**99,902**
Non–financial liabilities:				
Taxes other than income tax	33,664	38,418	19,055	27,159
Contract liabilities	29,714	15,539	7,547	5,368
Received European Union prepayments*	13,885	168	2,625	–
Other current payables	4,038	3,338	1,620	1,339
TOTAL non–financial liabilities	**81,301**	**57,463**	**30,847**	**33,866**
TOTAL trade and other current payables	**217,091**	**165,274**	**117,925**	**133,768**

* including financing received as of 31 December 2023 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 in the amount of EUR 11,092 thousand (31/12/2022: EUR 0 thousand), European Union funding within the framework of the "Research and Innovation Program" for the creation of the unified European energy system information technology platform "OneNet" in the amount of EUR 168 thousand (31/12/2022: EUR 168 thousand) and an advance payment in the amount of EUR 2,625 thousand from Connecting Europe Facility (CEF) for the development of electric vehicles charging network (31/12/2022: EUR 0 thousand).

18. Deferred income

EUR'000

	Group		Parent Company	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
I) Non–current deferred income				
a) contracts with customers				
From connection fees	138,362	132,381	–	–
Other deferred income	668	735	668	735
	139,030	**133,116**	**668**	**735**
b) operating lease				
Other deferred income	300	321	300	321
	300	**321**	**300**	**321**
c) other				
On grant for the installed electrical capacity of CHPPs	89,470	113,460	89,470	113,460
On financing from European Union funds	8,817	7,329	1,831	1,973
Other deferred income	37	70	37	44
	98,324	**120,859**	**91,338**	**115,477**
Total non–current deferred income	**237,654**	**254,296**	**92,306**	**116,533**
II) Current deferred income				
a) contracts with customers				
From connection fees	16,537	15,386	–	–
Other deferred income	4,794	13,944	67	13,714
	21,331	**29,330**	**67**	**13,714**
b) operating lease				
Other deferred income	20	20	20	20
	20	**20**	**20**	**20**
c) other				
On grant for the installed electrical capacity of CHPPs	23,990	23,990	23,990	23,990
On financing from European Union funds	964	891	142	142
	24,954	**24,881**	**24,132**	**24,132**
TOTAL current deferred income	**46,305**	**54,231**	**24,219**	**37,866**
TOTAL deferred income	**283,959**	**308,527**	**116,525**	**154,399**

Movement in deferred income (non–current and current part)

EUR'000

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
At the beginning of the year	**308,527**	**323,071**	**154,399**	**164,981**
Recognised in Statement of Financial Position:				
– other deferred non–current income (financing)	7,294	13,647	–	13,647
– fees for connection to distribution system	23,015	11,840	–	–
Recognised in Statement of Profit or Loss:				
– Other deferred income	(24,933)	(24,920)	(24,139)	(24,142)
– Deferred income from contracts with customers and operating lease	(29,944)	(15,111)	(13,735)	(87)
At the end of the year	**283,959**	**308,527**	**116,525**	**154,399**

19. Related party transactions

The Parent Company and, indirectly, its subsidiaries are controlled by the Latvian state. Related parties of the Latvenergo Group and the Parent Company are Shareholder of the Parent Company who controls over the Parent Company in accepting operating business decisions, members of Latvenergo Group entities' management boards, members of the Supervisory board of the Parent Company, members of Supervisory body of the Parent 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 as well as transactions with state–controlled entities and providers of public utilities are excluded from the scope of related party 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 but does not contain individually significant transactions therefore 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 operators – Augstsprieguma tīkls AS.

a) Sales/purchases of goods, PPE, and services to/from related parties

EUR'000

	Group		Parent Company			
	2023	2022	2023		2022	
	Other related parties*	Other related parties*	Subsidiaries	Other related parties*	Subsidiaries	Other related parties*
Sales of goods, PPE and services, finance income	53,606	50,186	201,233	36,182	79,973	50,070
Purchases of goods, PPE, and services	101,484	104,294	150,929	9,344	268,367	31,523
including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:						
– Sadales tīkls AS	–	–	*145,236*	–	*92,691*	–

b) Balances at the end of the year arising from sales/purchases of goods, PPE, and services

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	41,642	35,120
– other related parties*	14,841	15,873	14,768	15,701
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(31)	(22)
– loss allowances for expected credit loss from receivables of other related parties*	(32)	(19)	(32)	(19)
	14,809	**15,854**	**56,347**	**50,780**
Payables to related parties:				
– subsidiaries	–	–	15,214	22,369
– other related parties*	9,795	8,191	1,586	1,658
	9,795	**8,191**	**16,800**	**24,027**

c) Accrued income raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
– for goods sold / services provided for subsidiaries (Note 11 a, b)	–	–	11,425	2,483
– for interest received from subsidiaries	–	–	3,483	2,100
	–	**–**	**14,908**	**4,583**

d) Accrued expenses raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
– for purchased goods / received services from subsidiaries	–	–	3,321	31,191
	–	**–**	**3,321**	**31,191**

* Related parties included transmission system operators – Augstsprieguma tīkls AS, Latvijas valsts meži AS, Pirmais Slēgtais Pensiju Fonds AS and other entities controlled by the management members of Latvenergo Group

In the year ending on 31 December 2023 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, including salary, social insurance contributions and payments to pension plan and is amounted to EUR 3,604.1 thousand (01/01 – 31/12/2022: EUR 3,327.5 thousand).

In the year ending on 31 December 2023 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), including salary, social insurance contributions and payments to pension plan and is amounted to EUR 1,435.1 thousand (01/01 – 31/12/2022: EUR 1,229.6 thousand).

Remuneration to the Latvenergo Group's and the Parent Company's management is included in the Statement of Profit or Loss position 'Personnel expenses'.

e) Loans to related parties

Non–current and current loans to related parties

EUR'000

	Parent Company	
	31/12/2023	**31/12/2022**
Non–current loans to subsidiaries		
Sadales tīkls AS	445,553	494,979
Elektrum Eesti OÜ	6,960	7,260
Elektrum Lietuva, UAB	10,888	8,535
Allowances for expected credit loss	(371)	(306)
TOTAL non–current loans	**463,030**	**510,468**
Current portion of non–current loans		
Sadales tīkls AS	105,839	95,312
Elektrum Eesti OÜ	300	300
Elektrum Lietuva, UAB	1,555	904
Allowances for expected credit loss	(85)	(57)
Current loans to subsidiaries		
Sadales tīkls AS	1,961	10,000
Elektrum Eesti OÜ	18,965	41,700
Elektrum Lietuva, UAB	3,731	54,746
Enerģijas publiskais tirgotājs SIA	29,046	–
Allowances for expected credit loss	(44)	(65)
TOTAL current loans	**161,268**	**202,840**
TOTAL loans to related parties	**624,298**	**713,308**

Movement in loans issued to related parties

EUR'000

	Parent Company	
	2023	**2022**
At the beginning of the year	**713,308**	**706,378**
Change in current loans in cash (net)	68,272	225,482
Change in current loans by non–cash offsetting of operating receivables and payables (net)	76,311	(120,831)
Repaid non–current loans by non–cash offset	(96,977)	(97,746)
Allowances for expected credit loss	(72)	25
At the end of the year	**624,298**	**713,308**
incl. loan movement through bank account		
Issued loans to subsidiaries	719,798	921,687
Repaid loans issued to subsidiaries	(788,070)	(696,205)
(Repaid) / issued loans, net	**(68,272)**	**225,482**

As of 31 December 2023, the Group has issued loans in amount of EUR 863 thousand (31/12/2022: EUR 0 thousand) to renewable energy generation companies in Lithuania, in which has been made financial investments.

f) Borrowings from related parties

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 year 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. Within the framework of the agreement, as of 31 December 2023, Parent Company has not a current borrowings from related parties (31/12/2022: borrowing from Enerģijas publiskais tirgotājs SIA in the amount of EUR 3,317 thousand).

20. Events after the reporting year

After the end of the reporting year, at the beginning of 2024, Renewable energy generation capacity portfolio of Latvenergo AS has been expanded by seven solar power plant projects in Latvia, with a total capacity of 40 MW and which are planned to be built by the end of the year 2024. Also has been starter the development of a new wind station project in Lithuania, Akmenes district, with a capacity of up to 15 MW. The project is planned to be completed in the second half of the year 2025.

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 Unaudited Condensed Financial Statements for the year ending 31 December 2023.

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