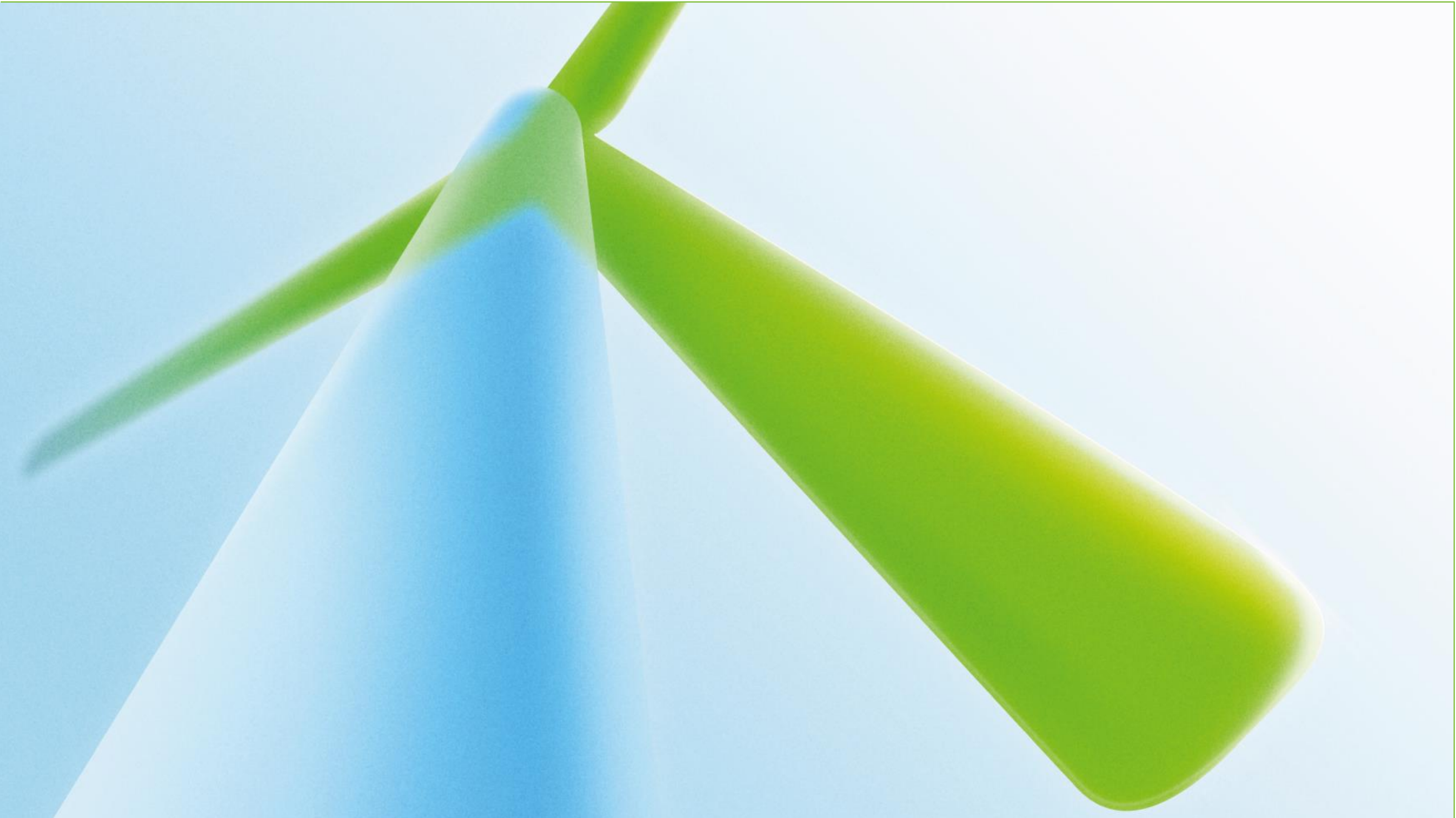

Latvenergo

LATVENERGO CONSOLIDATED AND LATVENERGO AS UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 3-MONTH PERIOD ENDING 31 MARCH 2023

CONTENTS

Management Report

Unaudited Condensed Interim Financial Statements*

** 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*

FINANCIAL CALENDAR

31. 08. 2023.
Condensed Consolidated Interim Financial Statements for the 6-Month Period Ending 30 June 2023 (unaudited)

30. 11. 2023.
Condensed Consolidated Interim Financial Statements for the 9-Month Period Ending 30 September 2023 (unaudited)

CONTACT DETAILS FOR INVESTOR RELATIONS

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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.

Highlights

Electricity and natural gas prices decreased.

Since the beginning of 2023, electricity prices have decreased. In the 3-month period of 2023, electricity spot prices in the Baltics were on average 26% lower than in the respective period a year ago. Natural gas prices have also decreased in 2023. In the reporting period, the average price of natural gas at the TTF (front month) reached 79 EUR/MWh, which is 16% lower than a year ago. Meanwhile, the price of CO_2 emission allowances reached 90 EUR/t, which is 8% higher than in the respective period a year ago.

The Group's electricity generation has nearly doubled.

In the reporting period, electricity output at Latvenergo Group's plants reached 2,179 GWh, which is almost twice as much as in the respective period a year ago. Electricity output at the Daugava HPPs was 77% higher due to higher water inflow in the river Daugava. Meanwhile, the amount of electricity generated at the Latvenergo AS CHPPs increased by 146%, reaching 601 GWh. The operation of the CHPPs is adjusted to the conditions of the market. The amount of thermal energy generated did not change significantly compared to the respective period a year ago, reaching 810 GWh.

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

832 thous. customers

1,635 GWh of electricity sold to Baltic retail customers

27 thous. customers

312 GWh of natural gas sold to Baltic retail customers

In the reporting period, the Group supplied 1,635 GWh of electricity to Baltic retail customers, which is 15% more than in the respective period a year ago. The number of Latvenergo customers increased in both the electricity and natural gas segments. We have about 832 thousand electricity customers, and more than 194 thousand of them are outside Latvia. The number of natural gas customers comprised more than 27 thousand at the end of March.

EBITDA increased by 26%.

MEUR

729.4	155.7	108.4	3,967.0
REVENUE	EBITDA	PROFIT	ASSETS

In the 3-month period of 2023, Latvenergo Group's revenue was 79% or EUR 321.7 million higher than in the respective period a year ago. 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 26% or EUR 32.1 million. This was mainly positively impacted by the greater amount of power generated at the Daugava HPPs.

Latvenergo Group's investments contribute to high-quality and secure energy supply to customers.

In the 3-month period of 2023, the total amount of investment comprised EUR 36.2 million, of which two thirds was made in distribution network assets. 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 once again receives the award for best investor relations.

On 9 February 2023, Latvenergo AS for the third time won the award for the best investor relations among all bond issuers on the Nasdaq Baltic regulated markets in the Baltic countries. Since 2012, the bonds have been issued with consistently high investor valuations.

The international credit rating agency Moody's reaffirmed the credit rating of Latvenergo AS at Baa2 with a stable outlook.

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.

Baa2
MOODY'S

Highlights

Latvenergo Group is one of the largest power suppliers and a leader in green energy generation 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.

At the end of the reporting period, Latvenergo Group is comprised of the parent company Latvenergo AS, with decisive influence, and six subsidiaries. All shares of Latvenergo AS are owned by the state and held by the Ministry of Economics of the Republic of Latvia.

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 new 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 new strategic operational and financial objectives, was approved by the Supervisory Board of Latvenergo AS.
The new 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. In September 2021, 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.
Along with the strategy approval, Latvenergo Group's financial objectives have been set. The objectives 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; and launch operations in Poland.
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

		3M 2023	3M 2022	3M 2021	3M 2020	3M 2019
Retail electricity 1)	GWh	1,635	1,422	1,799	1,646	1,795
Natural gas sales	GWh	342	339	341	155	104
Electricity generation	GWh	2,179	1,140	1,565	1,538	1,347
Thermal energy generation	GWh	810	856	1,011	740	939
Number of employees		3,415	3,164	3,298	3,394	3,490
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		3M 2023	3M 2022	3M 2021	3M 2020	3M 2019
Revenue*	MEUR	729.4	407.7	249.9	219.8	241.9
EBITDA 2)*	MEUR	155.7	123.6	80.7	98.0	73.7
Profit	MEUR	108.4	81.8	35.5	57.9	38.4
Assets	MEUR	3,967.0	3,518.8	3,421.6	3,933.7	3,825.5
Equity	MEUR	2,449.3	2,232.5	2,156.3	2,325.2	2,342.0
Net debt 2)*	MEUR	368.7	544.0	448.3	498.4	440.6
Adjusted funds from operations (FFO) 2)**	MEUR	144.6	100.8	81.9	103.1	77.8
Capital expenditure	MEUR	36.2	28.3	26.6	55.5	44.3

Latvenergo Group Financial Ratios

	3M 2023	3M 2022	3M 2021	3M 2020	3M 2019
Return on equity (ROE) 2)	9.0%	5.4%	4.2%	4.9%	2.1%
Adjusted FFO / net debt	92.5%	48.1%	52.5%	63.2%	44.8%
Net debt / EBITDA 2)	1.2	2.1	1.8	1.8	1.7
EBITDA margin 2)	18%	20%	32%	33%	31%
Return on assets (ROA) 2)	5.6%	3.4%	2.6%	2.9%	1.3%
Return on capital employed (ROCE) 2)*	7.2%	4.3%	3.4%	4.1%	1.8%
Net debt / equity 2)	15%	24%	21%	21%	19%

* 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

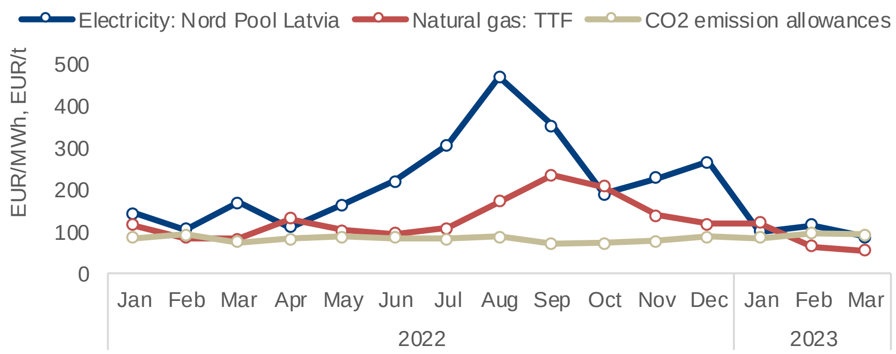
Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In the 3-month period of 2023:

- the Nord Pool system price decreased by 22%, and the electricity price in Latvia decreased by 28%
- the price of natural gas at the TTF (the Dutch natural gas virtual trading point) decreased by 16% compared to the respective period a year ago

Electricity prices decreased

With Russia's invasion of Ukraine in 2022, Europe experienced an energy crisis and a rapid increase in electricity and natural gas prices. In 2022, European Union countries began to adopt unified measures to limit the increase in energy prices while ensuring energy supply security. This has continued in 2023. Since the beginning of the year, electricity prices have decreased. In the 3-month period of 2023, the Nord Pool system price was 22% lower compared to the respective period a year ago, reaching 85 EUR/MWh. The decrease in electricity prices in the Nord Pool region was primarily affected by a decrease in the price of energy resources, mainly natural gas. The electricity price in Latvia decreased by 28%, reaching 100 EUR/MWh. Meanwhile, the price of CO_2 emission allowances reached 90 EUR/t, which is 8% higher than in the respective period a year ago.

Energy resource prices



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

Region	3M 2023	3M 2022	Δ, %
Latvia	100.4	138.5	(28%)
Lithuania	102.1	140.2	(27%)
Estonia	99.8	132.5	(25%)
Poland	129.9	134.0	(3%)
Sweden	67.8	64.7	5%
Finland	77.7	91.4	(15%)
Denmark	103.3	151.1	(32%)
Norway	77.4	85.4	(9%)
Germany	116.2	182.8	(36%)
France	130.9	230.7	(43%)
Great Britain	143.9	237.3	(39%)

In the 3-month period of 2023, total electricity consumption in the Baltics was on average 6% lower compared to the respective period a year ago, reaching 7.3 TWh. The decrease was affected by energy efficiency measures introduced by consumers, as well as the increasing volume of electricity generated by micro-generators.

Meanwhile, the amount of overall electricity generation in the Baltics increased by 14%, reaching 5.0 TWh (in Q1 2022, it was 4.4 TWh). Due to higher output at the Daugava HPPs, the total volume of electricity generation in Latvia increased by 66%, reaching 2.4 TWh. In Lithuania, electricity output increased by 4%, reaching 1.3 TWh. Meanwhile, in Estonia electricity output decreased by 22% to 1.4 TWh, which was mainly impacted by 35% lower output at oil shale plants. In the reporting period, the electricity purchased from neighbouring countries decreased by 34%; it amounted to 2.1 TWh.

Operating Environment

The natural gas price decreased

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. As the exclusion of Russian natural gas continued, there was a significant increase in the import of liquefied natural gas (LNG) in Europe, accompanied by a decrease in natural gas consumption. In the 3-month period of 2023, the average price of natural gas at the TTF (front month) reached 79 EUR/MWh, which is 16% lower than in the respective period a year ago. The high import of LNG during the reporting period with lower consumption of natural gas due to warmer weather contributed to the increase in the natural gas reserve fill rate in Europe's gas storage facilities to 56% at the end of March, which is the highest rate in the past five years and more than twice as high as it was a year ago.

The dynamics of the natural gas market are linked with the oil and other energy resource markets. In the 3-month period of 2023:

- The average price of Brent crude futures oil was 82.3 USD / bbl., which is 15% lower than in the respective period a year ago. The price of oil was affected by concerns about the onset of a global economic recession as well as a lower forecast for China's economic recovery.
- The average price of coal (API2 Rotterdam coal futures front month) was 12% higher, reaching 175.5 USD / t. The increase in the coal price was affected by higher coal imports in China, as economic activity increased with the easing of COVID restrictions. Lower generation at nuclear power plants and limited operation of gas plants also affected the increase in coal prices.
- The average price of CO_2 emission allowances (EUA DEC.23) was 8% higher compared to the respective period a year ago, reaching 90.0 EUR / t. European countries have agreed to reduce CO_2 emissions by 55% by 2030 compared to the levels of 1990. This reduction is being implemented gradually, excluding 24% of emissions allowances from circulation and absorbing them in the Market Stability Reserve from 1 September 2023 to 31 August 2024. However, in the short term, factors such as concerns over financial sector stability and the European Parliament's decision to allocate additional quotas for financing REPowerEU have been compensating for the increase in quota prices. This decision aims to reduce Europe's reliance on energy resources from Russia.

Dividends

After the reporting period, on 19 May 2023, an extraordinary Shareholder Meeting of Latvenergo AS was held, where it was decided to pay 133,991 thousand EUR of the 2022 profit of Latvenergo AS to the state as dividends. According to the law "On the state budget for 2023 and budgetary framework for 2023, 2024 and 2025", 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 89.5 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 Meeting of Latvenergo AS after the approval of the annual report, upon evaluation of the results of the previous year. Latvenergo AS dividends are used as a source of funding the mandatory procurement public service obligation fee. Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 31 March 2023, the Group's asset value reached almost EUR 4.0 billion and its equity exceeds EUR 2.4 billion.

The Group's supply of natural gas

As of January 1, 2023, natural gas from Russia is prohibited by law in Latvia. Latvenergo AS has not imported natural gas from Russia since 24 February 2022, switching to supplies of liquefied natural gas from other countries. Therefore, this ban will not affect the natural gas supply of Latvenergo AS. In September 2022, Latvenergo AS participated in the long-term liquid natural gas (LNG) terminal capacity allocation procedure organised by Klaipėdos nafta AB and obtained the rights to use the *Klaipėdos nafta* terminal's annual capacity of 6 TWh for the next 10 years for regular supplies of natural gas. Latvenergo AS has concluded contracts for the supply of 6 TWh of LNG from the USA and Norway for the year 2023.

On 31 March 2023, the natural gas reserves recognized in the Group's balance sheet comprised EUR 104.8 million (31.03.2022 – EUR 75.3 million).

Financial Results

In the 3-month period of 2023, Latvenergo Group's revenue reached EUR 729.4 million, which was EUR 321.7 million or 79% more than in the respective period a year ago. This was mainly impacted by EUR 223.4 million higher energy sales revenues mainly due to a 15% greater amount of electricity sold, higher sales prices and a 77% greater amount of power generated at the Daugava HPPs.

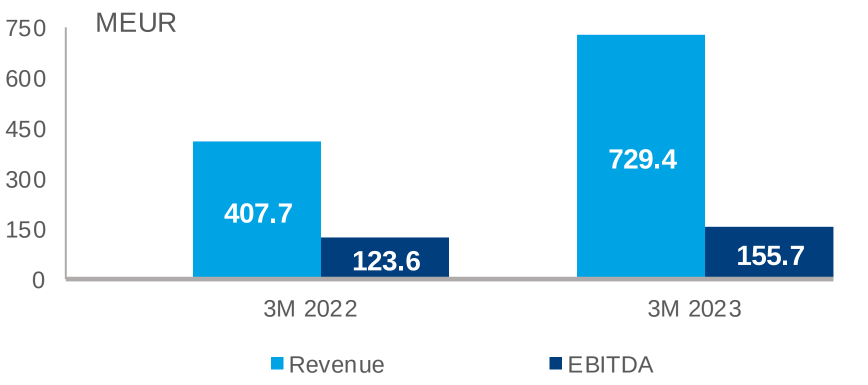
> Latvenergo Group's EBITDA increased by 26%

Latvenergo Group financial figures		3M 2023	3M 2022	Δ	Δ, %
Revenue	MEUR	729.4	407.7	321.7	79%
EBITDA	MEUR	155.7	123.6	32.1	26%
Net profit	MEUR	108.4	81.8	26.6	32%
Assets	MEUR	3,967.0	3,518.8	448.1	13%

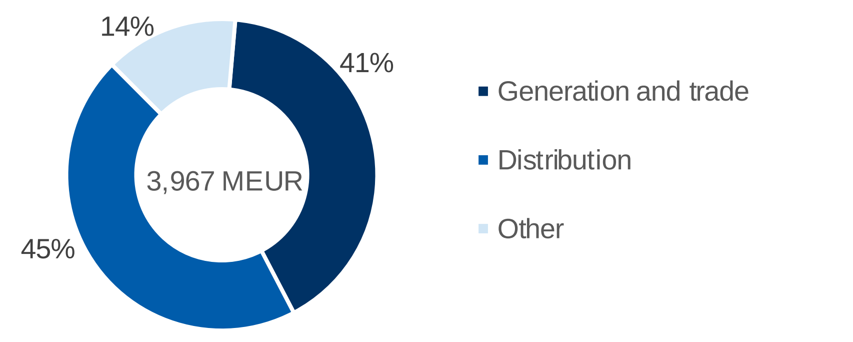
Latvenergo Group's EBITDA increased by EUR 32.1 million or 26% compared to the respective period a year ago, reaching EUR 155.7 million. This was mainly positively impacted by the greater amount of power generated at the Daugava HPPs.

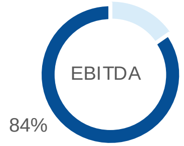
The Group's profit for the reporting period reached EUR 108.4 million.

Revenue and EBITDA



Assets





Generation and Trade

Segment weight in Latvenergo Group

Revenue
89%

EBITDA
84%

Assets
41%

Employees
34%

In the 3-month period of 2023, generation and trade comprised Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 79% of the segment's revenue came from electricity and natural gas trade, while 21% came from thermal energy supply.

The segment's revenue was positively impacted by EUR 223.4 million higher energy sales revenues mainly due to a 15% greater amount of electricity sold, higher sales prices and a 77% 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.

In the reporting period, the amount of electricity generated at the Group's power plants was sufficient to meet the electricity needs of all its customers, and additionally, a portion of electricity was exported to neighbouring countries. The total volume of electricity generated at Latvenergo Group's plants amounted to 2,179 GWh, which corresponded to 133% of the amount of electricity sold to retail customers (in Q1 2022: 80%).

Operational figures		**3M 2023**	**3M 2022**	**Δ**	**Δ, %**
Electricity supply	GWh	2,830	2,076	754	36%
*Retail**	*GWh*	*1,635*	*1,422*	*213*	*15%*
*Wholesale***	*GWh*	*1,195*	*654*	*541*	*83%*
Natural gas supply	GWh	342	339	4	1%
Retail	*GWh*	*312*	*339*	*(26)*	*(8%)*
Wholesale	*GWh*	*30*	*–*	*30*	*n/a*
Electricity generation	GWh	2,179	1,140	1,039	91%
Daugava HPPs	GWh	*1,573*	*888*	*685*	*77%*
CHPPs	GWh	*601*	*244*	*357*	*146%*
Liepaja plants and small plants	GWh	*5*	*8*	*(3)*	*(40%)*
Thermal energy generation	GWh	810	856	(47)	(5%)
CHPPs	GWh	*710*	*751*	*(41)*	*(5%)*
Liepaja plants	GWh	*100*	*106*	*(6)*	*(5%)*

Financial figures		**3M 2023**	**3M 2022**	**Δ**	**Δ, %**
Revenue	MEUR	659.8	327.5	332.3	101%
EBITDA	MEUR	130.4	96.0	34.4	36%
Assets	MEUR	1,624.1	1,369.0	255.0	19%
Capital expenditure	MEUR	11.5	5.3	6.2	115%

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

Generation and Trade

Generation

Latvenergo Group is the largest green electricity producer in the Baltics. In the 3-month period of 2023, Latvenergo Group produced 43% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 2,179 GWh of electricity and 810 GWh of thermal energy.

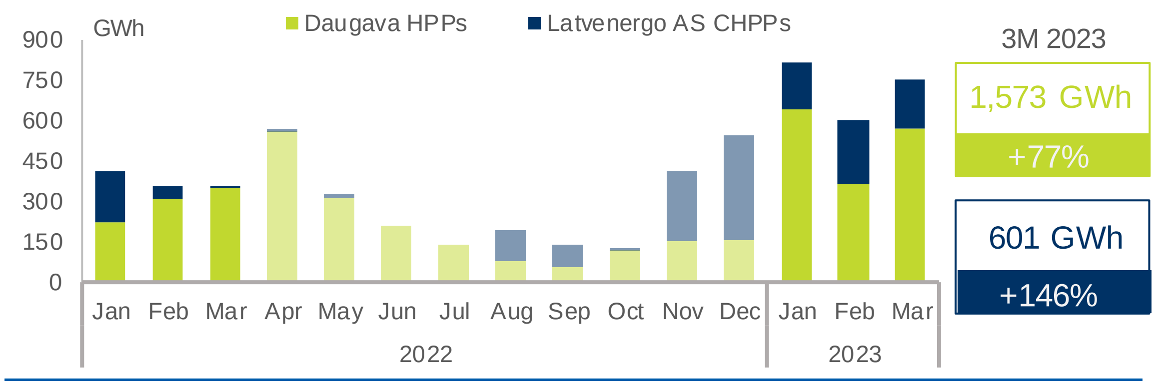
> Latvenergo Group is a leader in green energy generation in the Baltics

In the reporting period, the amount of power generated at the Daugava HPPs was 77% higher compared to the respective period a year ago, reaching 1,573 GWh. The amount of power generated at the Daugava HPPs was impacted by significantly 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 the reporting period was 1,251 m^3/s, while in the respective period a year ago it was 665 m^3/s.

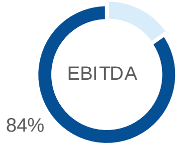
The amount generated at the Latvenergo AS CHPPs comprised 601 GWh, which is 146% more than a year ago. The increase was influenced by relatively low generation in the previous year, which was affected by high natural gas prices. The operation of the CHPPs is adjusted to the conditions of the electricity market and heat demand.

In the 3-month period of 2023, the share of electricity generated from renewable energy sources at Latvenergo Group reached 72% (in Q1 2022: 78%).

Electricity generation at Daugava HPPs and Latvenergo AS CHPPs



The amount of thermal energy generated decreased by 5% mainly due to energy efficiency measures that significantly reduced the consumption of heat energy and electricity in the buildings of Riga state and municipal institutions.



Generation and Trade

Trade

In the 3-month period of 2023, the number of electricity customers increased by almost 10%, comprising more than 832 thousand, including more than 194 thousand foreign customers. The electricity customer portfolio shows a positive increase in both the business and household customer segments, 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.

> The number of electricity customers increased by almost 10%

In the 3-month period of 2023, the Group supplied 1,635 GWh of electricity to its customers in the Baltics, which is 15% more than in the respective period a year ago. 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 37%. The electricity trade volume in Latvia was 1,036 GWh, while in Lithuania it was 449 GWh and in Estonia it was 149 GWh.

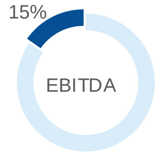
Meanwhile, the number of natural gas customers increased by 42%, comprising more than 27 thousand at the end of March. The Group's natural gas sales in the Baltics decreased by 8%, reaching 312 GWh. The decrease is significantly lower than the overall reduction in natural gas consumption for energy conservation purposes.

In the reporting period, 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 300. The total installed solar panel capacity (including remote solar parks) provided to Latvenergo Group's retail customers in the Baltics exceeded 44 MW at the end of March; thus, Latvenergo is one of the leading providers of this service in the Baltics. 2/3 of panels are installed for customers outside Latvia.
- Steady growth in the number of *Elektrum Insured* customers in the Baltics continued, reaching more than 117 thousand.
- The *Elektrum Drive* electric car charging network grew, reaching 200 charging ports. In the 3-month period of 2023, more than 9,200 electric vehicle charges were made, comprising 193 MWh, resulting in savings of 118 tons of CO_2 emissions.

Completed in the 3-month period of 2023

- 1,635 GWh of electricity sold to retail customers.
- 312 GWh of natural gas sold to Baltic retail customers.
- More than 300 contracts were concluded for the installation of solar panels.
- More than 9,200 electric vehicle charges were made at the *Elektrum Drive* electric car charging stations.



Distribution

Segment weight in Latvenergo Group

Revenue
11%

EBITDA
15%

Assets
45%

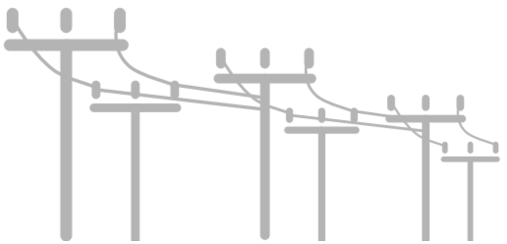
Employees
48%

In the 3-month period of 2023, the segment's revenue decreased by EUR 1.0 million compared to the respective period a year ago, reaching EUR 78.3 million. The decrease was due to 4% lower electricity distributed, which was affected by lower consumption due to energy efficiency measures implemented by customers.

Meanwhile, the segment's EBITDA decreased by 6%, reaching EUR 23.5 million.

Under the law on measures to reduce the extraordinary rise in energy prices, all end-users of electricity from 1 January to 30 April 2022 were granted state aid for the reduction of the electricity distribution system service fee of 100%, which was fully compensated from the state budget. Meanwhile, from 1 October 2022 to 30 April 2023, a reduction of the electricity distribution system service fee of 100% was applied to legal entities, excepting state and local government institutions and including legal entities that use the system service tariff intended for households.

Completed in the 3-month period of 2023



Renewed more than 250 km of power lines

Power line routes cleared at a length of 1,250 km

Operational figures		**3M 2023**	**3M 2022**	**Δ**	**Δ, %**
Electricity distributed	GWh	1,634	1,695	(61)	(4%)
Distribution losses	GWh	76	75	1	1%
SAIFI*	number	0.5	0.9	(0.4)	(46%)
SAIDI*	minutes	45	86	(41)	(48%)

Financial figures		**3M 2023**	**3M 2022**	**Δ**	**Δ, %**
Revenue	MEUR	78.3	79.3	(1.0)	(1%)
EBITDA	MEUR	23.5	25.0	(1.5)	(6%)
Assets	MEUR	1,792.5	1,795.3	(2.8)	(0%)
RAB	MEUR	1,580.1	1,586.9	(6.8)	(0%)
Capital expenditure	MEUR	22.0	18.6	3.5	19%

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

In the reporting period, SAIDI and SAIFI indicators have improved significantly due to the intense storm period in 2022.

On 24 March 2023, Sadales tīkls AS signed a contract with the Ministry of Economics for receiving 41.9 million EUR funding from the EU Recovery Fund. With the support of this funding, various activities related to the modernization of distribution systems are expected to be implemented by May 2026. These activities include:

- construction or reconstruction of medium voltage power lines at a length of 75km
- replacement of 840 transformers
- construction of 2,060 connection points for electric vehicle charging ports or installation of micro-generation equipment
- development of a smart electricity metering IT system and other activities

After the reporting period, on 22 May 2023, the new tariffs of Sadales tīkls AS were approved by the PUC. Starting from 1 July 2023, electricity distribution tariffs will increase on average by 31%.

Investments

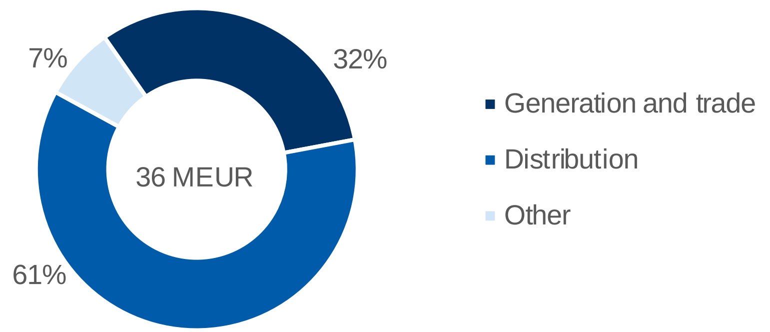
In the 3-month period of 2023, the total amount of investment comprised EUR 36.2 million, which is 28% or EUR 7.9 million lower compared to the respective period a year ago.

Investment in power distribution network assets – 2/3 of the total

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. In the reporting period, investments in distribution comprised EUR 22.0 million, which is 2/3 of the Group's total investments. 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 period, the process of initiating reconstruction work on the last three hydro units of the Daugava HPPs continued. The Group plans to carry out procurement procedures and conclude reconstruction contracts by the end of the year. 8 hydro units included in the programme have already been reconstructed as of 31 March 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 solar energy generation capacity in the Baltic region

Moving towards the goal set in the strategy – to expand and diversify the generation portfolio with green technologies – we continue to develop solar park projects. By the end of the reporting period, we had 3 solar parks in operation with a total capacity of 11 MW in Lithuania. In 2023, we plan to put into operation 3 more with a total capacity of more than 19 MW. The solar park capacity in Lithuania will be distributed in three revenue streams: selling capacity to customers, leasing capacity to customers, and selling generated energy on the market exchange. Meanwhile, in Latvia, the first two solar parks with a total capacity of 25 MW are expected to be operational by the end of this year. Overall, in the Baltic region, there are 15 solar park projects in the project or construction stage with a total capacity exceeding 300 MW; their gradual commissioning is expected from 2023-2025.

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.

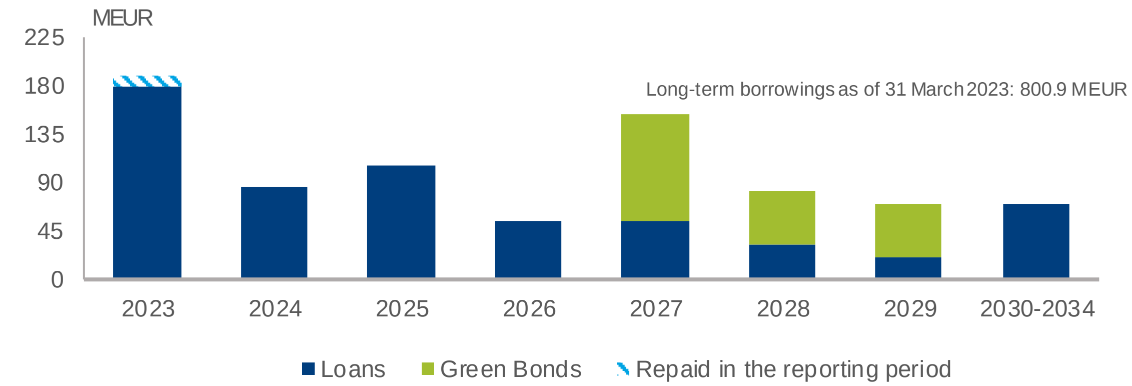
Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time.

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 March 2023, the Group's borrowings amount to EUR 800.9 million (31 March 2022: EUR 792.0 million), which include 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 March 2023, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 3.8 years (31 March 2022: 3.5 years). The effective weighted average interest rate (with interest rate swaps) is 2.7% (31 March 2022: 1.0%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 2.0).

In the reporting period, 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.

On 9 February 2023, Latvenergo AS for the third time won the award for the best investor relations among all bond issuers on the Nasdaq Baltic regulated markets in the Baltic countries. Since 2012, the bonds have been issued with consistently high investor valuations.

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 – 55%–60% 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 65% of the annual production volume by the end of March.

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, 40% of the long-term borrowings had a fixed interest rate with an average period of 2 years as of 31 March 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 March 2022, 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. Latvenergo AS and the Group have 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.

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 March 2023, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 432.2 million (31 March 2022: EUR 248.0 million), while the current ratio was 1.4 (1.7).

The Group plans to use its funds in the amount of EUR 432.2 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

		3M 2023	3M 2022	3M 2021
Electricity supply	GWh	2,182	1,287	1,590
Retail[2]	*GWh*	1,036	926	1,111
Wholesale[3]	*GWh*	1,146	361	479
Natural gas supply	GWh	297	284	269
Retail	*GWh*	267	284	269
Wholesale	*GWh*	30	–	–
Electricity generation	GWh	1,575	1,134	1,557
Thermal energy generation	GWh	710	751	894
Number of employees		1,377	1,274	1,267
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		3M 2023	3M 2022	3M 2021
Revenue	MEUR	537.8	266.0	135.2
EBITDA[1]	MEUR	127.9	96.9	44.9
Profit	MEUR	105.9	88.8	49.4
Assets	MEUR	3,371.8	2,937.4	2,841.1
Equity	MEUR	2,109.1	1,877.2	1,798.3
Net debt (adjusted)[1]*	MEUR	372.4	537.3	445.8
Capital expenditure	MEUR	10.9	5.8	6.9

Latvenergo AS financial ratios

	3M 2023	3M 2022	3M 2021
Return on equity (ROE)[1]	11.4%	6.5%	6.3%
Net debt / equity (adjusted)[1]*	18%	29%	25%
EBITDA margin[1]	21%	19%	44%

* Financial 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.
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 Interim Financial Statements for the 3-month period ending 31 March 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 Interim Financial Statements for the 3-month period ending 31 March 2023* were approved by the Management Board of Latvenergo AS on 23 May 2023 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

23 May 2023

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 =

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

Net debt/ EBITDA =

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

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

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

Return on assets =

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

Return on equity =

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

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)

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

Average value of borrowings =

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

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

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

$$\text{Equity-to-asset ratio} = \frac{\text{total equity at the end of the reporting period}}{\text{total assets at the end of the reporting period}} \times 100\%$$

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

* 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 Interim Financial Statements

Statement of Profit or Loss

EUR'000

	Notes	Group 01/01-31/03/2023	Group 01/01-31/03/2022	Parent Company 01/01-31/03/2023	Parent Company 01/01-31/03/2022
Revenue	4	729,431	407,729	537,812	266,026
Other income		8,616	7,435	7,935	6,832
Raw materials and consumables	5	(529,278)	(246,135)	(390,389)	(152,375)
Personnel expenses		(35,977)	(29,879)	(17,062)	(13,704)
Other operating expenses		(17,086)	(15,505)	(10,388)	(9,904)
EBITDA*		**155,706**	**123,645**	**127,908**	**96,875**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right–of–use assets		(41,553)	(40,027)	(20,303)	(18,953)
Operating profit		**114,153**	**83,618**	**107,605**	**77,922**
Finance income	6 a	561	433	3,803	2,501
Finance costs	6 b	(5,567)	(2,013)	(5,529)	(2,018)
Dividends from subsidiaries		–	–	–	10,429
Profit before tax		**109,147**	**82,038**	**105,879**	**88,834**
Income tax		(775)	(236)	–	–
Profit for the period		**108,372**	**81,802**	**105,879**	**88,834**
Profit attributable to:					
- Equity holder of the Parent Company		107,592	81,586	105,879	88,834
- Non-controlling interests		780	216	–	–

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 01/01-31/03/2023	Group 01/01-31/03/2022	Parent Company 01/01-31/03/2023	Parent Company 01/01-31/03/2022
Profit for the period		**108,372**	**81,802**	**105,879**	**88,834**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
- (losses) / gains from change in hedge reserve	13	(15,484)	27,259	(15,484)	27,259
Other comprehensive (loss) / income for the period		**(15,484)**	**27,259**	**(15,484)**	**27,259**
TOTAL comprehensive income for the period		**92,888**	**109,061**	**90,395**	**116,093**
Comprehensive income attributable to:					
- Equity holder of the Parent Company		92,108	108,845	90,395	116,093
- Non-controlling interests		780	216	–	–

Statement of Financial Position

EUR'000

	Notes	Group 31/03/2023	Group 31/12/2022	Parent Company 31/03/2023	Parent Company 31/12/2022
ASSETS					
Non-current assets					
Intangible assets	7 a	51,565	51,789	18,907	18,397
Property, plant and equipment	7 c	2,999,510	3,005,370	1,233,074	1,242,660
Right-of-use assets	8	11,182	10,526	5,822	5,066
Investment property	7 d	2,366	2,297	2,219	2,222
Non-current financial investments	9	40	40	647,320	647,320
Non-current loans to related parties	19 e	–	–	501,493	510,468
Other non-current receivables	11 c	482	482	482	482
Derivative financial instruments	15	7,411	8,131	7,411	8,131
Total non-current assets		**3,072,556**	**3,078,635**	**2,416,728**	**2,434,746**
Current assets					
Inventories	10	167,188	295,638	129,320	261,586
Current intangible assets	7 b	14,230	31,664	14,230	31,664
Receivables from contracts with customers	11 a	251,204	314,109	185,442	233,192
Other current receivables	11 b, c	22,663	17,521	52,942	36,451
Deferred expenses		3,081	2,408	2,598	2,191
Current loans to related parties	19 e	–	–	146,066	202,840
Derivative financial instruments	15	3,862	2,598	3,862	2,598
Cash and cash equivalents	12	432,182	112,757	420,601	100,268
Total current assets		**894,410**	**776,695**	**955,061**	**870,790**
TOTAL ASSETS		**3,966,966**	**3,855,330**	**3,371,789**	**3,305,536**
Equity					
Share capital		790,368	790,368	790,368	790,368
Reserves		1,265,675	1,282,683	895,199	910,683
Retained earnings		385,358	276,242	423,522	317,643
Equity attributable to equity holder of the Parent Company		**2,441,401**	**2,349,293**	**2,109,089**	**2,018,694**
Non-controlling interests		7,906	7,126	–	–
Total equity		**2,449,307**	**2,356,419**	**2,109,089**	**2,018,694**
Liabilities					
Non-current liabilities					
Borrowings		612,926	574,754	604,176	561,551
Lease liabilities	14	8,627	8,648	4,732	4,206
Deferred income tax liabilities	8	1,374	667	–	–
Provisions		15,861	15,566	7,737	7,552
Deferred income from contracts with customers	15	132,609	133,116	718	735
Other deferred income	18 I, a	115,922	121,180	109,757	115,798
Other non-current liabilities		86	265	–	–
Total non-current liabilities	18 I, b, c	**887,405**	**854,196**	**727,120**	**689,842**
Current liabilities					
Borrowings		187,970	301,164	188,800	302,387
Lease liabilities	14	2,715	2,027	1,194	960
Trade and other payables	8	266,570	165,274	189,219	133,768
Deferred income from contracts with customers	17	15,950	29,330	67	13,714
Other deferred income	18 II, a	24,901	24,901	24,152	24,152
Derivative financial instruments	18 II, b, c	132,148	122,019	132,148	122,019
Total current liabilities	15	**630,254**	**644,715**	**535,580**	**597,000**
Total liabilities		**1,517,659**	**1,498,911**	**1,262,700**	**1,286,842**
TOTAL EQUITY AND LIABILITIES		**3,966,966**	**3,855,330**	**3,371,789**	**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**
Disposal of non–current assets revaluation reserve	–	(4,294)	**4,294**	–	–	**–**	–	(3,307)	3,307	**–**
Total transactions with owners and other changes in equity	**–**	**(4,294)**	**4,294**	–	**–**	**–**	**–**	**(3,307)**	**3,307**	**–**
Profit for the period	–	–	81,586	**81,586**	216	**81,802**	–		88,834	**88,834**
Other comprehensive income for the period	–	27,259	–	**27,259**	–	**27,259**	–	27,259		**27,259**
Total comprehensive income for the period	**–**	**27,259**	**81,586**	**108,845**	**216**	**109,061**	**–**	**27,259**	**88,834**	**116,093**
As of 31 March 2022	**790,368**	**1,198,320**	**237,310**	**2,225,998**	**6,511**	**2,232,509**	**790,368**	**819,683**	**267,112**	**1,877,163**
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	–	(7,235)	7,235	**–**	–	**–**	–	(163)	163	**–**
Total transactions with owners and other changes in equity	**–**	**(7,235)**	**(62,925)**	**(70,160)**	**400**	**(69,760)**	**–**	**(163)**	**(69,997)**	**(70,160)**
Profit for the period	–	–	101,857	**101,857**	215	**102,072**	–	–	120,528	**120,528**
Other comprehensive income for the period	–	91,598	–	**91,598**	–	**91,598**	–	91,163	–	**91,163**
Total comprehensive income for the period	**–**	**91,598**	**101,857**	**193,455**	**215**	**193,670**	**–**	**91,163**	**120,528**	**211,691**
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**
Disposal of non–current assets revaluation reserve	–	(1,524)	1,524	**–**	–	**–**	–	–	–	**–**
Total transactions with owners and other changes in equity	**–**	**(1,524)**	**1,524**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit for the period	–	–	107,592	**107,592**	780	**108,372**	–	–	105,879	**105,879**
Other comprehensive income for the period	–	(15,484)	–	**(15,484)**	–	**(15,484)**	–	(15,484)	–	**(15,484)**
Total comprehensive income for the period	**–**	**(15,484)**	**107,592**	**92,108**	**780**	**92,888**	–	**(15,484)**	**105,879**	**90,395**
As of 31 March 2023	**790,368**	**1,265,675**	**385,358**	**2,441,401**	**7,906**	**2,449,307**	**790,368**	**895,199**	**423,522**	**2,109,089**

Statement of Cash Flows

EUR'000

	Notes	Group 01/01-31/03/2023	Group 01/01-31/03/2022	Parent Company 01/01-31/03/2023	Parent Company 01/01-31/03/2022
Cash flows from operating activities					
Profit before tax		**109,147**	**82,038**	**105,879**	**88,834**
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		42,690	40,457	20,297	18,681
- Net financial adjustments		(505)	(15,124)	(3,781)	(17,188)
- Other adjustments		295	180	185	119
- Dividends from subsidiaries		–	–	–	(10,429)
Interest paid		(1,146)	(757)	(1,000)	(430)
Interest received		85	–	47	–
Paid corporate income tax		(9)	(7)	–	–
Funds from operations (FFO)		**150,557**	**106,787**	**121,627**	**79,587**
Decrease in current assets*		202,958	123,666	183,950	108,431
Increase / (decrease) in trade and other liabilities		84,955	(44,156)	37,917	(77,222)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	22,675	63,489
Net cash flows from operating activities		**438,470**	**186,297**	**366,169**	**174,285**
Cash flows from investing activities					
Loans issued to subsidiaries, net	19	–	–	42,570	(12,551)
Purchase of intangible assets and property, plant and equipment		(39,950)	(31,311)	(13,116)	(8,153)
Net cash flows (used in) / generated from investing activities		**(39,950)**	**(31,311)**	**29,454**	**(20,704)**
Cash flows from financing activities					
Proceeds on issued debt securities (bonds)		50,000	–	50,000	–
Repayment of borrowings from financial institutions	14	(129,644)	(3,939)	(125,192)	–
Received financing from European Union		975	–	–	–
Lease payments		(426)	(168)	(98)	(29)
Net cash flows used in financing activities		**(79,095)**	**(4,107)**	**(75,290)**	**(29)**
Net increase in cash and cash equivalents		**319,425**	**150,879**	**320,333**	**153,552**
Cash and cash equivalents at the beginning of the period	12	112,757	97,079	100,268	92,418
Cash and cash equivalents at the end of the period	**12**	**432,182**	**247,958**	**420,601**	**245,970**

* Comparative figures recalculated, presenting changes in current intangible assets (CO2 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 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) that includes the following subsidiaries (Note 9):

- Sadales tīkls AS (since 18 September 2006) with 100% interest held,
- Elektrum Eesti OÜ (since 27 June 2007) and its subsidiaries Elektrum Latvija SIA (since 18 September 2012), Energiaturu Võrguehitus OÜ (since 25 August 2021) all with 100% interest held,
- Elektrum Lietuva, UAB (since 7 January 2008) with 100% interest held,
- Enerģijas publiskais tirgotājs SIA (since 25 February 2014) with 100% interest held,
- Latvijas vēja parki SIA (since 22 July 2022) with 80% interest held,
- Liepājas enerģija SIA (since 6 July 2005) with 51% interest held.

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, Harijs Teteris.

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 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 Interim Financial Statements for the 3–month period ending on 31 March 2023 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the period starting on 1 January 2023 and ending on 31 March 2023 and comparative information for the period of 2022 starting on 1 January 2022 and ending on 31 March 2022.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3–month period ending on 31 March 20223 were authorised by the Latvenergo AS Management Board on 23 May 2023.

2. Significant accounting policies

These Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim 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 Interim 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 Interim 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 subsidiary – Energiaturu Võrguehitus OÜ) and Elektrum Lietuva 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	Consolidated	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated
Periods: 01/01–31/03/2023											
Revenue											
External customers	649,218	78,196	2,017	**729,431**	–	**729,431**	528,946	8,866	**537,812**	–	**537,812**
Inter-segment	10,605	102	14,752	**25,459**	(25,459)	**–**	181	9,025	**9,206**	(9,206)	**–**
TOTAL revenue	**659,823**	**78,298**	**16,769**	**754,890**	**(25,459)**	**729,431**	**529,127**	**17,891**	**547,018**	**(9,206)**	**537,812**
Results											
EBITDA	**130,363**	**23,522**	**1,821**	**155,706**	**–**	**155,706**	**124,208**	**3,700**	**127,908**	**–**	**127,908**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(18,263)	(20,296)	(2,994)	**(41,553)**	–	**(41,553)**	(17,269)	(3,034)	**(20,303)**	–	**(20,303)**
Segment profit / (loss) before tax	**112,100**	**3,226**	**(1,173)**	**114,153**	**(5,006)**	**109,147**	**106,939**	**666**	**107,605**	**(1,726)**	**105,879**
Capital expenditure	11,497	22,042	2,650	**36,189**	–	**36,189**	8,271	2,649	**10,920**	–	**10,920**
Periods: 01/01–31/03/2022											
Revenue											
External customers	326,631	79,271	1,827	**407,729**	–	**407,729**	258,158	7,868	**266,026**	–	**266,026**
Inter-segment	886	63	12,498	**13,447**	(13,447)	**–**	860	7,221	**8,081**	(8,081)	**–**
TOTAL revenue	**327,517**	**79,334**	**14,325**	**421,176**	**(13,447)**	**407,729**	**259,018**	**15,089**	**274,107**	**(8,081)**	**266,026**
Results											
EBITDA	**95,990**	**24,988**	**2,667**	**123,645**	**–**	**123,645**	**93,575**	**3,300**	**96,875**	**–**	**96,875**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(16,789)	(20,178)	(3,060)	**(40,027)**	–	**(40,027)**	(15,860)	(3,093)	**(18,953)**	–	**(18,953)**
Segment profit / (loss) before tax	**79,201**	**4,810**	**(393)**	**83,618**	**(1,580)**	**82,038**	**77,715**	**207**	**77,922**	**10,912**	**88,834**
Capital expenditure	5,344	18,583	4,323	**28,250**	–	**28,250**	1,511	4,323	**5,834**	–	**5,834**

Segment assets

EUR'000

	Group						Parent Company				
	Generation and trade	Distri-bution	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated
As of 31 March 2023	1,624,067	1,792,497	118,180	**3,534,744**	432,222	**3,966,966**	1,509,699	146,610	**1,656,309**	1,715,480	**3,371,789**
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
Periods: 01/01–31/03/2023									
Revenue from contracts with customers:									
Trade of energy and related supply services	501,076	813	–	**501,889**	**501,889**	394,382	–	**394,382**	**394,382**
Distribution system services	–	72,571	–	**72,571**	**72,571**	–	–	**–**	**–**
Heat sales	140,449	75	–	**140,524**	**140,524**	131,341	–	**131,341**	**131,341**
Sales of goods and energy related solutions	6,492	–	–	**6,492**	**6,492**	2,893	–	**2,893**	**2,893**
Other revenue	1,200	4,721	1,670	**7,591**	**7,591**	330	8,091	**8,421**	**8,421**
Total revenue from contracts with customers	**649,217**	**78,180**	**1,670**	**729,067**	**729,067**	**528,946**	**8,091**	**537,037**	**537,037**
Other revenue:									
Lease of other assets	1	16	347	**364**	**364**	–	775	**775**	**775**
Total other revenue	**1**	**16**	**347**	**364**	**364**	**–**	**775**	**775**	**775**
Periods: 01/01–31/03/2022									
Revenue from contracts with customers:									
Trade of energy and related supply services	277,636	833	–	**278,469**	**278,469**	215,841	–	**215,841**	**215,841**
Distribution system services	–	73,920	–	**73,920**	**73,920**	–	–	**–**	**–**
Heat sales	46,403	42	–	**46,445**	**46,445**	41,327	–	**41,327**	**41,327**
Sales of goods and energy related solutions	1,355	–	–	**1,355**	**1,355**	719	–	**719**	**719**
Other revenue	1,237	4,459	1,415	**7,111**	**7,111**	271	7,098	**7,369**	**7,369**
Total revenue from contracts with customers	**326,631**	**79,254**	**1,415**	**407,300**	**407,300**	**258,158**	**7,098**	**265,256**	**265,256**
Other revenue:									
Lease of other assets	–	17	412	**429**	**429**	–	770	**770**	**770**
Total other revenue	**–**	**17**	**412**	**429**	**429**	**–**	**770**	**770**	**770**

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		Parent Company	
	01/01-31/03/2023	01/01-31/03/2022	01/01-31/03/2023	01/01-31/03/2022
EBITDA	**155,706**	**123,645**	**127,908**	**96,875**
Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right–of–use assets	(41,553)	(40,027)	(20,303)	(18,953)
Segment profit before tax	**114,153**	**83,618**	**107,605**	**77,922**
Finance income	561	433	3,803	2,501
Finance costs	(5,567)	(2,013)	(5,529)	(2,018)
Dividends received from subsidiaries	–	–	–	10,429
Profit before tax	**109,147**	**82,038**	**105,879**	**88,834**

Reconciliation of assets EUR'000

	Group		Parent Company	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Segment operating assets	**3,534,744**	**3,742,533**	**1,656,309**	**1,844,640**
Non-current financial investments	40	40	647,320	647,320
Loans to related parties	–	–	647,559	713,308
Cash and cash equivalents	432,182	112,757	420,601	100,268
TOTAL assets	**3,966,966**	**3,855,330**	**3,371,789**	**3,305,536**

4. Revenue

EUR'000

	IFRS or IAS applied	Group		Parent Company	
		01/01-31/03/2023	01/01-31/03/2022	01/01-31/03/2023	01/01-31/03/2022
Revenue from contracts with customers:					
Trade of energy and related supply services	IFRS 15	501,889	278,469	394,382	215,841
Distribution system services	IFRS 15	72,571	73,920	–	–
Heat sales	IFRS 15	140,524	46,445	131,341	41,327
Sales of goods and energy related solutions	IFRS 15	6,492	1,355	2,893	719
Other revenue	IFRS 15	7,591	7,111	8,421	7,369
Total revenue from contracts with customers		**729,067**	**407,300**	**537,037**	**265,256**
Other revenue:					
Lease of other assets	IFRS 16	364	429	775	770
Total other revenue		**364**	**429**	**775**	**770**
TOTAL revenue		**729,431**	**407,729**	**537,812**	**266,026**

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 period, the Group has recognised gross revenue for the allocated state support for the end-users of the Group companies in amount of EUR 80,973 thousand (01/01 - 31/03/2022: in amount of EUR 74,626 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	
	01/01-31/03/2023	01/01-31/03/2022	01/01-31/03/2023	01/01-31/03/2022
Goods and services transferred over time	692,373	385,814	502,063	244,756
Goods and services transferred at a point in time	36,694	21,486	34,974	20,500
TOTAL revenue from contracts with customers	**729,067**	**407,300**	**537,037**	**265,256**

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	
	01/01-31/03/2023	01/01-31/03/2022	01/01-31/03/2023	01/01-31/03/2022
Mandatory procurement PSO fees*	(2)	6	(2)	(4)
Distribution system services	12,246	6,796	25,650	3,370
Transmission system services	70	65	70	68
Insurance intermediation	407	340	395	339
TOTAL revenue recognised applying agent accounting principle	**12,721**	**7,207**	**26,113**	**3,773**

* Recalculations for previous periods, the approved mandatory procurement PSO fee from 1 January 2023 is 0,00 EUR/MW. 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	
	01/01-31/03/2023	01/01-31/03/2022	01/01-31/03/2023	01/01-31/03/2022
Energy costs:				
Electricity and costs of related supply services	85,955	100,676	(23,567)	35,273
Electricity transmission services costs	18,216	18,404	672	710
Natural gas and other energy resources costs	424,330	138,640	416,137	130,419
Gains on fair value changes on energy futures, forwards, and swaps (Note 15 II)	(5,942)	(16,626)	(5,942)	(16,626)
	522,559	**241,094**	**387,300**	**149,776**
Raw materials, spare parts and maintenance costs	6,719	5,041	3,089	2,599
TOTAL raw materials and consumables used	**529,278**	**246,135**	**390,389**	**152,375**

6. Finance income and costs

EUR'000

	Group		Parent Company	
	01/01-31/03/2023	01/01-31/03/2022	01/01-31/03/2023	01/01-31/03/2022
a) Finance income:				
Interest income on loans to related parties	–	–	3,281	2,068
Interest income on interest rate swaps	475	–	475	–
Interest income	86	–	47	–
Gains on fair value changes on interest rate swaps (Note 15 I)	–	408	–	408
Net gain on issued debt securities (bonds)	–	25	–	25
TOTAL finance income	**561**	**433**	**3,803**	**2,501**

EUR'000

	Group		Parent Company	
	01/01-31/03/2023	01/01-31/03/2022	01/01-31/03/2023	01/01-31/03/2022
b) Finance costs:				
Interest expense on borrowings	4,745	1,405	4,734	1,423
Interest expense on issued debt securities (bonds)	909	530	909	530
Interest expense on assets lease	42	30	22	18
Capitalised borrowing costs	43	–	43	–
Net losses on redemption of other financial investments	(216)	(56)	(216)	(56)
Other finance costs	44	104	37	103
TOTAL finance costs	**5,567**	**2,013**	**5,529**	**2,018**

7. Intangible assets and property, plant and equipment

a) Non–current intangible assets

EUR'000

	Group			Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022	01/01-31/03/2023	01/01-31/03/2022	2022
Cost	123,660	120,295	120,295	67,879	64,687	64,687
Accumulated amortisation	(71,871)	(66,738)	(66,738)	(49,482)	(47,281)	(47,281)
Net book amount at the beginning of the period	**51,789**	**53,557**	**53,557**	**18,397**	**17,406**	**17,406**
Additions	1,360	561	4,559	1,360	459	4,387
Amortisation charge	(1,584)	(1,563)	(6,327)	(850)	(832)	(3,396)
Closing net book amount at the end of the period	**51,565**	**52,555**	**51,789**	**18,907**	**17,033**	**18,397**
Cost	125,018	120,852	123,660	69,239	65,140	67,879
Accumulated amortisation	(73,453)	(68,297)	(71,871)	(50,332)	(48,107)	(49,482)
Closing net book amount at the end of the period	**51,565**	**52,555**	**51,789**	**18,907**	**17,033**	**18,397**

b) Current intangible assets

EUR'000

	Group			Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022	01/01-31/03/2023	01/01-31/03/2022	2022
Net book amount at the beginning of the period	**31,664**	**24,266**	**24 266**	**31,664**	**24,266**	**24,266**
Additions	–	–	46 643	–	–	46,643
Disposals	(17,434)	(9,427)	(39 245)	(17,434)	(9,427)	(39,245)
Closing net book amount at the end of the period	**14,230**	**14,839**	**31 664**	**14,230**	**14,839**	**31,664**

c) Property, plant and equipment

EUR'000

	Group			Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022	01/01-31/03/2023	01/01-31/03/2022	2022
Cost or revalued amount	6,904,473	6,396,917	6,396,917	3,639,619	3,170,861	3,170,861
Accumulated depreciation and impairment	(3,899,103)	(3,570,263)	(3,570,263)	(2,396,959)	(2,103,888)	(2,103,888)
Net book amount at the beginning of the period	**3,005,370**	**2,826,654**	**2,826,654**	**1,242,660**	**1,066,973**	**1,066,973**
Additions	34,828	27,683	117,108	9,560	5,375	25,653
Reclassified to investment properties	(75)	(315)	(823)	(2)	(315)	(315)
Reclassified to non-current assets held for sale	(21)	–	(8)	–	–	(8)
Disposals	(1,181)	(813)	(7,395)	1	(48)	(410)
Increase in value of assets as a result of revaluation	–	–	227,695	–	–	227,695
Reversal of impairment charge as a result of revaluation	–	–	417	–	–	417
((Impairment) / reversed impairment charge	19	(216)	(2,413)	–	(184)	(2,364)
Depreciation	(39,430)	(37,753)	(155,865)	(19,145)	(17,643)	(74,981)
Closing net book amount at the end of the period	**2,999,510**	**2,815,240**	**3,005,370**	**1,233,074**	**1,054,158**	**1,242,660**
Cost or revalued amount	6,929,670	6,391,837	6,904,473	3,649,120	3,150,579	3,639,619
Accumulated depreciation and impairment	(3,930,160)	(3,576,597)	(3,899,103)	(2,416,046)	(2,096,421)	(2,396,959)
Closing net book amount at the end of the period	**2,999,510**	**2,815,240**	**3,005,370**	**1,233,074**	**1,054,158**	**1,242,660**

d) Investment property

EUR'000

	Group			Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022	01/01-31/03/2023	01/01-31/03/2022	2022
Cost or revalued amount	2 542	3,807	3 807	2,914	4,561	4,561
Accumulated depreciation and impairment	(245)	(491)	(491)	(692)	(959)	(959)
Net book amount at the beginning of the year	**2 297**	**3,316**	**3 316**	**2,222**	**3,602**	**3,602**
Reclassified from property, plant and equipment	75	315	823	2	315	315
Disposal	(3)	(8)	(31)	–	(9)	(1,678)
Sold	–	(119)	(1 799)	–	–	–
Depreciation	(3)	(3)	(12)	(5)	(5)	(17)
Closing net book amount at the end of the period	**2,366**	**3,501**	**2 297**	**2,219**	**3,903**	**2,222**
Cost or revalued amount	2,616	4,866	2 542	2,915	5,745	2,914
Accumulated depreciation and impairment	(250)	(1,365)	(245)	(696)	(1,842)	(692)
Closing net book amount at the end of the period	**2,366**	**3,501**	**2 297**	**2,219**	**3,903**	**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 2022;
– hydropower plants' technology equipment and machinery, revalued as of 1 April 2022.

The management of the Parent Company has estimated that the increase in the cost of engineering constructions exceeded 10% since the previous revaluation, as well the discount rates has substantially increased. Anticipating that the increase in the engineering construction costs could remain significant and substantial over an extended period and the interest rates affecting discount rates have steadily increased, in 2023, the Parent Company has started the valuation process.

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 March 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 March 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 March 2023 does not need to be carried out.

8. Leases

a) Right–of–use assets

EUR'000

	Group			Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022	01/01-31/03/2023	01/01-31/03/2022	2022
Initial recognition cost	16,784	12,871	12,871	8,436	7,342	7,342
Accumulated depreciation	(6,258)	(4,559)	(4,559)	(3,370)	(2,199)	(2,199)
Net book amount at the beginning of the period	**10,526**	**8,312**	**8,312**	**5,066**	**5,143**	**5,143**
Recognised changes in lease agreements	1,211	102	4,261	1,058	16	1,094
Depreciation	(555)	(492)	(2,047)	(302)	(289)	(1,171)
Closing net book amount at the end of the period	**11,182**	**7,922**	**10,526**	**5,822**	**4,870**	**5,066**
Initial recognition cost	16,976	12,971	16,784	9,494	7,358	8,436
Accumulated depreciation	(5,794)	(5,049)	(6,258)	(3,672)	(2,488)	(3,370)
Closing net book amount at the end of the period	**11,182**	**7,922**	**10,526**	**5,822**	**4,870**	**5,066**

b) Lease liabilities

EUR'000

	Group			Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022	01/01-31/03/2023	01/01-31/03/2022	2022
At the beginning of the period	**10,675**	**8,428**	**8,428**	**5,166**	**5,226**	**5,226**
Of which are:						
– non–current	*8,648*	*6,540*	*6,540*	*4,206*	*4,085*	*4,085*
– current	*2,027*	*1,888*	*1,888*	*960*	*1,141*	*1,141*
Recognised changes in lease agreements	1,214	103	4,261	1,058	16	1,094
Decrease of lease liabilities	(589)	(517)	(2,150)	(320)	(304)	(1,234)
Recognised interest liabilities (Note 6)	42	30	136	22	18	80
At the end of the period	**11,342**	**8,044**	**10,675**	**5,926**	**4,956**	**5,166**
Of which are:						
– non–current	*8,627*	*6,216*	*8,648*	*4,732*	*3,868*	*4,206*
– current	*2,715*	*1,828*	*2,027*	*1,194*	*1,088*	*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	31/03/2023 Interest held, %	31/03/2023 EUR'000	31/12/2022 Interest held, %	31/12/2022 EUR'000
Investments in subsidiaries						
Sadales tīkls AS	Latvia	Electricity distribution	100%	641,450	100%	641,450
Enerģijas publiskais tirgotājs SIA	Latvia	Administration of mandatory electricity procurement process	100%	40	100%	40
Elektrum Eesti, OÜ	Estonia	Electricity and natural gas trade	100%	35	100%	35
Elektrum Lietuva, UAB	Lithuania	Electricity and natural gas trade	100%	600	100%	600
Latvijas vēja parki SIA	Latvia	Development of wind parks and generation of electricity	80%	1,600	80%	1,600
Liepājas enerģija SIA	Latvia	Thermal energy generation and trade, electricity generation	51%	3,556	51%	3,556
TOTAL				**647,281**		**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**
				647,320		**647,320**

The Group's non–current financial investments

Name of the company	Country of incorporation	Business activity held	31/03/2023 Interest held, %	31/03/2023 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
TOTAL				**40**		**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 31/03/2023	Group 31/12/2022	Parent Company 31/03/2023	Parent Company 31/12/2022
Raw materials and materials	20,711	18,888	1,288	1,084
Natural gas	104,790	241,588	104,790	241,588
Goods for sale	13,204	12,802	–	3,259
Other inventories	19,437	16,585	18,909	16,055
Unfinished products and orders	–	5,128	1,200	–
Prepayments	2,480	2,027	–	469
Allowances for impaired inventories	(1,336)	(1,380)	(821)	(869)
TOTAL inventories	**167,188**	**295,638**	**129,320**	**261,586**

Movement on the allowance for inventories

EUR'000

	Group 01/01-31/03/2023	Group 01/01-31/03/2022	Group 2022	Parent Company 01/01-31/03/2023	Parent Company 01/01-31/03/2022	Parent Company 2022
At the beginning of the period	**1,380**	**1,110**	**1,110**	**869**	**735**	**735**
Charged / (credited) to the Statement of Profit or Loss	(44)	4	270	(48)	(6)	134
At the end of the period	**1,336**	**1,114**	**1,380**	**821**	**729**	**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	
	31/03/2023	**31/12/2022**	**31/03/2023**	**31/12/2022**
Individually assessed receivables with lifetime ECL assessment (counterparty model)	50,646	59,630	42,428	46,609
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	200,558	254,479	143,014	186,583
TOTAL receivables from contracts with customers	**251,204**	**314,109**	**185,442**	**233,192**

a) Receivables from contracts with customers, net

EUR'000

	Group		Parent Company	
	31/03/2023	**31/12/2022**	**31/03/2023**	**31/12/2022**
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	179,756	214,542	125,351	152,285
– Electricity, natural gas trade and related services customers (counterparty model)	41,275	36,133	22,289	14,953
– Heating customers (portfolio model)	35,332	54,228	32,183	49,237
– Other receivables from contracts with customers (portfolio model)	5,198	5,622	1,553	1,444
– Other receivables from contracts with customers (counterparty model)	9,412	23,541	8,574	18,181
– Subsidiaries (counterparty model) (Note 19 b)	–	–	11,601	13,503
	270,973	**334,066**	**201,551**	**249,603**
Allowances for expected credit loss from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(17,513)	(17,642)	(15,675)	(15,938)
– Electricity, natural gas trade and related services customers (counterparty model)	(22)	(18)	(12)	–
– Heating customers (portfolio model)	(418)	(448)	(376)	(422)
– Other receivables from contracts with customers (portfolio model)	(1,797)	(1,823)	(22)	(23)
– Other receivables from contracts with customers (counterparty model)	(19)	(26)	(18)	(20)
– Subsidiaries (counterparty model) (Note 19 b)	–	–	(6)	(8)
	(19,769)	**(19,957)**	**(16,109)**	**(16,411)**
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	162,243	196,900	109,676	136,347
– Electricity, natural gas trade and related services customers (counterparty model)	41,253	36,115	22,277	14,953
– Heating customers (portfolio model)	34,914	53,780	31,807	48,815
– Other receivables from contracts with customers (portfolio model)	3,401	3,799	1,531	1,421
– Other receivables from contracts with customers (counterparty model)	9,393	23,515	8,556	18,161
– Subsidiaries (counterparty model) (Note 19 b)	–	–	11,595	13,495
	251,204	**314,109**	**185,442**	**233,192**

Movements in loss allowances for impaired receivables from contracts with customers EUR'000

	Group			Parent Company		
	01/01-31/03/2023	**01/01-31/03/2022**	**2022**	**01/01-31/03/2023**	**01/01-31/03/2022**	**2022**
At the beginning of the period	**19,957**	**17,028**	**17,028**	**16,411**	**14,009**	**14,009**
Receivables written off during the period as uncollectible	(322)	(452)	(2,372)	(314)	(448)	(2,284)
Allowances for expected credit losses	134	2,274	5,301	12	2,165	4,686
At the end of the period	**19,769**	**18,850**	**19,957**	**16,109**	**15,726**	**16,411**

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Current financial receivables:				
Uncovered costs of mandatory procurement and guaranteed fee for the installed electrical capacity of cogeneration power plants, net*	7,813	108	–	–
Receivables for lease	30	35	28	32
Other current financial receivables	14,918	18,182	5,845	13,953
Other accrued income	755	280	755	280
Allowances for expected credit losses	(1,535)	(1,516)	(1,188)	(1,198)
Receivables for lease from subsidiaries (Note 19 b)	–	–	28	13
Other financial receivables from subsidiaries (Note 19 b)	–	–	29,990	21,037
Other accrued income from subsidiaries (Note 19 c)	–	–	17,209	2,150
Allowances for expected credit losses on subsidiaries receivables (Note 19 b)	–	–	(24)	(14)
TOTAL other current financial receivables	**21,981**	**17,089**	**52,643**	**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	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Non–current non–financial receivables	482	482	482	482
Current non–financial receivables	682	432	299	198
TOTAL non–financial receivables	**1,164**	**914**	**781**	**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	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Cash at bank	432,182	112,757	420,601	100,268
TOTAL cash and cash equivalents	**432,182**	**112,757**	**420,601**	**100,268**

13. Reserves

EUR'000

	Group					Parent Company			
	Non–current assets revaluation reserve	Hedge reserve	Post–employment benefit plan revaluation reserve	Other reserves	TOTAL	Non–current assets revaluation reserve	Hedge reserve	Post–employment 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**
Disposal of revaluation reserve	(4,294)	–	–	–	**(4,294)**	(3,307)	–	–	**(3,307)**
Gains from fair value changes of derivative financial instruments	–	27,259	–	–	**27,259**	–	27,259	–	**27,259**
As of 31 March 2022	**1,153,531**	**46,477**	**(1,798)**	**110**	**1,198,320**	**774,742**	**46,477**	**(1,536)**	**819,683**
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	(7,235)	–	–	–	**(7,235)**	(163)	–	–	**(163)**
Gains on re–measurement of defined post–employment benefit plan	–	–	645	–	**645**	–	–	210	**210**
Losses from fair value changes of derivative financial instruments	–	(136,742)	–	–	**(136,742)**	–	(136,742)	–	**(136,742)**
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**
Disposal of revaluation reserve	(1,524)	–	–	–	**(1,524)**	–	–	–	–
Losses from fair value changes of derivative financial instruments	–	(15,484)	–	–	**(15,484)**	–	(15,484)	–	**(15,484)**
As of 31 March 2023	**1,372,467**	**(105,749)**	**(1,153)**	**110**	**1,265,675**	**1,002,274**	**(105,749)**	**(1,326)**	**895,199**

14. Borrowings

EUR'000

	Group		Parent Company	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Non–current portion of non-current borrowings from financial institutions	413,034	424,867	404,284	411,664
Non-current portion of issued debt securities (bonds)	199,892	149,887	199,892	149,887
Total non-current borrowings from financial institutions	**612,926**	**574,754**	**604,176**	**561,551**
Current portion of non–current borrowings from financial institutions	179,444	177,778	177,464	175,798
Overdraft from financial institutions	–	119,478	–	119,478
Accrued interest on non–current borrowings from financial institutions	5,869	2,161	5,776	2,047
Accrued coupon interest on issued debt securities (bonds)	2,657	1,747	2,657	1,747
Total current borrowings from financial institutions	**187,970**	**301,164**	**185,897**	**299,070**
TOTAL borrowings from financial institutions	**800,896**	**875,918**	**790,073**	**860,621**
Current borrowings from related parties (Note 19 f)	–	–	2,903	3,317
Total current borrowings	**187,970**	**301,164**	**188,800**	**302,387**
TOTAL borrowings	**800,896**	**875,918**	**792,976**	**863,938**

Movement in borrowings:

EUR'000

	Group			Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022	01/01-31/03/2023	01/01-31/03/2022	2022
At the beginning of the year	**875,918**	**795,029**	**795,029**	**863,938**	**782,322**	**782,322**
Received borrowings from financial institutions	–	–	207,846	–	–	200,013
Repaid borrowings from financial institutions	(129,644)	(3,939)	(129,118)	(125,192)	–	(123,801)
Proceeds from issued debt securities (bonds)	50,000	–	100,000	50,000	–	100,000
Borrowings received from related parties	–	–	–	(414)	–	3,317
Repayment of issued debt securities (bonds)	–	–	(100,000)	–	–	(100,000)
Change in accrued interest on borrowings from financial institutions	4,617	912	2,195	4,639	925	2,121
Changes in outstanding value of issued debt securities (bonds)	5	(25)	(34)	5	(25)	(34)
At the end of the year	**800,896**	**791,977**	**875,918**	**792,976**	**783,222**	**863,938**

15. Derivative financial instruments

Outstanding fair values of derivatives and their classification

EUR'000

	Group				Parent Company			
	31/03/2023		31/12/2022		31/03/2023		31/12/2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	9,416	–	10,279	–	9,416	–	10,279	–
Energy forwards, futures, and swaps	1,857	(130,438)	450	(120,520)	1,857	(130,438)	450	(120,520)
Currency exchange forwards	–	(1,710)	–	(1,499)	–	(1,710)	–	(1,499)
Total outstanding fair values of derivatives	**11,273**	**(132,148)**	**10,729**	**(122,019)**	**11 273**	**(132 148)**	**10,729**	**(122,019)**

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						Parent Company					
	01/01-31/03/2023		01/01-31/03/2022		2022		01/01-31/03/2023		01/01-31/03/2022		2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**10,279**	**–**	**–**	**(4,312)**	**–**	**(4,312)**	**10,279**	**–**	**–**	**(4,312)**	**–**	**(4,312)**
Included in the Statement of Profit or Loss (Note 6)	(43)	–	–	408	–	1,074	(43)	–	–	408	–	1,074
Included in the Statement of Comprehensive Income	(820)	–	2,262	2,730	10,279	3,238	(820)	–	2,262	2,730	10,279	3,238
Outstanding fair value at the end of the period	**9,416**	**–**	**2,262**	**(1,174)**	**10,279**	**–**	**9,416**	**–**	**2,262**	**(1,174)**	**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						Parent Company					
	01/01-31/03/2023		01/01-31/03/2022		2022		01/01-31/03/2023		01/01-31/03/2022		2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**450**	**(120,520)**	**25,735**	**(14,208)**	**25,735**	**(14,208)**	**450**	**(120,520)**	**25,466**	**(14,208)**	**25,466**	**(14,208)**
Included in Statement of Profit or Loss (Note 5)	1,407	4,535	5,409	11,217	181	(10,277)	1,407	4,535	5,409	11,217	450	(10,277)
Included in Statement of Comprehensive Income	–	(14,453)	20,647	1,620	(25,466)	(96,035)	–	(14,453)	20,647	1,620	(25,466)	(96,035)
Outstanding fair value at the end of the period	**1,857**	**(130,438)**	**51,791**	**(1,371)**	**450**	**(120,520)**	**1,857**	**(130,438)**	**51,522**	**(1,371)**	**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					
	01/01-31/03/2023		01/01-31/03/2022		2022		01/01-31/03/2023		01/01-31/03/2022		2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**–**	**(1,499)**	**–**	**–**	**–**	**–**	**–**	**(1,499)**	**–**	**–**	**–**	**–**
Included in other comprehensive income	–	(211)	–	–	–	**(1,499)**	–	(211)	–	–	–	**(1,499)**
Outstanding fair value at the end of the period	**–**	**(1,710)**	**–**	**–**	**–**	**(1,499)**	**–**	**(1,710)**	**–**	**–**	**–**	**(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 period EUR'000

Type of assets	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 31 March 2023								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,613,055	**2,613,055**	–	–	993,786	**993,786**
Non-current financial investments (Note 9)	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:								
Interest rate swaps (Note 15 I)	–	9,416	–	**9,416**	–	9,416	–	**9,416**
Energy forwards, futures, and swaps (Note 15 II)	–	1,857	–	**1,857**	–	1,857	–	**1,857**
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	2,366	2,366	–	–	2,219	**2,219**
Loans to related parties:								
– Floating rate loans (Note 19 c)	–	–	–	**–**	–	224,744	–	**224,744**
– Fixed rate loans (Note 19 c)	–	–	–	**–**	–	422,815	–	**422,815**
Current financial receivables (Note 11 a, b)	–	–	273,185	**273,185**	–	–	238,085	**238,085**
Cash and cash equivalents (Note 12)	–	432,182	–	**432,182**	–	420,601	–	**420,601**
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 period.

Quantitative disclosures of fair value measurement hierarchy for liabilities at the end of the period

EUR'000

Type of liabilities	Group: Quoted prices in active markets (Level 1)	Group: Significant observable inputs (Level 2)	Group: Significant unobservable inputs (Level 3)	Group: TOTAL	Parent Company: Quoted prices in active markets (Level 1)	Parent Company: Significant observable inputs (Level 2)	Parent Company: Significant unobservable inputs (Level 3)	Parent Company: TOTAL
As of 31 March 2023								
Liabilities measured at fair value								
Derivative financial instruments, including:								
Energy forwards, futures, and swaps (Note 15 II)	–	130,438	–	**130,438**	–	130,438	–	**130,438**
Forward currencies exchange contracts (Note 15 III)	–	1,710	–	**1,710**	–	1,710	–	**1,710**
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14)	–	202,549	–	**202,549**	–	202,549	–	**202,549**
Borrowings from financial institutions (Note 14)	–	598,347	–	**598,347**	–	587,524	–	**587,524**
Borrowings from related parties (Note 14)	–	–	–	–	–	2,903	–	**2,903**
Trade and other financial current payables (Note 17)	–	–	185,703	**185,703**	–	–	152,974	**152,974**
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 period.

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	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Financial assets								
Fixed rate loans to related parties	–	–	–	–	422,815	446,571	394,841	414,187
Financial liabilities								
Issued debt securities (bonds)	202,549	151,634	181,555	128,948	202,549	151,634	181,555	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	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Financial liabilities:				
Payables for materials and services	35,049	38,750	13,371	17,794
Payables for electricity and natural gas	12,524	20,642	2,187	1,489
Payables to related parties (Note 19 b)	6,765	8,191	19,079	24,026
Accrued expenses	70,175	27,204	64,855	21,351
Accrued expenses from related parties (Note 19 b)	932	–	1,178	31,191
Other financial current payables	60,258	13,024	52,304	4,051
TOTAL financial liabilities	**185,703**	**107,811**	**152,974**	**99,902**
Non–financial liabilities:				
Taxes other than income tax	44,224	38,418	29,188	27,159
Contract liabilities	32,185	15,707	5,252	5,368
Other current payables	4,458	3,338	1,805	1,339
TOTAL non–financial liabilities	**80,867**	**57,463**	**36,245**	**33,866**
TOTAL trade and other current payables	**266,570**	**165,274**	**189,219**	**133,768**

18. Deferred income

EUR'000

	Group		Parent Company	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
I) Non–current deferred income				
a) contracts with customers				
From connection fees	131,891	132,381	–	–
Other deferred income	718	735	718	735
	132,609	**133,116**	**718**	**735**
b) operating lease				
Other deferred income	316	321	316	321
	316	**321**	**316**	**321**
c) other				
On grant for the installed electrical capacity of CHPPs	107,463	113,460	107,463	113,460
On financing from European Union funds	8,081	7,329	1,936	1,973
Other deferred income	62	70	42	44
	115,606	**120,859**	**109,441**	**115,477**
Total non–current deferred income	**248,531**	**254,296**	**110,475**	**116,533**
II) Current deferred income				
a) contracts with customers				
From connection fees	15,564	15,386	–	–
Other deferred income	386	13,944	67	13,714
	15,950	**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	891	891	142	142
	24,881	**24,881**	**24,132**	**24,132**
TOTAL current deferred income	**40,851**	**54,231**	**24,219**	**37,866**
TOTAL deferred income	**289,382**	**308,527**	**134,694**	**154,399**

Movement in deferred income (non–current and current part) EUR'000

	Group			Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022	01/01-31/03/2023	01/01-31/03/2022	2022
At the beginning of the period	**308,527**	**323,071**	**323,071**	**154,399**	**164,981**	**164,981**
Recognised in Statement of Financial Position:						
– other deferred non–current income (financing)	975	–	13,647	–	–	13,647
– fees for connection to distribution system	3,565	2,338	11,840	–	–	–
Recognised in Statement of Profit or Loss:						
– Other deferred income	(6,229)	(6,232)	(24,920)	(6,035)	(6,035)	(24,142)
– Deferred income from contracts with customers and operating lease	(17,456)	(3,720)	(15,111)	(13,670)	(22)	(87)
At the end of the period	**289,382**	**315,457**	**308,527**	**134,694**	**158,924**	**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			
	01/01–31/03/2023	01/01–31/03/2022	01/01–31/03/2023		01/01–31/03/2022	
	Other related parties*	Other related parties*	Subsidiaries	Other related parties*	Subsidiaries	Other related parties*
Sales of goods, PPE and services, finance income	4,709	7,829	56,742	4,682	13,721	7,794
Purchases of goods, PPE, and services	21,860	22,680	23,170	3,553	24,376	4,141
including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:						
– Sadales tīkls AS	–	–	22,842	–	1,114	–

b) Balances at the end of the period arising from sales/purchases of goods, PPE and services EUR'000

	Group		Parent Company	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	36,831	35,120
– other related parties*	4,140	15,873	4,005	15,701
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(30)	(22)
– loss allowances for expected credit loss from receivables of other related parties*	(9)	(19)	(9)	(19)
	4,131	**15,854**	**40,797**	**50,780**
Payables to related parties:				
– subsidiaries	–	–	18,437	22,369
– other related parties*	6,765	8,191	642	1,657
	6,765	**8,191**	**19,079**	**24,026**

c) Accrued income raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
– for goods sold/services provided for subsidiaries (Note 11 a, b)	–	–	20,685	2,483
– for interest received from subsidiaries	–	–	1,312	2,100
– for goods sold/services provided for other related parties*	187	–	180	–
	187	**–**	**22,177**	**4,583**

d) Accrued expenses raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/03/2023	31/12/2022	31/03/2023	31/12/2022
– for purchased goods/received services from subsidiaries	–	–	341	31,191
– for purchased goods/received services from other related parties*	932	–	837	–
	932	**–**	**1,178**	**31,191**

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

In the 3–month period ending on 31 March 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 989.6 thousand (01/01 – 31/03/2022: EUR 687.6 thousand).

In the 3–month period ending on 31 March 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 379.0 thousand (01/01 – 31/03/2022: EUR 227.2 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	
	31/03/2023	31/12/2022
Non–current loans to subsidiaries		
Sadales tīkls AS	485,979	494,979
Elektrum Eesti OÜ	7,110	7,260
Elektrum Lietuva, UAB	8,805	8,535
Allowances for expected credit loss	(401)	(306)
TOTAL non–current loans	**501,493**	**510,468**
Current portion of non–current loans		
Sadales tīkls AS	101,442	95,312
Elektrum Eesti OÜ	300	300
Elektrum Lietuva, UAB	1,174	904
Allowances for expected credit loss	(81)	(57)
Current loans to subsidiaries		
Sadales tīkls AS	–	10,000
Elektrum Eesti OÜ	14,930	41,700
Elektrum Lietuva, UAB	23,732	54,746
Enerģijas publiskais tirgotājs SIA	4,605	–
Allowances for expected credit loss	(36)	(65)
TOTAL current loans	**146,066**	**202,840**
TOTAL loans to related parties	**647,559**	**713,308**

Movement in loans issued to related parties EUR'000

	Parent Company		
	01/01-31/03/2023	01/01-31/03/2022	2022
At the beginning of the period	**713,308**	**706,378**	**706,378**
Change in current loans in cash (net)	(42,570)	12,551	225,482
Change in current loans by non–cash offsetting of operating receivables and payables (net)	2,082	(38,905)	(120,831)
Repaid non–current loans by non–cash offset	(25,171)	(24,584)	(97,746)
Allowances for expected credit loss	(90)	59	25
At the end of the period	**647,559**	**655,499**	**713,308**
incl. loan movement through bank account			
Issued loans to subsidiaries	192,683	209,676	921,687
Repaid loans issued to subsidiaries	(235,253)	(197,125)	(696,205)
Issued loans, net	**(42,570)**	**12,551**	**225,482**

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 period Latvenergo AS issued loans to subsidiaries in accordance with mutually concluded agreement 'On provision of mutual financial resources', allowing the subsidiaries to borrow and to repay the loan according to daily operating needs and including non-cash offsetting of operating receivables and payables. Within the framework of the agreement, as of 31 March 2023, Parent Company had a current borrowing from Sadales tīkls AS in the amount of EUR 2,903 thousand (31/12/2022: from Enerģijas publiskais tirgotājs SIA in the amount of EUR 3,317 thousand.

20. Events after the reporting period

On 23 May 2023, Latvenergo AS paid out dividends to the State in the amount of EUR 133,991 thousand.

There have been no other significant events subsequent after the end of the reporting period that might have a material effect on the Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3–month period ending on 31 March 2023.