

LATVENERGO CONSOLIDATED AND LATVENERGO AS UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE 3-MONTH PERIOD
ENDING 31 MARCH 2021

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** 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. 2021.

Condensed Consolidated Interim Financial Statements for the 6-Month Period Ending 30 June 2021 (unaudited)

30. 11. 2021.

Condensed Consolidated Interim Financial Statements for the 9-Month Period Ending 30 September 2021 (unaudited)

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DISCLAIMER

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

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

Highlights

Electricity prices are rising significantly.

In Q1 2021, electricity spot prices in the Nordics and the Baltics were significantly higher compared to the respective period a year ago, which is related to higher demand for electricity due to colder weather and higher energy resource prices. The electricity spot price in Latvia increased by 88% compared to the respective period a year ago.

The electricity output increased by 2%.

In Q1 2021, electricity output at Latvenergo Group's plants increased by 2% compared to the respective period a year ago, reaching 1,565 GWh. Electricity output at the Daugava HPPs decreased by 37% due to significantly lower water inflow in the Daugava River. Adapting to electricity market conditions and heat demand, the amount of electricity generated at the Latvenergo AS CHPPs was 2.6 times higher than in Q1 2020, reaching 787 GWh. In the reporting period, the amount of thermal energy generated increased by 37%, compared to Q1 2020, reaching 1,011 GWh. The increase was impacted by colder weather.

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



1.8 TWh of electricity sold to Baltic retail customers

740
thous.

Electricity customers



341 GWh of natural gas sold to Baltic retail customers

15
thous.

Natural gas customers



The overall amount of retail electricity trade outside Latvia accounted for about 40%. The sales volume of natural gas to retail customers more than doubled. Sales of other retail products and services such as solar panels, *Elektrum Insured* and *Elektrum* electric vehicle charging stations continued to develop as did the e-shop. In April, the first solar park in Lithuania has been commissioned in the city of Klaipėda with an installed capacity of 1.5 MW. The solar park is designed to generate electricity for customers.

Revenue increased by 14%.

249.9

REVENUE

80.7

EBITDA

35.5

PROFIT

3,421.6

ASSETS

MEUR

In Q1 2021, Latvenergo Group's revenue was 14% or EUR 30.1 million higher than in the respective period a year ago. This was affected by higher electricity spot prices, a greater amount of electricity sold and higher revenue from heat sales.

The Group's EBITDA decreased by 18% or EUR 17.3 million. This was negatively affected by lower electricity output at the Daugava HPPs.

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

In Q1 2021, the total amount of investment comprised EUR 26.6 million, of which 73% was made in power distribution network assets. We are also continuing the implementation of the Daugava HPPs' hydropower unit reconstruction project, investing EUR 4.2 million during the reporting period.

Latvenergo AS issued 7-year green bonds in the amount of EUR 50 million.

On 17 May 2021, Latvenergo AS issued seven-year green bonds with a total nominal value of EUR 50 million. The proceeds from the issuance of notes will be allocated to environmentally friendly investment projects.

Latvenergo Group in Brief

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. According to the TOP 10 Most Valuable Baltic Companies 2020, Latvenergo Group is the most valuable energy company in the Baltics.

Latvenergo Group is comprised of the parent company Latvenergo AS, with decisive influence, and five 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



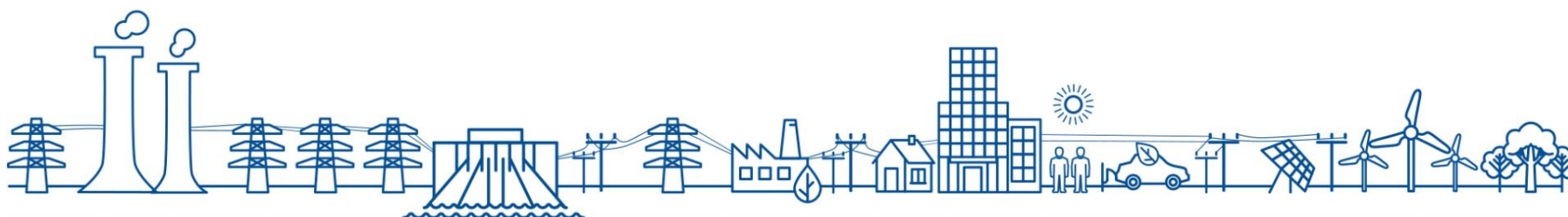
- comprises electricity and thermal energy generation operations, electricity and natural gas trade in the Baltics and administration of mandatory procurement in Latvia.



The distribution segment



- provides electricity distribution services in Latvia. Sadales tīkls AS is the largest state distribution system operator, covering approximately 98% of the territory of Latvia. Distribution system tariffs are approved by the Public Utilities Commission (PUC).



Latvenergo Group in Brief

Latvenergo Group's Strategy

Latvenergo Group's strategy for 2017–2022 provides for:

- strengthening of a sustainable and economically sound market position in core markets (in the Baltics) while considering geographic and / or product / service expansion;
- development of a generation portfolio that fosters synergy with trade and promotes an increase in value for the Group;
- development of a customer-driven, functional, safe and efficient power network.

Along with the strategy approval, Latvenergo Group's financial targets have been set. The targets are divided into three groups: profitability, capital structure and dividend policy.

The financial targets 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.

Target group	Ratio	Year 2022
Profitability	Return on equity	> 6%
	Net debt to equity	< 50%
Capital structure	Net debt to EBITDA	< 3 times
	Dividend payout ratio	> 80%

Taking into consideration the development directions of the Group, Latvenergo AS approved the Strategic Development and Efficiency Programme in 2017. The strategic development section is designed with the aim to contribute to the growth of the Group by engaging in new business development directions. Meanwhile, the efficiency section provides for the revision, centralization and digitalization of the Group's processes in order to maintain the Group's profitability in the long term considering the increase in costs due to inflation. The estimated efficiency potential for the Group's EBITDA is up to EUR 40 million. This is the Group's largest optimization plan in the last decade, and it will allow the Group to increase its value in the long run and to remain competitive in an open market and a changing energy industry.

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		3M 2021	3M 2020	3M 2019	3M 2018	3M 2017
Electricity supply, incl.	GWh	2,639	2,581	2,555	2,904	3,029
<i>Retail electricity²⁾</i>	GWh	1,799	1,646	1,795	1,766	1,882
<i>Wholesale electricity³⁾</i>	GWh	840	935	760	1,138	1,147
Retail natural gas	GWh	341	155	104	40	0
Electricity generation	GWh	1,565	1,538	1,347	1,929	1,855
Thermal energy generation	GWh	1,011	740	939	1,204	1,137
Number of employees		3,298	3,394	3,490	3,736	4,133
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		3M 2021	3M 2020	3M 2019	3M 2018	3M 2017
Revenue*	MEUR	249.9	219.8	241.9	249.9	255.4
EBITDA ^{1)*}	MEUR	80.7	98.0	73.7	99.6	103.6
Profit	MEUR	35.5	57.9	38.4	64.9	55.1
Assets	MEUR	3,421.6	3,933.7	3,825.5	4,001.2	3,956.2
Equity	MEUR	2,156.3	2,325.2	2,342.0	2,459.9	2,471.6
Net debt (adjusted) ^{1)*}	MEUR	448.3	498.4	440.6	410.3	458.1
Investments	MEUR	26.6	55.5	44.3	33.0	32.1

Latvenergo Group Financial Ratios

	3M 2021	3M 2020	3M 2019	3M 2018	3M 2017
Net debt / EBITDA (adjusted) ¹⁾	1.8	1.8	1.7	0.9	1.4
EBITDA margin ¹⁾	32%	33%	31%	56%	41%
Return on equity (ROE) ¹⁾	4.2%	4.9%	2.1%	13.5%	6.4%
Return on assets (ROA) ¹⁾	2.6%	2.9%	1.3%	8.3%	3.9%
Return on capital employed (ROCE) (adjusted) ^{1)*}	3.4%	4.1%	1.8%	6.7%	5.7%
Net debt / equity (adjusted) ¹⁾	21%	21%	19%	17%	19%

* Financial figures and ratios for 2017-2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership)

1) Formulas are available on page 23

2) Including operating consumption

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

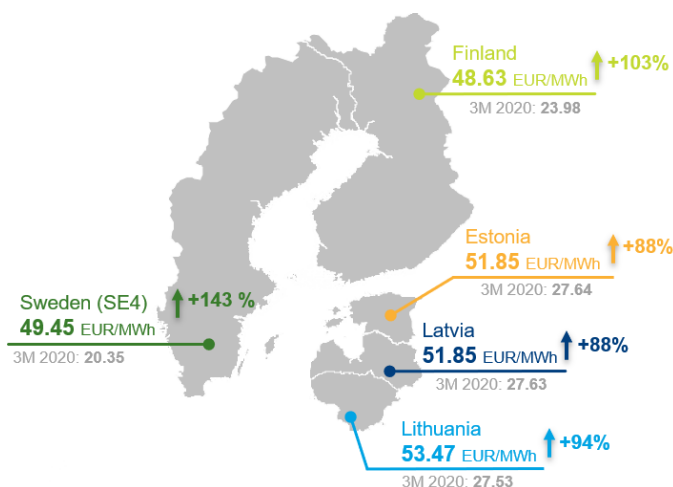
Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In Q1 2021:

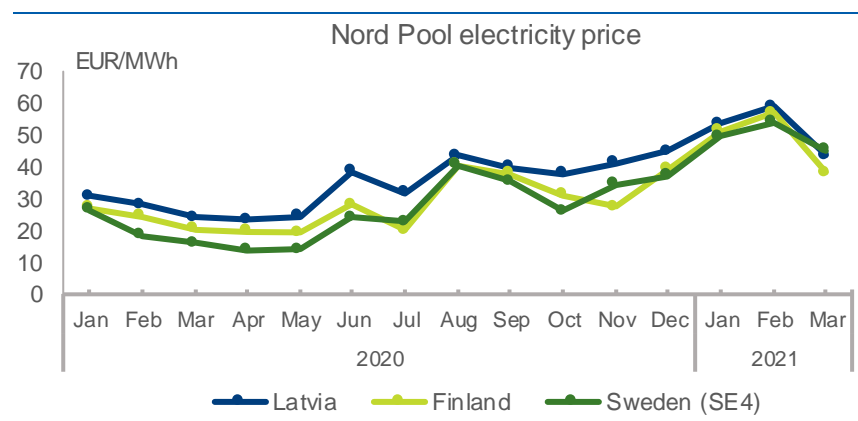
- the Nord Pool system price increased almost threefold, by 173%, and the electricity spot price in Latvia increased by 88%;
- the price of natural gas increased by 92% at GASPOOL (the German natural gas virtual trading point) and by 84% at TTF (the Dutch natural gas virtual trading point).

Significant increase in electricity prices

In the 3-month period of 2021, the Nord Pool system price increased almost threefold, by 173%, reaching 42.14 EUR/MWh. The rapid rise in electricity prices in the Nord Pool region was affected by higher demand for electricity due to colder weather and higher energy resource prices. Electricity consumption in the Nord Pool region was 8% higher than in the respective period a year ago.



In the 3-month period of 2021, the electricity price gap between the Baltic states and other Nord Pool regions decreased. The price differences between Latvia and Sweden (SE4) and between Latvia and Finland decreased to 2.39 EUR / MWh and 3.22 EUR / MWh respectively (in the respective period a year ago: 7.28 EUR / MWh and 3.64 EUR / MWh). Electricity prices in the Baltic countries did not differ significantly.



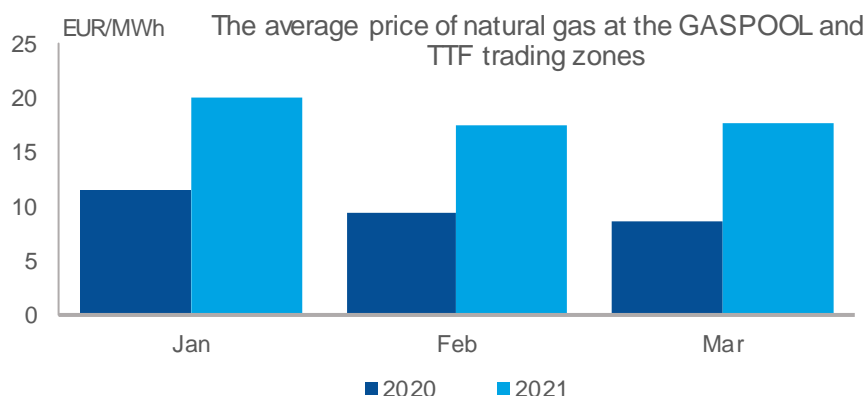
In Q1 2021, total electricity consumption in the Baltics increased by 5% compared to the respective period a year ago, reaching 7.8 TWh. Electricity consumption increased by 2% in Latvia, by 4% in Lithuania and by 9% in Estonia. The increase in consumption in the Baltic region was affected by colder weather.

The increased demand contributed to an increase in electricity generation in the Baltics of 5%; it amounted to 4.3 TWh. Electricity output in Latvia did not change, comprising 1.9 TWh, while in Lithuania it decreased by 7% to 1.1 TWh, and in Estonia it increased by 26% to 1.4 TWh. The electricity purchased from neighbouring countries increased by 4% compared to the respective period a year ago.

Operating Environment

Natural gas prices are twice as high

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In the 3-month period of 2021, the price of natural gas in Europe was impacted by higher consumption and higher prices of other energy products. There was also a rapid decline in the natural gas reserve fill rate. At the end of March, the natural gas reserve fill rate in Europe's gas storage facilities reached 30% (in the respective period in 2020 it was 54%). In the reporting period, the price of natural gas at GASPOOL and the TTF (Front Month) was almost twice as high as in Q1 2020. The average natural gas (Front Month) price was 18.4 EUR/MWh at the GASPOOL trading platform and 18.5 EUR/MWh at the TTF, which is 92% and 84% more, respectively, than in the respective period a year ago.



Natural gas prices are linked to oil prices; other energy resource prices also affect the natural gas market dynamics.

- The average price of Brent crude oil in the 3-month period of 2021 was 61.3 USD/bbl, which was 21% higher than in the respective period a year ago, due to the positive economic recovery forecasts and the approved COVID-19 mitigation support programmes, as well as the OPEC+ decision on reducing oil output.
- The average price of coal (API2 Rotterdam Coal Futures Cal 22) in the 3-month period of 2021 increased by 7%, reaching 69.0 USD/t. Coal prices were mainly affected by higher demand in Asia as well as disruptions in coal deliveries from Colombia, Russia and Australia.
- The average price of CO2 emission allowances (EUA DEC.21) in the 3-month period of 2021 increased by 63%, reaching 37.7 EUR/t. The rise in allowance prices was affected by positive economic recovery forecasts and rising raw material prices, as well as the goal announced by the European Commission to reduce greenhouse gas emissions by 2030 to 55% below 1990 emissions.

Operating Environment

Unbundling transmission system asset ownership

According to the CM decision on 8 October 2019, transmission system assets in the amount of EUR 694.3 million were separated from Latvenergo Group on 10 June 2020. The separation of the transmission system assets was carried out by reducing the share capital of Latvenergo AS by EUR 222.7 million, which was the value of Latvijas elektriskie tīkli AS (LET) shares. Along with the unbundling of LET, all LET liabilities were transferred, including the Latvenergo AS loan to LET in the amount of EUR 225 million. For more details, please see the Group's annual report for 2020. Along with the unbundling of transmission system assets, the investment financing required by the Group will also decrease.

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Dividends

Latvenergo AS dividend payout is regulated by the Law on the Budget of the Republic of Latvia and the law "On the medium-term budgetary framework for 2021, 2022 and 2023". According to the regulations, Latvenergo AS dividend payout in the year 2022 (for the reporting year 2021) is not less than EUR 87.7 million (incl. corporate income tax), and in 2023 (for the reporting year 2022), it is not less than EUR 71.0 million (incl. corporate income tax). The actual amount of the dividend payout is set at the Shareholder's Meeting of Latvenergo AS after the approval of the annual report, upon evaluation of the results of the previous year. Latvenergo AS dividends are used as a source of funding for the state budget programme *Electricity User Support*, thereby decreasing the mandatory procurement component.

After the end of the reporting period, on 12 May 2021, the Shareholder's Meeting of Latvenergo AS approved the Latvenergo Consolidated and Latvenergo AS Annual Report 2020 and passed a decision on paying EUR 98.2 million in dividends to the state, corresponding to the amount stipulated in the regulations. The payout was carried out on 24 May 2021.

Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 31 March 2021, the Group's asset value exceeds EUR 3.4 billion and its equity has reached EUR 2.2 billion.

Financial Results

In the 3-month period of 2021, Latvenergo Group's revenue reached EUR 249.9 million, which was EUR 30.1 million or 14% more than in the respective period a year ago. This was mainly affected by:

- EUR 23.0 million higher energy sales revenues mainly due to higher electricity market prices and a 9% increase in retail sales volume;
- EUR 6.4 million higher heat sales with 37% greater output due to colder weather conditions.

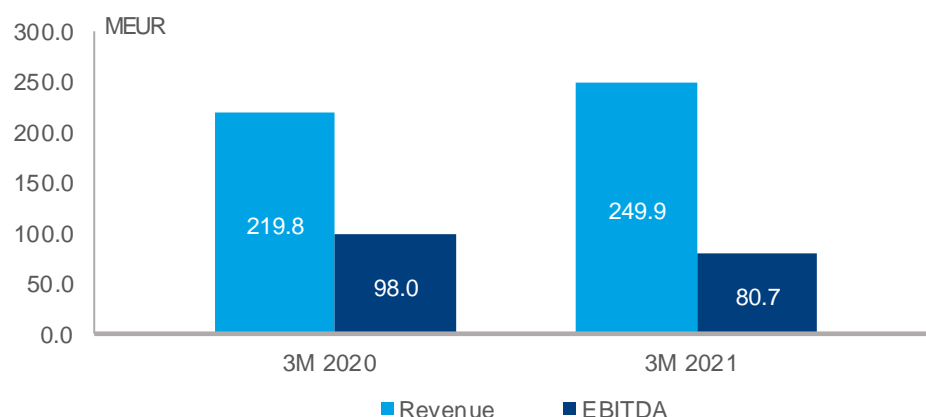
Latvenergo Group financial figures		3M 2021	3M 2020	Δ	Δ, %
Revenue	MEUR	249.9	219.8	30.1	14%
EBITDA	MEUR	80.7	98.0	(17.3)	(18%)
Net profit	MEUR	35.5	57.9	(22.4)	(39%)
Assets	MEUR	3,421.6	3,933.7	(512.1)	(13%)

Latvenergo Group's EBITDA decreased by 18% compared to Q1 2020, reaching EUR 80.7 million. This was negatively affected mainly by 37% or 448 GWh lower electricity output at the Daugava HPPs. The Group's profit for the reporting period reached EUR 35.5 million.

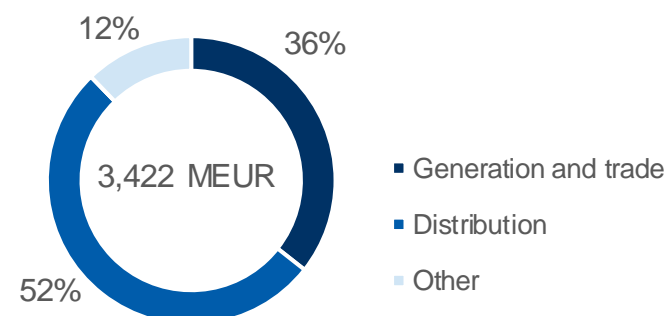
As of 31 March 2021, the Group's net debt to equity and net debt to EBITDA ratios were at the same level as a year ago, comprising 21% and 1.8 respectively. The capital structure ratios of Latvenergo Group are better than the industry average.

As the transmission assets were separated from Latvenergo Group on 10 June 2020, in comparable results, this segment is classified as discontinuing operations.

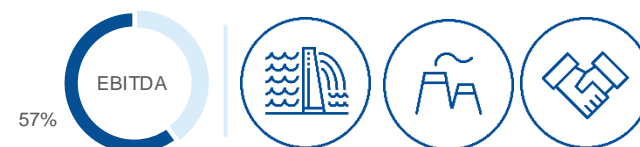
Revenue and EBITDA



Total assets, 3M 2021



Generation and Trade



Revenue
68%

EBITDA
57%

Assets
36%

Employees
27%

Segment weight in Latvenergo Group

Generation and trade comprise Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 82% of the segment's revenue came from electricity and natural gas trade, while 18% came from thermal energy supply.

In the 3-month period of 2021, the segment's revenue was impacted by EUR 23.0 million higher energy sales revenues mainly due to higher electricity market prices and a 9% increase in the retail sales volume decrease of electricity generation. The segment's revenue was also impacted by 37% higher heat sales due to colder weather conditions.

Meanwhile, the segment's EBITDA was negatively impacted by 37% or 448 GWh lower electricity output at the Daugava HPPs.

In the reporting period, the total volume of electricity generated at Latvenergo Group's plants amounted to 1,565 GWh, which corresponded to 87% of the amount of electricity sold to retail customers (Q1 2020: 93%).

The volume of electricity sold to Latvenergo Group's customers can be made larger than its generation volumes. This is possible by including additional electricity financial instruments in the price risk management and making use of the flexibility of the Group's generation assets, switching strategically between electricity supply sources: the power exchange and the Group's own power plants. In this way, Latvenergo Group manages the profit potential of sales of electricity generated, utilizes possibilities to reduce the procurement costs of electricity necessary for customers, and reduces its exposure to market price fluctuation risks.

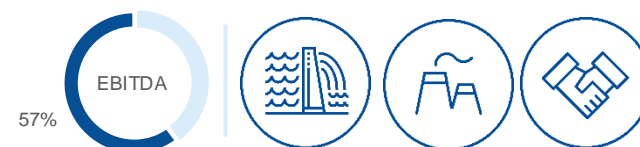
Operational figures		3M 2021	3M 2020	Δ	Δ, %
Electricity supply, incl.	GWh	2,639	2,581	58	2%
<i>Retail electricity*</i>	GWh	1,799	1,646	153	9%
<i>Wholesale electricity**</i>	GWh	840	935	(95)	(10%)
Retail natural gas	GWh	341	155	186	120%
Electricity generation	GWh	1,565	1,538	26	2%
<i>Daugava HPPs</i>	GWh	769	1,218	(448)	(37%)
<i>CHPPs</i>	GWh	787	306	481	157%
<i>Liepaja plants and small plants</i>	GWh	9	15	(6)	(41%)
Thermal energy generation	GWh	1,011	740	271	37%
<i>CHPPs</i>	GWh	894	647	247	38%
<i>Liepaja plants</i>	GWh	117	93	23	25%

Financial figures		3M 2021	3M 2020	Δ	Δ, %
Revenue	MEUR	168.9	140.9	28.0	20%
EBITDA	MEUR	46.0	66.7	(20.7)	(31%)
Assets	MEUR	1,218.6	1,336.3	(117.7)	(9%)
Investments	MEUR	6.0	14.5	(8.5)	(59%)

* Including operating consumption

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

Generation and Trade



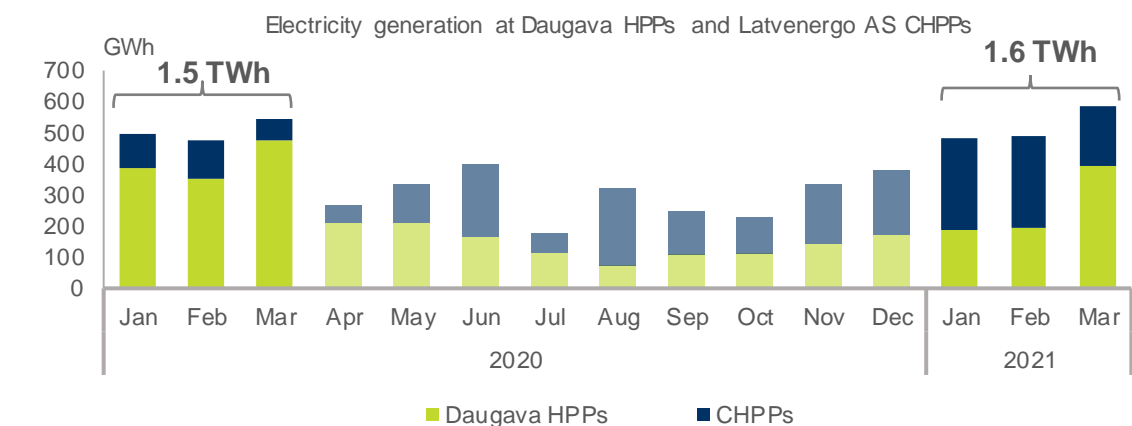
Generation

In Q1 2021, Latvenergo Group was the largest electricity producer in the Baltics, producing 36% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 1,565 GWh of electricity and 1,011 GWh of thermal energy.

The amount of power generated at the Daugava HPPs was 37% lower compared to the respective period a year ago, reaching 769 GWh. The relatively smaller amount of power generated at the Daugava HPPs was impacted by unusually high water inflow in the Daugava River in Q1 2020. In the 3-month period of 2021, the average water inflow in the Daugava River was 576 m³/s, while in Q1 2020 it was 979 m³/s. The share of electricity generated from renewable energy sources at Latvenergo Group was 50% (Q1 2020: 80%).

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

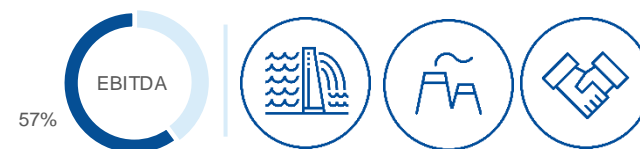
In the reporting period, the amount generated at the Latvenergo AS CHPPs reached 787 GWh, which was 2.6 times more than in the respective period a year ago. The relatively larger amount of power generated at the CHPPs was impacted by unusually low output in Q1 2020 when there were warm weather conditions and low electricity prices. The operation of the CHPPs is adjusted to the conditions of the electricity market and heat demand.



Due to the optimal combination of Latvenergo Group's generation at the Latvenergo AS CHPPs and Daugava HPPs and the import opportunities from other Nord Pool bidding areas, consumers in the Baltic states benefit from price convergence to the Nordic electricity market price level, which is historically the lowest price region in Europe.

In the 3-month period of 2021, the total amount of thermal energy generated by Latvenergo Group increased by 37% compared to the respective period a year ago due to colder weather. Data from the Central Statistical Bureau show that the average air temperature in Riga in the reporting period was -1.3 C°, whereas in Q1 2020 it was +3.6 C°.

Generation and Trade



Trade

Latvenergo Group is one of the largest energy traders in the Baltics, offering its customers electricity and natural gas, as well as a wide range of related products and services, under the *Elektrum* brand.

Latvenergo – an energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia







In the 3-month period of 2021, the Group supplied 1,799 GWh of electricity to its customers in the Baltics, which is 9% more than in Q1 2020. The increase in electricity sales was impacted by the increased sales in markets outside Latvia, especially in the segments of large business customers and households in Lithuania. The overall amount of retail electricity trade outside Latvia accounted for about 40% of the total. The electricity trade volume in Latvia was 1,111 GWh, while in Lithuania it was 401 GWh and in Estonia it was 286 GWh.

The total number of electricity customers comprised more than 740 thousand, including 56 thousand foreign customers. With the opening of the Lithuanian household electricity market, almost 20 thousand contracts were concluded by the end of March. In the reporting period we successfully continued trading in natural gas. Latvenergo Group's natural gas sales to retail customers more than doubled compared to Q1 2020, reaching 341 GWh.

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

- 153 contracts were signed for the installation of solar panels and trade of solar park components in the Baltics, which is 13% more than in the respective period a year ago. The total installed solar panel capacity provided to Latvenergo Group's retail customers in the Baltics reached 7 MW; thus, Latvenergo is one of the leading providers of this service in the Baltics. 3/4 of panels are installed for customers outside Latvia. In April, the first solar park in Lithuania was commissioned in the city of Klaipeda with an installed capacity of 1.5 MW. The solar park is designed to generate electricity for *Elektrum* customers. A solar park in Estonia, with the installed capacity of 0.3 MW, is expected to be commissioned this year.
- Steady growth in the number of *Elektrum Insured* customers in the Baltics continued, reaching almost 100 thousand.
- In the reporting period we expanded the e-shop assortment, and the total number of purchases reached almost 700 transactions.
- In Q1 2021, customers of the mobile application *Elektrum* made more than 1,700 charges at public charging stations, comprising 100 MWh. This year, we plan to expand the network of charging stations, implementing more than 80 ports in Latvia.

Completed in the 3-month period of 2021:

-  1.8 TWh of electricity sold to retail customers.
-  The amount of natural gas used for both operating consumption and trade reached 2.4 TWh.
-  More than 150 contracts were concluded for the installation of solar panels.
-  At the end of March, the total number of *Elektrum Insured* customers exceeded 100 thousand.
-  More than 1,300 units sold in the *Elektrum* e-shop.
-  Customers of the mobile application *Elektrum* made more than 1,700 electric vehicle charges.

Generation and Trade

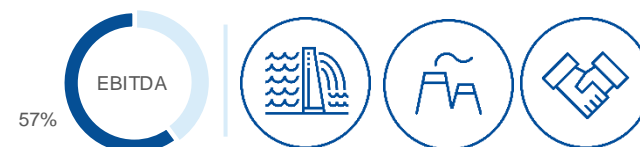
Mandatory procurement

According to the Electricity Market Law, the functions of public trader are performed by Energijas publiskais tirgotājs SIA (previously Energijas publiskais tirgotājs AS, which was reorganized on 31 March 2021). Mandatory procurement expenditures* are covered through a MPC charged to end users in Latvia. The MPC is determined on the basis of the actual costs in the preceding year and approved by the PUC.

As of 1 January 2021, the average MPC is reduced by 23%

On October 12, 2020, the CM adopted Order No. 595 *On the conceptual report "Complex measures for solving the problem of the mandatory procurement public service obligation fee and development of the electricity market"*. According to the Order, the average MPC is reduced by 23% – from 2.268 EUR / KWh to 1.751 EUR / KWh – starting from 1 January 2021. The reduction will be financed by a part of the dividends of Latvenergo AS.

The decrease in the average MPC of 23% impacted the decrease in MPC income by EUR 9.3 million. Meanwhile mandatory procurement expenditures decreased by EUR 15.4 million or 34% to EUR 30.1 million in the reporting period (in Q1 2020: EUR 45.5 million). The decrease in mandatory procurement expenditures was impacted by higher average electricity sales price at the Nord Pool exchange, as well as the decrease in the volume of purchased electricity. Mandatory procurement expenditures for cogeneration plants decreased by 30%, while for renewable energy sources they decreased by 36%.



Operating figures		3M 2021	3M 2020	Δ	Δ, %
Mandatory procurement component income	MEUR	29.6	38.9	(9.3)	(24%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	0.2	0.1	0.1	104%
Mandatory procurement expenditures*	MEUR	30.1	45.5	(15.4)	(34%)
<i>Incl. cogeneration</i>	MEUR	8.9	12.8	(3.9)	(30%)
<i>Incl. renewable energy resources</i>	MEUR	21.0	32.6	(11.6)	(36%)

* Mandatory procurement expenditures – costs of electricity purchased within the mandatory procurement and the guaranteed fee for electrical capacity installed at power plants minus revenues from the sale of electricity purchased on the Nord Pool exchange and plus income from support paid by producers and plus the costs of balancing mandatory procurement

In the 3-month period of 2021, Energijas publiskais tirgotājs SIA made payments from the state budget to energy-intensive manufacturing companies in the amount of EUR 0.2 million (Q1 2020: EUR 0.1 million), thus reducing their MP payments. The decision on reduction of MP expenditures for energy-intensive manufacturing companies was made by the Ministry of Economics of the Republic of Latvia.



Distribution

Revenue
32%

EBITDA
39%

Assets
52%

Employees
57%

Segment weight in Latvenergo Group

The distribution segment is Latvenergo Group's largest segment by asset value. In the 3-month period of 2021, the segment's revenue increased by 2% compared to the respective period a year ago, reaching EUR 79.5 million. The segment's EBITDA increased by 11%, reaching EUR 31.7 million. Financial results were impacted by 1% higher distributed electricity due to colder weather and the reduction of operating costs, which was facilitated by the efficiency improvement programme.

Since 2017, Sadales tīkls AS has been implementing an efficiency programme, which comprises process reviews, decreasing the number of employees and transportation units, and optimizing the number of technical and support real estate bases. Within the framework of this programme, we are planning to reduce the number of employees at Sadales tīkls AS by around 800 in total by 2022. As of 31 March 2021, the number of employees at Sadales tīkls AS has been reduced by almost 700. At the end of the reporting period, the amount of smart electricity meters installed by the company comprised more than 890 thousand, which was more than 80% of the total number of electricity meters of customers of Sadales tīkls AS.

Operational figures		3M 2021	3M 2020	Δ	Δ, %
Electricity distributed	GWh	1,711	1,690	21	1%
Distribution losses	GWh	84	82	2	2%
SAIFI	number	0.5	0.6	(0.1)	(24%)
SAIDI	minutes	42	65	(23)	(36%)

Financial figures		3M 2021	3M 2020	Δ	Δ, %
Revenue	MEUR	79.5	77.7	1.8	2%
EBITDA	MEUR	31.7	28.7	3.0	11%
Assets	MEUR	1,784.8	1,684.3	100.5	6%
RAB	MEUR	1,576.1	1,464.1	112.0	8%
Investments	MEUR	19.5	20.1	(0.6)	(3%)

In the 3-month period of 2021, investments in distribution comprised EUR 19.5 million, which was at about the same level as in the respective period a year ago. 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. Investments in modernization of distribution assets have increased the quality of distribution services by lowering SAIFI and SAIDI indicators. In Q1 2021, SAIFI was 0.5, while SAIDI was 42 minutes.

Completed in the 3-month period of 2021:

- Renewed a total of 272 km of power lines
- Installed 51.4 thousand smart electricity meters
- Power line routes cleared at a length of 1,361 km

Investments

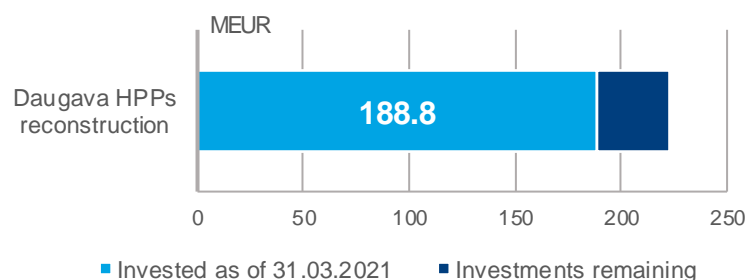
In the 3-month period of 2021, the total amount of investment comprised EUR 26.6 million, which was EUR 28.9 million or 52% less than in the respective period a year ago. The decrease in the amount of investment was determined by the unbundling of transmission system assets and therefore investment in transmission assets was EUR 18.6 million lower.

To ensure high-quality power network service, technical parameters and operational safety, a significant amount is invested in the modernization of the power distribution network. In the reporting period, the amount invested in power distribution network assets represented 73% of total investment.

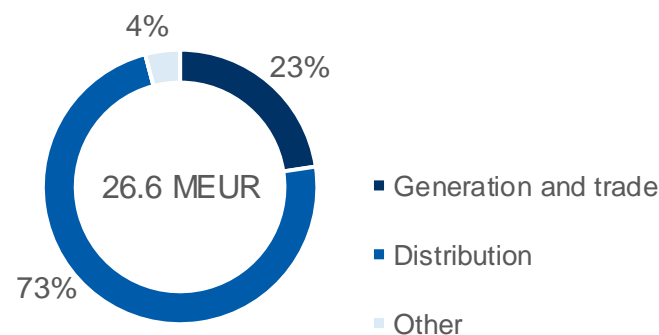
Investment in power distribution network assets – 3/4 of the total

Contributing to environmentally friendly projects, in the 3-month period of 2021, EUR 4.2 million was invested in the Daugava HPPs' hydropower unit reconstruction. The hydropower unit reconstruction programme for the Daugava HPPs provides for the reconstruction of 11 hydropower units in order to ensure environmentally safe, sustainable and competitive operations and efficient water resource management. As of 31 March 2021, seven reconstructed hydropower units have been put into operation within the programme. Latvenergo Group is proceeding with a gradual overhaul of four Daugava HPPs' hydropower units. The total reconstruction costs will exceed EUR 200 million. By the end of the reporting period, work completed within the scope of the contract reached EUR 188.8 million. Reconstruction will ensure functionality of the hydropower units for more than 40 years.

Main ongoing project



Investments, 3M 2021



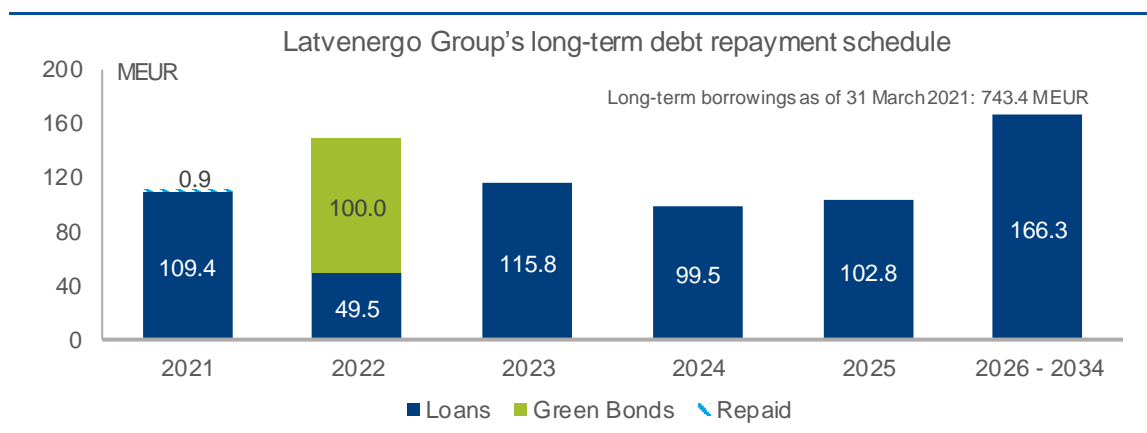
Funding and Liquidity

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.

Latvenergo AS issued 7-year green bonds in the amount of EUR 50 million

After the reporting period, on 17 May 2021, Latvenergo AS issued seven-year green bonds with a total nominal value of EUR 50 million, a maturity date of 17 May 2028 and a fixed annual interest rate (coupon) of 0.5% (yield: 0.543%). The bonds were issued under the third Latvenergo AS EUR 200 million programme, and they are listed on Nasdaq Riga AS as of 18 May 2021. 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.



On 3 February 2021, Latvenergo AS received, for the second time, the award for the best investor relations among all bond issuers on the Nasdaq Baltic regulated markets in the Baltic countries. When granting the award for the best investor relations, the stock exchange especially appreciated the sustainability reports prepared by Latvenergo Group, its informative and investor-friendly website, and its timely disclosure of information.

As of 31 March 2021, the Group's borrowings amount to EUR 768.4 million (31 March 2020: EUR 883.5 million), of which EUR 743.4 are long-term and comprise loans from commercial banks, international investment banks, and green bonds in the amount of EUR 100 million.

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

As of 31 March 2021, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 4 years, which is at the same level as a year ago. The effective weighted average interest rate (with interest rate swaps) is 1.3% (31 March 2020: 1.4%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 1.5).

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

On 11 February 2021 *Moody's* completed a periodic review of the rating of Latvenergo AS. The credit rating Baa2 for Latvenergo AS has been stable for seven years in a row, confirming the consistency of operations and financial soundness of Latvenergo Group.

Financial Risk Management

The activities of Latvenergo Group are exposed to a variety of financial risks: market risks, credit risk, and liquidity and cash flow risk. Latvenergo Group's Financial Risk Management Policy focuses on eliminating 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

1) 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 – 80%–90% 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.

II) Interest rate risk

Latvenergo Group's interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to the risk that finance costs might increase significantly when the reference rate surges. Most of the borrowings from financial institutions have a variable interest rate, comprising 6-month EURIBOR and a margin. The Group's Financial Risk Management Policy stipulates maintaining at least 35% of its borrowings as fixed interest rate borrowings (taking into account the effect of interest rate swaps and issued bonds) with a duration of 1–4 years. Taking into account the effect of interest rate swaps and bonds with a fixed interest rate, 37% of the borrowings had a fixed interest rate with an average period of 1.5 years as of 31 March 2021.

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 2021, all borrowings of Latvenergo Group are denominated in euros, and during the reporting year, there was no substantial exposure to foreign currency risk as regards the Group's investments.

To manage the Group's foreign currency exchange risk, the Financial Risk Management Policy envisages use of foreign exchange forward contracts.

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 incurrance of loss. No credit limits were exceeded during the reporting year, and the Group's management does not expect any losses due to the occurrence of credit risk.

c) Liquidity risk and cash flow risk

Latvenergo Group's liquidity and cash flow risk management policy is to maintain a sufficient amount of cash and cash equivalents and the availability of long and short-term funding through an adequate amount of committed credit facilities in order to meet existing and expected commitments and compensate for fluctuations in cash flows due to the occurrence of a variety of financial risks. On 31 March 2021, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 233.5 million (31 March 2020: EUR 170.9 million), while the current ratio was 1.5 (2.1).

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 2021	3M 2020	3M 2019
Electricity supply, incl.	GWh	1,590	1,654	1,468
<i>Retail electricity</i> ²⁾	GWh	1,111	1,124	1,140
<i>Wholesale electricity</i> ³⁾	GWh	479	530	329
Retail natural gas	GWh	269	136	100
Electricity generation	GWh	1,557	1,525	1,333
Thermal energy generation	GWh	894	647	833
Number of employees		1,267	1,281	1,344
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		3M 2021	3M 2020	3M 2019
Revenue	MEUR	135.2	117.4	128.5
EBITDA ¹⁾	MEUR	44.9	63.5	36.0
Profit	MEUR	49.4	83.3	19.0
Assets	MEUR	2,841.1	3,220.3	3,131.5
Equity	MEUR	1,798.3	2,034.4	1,996.4
Net debt (adjusted) ^{1)*}	MEUR	445.8	493.7	435.1
Investments	MEUR	6.9	16.7	6.1

Latvenergo AS financial ratios

	3M 2021	3M 2020	3M 2019
Return on equity (ROE) ¹⁾	6.3%	8.2%	6.7%
Net debt / equity (adjusted) ^{1)*}	25%	24%	22%
EBITDA margin ¹⁾	44%	33%	32%

* Financial figures and ratios for 2017-2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership)

1) Formulas are available on page 23

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 2021*, including the Management Report, have been prepared in accordance with the International Financial Reporting Standards and in all material aspects 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 2021* were approved by the Management Board of Latvenergo AS on 25 May 2021 and have been signed by Chairman 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

Chairman of the Management Board

25 May 2021

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 2017-2022, 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); return on capital employed (ROCE);
- Financial leverage measures: net debt; equity-to-asset ratio; net debt / EBITDA; net debt / equity; debt service coverage ratio;
- 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 since the previous period.

Formulas

Net debt (until 9 June 2020)=

(borrowings at the end of the period – LET borrowings) – (cash and cash equivalents at the end of the period – LET cash)

Net debt (as of 10 June 2020)=

borrowings at the end of the period - loans to AST - cash and cash equivalents at the end of the period

Net debt/EBITDA =

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

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

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

$$\text{Return on assets} = \frac{\text{net profit (12-month rolling)}}{\text{average value of assets}} \times 100\%$$

$$\text{Average value of assets} = \frac{\text{assets at the beginning of the 12-month period} + \text{assets at the end of the 12-month period}}{2}$$

$$\text{Return on equity} = \frac{\text{net profit (12-month rolling)}}{\text{average value of equity}} \times 100\%$$

$$\text{Average value of equity} = \frac{\text{equity at the beginning of the 12-month period} + \text{equity at the end of the 12-month period}}{2}$$

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

Average value of borrowings =

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

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

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

$$\text{Return on segment assets} = \frac{\text{operating profit of the segment (12-month rolling)}}{\text{average value of segment assets}} \times 100\%$$

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

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

List of Abbreviations

Abbreviations

bbl –	barrel of oil (158.99 litres)
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
CHPPs –	Latvenergo AS combined heat and power plants
GASPOOL –	the German natural gas virtual trading point
kV –	kilovolt
LEGMC –	Latvian Environment, Geology and Meteorology Centre
LET –	Latvijas elektriskie tīkli AS
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
OECD –	The Organisation for Economic Co-operation and Development
PUC –	Public Utilities Commission
RAB –	Regulated asset base
SAIDI –	System Average Interruption Duration Index
SAIFI –	System Average Interruption Frequency Index
SET –	Subsidised Energy Tax
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		Parent Company	
		01/01– 31/03/2021	01/01– 31/03/2020	01/01– 31/03/2021	01/01– 31/03/2020
Revenue	4	249,888	219,768	135,190	117,444
Other income		7,127	7,104	6,662	6,550
Raw materials and consumables	5	(136,609)	(87,782)	(76,888)	(38,569)
Personnel expenses		(28,189)	(28,141)	(12,179)	(12,019)
Other operating expenses		(11,531)	(12,991)	(7,871)	(9,893)
EBITDA		80,686	97,958	44,914	63,513
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	7, 8	(158,421)	(42,666)	(38,900)	(18,498)
Operating profit		38,020	59,058	26,416	43,203
Finance income	6 a	665	295	2,959	3,323
Finance costs	6 b	(2,331)	(2,941)	(2,369)	(3,039)
Dividends from subsidiaries		–	–	22,366	39,850
Profit before tax		36,354	56,412	49,372	83,337
Income tax		(812)	(1,276)	–	–
Profit for the period from continuing operations		35,542	55,136	49,372	83,337
Profit for the period from discontinued operation		–	2,763	–	–
Profit for the period		35,542	57,899	49,372	83,337
Profit attributable to:					
– Equity holder of the Parent Company		34,467	56,648	49,372	83,337
– Non-controlling interests		1,075	1,251	–	–

Statement of Comprehensive Income

EUR'000

	Notes	Group		Parent Company	
		01/01– 31/03/2021	01/01– 31/03/2020	01/01– 31/03/2021	01/01– 31/03/2020
Profit for the period		35,542	57,899	49,372	83,337
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
– gains from change in hedge reserve	13	2,510	1,786	2,510	1,786
Other comprehensive income for the period		2,510	1,786	2,510	1,786
TOTAL comprehensive income for the period		38,052	59,685	51,882	85,123
Comprehensive income attributable to:					
– Equity holder of the Parent Company		36,977	58,434	51,882	85,123
– Non-controlling interests		1,075	1,251	–	–

Statement of Financial Position

EUR '000

		Group		Parent Company	
	Notes	31/03/2021	31/12/2020	31/03/2021	31/12/2020
ASSETS					
Non-current assets					
Intangible assets and property, plant and equipment	7 a, b	2,859,616	2,877,354	1,076,195	1,087,763
Right-of-use assets	8	7,702	8,253	4,265	4,486
Investment property	7 c	2,168	512	3,381	3,334
Non-current financial investments	9	40	40	645,218	645,218
Non-current loans to related parties	19 e	86,617	86,620	562,996	563,783
Other non-current receivables	11 c	2,520	429	417	417
Derivative financial instruments	16	246	291	246	291
Other financial investments	14	2,688	2,693	2,688	2,693
Total non-current assets		2,961,597	2,976,192	2,295,406	2,307,985
Current assets					
Inventories	10	31,838	68,754	15,321	50,471
Current intangible assets	7 a	–	3,157	–	3,157
Receivables from contracts with customers	11 a	110,047	108,178	78,930	75,856
Other current receivables	11 b, c	82,278	85,316	34,322	29,610
Deferred expenses		1,779	1,083	1,337	960
Current loans to related parties	19 e	–	–	188,130	178,446
Prepayment for income tax		50	43	–	–
Derivative financial instruments	16	537	1,266	537	1,266
Other financial investments	14	–	14,143	–	14,143
Cash and cash equivalents	12	233,471	100,703	227,114	98,261
Total current assets		460,000	382,643	545,691	452,170
TOTAL ASSETS		3,421,597	3,358,835	2,841,097	2,760,155
Equity					
Share capital					
Reserves		790,348	790,348	790,348	790,348
Retained earnings		1,152,379	1,154,367	764,911	766,115
Equity attributable to equity holder of the Parent Company		204,637	165,672	243,059	189,973
Non-controlling interests		2,147,364	2,110,387	1,798,318	1,746,436
Total equity		8,930	7,855	–	–
Liabilities					
Non-current liabilities					
Borrowings		2,156,294	2,118,242	1,798,318	1,746,436
Lease liabilities	15	633,105	634,077	626,377	626,408
Deferred income tax liabilities	8	6,261	6,783	3,523	3,734
Provisions		1,691	6,401	–	–
Derivative financial instruments		17,276	17,317	8,461	8,402
Deferred income from contracts with customers	16	5,836	9,672	5,836	9,672
Other deferred income	18 I, a	137,968	139,613	852	863
Total non-current liabilities	18 I, b, c	164,418	170,413	157,674	163,480
Current liabilities					
Borrowings		966,555	984,276	802,723	812,559
Lease liabilities	15	135,281	109,122	133,167	106,984
Trade and other payables	8	1,522	1,561	801	806
Deferred income from contracts with customers		112,247	100,912	71,588	63,704
Other deferred income	18 II, a	14,490	15,091	67	813
Derivative financial instruments	18 II, b, c	24,789	24,799	24,014	24,021
Total current liabilities	16	10,419	4,832	10,419	4,832
Total liabilities		298,748	256,317	240,056	201,160
TOTAL EQUITY AND LIABILITIES		1,265,303	1,240,593	1,042,779	1,013,719
ASSETS		3,421,597	3,358,835	2,841,097	2,760,155

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	Reserves classified as held for distribution	TOTAL	Non-controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
As of 31 December 2019	834,883	1,075,235	318,555	28,936	2,257,609	7,878	2,265,487	834,883	778,162	336,242	1,949,287
Disposal of non-current assets revaluation reserve	–	(696)	696	–	–	–	–	–	(91)	91	–
Discontinued operations	–	–	132	(132)	–	–	–	–	–	–	–
Total transactions with owners and other changes in equity	–	(696)	828	(132)	–	–	–	–	(91)	91	–
Profit for the period	–	–	56,648	–	56,648	1,251	57,899	–	–	83,337	83,337
Other comprehensive income for the period	–	1,786	–	–	1,786	–	1,786	–	1,786	–	1,786
Total comprehensive income for the period	–	1,786	56,648	–	58,434	1,251	59,685	–	1,786	83,337	85,123
As of 31 March 2020	834,883	1,076,325	376,031	28,804	2,316,043	9,129	2,325,172	834,883	779,857	419,670	2,034,410
Decrease of share capital	(222,678)	–	–	–	(222,678)	–	(222,678)	(222,678)	–	–	(222,678)
Increase of share capital	178,143	–	(178,143)	–	–	–	–	178,143	–	(178,143)	–
Dividends for 2019	–	–	(127,071)	–	(127,071)	(1,819)	(128,890)	–	–	(127,071)	(127,071)
Disposal of non-current assets revaluation reserve	–	(8,186)	8,186	–	–	–	–	–	(4,006)	4,006	–
Discontinuing operations	–	–	28,804	(28,804)	–	–	–	–	–	–	–
Total transactions with owners and other changes in equity	(44,535)	(8,186)	(268,224)	(28,804)	(349,749)	(1,819)	(351,568)	(44,535)	(4,006)	(301,208)	(349,749)
Profit for the period	–	–	57,865	–	57,865	545	58,410	–	–	71,511	71,511
Other comprehensive income for the period	–	86,228	–	–	86,228	–	86,228	–	(9,736)	–	(9,736)
Total comprehensive income for the period	–	86,228	57,865	–	144,093	545	144,638	–	(9,736)	71,511	61,775
As of 31 December 2020	790,348	1,154,367	165,672	–	2,110,387	7,855	2,118,242	790,348	766,115	189,973	1,746,436
Disposal of non-current assets revaluation reserve	–	(4,498)	4,498	–	–	–	–	–	(3,714)	3,714	–
Total transactions with owners and other changes in equity	–	(4,498)	4,498	–	–	–	–	–	(3,714)	3,714	–
Profit for the period	–	–	34,467	–	34,467	1,075	35,542	–	–	49,372	49,372
Other comprehensive income for the period	–	2,510	–	–	2,510	–	2,510	–	2,510	–	2,510
Total comprehensive income for the period	–	2,510	34,467	–	36,977	1,075	38,052	–	2,510	49,372	51,882
As of 31 March 2021	790,348	1,152,379	204,637	–	2,147,364	8,930	2,156,294	790,348	764,911	243,059	1,798,318

Statement of Cash Flows

EUR'000

	Notes	Group		Parent Company	
		01/01– 31/03/2021	01/01– 31/03/2020	01/01– 31/03/2021	01/01– 31/03/2020
Cash flows from operating activities					
Profit before tax		36,354	56,412	49,372	83,337
Profit before tax from discontinued operation		–	2,865	–	–
Profit before tax, total		36,354	59,277	49,372	83,337
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		46,008	48,664	21,596	22,497
- Net financial adjustments		6,910	6,643	4,671	3,744
- Other adjustments		989	166	83	(139)
- Dividends from subsidiaries		–	–	(22,366)	(39,850)
Operating profit before working capital adjustments		90,261	114,750	53,356	69,589
Decrease / (increase) in current assets		34,465	(18,658)	51,144	38,298
Increase / (decrease) in trade and other liabilities		3,055	11,132	2,874	(12,352)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	62,328	38,692
Cash generated from operating activities		127,781	107,224	169,702	134,227
Interest paid		(440)	(2,020)	(467)	(2,129)
Interest received		1,226	948	879	948
Paid corporate income tax		(22)	(2,452)	–	–
Net cash flows from operating activities		128,545	103,700	170,114	133,046
Cash flows from investing activities					
Loans issued to subsidiaries, net	19	–	–	(71,182)	(81,601)
Purchase of intangible assets and property, plant and equipment		(33,946)	(54,534)	(9,343)	(15,816)
Dividends received from subsidiaries		–	–	–	9,742
Proceeds from redemption of other financial investments		14,148	12	14,148	12
Net cash flows used in investing activities		(19,798)	(54,522)	(66,377)	(87,663)
Cash flows from financing activities					
Proceeds on borrowings from financial institutions	15	–	2,000	–	–
Repayment of borrowings	15	(942)	(2,943)	–	–
Received financing from European Union		207	202	207	202
Lease payments		(231)	(256)	(78)	(6)
Net cash flows (used in) / generated from financing activities		(966)	(997)	129	196
Net increase in cash and cash equivalents		107,781	48,181	103,866	45,579
Cash and cash equivalents at the beginning of the period	12	100,703	122,723	98,261	121,261
Cash and cash equivalents at the end of the period	12	208,484	170,904	202,127	166,840

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 Latvenergo AS 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:

- Sadales tīkls AS (since 18 September 2006) with 100% interest held;
- Elektrum Eesti OÜ (since 27 June 2007) and its subsidiary Elektrum Latvija SIA (since 18 September 2012) with 100% interest held;
- Elektrum Lietuva, UAB (since 7 January 2008) with 100% interest held;
- Enerģijas publiskais tirgotājs AS (since 25 February 2014) with 100% interest held;
- Liepājas enerģija SIA (since 6 July 2005) with 51% interest held.

From 10 February 2011 till 10 June 2020 the Group included Latvijas elektriskie tīkli AS with 100% interest held in the company.

Latvenergo AS and its subsidiaries Sadales tīkls AS and Enerģijas publiskais tirgotājs AS are also shareholders with 48.15% interest held in company Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS holds 46.30% of interest) that manages a defined-contribution corporate pension plan in Latvia.

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

Since 6 November 2020 the Management Board of Latvenergo AS was comprised of the following members: Guntars Baļčūns (Chairman of the Board), Kaspars Cikmačs and Arnis Kurgs. On 1 February 2021, Uldis Mucinieks was elected as Member of the Management Board and since 1 February 2021 the Management Board of Latvenergo AS was comprised of the following members: Guntars Baļčūns (Chairman of the Board), Kaspars Cikmačs, Arnis Kurgs and Uldis Mucinieks.

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 20 November 2020 Audit Committee was comprised of the following members: Torbens Pedersens (*Torben Pedersen*), Svens Dinsdorfs, Toms Siliņš and Gundars Ruža;

Since 3 February 2021 Audit Committee was comprised of the following members: Torbens Pedersens (*Torben Pedersen*), Svens Dinsdorfs, Ilvija Grūba, Toms Siliņš and Gundars Ruža.

Latvenergo Group Consolidated and Latvenergo AS Annual Report 2020 has been approved on 12 May 2021 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 2021 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the period starting on 1 January 2021 and ending on 31 March 2021 and comparative information for the period of 2020 starting on 1 January 2020 and ending on 31 March 2020.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-month period ending on 31 March 2021 were authorised by the Latvenergo AS Management Board on 25 May 2021.

2. Significant accounting policies

These Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union (IFRS) and principal accounting policies applied to these financial statements were identical to those used in the Latvenergo Group Consolidated and Latvenergo AS Financial Statements of 2020. These policies have been consistently applied to all reporting periods presented in financial statements, unless otherwise stated. Where it is necessary, comparatives are reclassified.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements are prepared under the historical cost convention, except for some financial assets and liabilities (including derivative financial instruments and non-current financial investments) measured at fair value and certain property, plant and equipment

carried at revalued amounts as disclosed in accounting policies presented in Latvenergo Group Consolidated and Latvenergo AS Annual Report 2020.

Unaudited Condensed Financial Statements had been prepared in euros (EUR) currency and all amounts except non-monetary items shown in these Financial Statements are presented in thousands of EUR (EUR'000). All figures, unless stated otherwise are rounded to the nearest thousand.

Certain monetary amounts, percentages and other figures are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent.

3. Operating segment information

Operating segments of the Group and the Parent Company

For segment reporting purposes, the division into operating segments is based on internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the operating segment decision maker – management of the Group's company operating in each of segments. The Management Board of the Parent Company reviews financial results of operating segments.

The profit measure monitored by the chief operating decision maker primarily is EBITDA, but it also monitors operating profit. In separate financial statements operating profit excludes the dividend income and interest income from subsidiaries. The subsidiaries operate independently from the Parent Company under the requirements of EU and Latvian legislation and their businesses are different from that of the Parent Company. Therefore, the Parent Company's chief operating decision maker monitors the performance of the Parent Company and makes decisions regarding allocation of resources based on the operating results of the Parent Company.

Since 10 June 2020 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 and Elektrum Lietuva UAB, as well as administration of the mandatory procurement process provided by Enerģijas publiskais tirgotājs AS.

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 operations of the **lease of transmission system (till 10 June 2020)** assets operating segment was managed by Latvijas elektriskie tīkli AS – the owner of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points), which provides financing of investments in these assets. In the financial statements this operating segment is classified as discontinued operation.

The following table presents revenue, financial results and profit information and segment assets and liabilities of the Group's and the Parent Company's operating segments. Inter-segment revenue is eliminated on consolidation and reflected in the

'adjustments and eliminations' column. All transactions between segments are made based on the regulated tariffs, where applicable, or on an arm's length principle.

EUR'000

	Group							Parent Company				
	Generation and trade	Distribution	Lease of transmission system assets*	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Parent Company
Period: 01/01–31/03/2021												
Revenue												
External customers	168,710	79,269	–	1,909	249,888	–	249,888	127,550	7,640	135,190	–	135,190
Inter-segment	181	267	–	11,597	12,045	(12,045)	–	186	6,423	6,609	(6,609)	–
TOTAL revenue	168,891	79,536	–	13,506	261,933	(12,045)	249,888	127,736	14,063	141,799	(6,609)	135,190
Results												
EBITDA	46,043	31,684	–	2,959	80,686	–	80,686	41,788	3,126	44,914	–	44,914
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(16,457)	(23,443)	–	(2,766)	(42,666)	–	(42,666)	(15,665)	(2,833)	(18,498)	–	(18,498)
Segment profit before tax	29,586	8,241	–	193	38,020	(1,666)	36,354	26,123	293	26,416	22,956	49,372
Capital expenditure	6,017	19,487	–	1,087	26,591	–	26,591	5,778	1,102	6,880	–	6,880
Period: 01/01–31/03/2020												
Revenue												
External customers	140,646	77,397	9,430	1,725	229,198	–	229,198	109,092	8,352	117,444	–	117,444
Inter-segment	287	328	956	11,639	13,210	(13,210)	–	120	6,266	6,386	(6,386)	–
TOTAL revenue	140,933	77,725	10,386	13,364	242,408	(13,210)	229,198	109,212	14,618	123,830	(6,386)	117,444
Results												
EBITDA	66,737	28,653	10,286	2,065	107,741	–	107,741	60,785	2,728	63,513	–	63,513
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(18,169)	(18,014)	(6,913)	(2,717)	(45,813)	–	(45,813)	(17,323)	(2,987)	(20,310)	–	(20,310)
Segment profit before tax	48,568	10,639	3,373	(652)	61,928	(2,646)	59,282	43,462	(259)	43,203	40,134	83,337
Capital expenditure	14,532	20,110	18,619	2,228	55,489	(25)	55,464	14,453	2,228	16,681	–	16,681

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation

Segment assets

EUR'000

	Group						Parent Company				
	Generation and trade	Distribution	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Parent Company
As of 31 March 2021	1,218,606	1,784,773	95,352	3,098,731	322,866	3,421,597	1,081,757	133,194	1,214,951	1,626,146	2,841,097
As of 31 December 2020	1,263,651	1,795,034	95,907	3,154,592	204,243	3,358,835	1,131,977	125,634	1,257,611	1,502,544	2,760,155

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation

The Group's and the Parent Company's revenue from external customers

EUR'000

	Group						Parent Company			
	Generation and trade	Distribution	Lease of transmission system assets*	Corporate Functions	TOTAL segments	TOTAL Group	Generation and trade	Corporate Functions	TOTAL segments	TOTAL Parent Company
Period: 01/01–31/03/2021										
Revenue from contracts with customers recognised over time:										
Trade of energy and related supply services	138,218	747	–	–	138,965	138,965	103,064	–	103,064	103,064
Distribution system services	–	74,334	–	–	74,334	74,334	–	–	–	–
Heat sales	30,037	40	–	7	30,084	30,084	24,253	7	24,260	24,260
Other revenue	455	4,131	–	1,409	5,995	5,995	233	6,767	7,000	7,000
Total revenue from contracts with customers	168,710	79,252	–	1,416	249,378	249,378	127,550	6,774	134,324	134,324
Other revenue:										
Lease of transmission system assets	–	–	–	–	–	–	–	–	–	–
Lease of other assets	–	17	–	493	510	510	–	866	866	866
Other revenue	–	–	–	–	–	–	–	–	–	–
Total other revenue	–	17	–	493	510	510	–	866	866	866
Period: 01/01–31/03/2020										
Revenue from contracts with customers recognised over time:										
Trade of energy and related supply services	115,173	758	–	–	115,931	115,931	89,699	–	89,699	89,699
Distribution system services	–	72,644	–	–	72,644	72,644	–	–	–	–
Heat sales	23,671	32	–	6	23,709	23,709	19,075	6	19,081	19,081
Other revenue	1,802	3,934	–	1,417	7,153	7,153	318	6,798	7,116	7,116
Total revenue from contracts with customers	140,646	77,368	–	1,423	219,437	219,437	109,092	6,804	115,896	115,896
Other revenue:										
Lease of transmission system assets	–	–	9,230	–	9,230	9,230	–	–	–	–
Lease of other assets	–	29	–	302	331	331	–	1,548	1,548	1,548
Other revenue	–	–	200	–	200	200	–	–	–	–
Total other revenue	–	29	9,430	302	9,761	9,761	–	1,548	1,548	1,548

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation

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

	Group		Parent Company	
	01/01–31/03/2021	01/01–31/03/2020	01/01–31/03/2021	01/01–31/03/2020
EBITDA	80,686	107,741	44,914	63,513
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(42,666)	(45,813)	(18,498)	(20,310)
Segment profit before tax	38,020	61,928	26,416	43,203
Finance income	666	295	2,959	3,323
Finance costs	(2,332)	(2,941)	(2,369)	(3,039)
Dividends received from subsidiaries	–	–	22,366	39,850
Profit before tax	36,354	59,282	49,372	83,337

EUR'000

Reconciliation of assets

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Segment operating assets	3,098,731	3,154,592	1,214,951	1,257,611
Non-current financial investments	40	40	645,218	645,218
Loans to related parties	86,617	86,620	751,126	742,229
Other financial investments	2,688	16,836	2,688	16,836
Prepayment for income and other taxes	50	44	–	–
Cash and cash equivalents	233,471	100,703	227,114	98,261
TOTAL assets	3,421,597	3,358,835	2,841,097	2,760,155

EUR'000

4. Revenue

EUR'000

IFRS or IAS applied	Group		Parent Company	
	01/01–31/03/2021	01/01–31/03/2020	01/01–31/03/2021	01/01–31/03/2020
Revenue from contracts with customers recognised over time:				
Trade of energy and related supply services	15. SFPS	138,965	115,931	103,064
Distribution system services	15. SFPS	74,334	72,644	–
Heat sales	15. SFPS	30,084	23,709	24,260
Other revenue	15. SFPS	5,995	7,153	7,000
Total revenue from contracts with customers		249,378	219,437	134,324
Other revenue:				
Lease of other assets	16. SFPS	510	331	866
Total other revenue		510	331	1,548
TOTAL revenue		249,888	219,768	135,190

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	
	01/01–31/03/2021	01/01–31/03/2020	01/01–31/03/2021	01/01–31/03/2020
Mandatory procurement PSO fees		14,072	22,164	17,482
Distribution system services		7,134	3,743	50,085
Transmission system services		391	352	423
TOTAL revenue recognised applying agent accounting principle		21,597	26,259	67,990

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

5. Raw materials and consumables

EUR'000

	Group		Parent Company	
	01/01–31/03/2021	01/01–31/03/2020	01/01–31/03/2021	01/01–31/03/2020
Energy costs				
Electricity and costs of related supply services		49,353	25,597	12,972
(Gains) / losses on fair value changes on electricity forwards and futures (Note 16 II))		(133)	4,651	(133)
Electricity transmission services costs		18,733	18,027	822
Natural gas and other energy resources costs		58,316	33,377	55,267
Losses / (gains) on fair value changes on natural gas forwards (Note 16 III))		5,246	(590)	5,246
		131,515	81,062	74,174
Raw materials, spare parts and maintenance costs		5,094	6,720	2,714
TOTAL raw materials and consumables		136,609	87,782	76,888

6. Finance income and costs

EUR'000				
	Group		Parent Company	
	01/01–31/03/2021	01/01–31/03/2020	01/01–31/03/2021	01/01–31/03/2020
a) Finance income:				
Interest income	122	280	122	280
Interest income on loans to related parties	347	–	2 640	3 028
Gains on fair value changes on interest rate swaps (Note 16 I)	108	–	108	–
Net gain on issued debt securities (bonds)	31	11	31	11
Net gain on currency exchange rate fluctuations	58	4	58	4
TOTAL finance income	666	295	2 959	3 323
b) Finance costs:				
Interest expense on borrowings	1,856	2,222	1,909	2,345
Interest expense on issued debt securities (bonds)	475	728	475	728
Interest expense on assets lease	30	20	16	15
Capitalised borrowing costs	(75)	(117)	(75)	(117)
Net losses on redemption of other financial investments	8	12	8	12
Other finance costs	38	76	36	56
TOTAL finance costs	2,332	2,941	2,369	3,039

7. Intangible assets and property, plant and equipment

a) Intangible assets

EUR'000						
	Group			Parent Company		
	01/01–31/03/2021	01/01–31/03/2020	2020	01/01–31/03/2021	01/01–31/03/2020	2020
Non-current intangible assets						
Cost	111,105	64,166	64,166	60,591	69,436	69,436
Accumulated amortisation	(61,077)	(41,579)	(41,579)	(44,398)	(43,325)	(43,325)
Net book amount at the beginning of the period	50,028	22,587	22,587	16,193	26,111	26,111
Additions	596	687	14,352	585	686	13,816
Disposals	–	(2,175)	(17,414)	–	(2,287)	(17,414)
Impairment charge	–	–	(81)	–	–	(81)
Amortisation charge	(1,443)	(577)	(4,581)	(764)	(508)	(3,082)
Reclassified to current intangible assets	–	–	(3,157)	–	–	(3,157)
Recognised usage rights after distribution of discontinued operation*	–	–	38,322	–	–	–
Closing net book amount at the end of the period	49,181	20,522	50,028	16,014	24,002	16,193
Cost	111,701	62,682	111,105	61,176	67,951	60,591
Accumulated amortisation	(62,520)	(42,160)	(61,077)	(45,162)	(43,949)	(44,398)
Closing net book amount at the end of the period	49,181	20,522	50,028	16,014	24,002	16,193
Current intangible assets						
Net book amount at the beginning of the period	3,157	–	–	3,157	–	–
Disposals	(3,157)	–	–	(3,157)	–	–
Reclassified from non-current intangible assets	–	–	3,157	–	–	3,157
Closing net book amount at the end of the period	–	–	3,157	–	–	3,157

* Until 10 June 2020, Latvijas elektriskie tīkli AS was a Latvenergo Group's company, that ensured the construction of connections to the transmission network and recognised usage rights for connection to transmission system network within the Group was excluded in consolidation process.

b) Property, plant and equipment

EUR'000

	Group			Parent Company		
	01/01–31/03/2021	01/01–31/03/2020	2020	01/01–31/03/2021	01/01–31/03/2020	2020
Cost or revalued amount	6,373,740	6,323,235	6,323,235	3,177,841	3,186,045	3,186,045
Accumulated depreciation and impairment	(3,546,414)	(3,570,290)	(3,570,290)	(2,106,271)	(2,077,044)	(2,077,044)
Net book amount at the beginning of the period	2,827,326	2,752,945	2,752,945	1,071,570	1,109,001	1,109,001
Additions	25,995	36,158	164,051	6,295	15,995	46,730
Reclassified (to) / from investment properties	(1,594)	–	(477)	–	1,709	2,427
Reclassified to non-current assets held for sale	(74)	–	(43)	(74)	–	–
Disposals	(396)	(879)	(6,401)	(95)	(3,708)	(4,443)
Increase in value of assets as a result of revaluation	–	–	96,264	–	–	–
Reversal of impairment charge as a result of revaluation	–	–	8,660	–	–	–
(Recognised) / reversed impairment charge	(51)	41	(7,129)	–	–	(7,116)
Depreciation	(40,771)	(38,052)	(163,557)	(17,515)	(19,497)	(75,029)
Changes in value of assets attributable to the discontinued operation*	–	–	(16,987)	–	–	–
Closing net book amount at the end of the period	2,810,435	2,750,213	2,827,326	1,060,181	1,103,500	1,071,570
Cost or revalued amount	6,367,633	6,338,711	6,373,740	3,158,684	3,193,973	3,177,841
Accumulated depreciation and impairment	(3,557,198)	(3,588,498)	(3,546,414)	(2,098,503)	(2,090,473)	(2,106,271)
Closing net book amount at the end of the period	2,810,435	2,750,213	2,827,326	1,060,181	1,103,500	1,071,570

* Until 10 June 2020, Latvijas elektriskie tīkli AS was a Latvenergo Group's company, that was the owner of the transmission system assets and ensured the construction of the transmission network. Changes in value of assets include additions, disposals and depreciation of property, plant and equipment.

c) Investment property

EUR'000

	Group			Parent Company		
	01/01–31/03/2021	01/01–31/03/2020	2020	01/01–31/03/2021	01/01–31/03/2020	2020
Cost or revalued amount	1,455	910	910	5,432	65,253	65,253
Accumulated depreciation and impairment	(943)	(609)	(609)	(2,098)	(25,818)	(25,818)
Net book amount at the beginning of the year	512	301	301	3,334	39,435	39,435
Reclassified to investment property held for capital appreciation	74	–	477	74	–	477
Reclassified from property, plant and equipment to investment property	1,594	–	–	–	–	–
Reclassified to property, plant and equipment	–	–	–	–	(1,709)	(2,904)
Disposal	(3)	(2)	(6)	(3)	(17)	(30)
Investment in the share capital of other company	–	–	–	–	(32,333)	(32,333)
Sold	(9)	–	(263)	(9)	(760)	(1,097)
Impairment charge	–	–	3	–	–	3
Depreciation	–	–	–	(15)	(145)	(217)
Closing net book amount at the end of the period	2,168	299	512	3,381	4,471	3,334
Cost or revalued amount	3,094	909	1,455	5,287	6,745	5,432
Accumulated depreciation and impairment	(926)	(610)	(943)	(1,906)	(2,274)	(2,098)
Closing net book amount at the end of the period	2,168	299	512	3,381	4,471	3,334

Property, plant and equipment revaluation

The revaluation of the distribution system assets was performed in two stages, and the result is recognised in the Financial statements of 2020. As a result, the carrying amount of assets was increased by EUR 104,924 thousand, of which EUR 96,264 thousand was recognised in non-current assets revaluation reserve in equity, while impairment in the amount of EUR 8,660 thousand was recognised in the Statement of Profit or Loss.

Distribution system electrical equipment was revalued as of 1 April 2020 and as a result the carrying amount of assets increased by EUR 30,739 thousand of

which EUR 30,870 thousand was recognised as increase in non-current assets revaluation reserve in equity, while impairment in amount of EUR 131 thousand was recognised in the Statement of Profit or Loss. Distribution system electricity lines were revalued as of 1 January 2021 and the revaluation result has been recognised in the Financial statements of 2020 as an adjusting event. As a result, the carrying amount of assets was increased by EUR 74,185 thousand, of which EUR 65,394 thousand was recognised in non-current assets revaluation reserve in equity, while reversal of previously recognised impairment in the amount of EUR 8,791 thousand was recognised in the Statement of Profit or Loss.

8. Leases

				EUR'000		
	Group			Parent Company		
	01/01–31/03/2021	01/01–31/03/2020	2020	01/01–31/03/2021	01/01–31/03/2020	2020
Right-of-use assets						
Initial recognition cost	10,970	6,745	6,745	5,619	3,873	3,873
Accumulated depreciation	(2,717)	(1,223)	(1,223)	(1,133)	(397)	(397)
Net book amount at the beginning of the period	8,253	5,522	5,522	4,486	3,476	3,476
Recognised changes in lease agreements	(150)	31	4,178	(17)	734	1,746
Depreciation	(401)	(312)	(1,447)	(204)	(160)	(736)
Closing net book amount at the end of the period	7,702	5,241	8,253	4,265	4,050	4,486
Initial recognition cost	10,809	6,776	10,970	5,602	4,607	5,619
Accumulated depreciation	(3,107)	(1,535)	(2,717)	(1,337)	(557)	(1,133)
Closing net book amount at the end of the period	7,702	5,241	8,253	4,265	4,050	4,486
Lease liabilities						
At the beginning of the period	8,344	5,565	5,565	4,540	3,502	3,502
<i>Of which are:</i>						
– non-current	6,783	4,349	4,349	3,734	3,126	3,126
– current	1,561	1,216	1,216	806	376	376
Recognised changes in lease agreements	(169)	31	4,178	(17)	735	1,746
Decrease of lease liabilities	(422)	(327)	(1,530)	(215)	(169)	(777)
Recognised interest liabilities (Note 6)	30	20	131	16	15	69
At the end of the period	7,783	5,289	8,344	4,324	4,083	4,540
<i>Of which are:</i>						
– non-current	6,261	4,037	6,783	3,523	3,462	3,734
– current	1,522	1,252	1,561	801	621	806

9. Non-current financial investments

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

			31/03/2021		31/12/2020	
			Interest held, %	EUR'000	Interest held, %	EUR'000
Name of the company	Country of incorporation	Business activity held				
Investments in subsidiaries						
Sadales tīkls AS	Latvia	Electricity distribution	100%	641,450	100%	641,450
Enerģijas publiskais tirgotājs AS	Latvia	Administration of mandatory electricity procurement process	100%	40	100%	40
<i>Elektrum Eesti, OÜ</i>	Estonia	Electricity and natural gas trade	100%	35	100%	35
<i>Elektrum Lietuva, UAB</i>	Lithuania	Electricity and natural gas trade	100%	98	100%	98
Liepājas enerģija SIA	Latvia	Thermal energy generation and trade, electricity generation	51%	3,556	51%	3,556
TOTAL				645,179		645,179
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

The Group's non-current financial investments

			31/03/2021		31/12/2020	
Name of the company	Country of incorporation	Business activity held	Interest held, %	EUR'000	Interest held, %	EUR'000
Other non-current financial investments (Group)						
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		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Raw materials and materials	15,843	17,224	940	824
Natural gas	6,348	41,621	6,349	41,620
Goods for sale	2,292	2,508	598	549
Other inventories	8,184	8,203	8,060	8,060
Prepayments for inventories	242	189	3	25
Allowance for raw materials and other inventories	(1,071)	(991)	(629)	(607)
TOTAL inventories	31,838	68,754	15,321	50,471

Movement on the allowance for inventories

EUR'000

	Group			Parent Company		
	01/01–31/03/2021	01/01–31/03/2020	2020	01/01–31/03/2021	01/01–31/03/2020	2020
At the beginning of the period	991	1,287	1,287	607	674	674
Charged / (credited) to the Statement of Profit or Loss	80	73	(296)	22	(20)	(67)
At the end of the period	1,071	1,360	991	629	654	607

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	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Individually assessed receivables with lifetime ECL assessment (counterparty model)	6,852	2,775	11,767	6,257
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	103,195	105,403	67,163	69,599
TOTAL receivables from contracts with customers	110,047	108,178	78,930	75,856

a) Receivables from contracts with customers, net

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	133,525	136,647	98,536	102,120
– Heating customers (portfolio model)	8,592	9,463	6,659	7,386
– Other receivables from contracts with customers (portfolio model)	4,313	3,557	1,932	1,093
– Other receivables from contracts with customers (counterparty model)	6,864	2,780	4,855	1,480
– Subsidiaries (counterparty model) (Note 19 b)	–	–	6,921	4,782
	153,294	152,447	118,903	116,861
Allowances for expected credit loss from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(40,738)	(41,761)	(39,636)	(40,672)
– Heating customers (portfolio model)	(327)	(328)	(314)	(315)
– Other receivables from contracts with customers (portfolio model)	(2,170)	(2,175)	(14)	(13)
– Other receivables from contracts with customers (counterparty model)	(12)	(5)	(8)	(2)
– Subsidiaries (counterparty model) (Note 19 b)	–	–	(1)	(3)
	(43,247)	(44,269)	(39,973)	(41,005)
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	92,787	94,886	58,900	61,448
– Heating customers (portfolio model)	8,265	9,135	6,345	7,071
– Other receivables from contracts with customers (portfolio model)	2,143	1,382	1,918	1,080
– Other receivables from contracts with customers (counterparty model)	6,852	2,775	4,847	1,478
– Subsidiaries (counterparty model) (Note 19 b)	–	–	6,920	4,779
	110,047	108,178	78,930	75,856

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group			Parent Company		
	01/01– 31/03/2021	01/01– 31/03/2020	2020	01/01–31/03/2021	01/01–31/03/2020	2020
At the beginning of the period	44,269	46,737	46,737	41,005	43,521	43,521
Receivables written off during the period as uncollectible	(1,032)	(589)	(3,681)	(1,025)	(398)	(3,252)
Allowances for expected credit losses	10	674	1,213	(7)	113	736
At the end of the period	43,247	46,822	44,269	39,973	43,236	41,005

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Current financial receivables:				
Unsettled revenue on mandatory procurement PSO fee recognised as assets*	78,017	77,273	–	–
Receivables for lease	76	48	64	33
Other current financial receivables	4,912	8,369	4,147	6,385
Other accrued income	376	874	337	874
Allowances for expected credit losses	(1,672)	(1,700)	(1,297)	(1,331)
Receivables for dividends from subsidiaries	–	–	22,366	–
Receivables for lease from subsidiaries (Note 19 b)	–	–	25	73
Other financial receivables from subsidiaries (Note 19 b)	–	–	6,360	21,460
Other accrued income from subsidiaries (Note 19 c)	–	–	2,081	1,850
Allowances for expected credit losses on subsidiaries receivables (Note 19 b)	–	–	(19)	(16)
TOTAL other current financial receivables	81,709	84,864	34,064	29,328

* By applying agent principle unsettled revenue on mandatory procurement PSO fee is 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	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Non-current non-financial receivables	2,520	429	417	417
Current non-financial receivables	569	452	258	282
TOTAL non-financial receivables	3,089	881	675	699

12. Cash and cash equivalents

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Cash at bank	233,471	100,703	227,114	98,261
TOTAL cash and cash equivalents	233,471	100,703	227,114	98,261
Overdraft from financial institutions (Note 15)	(24,987)	–	(24,987)	–
Cash and cash equivalents per statement of cash flows	208,484	100,703	202,127	98,261

13. Reserves

EUR'000

	Group							Parent Company			
	Non-current assets revaluation reserve	Hedge reserve	Post-employment benefit plan revaluation reserve	Other reserves	TOTAL reserves of continuing operations	Reserves classified as held for distribution	TOTAL	Non-current assets revaluation reserve	Hedge reserve	Post-employment benefit plan revaluation reserve	TOTAL
As of 31 December 2019	1,083,772	(6,227)	(2,420)	110	1,075,235	28,936	1,104,171	785,870	(6,227)	(1,481)	778,162
Disposal of revaluation reserve	(696)	–	–	–	(696)	(132)	(828)	(91)	–	–	(91)
Gains from fair value changes of derivative financial instruments	–	1,786	–	–	1,786	–	1,786	–	1,786	–	1,786
As of 31 March 2020	1,083,076	(4,441)	(2,420)	110	1,076,325	28,804	1,105,129	785,779	(4,441)	(1,481)	779,857
Attributable to discontinued operation:											
- Non-current assets revaluation reserve	–	–	–	–	–	(28,683)	(28,683)	–	–	–	–
- Post-employment benefit plan revaluation reserve	–	–	–	–	–	(21)	(21)	–	–	–	–
Increase of revaluation reserve as a result of revaluation (Note 7 b)	96,264	–	–	–	96,264	–	96,264	–	–	–	–
Disposal of revaluation reserve	(8,186)	–	–	–	(8,186)	(100)	(8,286)	(4,006)	–	–	(4,006)
Losses on re-measurement of defined post-employment benefit plan	–	–	(476)	–	(476)	–	(476)	–	–	(176)	(176)
Losses from fair value changes of derivative financial instruments	–	(9,560)	–	–	(9,560)	–	(9,560)	–	(9,560)	–	(9,560)
As of 31 December 2020	1,171,154	(14,001)	(2,896)	110	1,154,367	–	1,154,367	781,773	(14,001)	(1,657)	766,115
Disposal of revaluation reserve	(4,498)	–	–	–	(4,498)	–	(4,498)	(3,714)	–	–	(3,714)
Gains from fair value changes of derivative financial instruments	–	2,510	–	–	2,510	–	2,510	–	2,510	–	–
As of 31 March 2021	1,166,656	(11,491)	(2,896)	110	1,152,379	–	1,152,379	778,059	(11,491)	(1,657)	764,911

14. Other financial investments

Carrying (amortised cost) amount of other financial investments

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Financial investments in Latvian State Treasury bonds:				
– non-current	2,688	2,693	2,688	2,693
– current	–	14,143	–	14,143
TOTAL other financial investments	2,688	16,836	2,688	16,836

15. Borrowings

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Non-current borrowings from financial institutions	532,957	533,898	526,229	526,229
Issued debt securities (bonds)	100,148	100,179	100,148	100,179
TOTAL non-current borrowings	633,105	634,077	626,377	626,408
Current portion of non-current borrowings from financial institutions	107,428	107,428	105,331	105,330
Overdraft from financial institutions	24,987	–	24,987	–
Accrued interest on non-current borrowings	1,314	617	1,297	577
Accrued coupon interest on issued debt securities (bonds)	1,552	1,077	1,552	1,077
TOTAL current borrowings	135,281	109,122	133,167	106,984
TOTAL borrowings	768,386	743,199	759,544	733,392

Movement in borrowings

EUR'000

	Group			Parent Company		
	01/01–31/03/2021	01/01–31/03/2020	2020	01/01–31/03/2021	01/01–31/03/2020	2020
At the beginning of the period	743,199	882,671	882,671	733,392	872,899	872,899
Borrowings received	–	2,000	39,500	–	–	35,000
Borrowings repaid	(942)	(2,943)	(143,176)	–	–	(138,692)
Repayment of issued debt securities (bonds)	–	–	(35,000)	–	–	(35,000)
Overdraft received	24,987	–	–	24,987	–	–
Change in accrued interest on borrowings	1,173	1,829	(703)	1,196	1,837	(722)
Changes in outstanding value of issued debt securities (bonds)	(31)	(11)	(93)	(31)	(11)	(93)
At the end of the period	768,386	883,546	743,199	759,544	874,725	733,392

16. Derivative financial instruments

I) Interest rate swaps

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					
	01/01–31/03/2021		01/01–31/03/2020		2020		01/01–31/03/2021		01/01–31/03/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	–	(9,504)	–	(9,216)	–	(9,216)	–	(9,504)	–	(9,216)	–	–
Included in the Statement of Profit or Loss (Note 6)	–	109	–	–	–	–	–	109	–	–	–	–
Included in the Statement of Comprehensive Income	–	1,788	–	(672)	–	(288)	–	1,788	–	(672)	–	–
Outstanding fair value at the end of the period	–	(7,607)	–	(9,888)	–	(9,504)	–	(7,607)	–	(9,888)	–	–

II) Electricity forwards and futures

The Parent Company enters into electricity future contracts in the Nasdaq Commodities exchange, as well as concludes electricity forward contracts with energy companies. Electricity forward and future contracts are intended for hedging of the electricity price risk and are used for fixing the price of electricity

purchased in the Nord Pool AS power exchange. For the contracts which are fully effective contracts fair value gains or losses are included in other comprehensive income.

Fair value changes of electricity forward and future contracts

EUR'000

	Group						Parent Company					
	01/01–31/03/2021		01/01–31/03/2020		2020		01/01–31/03/2021		01/01–31/03/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	617	–	–	(3,916)	–	(3,916)	617	–	–	(3,916)	–	(3,916)
Included in Statement of Profit or Loss (Note 5)	132	–	–	(4,651)	114	2,220	132	–	–	(4,651)	114	2,220
Included in Statement of Comprehensive Income	34	–	–	(2,825)	503	1,696	34	–	–	(2,825)	503	1,696
Outstanding fair value at the end of the period	783	–	–	(11,392)	617	–	783	–	–	(11,392)	617	–

III) Natural gas swaps

The Parent Company enters into natural gas swap contracts with banks and energy companies. 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 natural gas forward contracts

EUR'000

	Group						Parent Company					
	01/01–31/03/2021		01/01–31/03/2020		2020		01/01–31/03/2021		01/01–31/03/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	940	(4,993)	6,717	–	6,717	–	940	(4,993)	6,717	–	6,717	940
Included in Statement of Profit or Loss (Note 5)	(940)	(4,306)	590	–	(1,092)	–	(940)	(4,306)	590	–	(1,092)	(940)
Included in Statement of Comprehensive Income	–	651	5,283	–	(4,685)	(4,993)	–	651	5,283	–	(4,685)	–
Outstanding fair value at the end of the period	–	(8,648)	12,590	–	940	(4,993)	–	(8,648)	12,590	–	940	–

IV) Currency exchange forwards

Fair value changes of forward currencies exchange contracts

EUR'000

	Group						Parent Company					
	01/01–31/03/2021		01/01–31/03/2020		2020		01/01–31/03/2021		01/01–31/03/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	–	(7)	–	–	–	–	–	(7)	–	–	–	–
Included in Statement of Comprehensive Income	–	7	–	–	–	(7)	–	7	–	–	–	(7)
Outstanding fair value at the end of the period	–	–	–	–	–	(7)	–	–	–	–	–	(7)

17. 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 2021								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,404,246	2,404,246	–	–	791,175	791,175
Non-current financial investments (Note 9)	–	–	40	40	–	–	39	39
<i>Derivative financial instruments, including:</i>								
Electricity forwards and futures (Note 16 II))	–	783	–	783	–	783	–	783
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	2,168	2,168	–	–	3,381	3,381
Other financial investments (Note 14)	–	2,688	–	2,688	–	2,688	–	2,688
Floating rate loans to subsidiaries (Note 19 c)	–	–	–	–	–	131,133	–	131,133
Fixed rate loans to related parties (Note 19 c)	–	86,617	–	86,617	–	619,993	–	619,993
Current financial receivables (Note 11 a, b)	–	–	191,756	191,756	–	–	112,994	112,994
Cash and cash equivalents (Note 12)	–	233,471	–	233,471	–	227,114	–	227,114
As of 31 December 2020								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,402,069	2,402,069	–	–	778,480	778,480
Non-current financial investments (Note 9)	–	–	40	40	–	–	39	39
<i>Derivative financial instruments, including:</i>								
Electricity forwards and futures (Note 16 II))	–	617	–	617	–	617	–	617
Natural gas forwards (Note 16 III))	–	940	–	940	–	940	–	940
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	512	512	–	–	3,334	3,334
Other financial investments (Note 14)	–	16,836	–	16,836	–	16,836	–	16,836
Floating rate loans to subsidiaries (Note 19 c)	–	–	–	–	–	131,133	–	131,133
Fixed rate loans to related parties (Note 19 c)	–	86,620	–	86,620	–	611,096	–	611,096
Current financial receivables (Note 11 a, b)	–	–	193,042	193,042	–	–	105,184	105,184
Cash and cash equivalents (Note 12)	–	100,703	–	100,703	–	98,261	–	98,261

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				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 2021								
Liabilities measured at fair value								
<i>Derivative financial instruments, including:</i>								
Interest rate swaps (Note 16 I))	–	7,607	–	7,607	–	7,607	–	7,607
Natural gas forwards (Note 16 III))	–	8,648	–	8,648	–	8,648	–	8,648
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 15)	–	101,700	–	101,700	–	101,700	–	101,700
Borrowings (Note 15)	–	666,686	–	666,686	–	657,844	–	657,844
Trade and other financial current payables	–	–	76,188	76,188	–	–	55,540	55,540
As of 31 December 2020								
Liabilities measured at fair value								
<i>Derivative financial instruments, including:</i>								
Interest rate swaps (Note 16 I))	–	9,504	–	9,504	–	9,504	–	9,504
Natural gas forwards (Note 16 III))	–	4,993	–	4,993	–	4,993	–	4,993
Currency exchange forwards (Note 16 IV))	–	7	–	7	–	7	–	7
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 15)	–	101,256	–	101,256	–	101,256	–	101,256
Borrowings (Note 15)	–	641,943	–	641,943	–	632,136	–	632,136
Trade and other financial current payables	–	–	76,429	76,429	–	–	51,664	51,664

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	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Financial assets								
Fixed rate loans to related parties	86,617	86,620	88,104	89,409	618,190	611,096	635,939	641,936
Other financial investments	2,688	16,836	2,948	18,031	2,688	16,836	2,948	18,031
Financial liabilities								
<i>Interest-bearing liabilities, including:</i>								
issued debt securities (bonds)	101,700	101,256	103,781	103,762	101,700	101,256	103,781	103,762

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.

18. Deferred income

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
I) Non-current deferred income				
a) contracts with customers				
From connection fees	137,116	138,750	–	–
Other deferred income	852	863	852	863
	137,968	139,613	852	863
b) operating lease				
Other deferred income	357	366	357	366
	357	366	357	366
c) other				
On grant for the installed electrical capacity of CHPPs	155,442	161,440	155,442	161,440
On financing from European Union funds	8,476	8,459	1,809	1,601
Other deferred income	143	148	66	73
	164,061	170,047	157,317	163,114
Total non-current deferred income	302,386	310,026	158,526	164,343
II) Current deferred income				
a) contracts with customers				
From connection fees	14,269	14,167	–	–
Other deferred income	221	924	67	813
	14,490	15,091	67	813
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	779	782	4	7
Other deferred income	–	7	–	4
	24,769	24,779	23,994	24,001
TOTAL current deferred income	39,279	39,890	24,081	24,834
TOTAL deferred income	341,665	349,916	182,607	189,177

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

EUR'000

	Group			Parent Company		
	01/01–31/03/2021	01/01–31/03/2020	2020	01/01–31/03/2021	01/01–31/03/2020	2020
At the beginning of the period	349,916	375,984	375,984	189,177	211,268	211,268
Received deferred non-current income (financing)	207	202	1,441	207	202	1,441
Received advance payments for contracts with customers	–	40	808	–	40	808
Received connection fees for connection to distribution system	2,026	2,716	10,749	–	–	–
Compensation for the installed electrical capacity of CHPPs credited to the Statement of Profit or Loss	(5,997)	(5,997)	(23,990)	(5,997)	(5,997)	(23,990)
Credited to the Statement of Profit or Loss	(4,487)	(3,693)	(15,076)	(780)	(36)	(350)
At the end of the period	341,665	369,252	349,916	182,607	205,477	189,177

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.

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 operator – Augstsprieguma tīkls AS and also Latvijas elektriskie tīkli AS (from 10 June 2020 until 25 November 2020).

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

EUR'000

	Group		Parent Company			
	01/01–31/03/2021	01/01–31/03/2020	01/01–31/03/2021		01/01–31/03/2020	
	Other related parties*	Other related parties*	Subsidiaries	Other related parties*	Subsidiaries	Other related parties*
Sales of goods, PPE and services, finance income	4,367	12,411	13,656	4,320	23,667	2,847
Purchases of goods, PPE, and services	21,435	38,701	75,120	2,762	70,399	2,240
<i>including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:</i>						
– <i>Sadales tīkls AS</i>	–	–	64,890	–	69,719	–

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

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	8,677	25,704
– other related parties*	3,714	2,387	2,618	1,653
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(20)	(19)
– loss allowances for expected credit loss from receivables of other related parties*	(7)	(5)	(5)	(3)
	3,707	2,382	11,270	27,335
Payables to related parties:				
– subsidiaries	–	–	25,749	24,956
– other related parties*	7,122	8,324	1,130	1,805
	7,122	8,324	26,879	26,761

c) Accrued income raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
– for goods sold/services provided for subsidiaries (Note 11 a, b)	–	–	5,034	1,115
– for interest received from subsidiaries	–	–	1,676	1,346
– for goods sold/services provided for other related parties*	183	–	177	–
	183	–	6,887	2,461

d) Accrued expenses raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
– for purchased goods/received services from subsidiaries	–	–	2,922	2,646
– for purchased goods/received services from other related parties*	95	–	–	–
	95	–	2,922	2,646

** Related parties included transmission system operator – Augstsprieguma tīkls AS, Latvijas elektriskie tīkli AS (from 10 June 2020 until 25 November 2020), Pirmāis Slēgtais Pensiju Fonds AS and other entities controlled by the management members of Latvenergo Group*

In the 3-month period ending on 31 March 2021 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 704.2 thousand (01/01 – 31/03/2020: EUR 716.5 thousand).

In the 3-month period ending on 31 March 2021 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 257.0 thousand (01/01 – 31/03/2020: EUR 260.2 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 (Parent Company)

Along with the distribution of transmission system assets on 10 June 2020, all Latvijas elektriskie tīkli AS liabilities were transferred to Augstsprieguma tīkls AS, including the Latvenego AS loan to Latvijas elektriskie tīkli AS in amount of EUR 225,232 thousand, of which EUR 138,560 thousand were repaid on 19 June 2020.

Non-current and current loans to related parties

	Group		Parent Company	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Non-current loans to subsidiaries				
Sadales tīkls AS	–	–	476,684	477,507
Allowances for expected credit loss	–	–	(305)	(344)
Non-current loans to other related parties				
Augstsprieguma tīkls AS	86,672	86,672	86,672	86,672
Allowances for expected credit loss	(55)	(52)	(55)	(52)
TOTAL non-current loans	86,617	86,620	562,996	563,783
Current portion of non-current loans				
Sadales tīkls AS	–	–	84,133	76,648
Allowances for expected credit loss	–	–	(61)	(55)
Current loans to subsidiaries				
Sadales tīkls AS	–	–	7,023	10,000
Elektrum Eesti OÜ	–	–	9,853	7,937
Elektrum Lietuva, UAB	–	–	16,537	10,209
Enerģijas publiskais tirgotājs SIA	–	–	70,704	73,781
Allowances for expected credit loss	–	–	(59)	(74)
TOTAL current loans	–	–	188,130	178,446
TOTAL loans to related parties	86,617	86,620	751,126	742,229

Movement in loans issued to related parties

	Group			Parent Company		
	01/01-31/03/2021	01/01-31/03/2020	2020	01/01-31/03/2021	01/01-31/03/2020	2020
At the beginning of the period	86,620	–	–	742,229	794,256	794,256
Change in current loans in cash (net)	–	–	–	71,182	81,601	286,688
Change in current loans by non-cash offsetting of operating receivables and payables (net)	–	–	–	(49,362)	(45,724)	(364,096)
Issued non-current loans	–	–	225,232	–	–	225,232
Repayment of loans in cash	–	–	(138,560)	–	–	(138,560)
Issued non-current loans by non-cash offset	–	–	–	–	20,000	20,000
Repaid non-current loans by non-cash offset	–	–	–	(12,968)	(12,967)	(81,275)
Allowances for expected credit loss	(3)	–	(52)	45	(94)	(16)
At the end of the period	86,617	–	86,620	751,126	837,072	742,229
<i>incl. loan movement through bank account</i>						
Issued loans to subsidiaries	–	–	–	154,593	163,966	573,957
Repaid loans issued to subsidiaries	–	–	–	(83,411)	(82,365)	(287,269)
Repaid loans issued to other related parties	–	–	(138,560)	–	–	(138,560)
Issued loans, net	–	–	(138,560)	71,182	81,601	148,128

20. Events after the reporting period

On 24 May 2021, Latvenergo AS paid out dividends to the State in the amount of EUR 98,246 thousand.

On 17 May 2021 Latvenergo AS issued seven-year green bonds in the total nominal value of EUR 50,000 thousand with a maturity date of 17 May 2028 and a fixed annual interest rate (coupon) – 0.5% (yield – 0.543%). The notes are issued under

Latvenergo AS EUR 200,000 thousand third programme for the issuance of notes. The issued notes are listed on Nasdaq Riga AS as of 18 May 2021.

There have been no other significant events subsequent to 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 2021.