

LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 9-MONTH PERIOD
ENDING 30 SEPTEMBER 2021

30.11.2021, Riga

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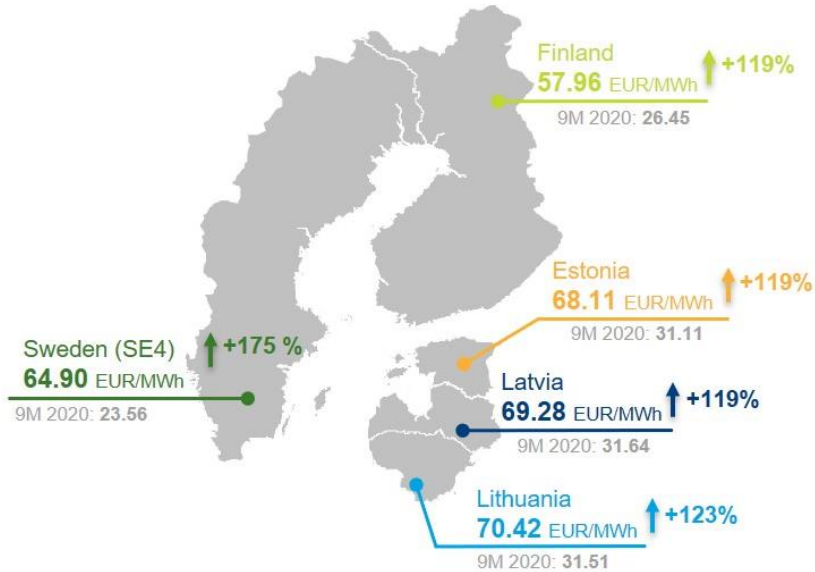
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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Record-high electricity and energy resource prices

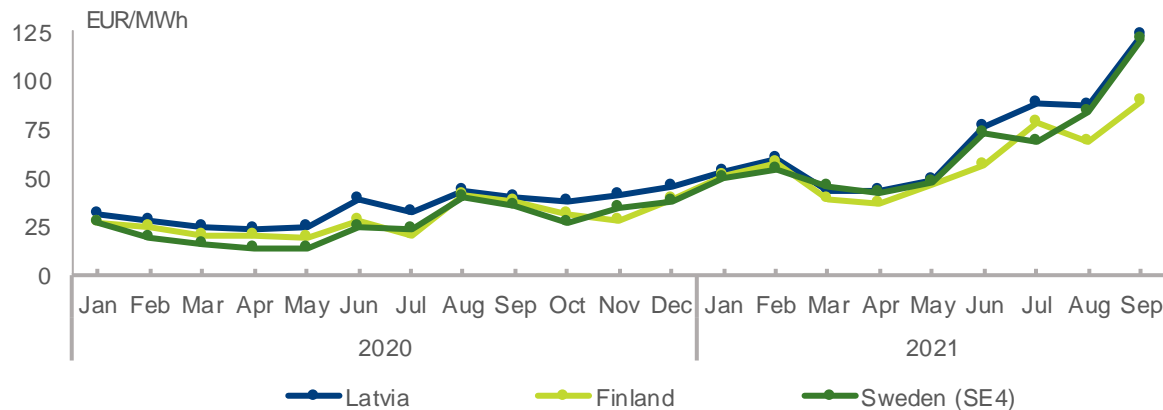


Main facts – 9M 2021

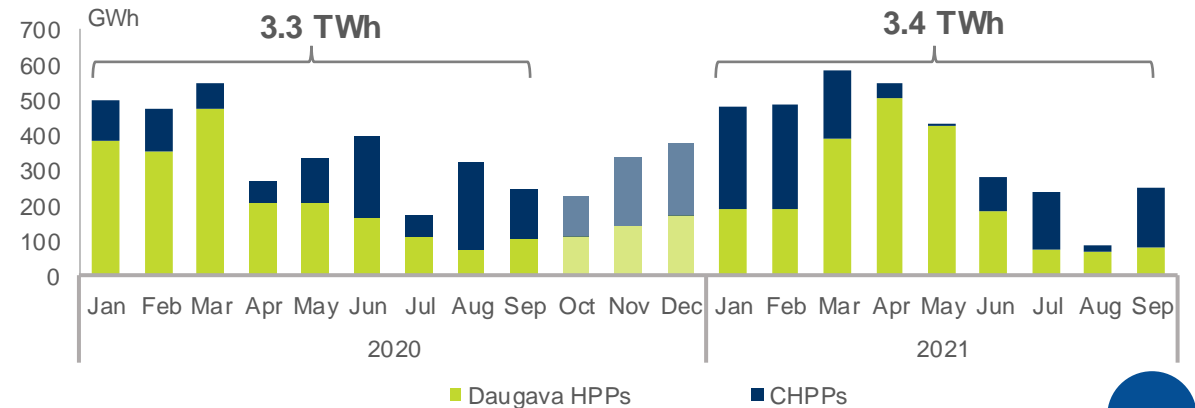
- Electricity prices impacted by:
 - economic recovery and the resulting rise in other energy resource prices, especially natural gas
 - Greater demand for electricity due to colder weather at the beginning of the year and hotter summer
- The price of natural gas at TTF virtual trading point (Front Month) increased almost 4x reaching 63.4 EUR/MWh
- The average price of CO2 emission allowances (EUA DEC.21) was 2x higher, reaching 48.5 EUR/t

Electricity output increased by 3%

Nord Pool electricity price

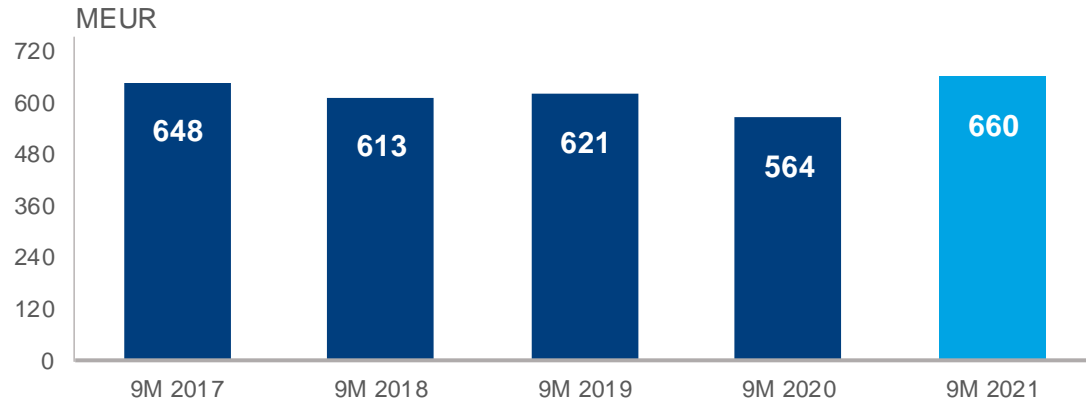


Electricity generation at Daugava HPPs and Latvenergo AS CHPPs

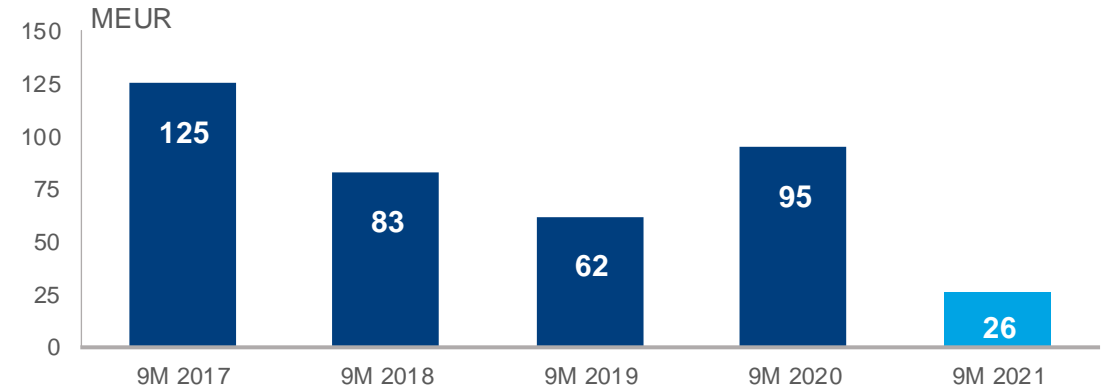


Key financial figures

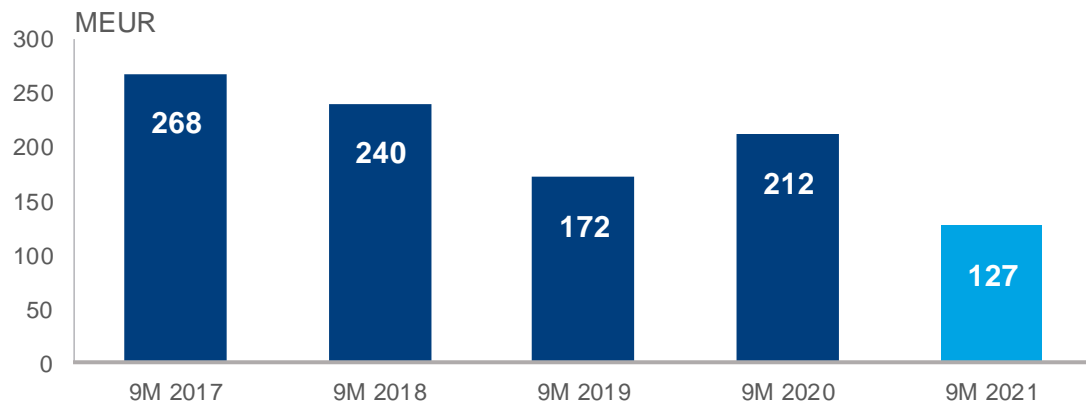
Revenue*



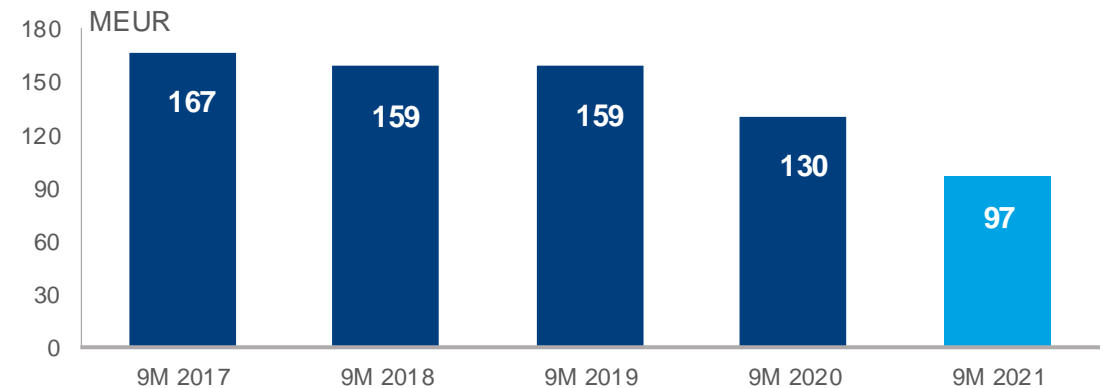
Net profit



EBITDA*



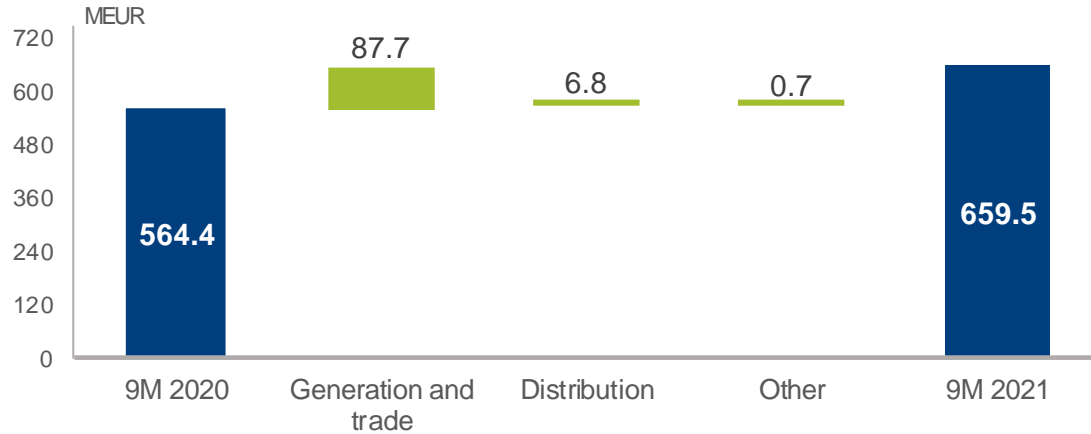
Investments



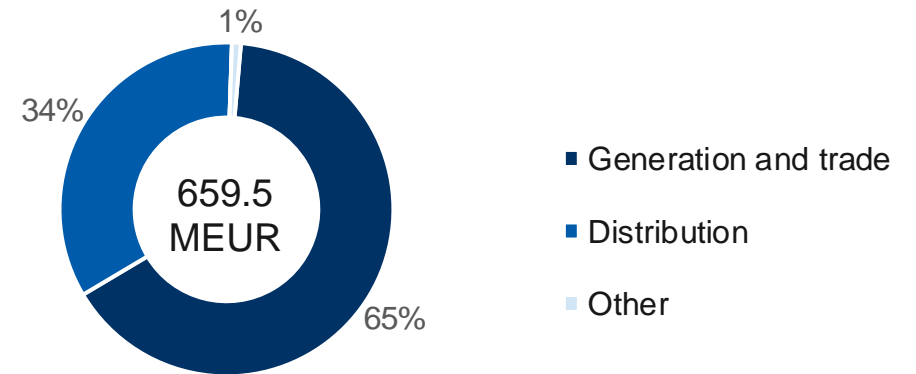
*Financial figures and ratios for 2017-2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership)

Latvenergo Group's revenue increased by 17%

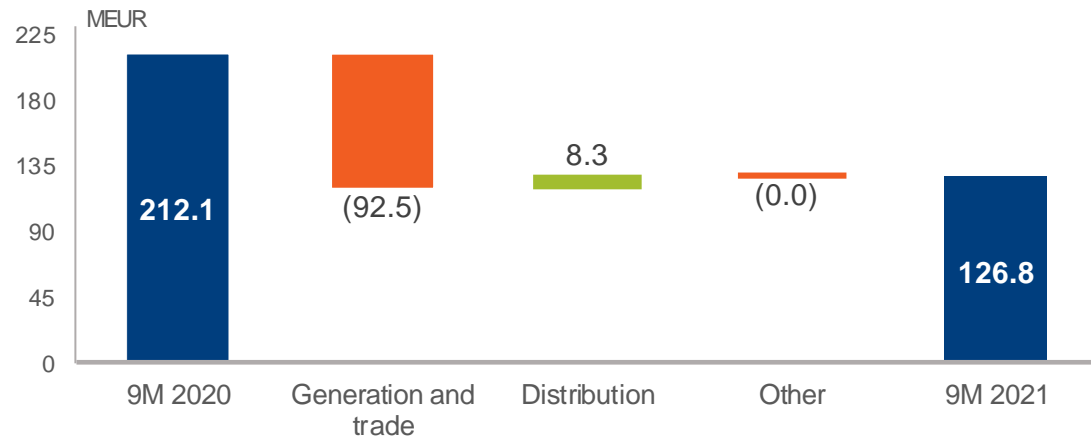
Revenue dynamics by segments



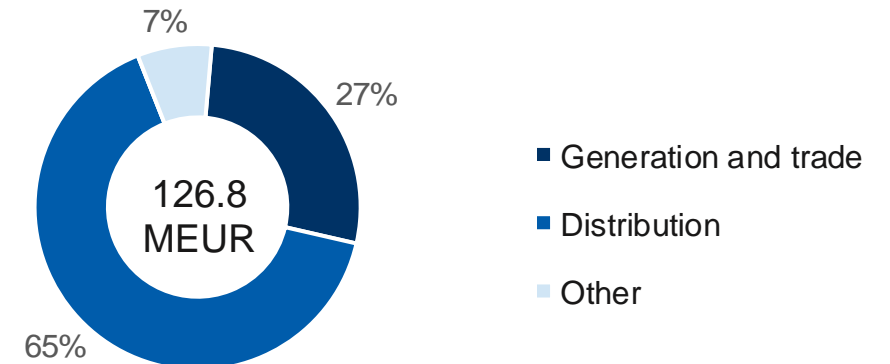
Revenue weight by segments



EBITDA dynamics by segments

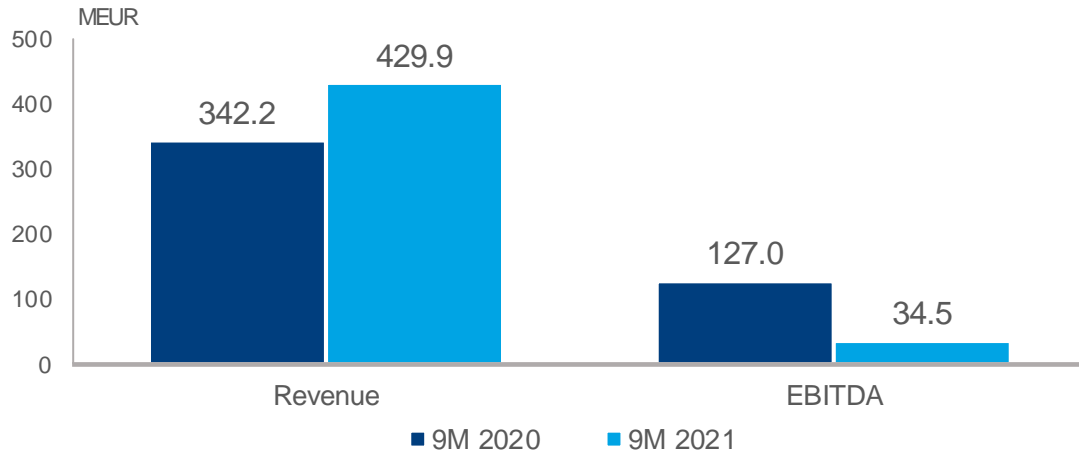


EBITDA weight by segments



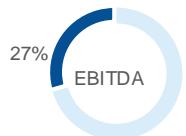
Generation and trade

Revenue and EBITDA



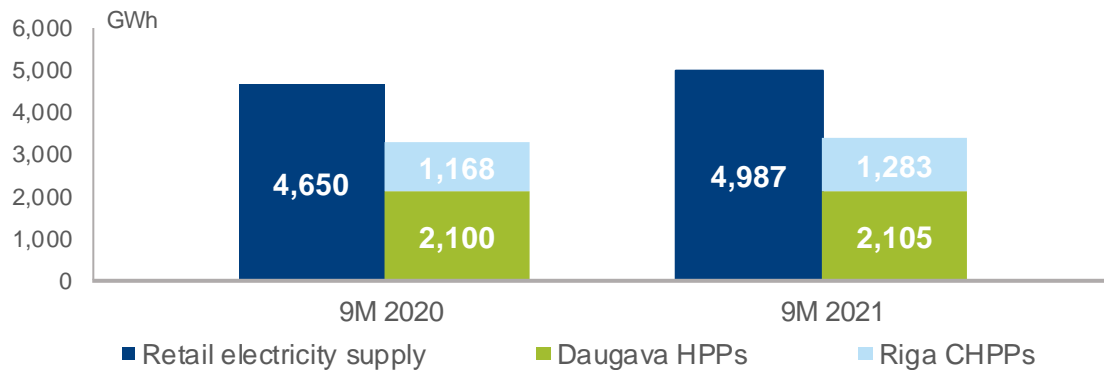
Main facts – 9M 2021

- The segment’s revenue positively impacted by:
 - 7% increase in retail sales volume and higher electricity market prices
 - 20% higher heat output due to colder weather
- The segment’s EBITDA negatively impacted by:
 - higher electricity purchase prices, and prices of natural gas and CO2 emission allowances
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia
- As of 1 January 2021, the average PSO fee is reduced by 23% – 17,51 EUR/MWh



Energy generation

3,407 GWh of electricity generated



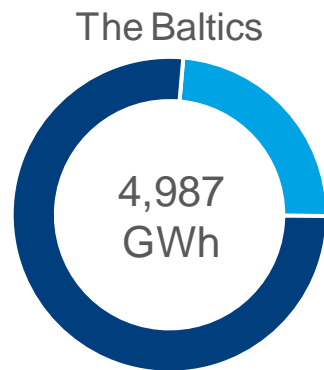
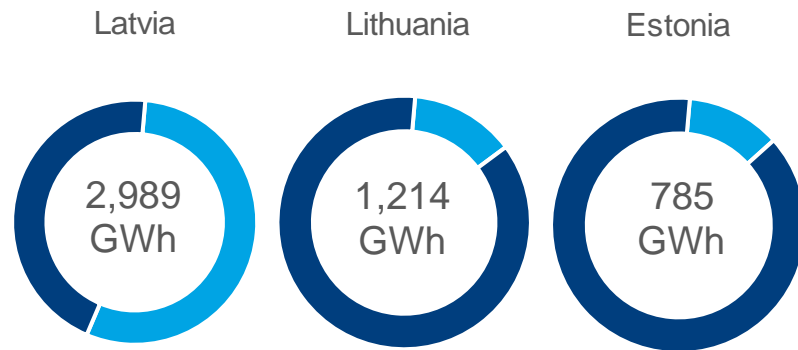
Main facts – 9M 2021

- *Latvenergo* – the largest *green* electricity producer in the Baltics, producing 31% of the total electricity generated in the Baltics
- 62% of electricity generated from renewable sources
- Total amount of electricity generated at *Latvenergo* power plants corresponds to 68% of the amount of electricity sold to retail customers (9M 2020: 71%)
- Power generation at the Daugavas HPPs remained at the same level in last year
- Power generation at the Latvenergo AS CHPPs increased by 10%, impacted by higher heat demand in the reporting period
- The amount of thermal energy generated increased by 20% due to colder weather conditions, reaching 1,320 GWh



Trade of electricity and natural gas

Retail electricity supply increased by 7%*



■ Latvenergo Group ■ other suppliers



Main facts – 9M 2021



The Group acquired shares in three micro-network service companies in Estonia and took over almost 20,000 customers in Estonia



5.0 TWh of electricity sold to retail customers



700 GWh of natural gas sold to Baltic retail customers



Almost 800 contracts were concluded for the installation of solar panels



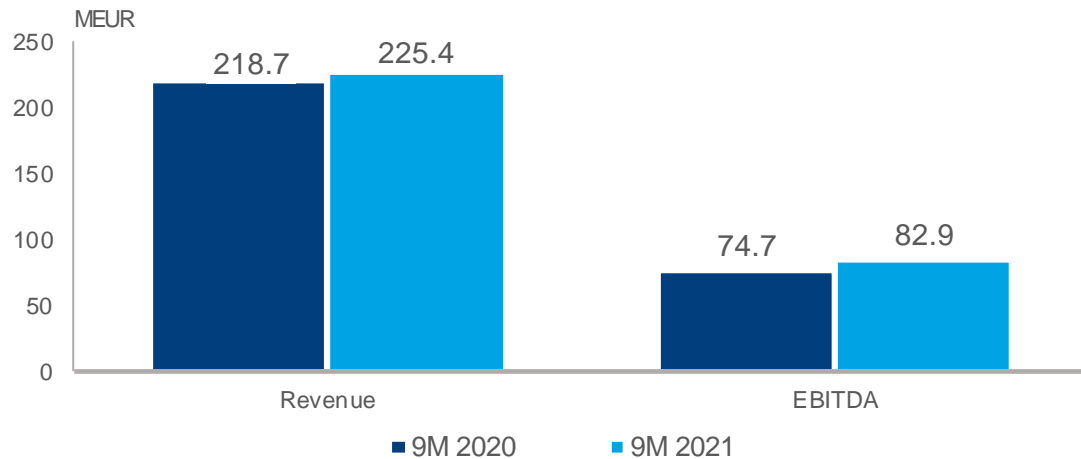
At the end of September, the total number of *Elektrum Insured* customers reached more than 100,000



Customers of the mobile application *Elektrum* made more than 5,500 charges

Distribution

Revenue and EBITDA



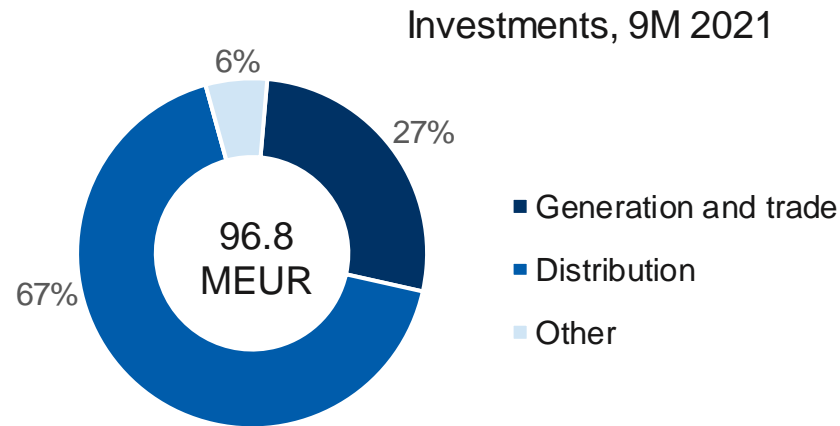
Main facts – 9M 2021

- Improvement in financial performance was mainly impacted by higher distributed electricity and the reduction of operating costs
- Electricity distributed increased by 3%, reaching 4.8 TWh (9M 2020: 4.6 TWh)
- The efficiency programme helps reduce operating costs:
 - Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS will be reduced by around 880 (30.09.2021: ~850)
 - Smart electricity meters installed in the company exceeded 940 thousand, which is more than 85% of the total electricity meters
- Investments in distribution assets remained at the same level in 9M 2020, reaching 63.3 MEUR
- The value of distribution assets: 1,789.5 MEUR (30.09.2020: 1,680.2 MEUR)



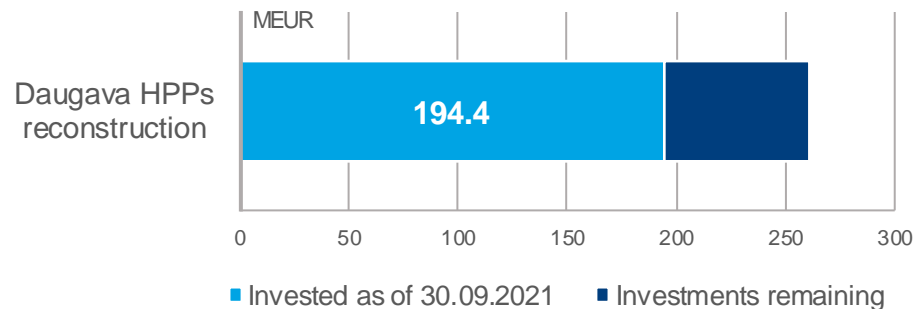
Investments

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



- Investments in network assets allows to improve the quality of the power network services and technical parameters

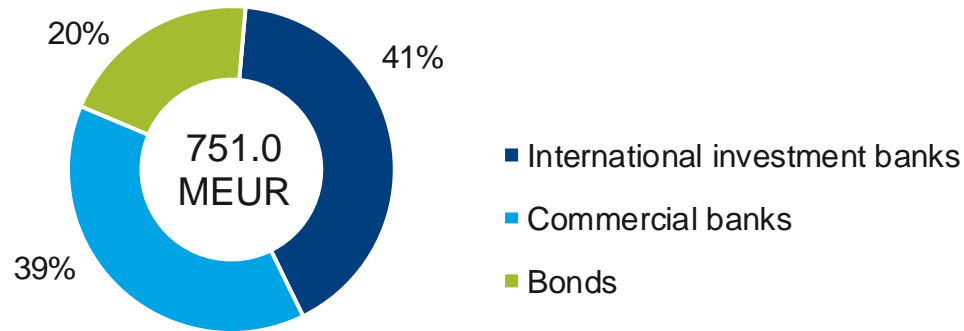
Major investment project



The reconstruction will provide for further 40-year operation of hydropower units

Funding and Liquidity

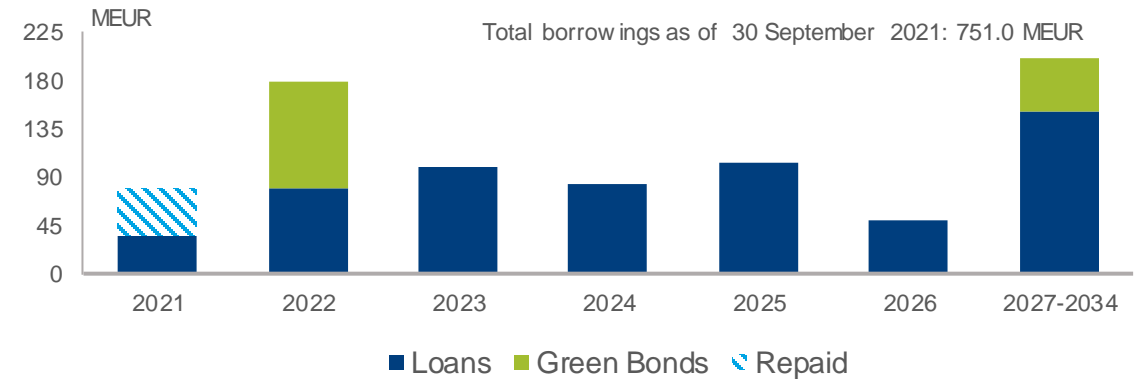
Diversified sources of funding



Main facts – 9M 2021

- In February, *Moody's* completed a periodic review of the credit rating of Latvenergo AS: Baa2 (stable)
- In May, Latvenergo AS issued seven-year green bonds in the total nominal value of EUR 50 million

Debt repayment schedule



Main figures

	30.09.2021
Share of fixed interest rate*	42%
Average Fixed Interest Rate Period*	1.7 years
Effective weighted average interest rate*	1.2 %

* with interest rate swaps

Thank you!

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Daugava HPPs – Daugava hydropower plants

EBITDA – Earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets

EU – European Union

IFRS – International Financial Reporting Standards

LET – Latvijas elektriskie tīkli AS

MEUR – Million euros

MWh – Megawatt hour (1,000,000 MWh = 1,000 GWh = 1 TWh)

PSO fee – Public service obligation fee

CHPPs – Latvenergo AS combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

Consolidated Statement of Profit or Loss*

	EUR'000	
	01/01- 30/09/2021	01/01- 30/09/2020
Revenue	659,543	564,359
Other income	21,174	21,382
Raw materials and consumables	(437,510)	(254,739)
Personnel expenses	(82,028)	(82,014)
Other operating expenses	(34,405)	(36,906)
EBITDA	126,774	212,082
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(92,076)	(119,103)
Operating profit	34,698	92,979
Finance income	1,885	1,453
Finance costs	(6,949)	(8,330)
Profit before tax	29,634	86,102
Income tax	(3,231)	(1,280)
Profit for the period from continuing operations	26,403	84,822
Profit for the period from discontinued operation	–	9,843
Profit for the period	26,403	94,665
Profit attributable to:		
- Equity holder of the Parent Company	25,527	93,416
- Non-controlling interests	876	1,249

Consolidated Statement of Financial Position*

	EUR'000	
	30/09/2021	31/12/2020
ASSETS		
Non-current assets		
Intangible assets and property, plant and equipment	2,876,846	2,877,354
Right-of-use assets	7,116	8,253
Investment property	3,305	512
Non-current financial investments	40	40
Non-current loans to related parties	–	86,620
Other non-current receivables	2,520	429
Derivative financial instruments	1,664	291
Other financial investments	2,678	2,693
Total non-current assets	2,894,169	2,976,192
Current assets		
Inventories	146,130	68,754
Current intangible assets	22,565	3,157
Receivables from contracts with customers	113,154	108,178
Other current receivables	80,631	85,316
Deferred expenses	2,063	1,083
Prepayment for income tax	–	43
Derivative financial instruments	7,396	1,266
Other financial investments	–	14,143
Cash and cash equivalents	47,449	100,703
Total current assets	419,388	382,643
TOTAL ASSETS	3,313,557	3,358,835
EQUITY AND LIABILITIES		
EQUITY		
Share capital	790,368	790,348
Reserves	1,138,157	1,154,367
Retained earnings	102,311	165,672
Equity attributable to equity holder of the Parent Company	2,030,836	2,110,387
Non-controlling interests	6,223	7,855
Total equity	2,037,059	2,118,242
LIABILITIES		
Non-current liabilities		
Borrowings	559,575	634,077
Lease liabilities	5,654	6,783
Deferred income tax liabilities	2,670	6,401
Provisions	17,365	17,317
Derivative financial instruments	4,358	9,672
Deferred income from contracts with customers	137,081	139,613
Other deferred income	152,351	170,413
Total non-current liabilities	879,054	984,276
Current liabilities		
Borrowings	191,820	109,122
Lease liabilities	1,559	1,561
Trade and other payables	118,843	100,912
Deferred income from contracts with customers	14,809	15,091
Other deferred income	25,014	24,799
Derivative financial instruments	45,399	4,832
Total current liabilities	397,444	256,317
Total liabilities	1,276,498	1,240,593
TOTAL EQUITY AND LIABILITIES	3,313,557	3,358,835

* The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 9-Month Period Ending 30 September 2021 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Cash Flows*

	EUR'000	
	01/01- 30/09/2021	01/01- 30/09/2020
Cash flows from operating activities		
Profit before tax	29,634	86,102
Profit before tax from discontinued operation	–	9,945
Profit before tax. total	29,634	96,047
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	120,172	145,170
– Net financial adjustments	26,155	3,738
– Other adjustments	(1,069)	219
– Gain from distribution of assets / non-current financial investment of Parent Company	–	(5,001)
Operating profit before working capital adjustments	174,892	240,173
(Increase) / decrease in current assets	(81,525)	(5,760)
(Decrease) / increase in trade and other liabilities	(3,267)	2,887
Cash generated from operating activities	90,100	237,300
Interest paid	(6,368)	(8,935)
Interest received	2,277	1,579
Paid corporate income tax	(6,860)	(10,744)
Net cash flows from operating activities	79,149	219,200
Cash flows from investing activities		
Repayment of loans to related parties	86,672	138,560
Purchase of intangible assets and property, plant and equipment	(136,102)	(140,118)
Proceeds from redemption of other financial investments	14,158	37
Payment for acquisition of subsidiaries, net of cash acquired	(4,410)	–
Net cash flows used in investing activities	(39,682)	(1,521)
Cash flows from financing activities		
Repayment of issued debt securities (bonds)	–	(35,000)
Proceeds from issued debt securities (bonds)	50,000	–
Proceeds on borrowings from financial institutions	2,380	4,500
Repayment of borrowings	(44,155)	(100,604)
Received financing from European Union	748	893
Lease payments	(940)	(695)
Dividends paid to non-controlling interests	(2,508)	(1,819)
Dividends paid to equity holder of the Parent Company	(98,246)	(127,071)
Net cash flows used in financing activities	(92,721)	(259,796)
Net decrease in cash and cash equivalents	(53,254)	(42,117)
Cash and cash equivalents at the beginning of the period	100,703	122,722
Cash and cash equivalents at the end of the period	47,449	80,605