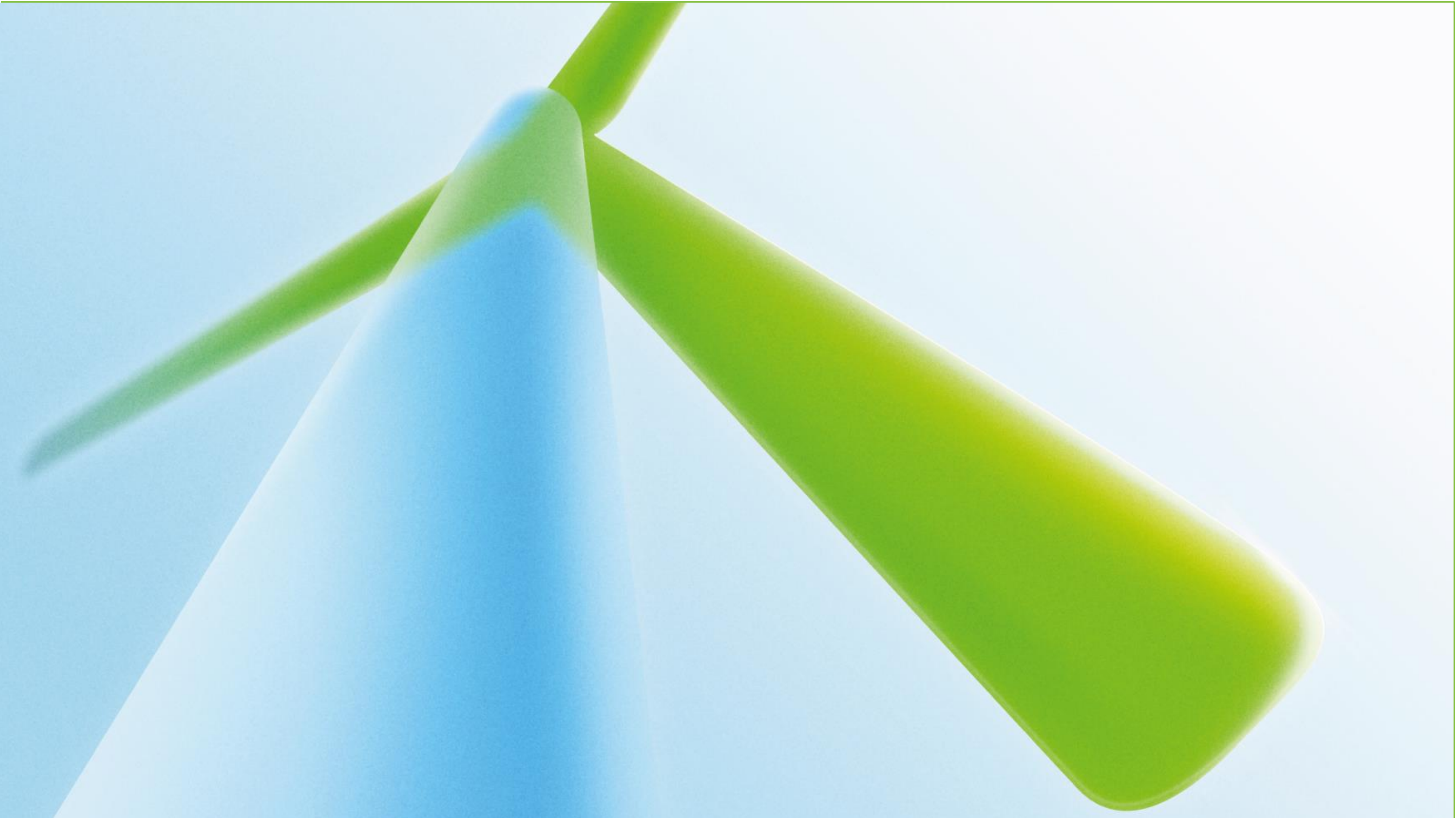

LATVENERGO CONSOLIDATED AND LATVENERGO AS UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD ENDING 30 JUNE 2023

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Management Report

Unaudited Condensed Interim Financial Statements*

FINANCIAL CALENDAR

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

29. 02. 2024.
Latvenergo Consolidated and Latvenergo AS Condensed Financial Statements for 2023 (unaudited)

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DISCLAIMER

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

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

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

Highlights

Electricity and natural gas prices decreased.

In 1H 2023, electricity spot prices in the Baltics were on average 39% lower than in the respective period a year ago. Meanwhile, the average price of natural gas at the TTF (front month) reached 59 EUR/MWh, which is 42% lower than a year ago. The price of CO_2 emission allowances reached 89 EUR/t, which is 7% higher than in the respective period a year ago.

The Group's electricity generation increased by more than 50%.

In the reporting period, electricity output at Latvenergo Group's plants reached 3,519 GWh, which is 56% more than in the respective period a year ago. Electricity output at the Daugava HPPs reached 2,834 GWh, which is a 44% increase. This was due to significantly higher water inflow in the Daugava River. Meanwhile, the amount of electricity generated at the Latvenergo AS CHPPs increased 2.5 times compared to the respective period a year ago, reaching 675 GWh. The operation of the CHPPs is adjusted to the conditions of the market. The amount of thermal energy generated was 11% lower, reaching 833 GWh.

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

842 thous. customers

3,087 GWh of electricity sold to Baltic retail customers

37 thous. customers

445 GWh of natural gas sold to Baltic retail customers

In the reporting period, the Group supplied 3,087 GWh of electricity to Baltic retail customers, which is 17% more than in the respective period a year ago. The number of Latvenergo customers increased in both the electricity and natural gas segments. We have about 842 thousand electricity customers, and 209 thousand of them are outside Latvia. The number of natural gas customers comprised more than 37 thousand at the end of June.

EBITDA increased by 52%.

MEUR

1,163.4	344.7	222.5	4,183.6
REVENUE	EBITDA	PROFIT	ASSETS

In 1H 2023, Latvenergo Group's revenue was 56% or EUR 418.8 million higher than in the respective period a year ago. This was mainly positively impacted by the greater amount of electricity sold, higher sales prices and the greater amount of power generated at the Daugava HPPs.

The Group's EBITDA increased by 52% or EUR 118.2 million. This was mainly positively impacted by the greater amount of power generated at the Daugava HPPs.

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

In 1H 2023, the total amount of investment comprised EUR 85.1 million, of which more than half was made in distribution network assets. As per Latvenergo Group's strategic plan for 2022-2026, there will be a substantial increase in investments towards expanding the Group's renewable energy production capacity. This will lead to a significant reduction in greenhouse gas emissions and contribute to Latvia's goal of achieving climate neutrality by 2050.

The highest category of the Sustainability Index received.

In June, for the second year in a row, Latvenergo AS received the highest category – Diamond. For the first time, the Diamond category was also awarded to Sadales tīkls AS, a subsidiary of Latvenergo AS. The Diamond category distinguishes companies that have demonstrated consistently high performance in the work environment, the natural environment, society and other aspects of sustainability for a long time. Meanwhile, the Gold category was awarded to Liepājas enerģija SIA, a subsidiary of Latvenergo AS.

SUSTAINABILITY INDEX

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.

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

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

The generation and trade segment

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

The distribution segment

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

Latvenergo Group in Brief

Latvenergo Group's Strategy

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

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

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

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

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

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

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

The financial objectives are set to ensure:

- ambitious, yet achievable profitability, which is consistent with the average ratios of benchmark companies in the European energy sector and provides for an adequate return on the business risk;
- an optimal and industry-relevant capital structure that limits potential financial risks;
- an adequate dividend policy that is consistent with the planned investment policy and capital structure targets;
- an investment-grade credit rating to secure funding for the strategy's ambitious investment programme.

The Group's financial objectives

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

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

The Group's strategic objectives

Latvenergo Group in Brief

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

By implementing the strategy of Latvenergo Group, we plan to prevent CO_2 emissions* in this amount:

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

SDGs set as a priority and relevant to the Group's core business

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

In addition, the Group plans to develop innovative products, services and processes that are relevant to the Group's priority Sustainable Development Goals (SDGs). This target provides for the introduction of a culture of innovation in the Group, which supports: 1) research and development of innovative technologies; 2) development and implementation of innovative products and services, business directions and models; 3) systematic and continuous innovation to increase the efficiency of technological and corporate processes.

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

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		1H 2023	1H 2022	1H 2021	1H 2020	1H 2019
Retail electricity 1)	GWh	3,087	2,643	3,384	3,083	3,365
Natural gas sales	GWh	799	518	506	227	143
Electricity generation	GWh	3,519	2,253	2,827	2,550	2,373
Thermal energy generation	GWh	969	1,092	1,259	978	1,139
Number of employees		3,473	3,201	3,303	3,374	3,478
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		1H 2023	1H 2022	1H 2021	1H 2020	1H 2019
Revenue*	MEUR	1,163.4	744.6	448.1	393.3	432.5
EBITDA 2)*	MEUR	344.7	226.5	145.1	162.1	127.8
Profit	MEUR	222.5	141.9	57.1	86.8	54.0
Assets	MEUR	4,183.6	3,947.4	3,299.7	3,248.0	3,731.7
Equity	MEUR	2,811.2	2,552.6	2,068.6	2,004.4	2,202.6
Net debt 2)*	MEUR	419.9	829.0	587.2	596.1	574.9
Adjusted funds from operations (FFO) 2)**	MEUR	334.0	192.2	129.7	138.0	131.0
Capital expenditure	MEUR	85.1	56.2	58.1	93.2	99.6

Latvenergo Group Financial Ratios

	1H 2023	1H 2022	1H 2021	1H 2020	1H 2019
Return on equity (ROE) 2)	9.9%	6.8%	4.3%	6.0%	1.4%
Adjusted FFO / net debt	83.3%	39.8%	44.1%	47.6%	40.9%
Net debt / EBITDA 2)	1.3	2.5	2.3	2.1	2.1
EBITDA margin 2)	21%	21%	32%	35%	29%
Return on assets (ROA) 2)	6.5%	4.3%	2.6%	3.6%	0.9%
Return on capital employed (ROCE) 2)*	8.8%	5.3%	3.7%	4.7%	1.5%
Net debt / equity 2)	15%	32%	28%	30%	26%

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

Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In 1H 2023:

- the Nord Pool system price decreased by 39%, and the electricity price in Latvia decreased by 40%
- the price of natural gas at the TTF (the Dutch natural gas virtual trading point) decreased by 42% compared to the respective period a year ago

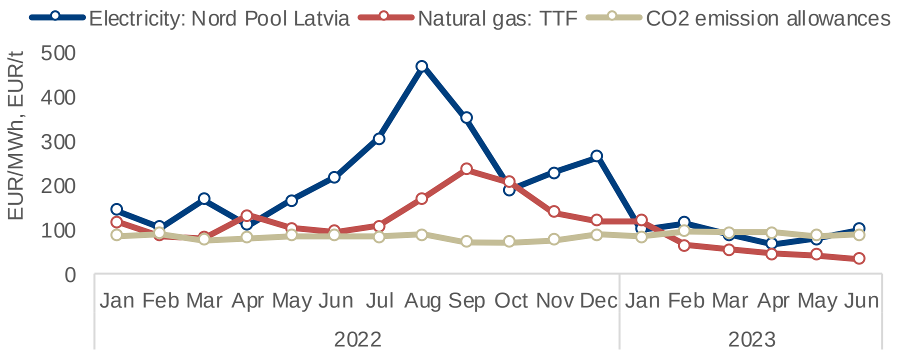
Electricity prices decreased

In 1H 2023, the Nord Pool system price was 39% lower compared to the respective period a year ago, reaching 71 EUR/MWh. The electricity price in Latvia decreased by 40%, reaching 91 EUR/MWh. Meanwhile, the price of CO_2 emission allowances exceeded 89 EUR/t, which is 7% higher than in the respective period a year ago. The decrease in the price of electricity was mainly affected by the lower natural gas prices, which were mainly affected by warmer weather, higher output of renewable energy and slower global economic growth. The electricity market was also stabilized with the help of the European Commission's REPowerEU plan, in response to the difficulties in the world energy market caused by the Russian invasion of Ukraine. The REPowerEU plan envisions implementing energy-saving measures, diversification of energy sources to reduce dependence on Russian fossil fuels and accelerated development of renewable energy resources.

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

Region	1H 2023	1H 2022	Δ, %
Latvia	90.7	151.3	(40%)
Lithuania	91.7	154.2	(40%)
Estonia	87.2	137.2	(36%)
Poland	122.6	141.7	(13%)
Sweden	59.5	79.5	(25%)
Finland	60.6	104.4	(42%)
Denmark	93.6	165.5	(43%)
Norway	66.9	85.3	(22%)
Germany	104.3	185.0	(44%)
France	111.3	228.5	(51%)
Great Britain	122.2	209.4	(42%)

Energy resource prices



In 1H 2023, total electricity consumption in the Baltics was on average 7% lower compared to the respective period a year ago, reaching 13.3 TWh. The decrease was affected by energy efficiency measures introduced by consumers, as well as the increasing volume of electricity generated by micro-generators.

Meanwhile, the amount of overall electricity generation in the Baltics increased by 3%, reaching 8.7 TWh (in 1H 2022, it was 8.4 TWh). Due to higher output at the Daugava HPPs, the total volume of electricity generation in Latvia increased by 41%, reaching 3.8 TWh. In Lithuania, electricity output increased by 12%, reaching 2.4 TWh. Meanwhile, in Estonia electricity output decreased by 31% to 2.5 TWh, which was mainly impacted by 42% lower output at oil shale plants. In the reporting period, the electricity purchased from neighbouring countries decreased by 22%; it amounted to 4.3 TWh.

Operating Environment

The natural gas price decreased

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In 1H 2023, the average price of natural gas at the TTF (front month) reached 59 EUR/MWh, which is 42% lower than in the respective period a year ago. Slower global economic growth, along with the high import of liquid natural gas (LNG) during the reporting period and lower consumption of natural gas due to warmer weather, contributed to the increase in the natural gas reserve fill rate in Europe's gas storage facilities to 77% at the end of June, which is the highest rate in the past five years.

The dynamics of the natural gas market are linked with the oil and other energy resource markets. In 1H 2023:

- The average price of Brent crude futures oil was 80.1 USD / bbl., which is 23% lower than in the respective period a year ago. The price of oil was affected by concerns about the onset of a global economic recession as well as by China's slower economic recovery.
- The average price of coal (API2 Rotterdam coal futures front month) was 35% higher, reaching 150.0 USD / t. The increase in the coal price was affected by lower coal consumption in Europe due to the lower price of natural gas and LNG, higher output of renewable energy, and high levels of coal stockpiles in European ports and China.
- The average price of CO_2 emission allowances (EUA DEC.23) was 7% higher compared to the respective period a year ago, reaching 89.4 EUR / t. European countries have agreed to reduce CO_2 emissions by 55% by 2030 compared to the levels of 1990. This reduction is being implemented gradually, excluding 24% of emission allowances from circulation and absorbing them in the Market Stability Reserve from 1 September 2023 to 31 August 2024. However, in the short term, factors such as concerns over financial sector stability and the European Parliament's decision to allocate additional quotas for financing REPowerEU have been compensating for the increase in quota prices. This decision aims to reduce Europe's reliance on energy resources from Russia.

Latvenergo AS has not imported natural gas from Russia since 24 February 2022, switching to supplies of LNG from other countries. In September 2022, Latvenergo AS participated in the long-term LNG terminal capacity allocation procedure organised by Klaipėdos nafta AB and obtained the rights to use the *Klaipėdos nafta* terminal's annual capacity of 6 TWh for the next 10 years for regular supplies of natural gas. In 1H 2023, 3 TWh of SDG were supplied from the USA and Norway, and contracts for an additional 3 TWh were concluded for the second half of 2023 (strictly not from Russia).

Dividends

In May 2023, Latvenergo AS paid 134.0 million EUR of the 2022 profit of Latvenergo AS to the state as dividends, paying a corporate income tax of 26.5 million EUR accordingly. According to the law "On the state budget for 2023 and budgetary framework for 2023, 2024 and 2025", Latvenergo AS dividend payout in the year 2024 (for the reporting year 2023) amounts to 64% of profit for the reporting year and is not less than EUR 89.5 million. Accordingly, corporate income tax is calculated and paid in accordance with laws and regulations. The actual amount of the dividend payout is set at the Shareholder Meeting of Latvenergo AS after the approval of the annual report, upon evaluation of the results of the previous year. Latvenergo AS dividends are used as a source of funding the mandatory procurement public service obligation fee. Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 30 June 2023, the Group's asset value exceeds EUR 4.1 billion and its equity exceeds EUR 2.8 billion.

Financial Results

In 1H 2023, Latvenergo Group's revenue reached EUR 1,163.4 million, which was EUR 418.8 million or 56% more than in the respective period a year ago. This was mainly impacted by EUR 312.1 million higher energy sales revenues mainly due to a 17% greater amount of electricity sold in retail, higher sales prices and a 44% greater amount of power generated at the Daugava HPPs.

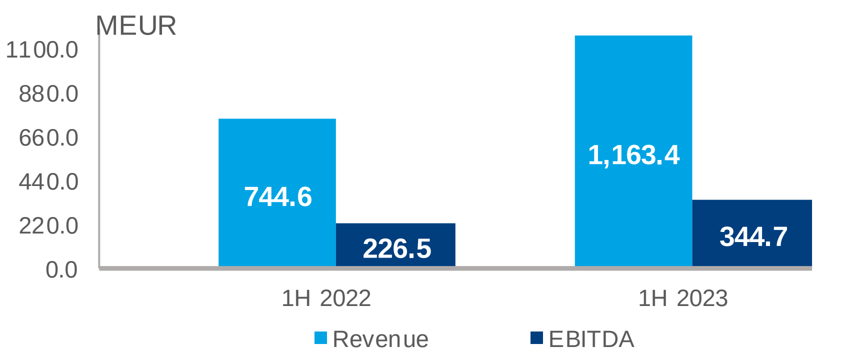
> Latvenergo Group's EBITDA increased by 52%

Latvenergo Group financial figures		1H 2023	1H 2022	Δ	Δ, %
Revenue	MEUR	1,163.4	744.6	418.8	56%
EBITDA	MEUR	344.7	226.5	118.2	52%
Net profit	MEUR	222.5	141.9	80.6	57%
Assets	MEUR	4,183.6	3,947.4	236.3	6%

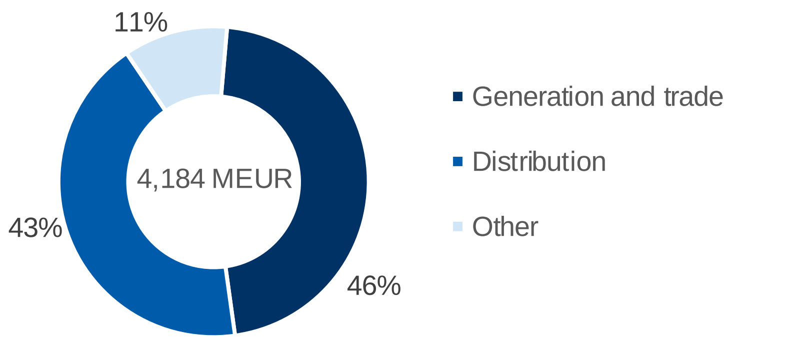
Latvenergo Group's EBITDA increased by EUR 118.2 million or 52% compared to the respective period a year ago, reaching EUR 344.7 million. This was mainly positively impacted by the greater amount of power generated at the Daugava HPPs.

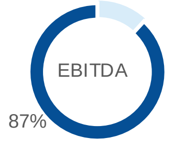
The Group's profit for the reporting period reached EUR 222.5 million.

Revenue and EBITDA



Assets





Generation and Trade

Segment weight in Latvenergo Group

Revenue
87%

EBITDA
87%

Assets
46%

Employees
35%

In 1H 2023, generation and trade comprised Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 85% of the segment's revenue came from electricity and natural gas trade, while 15% came from thermal energy supply.

The segment's revenue was positively impacted by EUR 312.1 million higher energy sales revenues mainly due to a 17% greater amount of electricity sold in retail, higher sales prices and a 44% greater amount of power generated at the Daugava HPPs.

Meanwhile, the segment's EBITDA was mainly positively impacted by the greater amount of power generated at the Daugava HPPs.

In the reporting period, the amount of electricity generated at the Group's power plants was sufficient to meet the electricity needs of all its customers, and additionally, a portion of electricity was exported to neighbouring countries. The total volume of electricity generated at Latvenergo Group's plants amounted to 3,519 GWh, which corresponded to 114% of the amount of electricity sold to retail customers (in 1H 2022: 85%).

Operational figures		**1H 2023**	**1H 2022**	**Δ**	**Δ, %**
Electricity customers	thous.	842	794	48	6%
Electricity supply	GWh	5,026	3,918	1,108	28%
*Retail**	*GWh*	3,087	2,643	444	17%
*Wholesale***	*GWh*	1,939	1,276	663	52%
Natural gas customers	thous.	38	20	18	88%
Natural gas supply	GWh	799	518	281	54%
Retail	*GWh*	445	518	(73)	(14%)
Wholesale	*GWh*	354	–	354	n/a
Electricity generation	GWh	3,519	2,253	1,266	56%
Daugava HPPs	GWh	2,834	1,969	865	44%
CHPPs	GWh	675	269	406	151%
Liepaja plants and small plants	GWh	10	14	(5)	(33%)
Thermal energy generation	GWh	969	1,092	(123)	(11%)
CHPPs	GWh	833	945	(112)	(12%)
Liepaja plants	GWh	*136*	*147*	*(12)*	*(8%)*

Financial figures		**1H 2023**	**1H 2022**	**Δ**	**Δ, %**
Revenue	MEUR	1,028.3	589.5	438.7	74%
EBITDA	MEUR	299.1	174.7	124.4	71%
Assets	MEUR	1,941.2	1,992.4	(51.1)	(3%)
Capital expenditure	MEUR	32.1	9.3	22.8	245%

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

Generation and Trade

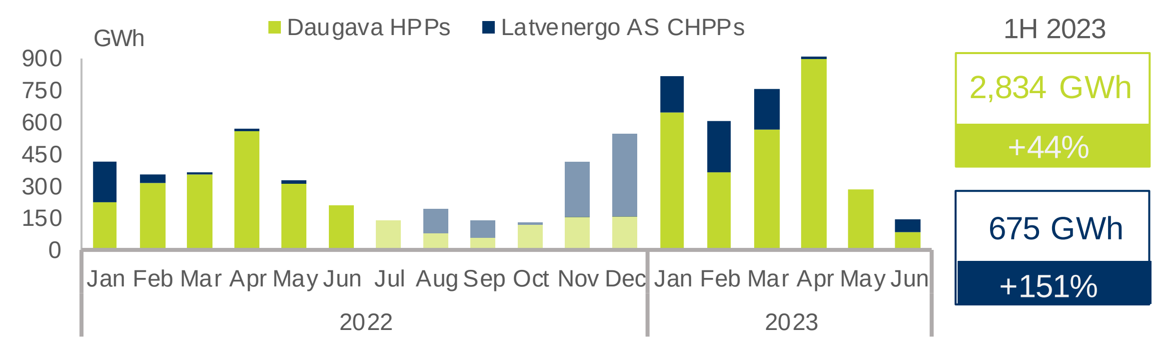
Generation

Latvenergo Group is the largest renewable electricity producer in the Baltics. In 1H 2023, Latvenergo Group produced 40% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 3,519 GWh of electricity and 969 GWh of thermal energy.

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

In the reporting period, the amount of power generated at the Daugava HPPs was 44% higher compared to the respective period a year ago, reaching 2,834 GWh. The amount of power generated at the Daugava HPPs was impacted by significantly higher water inflow in the Daugava River. According to data from the Latvian Environment, Geology and Meteorology Centre, the average water inflow in the Daugava River in the reporting period was 1,243 m^3/s, while in the respective period a year ago it was 754 m^3/s. This year, during the spring flooding, the water inflow in the Daugava River exceeded the maximum amount of water used for electricity generation at the Pļaviņas HPP; thus, the water spillway gates were opened for two weeks in April. The last time the water spillway gates of the Pļaviņas HPP were opened was 6 years ago.

Electricity generation at Daugava HPPs and Latvenergo AS CHPPs



The amount generated at the Latvenergo AS CHPPs comprised 675 GWh, which is 151% more than a year ago. The increase was influenced by relatively low generation in the previous year, which was affected by high natural gas prices. The operation of the CHPPs is adjusted to the conditions of the electricity market and heat demand.

In 1H 2023, the share of electricity generated from renewable energy sources at Latvenergo Group reached 81% (in 1H 2022: 88%). The amount of thermal energy generated decreased by 11% mainly due to energy efficiency measures that significantly reduced the consumption of thermal and electrical energy in residential, state, and local government buildings.

Generation and Trade

Trade

As of 30 June 2023, the number of electricity customers exceeded more than 842 thousand, including 209 thousand foreign customers. The electricity customer portfolio shows a positive increase in both the business and household customer segments, mainly due to the increase in the number of customers within households in Lithuania. Under the *Elektrum* brand, Latvenergo Group has become the second-largest electricity supplier in the household customer segment in Lithuania.

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

In 1H 2023, the Group supplied 3,087 GWh of electricity to its customers in the Baltics, which is 17% more than in the respective period a year ago. The increase in electricity sales volume was mainly impacted by the growth in sales volume in the business customer segment, as well as the increase in sales volume in the household market in Lithuania.

The overall amount of retail electricity trade outside Latvia accounted for about 38%. The electricity trade volume in Latvia was 1,927 GWh, while in Lithuania it was 906 GWh and in Estonia it was 255 GWh.

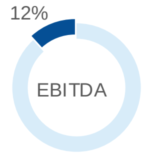
Meanwhile, the number of natural gas customers increased by almost 90%, comprising more than 37 thousand at the end of June. The Group's natural gas sales in the Baltics decreased by 14%, reaching 445 GWh. The decrease is significantly lower than the overall reduction in natural gas consumption for energy conservation purposes.

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

- The number of contracts for the installation of solar panels and trade of solar park components in the Baltics exceeded 1,100. The total installed solar panel capacity (including remote solar parks) provided to Latvenergo Group's retail customers in the Baltics exceeded 55 MW at the end of June; thus, Latvenergo is one of the leading providers of this service in the Baltics. 2/3 of panels are installed for customers outside Latvia.
- Steady growth in the number of *Elektrum Insured* customers in the Baltics continued, reaching more than 120 thousand.
- The *Elektrum Drive* electric car charging network grew, exceeding 220 charging ports. By the end of the year, the network is set to be expanded to 500 charging ports throughout the Baltics, thereby solidifying a leading position in the electric charging infrastructure sector. In 1H 2023, more than 20.3 thousand electric vehicle charges were made, comprising 421 MWh, resulting in savings of 257 tonnes of CO_2 emissions.

Completed in 1H 2023

- 3,087 GWh of electricity sold to retail customers.
- 445 GWh of natural gas sold to Baltic retail customers.
- More than 1,100 contracts were concluded for the installation of solar panels.
- More than 20,300 electric vehicle charges were made at the *Elektrum Drive* electric car charging stations.



Distribution

Segment weight in Latvenergo Group

Revenue
13%

EBITDA
12%

Assets
43%

Employees
48%

In 1H 2023, the segment's revenue decreased by EUR 3.9 million compared to the respective period a year ago, reaching EUR 148.3 million. The decrease was due to 5% lower electricity distributed, which was affected by lower consumption due to energy efficiency measures implemented by customers and the increasing volume of microgenerators.

Meanwhile, the segment's EBITDA decreased by 11%, reaching EUR 40.0 million. EBITDA was mainly negatively impacted by lower electricity distributed and a rise in operating costs due to inflation. On the other hand, a positive impact was made by EUR 4.7 million lower electricity loss costs due to lower electricity market prices.

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

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

Operational figures		1H 2023	1H 2022	Δ	Δ, %
Electricity distributed	GWh	3,015	3,181	(166)	(5%)
Distribution losses	GWh	99	125	(26)	(21%)
SAIFI*	number	1.0	1.5	(0.5)	(35%)
SAIDI*	minutes	86	38	(52)	(38%)

Financial figures		1H 2023	1H 2022	Δ	Δ, %
Revenue	MEUR	148.3	152.3	(3.9)	(3%)
EBITDA	MEUR	40.0	45.1	(5.1)	(11%)
Assets	MEUR	1,787.7	1,783.2	4.6	0%
RAB	MEUR	1,572.8	1,585.1	(12.3)	(1%)
Capital expenditure	MEUR	45.4	39.3	6.1	16%

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

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

As of July 1, 2023, new distribution tariffs of Sadales tīkls AS have come into effect. Specific changes depend on the customer's connection and usage. The increase in tariffs was determined by the rise in distribution service costs, which were impacted by the increase in costs due to inflation, the increase in electricity transmission tariffs, and the rise in electricity prices compared to 2020, when distribution service tariffs were last reviewed and reduced. In 1H 2023, before the new distribution tariffs came into effect, the distribution segment operated with a pre-tax loss of EUR 0.8 million.

At the end of the reporting period, on August 10, 2023, the PUC approved the return on capital rate for the calculation of the electricity distribution system service tariff projects (https://www.vestnesis.lv/op/2023/157.11). For major distribution system operators, the approved return on capital rate is 1.48%. However, the new return on capital rate is applicable only to those tariff projects that will come into effect in 2024. In the calculation of the Sadales tīkls AS distribution system service tariff that came into effect on July 1, 2023, the previously approved return on capital rate for the year 2023 has been used, which is 2.72%. The approved distribution tariff is determined for the period until 2027. The approved return on capital rates are set in real terms – the revalued regulatory asset base (RAB) value is used to determine capital costs. The last asset revaluation of Sadales tīkls AS was conducted in the year 2020.

Investments

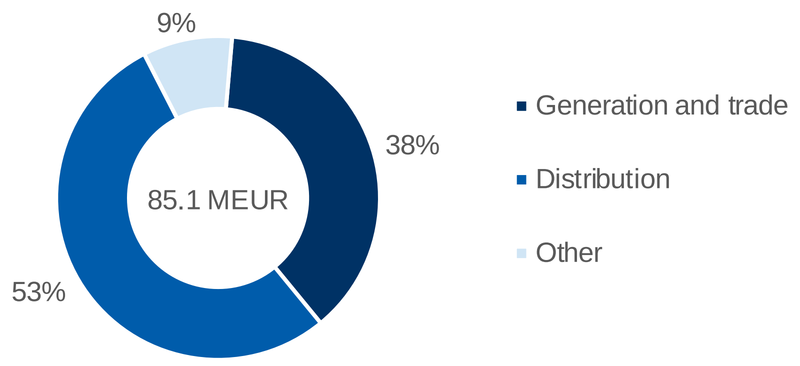
In 1H 2023, the total amount of investment comprised EUR 85.1 million, which is 52% or EUR 28.9 million lower compared to the respective period a year ago.

Investment in power distribution network assets – more than half of the total

In the reporting period, investments in distribution comprised EUR 45.4 million, which is more than half of the Group's total investments. The majority of funds are invested in the construction and reconstruction of power lines and transformers, thereby ensuring high-quality network services, technical performance, and operational safety. The purpose of investments in the distribution segment is to promote the quality and security of the energy supply, reduce the frequency and duration of power supply disruptions caused by planned and unplanned maintenance, and ensure the appropriate voltage quality.

In the reporting period, more than half of the investments in the Generation and trade segment were allocated towards the development of *Elektrum* solar parks. Also, the process of initiating reconstruction work on the last three hydro units of the Daugava HPPs continued. The Group plans to carry out procurement procedures and conclude reconstruction contracts by the end of the year. 8 hydro units included in the programme have already been reconstructed as of 30 June 2023.

Capital expenditure



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

Latvenergo Group purposefully develops solar energy generation capacity in the Baltic region

In the reporting period, the Group continued to develop solar park projects. In June, another solar park with a total capacity of 2 MW was put into operation in Lithuania. By the end of the reporting period, we had 4 *Elektrum* solar parks in operation with a total capacity of 13 MW in Lithuania. In the second half of the 2023, we plan to put into operation 2 more with a total capacity of more than 17 MW. The solar park capacity in Lithuania will be distributed in three revenue streams: selling capacity to customers, leasing capacity to customers, and selling generated energy on the market exchange. Meanwhile, in Latvia, the first solar park with a total capacity of 11 MW is expected to be operational by the end of this year. Overall, in the Baltic region, there are 15 solar park projects in the project or construction stage with a total capacity exceeding 300 MW; their gradual commissioning is expected from 2023-2025.

Funding and Liquidity

Latvenergo Group finances its investments from its own resources and external long-term borrowings, which are regularly sourced in financial and capital markets in a timely manner.

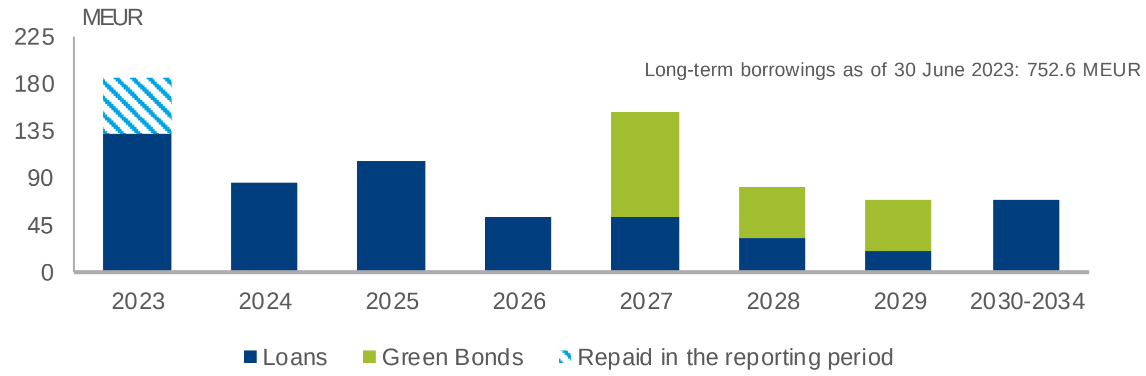
Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time.

On February 22, 2023, Latvenergo AS concluded the third bond programme in the amount of EUR 200 million by issuing six-year green bonds with a total nominal value of EUR 50 million with a maturity date of February 22, 2029, and a fixed interest rate (coupon) and yield of 4.952% per year. The bonds are listed on Nasdaq Riga AS.

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

As of 30 June 2023, the Group's borrowings amount to EUR 752.6 million, all of which are long-term loans (30 June 2022: EUR 890.7 million, including long-term loans in the amount of EUR 803.0 million). The loan portfolio includes long-term loans from commercial banks and international financial institutions, as well as green bonds in the amount of EUR 200 million.

Latvenergo Group's long-term debt repayment schedule



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

As of 30 June 2023, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 3.8 years (30 June 2022: 4.2 years). The effective weighted average interest rate (with interest rate swaps) is 2.9% (30 June 2022: 1.0%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 3.7).

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

On 9 March 2023, Moody's published an updated Credit Opinion of Latvenergo AS. The rating of Latvenergo AS remains unchanged: Baa2 with a stable outlook. The credit rating Baa2 for Latvenergo AS has been stable since 2015, confirming the consistency of operations and financial soundness of Latvenergo Group.

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

Financial Risk Management

The activities of Latvenergo Group are exposed to a variety of financial risks: market risks, credit risk, and liquidity and cash flow risk. Latvenergo Group's Financial Risk Management Policy focuses on mitigating the potential adverse effects from such risks on financial performance. In the framework of financial risk management, Latvenergo Group uses various financial risk controls and hedging to reduce certain risk exposures.

a) Market risks

I) Price risk

Price risk might negatively affect the financial results of the Group due to falling revenue from generation and a mismatch between floating market prices and fixed retail prices.

The main sources of Latvenergo Group's exposure to price risk are the floating market prices of electricity on the Nord Pool power exchange in Baltic bidding areas and the fuel price for CHPPs. The financial results of the Group may be negatively affected by the volatility of the electricity market price, which depends on the weather conditions in the Nordic countries, global prices of resources, and the influence of local factors (water availability and ambient air temperature) on electricity generation opportunities. Due to supply-demand factors and seasonal fluctuations, natural gas price volatility may have a negative effect on the difference between fixed retail electricity prices in contracts with customers and variable generation costs at CHPPs.

In order to hedge the price risk, the Group enters into long-term fixed price customer contracts, uses electricity financial derivatives and enters into fixed price contracts for natural gas supply. The impact of price risk on generation is hedged gradually – 55%–60% of projected electricity output is sold prior to the upcoming year. Further hedging of risk is limited by the seasonal generation pattern of the Daugava HPPs. The price fixing level reached 68% of the annual production volume by the end of June.

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, 41% of the long-term borrowings had a fixed interest rate with an average period of 2 years as of 30 June 2023.

III) Currency risk

Foreign currency exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency other than the functional currency.

As of 30 June 2023, all borrowings of Latvenergo Group are denominated in euros, and during the reporting period, there was no substantial exposure to foreign currency risk as regards the Group's investments.

To manage the Group's foreign currency exchange risk, the Financial Risk Management Policy envisages use of foreign exchange forward contracts. Latvenergo AS and the Group have concluded several foreign currency exchange forward contracts to limit the currency risk of the planned payments regarding natural gas purchases. All transactions have been concluded as instruments for mitigating cash flow risk, and they are in accordance with risk mitigation accounting requirements.

Financial Risk Management

b) Credit risk

Credit risk is managed at the Latvenergo Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, and receivables. Credit risk exposure of receivables is limited due to the large number of Group customers as there is no significant concentration of credit risk with any single counterparty or group of counterparties with similar characteristics.

Credit risk related to cash and short-term deposits with banks is managed by balancing the placement of financial assets in order to simultaneously choose the best offers and reduce the probability of incurrence of loss. No credit limits were exceeded during the reporting period, and the Group's management does not expect any losses due to the occurrence of credit risk.

c) Liquidity risk and cash flow risk

Latvenergo Group's liquidity and cash flow risk management policy is to maintain a sufficient amount of cash and cash equivalents and the availability of long and short-term funding through an adequate amount of committed credit facilities in order to meet existing and expected commitments and compensate for fluctuations in cash flows due to the occurrence of a variety of financial risks. On 30 June 2023, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 332.7 million (30 June 2022: EUR 61.6 million), while the current ratio was 1.5 (2.1).

The Group plans to use its funds in the amount of EUR 332.7 million for dividend payout, repayment of the existing loan principal, and financing investments and operating expenses.

The Group continuously monitors cash flow and liquidity forecasts, evaluating the total volume of undrawn borrowing facilities and cash and cash equivalents.

Latvenergo AS Key Performance Indicators

Latvenergo AS operational figures

		1H 2023	1H 2022	1H 2021
Electricity supply	GWh	3,765	2,520	2,932
Retail[2)]	*GWh*	*1,927*	*1,710*	*2,060*
Wholesale[3)]	*GWh*	*1,838*	*810*	*871*
Natural gas supply	GWh	734	435	389
Retail	*GWh*	*380*	*435*	*389*
Wholesale	*GWh*	*354*	–	–
Electricity generation	GWh	2,837	1,973	2,815
Thermal energy generation	GWh	833	945	1,099
Number of employees		1,388	1,281	1,280
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		1H 2023	1H 2022	1H 2021
Revenue	MEUR	867.9	473.7	232.9
EBITDA[1)]	MEUR	299.0	179.3	82.8
Profit	MEUR	228.2	151.6	72.0
Assets	MEUR	3,580.2	3,386.3	2,733.8
Equity	MEUR	2,479.6	2,199.9	1,714.1
Net debt (adjusted)[1)*]	MEUR	424.9	822.9	580.4
Capital expenditure	MEUR	22.6	10.8	15.2

Latvenergo AS financial ratios

	1H 2023	1H 2022	1H 2021
Return on equity (ROE)[1)]	12.2%	8.1%	4.9%
Net debt / equity (adjusted)[1)*]	17%	37%	34%
EBITDA margin[1)]	25%	22%	34%

* Financial figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership). For more details, please see the Group's annual report for 2020.
1) Formulas are available on page 21
2) Including operating consumption
3) Including sale of energy purchased within the mandatory procurement on the Nord Pool

Statement of Management Responsibility

Based on the information available to the Management Board of Latvenergo AS, the *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-month period ending 30 June 2023,* including the Management Report, have been prepared in accordance with the International Financial Reporting Standards and in all material respect present a true and fair view of the assets, liabilities, financial position and profit and loss of Latvenergo Group and Latvenergo AS. Information provided in the Management Report is accurate.

The *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-month period ending 30 June 2023* were approved by the Management Board of Latvenergo AS on 22 August 2023 and have been signed by Member of the Management Board Guntars Baļčūns as authorized person.

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

Guntars Baļčūns — Member of the Management Board

22 August 2023

Formulas

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

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

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

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

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

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

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

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

Adjusted Funds from operations (FFO) / Net debt =

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

Net debt/ EBITDA =

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

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

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

Return on assets =

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

Return on equity =

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

Return on equity excluding distribution=
(Group's profit – Sadales tīkls AS profit (12-month rolling)) / ((Group's equity – Sadales tīkls AS equity (at the beginning of the 12-moth period)
+ Group's equity – Sadales tīkls AS equity (at the end of the 12-month period) / 2)

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

Average value of borrowings =

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

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

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

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

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

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

List of Abbreviations

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

Unaudited Condensed Interim Financial Statements

Statement of Profit or Loss

EUR'000

	Notes	Group 01/01-30/06/2023	Group 01/01-30/06/2022	Parent Company 01/01-30/06/2023	Parent Company 01/01-30/06/2022
Revenue	4	1,163,406	744,582	867,900	473,714
Other income		20,357	14,694	16,818	13,320
Raw materials and consumables	5	(731,991)	(442,093)	(531,105)	(261,731)
Personnel expenses		(72,688)	(60,105)	(33,113)	(27,306)
Other operating expenses		(34,416)	(30,575)	(21,462)	(18,696)
EBITDA*		**344,668**	**226,503**	**299,038**	**179,301**
Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment (PPE) and right–of–use assets	7, 8	(85,523)	(80,973)	(42,822)	(38,746)
Operating profit		**259,145**	**145,530**	**256,216**	**140,555**
Finance income	6 a	2,381	759	9,449	4,895
Finance costs	6 b	(11,910)	(4,426)	(11,909)	(4,446)
Dividends from subsidiaries		–	–	924	10,585
Profit before tax		**249,616**	**141,863**	**254,680**	**151,589**
Income tax		(27,097)	42	(26,462)	–
Profit for the period		**222,519**	**141,905**	**228,218**	**151,589**
Profit attributable to:					
- Equity holder of the Parent Company		221,999	142,042	228,218	151,589
- Non-controlling interests		520	(137)	–	–

EBITDA – operating profit before depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right-of-use assets (Earnings Before Interest, Tax, Depreciation and Amortisation)

Statement of Comprehensive Income

EUR'000

	Notes	Group 01/01-30/06/2023	Group 01/01-30/06/2022	Parent Company 01/01-30/06/2023	Parent Company 01/01-30/06/2022
Profit for the period		**222,519**	**141,905**	**228,218**	**151,589**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
- gains from change in hedge reserve	13	54,596	59,558	54,596	59,558
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**54,596**	**59,558**	**54,596**	**59,558**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
– gains on revaluation of non–current assets	7 c	312,062	227,695	312,062	227,695
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**312,062**	**227,695**	**312,062**	**227,695**
Other comprehensive income for the period		**366,658**	**287,253**	**366,658**	**287,253**
TOTAL comprehensive income for the period		**589,177**	**429,158**	**594,876**	**438,842**
Comprehensive income attributable to:					
- Equity holder of the Parent Company		588,657	429,295	594,876	438,842
- Non-controlling interests		520	(137)	–	–

Statement of Financial Position

EUR'000

	Notes	Group 30/06/2023	Group 31/12/2022	Parent Company 30/06/2023	Parent Company 31/12/2022
ASSETS					
Non-current assets					
Intangible assets	7 a	57,194	51,789	19,530	18,397
Property, plant and equipment	7 c	3,310,045	3,005,370	1,533,946	1,242,660
Right-of-use assets	8 a	10,433	10,526	5,473	5,066
Investment property	7 d	2,009	2,297	2,213	2,222
Non-current financial investments	9	40	40	647,320	647,320
Non-current loans to related parties	19 e	–	–	486,809	510,468
Other non-current receivables	11 c	483	482	483	482
Derivative financial instruments	15	8,237	8,131	8,237	8,131
Total non-current assets		**3,388,441**	**3,078,635**	**2,704,011**	**2,434,746**
Current assets					
Inventories	10	199,200	295,638	161,948	261,586
Current intangible assets	7 b	21,608	31,664	21,608	31,664
Receivables from contracts with customers	11 a	205,091	314,109	155,752	233,192
Other current receivables	11 b, c	31,301	17,521	65,609	36,451
Deferred expenses		3,132	2,408	2,266	2,191
Current loans to related parties	19 e	–	–	149,679	202,840
Derivative financial instruments	15	2,206	2,598	2,206	2,598
Cash and cash equivalents	12	332,664	112,757	317,132	100,268
Total current assets		**795,202**	**776,695**	**876,200**	**870,790**
TOTAL ASSETS		**4,183,643**	**3,855,330**	**3,580,211**	**3,305,536**
Equity					
Share capital		790,368	790,368	790,368	790,368
Reserves	13	1,646,146	1,282,683	1,277,341	910,683
Retained earnings		367,445	276,242	411,870	317,643
Equity attributable to equity holder of the Parent Company		**2,803,959**	**2,349,293**	**2,479,579**	**2,018,694**
Non-controlling interests		7,195	7,126	–	–
Total equity		**2,811,154**	**2,356,419**	**2,479,579**	**2,018,694**
Liabilities					
Non-current liabilities					
Borrowings	14	577,695	574,754	569,316	561,551
Lease liabilities	8 b	8,395	8,648	4,368	4,206
Deferred income tax liabilities		760	667	–	–
Provisions		16,154	15,566	7,920	7,552
Deferred income from contracts with customers	18 I, a	131,927	133,116	701	735
Other deferred income	18 I, b, c	109,762	121,180	103,718	115,798
Other non-current liabilities		26	265	–	–
Total non-current liabilities		**844,719**	**854,196**	**686,023**	**689,842**
Current liabilities					
Borrowings	14	174,856	301,164	172,752	302,387
Lease liabilities	8 b	2,204	2,027	1,211	960
Trade and other payables	17	204,890	165,274	113,564	133,768
Deferred income from contracts with customers	18 II, a	18,057	29,330	67	13,714
Other deferred income	18 II, b, c	24,901	24,901	24,153	24,152
Derivative financial instruments	15	102,862	122,019	102,862	122,019
Total current liabilities		**527,770**	**644,715**	**414,609**	**597,000**
Total liabilities		**1,372,489**	**1,498,911**	**1,100,632**	**1,286,842**
TOTAL EQUITY AND LIABILITIES		**4,183,643**	**3,855,330**	**3,580,211**	**3,305,536**

Statement of Changes in Equity

EUR'000

	Group						Parent Company			
	Attributable to equity holder of the Parent Company						Attributable to equity holder of the Parent Company			
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
As of 31 December 2021	**790,368**	**1,175,355**	**151,430**	**2,117,153**	**6,295**	**2,123,448**	**790,368**	**795,731**	**174,971**	**1,761,070**
Disposal of non–current assets revaluation reserve	–	(6,299)	6,299	**–**	**–**	**–**	–	(3,308)	3,308	**–**
Total transactions with owners and other changes in equity	**–**	**(6,299)**	**6,299**	**–**	**–**	**–**	**–**	**(3,308)**	**3,308**	**–**
Profit for the period	–	–	142,042	**142,042**	**(137)**	**141,905**	–	–	151,589	**151,589**
Other comprehensive income for the period	–	287,253	–	**287,253**	**–**	**287,253**	–	287,253	–	**287,253**
Total comprehensive income / (loss) for the period	**–**	**287,253**	**142,042**	**429,295**	**(137)**	**429,158**	**–**	**287,253**	**151,589**	**438,842**
As of 30 June 2022	**790,368**	**1,456,309**	**299,771**	**2,546,448**	**6,158**	**2,552,606**	**790,368**	**1,079,676**	**329,868**	**2,199,912**
Non–controlling interests' contributions to share capital	–	–	–	**–**	**400**	**400**	–	–	–	**–**
Dividends for 2021	–	–	(70,160)	**(70,160)**	**–**	**(70,160)**	–	–	(70,160)	**(70,160)**
Disposal of non–current assets revaluation reserve	–	(5,230)	5,230	**–**	**–**	**–**	–	(162)	162	**–**
Total transactions with owners and other changes in equity	**–**	**(5,230)**	**(64,930)**	**(70,160)**	**400**	**(69,760)**	**–**	**(162)**	**(69,998)**	**(70,160)**
Profit for the period	–	–	41,401	**41,401**	**568**	**41,969**	–	–	57,773	**57,773**
Other comprehensive loss for the period	–	(168,396)	–	**(168,396)**	**–**	**(168,396)**	–	(168,831)	–	**(168,831)**
Total comprehensive income / (loss) for the period	**–**	**(168,396)**	**41,401**	**(126,996)**	**568**	**(126,427)**	**–**	**(168,831)**	**57,773**	**(111,058)**
As of 31 December 2022	**790,368**	**1,282,683**	**276,242**	**2,349,293**	**7,126**	**2,356,419**	**790,368**	**910,683**	**317,643**	**2,018,694**
Dividends for 2022	–	–	(133,991)	**(133,991)**	**–**	**(133,991)**	–	–	(133,991)	**(133,991)**
Disposal of non–current assets revaluation reserve	–	(3,195)	3,195	–	**–**	**–**	–	–	–	**–**
Total transactions with owners and other changes in equity	**–**	**(3,195)**	**(130,796)**	**(133,991)**	**(451)**	**(134,442)**	**–**	**–**	**(133,991)**	**(133,991)**
Profit for the period	–	–	221,999	**221,999**	**520**	**222,519**	–	–	228,218	**228,218**
Other comprehensive income for the period	–	366,658	–	**366,658**	**–**	**366,658**	–	366,658	–	**366,658**
Total comprehensive income for the period	**–**	**366,658**	**221,999**	**588,657**	**520**	**589,177**	**–**	**366,658**	**228,218**	**594,876**
As of 30 June 2023	**790,368**	**1,646,146**	**367,445**	**2,803,959**	**7,195**	**2,811,154**	**790,368**	**1,277,341**	**411,870**	**2,479,579**

Statement of Cash Flows

EUR'000

	Notes	Group 01/01-30/06/2023	Group 01/01-30/06/2022	Parent Company 01/01-30/06/2023	Parent Company 01/01-30/06/2022
Cash flows from operating activities					
Profit before tax		**249,616**	**141,863**	**254,680**	**151,589**
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*		87,222	82,779	42,634	38,454
- Net financial adjustments		46,329	(12,858)	39,273	(16,969)
- Other adjustments		588	484	368	305
- Dividends from subsidiaries		–	–	(924)	(10,585)
Interest paid		(11,823)	(5,455)	(11,751)	(5,156)
Interest received		1,170	–	1,168	–
Paid corporate income tax		(27,153)	(2,641)	(26,462)	–
Funds from operations (FFO)		**345,949**	**204,172**	**298,986**	**157,638**
Decrease / (increase) in current assets*		201,071	(245,669)	165,077	(275,246)
Decrease in trade and other liabilities		(853)	(30,834)	(47,335)	(46,831)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	17,400	90,803
Net cash flows generated from / (used in) from operating activities		**546,167**	**(72,331)**	**434,128**	**(73,636)**
Cash flows from investing activities					
Loans issued to subsidiaries, net	19	–	–	56,021	(46,582)
Purchase of intangible assets and property, plant, and equipment*		(80,855)	(59,039)	(20,984)	(13,693)
Dividends received from subsidiaries		–	–	924	156
Net cash flows (used in) / generated from investing activities		**(80,855)**	**(59,039)**	**35,961**	**(60,119)**
Cash flows from financing activities					
Repayment of issued debt securities (bonds)	14	–	(100,000)	–	(100,000)
Proceeds on issued debt securities (bonds)	14	50,000	100,000	50,000	100,000
Proceeds on borrowings from financial institutions	14	–	124,678	–	122,678
Repayment of borrowings from financial institutions	14	(173,867)	(28,239)	(169,043)	(24,082)
Received financing from European Union		13,620	–	–	–
Lease payments		(716)	(515)	(191)	(54)
Dividends paid to non–controlling interests		(451)	–	–	–
Dividends paid to equity holder of the Parent Company		(133,991)	–	(133,991)	–
Net cash flows (used in) / generated from financing activities		**(245,405)**	**95,924**	**(253,225)**	**98,542**
Net increase / (decrease) in cash and cash equivalents		**219,907**	**(35,446)**	**216,864**	**(35,213)**
Cash and cash equivalents at the beginning of the period	12	112,757	97,079	100,268	92,418
Cash and cash equivalents at the end of the period	**12**	**332,664**	**61,633**	**317,132**	**57,205**

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

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

Notes to the Financial Statements

1. Corporate information

All shares of public limited company Latvenergo, parent company of Latvenergo Group (hereinafter – Latvenergo AS or the Parent Company) are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia. The registered address of the Parent Company is 12 Pulkveža Brieža Street, Riga, Latvia, LV–1230. According to the Energy Law of the Republic of Latvia, Latvenergo AS is designated as a national economy object of State importance and, therefore, is not subject to privatisation.

Latvenergo AS is power supply utility engaged in electricity and thermal energy generation, as well as sales of electricity and natural gas. Latvenergo AS is one of the largest corporate entities in the Baltics.

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

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

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

The Management Board of Latvenergo AS:
Since 3 January 2022 the Management Board of Latvenergo AS was comprised of the following members: Mārtiņš Čakste (Chairman of the Board), Dmitrijs Juskovecs, Guntars Baļčūns, Kaspars Cikmačs, Harijs Teteris.

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

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

The Latvenergo Group's and Latvenergo AS auditor is the certified audit company Ernst & Young Baltic SIA (40003593454) (licence No. 17) and certified auditor in charge is Diāna Krišjāne, certificate No. 124.

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

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6–month period ending on 30 June 2023 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the period starting on 1 January 2023 and ending on 30 June 2023 and comparative information for the period of 2022 starting on 1 January 2022 and ending on 30 June 2022.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6–month period ending on 30 June 2023 were authorised by the Latvenergo AS Management Board on 22 August 2023.

2. Significant accounting policies

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

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements are prepared under the historical cost convention, except for some financial assets and liabilities (including derivative financial instruments and non–current financial investments) measured at fair value and certain property, plant and equipment carried at revalued amounts as disclosed in accounting policies presented in Latvenergo Group Consolidated and Latvenergo AS Annual Report 2022.

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

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

3. Operating segment information

Operating segments of the Group and the Parent Company

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

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

The Group divides its operations into two main operating segments – generation and trade, and distribution. The Parent Company divides its operations into one main operating segment – generation and trade.

In addition, corporate functions, that cover administration and other support services, are presented in the Group and the Parent Company as separate segment.

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

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

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

The following table presents revenue, financial results and profit information and segment assets and liabilities of the Group's and the Parent Company's operating segments. Inter–segment revenue is eliminated on consolidation and reflected in the 'adjustments and eliminations' column. All transactions between segments are made based on the regulated tariffs, where applicable, or on an arm's length principle.

EUR'000

	Group						Parent Company				
	Generation and trade	Distri-bution	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group
Period: 01/01–30/06/2023											
Revenue											
External customers	1,011,451	148,028	3,927	**1,163,406**	–	**1,163,406**	850,097	17,803	**867,900**	–	**867,900**
Inter–segment	16,807	313	30,161	**47,281**	(47,281)	**–**	181	18,226	**18,407**	(18,407)	**–**
TOTAL revenue	**1,028,258**	**148,341**	**34,088**	**1,210,687**	**(47,281)**	**1,163,406**	**850,278**	**36,029**	**886,307**	**(18,407)**	**867,900**
Results											
EBITDA	**299,065**	**40,005**	**5,598**	**344,668**	–	**344,668**	**291,216**	**7,822**	**299,038**	–	**299,038**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(38,683)	(40,789)	(6,051)	**(85,523)**	–	**(85,523)**	(36,691)	(6,131)	**(42,822)**	–	**(42,822)**
Segment profit / (loss) before tax	**260,382**	**(784)**	**(453)**	**259,145**	**(9,529)**	**249,616**	**254,525**	**1,691**	**256,216**	**(1,536)**	**254,680**
Capital expenditure	32,063	45,441	7,605	**85,109**	–	**85,109**	14,961	7,605	**22,566**	–	**22,566**
Period: 01/01–30/06/2022											
Revenue											
External customers	588,559	152,037	3,986	**744,582**	–	**744,582**	457,697	16,017	**473,714**	–	**473,714**
Inter–segment	961	245	25,255	**26,461**	(26,461)	**–**	999	14,443	**15,442**	(15,442)	**–**
TOTAL revenue	**589,520**	**152,282**	**29,241**	**771,043**	**(26,461)**	**744,582**	**458,696**	**30,460**	**489,156**	**(15,442)**	**473,714**
Results											
EBITDA	**174,660**	**45,092**	**6,751**	**226,503**	**–**	**226,503**	**171,319**	**7,982**	**179,301**	**–**	**179,301**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(34,642)	(40,429)	(5,902)	**(80,973)**	–	**(80,973)**	(32,775)	(5,971)	**(38,746)**	–	**(38,746)**
Segment profit / (loss) before tax	**140,018**	**4,663**	**849**	**145,530**	**(3,667)**	**141,863**	**138,544**	**2,011**	**140,555**	**11,034**	**151,589**
Capital expenditure	9,287	39,338	7,551	**56,176**	–	**56,176**	3,239	7,551	**10,790**	–	**10,790**

Segment assets

EUR'000

	Group						Parent Company				
	Generation and trade	Distri-bution	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group
As of 30 June 2023	1,941,214	1,787,715	122,010	**3,850,939**	332,704	**4,183,643**	1,822,734	156,537	**1,979,271**	1,600,940	**3,580,211**
As of 31 December 2022	1,833,099	1,791,684	117,750	**3,742,533**	112,797	**3,855,330**	1,700,079	144,561	**1,844,640**	1,460,896	**3,305,536**

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

	Group					Parent Company			
	Generation and trade	Distribution	Corporate Functions	TOTAL segments	TOTAL Group	Generation and trade	Corporate Functions	TOTAL segments	TOTAL Group
Period: 01/01–30/06/2023									
Revenue from contracts with customers:									
Trade of energy and related supply services	832,790	1,668	–	**834,458**	**834,458**	694,115	–	**694,115**	**694,115**
Distribution system services	–	136,714	–	**136,714**	**136,714**	–	–	–	–
Heat sales	159,158	86	–	**159,244**	**159,244**	147,604	–	**147,604**	**147,604**
Sales of goods and energy related solutions	17,053	–	–	**17,053**	**17,053**	7,719	–	**7,719**	**7,719**
Other revenue	2,450	9,527	3,326	**15,303**	**15,303**	659	16,324	**16,983**	**16,983**
Total revenue from contracts with customers	**1,011,451**	**147,995**	**3,326**	**1,162,772**	**1,162,772**	**850,097**	**16,324**	**866,421**	**866,421**
Other revenue:									
Lease of other assets	–	33	601	**634**	**634**	–	1,479	1,479	1,479
Total other revenue	–	**33**	**601**	**634**	**634**	–	1,479	**1,479**	**1,479**
Period: 01/01–30/06/2022									
Revenue from contracts with customers:									
Trade of energy and related supply services	520,718	1,681	–	**522,399**	**522,399**	400,184	–	**400,184**	**400,184**
Distribution system services	–	140,967	–	**140,967**	**140,967**	–	–	**–**	**–**
Heat sales	60,031	68	–	**60,099**	**60,099**	53,094	–	**53,094**	**53,094**
Sales of goods and energy related solutions	5,479	–	–	**5,479**	**5,479**	3,878	–	**3,878**	**3,878**
Other revenue	2,331	9,286	3,003	**14,620**	**14,620**	541	14,309	**14,850**	**14,850**
Total revenue from contracts with customers	**588,559**	**152,002**	**3,003**	**743,564**	**743,564**	**457,697**	**14,309**	**472,006**	**472,006**
Other revenue:									
Lease of other assets	–	35	983	**1,018**	**1,018**	–	1,708	**1,708**	**1,708**
Total other revenue	**–**	**35**	**983**	**1,018**	**1,018**	**–**	**1,708**	**1,708**	**1,708**

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets, financial instruments and deferred taxes are not allocated to individual segments as the underlying instruments are managed on a group basis. Taxes and certain financial assets and liabilities, including loans and borrowings are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Reconciliation of profit before tax

EUR'000

	Group		Parent Company	
	01/01–30/06/2023	01/01–30/06/2022	01/01–30/06/2023	01/01–30/06/2022
EBITDA	**344,668**	**226,503**	**299,038**	**179,301**
Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right–of–use assets	(85,523)	(80,973)	(42,822)	(38,746)
Segment profit before tax	**259,145**	**145,530**	**256,216**	**140,555**
Finance income	2,381	759	9,449	4,895
Finance costs	(11,910)	(4,426)	(11,909)	(4,446)
Dividends received from subsidiaries	–	–	924	10,585
Profit before tax	**249,616**	**141,863**	**254,680**	**151,589**

Reconciliation of assets

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Segment operating assets	**3,850,939**	**3,742,533**	**1,979,271**	**1,844,640**
Non-current financial investments	40	40	647,320	647,320
Loans to related parties	–	–	636,488	713,308
Cash and cash equivalents	332,664	112,757	317,132	100,268
TOTAL assets	**4,183,643**	**3,855,330**	**3,580,211**	**3,305,536**

4. Revenue

EUR'000

	IFRS or IAS applied	Group		Parent Company	
		01/01–30/06/2023	01/01–30/06/2022	01/01–30/06/2023	01/01–30/06/2022
Revenue from contracts with customers:					
Trade of energy and related supply services	IFRS 15	834,458	522,399	694,115	400,184
Distribution system services	IFRS 15	136,714	140,967	–	–
Heat sales	IFRS 15	159,244	60,099	147,604	53,094
Sales of goods and energy related solutions	IFRS 15	17,053	5,479	7,719	3,878
Other revenue	IFRS 15	15,303	14,620	16,983	14,850
Total revenue from contracts with customers		**1,162,772**	**743,564**	**866,421**	**472,006**
Other revenue:					
Lease of other assets	IFRS 16	634	1,018	1,479	1,708
Total other revenue		**634**	**1,018**	**1,479**	**1,708**
TOTAL revenue		**1,163,406**	**744,582**	**867,900**	**473,714**

In Latvia, Lithuania, and Estonia, according to the state support mechanism for reducing the prices of energy, end-users have been granted state support. This state support was provided for electricity, distribution system services, consumed natural gas and for heat. The support did not change tariffs and energy prices (and thus gross revenue is recognised) rather the process of receiving the transaction fees, the payment being partially received from the end-users and partially from the state budget. During the reporting period, the Group has recognised gross revenue for the allocated state support for the end-users of the Group companies in amount of EUR 98,274 thousand (01/01 - 30/06/2022: in amount of EUR 97,505 thousand).

The Group's and the Parent Company's revenue from contracts with customers based on the timing of revenue recognition: EUR'000

	Group		Parent Company	
	01/01–30/06/2023	01/01–30/06/2022	01/01–30/06/2023	01/01–30/06/2022
Goods and services transferred over time	1,091,229	717,006	740,371	447,441
Goods and services transferred at a point in time	71,543	26,558	126,050	24,565
TOTAL revenue from contracts with customers	**1,162,772**	**743,564**	**866,421**	**472,006**

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	
	01/01–30/06/2023	01/01–30/06/2022	01/01–30/06/2023	01/01–30/06/2022
Mandatory procurement PSO fees*	(133)	2	(3)	4,345
Distribution system services	21,806	12,354	58,087	28,764
Transmission system services	413	282	419	288
Insurance intermediation	854	581	806	580
TOTAL revenue recognised applying agent accounting principle	**22,940**	**13,219**	**59,309**	**33,977**

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

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

5. Raw materials and consumables

EUR'000

	Group		Parent Company	
	01/01–30/06/2023	01/01–30/06/2022	01/01–30/06/2023	01/01–30/06/2022
Energy costs:				
Electricity and costs of related supply services	167,266	208,747	17,729	81,886
Electricity transmission services costs	35,863	36,365	1,388	1,430
Natural gas and other energy resources costs	477,765	201,650	469,164	189,196
Gains on fair value changes on energy futures, forwards, and swaps (Note 15 II)	35,691	(16,341)	35,691	(16,341)
	716,585	**430,421**	**523,972**	**256,171**
Raw materials, spare parts, and maintenance costs	15,406	11,672	7,133	5,560
TOTAL raw materials and consumables used	**731,991**	**442,093**	**531,105**	**261,731**

6. Finance income and costs

EUR'000

	Group		Parent Company	
	01/01–30/06/2023	01/01–30/06/2022	01/01–30/06/2023	01/01–30/06/2022
a) Finance income:				
Interest income on loans to related parties	–	–	7,070	4,136
Interest income on interest rate swaps	1,202	–	1,202	–
Interest income	1,170	–	1,168	–
Gains on fair value changes on interest rate swaps (Note 15 I)	9	715	9	715
Net gain on issued debt securities (bonds)	–	44	–	44
TOTAL finance income	**2,381**	**759**	**9,449**	**4,895**

EUR'000

	Group		Parent Company	
	01/01–30/06/2023	01/01–30/06/2022	01/01–30/06/2023	01/01–30/06/2022
b) Finance costs:				
Interest expense on borrowings from financial institutions	9,984	2,912	10,037	2,966
Interest expense on issued debt securities (bonds)	2,192	1,333	2,192	1,333
Interest expense on assets lease	81	61	41	37
Losses on fair value changes on interest rate swaps	43	–	43	–
Capitalised borrowing costs	(484)	(109)	(483)	(109)
Other finance costs	94	229	79	219
TOTAL finance costs	**11,910**	**4,426**	**11,909**	**4,446**

7. Intangible assets and property, plant, and equipment

a) Non–current intangible assets

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	01/01–30/06/2022	2022	01/01–30/06/2023	01/01–30/06/2022	2022
Cost	123,660	120,295	120,295	67,879	64,687	64,687
Accumulated amortisation	(71,871)	(66,738)	(66,738)	(49,482)	(47,281)	(47,281)
Net book amount at the beginning of the period	**51,789**	**53,557**	**53,557**	**18,397**	**17,406**	**17,406**
Additions	3,210	1,240	4,559	2,830	1,136	4,387
Acquisition of a subsidiary	5,375	–	–	–	–	–
Amortisation charge	(3,180)	(3,137)	(6,327)	(1,697)	(1,671)	(3,396)
Closing net book amount at the end of the period	**57,194**	**51,660**	**51,789**	**19,530**	**16,871**	**18,397**
Cost	132,170	121,530	123,660	70,634	65,818	67,879
Accumulated amortisation	(74,976)	(69,870)	(71,871)	(51,104)	(48,947)	(49,482)
Closing net book amount at the end of the period	**57,194**	**51,660**	**51,789**	**19,530**	**16,871**	**18,397**

b) Current intangible assets

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	01/01–30/06/2022	2022	01/01–30/06/2023	01/01–30/06/2022	2022
Net book amount at the beginning of the period	**31,664**	**24,266**	**24,266**	**31,664**	**24,266**	**24,266**
Additions	10,969	26,743	46,643	10,969	26,743	46,643
Disposals	(21,025)	(13,069)	(39,245)	(21,025)	(13,069)	(39,245)
Closing net book amount at the end of the period	**21,608**	**37,940**	**31,664**	**21,608**	**37,940**	**31,664**

c) Property, plant, and equipment

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	01/01–30/06/2022	2022	01/01–30/06/2023	01/01–30/06/2022	2022
Cost or revalued amount	6,904,473	6,396,917	6,396,917	3,639,619	3,170,861	3,170,861
Accumulated depreciation and impairment	(3,899,103)	(3,570,263)	(3,570,263)	(2,396,959)	(2,103,888)	(2,103,888)
Net book amount at the beginning of the period	**3,005,370**	**2,826,654**	**2,826,654**	**1,242,660**	**1,066,973**	**1,066,973**
Additions	76,268	54,936	117,108	19,736	9,653	25,653
Acquisition of a subsidiary	258	–	–	–	–	–
Reclassified to investment properties	(80)	(315)	(823)	(2)	(315)	(315)
Reclassified to non-current assets held for sale	(21)	(5)	(8)	–	(5)	(8)
Disposals	(2,595)	(2,449)	(7,395)	(12)	(91)	(410)
Increase in value of assets as a result of revaluation	312,062	227,695	227,695	312,062	227,695	227,695
Reversal of impairment charge as a result of revaluation	1,108	417	417	1,108	417	417
((Impairment) / reversed impairment charge	(33)	(206)	(2,413)	(15)	(184)	(2,364)
Depreciation	(82,292)	(77,045)	(155,865)	(41,591)	(36,718)	(74,981)
Closing net book amount at the end of the period	**3,310,045**	**3,029,682**	**3,005,370**	**1,533,946**	**1,267,425**	**1,242,660**
Cost or revalued amount	7,274,247	6,881,454	6,904,473	3,972,870	3,631,355	3,639,619
Accumulated depreciation and impairment	(3,964,202)	(3,851,772)	(3,899,103)	(2,438,924)	(2,363,930)	(2,396,959)
Closing net book amount at the end of the period	**3,310,045**	**3,029,682**	**3,005,370**	**1,533,946**	**1,267,425**	**1,242,660**

d) Investment property

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	01/01–30/06/2022	2022	01/01–30/06/2023	01/01–30/06/2022	2022
Cost or revalued amount	2,542	3,807	3,807	2,914	4,561	4,561
Accumulated depreciation and impairment	(245)	(491)	(491)	(692)	(959)	(959)
Net book amount at the beginning of the year	**2,297**	**3,316**	**3,316**	**2,222**	**3,602**	**3,602**
Reclassified from property, plant, and equipment	80	315	823	2	315	315
Disposal	(4)	(18)	(31)	(2)	(332)	(1,678)
Sold	(358)	(465)	(1,799)	–	–	–
Depreciation	(6)	(6)	(12)	(9)	(8)	(17)
Closing net book amount at the end of the period	**2,009**	**3,142**	**2,297**	**2,213**	**3,577**	**2,222**
Cost or revalued amount	2,239	3,647	2,542	2,914	4,560	2,914
Accumulated depreciation and impairment	(230)	(505)	(245)	(701)	(983)	(692)
Closing net book amount at the end of the period	**2,009**	**3,142**	**2,297**	**2,213**	**3,577**	**2,222**

e) Property, plant and equipment revaluation

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

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

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

As of 30 June 2023, the management of Sadales tīkls AS has assessed internal and external indicators that a revaluation would be needed. In this assessment, the increase in the price levels of general construction costs and electrical equipment costs accompanied with the increase of inflation and discount rates, which are exceeding criteria determined in the Group accounting policies, are indicators that revaluation of assets should be performed. After examining the recoverable value of the assets, the management of Sadales tīkls AS concluded that the fair value of the assets does not significantly differ from the assets book value on 30 June 2023. Such conclusion was mainly driven by the "Methodology of capital costs accounting and calculation" approved by the decision of the Public Utilities Commission as of 29 August 2022, which stipulates that the value of assets used in calculations of regulatory asset base are included without the effect of asset revaluations after 31 December 2021. Considering the above, revaluation of assets as of 30 June 2023 does not need to be carried out.

8. Leases

a) Right–of–use assets

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	01/01–30/06/2022	2022	01/01–30/06/2023	01/01–30/06/2022	2022
Initial recognition cost	16,784	12,871	12,871	8,436	7,342	7,342
Accumulated depreciation	(6,258)	(4,559)	(4,559)	(3,370)	(2,199)	(2,199)
Net book amount at the beginning of the period	**10,526**	**8,312**	**8,312**	**5,066**	**5,143**	**5,143**
Recognised changes in lease agreements	1,032	398	4,261	1,025	158	1,094
Depreciation	(1,125)	(996)	(2,047)	(618)	(582)	(1,171)
Closing net book amount at the end of the period	**10,433**	**7,714**	**10,526**	**5,473**	**4,719**	**5,066**
Initial recognition cost	17,816	13,252	16,784	9,461	7,500	8,436
Accumulated depreciation	(7,383)	(5,538)	(6,258)	(3,988)	(2,781)	(3,370)
Closing net book amount at the end of the period	**10,433**	**7,714**	**10,526**	**5,473**	**4,719**	**5,066**

b) Lease liabilities

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	01/01–30/06/2022	2022	01/01–30/06/2023	01/01–30/06/2022	2022
At the beginning of the period	**10,675**	**8,428**	**8,428**	**5,166**	**5,226**	**5,226**
Of which are:						
– non–current	*8,648*	*6,540*	*6,540*	*4,206*	*4,085*	*4,085*
– current	*2,027*	*1,888*	*1,888*	*960*	*1,141*	*1,141*
Recognised changes in lease agreements	1,034	399	4,261	1,024	157	1,094
Decrease of lease liabilities	(1,191)	(1,045)	(2,150)	(652)	(611)	(1,234)
Recognised interest liabilities (Note 6)	81	61	136	41	37	80
At the end of the period	**10,599**	**7,843**	**10,675**	**5,579**	**4,809**	**5,166**
Of which are:						
– non–current	*8,395*	*6,030*	*8,648*	*4,368*	*3,771*	*4,206*
– current	*2,204*	*1,813*	*2,027*	*1,211*	*1,038*	*960*

9. Non–current financial investments

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

Name of the company	Country of incorporation	Business activity held	30/06/2023 Interest held, %	30/06/2023 EUR'000	31/12/2022 Interest held, %	31/12/2022 EUR'000
Investments in subsidiaries						
Sadales tīkls AS	Latvia	Electricity distribution	100%	641,450	100%	641,450
Enerģijas publiskais tirgotājs SIA	Latvia	Administration of mandatory electricity procurement process	100%	40	100%	40
Elektrum Eesti, OÜ	Estonia	Electricity and natural gas trade	100%	35	100%	35
Elektrum Lietuva, UAB	Lithuania	Electricity and natural gas trade	100%	600	100%	600
Latvijas vēja parki SIA	Latvia	Development of wind parks and generation of electricity	80%	1,600	80%	1,600
Liepājas enerģija SIA	Latvia	Thermal energy generation and trade, electricity generation	51%	3,556	51%	3,556
TOTAL				**647,281**		**647,281**
Other non–current financial investments						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	46.30%	36	46.30%	36
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				**39**		**39**
				647,320		**647,320**

Subsidiaries' participating interest held (%)

Name of the company	Country of incorporation	Business activity held	30/06/2023 Interest held, %	31/12/2022 Interest held, %
***Elektrum Eesti OÜ* subsidiaries**				
Elektrum Latvija, SIA	Latvia	Electricity trade	100%	100%
Energiaturu Võrguehitus OÜ	Estonia	Electricity microgrid services	100%	100%
HN põld ja mets 1 OÜ	Estonia	Renewable energy generation	100%	–
***Elektrum Lietuva, UAB* subsidiary**				
Klaipėda unlimited sun, UAB	Lithuania	Renewable energy generation	100%	–

The Group's non–current financial investments

Name of the company	Country of incorporation	Business activity held	30/06/2023 Interest held, %	30/06/2023 EUR'000	31/12/2022 Interest held, %	31/12/2022 EUR'000
Other non–current financial investments						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15%	37	48.15%	37
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				**40**		**40**

The Group owns 48.15% of the shares of the closed pension fund Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS – 46.30%). However, the Group and the Parent Company are only a nominal shareholder as the Pension Fund is a non-profit company, and all risks and benefits arising from associate's activities and investments in the pension plan are taken and accrued by the members of the Pension Fund pension plan. For this reason, the investment in Pirmais Slēgtais Pensiju Fonds AS is valued at acquisition cost.

10. Inventories

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Raw materials and materials	22,011	18,888	1,320	1,084
Natural gas	135,703	241,588	135,703	241,588
Goods for sale	15,269	12,802	6,252	3,259
Other inventories	19,115	16,585	18,911	16,055
Unfinished products and orders	6,437	5,128	433	–
Prepayments	2,307	2,027	352	469
Allowances for impaired inventories	(1,642)	(1,380)	(1,023)	(869)
TOTAL inventories	**199,200**	**295,638**	**161,948**	**261,586**

Movement on the allowance for inventories

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	01/01–30/06/2022	2022	01/01–30/06/2023	01/01–30/06/2022	2022
At the beginning of the period	**1,380**	**1,110**	**1,110**	**869**	**735**	**735**
Charged / (credited) to the Statement of Profit or Loss	262	139	270	154	(6)	134
At the end of the period	**1,642**	**1,249**	**1,380**	**1,023**	**729**	**869**

11. Receivables from contracts with customers and other receivables

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

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Individually assessed receivables with lifetime ECL assessment (counterparty model)	36,850	59,630	44,154	46,609
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	168,241	254,479	111,598	186,583
TOTAL receivables from contracts with customers	**205,091**	**314,109**	**155,752**	**233,192**

a) Receivables from contracts with customers, net

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	182,310	214,542	125,692	152,285
– Electricity, natural gas trade and related services customers (counterparty model)	27,784	36,133	22,492	14,953
– Heating customers (portfolio model)	2,319	54,228	1,818	49,237
– Other receivables from contracts with customers (portfolio model)	5,122	5,622	1,518	1,444
– Other receivables from contracts with customers (counterparty model)	9,108	23,541	8,842	18,181
– Subsidiaries (counterparty model) (Note 19 b)	–	–	12,864	13,503
	226,643	**334,066**	**173,226**	**249,603**
Allowances for expected credit loss from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(19,433)	(17,642)	(17,104)	(15,938)
– Electricity, natural gas trade and related services customers (counterparty model)	(23)	(18)	(22)	–
– Heating customers (portfolio model)	(357)	(448)	(303)	(422)
– Other receivables from contracts with customers (portfolio model)	(1,720)	(1,823)	(23)	(23)
– Other receivables from contracts with customers (counterparty model)	(19)	(26)	(18)	(20)
– Subsidiaries (counterparty model) (Note 19 b)	–	–	(4)	(8)
	(21,552)	**(19,957)**	**(17,474)**	**(16,411)**

Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	162,877	196,900	108,588	136,347
– Electricity, natural gas trade and related services customers (counterparty model)	27,761	36,115	22,470	14,953
– Heating customers (portfolio model)	1,962	53,780	1,515	48,815
– Other receivables from contracts with customers (portfolio model)	3,402	3,799	1,495	1,421
– Other receivables from contracts with customers (counterparty model)	9,089	23,515	8,824	18,161
– Subsidiaries (counterparty model) (Note 19 b)	–	–	12,860	13,495
	205,091	**314,109**	**155,752**	**233,192**

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	**01/01–30/06/2022**	**2022**	**01/01–30/06/2023**	**01/01–30/06/2022**	**2022**
At the beginning of the period	**19,957**	**17,028**	**17,028**	**16,411**	**14,009**	**14,009**
Receivables written off during the period as uncollectible	(645)	(1,489)	(2,372)	(552)	(1,443)	(2,284)
Allowances for expected credit losses	2,240	3,255	5,301	1,615	3,090	4,686
At the end of the period	**21,552**	**18,794**	**19,957**	**17,474**	**15,656**	**16,411**

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	30/06/2023	**31/12/2022**	**30/06/2023**	**31/12/2022**
Current financial receivables:				
Uncovered costs of mandatory procurement and guaranteed fee for the installed electrical capacity of cogeneration power plants, net*	15,895	108	–	–
Receivables for lease	21	35	104	32
Other current financial receivables	14,617	18,182	4,917	13,953
Other accrued income	955	280	523	280
Allowances for expected credit losses	(1,531)	(1,516)	(1,188)	(1,198)
Receivables for lease from subsidiaries (Note 19 b)	–	–	13	13
Other financial receivables from subsidiaries (Note 19 b)	–	–	36,346	21,037
Other accrued income from subsidiaries (Note 19 c)	–	–	24,434	2,150
Allowances for expected credit losses on subsidiaries receivables (Note 19 b)	–	–	(29)	(14)
TOTAL other current financial receivables	**29,957**	**17,089**	**65,120**	**36,253**

* By applying agent principle, Uncovered costs of mandatory procurement and guaranteed fee for the installed electrical capacity of cogeneration power plants are recognised as assets in net amount, as difference between revenue and costs recognised under the mandatory procurement.

c) Other non–financial receivables

EUR'000

	Group		Parent Company	
	30/06/2023	**31/12/2022**	**30/06/2023**	**31/12/2022**
Non–current non–financial receivables	483	482	483	482
Current non–financial receivables	1,344	432	489	198
TOTAL non–financial receivables	**1,827**	**914**	**972**	**680**

12. Cash and cash equivalents

Cash and cash equivalents include cash balances on bank accounts, demand deposits at bank and other short–term deposits with original maturities of three months or less.

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Cash at bank	332,664	112,757	317,132	100,268
TOTAL cash and cash equivalents	**332,664**	**112,757**	**317,132**	**100,268**

13. Reserves

EUR'000

	Group					Parent Company			
	Non–current assets revaluation reserve	Hedge reserve	Post–employment benefit plan revaluation reserve	Other reserves	TOTAL	Non–current assets revaluation reserve	Hedge reserve	Post–employment benefit plan revaluation reserve	TOTAL
As of 31 December 2021	**1,157,825**	**19,218**	**(1,798)**	**110**	**1,175,355**	**778,049**	**19,218**	**(1,536)**	**795,731**
Increase of non–current assets revaluation reserve as a result of revaluation (Note 7 c)	227,695	–	–	–	**227,695**	227,695	–	–	**227,695**
Disposal of revaluation reserve	(6,299)	–	–	–	**(6,299)**	(3,308)	–	–	**(3,308)**
Gains from fair value changes of derivative financial instruments	–	59,558	–	–	**59,558**	–	59,558	–	
As of 30 June 2022	**1,379,221**	**78,776**	**(1,798)**	**110**	**1,456,309**	**1,002,436**	**78,776**	**(1,536)**	**1,079,676**
Disposal of revaluation reserve	(5,230)	–	–	–	**(5,230)**	(162)	–	–	**(162)**
Gains on re–measurement of defined post–employment benefit plan	–	–	645	–	**645**	–	–	210	**210**
Losses from fair value changes of derivative financial instruments	–	(169,041)	–	–	**(169,041)**	–	(169,041)	–	**(169,041)**
As of 31 December 2022	**1,373,991**	**(90,265)**	**(1,153)**	**110**	**1,282,683**	**1,002,274**	**(90,265)**	**(1,326)**	**910,683**
Increase of non–current assets revaluation reserve as a result of revaluation (Note 7 c)	312,062	–	–	–	312,062	312,062	–	–	312,062
Disposal of revaluation reserve	(3,195)	–	–	–	**(3,195)**	–	–	–	–
Gains from fair value changes of derivative financial instruments	–	54,596	–	–	**54,596**	–	54,596	–	**54,596**
As of 30 June 2023	**1,682,858**	**(35,669)**	**(1,153)**	**110**	**1,646,146**	**1,314 336**	**(35,669)**	**(1,326)**	**1,277,341**

14. Borrowings

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Non–current portion of non-current borrowings from financial institutions	377,798	424,867	369,419	411,664
Non-current portion of issued debt securities (bonds)	199,897	149,887	199,897	149,887
Total non-current borrowings from financial institutions	**577,695**	**574,754**	**569,316**	**561,551**
Current portion of non–current borrowings from financial institutions	170,457	177,778	168,477	175,798
Overdraft from financial institutions	–	119,478	–	119,478
Accrued interest on non–current borrowings from financial institutions	3,129	2,161	3,005	2,047
Accrued coupon interest on issued debt securities (bonds)	1,270	1,747	1,270	1,747
Total current borrowings from financial institutions	**174,856**	**301,164**	**172,752**	**299,070**
TOTAL borrowings from financial institutions	**752,551**	**875,918**	**742,068**	**860,621**
Current borrowings from related parties (Note 19 f)	–	–	–	3,317
Total current borrowings	**174,856**	**301,164**	**172,752**	**302,387**
TOTAL borrowings	**752,551**	**875,918**	**742,068**	**863,938**

Movement in borrowings:

EUR'000

	Group			Parent Company		
	01/01–30/06/2023	01/01–30/06/2022	2022	01/01–30/06/2023	01/01–30/06/2022	2022
At the beginning of the year	**875,918**	**795,029**	**795,029**	**863,938**	**782,322**	**782,322**
Received borrowings from financial institutions	–	124,678	207,846	–	122,678	200,013
Repaid borrowings from financial institutions	(173,867)	(28,239)	(129,118)	(169,043)	(24,082)	(123,801)
Proceeds from issued debt securities (bonds)	50	100,000	100,000	50,000	100,000	100,000
Borrowings received from related parties	–	–	–	(3,317)	–	3,317
Repayment of issued debt securities (bonds)	–	(100,000)	(100,000)	–	(100,000)	(100,000)
Change in accrued interest on borrowings from financial institutions	490	(756)	2,195	480	(756)	2,121
Changes in outstanding value of issued debt securities (bonds)	10	(44)	(34)	10	(44)	(34)
At the end of the year	**752,551**	**890,668**	**875,918**	**742,068**	**880,118**	**863,938**

15. Derivative financial instruments

Outstanding fair values of derivatives and their classification

EUR'000

	Group				Parent Company			
	30/06/2023		31/12/2022		30/06/2023		31/12/2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	9,515	–	10,279	–	9,515	–	10,279	–
Energy forwards, futures, and swaps	928	(102,862)	450	(120,520)	928	(102,862)	450	(120,520)
Currency exchange forwards	–	–	–	(1,499)	–	–	–	(1,499)
Total outstanding fair values of derivatives	**10,443**	**(102,862)**	**10,729**	**(122,019)**	**10,443**	**(102,862)**	**10,729**	**(122,019)**

I) Interest rate swaps

The Group and the Parent Company enters into interest rate swap agreements with 7 to 10 year initial maturities and hedged floating rates are 6 month EURIBOR.

All contracts are designed as cash flow hedges and are eligible for hedge accounting. During the prospective and retrospective testing, an ineffective portion of some transactions has been identified and recognised in the Statement of Profit or Loss.

Fair value changes of interest rate swaps EUR'000

	Group						Parent Company					
	01/01–30/06/2023		01/01–30/06/2022		2022		01/01–30/06/2023		01/01–30/06/2022		2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**10,279**	**–**	**–**	**(4,312)**	**–**	**(4,312)**	**10,279**	**–**	**–**	**(4,312)**	**–**	**(4,312)**
Included in the Statement of Profit or Loss (Note 6)	(43)	9	–	715	–	1,074	(43)	9	–	715	–	1,074
Included in the Statement of Comprehensive Income	(721)	(9)	5,755	2,968	10,279	3,238	(721)	(9)	5,755	2,968	10,279	3,238
Outstanding fair value at the end of the period	**9,515**	**–**	**5,755**	**(629)**	**10,279**	**–**	**9,515**	**–**	**5,755**	**(629)**	**10,279**	**–**

II) Energy forwards, futures, and swaps

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

Fair value changes of energy forward and future contracts EUR'000

	Group						Parent Company					
	01/01–30/06/2023		01/01–30/06/2022		2022		01/01–30/06/2023		01/01–30/06/2022		2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**450**	**(120,520)**	**25,735**	**(14,208)**	**25,735**	**(14,208)**	**450**	**(120,520)**	**25,466**	**(14,208)**	**25,466**	**(14,208)**
Included in Statement of Profit or Loss (Note 5)	478	(36,169)	5,845	10,496	181	(10,277)	478	(36,169)	5,845	10,496	450	(10,277)
Included in Statement of Comprehensive Income	–	53,827	49,215	1,621	(25,466)	(96,035)	–	53,827	49,215	1,621	(25,466)	(96,035)
Outstanding fair value at the end of the period	**928**	**(102,862)**	**80,795**	**(2,091)**	**450**	**(120,520)**	**928**	**(102,862)**	**80,526**	**(2,091)**	**450**	**(120,520)**

III) Currency exchange forwards

The Group and the Parent Company has concluded several forward foreign currencies exchange transactions in order to limit the currency risk of the payments in foreign currencies planned in the natural gas purchase agreements.

All contracts are designed as cash flow hedges and are eligible for hedge accounting.

Fair value changes of forward currencies exchange contracts EUR'000

	Group						Parent Company					
	01/01–30/06/2023		01/01–30/06/2022		2022		01/01–30/06/2023		01/01–30/06/2022		2022	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**–**	**(1,499)**	**–**	**–**	**–**	**–**	**–**	**(1,499)**	**–**	**–**	**–**	**–**
Included in other comprehensive income	–	(1,499)	–	–	–	(1,499)	–	(1,499)	–	–	–	(1,499)
Outstanding fair value at the end of the period	**–**	**–**	**–**	**–**	**–**	**(1,499)**	**–**	**–**	**–**	**–**	**–**	**(1,499)**

16. Fair values and fair value measurement

In this Note are disclosed the fair value measurement hierarchy for the Group's and the Parent Company's financial assets and liabilities and revalued property, plant and equipment.

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

	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
Type of assets	**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 30 June 2023								
Assets measured at fair value								
Revalued property, plant, and equipment	–	–	2,910,099	**2,910,099**	–	–	1,296,561	**1,296,561**
Non-current financial investments (Note 9)	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:								
Interest rate swaps (Note 15 I)	–	9,515	–	**9,515**		9,515	–	**9,515**
Energy forwards, futures, and swaps (Note 15 II)	–	928	–	**928**		928	–	**928**
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	2,009	**2,009**	–	–	2,213	**2,213**
Loans to related parties:								
– Floating rate loans (Note 19 c)	–	–	–	**–**	–	232,690	–	**232,690**
– Fixed rate loans (Note 19 c)	–	–	–	**–**	–	403,798	–	**403,798**
Current financial receivables (Note 11 a, b)	–	–	235,048	**235,048**	–	–	220,872	**220,872**
Cash and cash equivalents (Note 12)	–	332,664	–	**332,664**	–	317,132	–	**317,132**
As of 31 December 2022								
Assets measured at fair value								
Revalued property, plant, and equipment	–	–	2,622,747	**2,622,747**	–	–	998,090	**998,090**
Non-current financial investments (Note 9)	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:								
Interest rate swaps (Note 15 I)	–	10,279	–	**10,279**	–	10,279	–	**10,279**
Energy forwards, futures, and swaps (Note 15 II)	–	450	–	**450**	–	450	–	**450**
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	2,297	**2,297**	–	–	2,222	**2,222**
Loans to related parties:								
– Floating rate loans (Note 19 c)	–	–	–	**–**	–	266,737	–	**266,737**
– Fixed rate loans (Note 19 c)	–	–	–	**–**	–	446,571	–	**446,571**
Current financial receivables (Note 11 a, b)	–	–	331,198	**331,198**	–	–	269,445	**269,445**
Cash and cash equivalents (Note 12)	–	112,757	–	**112,757**	–	100,268	–	**100,268**

There have been no transfers for assets between Level 1, Level 2 and Level 3 during the reporting period.

Quantitative disclosures of fair value measurement hierarchy for liabilities at the end of the period EUR'000

Type of liabilities	Group – Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Parent Company – Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 30 June 2023								
Liabilities measured at fair value								
Derivative financial instruments, including:								
Energy forwards, futures, and swaps (Note 15 II)	–	102,862	–	**102,862**	–	102,862	–	**102,862**
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14)	–	201,167	–	**201,167**	–	201,167	–	**201,167**
Borrowings from financial institutions (Note 14)	–	551,384	–	**551,384**	–	540,901	–	**540,901**
Trade and other financial current payables (Note 17)	–	–	129,400	**129,400**	–	–	91,892	**91,892**
As of 31 December 2022								
Liabilities measured at fair value								
Derivative financial instruments, including:								
Energy forwards, futures, and swaps (Note 15 II)	–	120,520	–	**120,520**	–	120,520	–	**120,520**
Forward currencies exchange contracts (Note 15 III)	–	1,499	–	**1,499**	–	1,499	–	**1,499**
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 23)	–	151,634	–	**151,634**	–	151,634	–	**151,634**
Borrowings from financial institutions (Note 23)	–	724,284	–	**724,284**	–	708,987	–	**708,987**
Borrowings from related parties (Note 23)	–	–	–	**–**	–	3,317	–	**3,317**
Trade and other financial current payables (Note 26)	–	–	107,811	**107,811**	–	–	99,902	**99,902**

There have been no transfers for liabilities between Level 1, Level 2 and Level 3 during the reporting period.

The fair value hierarchy for the Group's and the Parent Company's financial instruments that are measured at fair value, by using specific valuation methods, is disclosed above.

Set out below, is a comparison by class of the carrying amounts and fair values of the Group's and the Parent Company's financial instruments, other than those with carrying amounts which approximates their fair values: EUR'000

	Group				Parent Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Financial assets								
Fixed rate loans to related parties	–	–	–	–	403,798	446,571	374,554	414,187
Financial liabilities								
Issued debt securities (bonds)	201,167	151,634	179,533	128,948	201,167	151,634	179,533	128,948

Management assessed that fair values of cash and short–term deposits, receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short–term maturities of these instruments.

17. Trade and other payables

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Financial liabilities:				
Payables for materials and services	73,606	59,392	46,808	19,283
Payables to related parties (Note 19 b)	7,373	8,191	13,421	24,026
Accrued expenses	30,632	27,204	21,934	21,351
Accrued expenses from related parties (Note 19 b)	117	–	529	31,191
Other financial current payables	17,672	13,024	9,200	4,051
TOTAL financial liabilities	**129,400**	**107,811**	**91,892**	**99,902**
Non–financial liabilities:				
Taxes other than income tax	26,716	38,418	15,416	27,159
Contract liabilities	31,809	15,539	4,599	5,368
Received European Union prepayments*	12,738	168	–	–
Other current payables	4,227	3,338	1,657	1,339
TOTAL non–financial liabilities	**75,490**	**57,463**	**21,672**	**33,866**
TOTAL trade and other current payables	**204,889**	**165,274**	**113,564**	**133,768**

* including an advance payment in the amount of EUR 12.6 million received by Sadales tīkls AS on 28 April 2023, as part of the agreement with the Ministry of Economics of the Republic of Latvia on the financing of the European Union Recovery and Resilience Facility

18. Deferred income

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
I) Non–current deferred income				
a) contracts with customers				
From connection fees	131,226	132,381	–	–
Other deferred income	701	735	701	735
	131,927	**133,116**	**701**	**735**
b) operating lease				
Other deferred income	311	321	311	321
	311	**321**	**311**	**321**
c) other				
On grant for the installed electrical capacity of CHPPs	101,465	113,460	101,465	113,460
On financing from European Union funds	7,933	7,329	1,902	1,973
Other deferred income	53	70	40	44
	109,451	**120,859**	**103,407**	**115,477**
Total non–current deferred income	**241,689**	**254,296**	**104,419**	**116,533**
II) Current deferred income				
a) contracts with customers				
From connection fees	15,735	15,386	–	–
Other deferred income	2,321	13,944	67	13,714
	18,056	**29,330**	**67**	**13,714**
b) operating lease				
Other deferred income	20	20	20	20
	20	**20**	**20**	**20**
c) other				
On grant for the installed electrical capacity of CHPPs	23,990	23,990	23,990	23,990
On financing from European Union funds	892	891	143	142
	24,882	**24,881**	**24,133**	**24,132**
TOTAL current deferred income	**42,958**	**54,231**	**24,220**	**37,866**
TOTAL deferred income	**284,647**	**308,527**	**128,639**	**154,399**

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

	Group			Parent Company		
	01/01-30/06/2023	01/01-30/06/2022	2022	01/01-30/06/2023	01/01-30/06/2022	2022
At the beginning of the period	**308,527**	**323,071**	**323,071**	**154,399**	**164,981**	**164,981**
Recognised in Statement of Financial Position:						
– fees for connection to distribution system	6,991	5,230	11,840	–	–	–
– other deferred non–current income (financing)	2,928	–	13,647	–	–	13,647
Recognised in Statement of Profit or Loss:						
– Other deferred income	(12,457)	(12,461)	(24,920)	(12,070)	(12,071)	(24,142)
– Deferred income from contracts with customers and operating lease	(21,342)	(7,539)	(15,111)	(13,690)	(44)	(87)
At the end of the period	**284,647**	**308,301**	**308,527**	**128,639**	**152,866**	**154,399**

19. Related party transactions

The Parent Company and, indirectly, its subsidiaries are controlled by the Latvian state. Related parties of the Latvenergo Group and the Parent Company are Shareholder of the Parent Company who controls over the Parent Company in accepting operating business decisions, members of Latvenergo Group entities' management boards, members of the Supervisory board of the Parent Company, members of Supervisory body of the Parent Company – the Audit Committee and close family members of any above–mentioned persons, as well as entities over which those persons have control or significant influence.

Trading transactions taking place under normal business activities with the Latvian government including its departments and agencies as well as transactions with state–controlled entities and providers of public utilities are excluded from the scope of related party disclosures. The Group and the Parent Company enter into transactions with many of these bodies on an arm's length basis.

Transactions with government related entities include sales of energy and related services but does not contain individually significant transactions therefore quantitative disclosure of transactions with those related parties is impossible due to broad range of the Latvenergo Group's and the Parent Company's customers, except for transactions with transmission system operators – Augstsprieguma tīkls AS.

a) Sales/purchases of goods, PPE, and services to/from related parties EUR'000

	Group		Parent Company			
	01/01-30/06/2023	01/01-30/06/2022	01/01-30/06/2023		01/01-30/06/2022	
	Other related parties*	Other related parties*	Subsidiaries	Other related parties*	Subsidiaries	Other related parties*
Sales of goods, PPE and services, finance income	18,090	18,472	108,404	18,061	27,374	18,409
Purchases of goods, PPE, and services	42,372	46,702	43,285	6,272	78,489	10,168
including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:						
– Sadales tīkls AS	–	–	53,676	–	29,477	–

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

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	40,751	35,120
– other related parties*	10,933	15,873	10,820	15,701
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(33)	(22)
– loss allowances for expected credit loss from receivables of other related parties*	(24)	(19)	(24)	(19)
	10,909	**15,854**	**51,514**	**50,780**
Payables to related parties:				
– subsidiaries	–	–	11,937	22,369
– other related parties*	7,373	8,191	1,484	1,657
	7,373	**8,191**	**13,421**	**24,026**

c) Accrued income raised from transactions with related parties

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
– for goods sold/services provided for subsidiaries (Note 11 a, b)	–	–	29,936	2,483
– for interest received from subsidiaries	–	–	2,970	2,100
	–	**–**	**32,906**	**4,583**

d) Accrued expenses raised from transactions with related parties

EUR'000

	Group		Parent Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
– for purchased goods/received services from subsidiaries	–	–	444	31,191
– for purchased goods/received services from other related parties*	117	–	85	–
	117	**–**	**526**	**31,191**

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

In the 6–month period ending on 30 June 2023 remuneration to the Latvenergo Group's management includes remuneration to the members of the Management Boards the Group entities, the Supervisory Board, and the Supervisory body (Audit Committee) of the Parent Company, including salary, social insurance contributions and payments to pension plan and is amounted to EUR 1,947.9 thousand (01/01 – 30/06/2022: EUR 1,563.9 thousand).

In the 6–month period ending on 30 June 2023 remuneration to the Parent Company's management includes remuneration to the members of the Parent Company's Management Board, the Supervisory Board and the Supervisory body (Audit Committee), including salary, social insurance contributions and payments to pension plan and is amounted to EUR 749.3 thousand (01/01 – 30/06/2022: EUR 567.5 thousand).

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

e) Loans to related parties

Non–current and current loans to related parties

EUR'000

	Parent Company	
	30/06/2023	31/12/2022
Non–current loans to subsidiaries		
Sadales tīkls AS	468,423	494,979
Elektrum Eesti OÜ	7,110	7,260
Elektrum Lietuva, UAB	11,666	8,535
Allowances for expected credit loss	(390)	(306)
TOTAL non–current loans	**486,809**	**510,468**
Current portion of non–current loans		
Sadales tīkls AS	98,697	95,312
Elektrum Eesti OÜ	300	300
Elektrum Lietuva, UAB	1,555	904
Allowances for expected credit loss	(79)	(57)
Current loans to subsidiaries		
Sadales tīkls AS	7,069	10,000
Elektrum Eesti OÜ	11,339	41,700
Elektrum Lietuva, UAB	17,871	54,746
Enerģijas publiskais tirgotājs SIA	12,967	–
Allowances for expected credit loss	(40)	(65)
TOTAL current loans	**149,679**	**202,840**
TOTAL loans to related parties	**636,488**	**713,308**

Movement in loans issued to related parties EUR'000

	Parent Company		
	01/01-30/06/2023	01/01-30/06/2022	2022
At the beginning of the period	**713,308**	**706,378**	**706,378**
Change in current loans in cash (net)	(56,021)	46,582	225,482
Change in current loans by non–cash offsetting of operating receivables and payables (net)	27,675	(40,863)	(120,831)
Repaid non–current loans by non–cash offset	(48,393)	(49,940)	(97,746)
Allowances for expected credit loss	(81)	55	25
At the end of the period	**636,488**	**662,212**	**713,308**
incl. loan movement through bank account			
Issued loans to subsidiaries	362,339	401,981	921,687
Repaid loans issued to subsidiaries	(418,360)	(355,399)	(696,205)
Issued loans, net	**(56,021)**	**46,582**	**225,482**

f) Borrowings from related parties

To ensure efficiency and centralised management of Latvenergo Group companies' financial resources and using the functionality of Group accounts and possibility for non–cash offsetting of mutual invoices between the parties, current loans / borrowings are provided. In the reporting period Latvenergo AS issued loans to subsidiaries in accordance with mutually concluded agreement 'On provision of mutual financial resources', allowing the subsidiaries to borrow and to repay the loan according to daily operating needs and including non-cash offsetting of operating receivables and payables. Within the framework of the agreement, as of 30 June 2023, Parent Company has not a current borrowings from related parties (31/12/2022: borrowing from Enerģijas publiskais tirgotājs SIA in the amount of EUR 3,317 thousand).

20. Events after the reporting period

There have been no significant events subsequent after the end of the reporting period that might have a material effect on the Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6–month period ending on 30 June 2023.