

Latvenergo Group's unaudited results for the first half of 2023 are published

Today, on 31 August, Latvenergo Group published its unaudited condensed interim consolidated financial statements for the first half of 2023.

In the first half of 2023, Latvenergo Group's financial results were most significantly affected by a 56% increase in electricity generation to 3 519 GWh compared to the same period last year. The Daugava HPPs produced 44% more electricity than in the corresponding period last year, or 2 834 GWh. This contributed to Latvenergo's sales growth in neighbouring countries, significantly increasing revenues generated outside Latvia. In total, the Group sold 28% more electricity than last year, or 5 026 GWh. Compared to the first half of last year, the number of Elektrum's electricity customers outside Latvia increased by 47% to 209 thousand, while the total number of Elektrum's electricity customers in the Baltics exceeded 842 thousand. The higher half-year electricity generation and sales volumes and customer growth in neighbouring countries over the last five years have contributed to a 57% year-on-year increase in Group's profit to EUR 222.5 million.

In the first half of 2023, Latvenergo Group's revenues amounted to EUR 1 163.4 million, up 56% year-on-year, while the Group's EBITDA increased by 52% to EUR 344.7 million.

Latvenergo has successfully generated and sold electricity at the beginning of the year, operating not only in Latvia, but throughout the Baltics and also generating significant revenue growth in neighbouring countries. In the first half of 2023, the high inflow in the Daugava River, which averaged 1 243 m³/s or almost twice as much as in the corresponding period last year (please see Annex 1), allowed the Daugava HPPs cascade to generate 44% more electricity than in the corresponding period last year or 2 834 GWh. Already at the end of the reporting period, in June, the inflow in the Daugava River dropped sharply in line with the season (please see Annex 1), thus also affecting the hydropower output. In turn, the CHPP's electricity generation increased by 151% to 675 GWh in the first half of the year. Latvenergo thus generated 40% of all electricity in the Baltics in the first half of 2023. In total, 3 519 GWh of electricity was generated, 56% more than in the same period last year.

The volume of thermal energy generated decreased by 11% to 969 GWh, mainly due to energy efficiency measures, significantly reducing consumption in residential, state and local authority buildings.

As electricity generation grew, so did electricity sales in the Baltics, with 5 026 GWh sold in the first half of the year, the highest in five years and 28% more than in the same period last year. Retail sales increased by 17% to 3 087 GWh. The higher retail sales were driven by a 47% increase in the number of customers outside Latvia to 209 thousand in Estonia and Lithuania, bringing the total number of Elektrum customers in the Baltics to over 842 thousand. In the natural gas trading segment, Latvenergo's customer base grew by 90% to over 37 thousand customers.

The increased electricity generation of the Daugava HPPs, together with higher volumes of electricity sold, especially with a significant increase outside Latvia, had a positive impact on the Group's financial performance in the first half of 2023. Latvenergo Group's revenues amounted to EUR 1 163.4 million, up 56% compared to the same period last year. Latvenergo Group's EBITDA increased by 52% to EUR 344.7 million. Profit also increased by 57% compared to the first half of last year to EUR 222.5 million.

In May 2023, the sustainability rating agency ISS ESG awarded Latvenergo AS a B- ESG corporate rating, placing Latvenergo AS among the top 10% of companies in the industry. In addition, a Prime badge was awarded meaning that Latvenergo AS fulfills ISS ESG's demanding requirements regarding sustainability performance in the sector.

New business lines are having an increasing impact on financial and operational performance. In the first half of 2023, the number of contracts for the sale of solar panels and parts of solar parks exceeded 1 100. The total installed capacity of solar panels for Latvenergo Group's retail customers already exceeded 55 MW at the end of June, making Latvenergo one of the leading

providers of this service in the Baltics. In addition, at the end of June, the Elektrum Drive electric vehicle charging network reached 220 ports, up 70% on a year ago. It carried out more than 20.3 thousand charges amounting to 421 MWh, with a saving of 257 tonnes of CO₂ emissions. This further strengthens Latvia's position as the leading electric vehicle charging network in the Baltic states, ahead of Estonia and Lithuania in service availability.

In the first half of 2023, EUR 85.1 million was invested, up 52% compared to last year, with the increase mainly due to higher investments in solar power plant development projects. In line with Latvenergo Group's strategy for 2022–2026, the Group's investments in renewable energy generation capacity will increase significantly during this period, which will reduce greenhouse gas emissions and contribute to achieving Latvia's climate neutrality by 2050.

Continuing to implement its growth strategy, Latvenergo Group is actively working on increasing its power generation portfolio to strengthen its position in the region's wind and solar power industry. The consolidation of green technologies in the ownership of the Latvian state-owned company reduces Latvia's energy dependence and strengthens the country's path towards climate neutrality by 2050. The Group is developing its own projects and acquiring solar and wind projects at various stages of development to increase renewable energy generation capacity by 2 300 MW by 2030, double the current level.

A year ago, Latvenergo provided natural gas for its own generation needs for the winter season as well as for the needs of its customers. This year, the Group's natural gas supplies are again on time, reliable and consistent, guaranteed by a supply contract with Klaipeda terminal of up to 6 TWh annually. Thus, the Group has secured at least two stable assets – as in previous years, Latvenergo uses the Inčukalns underground gas storage facility, and Latvenergo receives regular natural gas supplies through the Klaipeda LNG terminal.

Latvenergo AS paid EUR 134.0 million in dividends to the State in May on 2022 profits and paid EUR 26.5 million in enterprise income tax in the first half of 2023. The Group expects to pay 64% of its 2023 profits in dividends.

The new distribution tariffs of Sadales tīkls AS came into force on 1 July 2023. The specific changes depend on the customer's connection and consumption. The increase in tariffs is mainly a result of two factors: the increase in the cost of distribution services due to inflation and the increase in the electricity transmission tariff.

Latvenergo Group's unaudited condensed interim financial statements for the 9 months of 2023 will be published on 30 November.