

Latvenergo Group publishes audited results and the Sustainability Report for 2019

Today, on 8 April, the audited consolidated financial results of Latvenergo Group and the financial results of Latvenergo AS for 2019 are published. They were approved by the Management Board of Latvenergo AS on 7 April. The Sustainability Report prepared in accordance with the GRI Standards and the Corporate Governance Report of Latvenergo AS for 2019 are published along with the Latvenergo consolidated and Latvenergo AS annual report for 2019.

On its 80th anniversary, the Latvenergo Group was the most valuable energy company in Latvia for the 12th time and repeatedly also in the Baltics with the value of assets reaching almost 3.9 billion euros. In 2019, the Group's revenue remained stable and constitutes 841.6 million euros. EBITDA decreased by 14% to 243.5 million euros. Meanwhile the profit of the Group increased by 24% and constitutes 94.4 million euros. In 2019, Latvenergo Group generated 4,880 gigawatt-hours (GWh) of electricity, sold 6,505 GWh of electricity and 303 GWh of natural gas.

The operations and results of the Latvenergo Group in 2019 were affected by global and regional factors of the operating environment. In 2019, the average regional prices of electricity were lower than a year earlier, defined by improvements in the hydrological situation in Nordic countries in the second half of the year, warmer weather and therefore lower demand for electricity in the region, lower prices on natural gas and coal markets, as well as other factors. It should be noted that in the previous year, the generation of electricity in the Baltics was by 21% lower than in 2018. The biggest reduction in generation of electricity was in Estonia, where operations of oil shale power plants were limited and therefore the role and the contribution of Latvenergo AS CHPPs to the common market has increased.

In the previous year, 4,880 GWh of electricity and 1,842 GWh of thermal energy was generated by Latvenergo Group's power plants. For the second year in a row, CHPPs of Latvenergo AS generated historically the largest amount of electricity – 2,780 GWh, which is 5% more than in 2018. The high level of generation of CHPPs was facilitated by regional electricity demand, as the electricity generation of oil shale power plants in Estonia was decreased considerably due to high prices of CO₂ emission allowances in 2019. Whereas the amount of CO₂ emissions at CHPPs of Latvenergo AS has been reduced to a minimum after the reconstruction, making the most efficient use of energy sources for energy generation. CO₂ emissions at the oil shale power plants are very high – up to 1 t/MWh, whereas they do not exceed 0.3 t/MWh at Latvenergo CHPPs. Also, during the period, when the operation of the Daugava HPPs was affected by low water inflow in the Daugava River, both CHPPs worked to meet the electricity market demand. In turn, the Daugava HPPs generated 2,047 GWh, which was 14% less than in the previous year. This was due to lower water inflow in the Daugava River.

In 2019, Latvenergo Group was one of the largest providers of power supply services in the Baltic market. At the same time, the Group is actively extending operations in new business segments: the year was particularly successful for trading of solar panels. Over 300 agreements on sale and installation of solar panels were concluded in the Baltic countries, with a considerable increase in the Lithuanian market; In August, Latvenergo Group started working in the electrical mobility market by launching the first fast electric vehicle charging stations; At the beginning of 2019, Latvenergo Group started operations on the natural gas market for Latvian households concluding two times more agreements than planned. In 2019, Latvenergo Group supplied 6,505 GWh of electricity in retail, more than third of which were supplied outside Latvia.

In 2019, the Latvenergo Group's revenue constitutes 841.6 million euros, which is 2.8 million euros more than in 2018. Profit has increased by 18.4 million euros or 24% compared to the previous year, and reaches 94.4 million euros. In the reporting period, EBITDA of Latvenergo Group decreased by 14% compared to the previous year and constitutes 243.5 million euros. It was impacted by 57.0 million euros lower compensation for the Latvenergo AS CHPPs' capacity payments recognised in the profit and loss statement of Latvenergo AS. The financial results were also negatively impacted by lower electricity output at the Daugava HPPs.

In 2019, the total amount of investments of Latvenergo Group amounted to 229.4 million euro, which is 8.8 million euro more compared to 2018. 79 % of the total investments were invested in the network assets. In 2019, 16.6 million euros were invested in the reconstruction of hydropower units of the

Daugava HPPs. The reconstruction programme has been scheduled until 2023, and its total reconstruction costs will exceed 200 million euro. By the end of 2019, investments amounting to 166.1 million euros had been made within the scope of the contracts. The reconstruction will ensure functionality of the hydropower units for another 40 years.

On 8 October 2019, the Cabinet of Ministers of the Republic of Latvia decided to complete the ownership unbundling of the electricity transmission system operator by 1 July 2020, transferring all assets of the electricity transmission system on the balance sheet of Latvijas elektriskie tīkli AS, a subsidiary of Latvenergo AS, to the transmission system operator Augstsprieguma tīkls AS. The change of ownership of assets is planned through the reduction of the share capital of Latvenergo AS by withdrawing the capital shares of Latvijas elektriskie tīkli AS from the base of assets of Latvenergo AS.

On 15 October 2019, the international credit rating agency Moody's affirmed the credit rating of Latvenergo AS at investment grade Baa2 with a stable outlook, also taking into account the planned unbundling of transmission system asset ownership.

The Latvenergo Group Sustainability Report for 2019 has been prepared in accordance with the requirements of GRI Standards. The report contains extensive information about the Group, its governance and operating segments. The document also provides information on the key economic, social and environmental aspects of the Group's operations. The Sustainability Report for 2019 has been audited by PricewaterhouseCoopers SIA.

The Latvenergo AS Corporate Governance Report 2019 was also published along with the financial results of Latvenergo Group. The Corporate Governance Report shows that Latvenergo Group respects all the principles of good corporate governance that apply to its operations in all essential aspects except the principles in respect to independence of members of the Supervisory Board, which are respected partially. The Corporate Governance Report was first prepared in 2012 with the launch of the bond issuance programme and listing of issued bonds on Nasdaq Riga. The report has been prepared in line with the Financial Instruments Market Law and the "Principles of Corporate Governance and Recommendations on their Implementation" issued by Nasdaq Riga AS in 2010.

The reports are available in the section [Investors/Reports](#).