

## Unaudited results of the Latvenergo Group for 2020

Today, on 26 February, the unaudited consolidated condensed financial statements of Latvenergo Group for 2020 are published.

In 2020, energy sector, like the rest of the world economy, was affected by the COVID-19 pandemic. Nevertheless, Latvenergo Group's timely and purposeful action to provide safe working conditions ensured stable and continuous energy production, trade and electricity distribution. During this time, the Group started operating in the Lithuanian household electricity market.

In 2020, the electricity price in the Baltics and Nordics decreased, in Latvia it was 26% lower than in 2019. One of the reasons was the normalization of the Nordic hydro balance. In Latvia, due to the higher inflow, the amount of electricity generated at the Daugava HPPs was 23% higher compared to the previous year.

In 2020, according to *TOP 101 Most Valuable Companies in Latvia*, Latvenergo Group was the most valuable company in Latvia for the 13<sup>th</sup> time, as well as it was recognised as the most valuable energy company in the Baltics. In 2020, the revenue of the Group comprised EUR 774.1 million. EBITDA[1] increased by 14% to EUR 278.8 million. The profit of the Group comprised EUR 115.8 million. The Group generated 4,249 gigawatt-hours (GWh) of electricity, and sold 6,394 GWh of electricity and 516 GWh of natural gas.

Latvenergo Group's operations in 2020 have been affected by a number of regional and global events. The electricity price in the Nord Pool region decreased, mainly affected by both higher share of renewable energy generation and lower demand due to warmer weather and COVID-19. Due to these factors, in 2020, the electricity consumption in the Baltic States decreased by 2.4% compared to the year 2019. Accordingly, due to low electricity prices and falling demand, electricity generation in the Baltics decreased by 6%; it amounted to 5.4 TWh in Latvia.

On 10 June 2020, transmission system assets were separated from Latvenergo Group by transferring the shares of Latvijas elektriskie tīkli AS in the amount of EUR 222.7 million to the Ministry of Economics. Accordingly, the share capital of Latvenergo AS was decreased by this amount - to EUR 612.2 million. In order to partially compensate the decrease of the share capital, the shareholders' meeting of Latvenergo AS decided to increase the share capital to EUR 790.3 million by investing in Latvenergo AS retained earnings from previous years in the amount of EUR 178.1 million. In 2020, there were also changes in the management of the Group – a new company Supervisory Board was appointed, as well as the Chairman of the Management Board Āris Žīgurs and Member of the Management Board Uldis Bariss ceased to work for Latvenergo AS. Guntars Baļčūns, Member of the Management Board and Chief Financial Officer, was appointed as acting Chairman of the Management Board until the establishment of the permanent composition of the Management Board.

In the reporting year, Latvenergo Group was the largest electricity generator in the Baltics, generating 29% of the total electricity output in the Baltics. The share of electricity generated from renewable energy sources comprised 60%, which was 18 percentage points more than in 2019. The total amount generated by Latvenergo Group's power plants comprised 4,249 GWh of electricity and 1,702 GWh of thermal energy. The amount of power generated at the Daugava HPPs was 23% higher compared to the year 2019, reaching 2,528 GWh. The relatively larger amount of power generated at the Daugava HPPs was impacted by higher water inflow in the Daugava River. In 2020, the average water inflow in the Daugava River was 500 m<sup>3</sup>/s, while in year 2019 it was only 401 m<sup>3</sup>/s. It is important to emphasise that the Daugava HPP cascade operatively ensured the energy supply of Latvia and neighbouring countries in June 2020, when the accident in the transmission network temporarily left a large part of Riga and the city surroundings without electricity.

In the reporting year, the amount generated at the Latvenergo AS CHPPs reached 1,685 GWh, which was 39% less than in 2019. The operation of the CHPPs is adjusted to the conditions of the electricity market and thermal energy demand. The amount of thermal energy generated in

2020 decreased by 8% compared to the year 2019, which was mainly impacted by warmer weather conditions.

In 2020, Latvenergo operated in all energy trade segments in Latvia, Lithuania and Estonia, also continuing to actively expand into new business segments by launching operations in the Lithuanian household electricity market. In the reporting year, Latvenergo Group supplied a total of 6.4 TWh of electricity to its customers in the Baltics, of which 4.2 TWh in Latvia, 1.2 TWh in Lithuania and 0.9 TWh in Estonia. The total number of Latvenergo customers comprises 740 thousand, of which 49 thousand customers are located outside Latvia. Since the opening of the Lithuanian household electricity market, more than 13 thousand contracts have been concluded by the end of 2020. In the reporting year, Latvenergo Group's natural gas sales to retail customers were 70% higher than in the previous year, reaching 516 GWh. The number of natural gas customers in the Baltics is 13.5 thousand, of which 12.1 thousand are households.

The year was particularly successful in the sale of solar panels – more than 600 contracts were concluded for the installation of solar panels in the Baltics; thus, the number of concluded contracts almost doubled compared to the year 2019. To extend this segment, *Elektrum* started construction projects for two solar panel parks in Lithuania and Estonia with total planned installed capacity of 1.75 MW.

In the electric mobility market segment launched in 2019, the network of electric vehicle charging stations expanded to 36 charging points by the end of 2020. *Elektrum* mobile app customers made more than 8,000 charges at *Elektrum* public charging stations. At the same time, other electric mobility services and products are being developed – both for legal entities by setting up charging stations and for households by selling home chargers.

In the reporting period, Latvenergo Group revenue reached EUR 774.1 million, which was by EUR 67.5 million or 8% less than in 2019. This was mainly impacted by lower revenues from electricity trade segment due to lower electricity prices and generated electricity, lower revenues from the distribution segment due to lower volumes of distributed electricity and lower distribution system service tariff, and lower revenues from thermal energy sales due to warmer weather conditions. EBITDA reached EUR 278.8 million, which was by 14% or EUR 35.3 million more than in 2019, which was positively influenced mainly by lower energy purchase prices and higher electricity output at the Daugava HPPs. In the reporting year, the profit of the Group reached EUR 115.8 million.

In 2020, the total amount of investment of Latvenergo Group comprised EUR 168.9 million which was EUR 60.6 million or 26% less than in 2019. It was mainly determined by lower investments in transmission system assets. EUR 18.5 million was invested in the Daugava HPPs' hydropower unit reconstruction. The reconstruction programme is scheduled for completion by 2023, with estimated total reconstruction costs exceeding EUR 200 million. By increasing the use of renewable resources, the reconstruction will ensure functionality of the hydropower units for another 40 years. A significant amount was invested in the modernization of the power networks – 69% of total investment, which make it possible to ensure high-quality power network service, technical parameters and operational safety.

According to the Law on the Medium-Term Budgetary Framework for 2021, 2022 and 2023, Latvenergo AS dividend payout in the year 2021 (for the reporting year 2020) is not less than EUR 98.2 million (incl. corporate income tax). Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 31 December 2020, the Group's asset value reached EUR 3.4 billion and its equity exceeds EUR 2.1 billion.

Latvenergo AS dividends are used to finance the decrease of the mandatory procurement public service obligation fee (as of 1 January 2021 it decreased by 23% – 17.51 EUR/MWh), and as a source of funding for the state budget program *Electricity User Support*.

After the end of the reporting year on 11 February 2021, Moody's performed a periodic review of the credit rating of Latvenergo AS. The Baa2 rating has been consistently stable for the sixth year in a row, confirming Latvenergo Group's stability and financial reliability.

The unaudited condensed financial statements of Latvenergo Group for 2020 are available in section [Investors/Reports](#). The audited results of Latvenergo Group for 2020 will be published on 14 April 2021.

*[1] EBITDA – earnings before interest, corporate income tax, share of profit or loss of associated companies, depreciation and amortisation, and impairment of intangible and fixed assets*