

Latvenergo Group publishes unaudited results for the first quarter of 2022

Today, on 31 May, the unaudited condensed consolidated interim financial statements of Latvenergo Group for the first three months of 2022 are published.

The beginning of 2022 was difficult, as it changed the familiar world and economic order. Russia's invasion of Ukraine has shaken the entire world, including financial and energy markets. The significant upward energy price trend continued in the first quarter of 2022, with the year-on-year price of natural gas in the Baltics multiplying more than 5 times, whilst electricity increased 2.6 times compared to the respective period a year ago.

Latvenergo Group is one of the largest power suppliers and a leader in green energy generation in the Baltics. During the reporting period, the total volume of energy generated at Latvenergo Group's power plants amounted to 1,140 GWh of electricity and 856 GWh of thermal energy. Notably, the share of electricity generated from renewable energy sources comprised 78%. Due to the increased electricity and natural gas spot prices, Latvenergo Group's revenue in the first quarter of 2022 was EUR 407.7 million or 63% higher than in the respective period a year ago. The Group's EBITDA* was 53% higher year-on-year, reaching EUR 123.6 million.

In its Growth Strategy approved in March 2022, the Group announced new strategic objectives with balanced and reasonable ambitions for the use of renewable energy sources, working towards the achievement of energy independence and climate neutrality in the European Union. This is also confirmed by the government's intention of establishing a joint venture with Latvijas valsts meži AS, for the development of wind farms in Latvia.

An unprecedented rise in energy prices in Europe has continued in the first quarter of 2022. While in the Baltics, the price of electricity fluctuated between 135 and 140 EUR/MWh, which was 2.6 times higher than in the respective period a year ago, in Denmark, it was 3.1 times higher, exceeding 150 EUR/MWh, in Germany it was 3.7 times higher, exceeding 180 EUR/MWh, and in France it was 4.4 times higher, exceeding 230 EUR/MWh. Russia's invasion of Ukraine has significantly raised geopolitical risk, threatening the physical deliveries of natural gas and causing natural gas prices to soar, reaching as high as an average of 130 EUR/MWh in March. Assessing the risks related to the Russia's invasion of Ukraine and in accordance with the task given by the government on 24 February 2022 to replenish gas reserves for national security purposes, Latvenergo AS has procured approximately 2 terawatt hours (TWh) of gas.

In the first quarter of 2022, Latvenergo Group was the largest generator of green electricity in the Baltics. The Daugava HPPs generated 888 GWh this year, increasing the share of electricity generated from renewable energy sources to 78%. The output of the Daugava HPPs was 15% higher than in the respective period a year ago. Due to high price of natural gas and CO₂ emission allowances, the Latvenergo AS CHPPs generated 244 GWh of electricity, which is 69% less than a year ago. In total, Latvenergo generated 1,140 gigawatt-hours (GWh) or 26% of the total amount of electricity generated in the Baltic States. Due to the warmer weather conditions, the amount of thermal energy generated decreased by 15%, amounting to 751 GWh.

During the reporting period, the number of both electricity and natural gas customers increased by 2% and 28%, respectively. As a result, the Group's portfolio comprises approximately 760,000 electricity customers, of which more than 100,000 are outside Latvia, while the number of natural gas customers already exceeds 19,000. In the first quarter of 2022, Latvenergo Group supplied 1,422 GWh of electricity and 339 GWh of natural gas in the Baltics.

New business activities, i.e. the sale of solar panels, and electric mobility services, have performed very well.

The number of contracts for the sale of solar panels and parts of solar parks in the Baltics increased almost 11 times, exceeding 1,600. The total capacity of solar panels provided to Latvenergo Group's retail clients in the Baltics exceeds 13 MW, making Latvenergo one of the leading providers of this service in the Baltics. Solar park projects undergo development as part of the expansion and diversification of the generation portfolio with green technologies. There are currently 9 new solar park projects in the Baltics in the development or construction stage, with a total capacity of 70 MW.

At the end of March, the *Elektrum* electric car charging network reached 95 charging ports. The number of charges made by *Elektrum* mobile app users doubled compared to the 3 months of 2021, exceeding 3,900 charges, and comprising 69 MWh.

With electricity and natural gas prices rising, Latvenergo Group's revenue in the first quarter of 2022 reached EUR 407.7 million. The Group's EBITDA increased by EUR 43 million compared to the first quarter of 2021, reaching EUR 123.6 million. The Group's profit in the reporting period was EUR 81.8 million; as per usual, it is higher in the first quarter than during the rest of the year, because higher water inflow in spring results in significantly more electricity being generated at the hydropower plants on the Daugava River. During the reporting period, the average water inflow in the Daugava River was 665 m³/s, compared to 576 m³/s in the respective period a year ago. Consequently, the amount of electricity generated in the first three months of 2022 was 888 GWh and 769 GWh in the respective period a year ago.

As for a state-owned company, the profit of Latvenergo AS is paid as dividends to the state budget. In 2021, the Group paid EUR 113.3 million to the Latvian State Budget, of which EUR 98.2 million was dividends for the use of state capital. In 2022, the dividend payout is planned at the amount of EUR 70.2 million.

The total amount of investments made by Latvenergo Group in the first three months of 2022 was the same as in the first three months a year ago, comprising EUR 28.3 million, most of which was invested in distribution network assets. The Daugava HPPs' hydropower unit reconstruction continued, the total amount of investments reaching EUR 196.7 million.

In March, the Supervisory Board of Latvenergo AS approved Latvenergo Group's medium-term operational strategy for 2022–2026 - the Growth strategy with new operational and financial objectives. It emphasizes a rapid development of renewable energy power plants and electrification to achieve the Group's objectives and to promote energy independence. Objectives of the strategy: to expand and diversify the generation portfolio through green technologies; to strengthen the position of *Elektrum* as the most valuable energy trader in the Baltics; to promote electrification of the transport sector; to provide a sustainable and economically justified distribution service, and to improve the security and quality of electricity supply.

The unaudited condensed interim financial statements of Latvenergo Group for the first 6 months of 2022 will be published on 31 August, and for the 9 months on 30 November. The unaudited condensed interim consolidated financial statements of Latvenergo Group for the first three months of 2022 are available in the [Investors/Reports](#) section.

** Information about the financial indicators and coefficients used by the Latvenergo Group is available in the Latvenergo Group's consolidated and Latvenergo AS Financial Statements for the 3-month period ending 31 March 2022 – see the section "Formulas".*