

Audited results of Latvenergo Group for 2023

Today, on 24 April, the audited consolidated financial results of Latvenergo Group and Latvenergo AS for 2023 are published. Along with the consolidated annual report of Latvenergo and the report of Latvenergo AS for 2023, the Sustainability Report prepared in accordance with the requirements of the GRI Standards and the Corporate Governance Report of Latvenergo AS for 2023 are published. The Corporate Governance Report is prepared on the basis of the Corporate Governance Code published by the Corporate Governance Advisory Board, established by the Ministry of Justice in 2020.

Latvenergo Group had a productive year in 2023, both in terms of electricity generation and trading. To meet the objectives of the Growth Strategy, new renewable energy generation and environmentally friendly services are being developed – electric car charging and micro-generation. The Sustainability Strategy of the Group was approved in 2023 to consolidate and define the existing contribution to environmental and social responsibility.

Outstanding performance at the renewable energy plants of Latvenergo – Daugava hydroelectric power plants (HPPs). Latvenergo Group produced the second-largest amount of electricity at Daugava HPPs over the last 25 years and the largest since 2017, i.e., 3.7 TWh. Meanwhile, the total amount of production amounted to 5.1 TWh of electricity, which is an increase of one-third from 2022. New solar and wind power projects have been complementing the existing renewable energy production capacities.

As the growth of export markets was in progress, one in three megawatt-hours of electricity was sold outside of Latvia. The total retail sales of electricity reached 6.2 TWh over the year, which is a 14% increase from 2022, while the total volume of natural gas sold has increased by half, reaching 1.6 TWh.

Efficient production and modern services have ensured the growth of Latvenergo profits, which will result in dividends of approximately EUR 200 million for the Latvian society this year. The revenue of the Group in 2023 amounted to EUR 2,034.4 million, which is an increase of 10% year-on-year, and the EBITDA of the Group amounted to EUR 601.8 million, up 67% from 2022. The profit of the Group reached EUR 350.9 million.

- **Sustainable generation and trading of electricity**

2023 has been an outstanding year in terms of electricity production and sales for Latvenergo Group. Last year, 5.1 TWh of electricity was generated, which is an increase by a third year-on-year and amounts to 75% of Latvia's consumption. In the sector of renewable energy, in 2023, the Daugava HPPs generated the highest amount of electricity since 2017 – 3.7 TWh, which is also the second-highest amount generated over the last 25 years. This is a 39% increase from 2022, and at the same time, accounts for 54% of Latvia's consumption. 2023 was characterised by high inflow into the River Daugava – on average 789 m³/s, which is a significant increase from 506 m³/s a year earlier (data of LEGMC). In 2023, the output of the combined heat and power plants (CHPPs) of Latvenergo AS also increased by 23% year-on-year due to lower natural gas prices, reaching 1.4 TWh. The plants of the Group also generated 1.7 TWh of heat, which is roughly equal to the production a year ago.

Naturally – the more electricity that is generated, the more electricity is sold – retail electricity sales increased by 14% from the previous year to 6.2 TWh, and the number of customers increased by almost 27 thousand to 845 thousand. It is essential to note that one in three megawatt-hours of electricity was sold outside of Latvia. The year was particularly successful in Lithuania, where a 60% increase in electricity sales and a 37% increase in the number of customers occurred. Meanwhile, the total volume of the sold natural gas increased by half compared to 2022 and

reached 1.6 TWh. The number of natural gas customers has more than doubled to over 49 thousand customers.

- **Developing new renewable energy capacities**

2023 was characterised by an increase in solar and wind generation capacity in Europe and the Baltic states. In line with these trends, Latvenergo Group must increase its renewable energy generation capacities. The Group has announced new production capacities in the Baltic market, by commencing the development of solar parks and the first wind farm projects. In 2023, the development of solar parks that will become operational as soon as in 2024 has started; for instance, at the beginning of this year, *Elektrum's* largest – 13 MW – customer solar park was launched in Lithuania. The new SPP and WPP projects will complement the existing generation methods of the group – HPPs and CHPPs, thus continuing the sustainable development and reliable supply of electricity throughout the Baltic states, as well as expanding the influence of Latvenergo in the neighbouring markets.

The group has solar and wind parks with a total capacity of around 400 MW under design or construction in the Baltic states, including the expansion of the RES generation capacity portfolio of Latvenergo AS in early 2024, with seven more solar power plant projects in Latvia with a total capacity of 40 MW after the end of the reporting year. The development of a new WPP project in Akmenė, Lithuania, with a capacity of up to 15 MW, has also been commenced. SPP projects are becoming important power generation capacities in the portfolio of Latvenergo, with EUR 34.9 million invested in them in the reporting year, accounting for almost 1/5 of the total investment.

In 2023, Latvenergo Group invested a total of EUR 193.3 million, which is an increase of 59% or EUR 71.7 million year-on-year. The reconstruction of the Daugava HPPS hydropower units was also in progress, with 8 reconstructed hydropower units already put into operation in recent years. In accordance with the Strategy of Latvenergo Group for 2022–2026, in the future, the group's investments in renewable energy resource generation capacity will increase significantly, which will reduce greenhouse gas emissions and promote the reaching of climate neutrality of Latvia by 2050.

- **Electromobility and new lines of business**

Targeted growth is continued in new business lines that support the sustainability and climate neutrality goals defined in the group's strategy.

The leading position of Latvia in the area of electricity charging was consolidated during the reporting year. The *Elektrum Drive* charging network in the Baltic states has increased to 400 charging points, with 44.3 thousand charging events in 2023, amounting to 880 MWh and saving 530 tonnes of CO₂ emissions.

The number of contracts for the sale of solar panels and parts of solar parks signed by the Group has exceeded 1.6 thousand. The total installed capacity of solar panels in the Baltics for the retail customers of Latvenergo Group exceeds 70 MW, making *Latvenergo* one of the leading providers of this service in the Baltic states. Almost 3/4 of the total capacity is installed for customers outside of Latvia.

Elektrum Insured customer portfolio in the Baltic states consists of approximately 130 thousand customers, and its growth continues steadily.

- **Distribution**

The distribution segment also demonstrated a strong performance and good results during the reporting year. At the end of the reporting year, the total generation capacity of micro-generators and generators connected to the distribution system reached 550 MW. In 2023, the capacity of

micro-generators connected to the distribution grid reached almost 70 MW, while the total generation capacity of connected generators (producers) increased by 137 MW.

- **Financial indicators**

Given the higher output of Daugava HPPs, higher retail sales of electricity and revenues, as well as active work on new business lines in Latvia and neighbouring countries, the financial performance of Latvenergo Group has increased, which will also result in an increase in the contribution of Latvenergo AS dividends to the Latvian state budget, made in the public interest.

In 2023, the revenue of Latvenergo Group amounted to EUR 2,034.4 million, which is an increase of EUR 192.6 million or 10% year-on-year. EBITDA of Latvenergo Group is EUR 241.6 million or 67% higher than in 2022, reaching EUR 601.8 million. The profit of the group amounted to EUR 350.9 million, which will provide approximately EUR 200 million in dividends and approximately EUR 50 million in corporate income tax¹ to the Latvian state budget and will further contribute to the social budget earmarked for supporting the payment of electricity bills for protected users. The rest of the profit of the group will be invested in new generation capacities, thus expanding the generation portfolio with solar and wind capacity, which will ensure more affordable and accessible domestic electricity in the future.

- **Research and Innovation**

In 2023, the innovations implemented at Latvenergo Group were focused on production upgrades and promotion of efficiency, improvements in the efficiency of the internal processes of the Group, as well as the introduction of new products and services, thus strengthening the positions of Latvenergo in the Baltic market. As a result of investing EUR 6.3 million in research and development and EUR 22.0 million in innovation, the works on raising the flexibility of the power unit of CHPP-1 by enabling it to operate in condensing mode, the installation of a flue gas economiser on the water heating equipment at the CHPP-2, the implementation of the Pļaviņas HPP reserve spillway project, and the works on the unified process control systems of Daugava HPPs were commenced last year; furthermore, the development and introduction of several new IT systems, including the development of the Oracle CC&B system for Latvian, Lithuanian and Estonian solutions was implemented, as well as the introduction of the Smart Equipment and Data Management (MDM) system.

Operations of Latvenergo AS are implemented in line with the medium-term operational strategy of Latvenergo Group for 2022–2026, which was approved in March 2022. It emphasises the rapid development of renewable energy plants and electrification in order to achieve the Group's objectives and to promote energy independence. The Strategy provides for the construction or acquisition of 600 MW of RES capacity in 2026, of which around 400 MW are currently in the design or construction phase, with gradual commissioning expected in 2024–2025.

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

¹ According to the Law on the State Budget for 2024 and the Budget Framework for 2024, 2025 and 2026, the expected amount of dividends to be paid by Latvenergo AS in 2024 (for the reporting year 2023) is 64% of the reporting year's profit, but not less than EUR 199.3 million, with corporate income tax calculated and paid in accordance with the laws and regulations. The actual amount of the dividend payout is set at the Shareholder's Meeting of Latvenergo AS after the approval of the annual report, upon the evaluation of the results of the previous year.