

Latvenergo Group publishes audited results and the Sustainability Report for 2021

Today, on 13 April 2022, the consolidated audited financial results of Latvenergo Group and the financial results of Latvenergo AS for 2021 are published. They were approved by the Management Board of Latvenergo AS on 12 April. The Sustainability Report prepared in accordance with GRI Standards and the Corporate Governance Report of Latvenergo AS for 2021 are published together with the Latvenergo consolidated results and the annual report of Latvenergo AS for 2021. The Corporate Governance Report is prepared on the base of the Corporate Governance Code published by the Corporate Governance Advisory Board established by the Ministry of Justice in 2020.

Last year, Latvenergo Group was the largest producer of green energy in the Baltic states, generating a total of 4,517 gigawatt hours (GWh) of electricity, which is 6% more than in 2020. The audited financial results of Latvenergo Group for 2021 do not differ significantly from the unaudited results published on 28 February 2022. In 2021, the Group's revenue reaches EUR 1,065.2 million, EBITDA is EUR 198.8 million and the Group's profit comprises EUR 71.6 million.

After the end of the reporting year, in March 2022, the consolidated Latvenergo Group's Medium-Term Operation Strategy for 2022-2026 was approved. It is characterized by the keyword 'growth'. The strategy sets priorities in the existing directions of operations and primarily for the development of renewable energy generation capacities, which will ensure the state's energy independence. To support it, the Cabinet of Ministers has decided to establish a joint venture between Latvenergo AS and Latvijas valsts meži AS for the development of high-capacity wind parks.

The operations of Latvenergo Group in 2021 have been affected by the unprecedented rise in energy prices on world markets. In 2021, the electricity spot price in Latvia has reached 88.8 EUR/ MWh, which is 2.6 times higher than in 2020. The rise in prices in the Nord Pool region was affected by various factors - multiple increases in natural gas prices and CO₂ emission allowances, 5% higher demand for electricity in the region, and lower wind electricity generation in Europe.

In the reporting year, Latvenergo Group was the leader in green energy generation in the Baltics, and its output accounted for 29% of the total electricity output in the Baltic states. 59% of it is generated using renewable energy sources - last year the volume of output at the Daugava HPPs increased by 4%, and it is 2,636 GWh.

Electricity generation at Latvenergo AS CHPP has been 10% higher, reaching 1,854 GWh. The generation of thermal energy has also increased by 22%, which was affected by colder weather conditions during the heating season. In total Latvenergo Group generated 4,517 GWh of electricity and 2,072 GWh of thermal energy at its plants.

In 2021, Latvenergo Group was represented in all energy trade segments in Latvia, Lithuania, and Estonia. The Group has supplied 5% more electricity to its customers than a year earlier, or 6,706 GWh. Latvenergo Group has 755 thousand electricity customers, incl. more than 90 thousand outside Latvia. Electricity supplied outside Latvia accounts for approximately 40% of the overall amount of electricity supplied to end consumers.

The year has been particularly successful in the sale of solar panels - compared to 2020, the number of contracts for the installation of solar panels and sale of solar park shares in the Baltics increased more than two times, exceeding 1,300. The total capacity of solar panels installed for retail customers of Latvenergo Group already reached almost 11 MW, which makes Latvenergo one of the leading providers of this service in the Baltics.

In 2021, the target set at the beginning of the year for the number of electric car charging ports has been reached - the *Elektrum* charging network consists of 90 ports, and the number of charges made at public charging stations by customers of the mobile application increased by 50%, compared to year 2020, reaching 8,500 charges, and comprising 160 MWh.

In the reporting year, Latvenergo Group's revenue reached EUR 1,065.2 million, which is EUR 291.8 million or 38% more than last year. EBITDA has decreased by EUR 79.1 million or 28% - comprising EUR 198.8 million. Accordingly, the Group's profit for the reporting year is EUR 71.6 million or 38% less than in 2020.

In 2021, the total amount of investments of Latvenergo Group comprised EUR 126.7 million. It is EUR 42.1 million or 25% less than in 2020, which is determined by smaller investments in transmission assets and their unbundling from Latvenergo Group in June 2020. During the reporting year, EUR 11.7 million was invested in the Daugava HPPs' hydropower unit reconstruction. The reconstruction will ensure functionality of the hydropower units for another 40 years. 67% of total investments have been made in network modernisation. Last year, investments were made to expand operations in Estonia, investing a total of almost EUR 10 million.

The Group has made a significant contribution to society and the economy by promoting sustainability, making investments, and paying taxes and dividends in Latvia in the total amount of EUR 211.5 million in 2021. Both Latvian society and the Group are interested in education that generates interest in engineering, supports the exact sciences education system with the belief that the investment will contribute to the country's prosperity. Pandemic period confirmed the importance of education and its quality; therefore, thinking about the future, 10 Latvian schools received a donation to set up physics classrooms and, helping to maintain the important emotional well-being, 655 young people from 97 schools participated in the *FIZMIX Eksperiments* knowledge contest. By strengthening cooperation with customers and understanding the impact of the pandemic on the customers' economic situation and solvency, we have responsibly addressed payment difficulties. In support of public demand, the Group has educated on sustainable use of electricity, as well as promoted a variety of services that focus on both efficient consumption and a greener lifestyle. The COVID-19 pandemic did not affect the scope of the Group's environmental protection measures, the juvenile fish replenishment program and other measures of public importance were continued.

According to the Law on the State Budget for 2022, Latvenergo AS dividend payout in the year 2022 (for the reporting year 2021) is EUR 70.2 million.

During the reporting year, the Supervisory Board of Latvenergo AS elected a new Chairman of the Management Board and members of the Management Board with a five-year term. Mārtiņš Čakste has been appointed as the Chairman of the Management Board of Latvenergo AS, while Dmitrijs Juskovecs and Harijs Teteris have been appointed as members of the Management Board. Guntars Baļčūns and Kaspars Cikmačs continue employment in the Management Board.

In 2021, the Latvenergo Group's Medium-Term Strategy for 2022–2026 with new strategic targets was developed. It was approved on 30 March 2022. The growth strategy is focused on expanding the Group's operations and leading the development of renewable energy. The aim is to grow the renewable energy generation portfolio, focusing on the development of wind and solar electricity generation capacity, increasing our renewable capacity with 600 MW until 2026.

Also, after the end of the reporting year, in accordance with the state's intention to establish new wind energy parks of strategic importance on state-owned land, the shareholders have agreed to establish a joint venture between Latvenergo AS and Latvijas valsts meži AS. This decision followed after the Cabinet of Ministers conceptually had approved the proposal of the Ministry of Economics at the 22 February meeting, which urgently addresses the targets of the National energy and climate plan for 2021-2030 and strengthens the state's energy independence.

The Sustainability Report of Latvenergo Group for 2021 has been prepared in accordance with the international GRI Standards. The report provides detailed information on the Group, its management and operating segments. The document also provides information on the most important economic, social and environmental aspects of the Group's operations. The sustainability report for 2021 has been audited by Ernst & Young Baltic SIA.

The Latvenergo AS Corporate Governance Report 2021 was also published along with the financial results of Latvenergo Group. For the first time the Corporate Governance Report is prepared on the base of the Corporate Governance Code published by the Corporate Governance Advisory Board established by the Ministry of Justice in 2020. Corporate Governance Report attests that Latvenergo AS has complied in all material respects with all the principles set out in the Code, except for the criterion of gender representation on the Supervisory Board of the company. The Corporate Governance Report was first prepared in 2012 with the launch of the bond issue program and the listing of the issued bonds on the Nasdaq Riga stock exchange.

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

