

# Latvenergo Group Presentation 2023

July 2024



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# Content

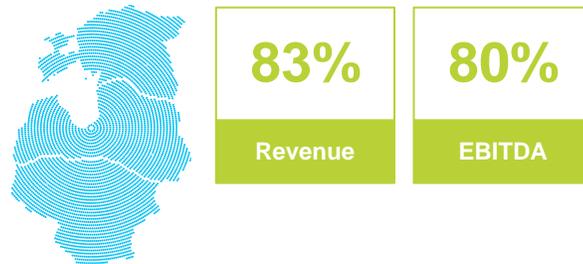
1. Group profile
2. Financial performance
3. Operating segments
4. Baltic electricity market
5. Awards

# 1. Group profile



# Group profile

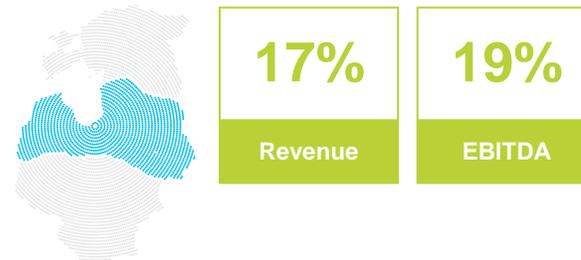
## Generation and trade



- Electricity and thermal energy generation
- Electricity and natural gas trading
- Trading of products and services related to electricity consumption and energy efficiency
- Administration of mandatory electricity procurement in Latvia

**The Group is one of the largest energy trading companies in the Baltics with a market share of around 23%**

## Distribution



- Electricity distribution in Latvia

**Sadales tīkls AS is the largest state distribution system operator, covering approximately 99% of the territory of Latvia**

### Latvenergo Group

Latvenergo AS

Renewable energy projects (7)

Sadales tīkls AS

Elektrum Eesti, OÜ

Elektrum Lietuva, UAB

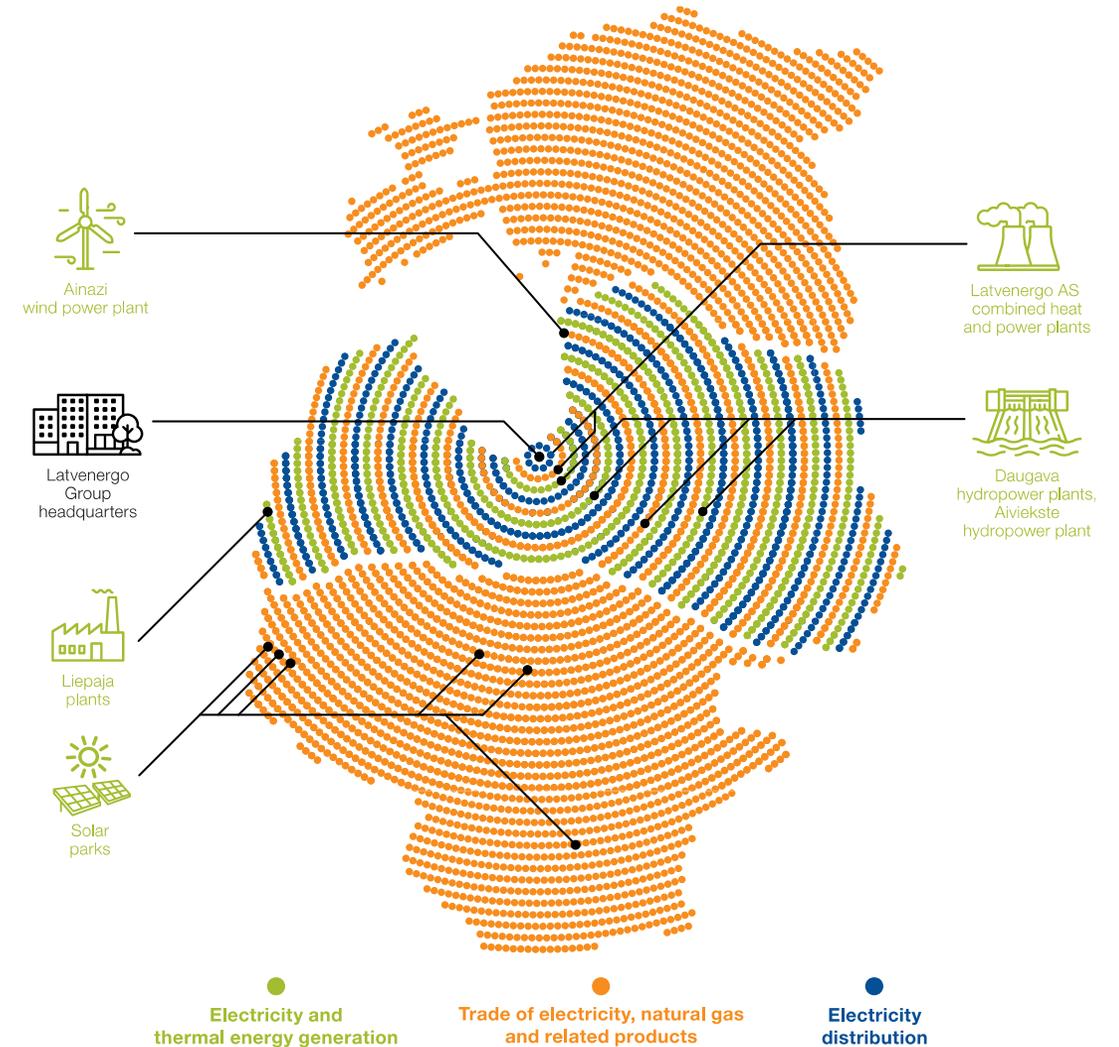
Enerģijas publiskais tirgotājs SIA

Latvijas vēja parki SIA

Liepājas enerģija SIA

# Group profile

Vision	Mission	Purpose
We are the leading sustainable solutions provider in the energy industry	We drive the development of the energy industry by providing friendly, innovative and sustainable solutions	We energize the growth of society
Values		
 <p><b>WITH HEART</b> We are open and passionate</p>	 <p><b>WITH ENERGY</b> We are brave and persistent</p>	
 <p><b>WITH MIND</b> We do the right things and learn continuously</p>	 <p><b>WITH A FUTURE OUTLOOK</b> We do good for clients and society</p>	



# Group profile

One of the leading energy suppliers and leader in green energy generation in the Baltics



## Balanced and environmentally friendly energy generation portfolio

- Low-cost hydropower generation
- Highly efficient combined heat and power plants

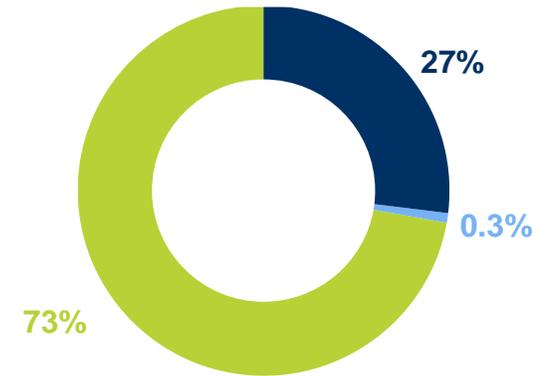


## Sound business model

- About 1/5 of EBITDA from regulated distribution network activities
- 38% of retail electricity trade supplied to customers in Lithuania and Estonia
- Broad customer base

Share of renewable resources in the electricity output

73%



- Natural gas
- Biomass and wind
- Hydro

- **Baa2** credit rating with stable outlook by Moody's
- 100% owned by the Republic of Latvia A3 / A+ / A-
- 85 years of experience in energy sector

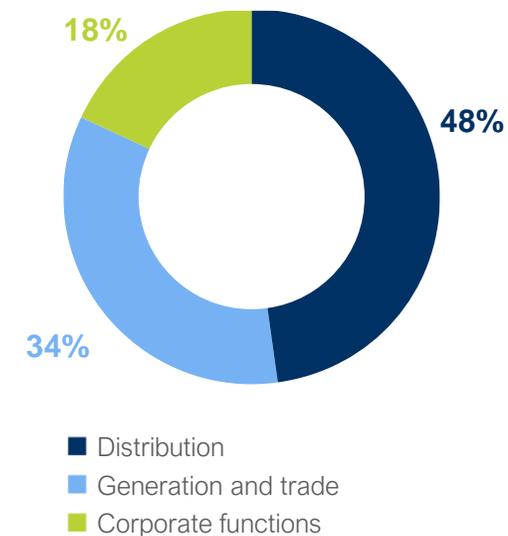
# Facts

				2023	2022
<b>Financial figures</b>	Revenue	MEUR		<b>2,034.4</b>	1,841.8
	Profit	MEUR		<b>350.9</b>	183.9
	Assets	MEUR		<b>4,127.9</b>	3,855.3
	Investments	MEUR		<b>193.3</b>	121.7
	Moody's credit rating			<b>Baa2</b>	Baa2
<b>Generation and trade</b>	Installed electrical capacity	MW		<b>2 636*</b>	2,606
	Installed thermal capacity	MW		<b>1,797</b>	1,793
	Electricity output	GWh		<b>5,132</b>	3,822
	Thermal energy output	GWh		<b>1,698</b>	1,777
	Generation efficiency of the Daugava HPPs	m <sup>3</sup> /kWh		<b>18.5</b>	17.8
	Generation efficiency of the Latvenergo AS CHPPs	%		<b>82</b>	83
	CO <sub>2</sub> emission intensity	t/MWh <sub>el</sub>		<b>0.075</b>	0.083
	Electricity market share in the Baltics	%		<b>23</b>	20
	Retail electricity supply	GWh		<b>6,208</b>	5,452
	Retail natural gas supply	GWh		<b>896</b>	930
	Electricity retail customers	thsd.		<b>845</b>	818
<b>Distribution</b>	SAIDI	min		<b>266</b>	240
	SAIFI	number		<b>2.7</b>	2.5
	Length of distribution lines	km		<b>92,323</b>	92,407
	Transformer capacity	MVA		<b>5,969</b>	5,971

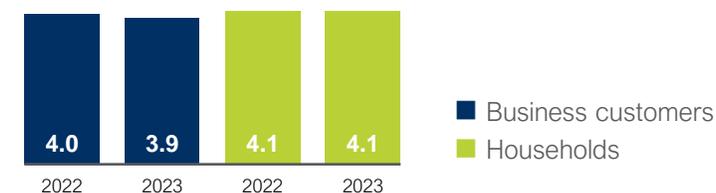
\* incl. SPPs for customers in the Baltics

## Employees

**3,497**



## Elektrum customer satisfaction (on a scale 1–6)



# Highlights

## Sustainability Strategy of Latvenergo Group for 2024–2026 approved

The Sustainability Strategy of the Group was approved at the end of 2023 and complements the medium-term operational strategy with objectives and targets in environmental, social and governance areas. The strategy was presented to Group employees as well as representatives of external stakeholders.



## The number of Elektrum customers and the volume of electricity sold increased significantly

Electricity sales of Elektrum in the Baltic states also increased significantly. Total sales amounted to 6.2 TWh, which is a 14% increase from 2022. The growth was driven by a 29% increase in the number of customers outside Latvia. In the natural gas trading segment, the number of Latvenergo customers has more than doubled, reaching almost 50 thousand customers.



## High output of the Daugava HPPs positively affected the financial performance of the Group

The Daugava HPPs generated the second largest amount of electricity in the last 25 years. The financial performance of the Group was positively affected by higher production volumes and lower electricity and natural gas procurement prices, with profits rising to EUR 350,9 million in the reporting year.



## Latvenergo Group is developing RES production capacity in the Baltic states

Three solar parks with a total capacity of 19 MW were launched in Lithuania in the reporting year. The total capacity of the SPPs reached almost 30 MW at the end of 2023. Solar parks with a total capacity of approximately 400 MW are at different stages of development in the Baltic states. The development of a wind power plant project in Akmenė, Lithuania, with a capacity of up to 15 MW, was also commenced.

## Elektrum EV charging network – the largest in Latvia

By the end of the reporting year, the Baltic Elektrum Drive charging network had grown to 400 charging points, and it is also growing rapidly in Lithuania and Estonia. The Elektrum Drive app may be used to charge vehicles on the e-mobi network in Latvia and at LIDL charging stations in Lithuania as well, with a total of 571 charging ports available to customers.

## Latvenergo Group companies – leaders in sustainability

In the reporting year, both Latvenergo AS and Sadales tīkls AS were awarded the Diamond category of the Latvian Sustainability Index. Liepājas enerģija SIA was awarded the Gold category.

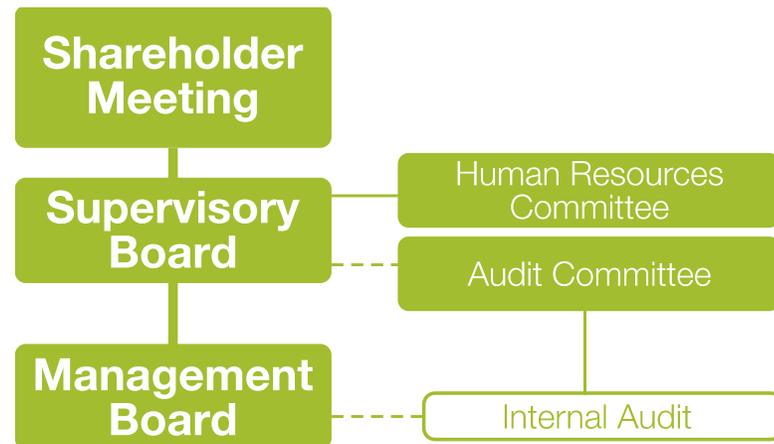
## Latvenergo AS once again receives the award for best investor relations

In February, Latvenergo AS received the Nasdaq Baltic stock exchange award for best investor relations on the bond market for the third time. The award confirms an outstanding performance in the areas of transparency, good corporate governance and investor relations.

# Corporate governance

The corporate governance of Latvenergo Group is being organised and implemented in compliance with governance best practice, regulatory framework, and corporate governance guidelines.

## Latvenergo AS governance bodies



The principles and procedures of corporate governance are enshrined in the Corporate Governance Policy of the Group, which has been approved and is supervised by the Supervisory Board of Latvenergo AS. The Management Boards are responsible for implementing the policy at the capital companies of the Group.

Corporate Governance Report 2023 is available [here](#).

## Internal Control System

The Internal Control Integrated Framework guidelines of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) have been taken into account in the design and continuous improvement of the system. The three key objectives of the internal control system are efficiency of operations, credibility of the information disclosed, compliance with external legislation.

## Risk Management

Risk management is integrated into strategy development and implementation as well as operational activities. The basic principles of risk management are defined in the Group's Risk Management Policy.

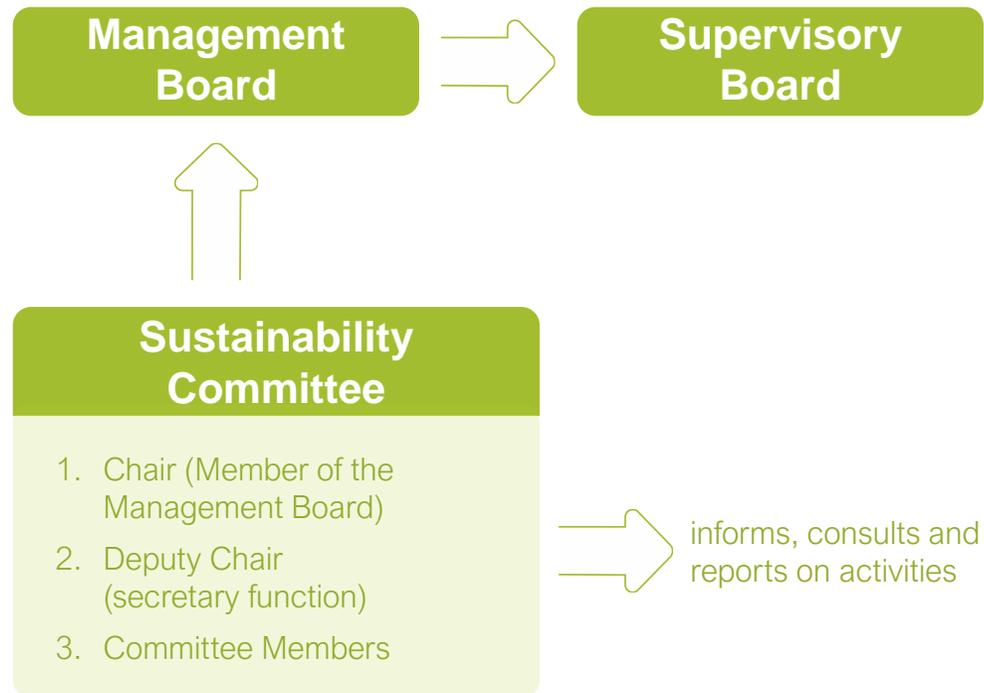
## Group Procurement

The procurement process is organised in a manner that promotes competition, openness and equality. All procurement is carried out electronically with the use of information CHPPshnology. In procurement procedures, the Group follows the principles of green procurement where possible and economically feasible. When selecting suppliers, the Group complies with the Law on International Sanctions and National Sanctions.

## Stakeholder Engagement

The Group assesses the social, environmental and economic impact of its activities and engages stakeholders in addressing issues of mutual interest. Stakeholder engagement takes place at the level of consultations, negotiations, involvement and/or partnership.

# Governance of sustainability issues



At the end of 2022, the Sustainability Committee of Latvenergo AS was established, whose activities are **supervised** by the Management Board of the Company. The Head of the Committee is the Chief Financial Officer.

**Seven business units** of Latvenergo AS that are responsible for different areas of sustainability are permanently **represented on the committee**. Other functions are involved in addressing issues that concern them.

**The purpose** of the committee is to provide consultative functions for the governance of sustainability issues and to facilitate the improvement of the sustainability performance of Latvenergo Group.

**The main tasks** of the committee are defined in its regulations, which are published on the Latvenergo website.

At the level of the Supervisory Board, sustainability issues are discussed and evaluated in its full composition, without forming a separate committee.

# Group strategy 2022–2026

## Generation

Grow and diversify portfolio with wind and solar



New wind and solar capacity

2026	2030
600 MW	2,300 MW



## Trade

Strengthen market position and diversify products



**Elektrum** – the most valuable energy retailer in the Baltics

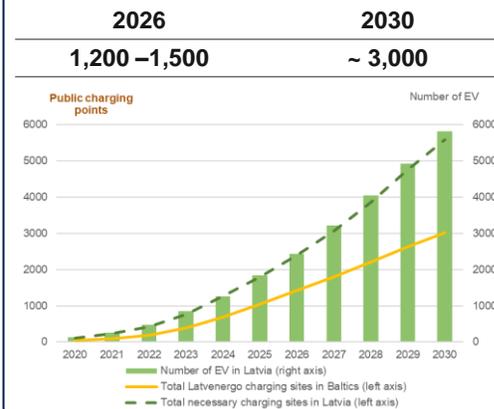
-  Growing customer portfolio
-  Microgeneration
-  Electrification and energy efficiency
-  Product innovation
-  Launching operation in Poland

## Electromobility

Develop charging network



Electric car charging points in the Baltics



## Distribution

Render sustainable and economically justifiable service



Two-way network of balanced development of microgeneration and charging network

	2020	2060
SAIDI /min	187	164
SAIFI /reizes	2.07	1.92

Implement digital transformation and efficiency

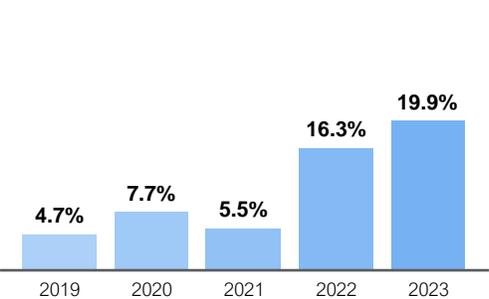
# Group strategy 2022–2026: financial targets

## Profitability

ambitious, yet achievable profitability, which is consistent with the average ratios of benchmark companies in the European energy sector and provides for an adequate return on the business risk

Return on equity (ROE) excluding distribution\*

> 7%

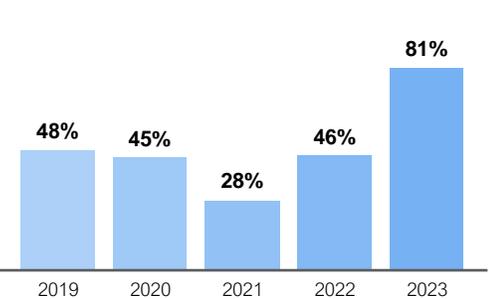


## Capital structure

an optimal and industry-relevant capital structure that limits potential financial risks

Ratio between adjusted funds from operations and net debt (FFO / Net Debt)\*

> 25%

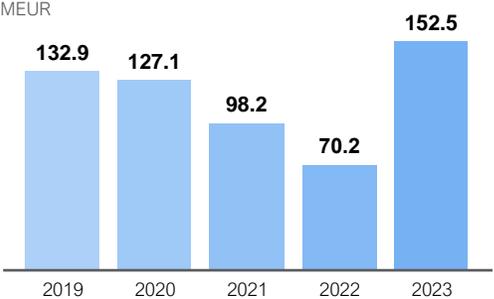


## Dividend policy

a dividend policy that is consistent with the planned investment policy and capital structure targets

Dividend payout ratio

> 64%

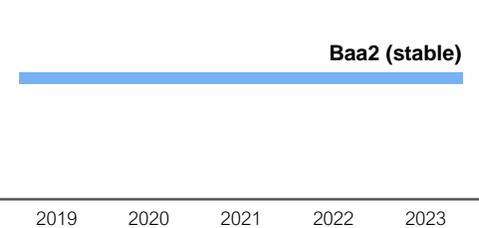


## Credit rating

investment-grade credit rating to ensure financing for the ambitious investment programme set out in the strategy

Moody's credit rating

To maintain an investment-grade credit rating



\* For definitions of the financial ratios, see the section Key Figures in the Annual Report.

# Group sustainability strategy 2024-2026: targets

The sustainability strategy of the Group for 2024–2026 was developed and approved in 2023

Environment	Social	Governance	Sustainable finance
<p><b>Climate</b> achieve climate neutrality by 2050</p> <p><b>Pollution</b> reduce pollution</p> <p><b>Circular economy</b> reduce resource consumption and promote a circular economy</p> <p><b>Water</b> reduce impacts on water resources</p> <p><b>Biodiversity</b> reduce impacts on biodiversity</p> <p><b>CHPPshnology and innovation</b> increase efficiency of current operations and develop new sources of revenue</p>	<p><b>Working environment</b> create a sustainable working environment for the development of future competencies</p> <p><b>Critical resources</b> ensure the proCHPPstion of critical resources for the benefit of the company and its customers</p> <p><b>Education and science</b> promote education and science</p> <p><b>Investments in society</b> invest in society and public know-how</p> <p><b>Customers</b> promote sustainability on the customer side</p>	<p><b>Managing sustainability areas</b> ensure integrated and effective management of sustainability</p> <p><b>Business ethics</b> ensure fair, just and respectful labour and business relations</p> <p><b>Relations with suppliers</b> purchase goods and services responsibly</p> <p><b>Transparency and openness</b> ensure transparency and openness in line with best practice</p>	<p><b>Investments</b> to invest responsibly</p> <p><b>Funding for innovation, research &amp; development</b> to develop products and services and improve operational efficiency</p>

# Group sustainability strategy 2024-2026: abstract

## Environment



- Climate** Reduce direct CO<sub>2</sub> emissions by 2030\* and achieve climate neutrality in electricity generation by 2040
- Pollution** 0 cases of significant environmental damage
- Circular economy** ≥90% recyclable materials in installed wind turbines
- Water** Reduce water consumption\*\* by 65% per unit of energy generated
- Biodiversity** Improve ecological quality of rivers (25 km) in the Daugava basin

## Social



- Working environment** 0 serious accidents
- Critical resources** 0 high-impact incidents annually
- Education and science** 15% increase of participants in STEM and the Green Deal education activities\*
- Investments in society** ≥10 events per year to educate the public on sustainability
- Customers** Industry leader in customer satisfaction

## Governance



- Managing sustainability areas** Introduce a unified sustainability data management system
- Business ethics** 0 corrupt events
- Relations with suppliers** ≥3 trainings for suppliers annually and a code of sustainability requirements for suppliers developed
- Transparency and openness** International ESG assessment performed

## Sustainable finance



- Investments** ≥80% of total investments annually invested in sustainable development projects (EU taxonomy-compliant activities)
- Funding for innovation, research & development** ≥0.5% of the group's average turnover of the last five years annually allocated to innovation, research and development

\*compared to 2021  
\*\*compared to 2022

\*compared to 2023

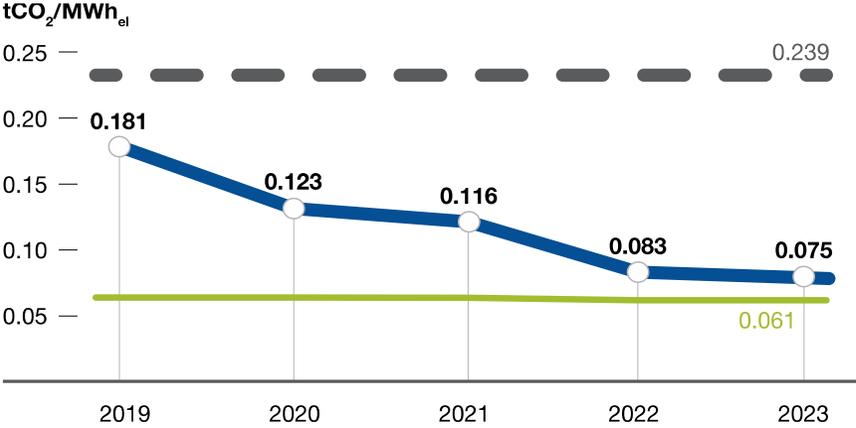
# The road to the EU climate neutrality in 2050

The Latvenergo concern has set the goal of achieving climate neutrality in 2050 and climate-neutral production of electricity in 2040

### Latvenergo Group contribution

- **Generation:**
  - developing new RES-based generation capacities (wind and solar)
  - increasing the efficiency of energy generation and maximising the use of RES
  - research into energy storage and CHPP decarbonisation solutions
- **Trade** – developing products and services that promote microgeneration, energy efficiency and the use of electricity instead of other energy sources
- **Distribution** – developing a sustainable and economically viable service in line with trends in microgeneration and electrification;
- **Electromobility** – developing a public electric vehicle charging network, increasing the share of electric vehicles in the concern’s vehicle fleets

CO<sub>2</sub> emission intensity per unit of electricity output



- the Group in total
- EU average (2020-2022)\*
- Group's target for 2030

\*Source: European Environment Agency (2023)

# The road to the EU climate neutrality in 2050

## Latvenergo Group contribution

A high share of renewable energy in the generation portfolio and CO<sub>2</sub> emission intensity significantly lower than the European average

### Latvenergo Group GHG emissions

	Units	2019	2020	2021	2022	2023
<b>Scope 1 emissions</b>	<b>thsd. t</b>	<b>1,252</b>	<b>860</b>	<b>928</b>	<b>673</b>	<b>717</b>
From combustion plants	thsd. t	1,244	852	920	665	<b>708</b>
From fuel for transportation and machinery	thsd. t	8	8	8	8	<b>8</b>
Leaks of fluorinated GHGs	thsd. t	0	0	0	0	<b>0,4</b>
<b>Scope 2 emissions (market-based)</b>	<b>thsd. t</b>			<b>76</b>	<b>117</b>	<b>107</b>
From generation of purchased electricity	thsd. t	N/A	N/A	7	6	<b>9</b>
From generation of purchased thermal energy	thsd. t	N/A	N/A	1	1	<b>1</b>
From electricity distribution losses	thsd. t	N/A	N/A	69	110	<b>98</b>
<b>Scope 2 emissions (location-based)</b>	<b>thsd. t</b>			<b>62</b>	<b>32</b>	<b>29</b>
From generation of purchased electricity	thsd. t	N/A	N/A	5	0	<b>1</b>
From generation of purchased thermal energy	thsd. t	N/A	N/A	1	1	<b>1</b>
From electricity distribution losses	thsd. t	N/A	N/A	56	31	<b>27</b>
<b>Scope 3 emissions</b>	<b>thsd. t</b>				<b>2,731</b>	<b>2,976</b>
GHG Protocol Category 1	thsd. t	N/A	N/A	N/A	52	<b>67</b>
GHG Protocol Category 2	thsd. t	N/A	N/A	N/A	6	<b>8</b>
GHG Protocol Category 3	thsd. t	N/A	N/A	N/A	2,487	<b>2,722</b>
GHG Protocol Category 11	thsd. t	N/A	N/A	N/A	185	<b>179</b>

### Sustainability Strategy targets related to GHG emission reduction

	2030 target	2023 result
<b>Scope 1 GHG emissions</b>	-47%*	-23%
<b>GHG emissions from retail electricity sales</b>	1,816 thsd. tCO <sub>2</sub> -20%**	2,505 thsd. tCO <sub>2</sub> +13%
<b>Green energy sold at retail</b>	30%	10%
<b>Electricity generated from RES</b>	80%	73%

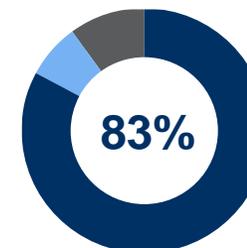
\*compared to 2021  
\*\*compared to 2022

# EU taxonomy

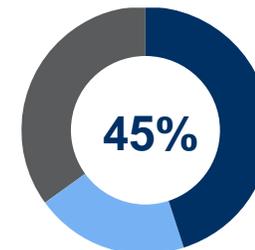
Taxonomy-eligible activities	DarActivity description	Taxonomy-aligned activities
4.1. Electricity generation using solar photovoltaic CHPPshnology	SPPs in the Baltic states in the design and construction stage with a total capacity of around 400 MW, incl. RES projects acquired in early 2024.	✓
4.3. Electricity generation from wind power	Ainažu WPP – 1 MW. In 2023, Latvijas vēja parki SIA signed a development rights agreement with Latvijas valsts meži AS regarding eight areas for the construction of WPPs with a total planned capacity of at least 800 MW. A new WPP project with a capacity up to 15 MW was started in Lithuania.	✓
4.5. Electricity generation from hydropower	The Daugava HPPs' cascade and the Aiviekste HPPs with a combined capacity of 1,560 MW.	✓
4.9. Transmission and distribution of electricity	Electricity distribution network providing distribution services to 780 thousand customers in Latvia.	✓
4.11. Storage of thermal energy	Thermal storage system at CHPP-2, which allows thermal energy generated in cogeneration mode to be stored and CHPP operation modes to be adapted more optimally to market conditions and peak loads, achieving more efficient energy consumption and CO <sub>2</sub> emission savings.	✓
4.15. District heating/cooling distribution	Liepājas enerģija SIA heat networks, which provide centralised heating to more than 1,2 thousand buildings in Liepāja.	✓
4.20. Cogeneration of heat/cool and power from bioenergy	Liepājas enerģija SIA cogeneration plant, which uses woodchips to generate thermal energy and electricity. Its capacity is 10 MW <sub>th</sub> and 2 MW <sub>el</sub> .	✓
4.24. Production of heat/cool from bioenergy	Liepājas enerģija SIA generation plants using woodchips for thermal energy generation. Their total capacity is 36 MW <sub>th</sub> .	✓
4.29. Electricity generation from fossil gaseous fuels	Latvenergo AS CHPP-2, which uses natural gas for electricity generation in condensation mode. The condensation capacity of the plant is 881 MW <sub>el</sub> .	
4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	Latvenergo AS CHPP-1 and CHPP-2 and Liepājas enerģija SIA cogeneration plant, which use natural gas for thermal energy and power generation. The total capacity of these plants is 693 MW <sub>th</sub> and 994 MW <sub>el</sub> (with CHPP-2 in cogeneration mode).	
4.31. Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	The Latvenergo AS CHPPs and Liepājas enerģija SIA (1,059 MW <sub>th</sub> ), which use natural gas for thermal energy generation and transfer the thermal energy generated to the centralised heating system.	
6.15. Infrastructure enabling low-carbon road transport and public transport	The Elektrum electric vehicle charging network, which included around 400 charging points by the end of 2023. The Elektrum Drive app may be used to charge vehicles at partners' charging stations, with a total of 571 charging ports available to customers.	✓

## Proportion of taxonomy-aligned activities

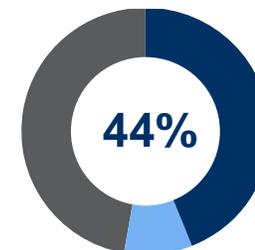
### CAPEX



### Revenue



### OPEX



- Taxonomy-aligned activities
- Taxonomy-eligible activities
- Taxonomy-non-eligible activities

# Group Sustainability Policy

The Sustainability Policy of Latvenergo Group was developed and approved in 2023

The objective of the Sustainability Policy is to define and maintain common principles for the sustainable development of the Group

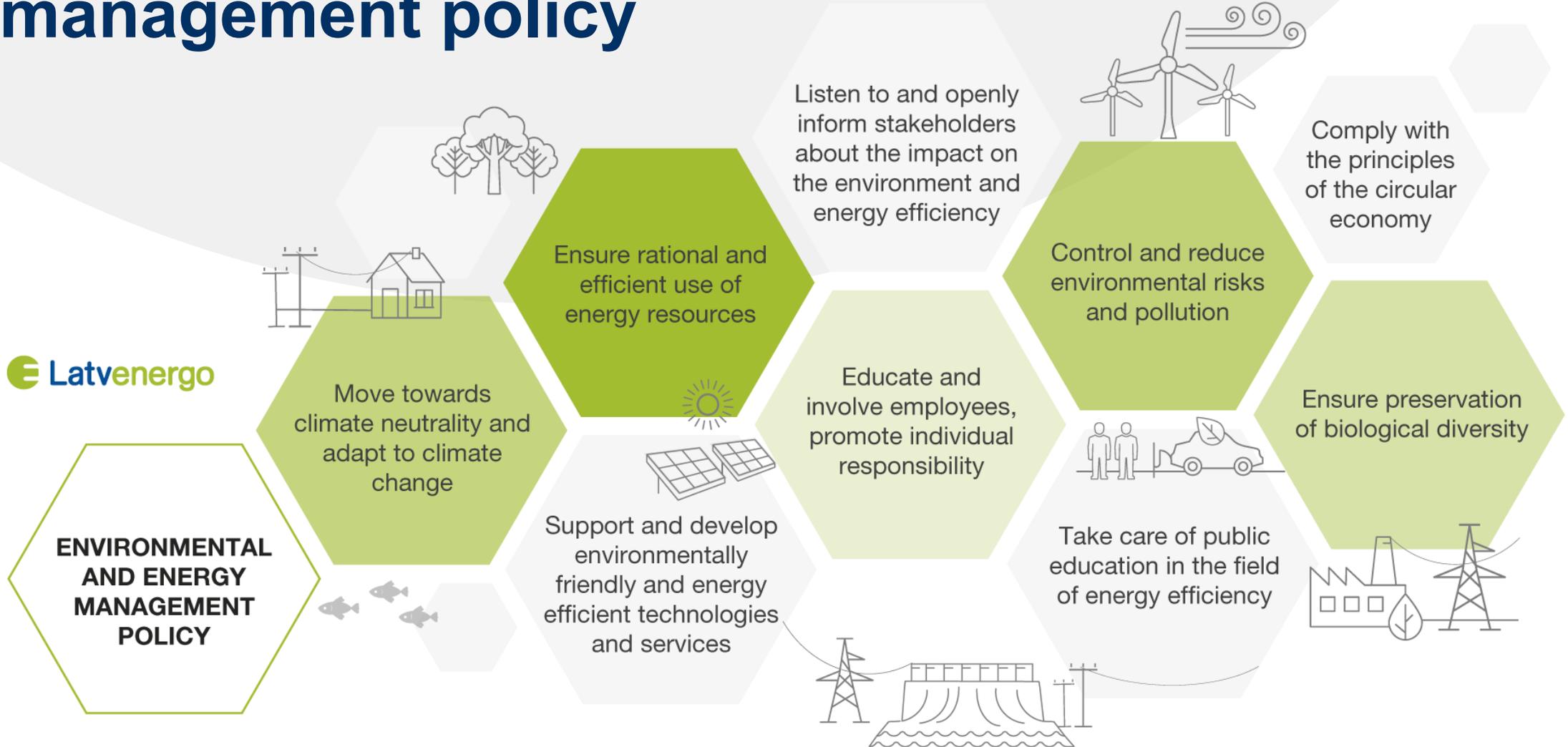
**UN Sustainable Development Goals set as a priority and relevant to the Group's core business**



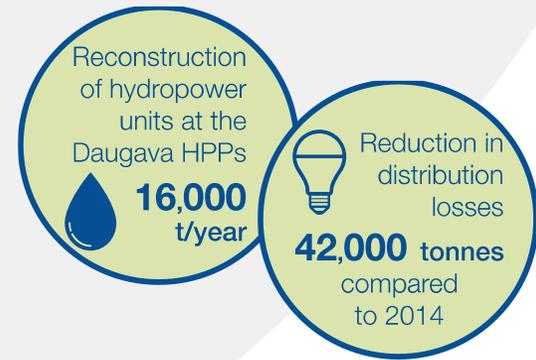
## Sustainability principles:

1. We contribute to the implementation of the UN Sustainable Development Goals
2. We continuously improve our environmental performance in all segments
3. We respect human rights
4. We create a sustainable working environment and ensure equal opportunities
5. We are socially responsible
6. We conduct ethical business
7. We ensure comprehensive operational transparency
8. We obtain sustainability assessments that initiate further growth
9. We engage stakeholders
10. We cooperate with sustainable contractors

# Principles of environmental and energy management policy



# Examples of impact investment projects



**Daugava HPPs**

**About:**

Reconstruction of hydropower units at Daugava HPPs

**Objectives:**

Extending service life, increasing capacity and efficiency ratios, increasing the safety

**Environmental benefits:**

High share of renewables in energy generation, efficiency rate increase and a decrease in water consumption per 1 kW, reduction of CO<sub>2</sub> emissions



**Distribution network**

**About:**

Building and reconstruction of distribution network

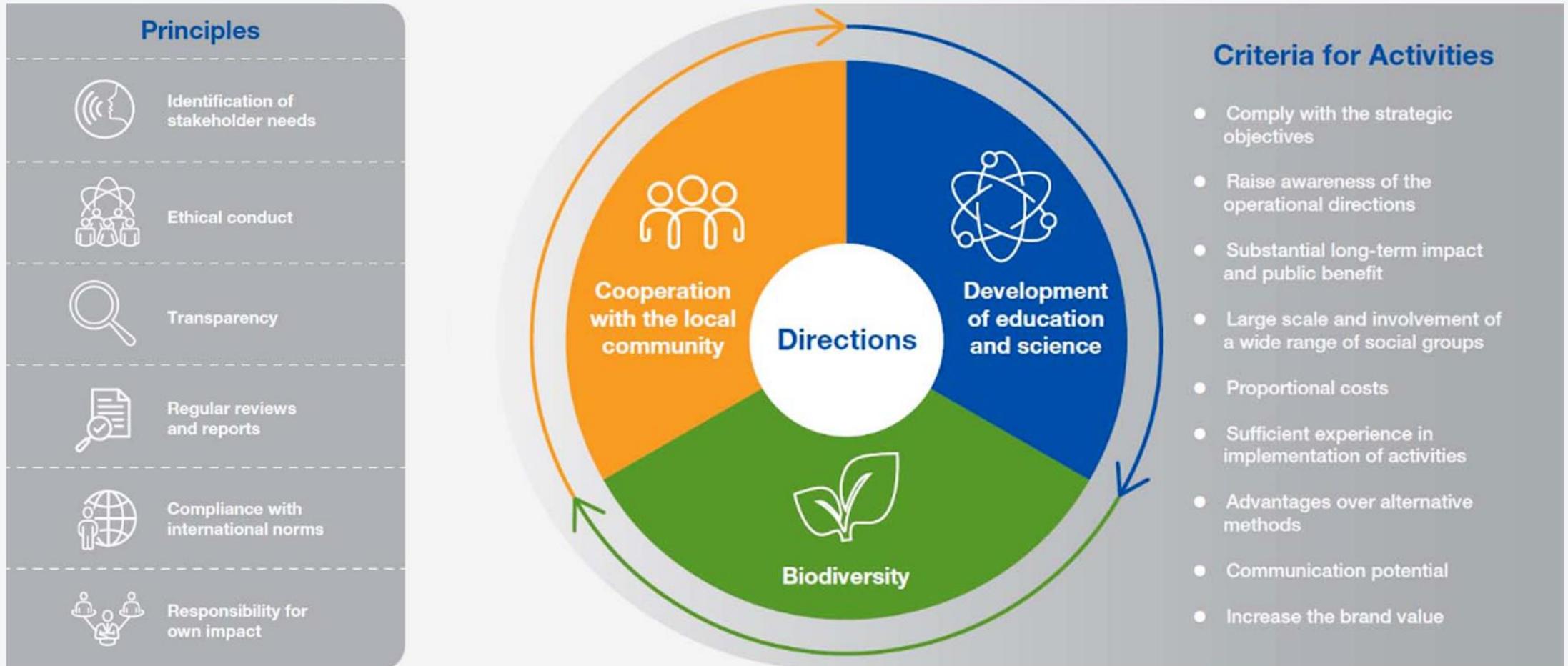
**Objectives:**

Improving the quality of the electricity supply, extending the service life of the distribution grid

**Environmental benefits:**

Reduction of CO<sub>2</sub> emissions resulting from the decrease in distribution losses

# Corporate social responsibility



**Does not support** ❌ Activities with the vaguely defined principles and / or questionable public importance ❌ Selfish and mercantile activities  
 ❌ Activities of religious and / or political content ❌ Activities of natural persons

## **2. Financial performance**



# Key financials

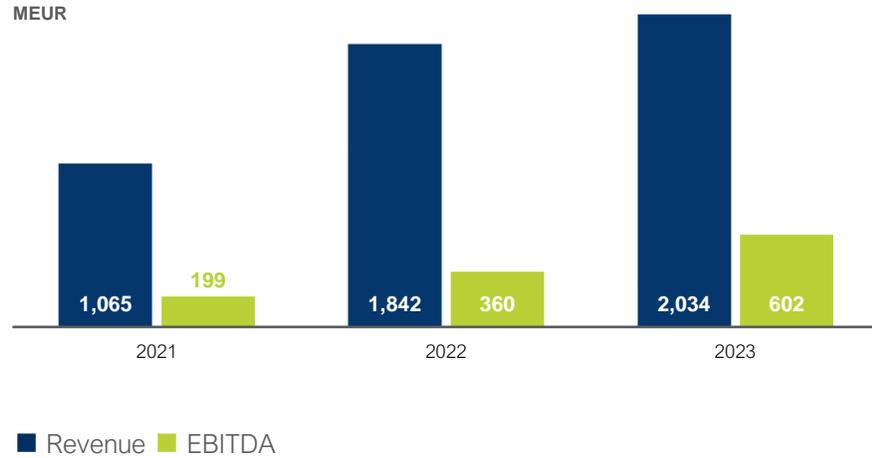
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Annual Report, see the section "Key Figures"

Financial figures (MEUR)	2019	2020	2021	2022	2023
Revenue*	842	773	1,065	1,842	<b>2,034</b>
EBITDA*	244	278	199	360	<b>602</b>
Profit	94	116	72	184	<b>351</b>
Assets	3,865	3,359	3,476	3,855	<b>4,128</b>
Equity	2,265	2,118	2,123	2,356	<b>2,963</b>
Borrowings	883	743	795	876	<b>630</b>
Net Debt*	564	556	698	763	<b>511</b>
Adjusted funds from operations (FFO)	259	250	176	339	<b>514</b>
Capital expenditure	229	169	127	122	<b>193</b>
<b>Key Financial Ratios</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Net Debt to EBITDA	2.2	2.0	3.2	2.0	<b>1.1</b>
EBITDA Margin	29%	36%	19%	20%	<b>30%</b>
Return on Equity (ROE)	4.1%	5.3%	3.4%	8.2%	<b>13.2%</b>
ROE excluding distribution	4.8%	7.7%	5.5%	16.3%	<b>19.9%</b>
Adjusted FFO / net debt	48%	45%	28%	46%	<b>81%</b>
Return on Assets (ROA)	2.5%	3.2%	2.1%	5.0%	<b>8.8%</b>
Return on Capital Employed (ROCE)	3.4%	4.2%	2.9%	6.3%	<b>11.9%</b>
Net Debt to Equity	0.25	0.26	0.33	0.32	<b>0.17</b>
Capital Ratio	59%	63%	61%	61%	<b>72%</b>
Dividend pay-out ratio	62%	126%	63%	88%	<b>73%</b>
<b>Moody's Credit Rating</b>	<b>Baa2 (stable)</b>				

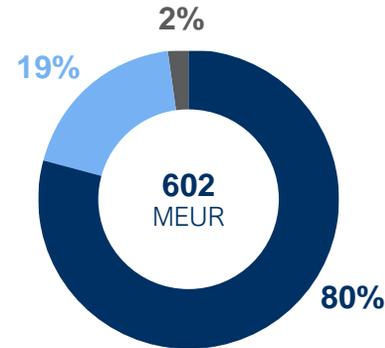
\* Figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership). For more details, please see the Group's annual report for 2020.

# Revenue and profit

## Revenue and EBITDA

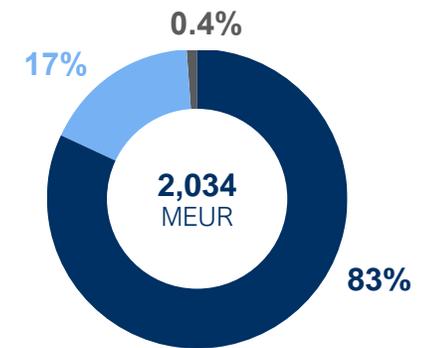


## EBITDA by segment



■ Generation and trade ■ Distribution ■ Other

## Revenue by segment



## Key highlights

### Revenue was positively impacted by:

14% greater amount of electricity sold in retail, higher energy sales prices, greater amount of power generated at the Daugava HPPs and by increased revenue in the distribution segment, following the introduction of the new distribution tariffs by Sadales tīkls AS starting from July 1, 2023

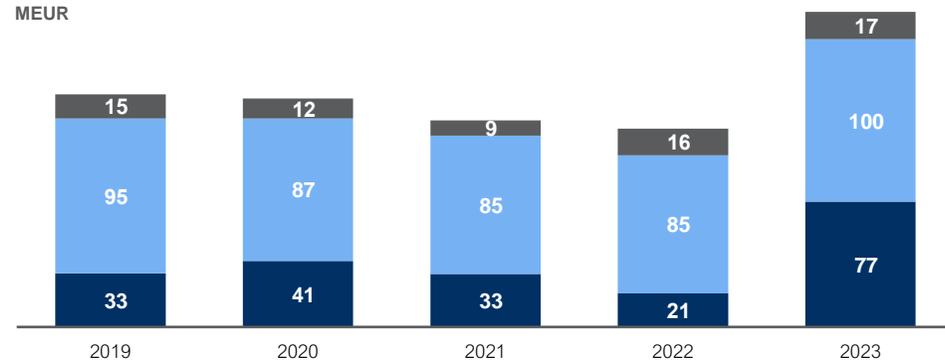
### EBITDA was positively impacted by:

greater amount of power generated at the Daugava HPPs, lower electricity and natural gas purchase prices and an increase in revenue in the distribution segment

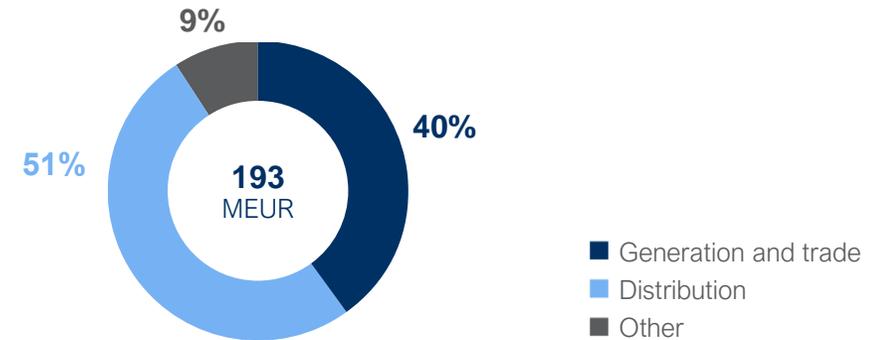
**Profit for the year 2023:** 351 MEUR (2022: 184 MEUR)

# Investments

Average annual investment ~145 MEUR\*



Investment in network assets – 1/2 of the total



\*Excluding investments in discontinuing operations (unbundling transmission system asset ownership)

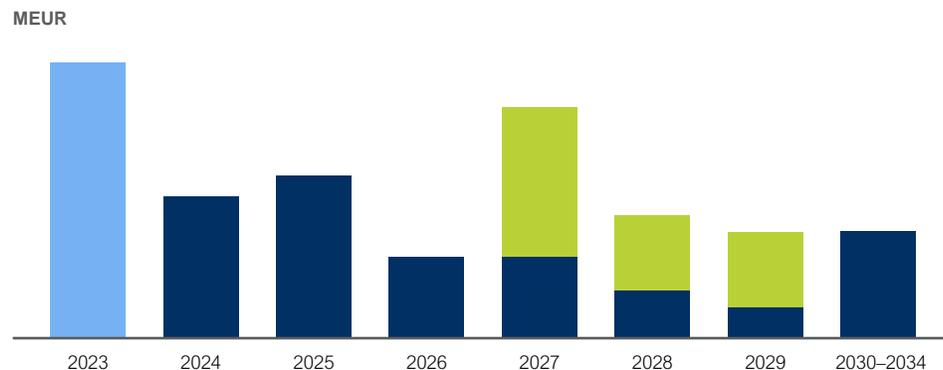
## Development of solar park projects

- In 2023, 34.9 MEUR were allocated towards the development of solar parks, which is almost 1/5 of Group's total investments
- In 2023, 3 solar parks with a total capacity of 18.7 MW were put into operation in Lithuania
- In the Baltic region, we have solar park projects in the project or construction stage with a total capacity of 400 MW; their gradual commissioning is expected from 2024-2025.



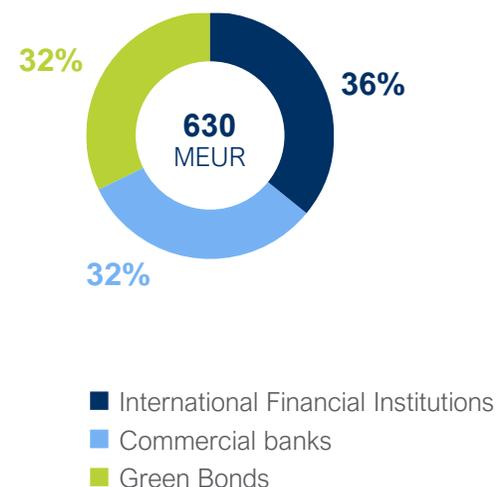
# Borrowings

## Long-term debt repayment schedule



■ Loans ■ Green Bonds ■ Repaid in the reporting year

## Diversified sources



■ International Financial Institutions  
 ■ Commercial banks  
 ■ Green Bonds

## Liquidity position

<b>Liquid assets, cash</b>	118 MEUR
<b>Committed long-term loans</b>	200 MEUR
Committed overdrafts	214 MEUR

## Key highlights

- Total long-term borrowings – 630 MEUR; including outstanding amount of green bonds – 200 MEUR
- Share of fixed interest rate (with IRS) – 46%, weighted average fixed interest rate period (with IRS) – 2.1 years, effective weighted average interest rate (with IRS) – 3.2%
- On 9 March 2023 Moody's reconfirmed Baa2 (stable)

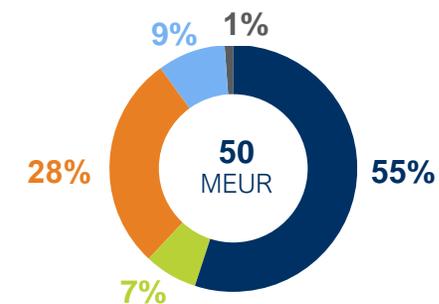
# Green bonds

First state-owned and investment grade green bond issuer in Eastern Europe

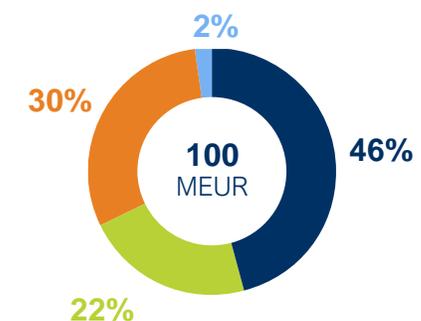


	50 MEUR Green bonds	100 MEUR Green bonds	50 MEUR Green bonds
	0.5% annual coupon due 17 May 2028	2.42% annual coupon due 5 May 2027	4.952% annual coupon due 22 February 2029
ISIN	LV0000802460	LV0000870129	LV0000802684
Issued in	2021	2022	2023
Use of proceeds	In accordance with the Green Bond Framework	In accordance with the Green Bond Framework	In accordance with the Green Bond Framework
Programme	The third Latvenergo AS 200 MEUR Programme	The third Latvenergo AS 200 MEUR Programme	The third Latvenergo AS 200 MEUR Programme

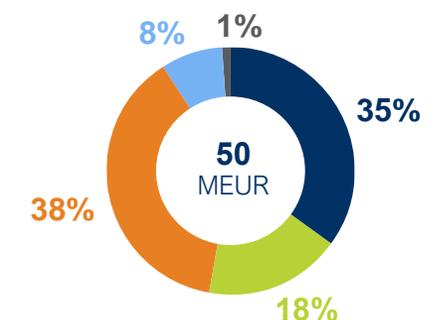
Investors by type according to the coupon payment of 2023



Investors by type according to the coupon payment of 2023



Investors by type according to the coupon payment of 2024



- Pension funds
- Banks
- Asset managers
- Insurers
- Others

# Green bond programme 2021–2023

## Dark Green Shading

assigned by CICERO Shades of Green to

### Green Bond Framework

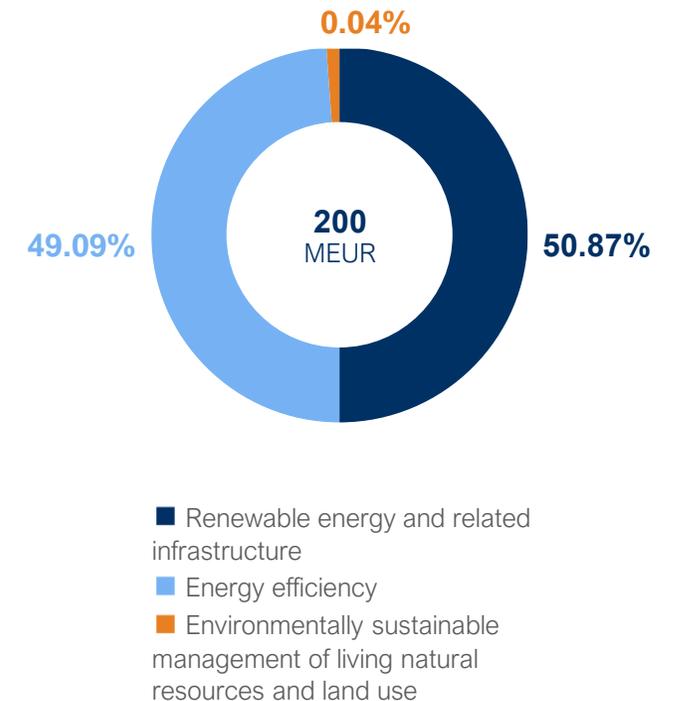


### Highlights from the Second Opinion

“Latvenergo has in place a **sound management and governance structure** as well as regular and transparent reporting on own activities and green bond projects”

“It is a clear strength that Latvenergo **participates in the national adaptation plan of Latvia**”

### Investments by project group



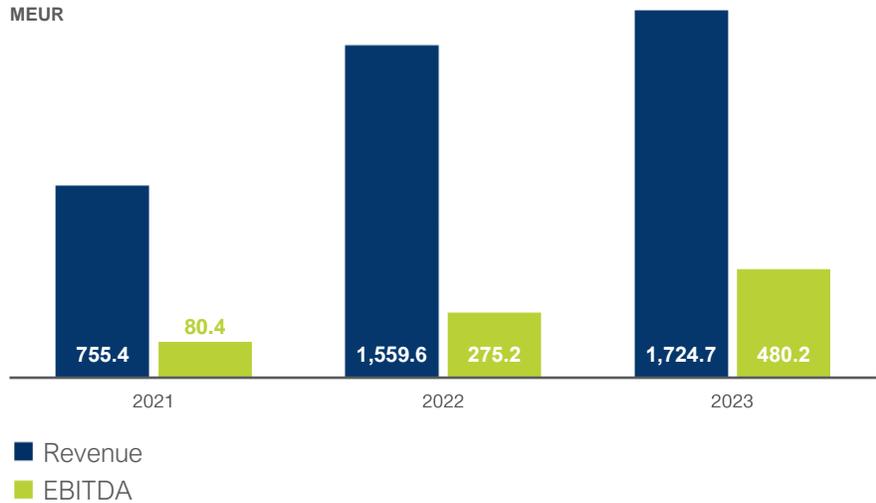
# 3. Operating segments



# Generation and trade

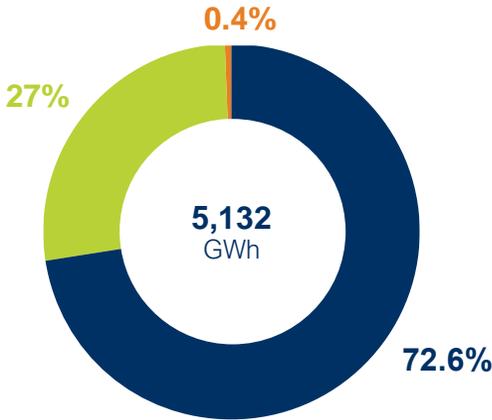


## Revenue and EBITDA



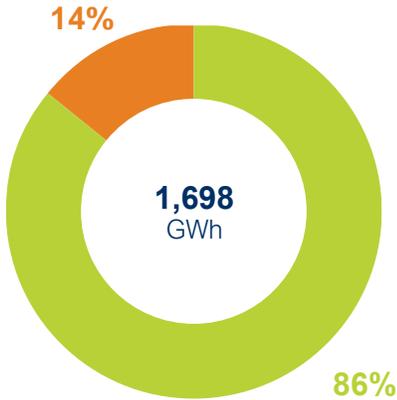
## Electricity and thermal energy output

Electricity output in 2023



- Daugava HPPs
- CHPPs
- Liepaja plants and small plants

Thermal energy output in 2023



- CHPPs
- Liepaja plants

# Generation and trade

## Latvenergo Group electricity balance sheet\*

	Units	2019	2020	2021	2022	2023
Retail electricity supply and operating consumption	GWh	6,773	6,670	6,983	5,612	<b>6,208</b>
incl. retail electricity supply	GWh	6,505	6,394	6,706	5,452	<b>6,208</b>
Wholesale electricity supply	GWh	2,754	2,460	2,554	1,894	<b>2,450</b>
Technological electricity consumption	GWh	121	85	96	67	<b>85</b>
<b>TOTAL</b>	<b>GWh</b>	<b>9,648</b>	<b>9,216</b>	<b>9,632</b>	<b>7,573</b>	<b>8,744</b>
Gross electricity generation	GWh	4,880	4,249	4,517	3,822	<b>5,132</b>
Electricity procured within the MP scheme**	GWh	1,199	1,144	907	397	<b>66</b>
Purchased electricity	GWh	3,569	3,823	4,208	3,354	<b>3,546</b>
<b>TOTAL</b>	<b>GWh</b>	<b>9,648</b>	<b>9,216</b>	<b>9,632</b>	<b>7,573</b>	<b>8,744</b>

\* the amount of electricity generated at the Group's facilities which has been traded and procured on the electricity exchange for auxiliary consumption purposes is not included in the Group's electricity balance sheet

\*\* excluding electricity generated by the Group

## Key highlights

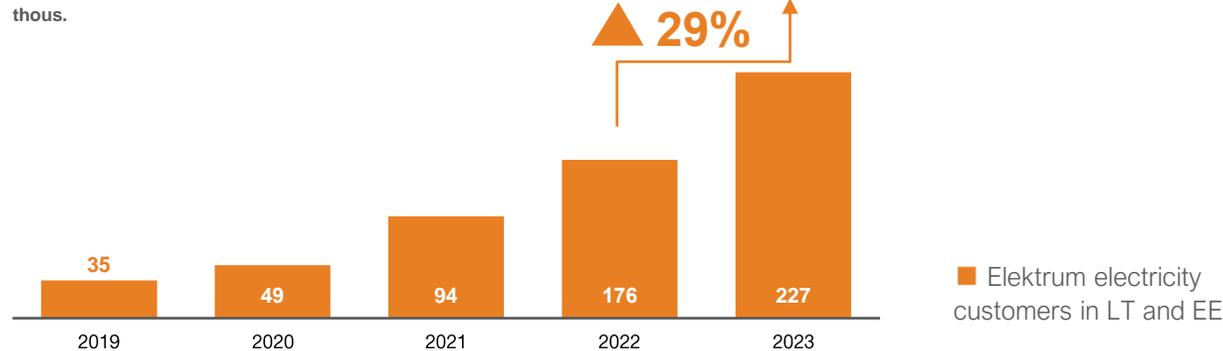
- Latvenergo Group has a balanced and environmentally friendly energy generation portfolio, consisting mostly of hydropower plants and highly efficient combined heat and power plants
- Installed electrical capacity – 2 606 MW (approx. 90 % of the total capacity in Latvia); installed thermal capacity – 1 797 MW
- Segment's EBITDA in 2023 was positively impacted by greater amount of power generated at the Daugava HPPs and lower electricity and natural gas purchase prices

# Generation and trade

## Trade

- Focus on the development of new products, the increase of revenue from one customer, increasing cost efficiency and customer satisfaction
- ~845k electricity retail customers across the Baltics
- 96% of these are households and 4% business customers
- 6.2 TWh of electricity sold to Baltic retail customers
- 38% of electricity supplied outside Latvia

### The number of Elektrum customers in neighbouring countries grows rapidly



Baltic electricity market share  
~ 23%

### Estonia 6% market share



Business customers  
~ 3.9 thousand



Households  
~ 42.5 thousand

### Latvia 56% market share



Business customers  
~ 19 thousand



Households  
~ 599.2 thousand

### Lithuania 16% market share



Business customers  
~ 11.5 thousand

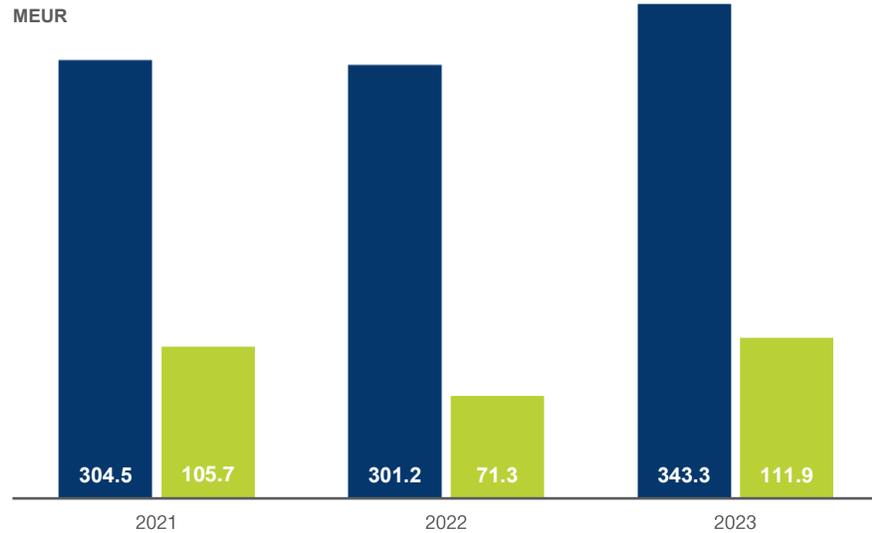


Households  
~ 168.9 thousand

# Distribution



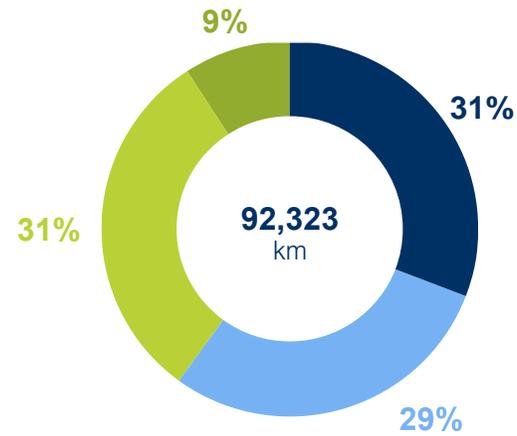
## Revenue and EBITDA



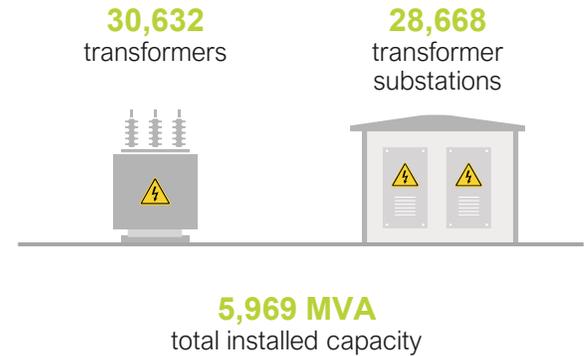
■ Revenue  
■ EBITDA

## Distribution network

### Length of electricity distribution lines



■ Overhead lines (0.4 kV)  
■ Overhead lines (6–20 kV)  
■ Cable lines (0.4 kV)  
■ Cable lines (6–20 kV)



# Distribution

## Distributed electricity and losses

	Units	2019*	2020	2021	2022	2023
Distributed electricity	GWh	6,532	6,286	6,470	6,241	<b>6,021</b>
Electricity distribution losses, technological and operating consumption	GWh	293	277	271	252	<b>242</b>
Accumulated microgeneration electricity losses	GWh	–	–	–	4	<b>19</b>
<b>TOTAL</b>	<b>GWh</b>	<b>6,825</b>	<b>6,563</b>	<b>6,741</b>	<b>6,497</b>	<b>6,263</b>
<b>Electricity losses</b>	<b>%</b>	<b>4.05%</b>	<b>3.99%</b>	<b>3.79%</b>	<b>3.73%</b>	<b>3.72%</b>

\* in 2020, the transmission system operator recalculated the amount of electricity supplied in 2019; electricity losses in the distribution network were recalculated accordingly

## Key highlights

- Provision of distribution system services to about 780 thousand customers in Latvia at regulated tariffs
- As of 1 July 2023, the new distribution tariffs of Sadales tīkls AS have come into effect, with the tariff calculation increasing the proportion of the fixed tariff, providing a more appropriate solution to the actual maintenance cost structure of the distribution network
- Smart electricity meters installed for the company's customers comprised more than 1.1 million or 99% of all electricity meters
- Financial results were positively affected by the new distribution tariffs of Sadales tīkls AS that came into effect on 1 July 2023 and lower electricity loss costs due to a lower market price of electricity. However, the results were negatively affected by reduced consumption and a rise in electricity transmission service costs and operating costs due to inflation

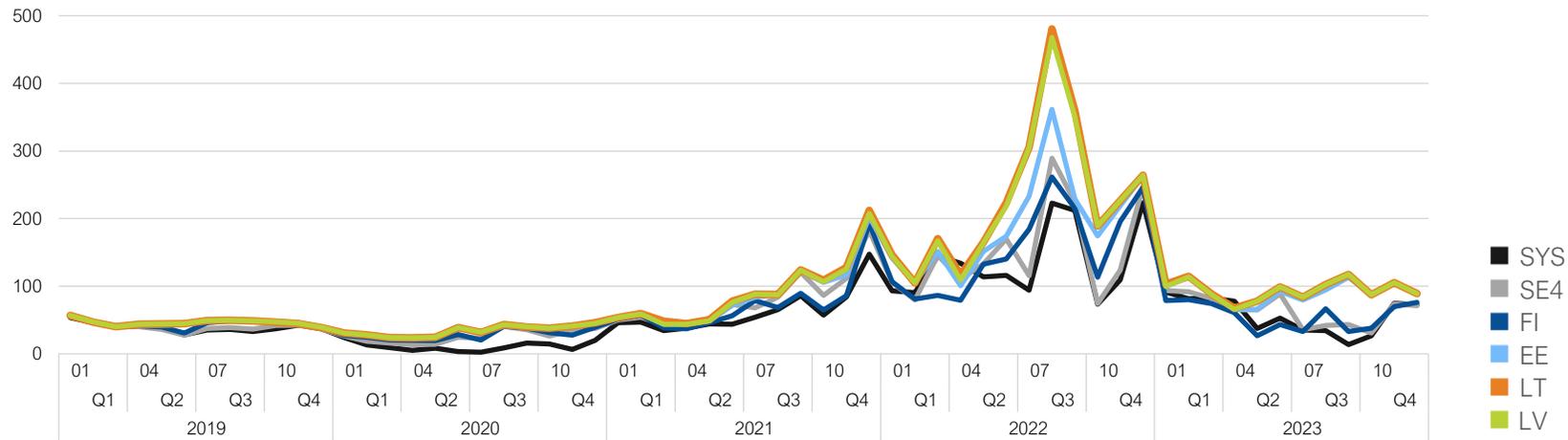
# 4. Baltic electricity market



# Baltic States in common European market

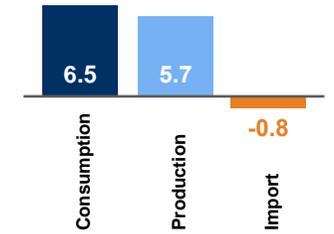
## Monthly average Nord Pool spot price

Nord Pool Day-Ahead ( EUR/MWh )

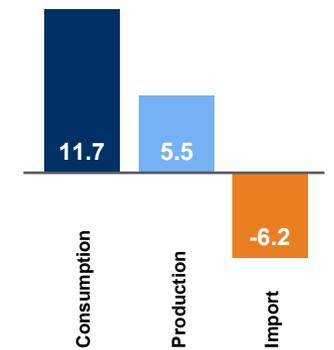


- In the European Union, the reduction in electricity prices was mainly affected by lower natural gas prices and increased electricity generation through renewable energy resources
- Natural gas (LV and LT), oil shale (EE) and coal (PL) take an eminent position of power balance in the region (especially during periods of congestion and low RES generation)
- Price differences in the Baltic States may arise in the event of interconnection capacity constraints and renewable energy system fluctuations
- Consumption in the Baltics 26 TWh/year; that is 7% of Nordic 378 TWh/year

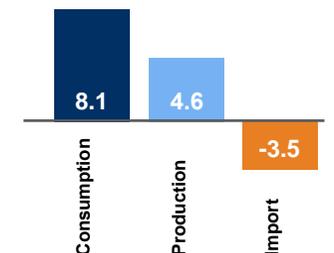
### LATVIA (TWh)



### LITHUANIA (TWh)



### ESTONIA (TWh)



# 5. Awards



# Awards

## Latvenergo Group – a leader in sustainability

- In 2023, both Latvenergo AS and Sadales tīkls AS were awarded the Diamond category of the Latvian Sustainability Index. Liepājas enerģija SIA was awarded the Gold category.



- In the European Sustainable Brands Index, the brand Elektrum of Latvenergo AS is recognised as the most sustainable brand of the energy sector in Latvia.
- The awareness-raising campaign of Elektrum Lietuva UAB on the services provided by the company won 2nd place in the Corporate Communication category in the Mi:t&Links Baltic Communication Awards competition.
- 1st prize in the Production Plant nomination of the Latvian Construction of the Year Award was awarded to the reconstruction of the hydropower units of the Riga HPPs.
- In the Safest Company Fleet competition, Sadales tīkls AS received the Gold Award in the Local (Baltic) Cargo Carriers and Special Purpose Fleets category. Latvenergo AS won a silver award in the category Lowest Risk, State and Municipal Fleets.
- In the competition Golden Helmet of the State Labour Inspectorate for best practice in labour protection, Sadales tīkls AS won 2nd place for labour safety measures and the adaptation of the labour environment and conditions to the impacts of climate change.
- The environmental, social and governance performance of Latvenergo AS was awarded a Prime rating in the ISS ESG assessment.



## Latvenergo Group companies – at the top of the most valuable companies

- Latvenergo AS is rated the second most valuable company in Latvia in the TOP 101 most valuable companies in Latvia. Latvenergo AS ranks as the most valuable energy company in the TOP 10 most valuable companies in the Baltics.
- In the Latvian Business Annual Report 2023, Latvenergo AS was assessed as the largest company in the energy sector. Sadales tīkls AS ranked third among Latvian electricity and gas companies.
- Latvenergo AS is recognised as the largest state-owned capital company, the largest energy company and the largest EBITDA earner in the TOP 500 Latvian Companies. Sadales tīkls AS is rated as the third largest company in the energy sector and the third largest state capital company.
- Latvenergo AS received the Nasdaq Baltic stock exchange award for best investor relations on the bond market in the Baltic states for the third time. On November 22, representatives of the company attended the closing ceremony of the trading session at the Nasdaq headquarters in New York.



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