# Latvenergo Group Presentation 2024

July 2025

Latvenergo

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# Contents

# 1. Group profile

# Group profile

## Generation and trade

| 78 % | 75 % |
|---|---|
| Revenue | EBITDA |

- 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 22%**

## Distribution

| 22 % | 23 % |
|---|---|
| Revenue | EBITDA |

- 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
- Sadales tīkls AS
- *Elektrum Eesti, OÜ*
- *Elektrum Lietuva, UAB*
- Elektrum Next SIA
- Laflora Energy SIA
- DSE Aizpute Solar SIA
- Latvijas vēja parki SIA
- *Telšių vėjo parkas, UAB*
- Enerģijas publiskais tirgotājs SIA
- Liepājas enerģija SIA

1 January 2025

# 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 |

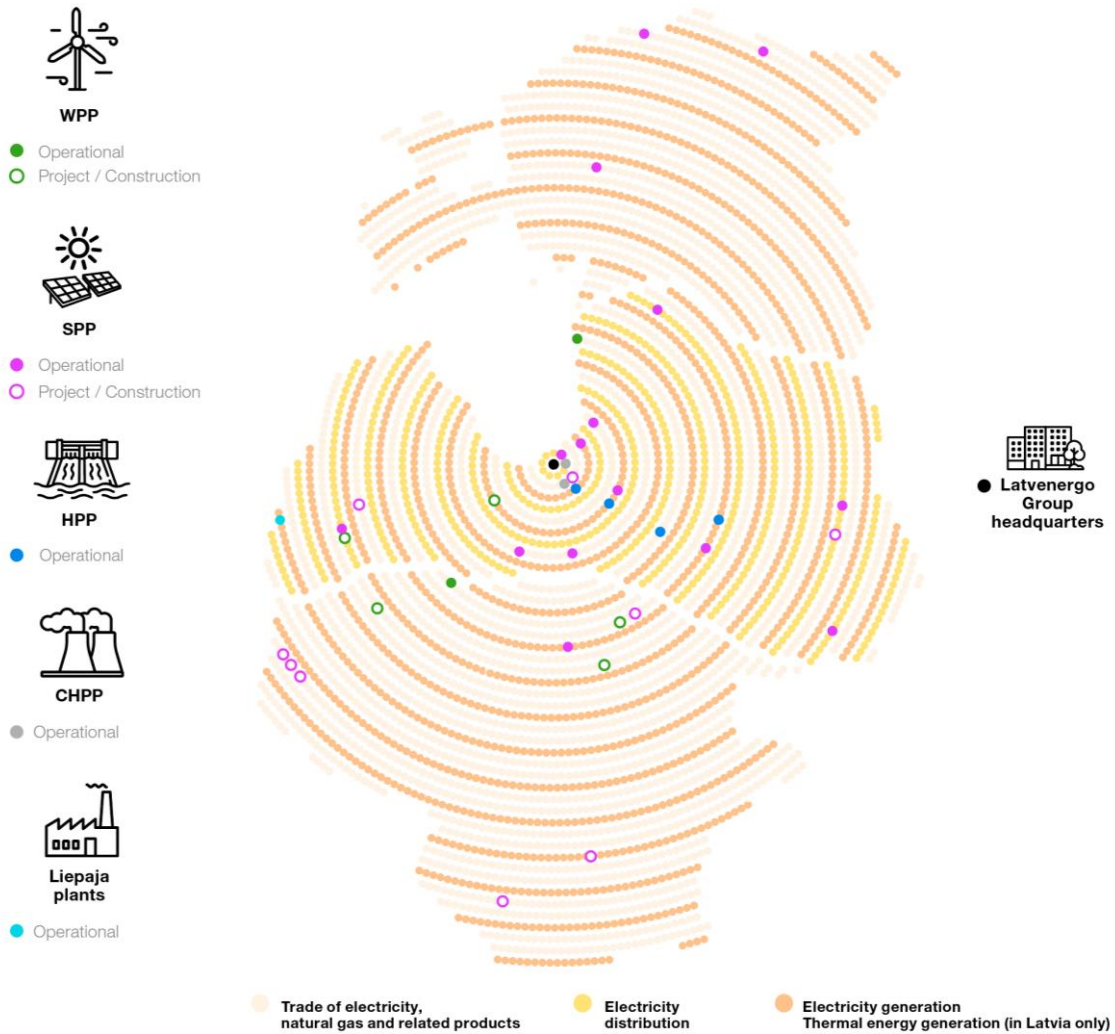
## Values

**With heart**
We are open and passionate

**With energy**
We are brave and persistent

**With mind**
We do the right things and learn continuously

**With a future outlook**
We do good for clients and society



# Production assets

## Daugava HPP

- **Kegums HPP**
  Capacity: 248 MW
- **Plavinas HPP**
  Capacity: 908 MW
- **Riga HPP**
  Capacity: 402 MW

  Energy source: water

## AS «Latvenergo» CHPP

- **CHPP-1**
  Electrical capacity: 158 MW
  Thermal capacity: 493 MW
- **CHPP-2**
  Electrical capacity:
  832 MW (in cogeneration mode)
  881 MW (in condensation mode)
  Thermal capacity: 1,124 MW

  Energy source: natural gas

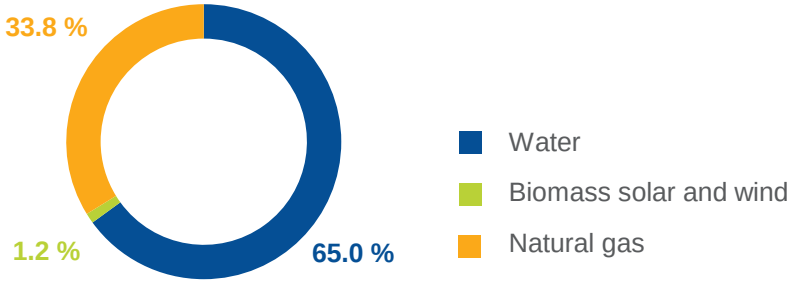
## Small Plants

- **Liepaja Plants**
  Electrical capacity: 6 MW
  Thermal capacity: 183 MW
  Energy source: woodchips natural gas
- **Ainazi VPP**
  Electrical capacity: 1 MW
  Energy source: wind
- **Aiviekste HPP**
  Electrical capacity: 1.5 MW
  Energy source: water

# Group profile

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

**Share of renewable resources in the electricity output** **66 %**




**Balanced energy generation portfolio**

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

**Sound business model**

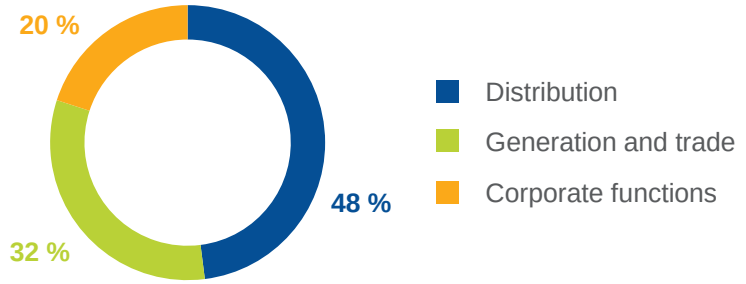
- About 1/4 of EBITDA from regulated distribution network activities
- 42% of retail electricity trade supplied to customers in Lithuania and Estonia
- Broad customer base

- **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

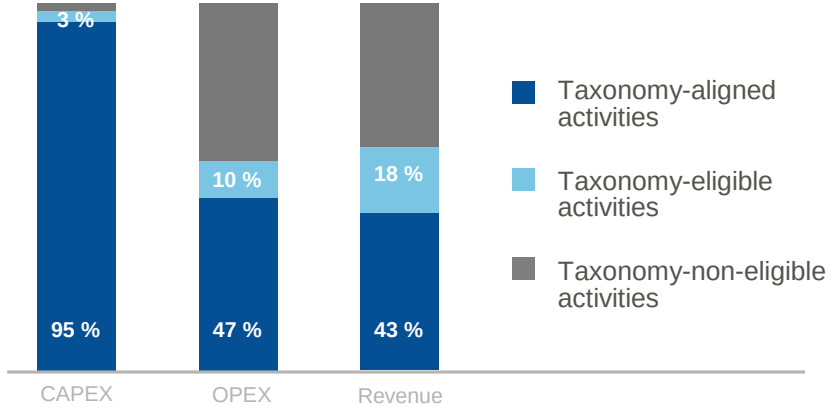
# Facts

| | | | 2024 | 2023 |
|---|---|---|---|---|
| **Financial figures** | Revenue | MEUR | **1,703.6** | 2,034.4 |
| | Profit | MEUR | **273.7** | 350.9 |
| | Assets | MEUR | **4,438.1** | 4,174.2 |
| | Investments | MEUR | **530.2** | 193.3 |
| | Moody's credit rating | | **Baa2** | Baa2 |
| **Generation and trade** | Installed electrical capacity | MW | **2,728** | 2,606 |
| | Installed thermal capacity | MW | **1,800** | 1,797 |
| | Electricity output | GWh | **4,842** | 5,136 |
| | Thermal energy output | GWh | **1,665** | 1,698 |
| | Generation efficiency of the Daugava HPPs | $m^3$/kWh | **18.1** | 18.5 |
| | Generation efficiency of the Latvenergo AS CHPPs | % | **80** | 82 |
| | Electricity market share in the Baltics | % | **22** | 23 |
| | Retail electricity supply | GWh | **6,140** | 6,208 |
| | Retail natural gas supply | GWh | **1,190** | 896 |
| | Electricity retail customers | thsd. | **896** | 845 |
| | Natural gas retail customers | thsd. | **65** | 49 |
| **Distribution** | SAIDI | min | **215** | 266 |
| | SAIFI | number | **2.2** | 2.7 |
| | Length of distribution lines | km | **92,322** | 92,323 |
| | Transformer capacity | MVA | **6,001** | 5,969 |

**Employees** **3,436**




**Proportion of taxonomy-aligned activities**



# Events

**Electricity generated by Latvenergo – 27% of the Baltic total**

In 2024, the Daugava HPPs generated more electricity than average, and in February and March, the plants were operating at full capacity, ensuring almost all of Latvia's electricity consumption.

In 2024, Latvenergo Group generated 4,842 GWh of electricity, which is 6% less than a year earlier. Although the lower Daugava inflows resulted in a 16% decrease in the electricity generation of the Daugava HPPs compared to 2023, the generation was 10% higher than the long-term average, reaching 3,143 GWh. Generation of electricity at the Latvenergo AS combined heat and power plants increased by 18% to 1,633 GWh. The volume of heat production did not change significantly, amounting to 1,665 GWh.

***Electrum Drive* strengthens the leading position for electric car charging in the Baltic states**

By the end of the reporting year, the *Elektrum Drive* charging network in the Baltic states had grown to more than 750 charging points. More than 115 thousand charges amounting to 2,500 MWh were performed during the reporting year, ensuring savings of more than 1,500 tonnes of CO2 emissions. The *Elektrum Drive* app may be used to charge electrical vehicles on the e-mobi network in Latvia and at LIDL charging stations in Lithuania and Estonia as well, with a total of 974 charging ports available to customers.

In November, the first *Elektrum Drive* high-capacity electrical vehicle charging stations in the TEN-T network in Latvia, with a capacity of 300 kW, were opened in five cities in Latvia: Mārupe, Jūrmala, Pūre, Koknese and Liepāja. The *Elektrum Drive* network will also allow charging of electric trucks.

**Latvenergo has increased its number of customers across the Baltics states**

In the reporting year, Latvenergo sold 6,140 GWh of electricity to its customers in the Baltic states, which is approximately the same as in the previous year. In turn, retail sales of natural gas reached 1,190 GWh, an increase of 33%. The number of customers increased in both the electricity and natural gas segments. The number of the Group's electricity customers reached 896 thousand, of which 284 thousand were outside Latvia. The number of natural gas customers exceeded 65 thousand at the end of December.

**85 years of sustainable production**

2024 is the 85th anniversary of Latvenergo Group. The history of the Group began with the establishment of the State Electricity Company Ķegums on 22 December 1939.

On 5 November 2024, it will be 50 years since the first hydropower unit was put into operation at the Riga hydropower plant. Since 1974, it has been the second largest hydropower plant in Latvia.

**Latvenergo and a United States agency create a Baltic energy model**

In September 2024, Latvenergo AS and the National Renewable Energy Laboratory of the US Department of Energy launched an energy transformation and industrial research project that will model several investment scenarios for Latvenergo. The results of this study will primarily be used for the development of the Latvenergo strategy.

**Investment in the group's strategic objectives grows**

In 2024, EUR 530 million were invested, which is 2.7 times more than a year earlier. Approximately 2/3 of investments, or EUR 345 million, were made in new wind and solar generation capacities. In 2024, Latvenergo AS acquired two wind power plant projects: Telšiai in Lithuania (124 MW) and Laflora Energy SIA in Latvia (109 MW). Both wind power plants plan to start generating electricity in 2026. The Akmene WPP (19.6 MW) in Lithuania started operating in the reporting year. New solar capacity is also being successfully developed. In November, Latvenergo AS acquired DSE Aizpute Solar SIA to build the largest solar power plant to date, with a total capacity of 265 MW, by the end of 2025.

The target of reaching 100 megawatts of solar power generation capacity in 2024 was achieved. At the end of 2024, Latvenergo Group had 14 solar parks with an installed capacity of 102.2 MW.

**Latvenergo group companies – leaders in Sustainability**

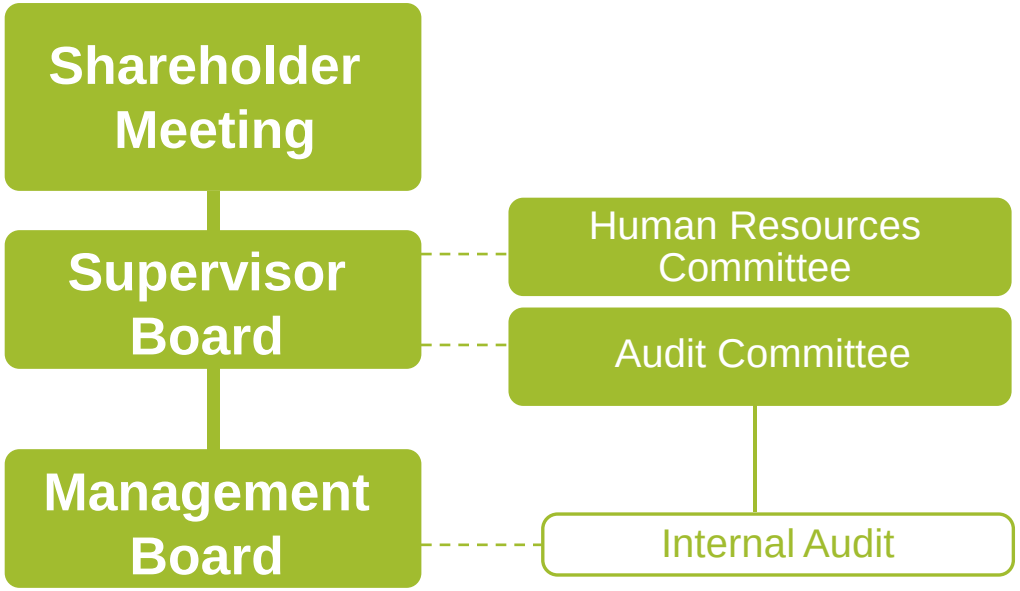
In 2024, Latvenergo AS was awarded the Diamond category of the Latvian Sustainability Index. Sadales tīkls AS and Liepājas enerģija SIA were ranked in the Platinum category.

**Latvenergo receives the award for best investor relations among bond issuers**

After the end of the reporting year, in February 2025, Latvenergo AS received the award for the best investor relations among all bond issuers on the Nasdaq Baltic regulated markets in the Baltic states for the fourth time. Since 2012, the bonds have been issued with consistently high investor valuations.

# Corporate governance

## Latvenergo AS governance bodies




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

The Corporate Governance Report for 2024 is available here.

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.

### 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 strategy 2022–2026

## Generation

Grow and diversify portfolio with wind and solar

**New wind and solar capacities**

| 2026 | 2030+ |
|---|---|
| 600 MW | 2 300 MW |

## Trade

Strengthen market position and diversify products

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

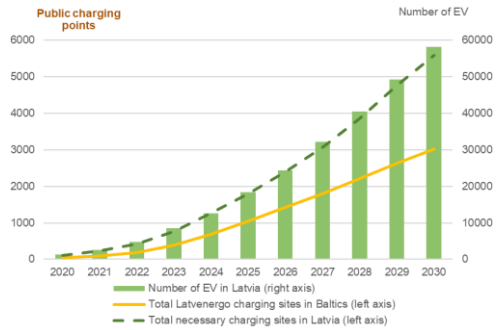
- Growing customer portfolio
- Microgeneration
- Electrification and energy efficiency
- Product innovation
- Launching operation in Poland

## Electromobility

Develop charging network

**Electric car charging points in the Baltics**

| 2026 | 2030+ |
|---|---|
| 1 200 –1 500 | ~ 3 000 |




## Distribution

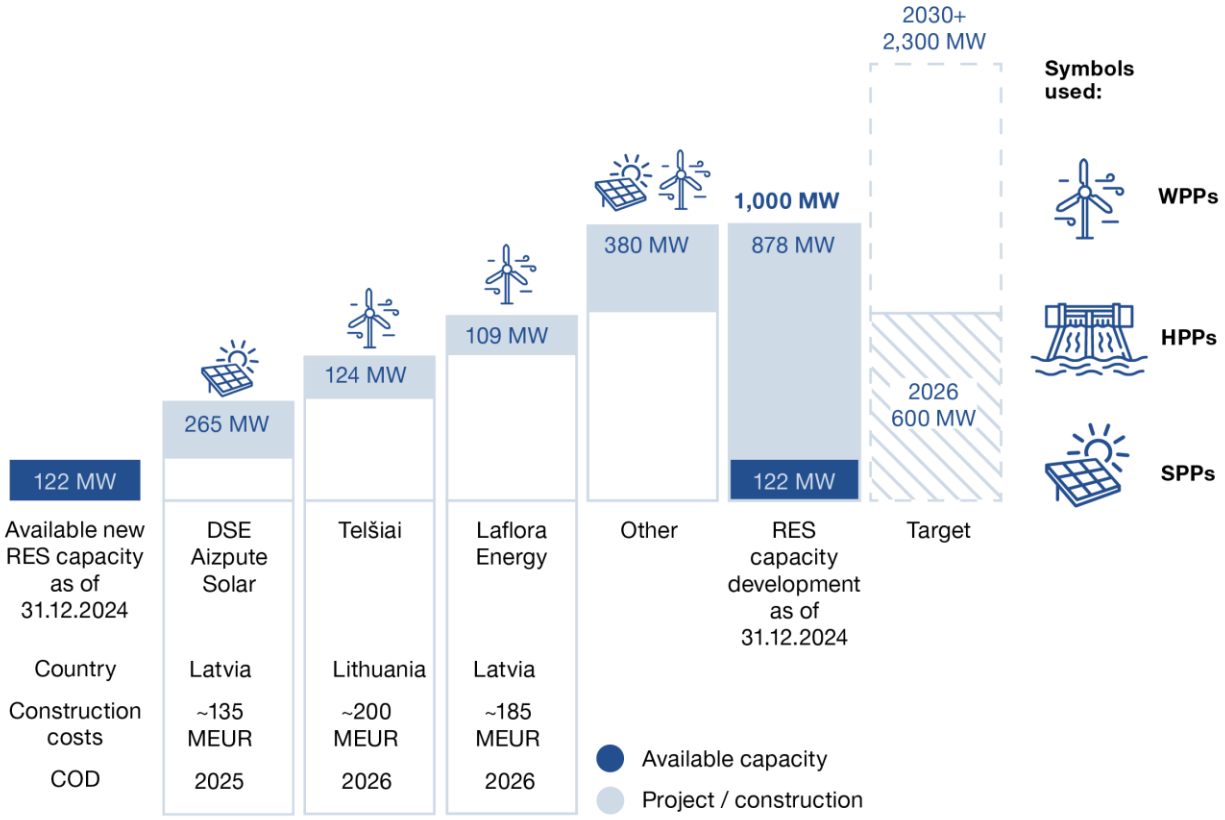
Render sustainable and economically justifiable service

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

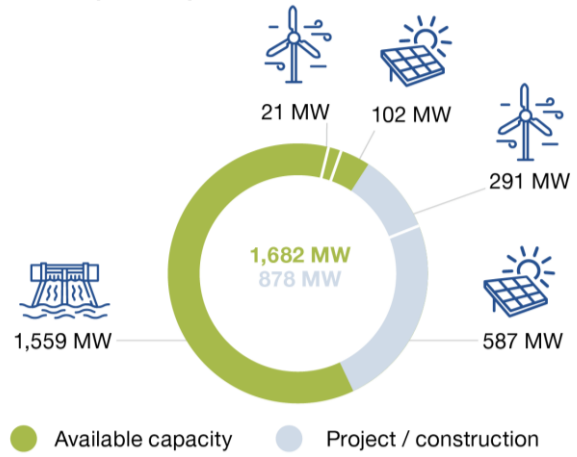
| | 2020 | 2026 |
|---|---|---|
| SAIDI /min | 187 | 164 |
| SAIFI /reizes | 2.07 | 1.92 |

Implement digital transformation and efficiency

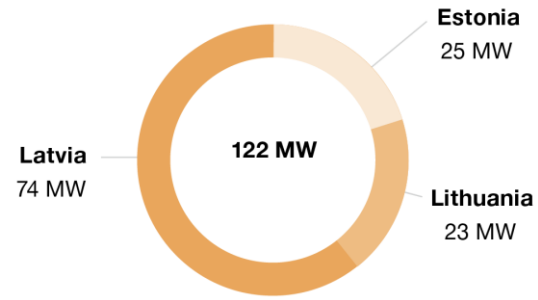
# Group strategy 2022–2026: RES capacity development




## RES capacities portfolio




## Geolocation of newly constructed RES capacities



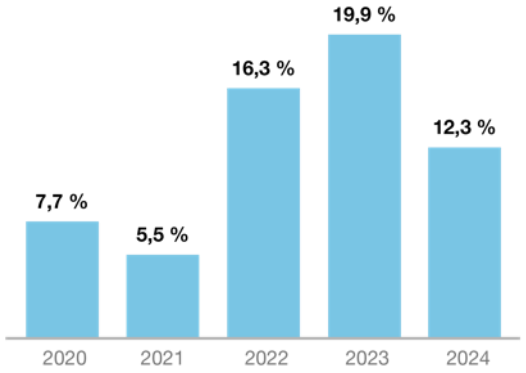
# Group Strategy 2022–2026: financial targets

## 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 %**

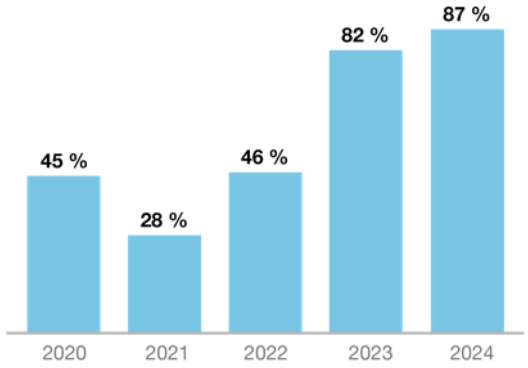



## Capital structure

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 %**

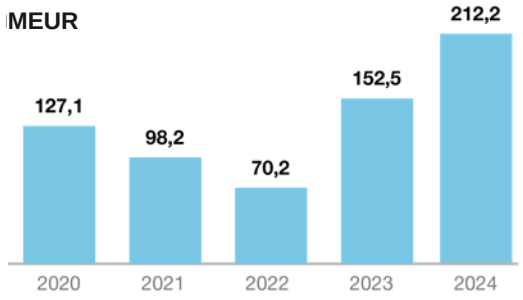



## Dividend policy

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

**Dividend payout ratio**

**> 64 %**

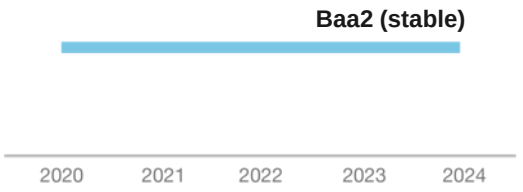



## Credit rating

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

# Targets of the Group's sustainability strategy 2024–2026

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

### Environment

**Climate**
achieve climate neutrality by 2050

**Pollution**
reduce pollution

**Circular economy**
reduce resource consumption and promote a circular economy

**Water**
reduce impacts on water resources

**Biodiversity**
reduce impacts on biodiversity

**Technology and innovation**
increase efficiency of current operations and develop new sources of revenue

### Social

**Working environment**
create a sustainable working environment for the development of future competencies

**Critical resources**
ensure the protection of critical resources for the benefit of the company and its customers

**Education and science**
promote education and science

**Investments in society**
invest in society and public know-how

**Customers**
promote sustainability on the customer side

### Governance

**Managing sustainability areas**
ensure integrated and effective management of sustainability

**Business ethics**
ensure fair, just and respectful labour and business relations

**Relations with suppliers**
purchase goods and services responsibly

**Transparency and openness**
ensure transparency and openness in line with best practice

### Sustainable finance

**Investments**
invest responsibly

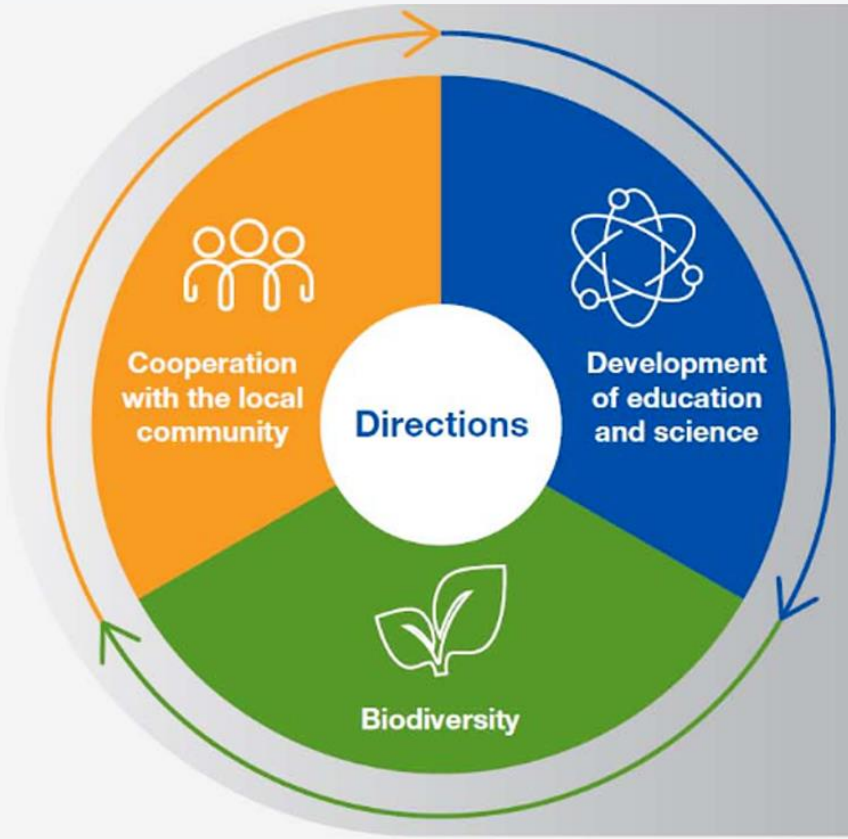
**Funding for innovation, research & development**
develop products and services and improve operational efficiency

Detailed targets are presented in the slides in the Sustainability Information section.

# Corporate social responsibility

## Principles

- Identification of stakeholder needs
- Ethical conduct
- Transparency
- Regular reviews and reports
- Compliance with international norms
- Responsibility for own impact




## Criteria for Activities

- Comply with the strategic objectives
- Raise awareness of the operational directions
- Substantial long-term impact and public benefit
- Large scale and involvement of a wide range of social groups
- Proportional costs
- Sufficient experience in implementation of activities
- Advantages over alternative methods
- Communication potential
- Increase the brand value

**Does not support**

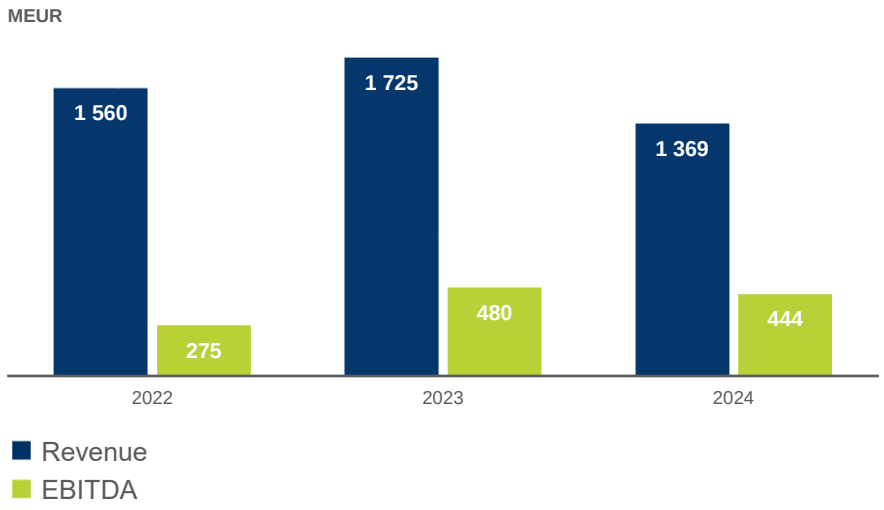
- ✗ Activities with the vaguely defined principles and / or questionable public importance
- ✗ Selfish and mercantile activities
- ✗ Activities of religious and / or political content
- ✗ Activities of natural persons

# 2. Operating segments

# Generation and trade

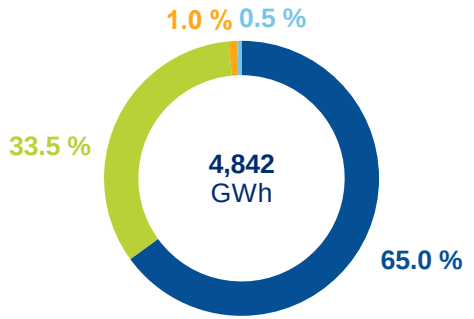
| 78 % | 75 % |
|---|---|
| Revenue | EBITDA |

## Revenue and EBITDA



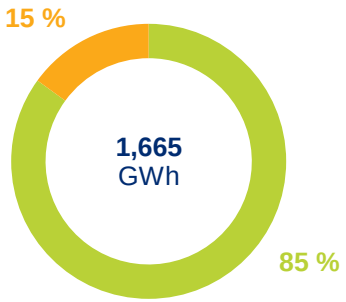

## Electricity and Thermal energy output

### Electricity output in 2024




- HPPs
- CHPPs
- SPPs and WPPs
- Liepaja plants

### Thermal energy output in 2024




- CHPPs
- Liepaja plants

# Generation and trade

## Generation

- Latvenergo Group has a balanced energy generation portfolio, consisting mostly of hydropower plants and highly efficient combined heat and power plants
- Installed electrical capacity – 2,728 MW (approx. 90% of the total capacity in Latvia); installed thermal capacity – 1,800 MW
- Latvenergo Group is actively continuing its work on expanding generation capacity from renewable energy sources (RES), and by the end of 2024, the new RES capacity of Latvenergo Group in the Baltic states reached 122 MW (102.2 MW SPPs and 19.6 MW WPPs).
- Segment's financial results in 2024 were negatively impacted by lower amount of power generated at the Daugava HPPs and lower energy sales prices. At the same time, segment's financial results were positively impacted by lower natural gas purchase prices, increase in retail natural gas sales volume and higher output at the CHPPs

## Operational figures

| | Units | 2023 | 2024 |
|---|---|---|---|
| Electricity customers | thsd. | 845 | **896** |
| Electricity supply | GWh | 8,659 | **8,552** |
| *Retail** | *GWh* | *6,208* | ***6,140*** |
| *Wholesale*** | *GWh* | *2,450* | ***2,412*** |
| Natural gas customers | thsd. | 49 | **65** |
| Natural gas supply | GWh | 1,554 | **2,559** |
| *Retail* | *GWh* | *896* | ***1,190*** |
| *Wholesale* | *GWh* | *658* | ***1,369*** |
| Electricity generation | GWh | 5,136 | **4,842** |
| *HPPs* | *GWh* | *3,729* | ***3,147*** |
| *CHPPs* | *GWh* | *1,385* | ***1,633*** |
| *SPPs and WPPs* | *GWh* | *5* | ***44*** |
| *Liepaja plants* | *GWh* | *16* | ***17*** |
| Thermal energy generation | GWh | 1,698 | **1,665** |
| *CHPPs* | *GWh* | *1,457* | ***1,423*** |
| *Liepaja plants* | *GWh* | *241* | ***242*** |

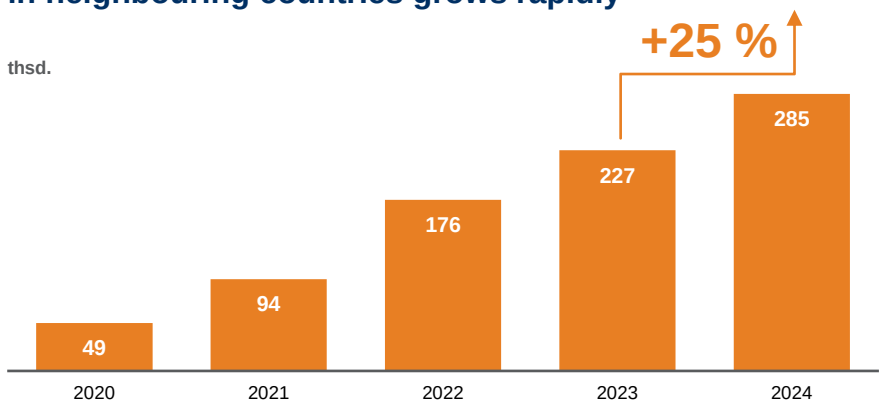
* Including operating consumption
**Including sale of energy purchased within the mandatory procurement on the Nord Pool

# Generation and trade

## Trade

- Focus on the development of new products, the increase of revenue from one customer, increasing cost efficiency and customer satisfaction
- ~896k electricity retail customers across the Baltics
- 96% of these are households and 4% business customers
- 6.1 TWh of electricity sold to Baltic retail customers
- 42% of electricity supplied outside Latvia

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




**Baltic electricity market share**

**~ 22%**

**Estonia** 8% market share

Business customers
**~ 8.1 thousand**

Households
**~ 79.3 thousand**

**Latvia** 51% market share

Business customers
**~ 18.6 thousand**

Households
**~ 592.8 thousand**

**Lithuania** 15% market share

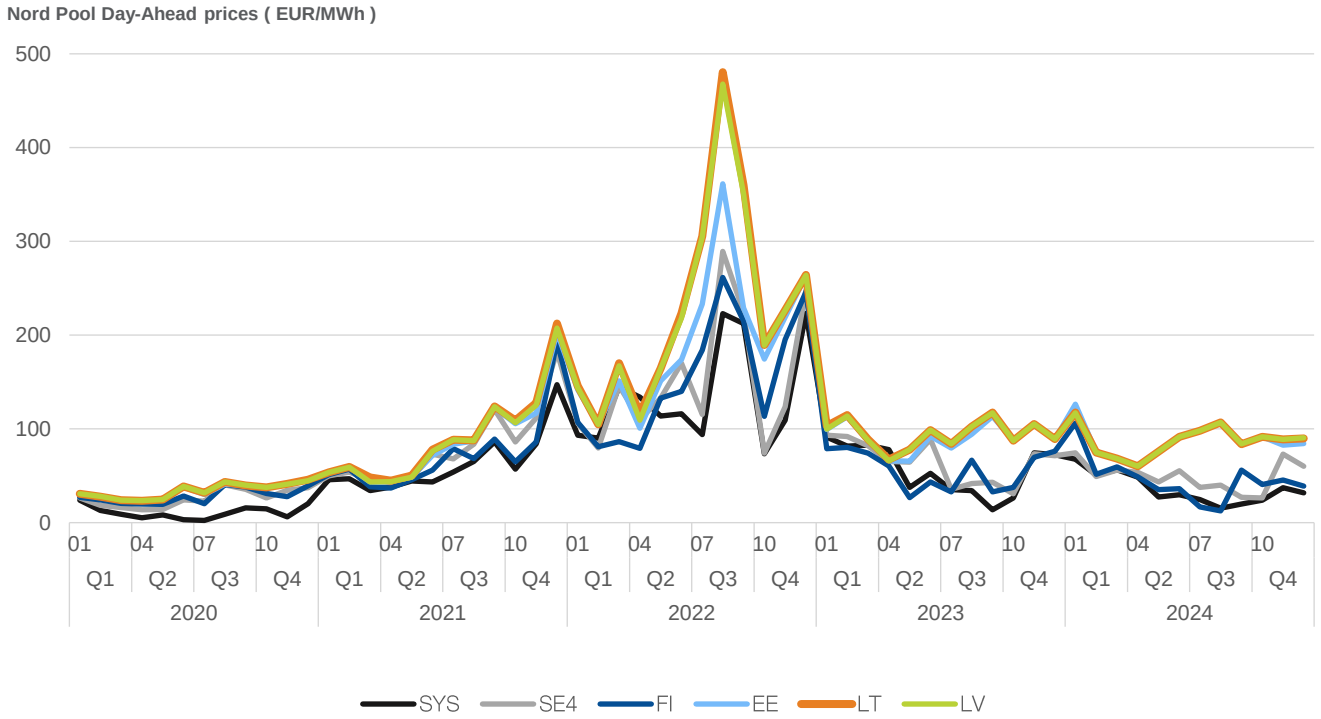
Business customers
**~ 11.6 thousand**

Households
**~ 185.5 thousand**

# Operating environment

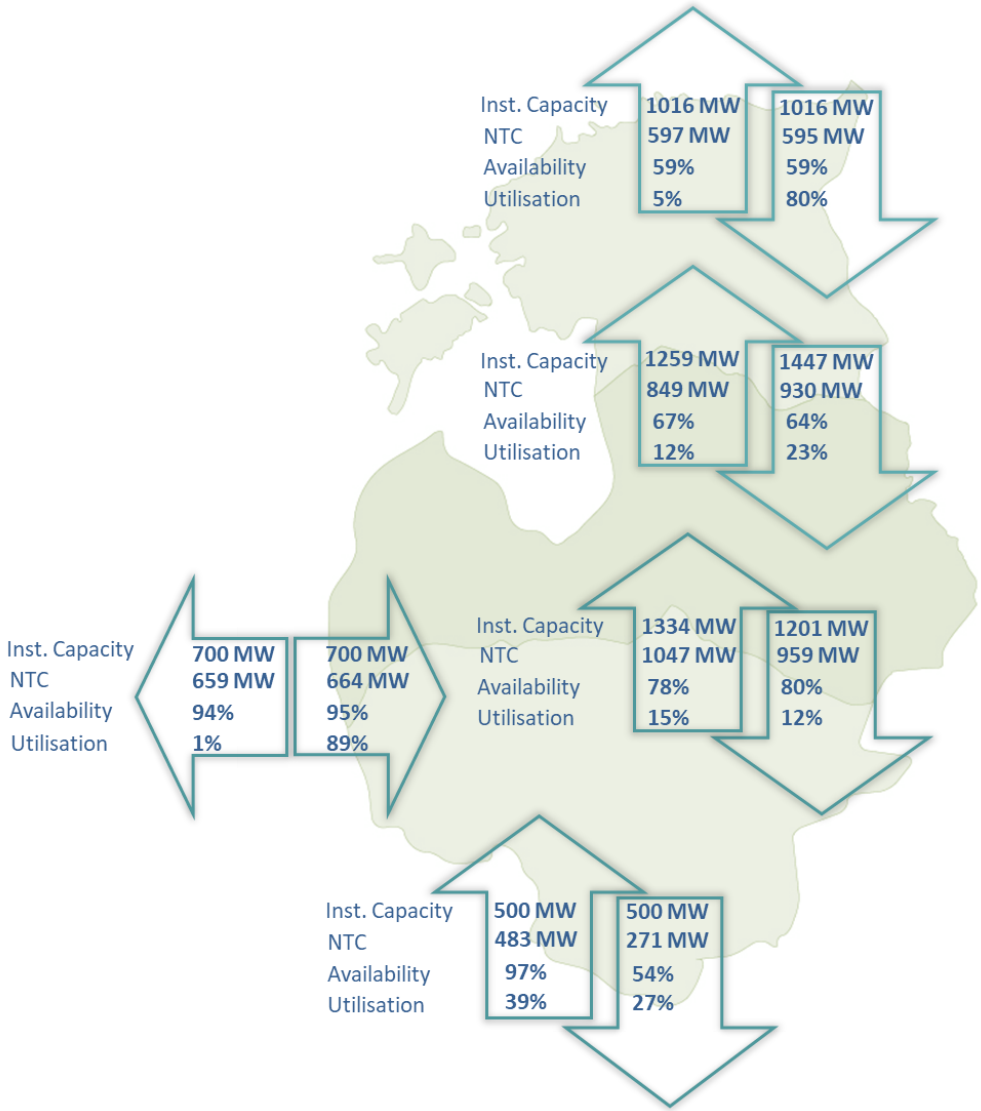
## Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices

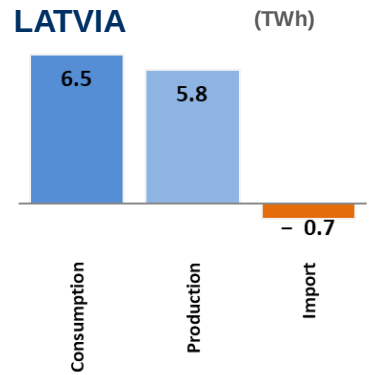
### Monthly average wholesale electricity prices

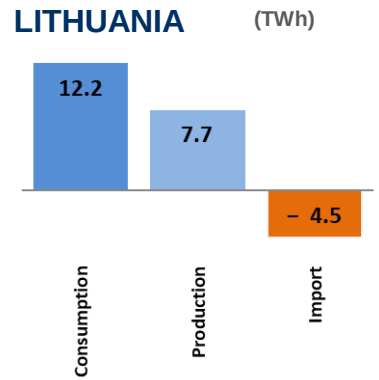


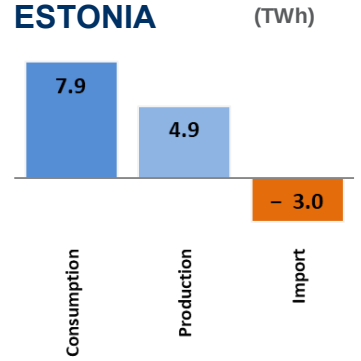

- Nord Pool electricity price decrease was affected by lower natural gas prices and increased electricity generation through RES, with an increase in their capacities
- Natural gas (LV and LT), oil shale (EE) and coal (PL) take an eminent position of power balance in the region − especially during periods of congestion and low RES generation
- Prolonged maintenance on the cross-border interconnections limited electricity imports from the Nordic countries to Baltics
- In 2024, electricity consumption in the Baltics increased by 1%, reaching 26.6 TWh. The amount of electricity generation in the Baltics increased by 17% to 18.4 TWh

# Operating environment



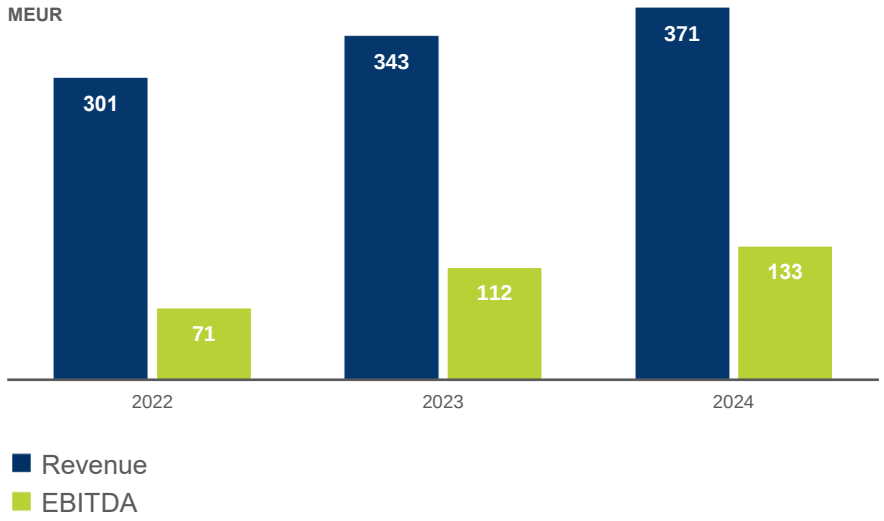



# Distribution

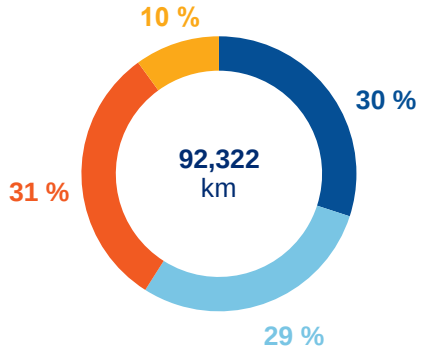
| 22 % | 23 % |
|---|---|
| Revenue | EBITDA |

## Revenue and EBITDA



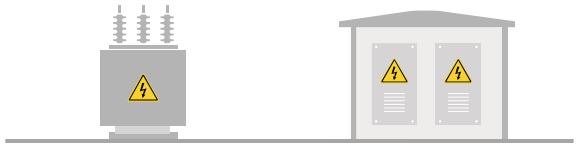

## Distribution network

### Length of electricity distribution lines




**30,298** transformers

**28,894** transformer substations



**6,001 MVA**
total installed capacity

# Distribution

## Distributed electricity and losses

| | Units | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| Distributed electricity | GWh | 6,286 | 6,470 | 6,241 | 6,021 | **6,116** |
| Electricity distribution losses technological and operating consumption | GWh | 277 | 271 | 256 | 242 | **237** |
| *incl. accumulated microgeneration electricity losses* | *GWh* | *–* | *–* | *4* | *19* | ***22*** |
| **TOTAL** | **GWh** | **6,563** | **6,741** | **6,497** | **6,263** | **6,353** |
| **Electricity losses** | **%** | **3.99 %** | **3.79 %** | **3.73 %** | **3.72 %** | **3.62 %** |

## Key highlights

- Provision of distribution system services to about 798k 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 increased electricity consumption. However, the results were negatively affected by a rise in electricity transmission service costs

# 3. Financial performance

# Key financials

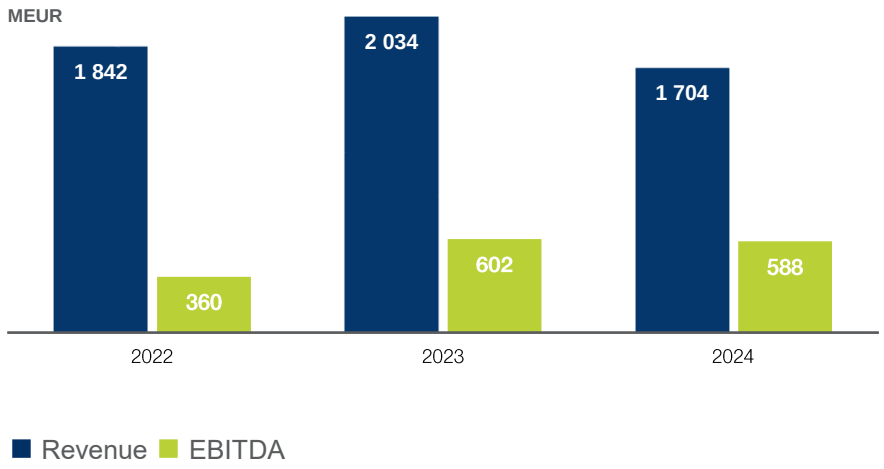
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Annual Report, see the section "Key Figures"

| Financial figures (MEUR) | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Revenue | 773 | 1,065 | 1,842 | 2,034 | **1,704** |
| EBITDA | 278 | 199 | 360 | 602 | **588** |
| Profit | 116 | 72 | 184 | 351 | **274** |
| Assets* | 3,359 | 3,476 | 3,855 | 4,174 | **4,438** |
| Equity | 2,118 | 2,123 | 2,356 | 2,963 | **3,007** |
| Borrowings | 743 | 795 | 876 | 630 | **743** |
| Net Debt | 556 | 698 | 763 | 511 | **657** |
| Adjusted funds from operations (FFO)* | 250 | 176 | 339 | 521 | **509** |
| Capital expenditure | 169 | 127 | 122 | 193 | **530** |
| **Key Financial Ratios** | **2020** | **2021** | **2022** | **2023** | **2024** |
| Net Debt to EBITDA | 2.0 | 3.2 | 2.0 | 1.1 | **1.0** |
| EBITDA Margin | 35.9 % | 18.7 % | 19.6 % | 29.6 % | **34.5 %** |
| Return on Equity (ROE) | 5.3 % | 3.4 % | 8.2 % | 13.2 % | **9.2 %** |
| ROE excluding distribution | 7.7 % | 5.5 % | 16.3 % | 19.9 % | **12.3 %** |
| Adjusted FFO / net debt | 45 % | 28 % | 46 % | 82 % | **87 %** |
| Return on Assets (ROA) | 3.2 % | 2.1 % | 5.0 % | 8.7 % | **6.4 %** |
| Return on Capital Employed (ROCE) | 4.2 % | 2.9 % | 6.3 % | 11.9 % | **9.2 %** |
| Net Debt / equity | 0.26 | 0.33 | 0.32 | 0.17 | **0.22** |
| Capital Ratio | 63 % | 61 % | 61 % | 71 % | **68 %** |
| Dividend pay–out ratio | 126 % | 63 % | 88 % | 73 % | **64 %** |
| **Moody's Credit Rating** | **Baa2 (stable)** | **Baa2 (stable)** | **Baa2 (stable)** | **Baa2 (stable)** | **Baa2 (stable)** |

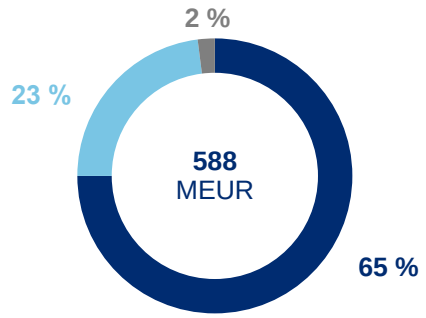
* Comparative figures recalculated, presenting the provisions for $CO_2$ emission quotas at gross value, separately from the purchased emission quotas in short-term intangible investments

# Revenue and EBITDA

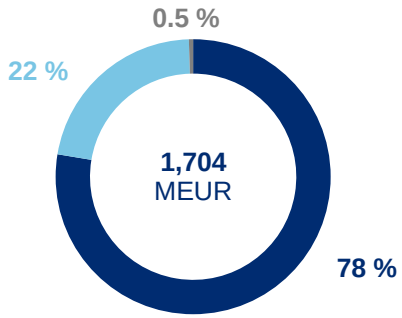
## Revenue and EBITDA




## EBITDA by segment




## Revenue by segment





## Key highlights

**Revenue:**

Negative impact: lower energy sales prices

Positive impact: increased revenue in the distribution segment, following the introduction of the new distribution tariffs by Sadales tīkls AS starting from July 1, 2023

**EBITDA:**

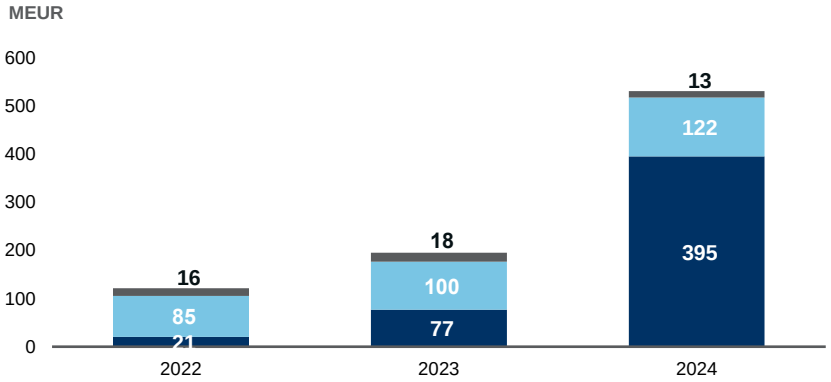
Negative impact: lower amount of power generated at the Daugava HPPs

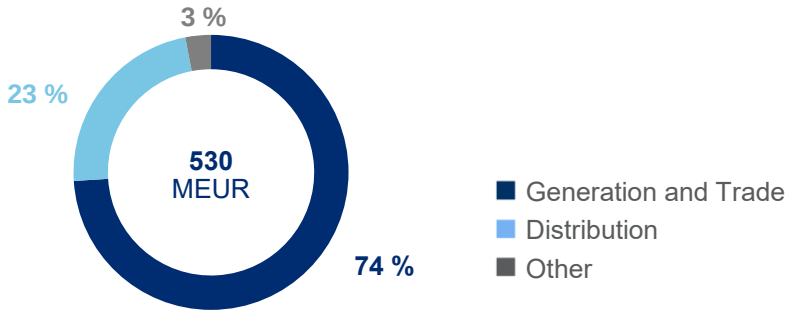
Positive impact: lower natural gas purchase prices, increase in revenue in the distribution segment, increase in retail natural gas sales volume and higher output at the CHPPs

**Profit for the year 2024:** 274 MEUR (2023: 351 MEUR)

# Investments

## Investment increased 2.7x



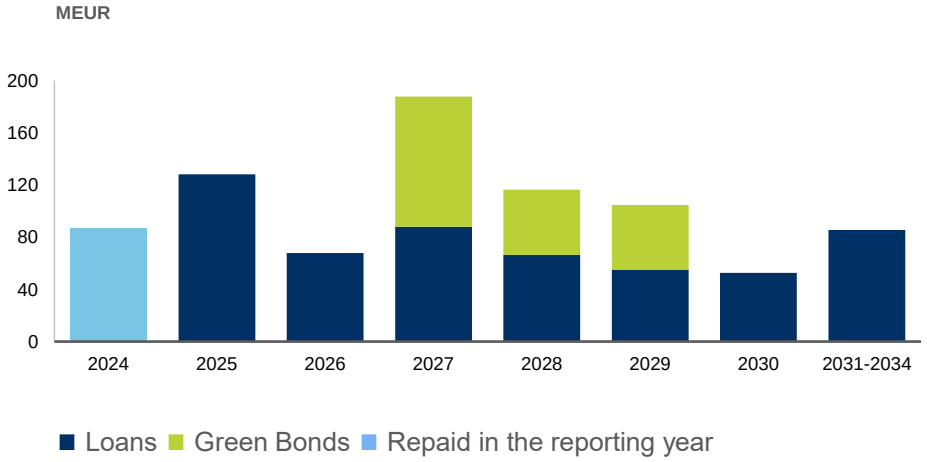




## Significant increase in investments in renewable energy generation capacities in the Baltics

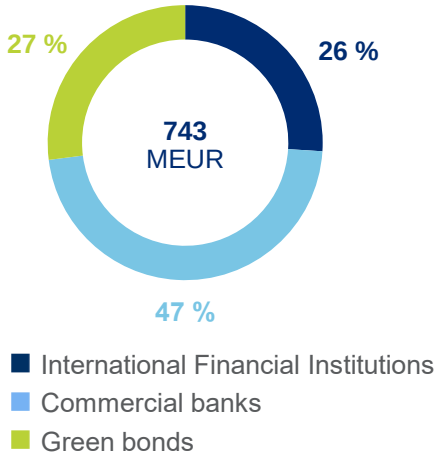
- 3/4 of it was made in Generation and trade segment and 1/4 in Distribution segment
- 345 MEUR were allocated towards the development of wind and solar parks, which is 2/3 of the Group's total investments
- In 2024, ten SPPs in Latvia, with a total capacity of 74 MW, two SPPs in Estonia (24 MW), two SPPs in Lithuania (16.9 MW) and one WPP (19.6 MW) in Lithuania began operations
- In the Baltic region, we have solar and wind parks in the project or construction stage with a total capacity of almost 880 MW; their gradual commissioning is expected from 2025-2026
- Investments in network assets allows to improve the quality of the power network services and technical parameters

# Borrowings

## Long-term debt repayment schedule




## Diversified sources




## Liquidity position

| | |
|---|---|
| Liquid assets, cash | 87 MEUR |
| Committed long-term loans | 230 MEUR |
| Committed overdrafts and short-term deposits | 238 MEUR |

## Key highlights

- Total long-term borrowings – 743 MEUR; including outstanding amount of green bonds – 200 MEUR
- Share of fixed interest rate (with IRS) – 37%, weighted average fixed interest rate period (with IRS) – 1.4 years, effective weighted average interest rate (with IRS) – 3.3%
- After the end of the reporting year, in March 2025, Moody's updated its credit rating analysis of Latvenergo AS, keeping the credit rating at Baa2 with a stable outlook

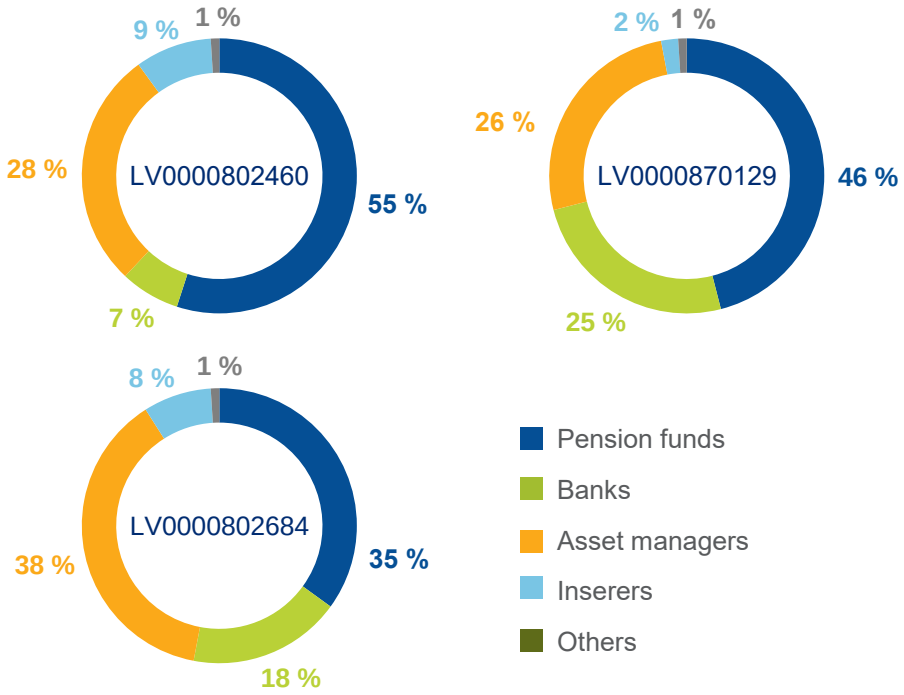
# Green bonds

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

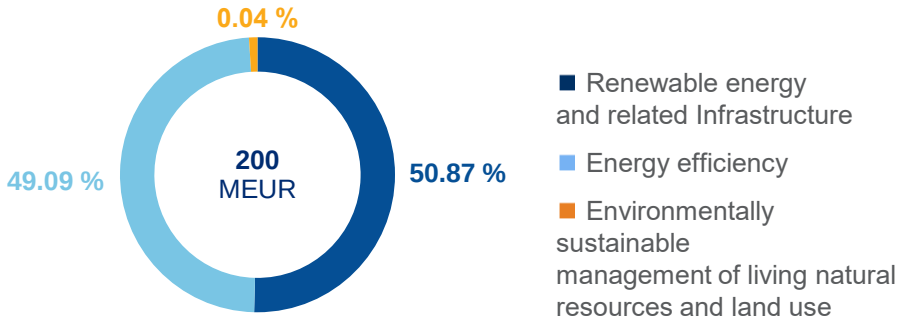
Nasdaq Baltic Awards 2025 — Best Investor Relations on Bond List

| | 50 MEUR Green bonds 0.5% annual coupon due 17 May 2028 | 100 MEUR Green bonds 2.42% annual coupon due 5 May 2027 | 50 MEUR Green bonds 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 | | |
| Programme | The third Latvenergo AS 200 MEUR Programme | | |

## Investors by type according to the coupon payment of 2024

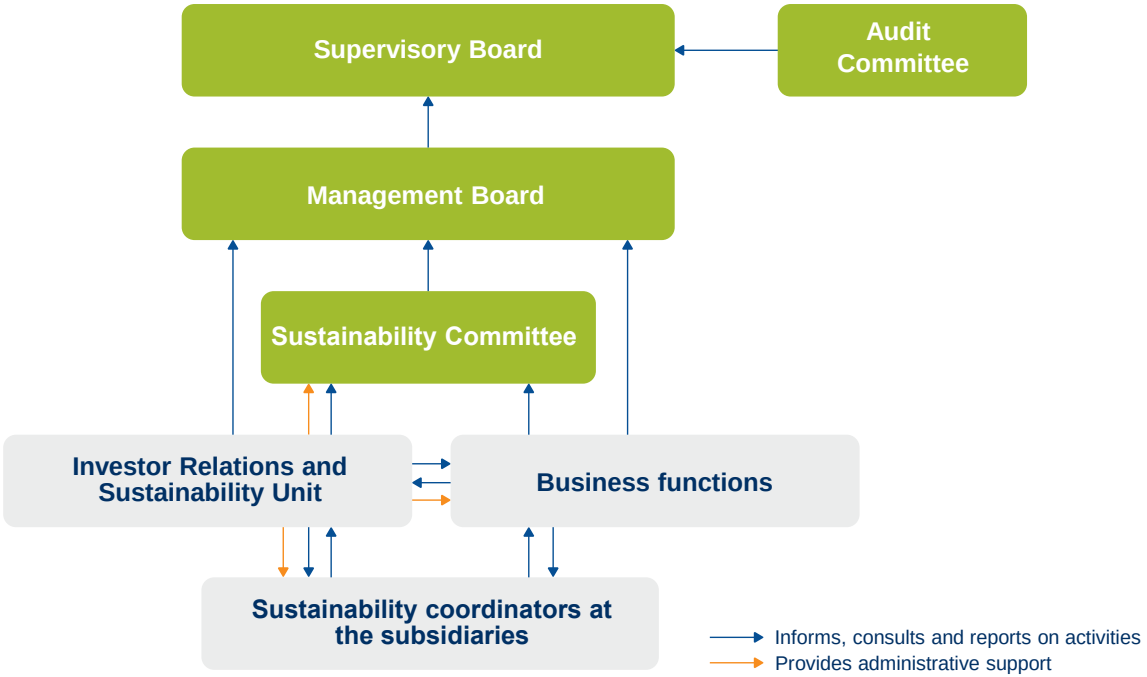



## Investment by project group



# 4. Sustainability information

# Governance of sustainability issues




Within the Group, responsibility for sustainability is deliberately not concentrated in a single company unit, but is rather divided among those in charge of areas of sustainability, with the additional establishment of a unit that coordinates sustainability affairs.

The management of impacts, risks and opportunities is integrated into the operating processes of the Group's companies, and the supervision of these issues is addressed within the framework of fulfilling and monitoring strategies and operational plans.

The Management Board of Latvenergo AS handles the implementation of the Group's strategy and policies and regularly submits reports regarding its activities to the Supervisory Board of Latvenergo AS.

At the end of 2022, Latvenergo AS established its Sustainability Committee, which was expanded to the Group level in 2024. The Head of the Committee is the Chief Financial Officer.

# Stakeholders

| | Shareholder – Ministry of Economics | Business partners | Employees, trade union | Funders and investors | Educational and scientific institutions |
|---|---|---|---|---|---|
| Level of cooperation | collaboration | involvement | negotiation, involvement | consultation, collaboration | collaboration |
| Description of cooperation | Cooperation with the shareholder takes place regularly, in line with the legal requirements and good governance guidelines. | Latvenergo Group maintains and regularly updates its Register of Qualified Candidates, encouraging its partners to submit applications for their inclusion in the qualification system. The Group organises supplier day events to inform its business partners about the key future development plans of the Group's companies. | Representatives of the Group's companies regularly communicate with representatives of the employee trade union concerning the organising of work and other topical matters. During the reporting year, the Latvian trade union Enerģija and the companies of the Group agreed on a new collective bargaining agreement, effective from 1 May 2024 to 31 December 2029. | The Group provides regular information and twice a year organises online conferences on financial results and current operational affairs. Stakeholders can ask questions online at the Group's webinars. | During the reporting year, Latvenergo AS and the National Renewable Energy Laboratory of the US Department of Energy signed a research and development agreement to implement an energy transformation and industrial research project, within it modelling of several investment scenarios for Latvenergo AS will be performed. |

| | Customers | Media, non-governmental organisations (NGOs) | Professional associations and sector specialists | Public institutions | Local community |
|---|---|---|---|---|---|
| | involvement | consultation, involvement | consultation, involvement | consultation, involvement | consultation, involvement, negotiation |
| | Latvenergo Group conducts annual customer satisfaction surveys and takes measures to improve customer satisfaction. During the reporting year, Sadales tīkls AS developed a new service and made it available to customers: a comprehensive smart metering service that includes the remote collection and transmission of energy data from the customers internal networks. | Cooperation with national and regional media includes press releases, media events and press conferences. In 2024, the main topics were the Group's financial and operating performance, the Group's governance, electricity generation from renewable sources, availability of energy sources and prices, development of the electric vehicle charging network, responsible business practices, and support for Ukraine. The Group also provides information related to its core business to NGOs. | Representatives of Latvenergo Group regularly discuss the development of the energy industry and related sectors with industry specialists at various forums, conferences, seminars, and working groups. | In 2024, according to a Cabinet of Ministers decision regarding Latvijas vēja parki SIA, Latvenergo AS became the 100% owner of its shares; previously, it held 80% of the shares in this joint company, with 20% belonging to Latvijas valsts meži AS. The Group works with the Competition Council in the manner stipulated by law and regularly provides information about its activities and financial results to the Public Utilities Commission. | The Group involves representatives of affected communities in public discussions on the development of new generation capacities, informs local governments about planned projects to renovate the power grid, regularly seeks the opinion of the Latvian public through various surveys and implements various CSR activities. |

Affected stakeholders

Sustainability Statement users

consultation
identification of current issues

negotiation
participatory discussions

involvement
participation in joint activities, development of solutions and action plans

collaboration
joint decision-making and cooperation

## Value chain

### Upstream

1. Resource extraction
2. Processing and refinement
3. Production of goods
4. Transportation
5. Electricity generation
6. Natural gas infrastructure and storage
7. Nord Pool – power exchange
8. Electricity transmission system operator of Latvia

### Own operations

1. **HPPs** (1,560 $MW_{el}$)
2. **SPPs** (102 $MW_{el}$)
3. **WPPs** (21 $MW_{el}$)
4. **CHPPs** (1,039 $MW_{el}$, 1,617 $MW_{th}$)
5. **Thermal energy accumulation system** (1,000 $MW_{th}$)
6. **Liepaja plants** (6 $MW_{el}$, 183 $MW_{th}$)
7. **Battery energy storage system** (2030 target 250 $MW_{el}$ /500 MWh)
8. **Electricity and thermal energy generation, electricity and natural gas trade, electricity balancing**
9. **EV charging network**
10. **Electricity distribution**
11. **Sustainable governance**

**WPPs and SPPs in project / construction** (878 $MW_{el}$)

### Downstream

1. Society
2. Waste management
3. Nord Pool – power exchange
4. Electricity transmission system operator of Latvia

# Fundamental principles of policies for managing sustainability issues

## Corporate Governance Policy

- the Supervisory Board oversees the strategic management of the Group
- the Group operates on the market on the basis of the principles of equal competition and collaborates with all market participants based on equal, non-discriminatory terms
- the Group conducts its business in a responsible manner towards the environment, employees and society
- the Group ensures the prompt disclosure of audited, accurate and unambiguous material financial and non-financial information
- an internal control system has been introduced at the Group
- the operational risks of the Group are identified and managed on an ongoing basis
- the remuneration system is transparent and linked to the performance of a Group company

## Sustainability Policy

- contribute to the achievement of the UN SDGs
- continuously improve environmental performance in all business segments
- respect human rights
- build a sustainable work environment and provide equal opportunities
- operate as a socially responsible business
- engage in ethical business practices
- ensure all-encompassing transparency in operations
- undergo sustainability assessments that provide incentives for further growth
- engage stakeholders
- work with sustainable contract partners

## Code of Ethics

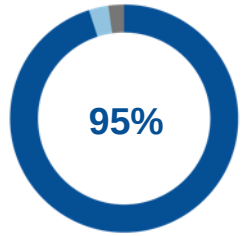
- develop an ethical, responsible and open business environment
- support and promote respect, trust and sound relations in communications among employees
- fair in relations with its employees as well as customers and suppliers
- not allow any conflict of interest situations and prevent fraudulent or corrupt activities
- ensure equal treatment of employees
- promote openness in cooperation with third parties
- choose cooperation partners that observe in their activities the ethical principles specified in this Code, comply with fair competition rules and do not cause situations where certain partners gain an advantage

# EU taxonomy

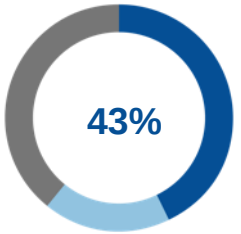
| Taxonomy-eligible activities | Activity description | Taxonomy-aligned activities |
|---|---|---|
| 4.1. Electricity generation using solar photovoltaic technology | 14 SPPs in the Baltics with a total capacity of 102 MW. 11 SPPs in Latvia and Lithuania in the construction stage, with a combined capacity of 587 MW. | ✓ |
| 4.3. Electricity generation from wind power | In Lithuania's Akmene district, a WPP with a capacity of 19.6 MW has started electricity generation, while the Group's total WPP capacity reached 21 MW by the end of 2024. The Telšiai WPP construction project (124 MW) in Lithuania and the Laflora Energy WPP construction project (109 MW) in Latvia are scheduled for completion in 2026. | ✓ |
| 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 more than 798 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 $CO_2$ emission savings. | ✓ |
| 4.15. District heating/cooling distribution | Liepājas enerģija SIA heat networks, which provide centralised heating to more than 1,1 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 $MW_{th}$ and 2 $MW_{el}$. | ✓ |
| 4.24. Production of heat/cool from bioenergy | Liepājas enerģija SIA generation plants using woodchips for thermal energy generation. Their total capacity is 40 $MW_{th}$. | ✓ |
| 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 $MW_{el}$. | |
| 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 $MW_{th}$ and 994 $MW_{el}$ (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 (1,057 $MW_{th}$), which use natural gas for thermal energy generation and transfer the thermal energy generated to the centralised heating system. | |
| 6.15. Infrastructure enabling lowcarbon road transport and public transport | The *Elektrum* electric vehicle charging network, which included more than 750 charging ports by the end of 2024. The *Elektrum Drive* app may be used to charge vehicles at partners' charging stations, with a total of 974 charging ports available to customers. | ✓ |

## Proportion of taxonomy-aligned activities

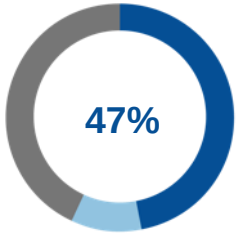
**CAPEX**




**Revenue**




**OPEX**




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

# Key environmental targets

| | Target of the Sustainability Strategy | Key performance indicator | Achievable value | 2024 performance |
|---|---|---|---|---|
| Environ-ment | Achieve climate neutrality by 2050 | Reducing Scope 1 GHG emissions to achieve climate neutrality in electricity generation by 2040 | –47% by 2030 compared to 928 thousand t of $CO_2$ in 2021 | –16% |
| | | | 0.06 $tCO_2$/MWh generated electricity in 2030 | 0.095 $tCO_2$/MWh |
| | | Proportion of electricity produced from RES in the total electricity production | 80% in 2030 | 66% |
| | | Share of electric cars in fleet | 51% in 2030 | 11.6% |
| | | Share of certified RES electricity in self-consumption, annually | 79% | 82% |
| | | Electricity distribution losses, annually | <4% | 3.62% |
| | | Reducing GHG emissions from electricity retail trade | –20% by 2030 compared to 2,270 thousand t of $CO_2$ in 2022 | +23% |
| | | Retail customers choose green energy | 30% in 2030 | 9% |
| | Reduce pollution | Reducing $NO_X$ emissions | –50% per unit of energy generated in 2030 compared to 0.07 kg/MWh of energy generated in 2022 | 0.08 kg/MWh |
| | | Reducing CO emissions | –50% per unit of energy generated in 2030 compared to 0.04 kg/MWh of energy generated in 2022 | 0.05 kg/MWh |
| | | Number of major environmental pollution cases, annually | 0 | 0 |
| | | Assessing the reduction in the quantity and hazard of chemicals used | To be implemented by the end of 2026 | In cooperation with the Baltic Environmental Forum, an in-depth evaluation of chemical substances and mixtures used in production has been initiated |
| | Reduce impacts on biodiversity | Improving ecological quality of river habitats | 25 km by the end of 2026 | 8 km |
| | | Project to improve the condition of protected fish species and habitats | At least 1 project launched by the end of 2026 | Project application has been submitted together with partners for co-financing from the EU LIFE program |
| | | Planting an equivalent number of new trees during deforestation | 100% in 2024 | 100% |
| | | Assessing impact on protected areas and species | 100% of investment projects in 2026 | 100% of projects undergo environmental impact assessments. Additional initiative launched – assessment of SPPs projects in accordance with Latvian good practice guidelines |
| | | Plan for the conservation of biological diversity | To be developed by the end of 2025 | Development of the plan has been launched by involving international experts with extensive experience in the area of environmental protection and biodiversity |
| | Reduce resource consumption and promote a circular economy | Use of sustainable biomass fuels, annually | 100% | 100% |
| | | Measures to promote sustainable consumption, annually | at least 10 | >10 |
| | | Use of biomass ash in agriculture, registering it as a fertilizer, annually | 100% | 100% |
| | | Sustainable equipment: SPPs meets Taxonomy requirements, annually | 100% | 100% |
| | | Sustainable materials in WPPs: proportion of recyclable or reusable materials in wind turbines to be installed | 90% in 2026 | 95% |
| | | End-of-life management of solar panels | Action plan developed by the end of 2026 | Internal procedures for the maintenance of solar panels have been developed, and contracts have been established for their waste management at the end of their life cycle |
| | | Reducing water consumption per unit of electricity generated | 0.16 m³/MWh in 2030 | 0.46 m³/MWh |

# Latvenergo Group GHG emissions

A high share of renewable energy in the generation portfolio and $CO_2$ emission intensity significantly lower than the European average

| | Units | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| **Scope 1 GHG emissions** | **thsd. t $CO_2$e** | **860** | **928** | **673** | **717** | **780** |
| From combustion plants | thsd. t $CO_2$e | 852 | 920 | 665 | 708 | 772 |
| From fuel for transportation and machinery | thsd. t $CO_2$e | 8 | 8 | 8 | 8 | 8 |
| Fluorine-containing GHG leaks | thsd. t $CO_2$e | 0 | 0 | 0 | 0.4 | 0.4 |
| **Scope 2 emissions (location-based)** | **thsd. t $CO_2$e** | | **62** | **43** | **39** | **36** |
| From generation of purchased electricity | thsd. t $CO_2$e | N/A | 5 | 12 | 10 | 9 |
| From generation of purchased thermal energy | thsd. t $CO_2$e | N/A | 1 | 0.8 | 0.7 | 0.5 |
| From electricity distribution losses | thsd. t $CO_2$e | N/A | 56 | 31 | 27 | 27 |
| **Scope 2 GHG emissions (market-based)** | **thsd. t $CO_2$e** | | **76** | **121** | **107** | **114** |
| From generation of purchased electricity | thsd. t $CO_2$e | N/A | 7 | 10 | 9 | 8 |
| From generation of purchased thermal energy | thsd. t $CO_2$e | N/A | 1 | 0.8 | 0.7 | 0.5 |
| From electricity distribution losses | thsd. t $CO_2$e | N/A | 69 | 110 | 98 | 106 |
| **Key Scope 3 GHG emissions** | **thsd. t $CO_2$e** | | | **2,752** | **3,002** | **3,413** |
| (1) Goods and services purchased | thsd. t $CO_2$e | N/A | N/A | 60 | 73 | 123 |
| (2) Fixed assets | thsd. t $CO_2$e | N/A | N/A | 6 | 14 | 16 |
| (3) Activities related to the use of fuel and energy | thsd. t $CO_2$e | N/A | N/A | 2,501 | 2,736 | 3,034 |
| (5) Waste generated | thsd. t $CO_2$e | N/A | N/A | N/A | N/A | 0.5 |
| (6) Business trips | thsd. t $CO_2$e | N/A | N/A | N/A | N/A | 0.2 |
| (7) Staff travel | thsd. t $CO_2$e | N/A | N/A | N/A | N/A | 3.3 |
| (11) Use of products sold | thsd. t $CO_2$e | N/A | N/A | 185 | 179 | 236 |
| (4,8,9,12,13) Other Scope 3 GHG emissions | thsd. t $CO_2$e | N/A | N/A | N/A | N/A | <0.1 |
| **Total GHG emissions (geographic method)** | **thsd. t $CO_2$e** | | **990** | **3,467** | **3,757** | **4,230** |
| **Total GHG emissions (market method)** | **thsd. t $CO_2$e** | | **1,004** | **3,545** | **3,826** | **4,308** |

# Key targets in the areas of social, governance and sustainable finance

| | Target of the Sustainability Strategy | Key performance indicator | Achievable value | 2024 performance |
|---|---|---|---|---|
| **Social sector** | Create a sustainable working environment for the development of future competencies | Positive employee well-being scores in employee survey, annually | ≥65% | 70% |
| | | Number of serious accidents, annually | 0 | 0 |
| | Ensure the protection of critical resources | The number of high-impact incidents, annually | 0 | 0 |
| | Promote education and science | The increase in the know-how and interest of children and young people in STEM subjects and the increase in the know-how of schoolchildren and teachers on the Green Deal (by number of participants involved in activities) | 15% by 2026, compared to 2023 | >5% |
| | | Number of children and young people educated on electrical safety, annually | ≥6,000 | 6,000 |
| | Invest in society and its know-how on sustainability | Support of the Latvian residents for the development of WPP and SPP generation capacity, annually | ≥70% | 77% |
| | Promote sustainability on the customer side | Customer satisfaction index in Latvia versus comparator companies, annually | >100 | 106 |
| **Governance** | Ensure integrated and effective management of sustainability | A unified approach to sustainability data management | To be introduced by the end of 2025 | The establishment of data management for the quantitative data required for the preparation of the Sustainability Report is planned during Phase 1 – by the end of 2025. Project inception in 2024 – data points were identified and responsible persons for process steps were appointed |
| | Ensure fair just and respectful labour and business relations | Corruptive events and violations of ethical norms with significant reputational or financial impact, annually | 0 | 0 |
| | | Financial and/or non-financial contributions to political organisations, annually | 0 | 0 |
| | | Payments to partners, taking contractual conditions and business ethics into account, annually | ≤30 days | Performed on average within 30 days from the date of invoicing, when the contractual or statutory payment period begins (average for Latvenergo AS – within 25 days) |
| | | Cooperation programme with the State Revenue Service | The highest level | Commitment fulfilled |
| | Purchase goods and services responsibly | Suppliers Code of Conduct | To develop in 2024 | Commitment fulfilled |
| | | Procurement includes at least one sustainability criterion/requirement | To introduce ≥30% (by number of procurements) in 2024 | >30% |
| **Sustainable finance** | Invest responsibly | Investments in activities aligned with the EU taxonomy, annually | ≥80% | 95% |
| | Develop products and services and improve operational efficiency | Investment in innovation, research and development, annually | ≥0.5% of the average turnover of the Group over the last five years | 3% |

# Awards and acknowledgments


## Latvenergo Group – an example of best practice in sustainability

- In 2024, Latvenergo AS was awarded the Diamond category of the Latvian Sustainability Index. Sadales tīkls AS and Liepājas enerģija SIA were ranked in the Platinum category.
- The Advisory Board on Corporate Governance granted an acknowledgement to Latvenergo AS in the “Responsible co-operation with partners” nomination of the Sustainable Governance Award.
- In the European Sustainable Brands Index, the brand Elektrum of Latvenergo AS was recognised as the third most sustainable brand in Latvia.
- Elektrum Lietuva UAB, a subsidiary of the Group, received the Namejs Award for “Fastest Growth in Services Exports to Lithuania in 2023”.
- In a survey of top employers conducted by the Alma Career Latvia recruitment company (formerly CV-Online Latvia), Latvenergo AS was recognised as the fourth best employer in the manufacturing sector.
- In the State Labour Inspectorate’s competition Golden Helmet for best practice in labour protection, Sadales tīkls AS won 3rd place for its digital solution in the administration and management of personnel rights.
- Latvenergo AS is the first company in the Baltic states to publish Moody’s evaluation of its climate targets and the feasibility of achieving them. The NZ-3 score received by Latvenergo AS confirms the Group’s high credibility in reaching its climate targets and its compliance with the requirements of the Paris Agreement.

## Latvenergo Group capital 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 Baltic states.
- In the Latvian Business Annual Report 2024, Latvenergo AS was assessed as the largest company in the energy sector. Sadales tīkls AS ranks second among Latvian electricity and gas companies.
- Latvenergo AS is recognised as the largest company in Latvia, the largest state-owned company, the largest energy company, the most profitable 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.
- After the end of the reporting year Latvenergo AS received the Nasdaq Baltic stock exchange award for best investor relations on the bond market in the Baltic states for the fourth time.

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