

FUTURE ENERGY **FOR** **GROWTH**

Latvenergo Group sustainable growth strategy
for climate neutrality and national interests

PURPOSE AND STRATEGY **OVERVIEW**

Latvenergo Group is one of the largest providers of energy supply services in the Baltics, engaged in:

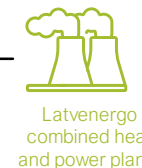
- electricity and thermal energy generation and trade;
- natural gas trade;
- trade in products and services related to electricity consumption and energy efficiency;
- electricity distribution.

The Group's operations are organised into two segments. One segment covers generation and trade, while the other comprises the distribution of electricity.

The Group comprises the parent company Latvenergo AS, with decisive influence, and five subsidiaries. Latvenergo AS is fully state-owned, and its shares are held by the Ministry of Economics of the Republic of Latvia.



- Electricity and thermal energy generation
- Trade of electricity, natural gas and related products
- Electricity distribution



LATVENERGO ENERGY — IN THE MIDDLE OF THE BALTICS

Why we do it

It is in our power to take care of our customers while also keeping in mind the impact on future generations. We are aware that natural resources are not eternal and therefore we are seeking ways to use them wisely. We want to see a world where every move is powered by sustainable energy.

We believe that the energy we give always comes back. Good begets good! By transforming the power of nature into energy, we help movement to start. Through innovation, our services become sustainable and suitable for everyone's needs, encouraging a change of habits and advocating for the good of society.



**WE GIVE
OUR ENERGY TO
THE DEVELOPMENT
OF SOCIETY**



GIVING ENERGY FOR THE DEVELOPMENT OF SOCIETY — WHAT IT MEANS TO LATVENERGO



Giving energy for the development of society **MEANS DEFINING THREE STRATEGIC PRIORITIES FOR CLIMATE NEUTRALITY AND NATIONAL INTERESTS**

Strategic priorities mark the directions in which Latvenergo will concentrate its capital in the coming years.

Sustainability

Sustainability is the key principle of Latvenergo's new strategy and the guiding principle for all future actions. Climate neutrality by 2050 and energy independence are our main whys. Investments in green technology, increasing generation capacities, involvement of customers and the entire society will be key in achieving these goals.

Growth

It is a prerequisite for any successful and sustainable business. Latvenergo's growth will be visible both in the domestic market and outside the Baltic states, and not only in the development of services, but also in the development of the electric charging network, which will also support financial growth.

Innovation

Sustainable growth is possible through innovative technology, products and processes. From generation to supplying electricity to customers, Latvenergo promotes innovation everywhere.

Green generation

Increasing the generation capacity to such an extent that by 2030 the domestic energy consumption of Latvia would be fully covered by the energy of nature — water, solar and wind.

This will significantly contribute to the energy independence of our country.

Adding value

By improving existing services and developing new products, Latvenergo with its Elektrum brand becomes the most valuable trader in the Baltics.

Our customer base and satisfaction continues to grow.

Delivering safely and efficiently

Reducing the frequency and duration of power outages, ensuring uninterrupted, safe and reliable energy supply.

Developing a smart grid where producers and consumers share information, ensuring smarter energy consumption.

Changing the role of energy

Integrate households and companies generating their own energy using solar panels in the energy market.

Promote sustainable and smart mobility based on a wide electric vehicle charging network throughout the Baltic states.

Giving energy for the development of society MEANS FOCUSED ACTION IN THE KEY LINES OF OPERATIONS

Purposeful actions and relevant objectives contribute to sustainability, growth and innovation.



Giving energy for the development of society **MEANS GETTING CUSTOMERS INVOLVED IN OUR PLANS**



How you can also be part of achieving Latvenergo's objectives:

Keeping track of your electricity consumption —

promoting more sustainable energy consumption on a daily basis.

Rethinking mobility habits

and choosing electric mobility solutions.

Choosing energy

produced from renewable energy sources.

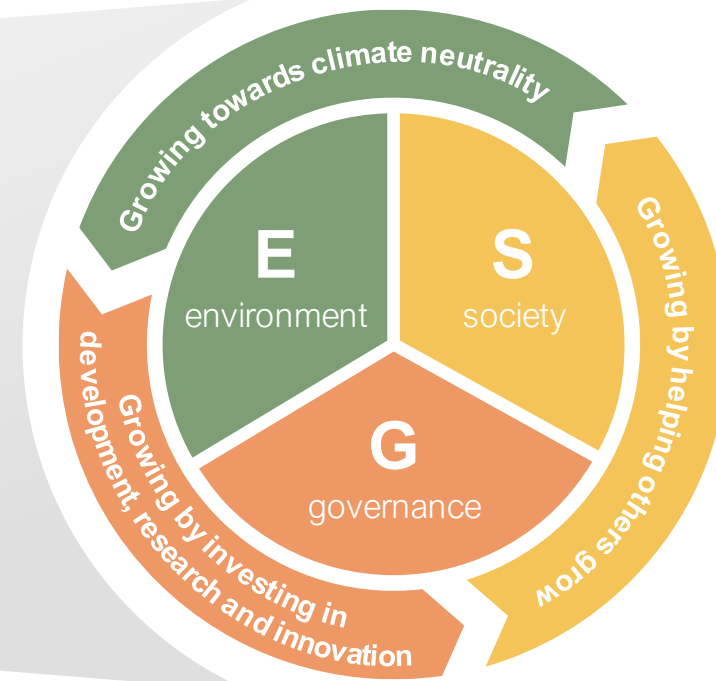
Choosing local —

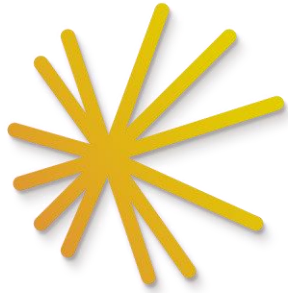
energy from a Latvian national company.

Becoming an energy producer

by installing solar panels at your home.

Giving energy for the development of society
**MEANS GROWING RESPONSIBLY AND LEADING BY EXAMPLE
IN ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS**





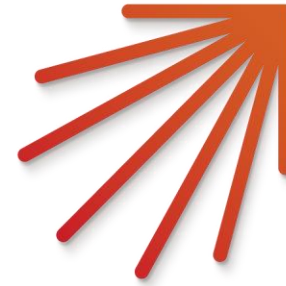
**WITH
HEART**

We are open
and passionate



**WITH
MIND**

We do the right things
and learn continuously



**WITH
ENERGY**

We are brave
and persistent



**WITH A
FUTURE OUTLOOK**

We do good for clients
and society

Giving energy for the development of society
MEANS BEING UNITED IN VALUES



ACTION PLAN 2022-2026

GIVING, GENERATING, SELLING, SUPPLYING AND USING **ENERGY FOR GROWTH** — WHAT IT MEANS TO LATVENERGO

Or — what we are going to do to promote sustainable growth for climate neutrality and national interests in 2022–2026.



Giving energy for growth **MEANS BEING INVOLVED IN EVENTS THAT AFFECT EVERYONE**



What is happening

The European Green Deal calls for an ambitious and irreversible transformation of all sectors and social habits



What we are going to do

We will make a decisive contribution to achieving the goals of the Green Deal in Latvia and substantially promote the development of microgeneration and electromobility throughout the Baltic states.

The ever-increasing electricity supply deficit in the Baltic region



We will create new generation capacities in the Baltics in order to reduce dependence on energy imports and to become net exporters of energy.

Due to geopolitical circumstances, the need to reduce Latvia's dependence on external supplies of energy resources

Generating energy for growth MEANS TO PROMOTE THE ENERGY INDEPENDENCE OF LATVIA, ACHIEVING CLIMATE NEUTRALITY BY 2050



What is the action plan

Increasing the value of HPP assets, guaranteeing their safe operation in the long term.



What is the result

- Reconstruction of Daugava HPPs has been completed.
- Construction of Pļaviņas HPP spillway has started.

Ensuring reliable, efficient, and economically viable operation of CHPP in the long term.



- Efficient and flexible generation capacity ensured at CHPPs.
- Power-to-X pilot project launched.

Increasing the portfolio of renewable energy sources by developing wind and solar power plants in the domestic market and beyond.



Implementation/acquisition of domestic and overseas renewable energy projects with 600 MW capacity during the strategy period and 2,300 MW capacity until 2030.

Selling energy for growth

MEANS STRENGTHENING THE POSITION AND DIVERSIFYING PRODUCTS TO PROMOTE THE IMPLEMENTATION OF THE GREEN DEAL AND MAKE ELEKTRUM THE MOST VALUABLE ENERGY TRADER IN THE BALTIC STATES.

What is the action plan

Expanding in strategic directions and strengthening the position in domestic energy trade.



What is the result

- Increased number of customers in the Baltic states.
- Excellent customer relationship.
- Introduction of innovative digital and data analytics solutions.

Developing new products and business lines that contribute to the real-life implementation of the Green Deal.



- Increased revenue share from new products and services.
- Elektrum as a strategic leader in microgeneration, electric charging, electrification.
- Evaluation and development of new business lines and models.

Expanding geographically.



Launching operations in Poland.

Supplying energy for growth

MEANS ENSURING A SUSTAINABLE AND ECONOMICALLY VIABLE SERVICE THAT IS IN LINE WITH MICROGENERATION AND ELECTRIFICATION DEVELOPMENT

What is the action plan

Systematically improving the quality and safety of electricity supply.



What is the result

- The average indicator of operators in OECD countries has been reached.
- The average annual duration of power outages does not exceed 164 min. (reduced SAIDI index).
- On average, power outages occur no more frequently than 1.92 times a year (reduced SAIFI index).

Establishing of a two-way smart grid in accordance with microgeneration trends.



- Infrastructure for the creation of public electric charging points and microgeneration, preventing more than 200 thousand tonnes of CO₂ emissions.
- Controllable devices are installed in the smart grid, ensuring high-quality and fast data exchange, including two-way data flow.

Implementing digital transformation for process and cost efficiency; strengthening IT security and development.



- Introduction of the National Electricity Market Data Exchange and Storage Platform and other digital solutions.
- Improvements in IT development and security, with special focus on cyber security.

Using energy for growth MEANS PROMOTING SUSTAINABLE AND SMART MOBILITY BY ELECTRIFYING THE TRANSPORT SECTOR

What is the action plan

Developing public charging infrastructure in the domestic market according to the forecasts for the increase in the number of electric vehicles, applying a proactive approach and adjusting the annual targets to the actual growth.

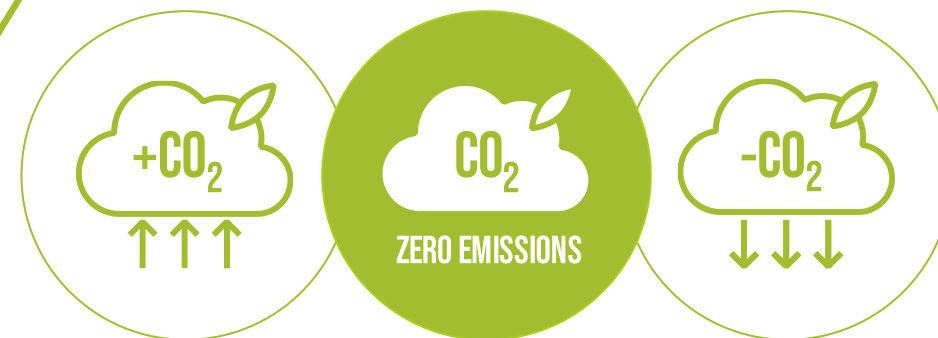


What is the result

1,200–1,500 public electric charging ports in the Baltics.



Giving energy to responsible growth
**MEANS DEVELOPMENT BY LOWERING EMISSIONS
 AND APPROACHING CLIMATE NEUTRALITY**



**What is
the action plan**

Reduce emissions in generation, sales and supply.

Achieving a high share of renewable energy sources in generation (increasing the share to 80% by 2030), developing solar and wind parks in the domestic market and abroad.

Reducing emissions by upgrading the distribution grid to reduce electricity losses and increase grid resilience.

Reducing emissions by electrifying the vehicle fleet of Latvenergo Group, introducing green procurement and control of indirect emissions.

Reducing emissions by introducing climate-neutral services and products, continuing the digitalisation of customer service.



**What is
the result**

Avoiding 2.6 million tonnes of greenhouse gas emissions by 2026 and 17.8 million tonnes by 2030.

Giving energy to responsible growth

MEANS DEVELOPMENT BY INVESTING IN RESEARCH AND SCIENCE



What is the action plan

Creating an environment that promotes innovation across the entire Group.

Investing 1% of the Group's turnover in innovation, research and development to achieve Latvenergo's business objectives.



What is the result

- Energy savings and more efficient generation, as well as reduced emissions.
- New business lines and models using innovation laboratories, research, hackathons and other innovation development methods that at the same time promote research and innovation activities outside the Group.
- Systematic and continuous innovation to streamline business, technological and corporate processes.

Giving energy to responsible growth MEANS DEVELOPMENT WHILE HELPING OTHERS



What is the action plan



Supporting the development of education and science, promoting interest and improving knowledge of exact sciences and the energy industry.



What is the result

- Public awareness of energy industry's sustainability.
- Contributing to the improvement of an up-to-date learning process in exact sciences.



Strengthening cooperation with the local communities and promoting sustainable use of electricity.



- Continuous improvement of general public knowledge of the Green Deal and its directions: energy efficiency, electric mobility, electrical safety.
- Contemporary tools for interactive exploration of energy heritage.
- Improvement of infrastructure of production facilities according to the trends of the green deal.



Contributing to strengthening biodiversity.

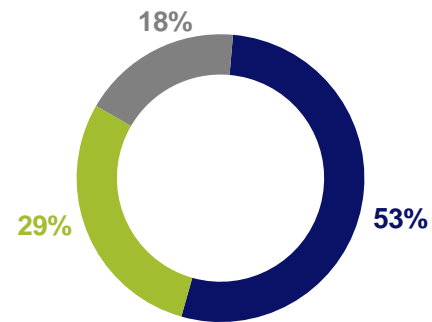


Cleaning of rivers in the Daugava River basin and placing artificial spawning nests in reservoirs.

FINANCIAL PERFORMANCE

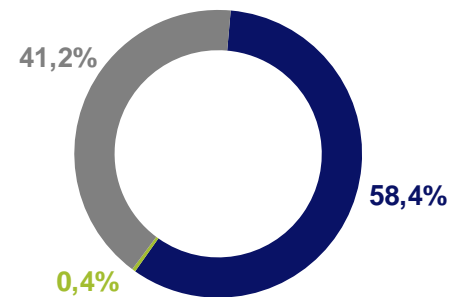
LATVENERGO GROUP TODAY — strong and profitable

Number of employees **3153**



- Distribution
- Generation and trade
- Corporate functions

Share of renewable resources in the electricity output **59%**



- Water
- Biomass and wind
- Natural gas

		2021	2020
Financial figures			
Revenue	million EUR	1,065.2	773.4
Profit	million EUR	71.6	116.3
Assets	million EUR	3,475.9	3,358.8
Investments	million EUR	126.7	168.9
Moody's rating:		Baa2	Baa2
Moody's ESG credit exposure level		CIS-2	

Generation and trade			
Installed electrical capacity	MW	2,606	2,605
Installed thermal capacity	MW	1,797	1,838
Electricity output	GWh	4,517	4,249
Thermal energy output	GWh	2,072	1,702
Generation efficiency of the Daugava HPPs	m ³ /kWh	17.9	18.1
Generation efficiency of the Latvenergo CHPPs	%	81	76
CO ₂ emission intensity	t/MWh _d	0.12	0.12
Market share in the Baltics	%	23	23
Retail electricity supply	GWh	6,706	6,394
Retail natural gas supply	GWh	1,026	516
Electricity retail customers	thousands	755	744

Distribution			
SAIDI	min.	208	219
SAIFI	number	2.3	2.3
Length of lines	km	92,430	92,656
Transformer capacity	MVA	5,951	6,118

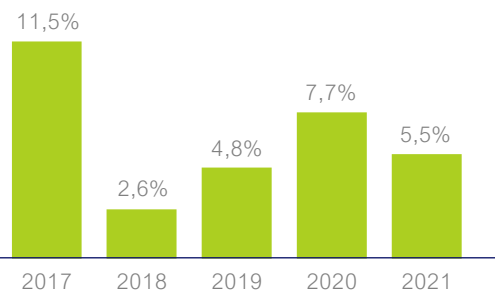
LATVENERGO GROUP IN THE FUTURE – even stronger, even more profitable

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%

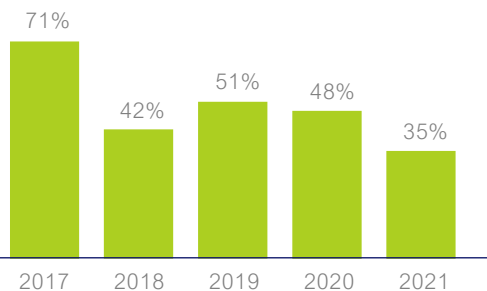


Capital structure

An optimal, industry-relevant capital structure that limits potential financial risks.

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

> 25%

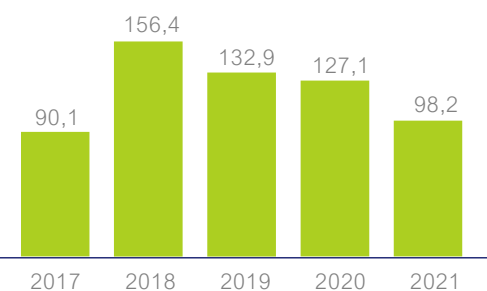


Dividend policy

Consistent with the planned investment policy and capital structure targets.

Dividend payout ratio

> 64%

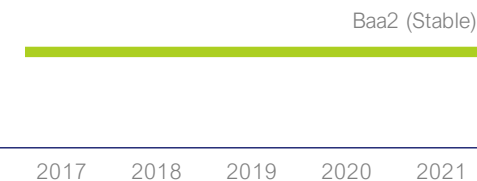


Credit rating

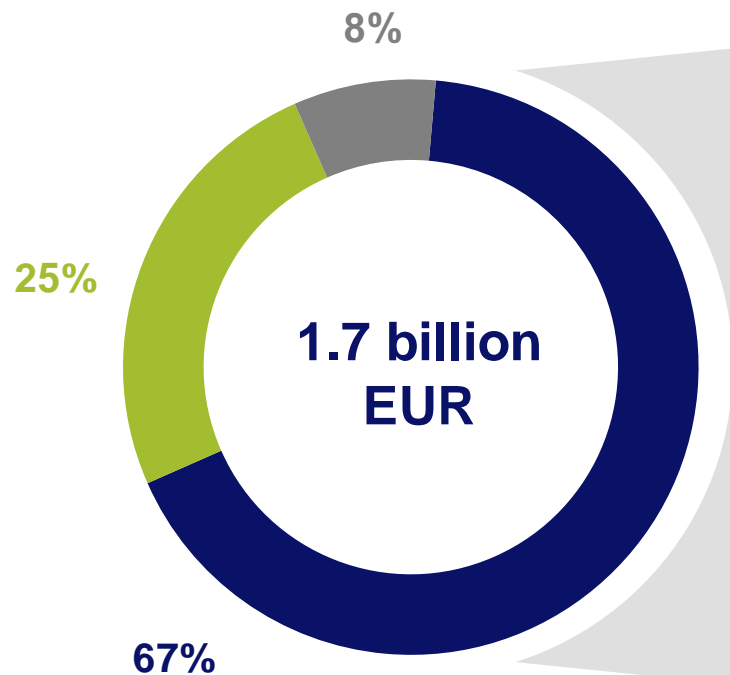
Investment-grade credit rating to ensure financing for the investment programme set out in the strategy.

Moody's credit rating

To maintain an investment grade credit rating



LATVENERGO GROUP IN THE FUTURE — even more sustainable



- Green generation
- Distribution
- Others

>90%

of investment related to the achievement of Sustainable Development Goals



