

## Unaudited results of Latvenergo Group for 2023

Today, on 29 February, the unaudited condensed financial statements of Latvenergo Group for 2023 are published.

Latvenergo Group had a very successful year in 2023, both in terms of electricity generation and trading.

Last year, the Group generated a total of 5.1 TWh of electricity, an increase by one-third from 2022. The year has passed under the spotlight of the Daugava HPPs – Latvenergo Group produced the second-largest amount of electricity over the last 25 years and the largest since 2017, i.e., 3.7 TWh.

In 2023, Latvenergo achieved significant export growth in the Baltic energy market, which was driven by a number of business lines of the Group, with the strongest growth in Lithuania. One in three megawatt-hours of electricity was sold outside of Latvia. In total, 6.2 TWh of electricity was sold during the year, which is a 14% increase from 2022. Furthermore, a total of 1.6 TWh of natural gas was sold, thus doubling the sales year-on-year.

In 2023, significant steps have been made within the framework of the Growth Strategy to develop new renewable energy (RES) generation capacity in the coming years.

Latvenergo revenues in 2023 amounted to EUR 2,027.2 million, which is an increase of 10% year-on-year, and the EBITDA of the Group amounted to EUR 601.8 million, up 67% from 2022. The profit of the group amounted to EUR 350.2 million, generating approximately EUR 200 million in dividends and approximately EUR 50 million in corporate income tax<sup>(1)</sup> to the Latvian state budget. Latvenergo dividends will be earmarked for the company, while retained earnings will be invested in the development of new generation capacity.

“2023 has been a stepping stone year for the Growth Strategy of Latvenergo Group, with high operational and financial results of the year driven first and foremost by the excellent development of the Daugava HPPs, with the floods at the beginning of the year having the biggest impact on the results of Latvenergo Group throughout the year. Secondly, high generation figures have contributed to active electricity sales and exports outside of Latvia. Thirdly, the Group has also started to develop new RES generation capacity in Estonia and Lithuania. Thus, an increasing share of income is generated in neighbouring countries, which also contributes to the Latvian economy and budget. What we saw as a river force last spring at Pļaviņas HPP will translate into a benefit to the national economy and society as dividends, while the retained earnings of the Group will be invested in new generation capacity across the Baltic states,” says Mārtiņš Čakste, Chairman of the Management Board of Latvenergo AS.

2023 has been an outstanding year in terms of electricity generation and sales for Latvenergo Group. Last year, 5.1 TWh of electricity was generated, which is an increase by a third year-on-year and amounts to 75% of Latvia's consumption. In the sector of renewable energy, in 2023, the Daugava HPPs generated the highest amount of electricity since 2017, which is also the second highest in the last 25 years. In total, it represents 3.7 TWh, or 73% of the total electricity generation of the Group. This is a 39% increase from 2022 and at the same time accounts for 54% of Latvia's consumption. The significant increase in generation was due to the fact that last year was characterised by high inflows into the River Daugava. In 2023, the average water inflow into the River Daugava reached 789 m<sup>3</sup>/s, while in the previous year, it was 506 m<sup>3</sup>/s (data from LEGMC). In April, the gates of the Daugava HPPs were opened, releasing water that exceeds the throughput capacity of the turbines. In the first half of the year, the electricity generated by the Daugava HPPs accounted for almost 80% of the total annual output. In 2023, the output of the CHPPs of Latvenergo AS also increased by 23% year-on-year, reaching 1.4 TWh, which was made possible due to lower natural gas prices. The power plants of the Group also generated 1.7 TWh of thermal energy, which is roughly equal to the generation a year ago.

Higher generation of electricity evidently means higher sales. In 2023, sales of electricity increased by 14%, or 6.2 TWh year-on-year, and the number of customers increased by almost 27,000 to 845,000 last year. It is essential to note that one in three megawatt-hours of electricity was sold outside of Latvia. The year was particularly successful in Lithuania, with a 60% increase in electricity sales and a 37% increase in the number of customers. Meanwhile, natural gas sales almost doubled in comparison with 2022, reaching 1.6 TWh. The number of natural gas customers has more than doubled to over 49,000 customers.

The distribution segment also demonstrated strong performance and good results during the reporting year. The development of microgeneration in the country has been stimulated significantly in the last two years, given the availability of finance, as well as the rising cost of energy. The connection of new micro-generators, including solar panels, to the distribution grid peaked in 2022, with overall customer activity remaining high in 2023. At the end of reporting year, the total generation capacity of microgenerators and generators

connected to the distribution system reached 550 MW. In 2023, the capacity of microgenerators connected to the distribution grid reached almost 70 MW, while the total generation capacity of connected generators (producers) increased by 137 MW.

Given the higher output of Daugava HPPs, higher retail sales of electricity and revenues, and active work on new business lines in Latvia and neighbouring countries, the financial performance of Latvenergo Group has increased, which will also result in an increase in the contribution of Latvenergo AS dividends to the Latvian state budget, made in the public interest. In 2023, the revenue of Latvenergo Group amounted to EUR 2,027.2 million, which is an increase of EUR 185.4 million or 10% year-on-year. Latvenergo Group's EBITDA is EUR 241.6 million or 67% higher than in 2022, reaching EUR 601.8 million. The profit of the group amounted to EUR 350.2 million, which will provide approximately EUR 200 million in dividends and approximately EUR 50 million in corporate income tax<sup>(1)</sup> to the Latvian state budget, which will further contribute to the social budget earmarked for supporting the payment of electricity bills for protected users. The rest of the profit of the Group will be invested in new generation capacities, thus expanding the generation portfolio with solar and wind capacity, which will ensure more affordable and accessible domestic electricity in the future.

In 2023, increased development of solar and wind power plants has been observed in Europe and the Baltic states. In line with these trends, Latvenergo Group should place an emphasis on the targeted drive towards an increase in renewable energy generation capacity. The new SPP and WPP projects will complement the existing generation methods of the Group – HPPs and CHPPs, thus continuing the sustainable development and reliable supply of electricity throughout the Baltic states, as well as expanding the influence of Latvenergo in the neighbouring markets. The Group has announced new generation capacities in the Baltic market by commencing the development of solar parks and the first wind park projects – in 2023, the development of projects that will already be operational this year has been commenced, for instance, the largest customer solar park in Lithuania.

The group has solar and wind parks with a total capacity of about 400 MW under design or construction in the Baltic states, including the expansion of the RES generation capacity portfolio of Latvenergo AS in early 2024 with seven more solar power plant projects in Latvia with a total capacity of 40 MW, as well as the development of a new wind power plant project in Akmene District in Lithuania with a capacity of up to 15 MW. Solar and wind parks are expected to be gradually commissioned in 2024–2025. Solar park projects are becoming important power generation capacities in the portfolio of Latvenergo, with EUR 34.9 million invested in them in the reporting year, accounting for almost 1/5 of the total investment.

In 2023, Latvenergo Group invested a total of EUR 194.7 million, which is an increase by 60% or EUR 73.0 million year-on-year. The largest increase came from investment in solar power plant development projects. The reconstruction of the Daugava HPPs hydropower units was also in progress, with 8 reconstructed units already put into operation in recent years. In accordance with the Strategy of Latvenergo Group for 2022–2026, in the future, the Group's investments in RES generation capacity will increase significantly, which will reduce greenhouse gas emissions and promote the climate neutrality of Latvia by 2050.

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

The leading position of Latvia in the area of electricity charging was consolidated during the reporting year. The Elektrum Drive charging network in the Baltic states has grown to 400 charging points with 44.3 thousand charges made in 2023, amounting to 880 MWh and saving 530 tonnes of CO<sub>2</sub> emissions. 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.

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

Latvenergo AS operations are in line with Latvenergo Group's medium-term operational strategy for 2022–2026, the Growth strategy, approved in March 2022, which sets new operational and financial targets. It emphasises the rapid development of renewable energy plants and electrification to achieve the Group's objectives and promote energy independence. The Strategy foresees 600 MW of RES capacity built or acquired by the end of 2026, of which about 400 MW is already under design or construction and is expected to be gradually commissioned in 2024–2025.

The audited results of Latvenergo Group for 2023 will be published on 24 April 2024.

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