

LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD
ENDING 30 JUNE 2021

31.08.2021, Riga

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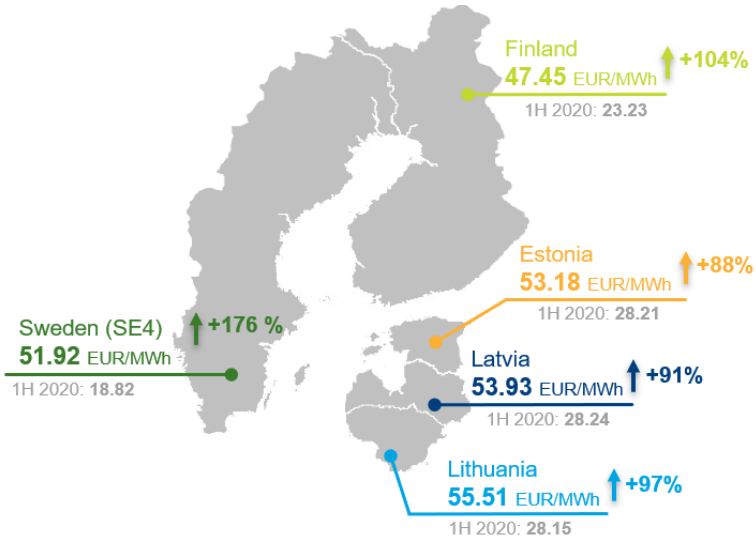
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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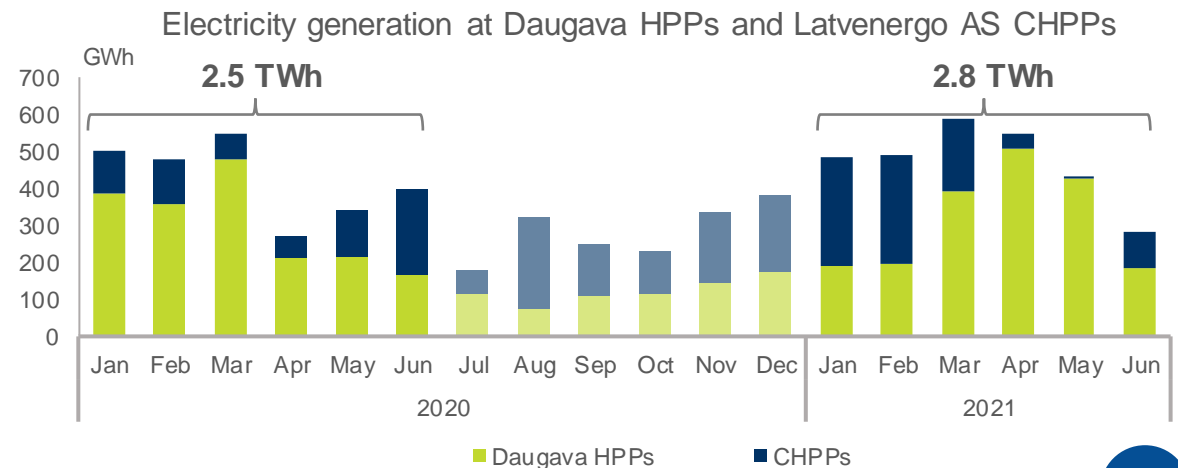
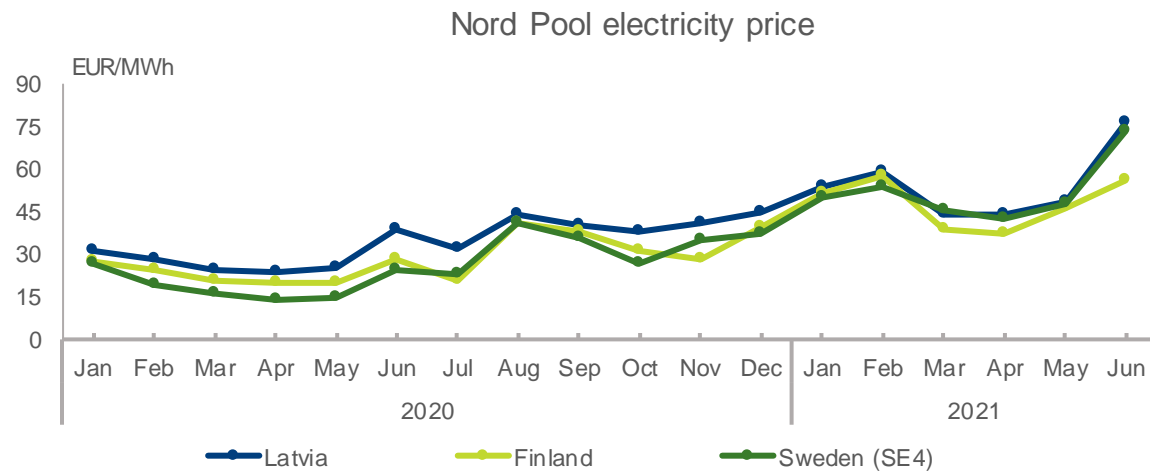
Significantly higher electricity prices



Main facts – 1H 2021

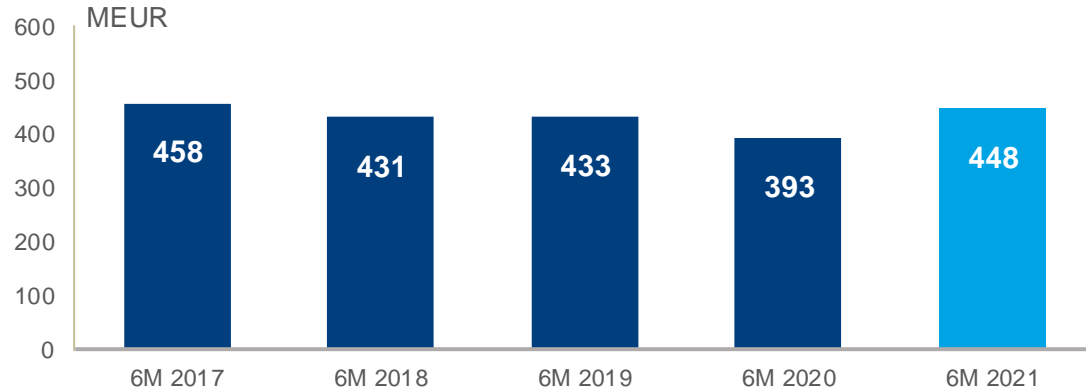
- Electricity prices impacted by:
 - higher demand due to colder weather at the beginning of the year
 - economic recovery and the resulting rise in other energy resource prices
- The price of natural gas at GASPOOL and at TTF virtual trading points (Front Month) increased almost threefold reaching 21.5 EUR/MWh

Electricity output increased by 11%

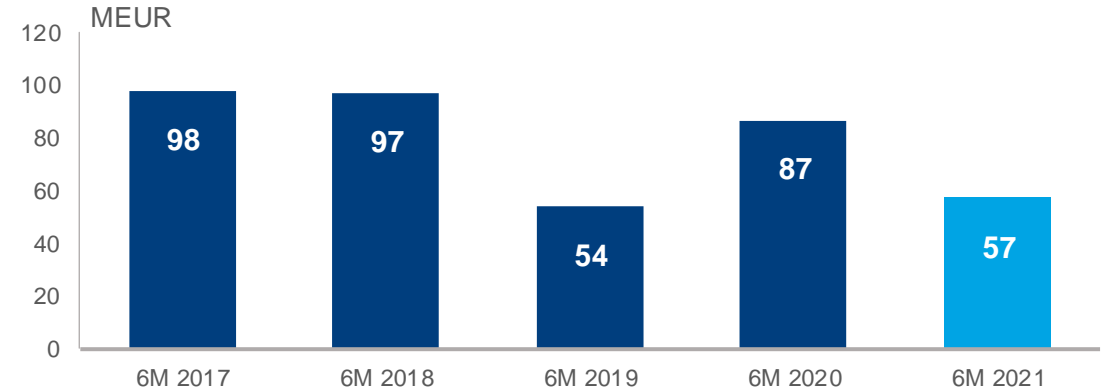


Key financial figures

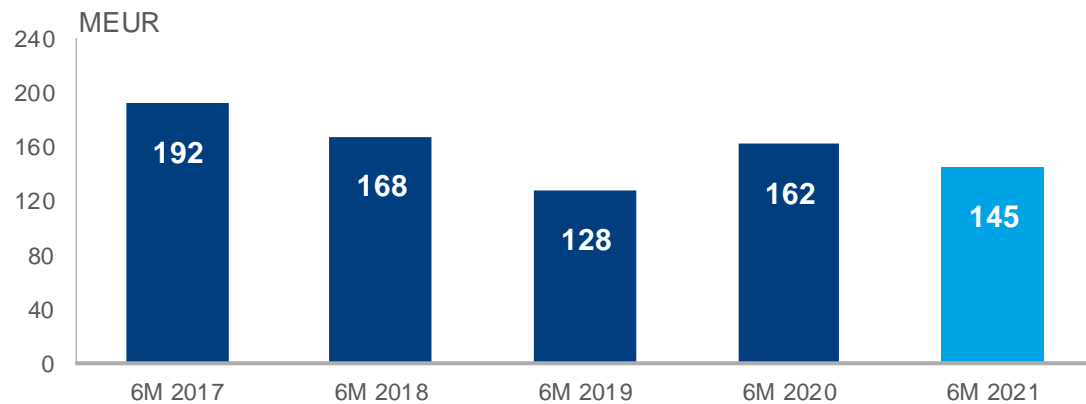
Revenue*



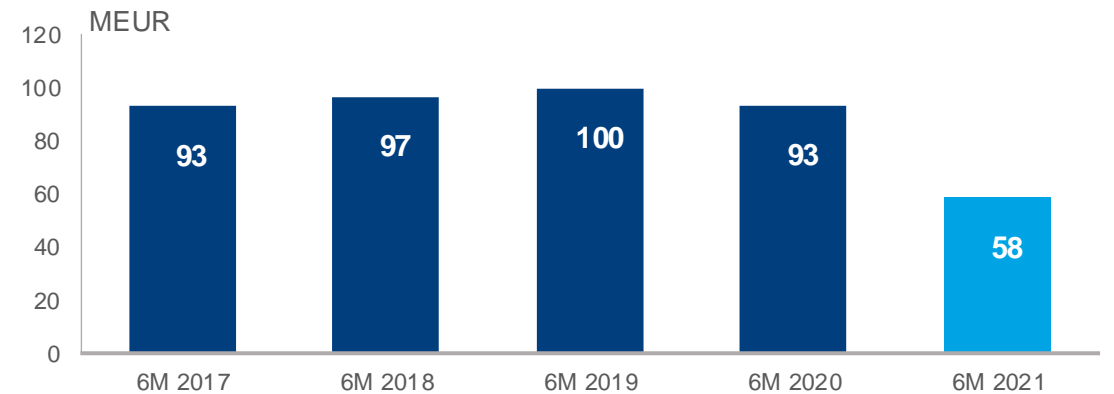
Net profit



EBITDA*



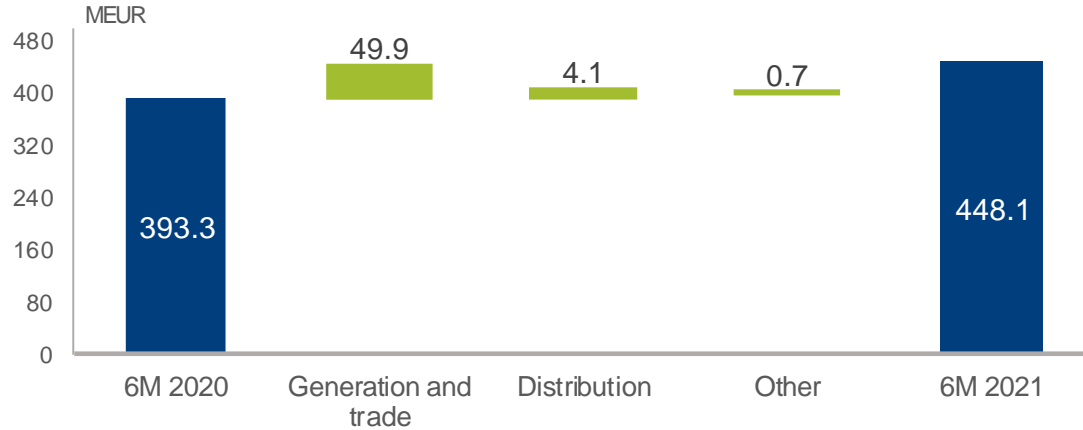
Investments



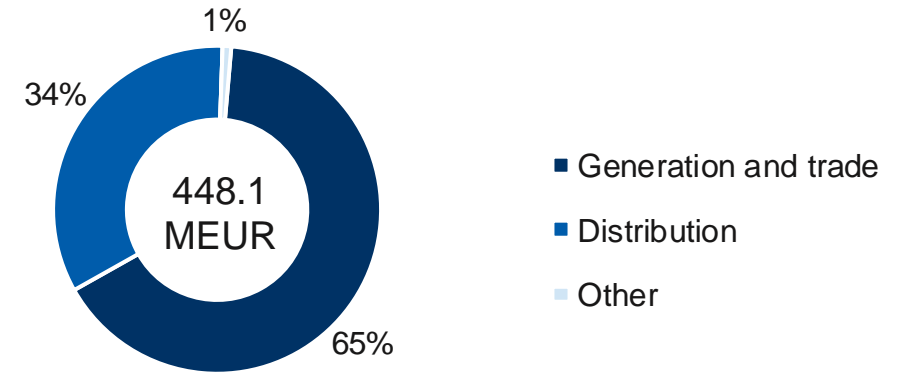
*Financial figures and ratios for 2017-2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership)

Latvenergo Group's revenue increased by 14%

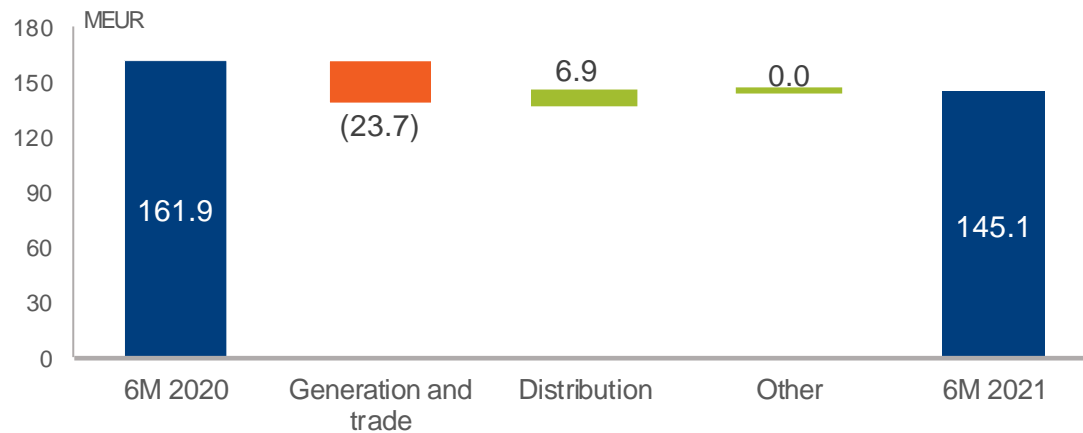
Revenue dynamics by segments



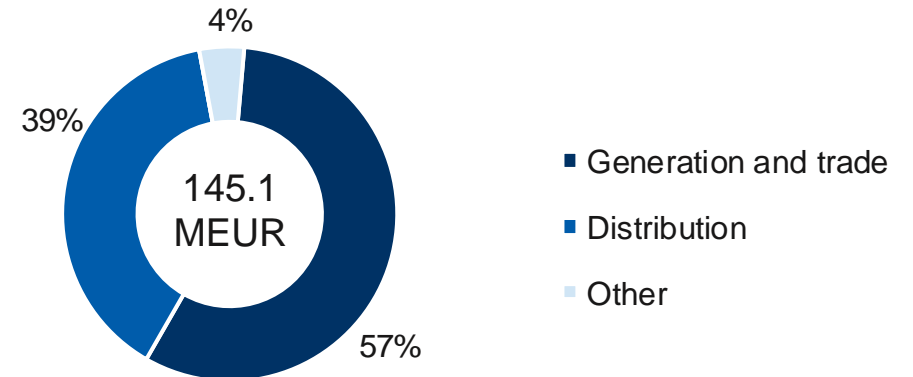
Revenue weight by segments



EBITDA dynamics by segments

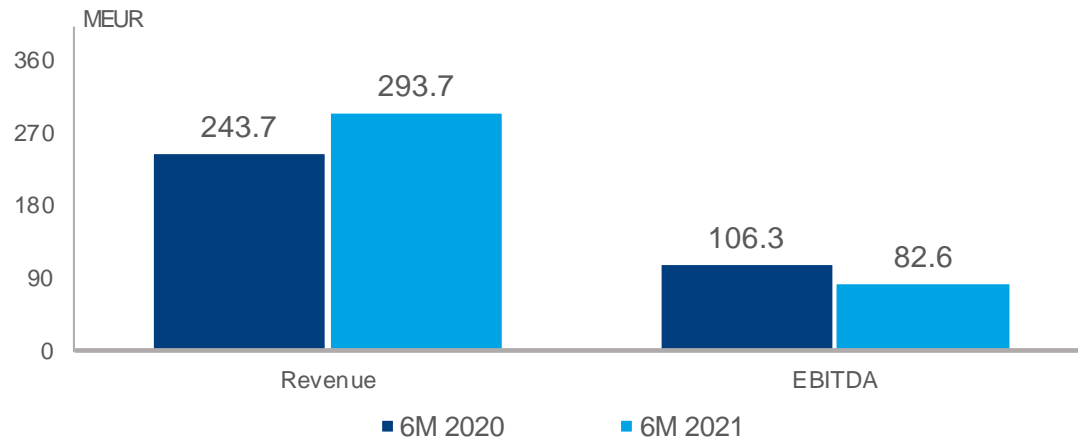


EBITDA weight by segments



Generation and trade

Revenue and EBITDA

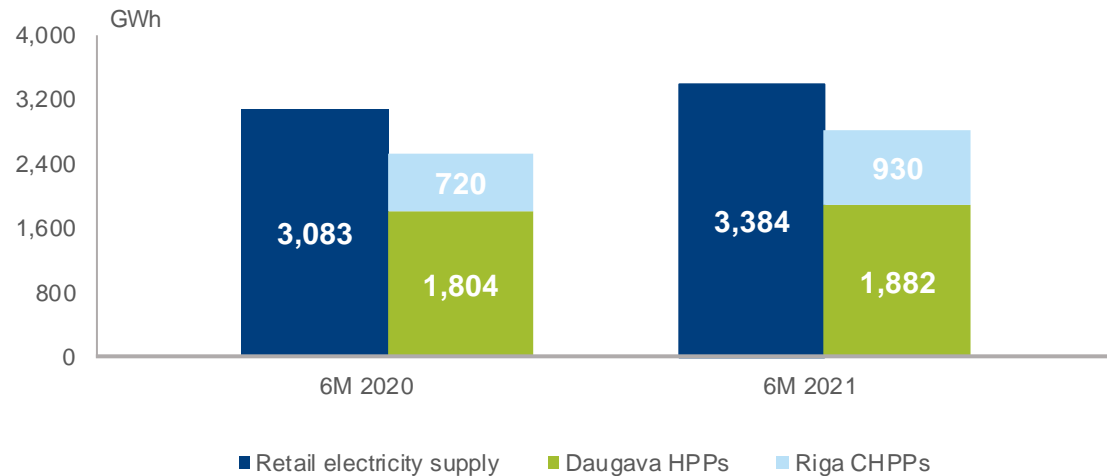


Main facts – 1H 2021

- The segment’s revenue positively impacted by:
 - 10% increase in retail sales volume
 - higher electricity market prices
 - 29% higher heat output due to colder weather
- The segment’s EBITDA negatively impacted by:
 - higher electricity purchase prices
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia
- As of 1 January 2021, the average PSO fee is reduced by 23% – 17,51 EUR/MWh

Energy generation

The electricity output increased by 11%



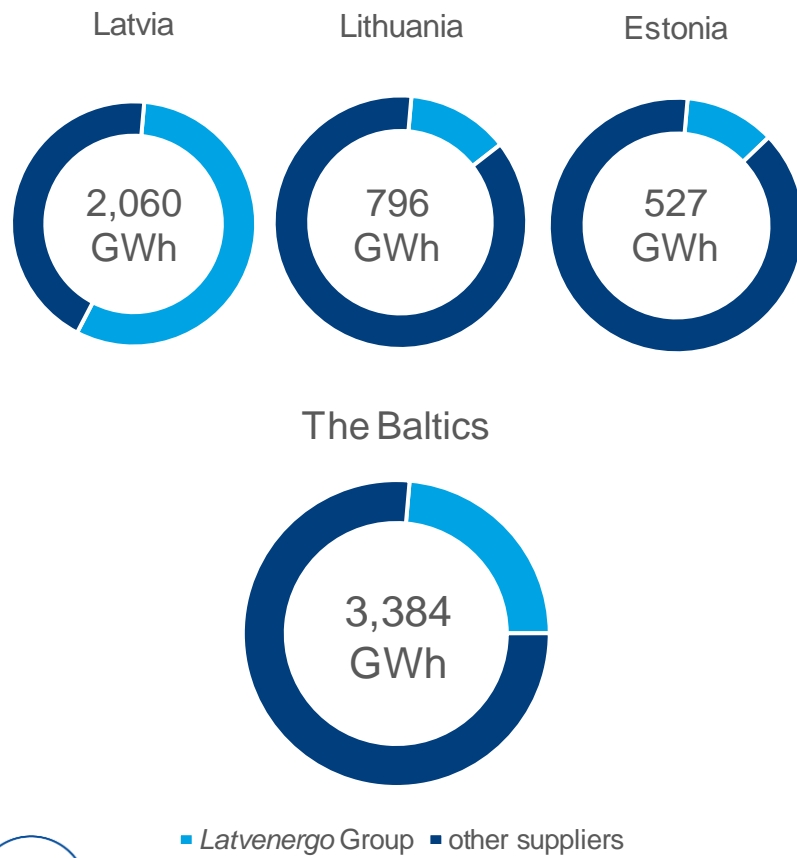
Main facts – 1H 2021

- *Latvenergo* – the largest *green* electricity producer in the Baltics, producing 36% of the total electricity generated in the Baltics
- 67% of electricity generated from renewable sources
- Total amount of electricity generated at *Latvenergo* power plants corresponds to 84% of the amount of electricity sold to retail customers (1H 2020: 83%)
- Power generation at the Daugavas HPPs remained at the same level in 1H 2020
- Power generation at the Latvenergo AS CHPPs increased by 29%, impacted by untypically low output in 1H 2020 and higher heat demand in the reporting period
- The amount of thermal energy generated increased by 29% due to colder weather conditions, reaching 1,259 GWh



Trade of electricity and natural gas

Retail electricity supply increased by 10%*



Main facts – 1H 2021



In June 2021, the Group acquired shares in three micro-network service companies in Estonia and soon it will take over 20,000 customer portfolio in Estonia



3.4 TWh of electricity sold to retail customers



The amount of natural gas used for both operating consumption and trade reached 3.1 TWh



More than 370 contracts were concluded for the installation of solar panels



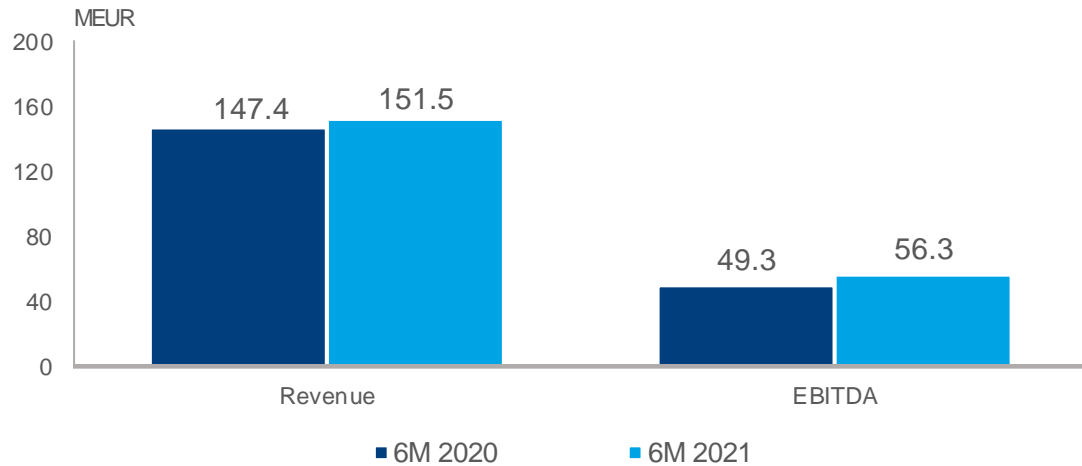
At the end of June, the total number of *Elektrum Insured* customers reached more than 100,000



Customers of the mobile application *Elektrum* made about 3,100 charges

Distribution

Revenue and EBITDA



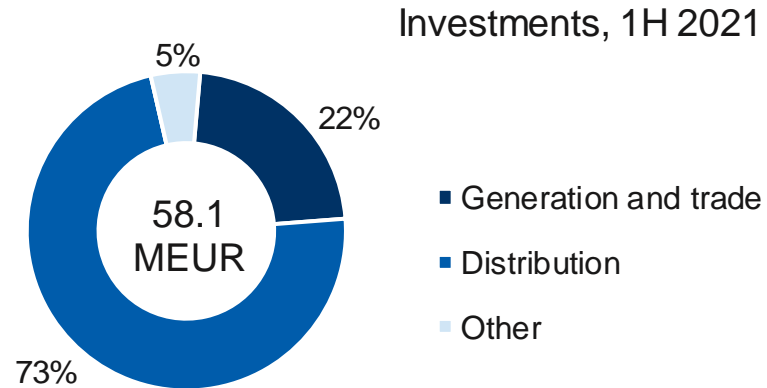
Main facts – 1H 2021

- Improvement in financial performance was mainly impacted by higher distributed electricity and the reduction of operating costs
- Electricity distributed increased by 2%, reaching 3,212 GWh (1H 2020: 3,134 GWh)
- The efficiency programme helps reduce operating costs:
 - Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS will be reduced by around 880 (30.06.2021: ~820)
 - Smart electricity meters installed in the company exceeded 930 thousand, which is more than 85% of the total electricity meters
- Investments in distribution assets remained at the same level in 1H 2020, reaching 42.2 MEUR
- The value of distribution assets: 1,786.4 MEUR (30.06.2020: 1,676.9 MEUR)



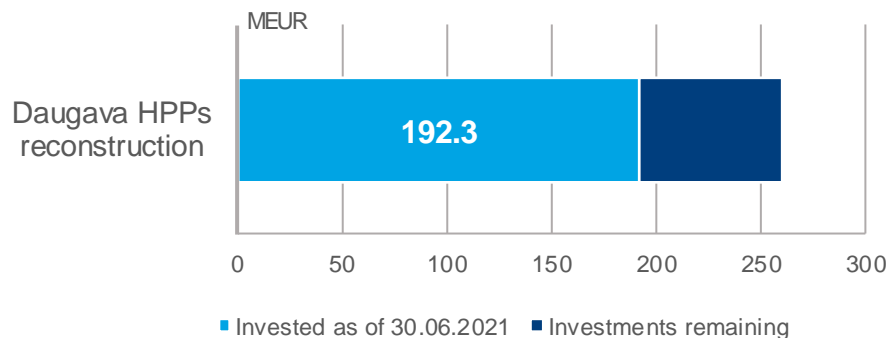
Investments

Investment in distribution network assets – 3/4 of the total



- Investments in network assets allows to improve the quality of the power network services and technical parameters

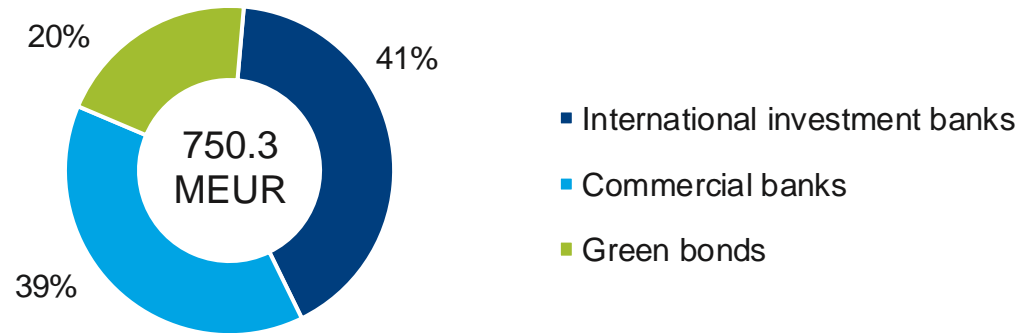
Major investment project



The reconstruction will provide for further 40-year operation of hydropower units

Funding and Liquidity

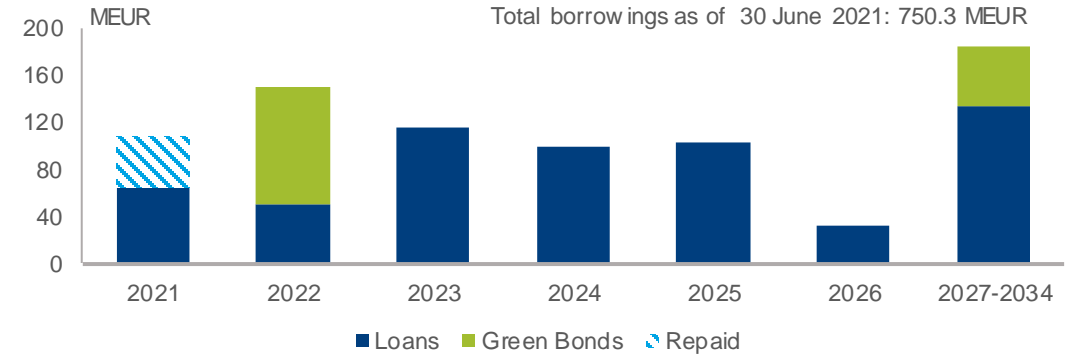
Diversified sources of funding



Main facts – 1H 2021

- In May 2021, Latvenergo AS issued seven-year green bonds in the total nominal value of EUR 50 million
- In February, *Moody's* completed a periodic review of the credit rating of Latvenergo AS: Baa2 (stable)

Debt repayment schedule



Main figures

	30.06.2021
Share of fixed interest rate*	42%
Average Fixed Interest Rate Period*	1.8 years
Effective weighted average interest rate*	1.2 %

* with interest rate swaps

Thank you!

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Daugava HPPs – Daugava hydropower plants

EBITDA – Earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets

EU – European Union

IFRS – International Financial Reporting Standards

LET – Latvijas elektriskie tīkli AS

MEUR – Million euros

MWh – Megawatt hour (1,000,000 MWh = 1,000 GWh = 1 TWh)

PSO fee – Public service obligation fee

CHPPs – Latvenergo AS combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

Consolidated Statement of Profit or Loss*

	EUR'000	
	01/01- 30/06/2021	01/01- 30/06/2020
Revenue	448,052	393,338
Other income	13,600	14,071
Raw materials and consumables	(237,486)	(163,309)
Personnel expenses	(56,915)	(56,373)
Other operating expenses	(22,130)	(25,862)
EBITDA	145,121	161,865
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(83,448)	(79,206)
Operating profit	61,673	82,659
Finance income	1,403	797
Finance costs	(4,695)	(5,672)
Profit before tax	58,381	77,784
Income tax	(1,268)	(800)
Profit for the period from continuing operations	57,113	76,984
Profit for the period from discontinued operation	–	9,843
Profit for the period	57,113	86,827
Profit attributable to:		
- Equity holder of the Parent Company	56,012	85,367
- Non-controlling interests	1,101	1,460

Consolidated Statement of Financial Position*

	EUR'000	
	30/06/2021	31/12/2020
ASSETS		
Non-current assets		
Intangible assets and property, plant and equipment	2,849,194	2,877,354
Right-of-use assets	7,348	8,253
Investment property	2,037	512
Non-current financial investments	40	40
Non-current loans to related parties	39,974	86,620
Other non-current receivables	2,520	429
Derivative financial instruments	507	291
Other financial investments	2,683	2,693
Total non-current assets	2,904,303	2,976,192
Current assets		
Inventories	68,363	68,754
Current intangible assets	12,215	3,157
Receivables from contracts with customers	97,559	108,178
Other current receivables	89,861	85,316
Deferred expenses	2,711	1,083
Prepayment for income tax	–	43
Derivative financial instruments	1,549	1,266
Other financial investments	–	14,143
Cash and cash equivalents	123,095	100,703
Total current assets	395,353	382,643
TOTAL ASSETS	3,299,656	3,358,835
EQUITY AND LIABILITIES		
EQUITY		
Share capital	790,368	790,348
Reserves	1,141,543	1,154,367
Retained earnings	130,194	165,672
Equity attributable to equity holder of the Parent Company	2,062,105	2,110,387
Non-controlling interests	6,448	7,855
Total equity	2,068,553	2,118,242
LIABILITIES		
Non-current liabilities		
Borrowings	560,011	634,077
Lease liabilities	5,921	6,783
Deferred income tax liabilities	739	6,401
Provisions	17,029	17,317
Derivative financial instruments	4,423	9,672
Deferred income from contracts with customers	137,037	139,613
Other deferred income	158,060	170,413
Total non-current liabilities	883,220	984,276
Current liabilities		
Borrowings	190,280	109,122
Lease liabilities	1,516	1,561
Trade and other payables	93,240	100,912
Deferred income from contracts with customers	14,585	15,091
Other deferred income	25,121	24,799
Derivative financial instruments	23,141	4,832
Total current liabilities	347,883	256,317
Total liabilities	1,231,103	1,240,593
TOTAL EQUITY AND LIABILITIES	3,299,656	3,358,835

* The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 6-Month Period Ending 30 June 2021 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Cash Flows*

	EUR'000	
	01/01- 30/06/2021	01/01- 30/06/2020
Cash flows from operating activities		
Profit before tax	58,381	77,784
Profit before tax from discontinued operation	–	9,946
Profit before tax. total	58,381	87,730
Adjustments:		
– Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets, and loss from disposal of non-current assets	102,482	99,596
– Net financial adjustments	9,883	3,916
– Other adjustments	(731)	320
– Gain from distribution of assets / non-current financial investment of Parent Company	–	(5,001)
Operating profit before working capital adjustments	170,015	186,561
Decrease / (increase) in current assets	1,925	(3,068)
(Decrease) / Increase in trade and other liabilities	(18,449)	3,310
Cash generated from operating activities	153,491	186,803
Interest paid	(5,671)	(7,064)
Interest received	1,927	1,183
Paid corporate income tax	(6,852)	(10,726)
Net cash flows from operating activities	142,895	170,196
Cash flows from investing activities		
Repayment of loans to related parties	46,672	138,560
Purchase of intangible assets and property, plant and equipment	(88,619)	(104,320)
Proceeds from redemption of other financial investments	14,153	25
Net cash flows (used in) / generated from investing activities	(27,794)	34,265
Cash flows from financing activities		
Repayment of issued debt securities (bonds)	–	(35,000)
Proceeds from issued debt securities (bonds)	50,000	–
Proceeds on borrowings from financial institutions	1,500	3,500
Repayment of borrowings	(43,214)	(99,877)
Received financing from European Union	207	570
Lease payments	(448)	(494)
Dividends paid to non-controlling interests	(2,508)	(1,819)
Dividends paid to equity holder of the Parent Company	(98,246)	(127,071)
Net cash flows used in financing activities	(92,709)	(260,191)
Net increase / (decrease) in cash and cash equivalents	22,392	(55,730)
Cash and cash equivalents at the beginning of the period	100,703	122,722
Cash and cash equivalents at the end of the period	123,095	66,992