

# LATVENERGO CONSOLIDATED FINANCIAL STATEMENTS FOR 2021

13.04.2022, Riga

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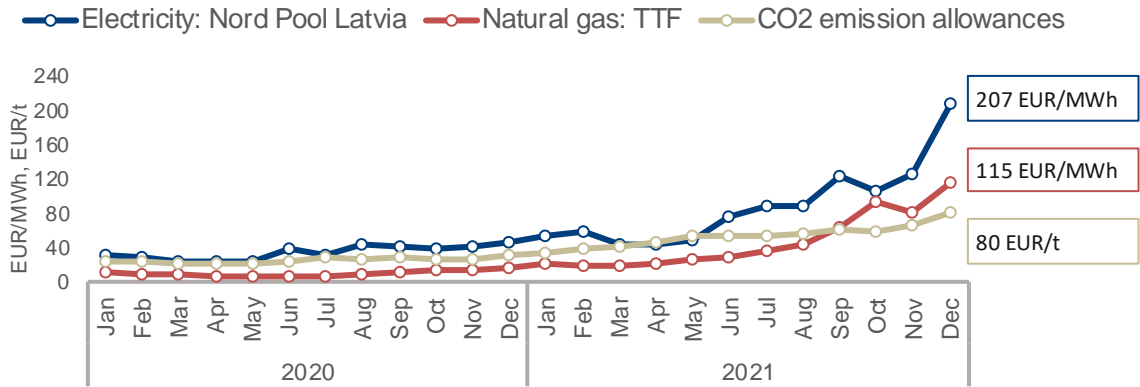
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Annual Financial statements, see the section “Key Figures”.

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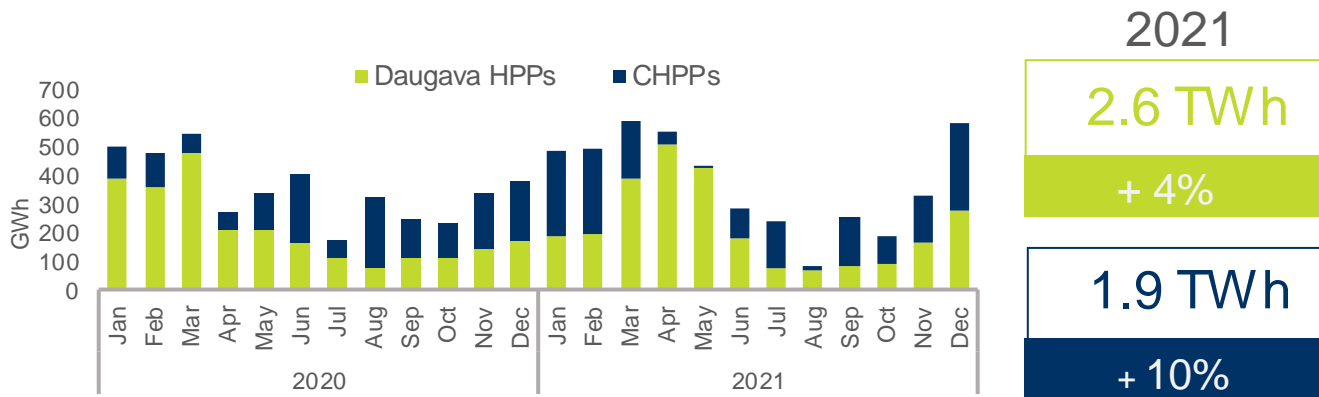
# Record-high electricity and energy resource prices



## Main facts – 2021

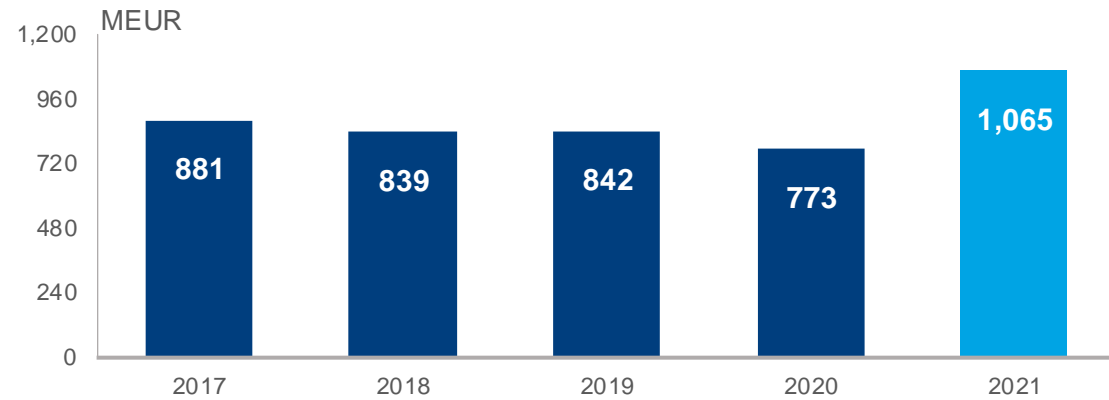
- Electricity prices impacted by:
  - economic recovery and the resulting rise in other energy resource prices, especially natural gas and price of CO2 emission allowances
  - lower WPP output in region
  - greater demand for electricity
- The price of natural gas at TTF virtual trading point (Front Month) increased almost 5x reaching 46.9 EUR/MWh
- The average price of CO2 emission allowances (EUA DEC.21) was more than 2.5x higher, reaching 53.3 EUR/t

## Electricity generation increased by 6%

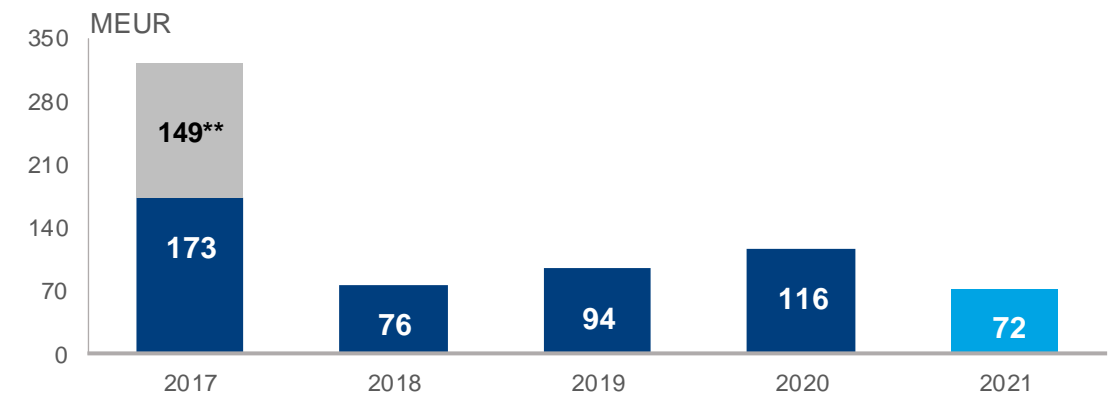


# Key financial figures

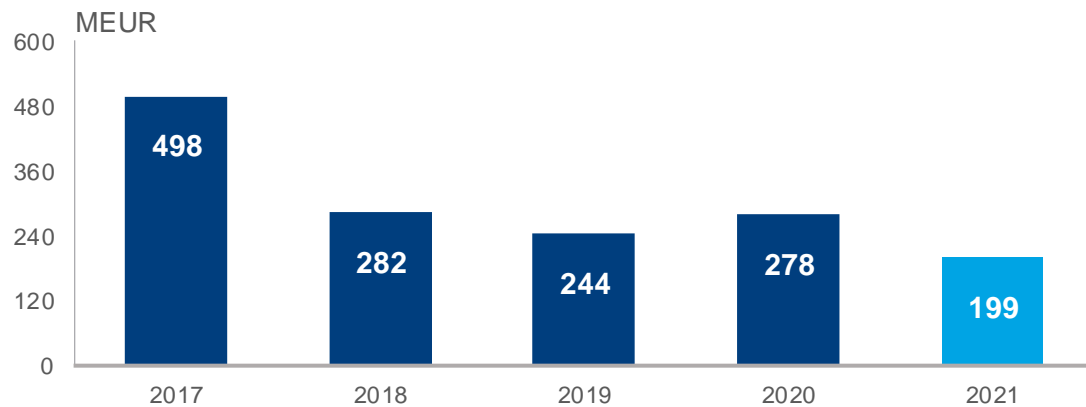
## Revenue\*



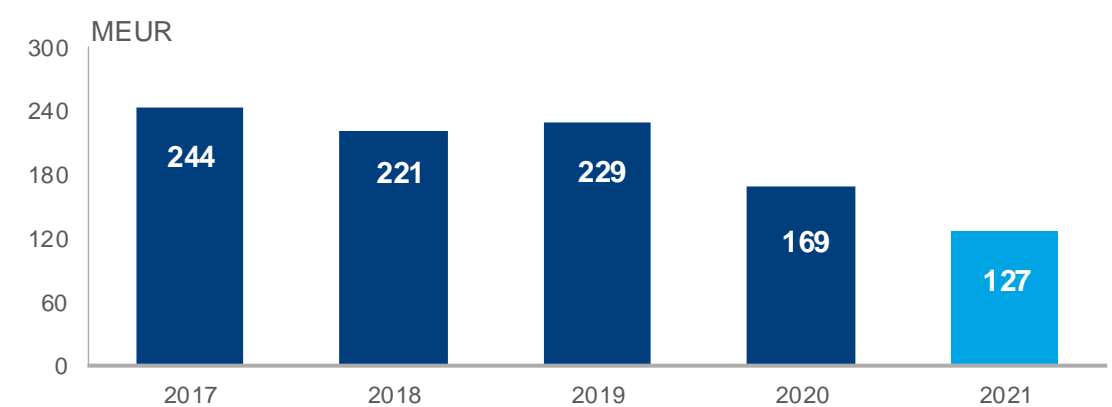
## Net profit



## EBITDA\*



## Investments

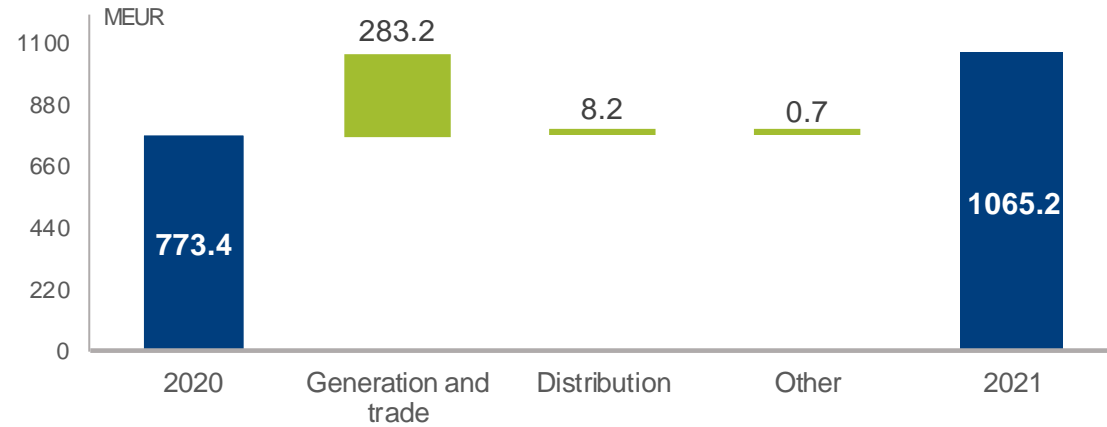


\* Figures for 2017 - 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership), see Note 30 of the Financial Statements

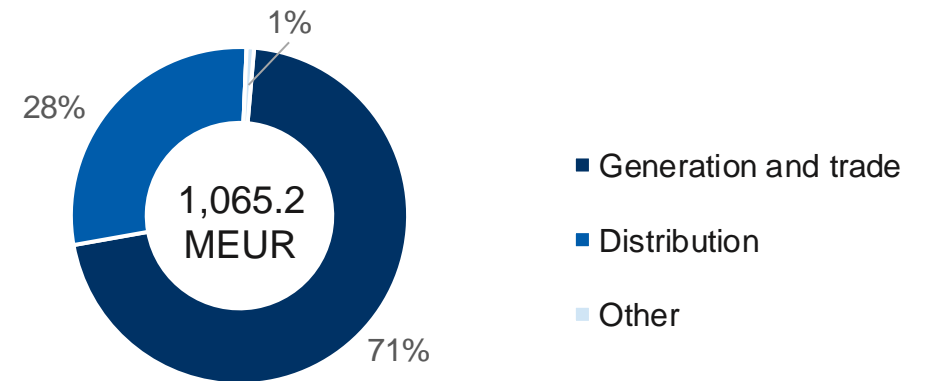
\*\* In 2017, the net profit includes a deferred tax reversal in the amount of EUR 149.1 million as a result of the corporate income tax reform

# Latvenergo Group's revenue increased by 38%

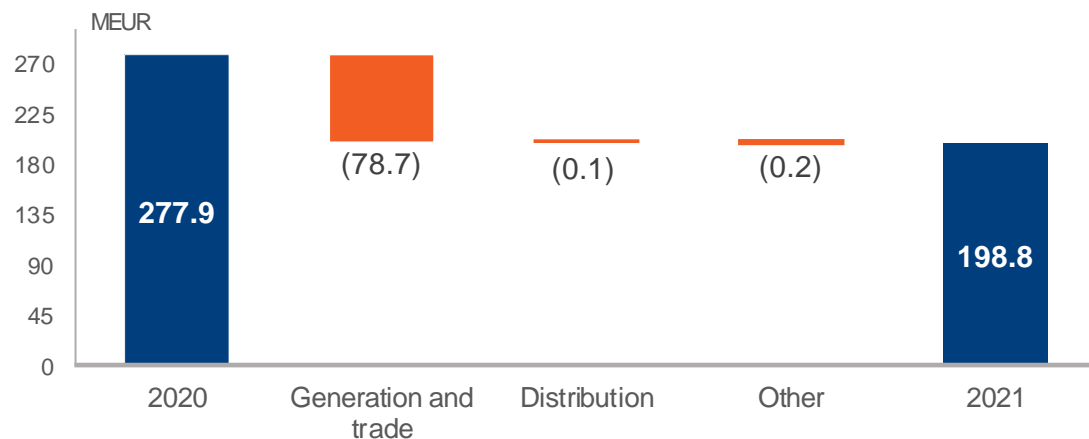
## Revenue dynamics by segments



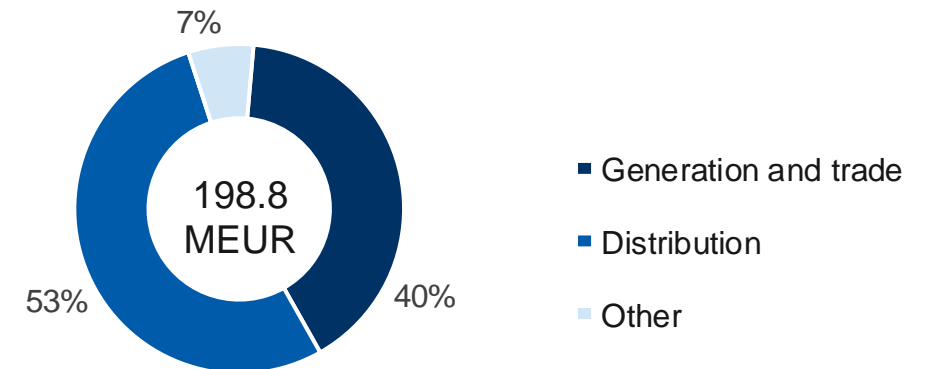
## Revenue weight by segments



## EBITDA dynamics by segments

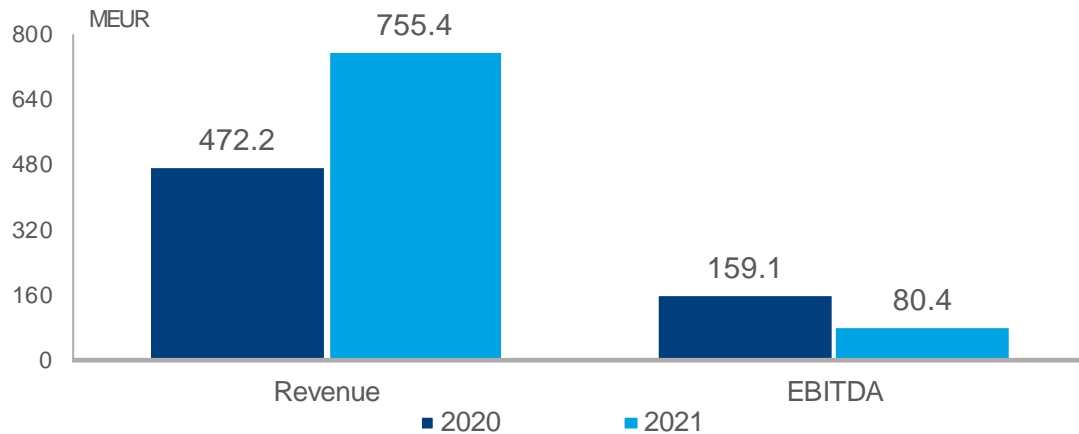


## EBITDA weight by segments



# Generation and trade

## Revenue and EBITDA

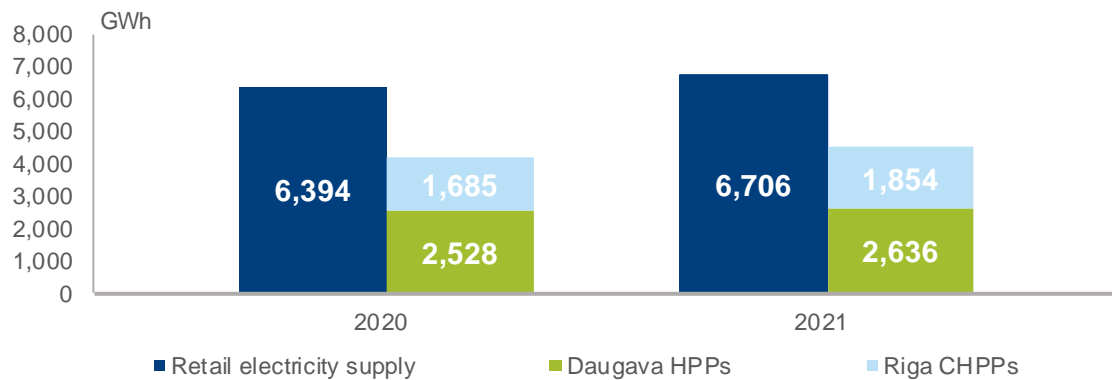


## Main facts – 2021

- The segment’s revenue positively impacted by:
  - More than 2,5x higher electricity spot prices in the Baltics
  - 5% increase in retail sales volume
  - 22% higher heat output due to colder weather in heating season
- The segment’s EBITDA negatively impacted by:
  - Record-high electricity purchase prices, and prices of natural gas and CO2 emission allowances
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia
- As of 1 January 2022, the average PSO fee is reduced by 57% – 7.55 EUR/MWh

# Latvenergo – largest green electricity producer in the Baltics

4,517 GWh of electricity generated



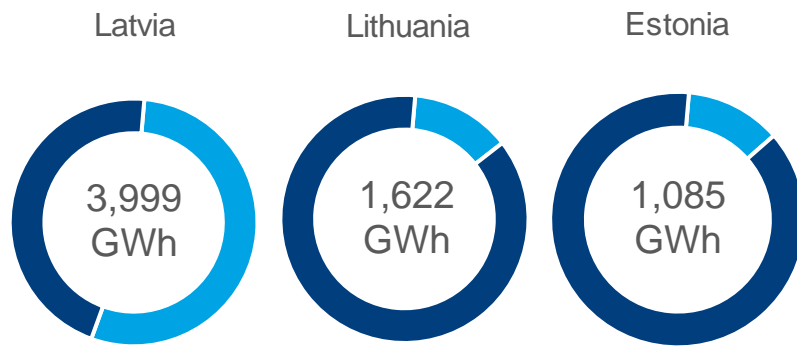
## Main facts – 2021

- *Latvenergo* – produced 29% of the total electricity generated in the Baltics
- 59% of electricity generated from renewable sources
- Electricity generated at *Latvenergo* corresponds to 2/3 of the amount of electricity sold in retail
- Power generation at the Daugavas HPPs increased by 4%
- Power generation at the Latvenergo AS CHPPs increased by 10%, because there was relatively warmer weather conditions and low electricity prices in 2020
- The amount of thermal energy generated increased by 22% due to colder weather conditions, reaching 2,072 GWh

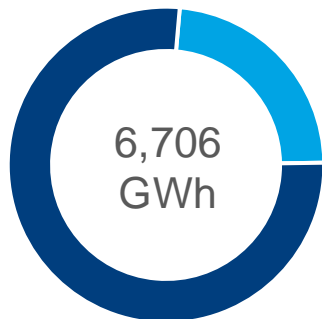


# Trade

## Retail electricity supply increased by 5%\*



The Baltics



■ Latvenergo Group ■ other suppliers



## Main facts – 2021



The Group acquired shares in three micro-network service companies in Estonia and took over almost 20,000 customers in Estonia



6.7 TWh of electricity sold to retail customers



1 TWh of natural gas sold to Baltic retail customers



Almost 1,300 contracts were concluded for the installation of solar panels



At the end of December, the total number of *Elektrum Insured* customers exceeded 104,000

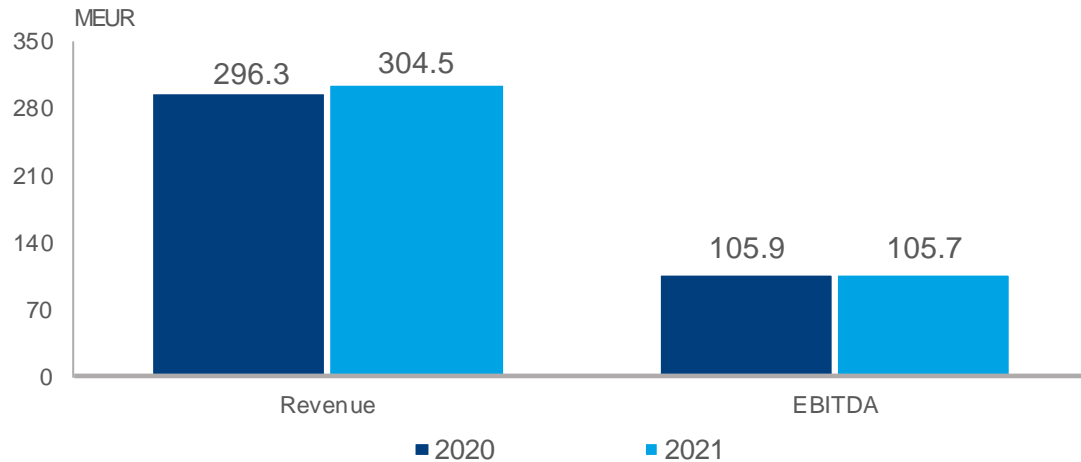


Customers of the mobile application *Elektrum* made more than 8,500 charges



# Distribution

## Revenue and EBITDA



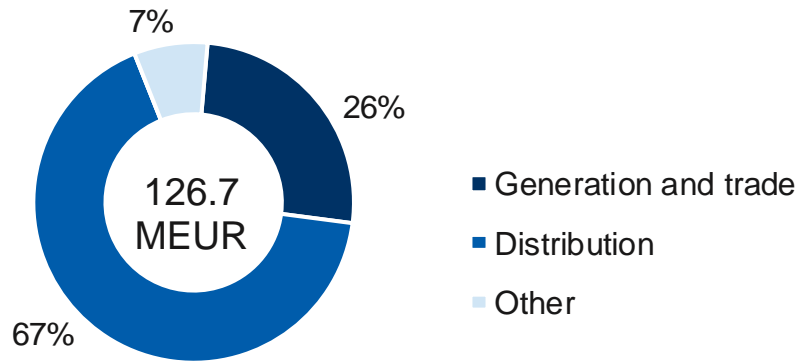
## Main facts – 2021

- Electricity distributed increased by 3%, reaching 6.5 TWh (2020: 6.3 TWh)
- The efficiency programme helps reduce operating costs:
  - Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS is reduced by around 870
  - Smart electricity meters installed in the company exceeded 970 thousand, which is about 90% of the total electricity meters of Sadales tīkls AS
- Financial performance was positively impacted by higher distributed electricity and the reduction of operating costs and negatively – by higher electricity loss costs
- Investments in distribution assets remained at the same level in 2020, reaching 84.8 MEUR
- The operating strategy of Sadales tīkls AS for 2022–2027 has been approved by setting targets:
  - improvement of the quality and security of electricity supply
  - digital transformation
  - improvement of the company and increase in its value
  - sustainable development and climate neutrality



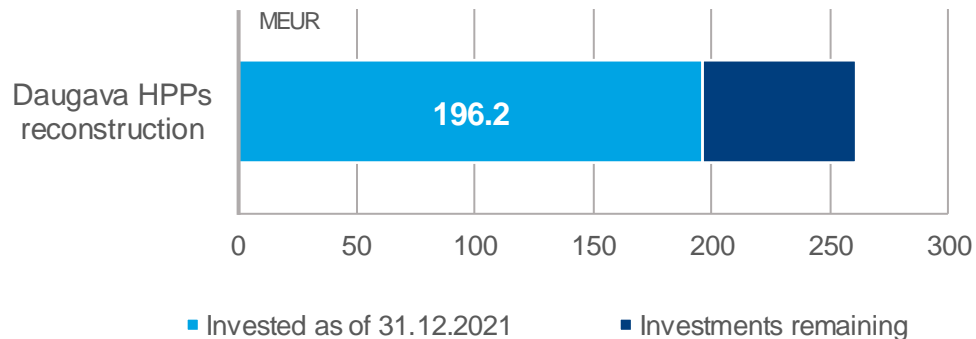
# Investments

Investment in distribution network assets – 2/3 of the total



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

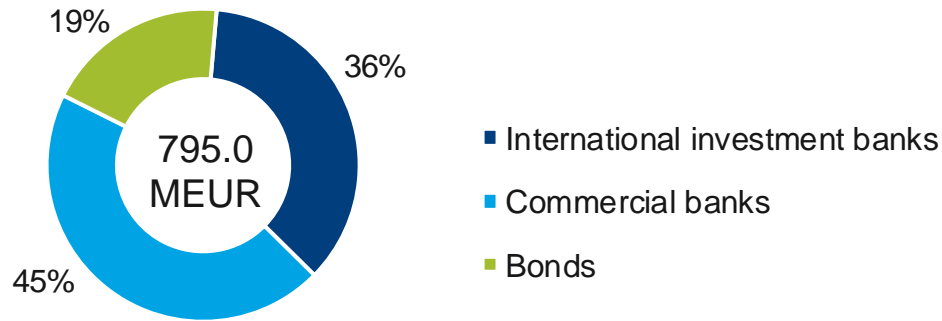
## Major investment project



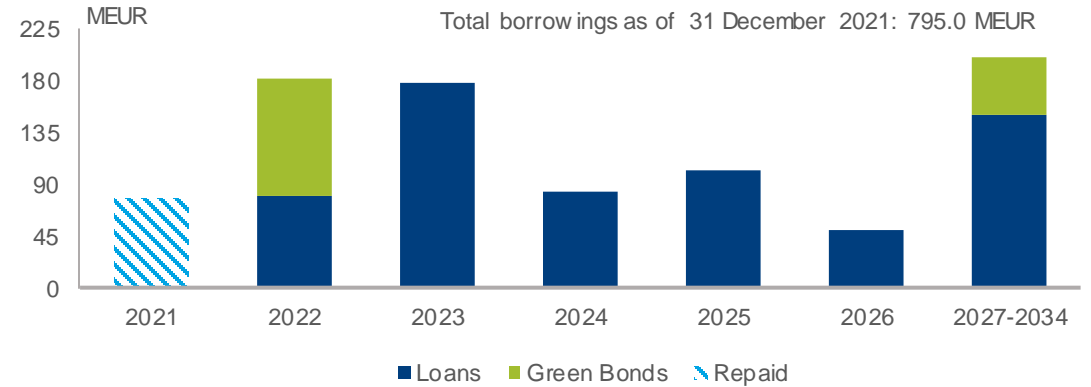
The reconstruction will provide for further 40-year operation of hydropower units

# Funding and Liquidity

## Diversified sources of funding

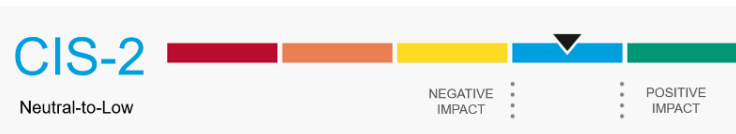


## Debt repayment schedule



## Main facts – 2021

- In May, Latvenergo AS issued seven-year green bonds in the total nominal value of EUR 50 million
- In December, Moody's published a Credit Impact Score of the environmental, social and governance risks (ESG) of Latvenergo AS – CIS-2



- In January 2022, Moody's published an updated Credit Opinion of Latvenergo AS.: Baa2 (stable)

## Main figures

	31.12.2021
Share of fixed interest rate*	37%
Average Fixed Interest Rate Period*	1.5 years
Effective weighted average interest rate*	1.2%

\* with interest rate swaps

# Latvenergo medium-term strategy for 2022–2026 has been approved

## GENERATION

Growing and diversifying portfolio with an emphasis on RES (wind and solar)



## TRADE

Strengthening market position and diversification of products



## ELECTROMOBILITY

Developing charging network



## DISTRIBUTION

Rendering sustainable and economically justifiable service, whilst adapting to development of microgeneration and electrification trends



## New RES in generation portfolio (MW)

2026	600
2030	2,300

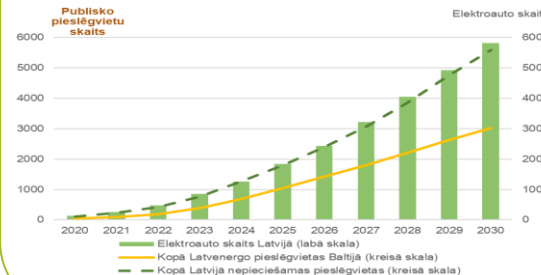


## Elektrum – the most valuable energy retailer in the Baltics

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

## Electric car charging points in Baltics

2026: 1,200 – 1,500  
2030: ~ 3,000



Creation of a two-way network according to the trend of balanced development of microgeneration and charging network

Improvement of **SAIDI** from 194 to 160 min/year

Improvement of **SAIFI** from 2.1 to 1.8 times/year

**Digital transformation and efficiency outpaces inflation**

# 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

WPP – Wind power plant

# Consolidated Statement of Profit or Loss\*

	EUR'000	
	2021	2020
Revenue	1,065,219	773,391
Other income	29,428	28,732
Raw materials and consumables	(740,127)	(369,261)
Personnel expenses	(105,623)	(105,971)
Other operating expenses	(50,084)	(48,997)
<b>EBITDA</b>	<b>198,813</b>	<b>277,894</b>
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets	(116,923)	(156,544)
<b>Operating profit</b>	<b>81,890</b>	<b>121,350</b>
Finance income	2,110	2,125
Finance costs	(9,070)	(10,776)
<b>Profit before tax</b>	<b>74,930</b>	<b>112,699</b>
Income tax	(3,307)	(6,234)
<b>Profit for the year from continuing operations</b>	<b>71,623</b>	<b>106,465</b>
Profit for the year from discontinued operations	–	9,844
<b>Profit for the year</b>	<b>71,623</b>	<b>116,309</b>
<b>Profit attributable to:</b>		
- Equity holder of the Parent Company	70,675	114,513
- Non-controlling interests	948	1,796

# Consolidated Statement of Financial Position\*

	EUR'000	
	31/12/2021	31/12/2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	53,557	50,028
Property, plant, and equipment	2,826,654	2,827,326
Right-of-use assets	8,312	8,253
Investment property	3,316	512
Non-current financial investments	40	40
Non-current loans to related parties	–	86,620
Other non-current receivables	2,544	429
Deferred income tax assets	79	–
Derivative financial instruments	–	291
Other financial investments	–	2,693
<b>Total non-current assets</b>	<b>2,894,502</b>	<b>2,976,192</b>
<b>Current assets</b>		
Inventories	192,132	68,754
Current intangible assets	24,266	3,157
Receivables from contracts with customers	181,136	108,178
Other current receivables	59,740	85,316
Deferred expenses	1,235	1,083
Prepayment for income tax	65	43
Derivative financial instruments	25,735	1,266
Other financial investments	–	14,143
Cash and cash equivalents	97,079	100,703
<b>Total current assets</b>	<b>581,388</b>	<b>382,643</b>
<b>TOTAL ASSETS</b>	<b>3,475,890</b>	<b>3,358,835</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	790,368	790,348
Reserves	1,175,355	1,154,367
Retained earnings	151,430	165,672
<b>Equity attributable to equity holder of the Parent Company</b>	<b>2,117,153</b>	<b>2,110,387</b>
Non-controlling interests	6,295	7,855
<b>Total equity</b>	<b>2,123,448</b>	<b>2,118,242</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	614,075	634,077
Lease liabilities	6,540	6,783
Deferred income tax liabilities	2,955	6,401
Provisions	15,421	17,317
Derivative financial instruments	2,332	9,672
Deferred income from contracts with customers	137,019	139,613
Other deferred income	146,115	170,413
<b>Total non-current liabilities</b>	<b>924,457</b>	<b>984,276</b>
<b>Current liabilities</b>		
Borrowings	180,954	109,122
Lease liabilities	1,888	1,561
Trade and other payables	189,018	100,912
Deferred income from contracts with customers	15,031	15,091
Other deferred income	24,906	24,799
Derivative financial instruments	16,188	4,832
<b>Total current liabilities</b>	<b>427,985</b>	<b>256,317</b>
<b>Total liabilities</b>	<b>1,352,442</b>	<b>1,240,593</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,475,890</b>	<b>3,358,835</b>

\* The Latvenergo Consolidated Financial Statements for 2021 are prepared in accordance with the IFRS as adopted by the European Union



# Consolidated Statement of Cash Flows\*

	EUR'000	
	2021	2020
<b>Cash flows from operating activities</b>		
Profit before tax	74,930	112,699
Profit before tax from discontinued operation	–	9,946
<b>Profit before tax, total</b>	<b>74,930</b>	<b>122,645</b>
<b>Adjustments:</b>		
– Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment (PPE) and right-of-use assets	116,923	168,146
– Loss from disposal of non-current assets	47,637	22,284
– Interest expense	8,877	10,355
– Interest income	(1,558)	(2,137)
– Fair value loss / (income) on derivative financial instruments	13,057	(1,242)
– Decrease in provisions	(2,334)	(1,434)
– Unrealised (income) / loss on currency translation differences	(30)	105
– Gain from distribution of assets / non-current financial investment of Parent Company	–	(5,001)
<b>Cash flows from operations before changes in working capital</b>	<b>257,502</b>	<b>313,721</b>
(Increase) / decrease in inventories	(123,375)	36,205
Increase in receivables from contracts with customers and other receivables	(50,545)	(31,821)
Increase / (decrease) in trade and other liabilities	62,145	(6,659)
<b>Cash generated from operating activities</b>	<b>145,727</b>	<b>311,446</b>
Interest paid	(9,462)	(11,517)
Interest paid on leases	(81)	(87)
Interest received	2,432	2,118
Paid corporate income tax	(6,867)	(10,766)
<b>Net cash flows generated from operating activities</b>	<b>131,749</b>	<b>291,194</b>
<b>Cash flows from investing activities</b>		
Repayment of loans to related parties	86,672	138,560
Purchase of intangible assets and PPE	(189,749)	(184,748)
Proceeds from redemption of other financial investments	16,836	50
<b>Net cash flows used in investing activities</b>	<b>(86,241)</b>	<b>(46,138)</b>
<b>Cash flows from financing activities</b>		
Repayment of issued debt securities (bonds)	–	(35,000)
Proceeds on issued debt securities (bonds)	50,000	–
Proceeds on borrowings from financial institutions	79,997	39,500
Repayment of borrowings from financial institutions	(77,928)	(143,176)
Received financing from European Union	748	1,515
Lease payments	(1,195)	(1,024)
Dividends paid to non-controlling interests	(2,508)	(1,819)
Dividends paid to equity holder of the Parent Company	(98,246)	(127,071)
<b>Net cash flows used in financing activities</b>	<b>(49,132)</b>	<b>(267,075)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,624)</b>	<b>(22,019)</b>
Cash and cash equivalents at the beginning of the year	100,703	122,722
<b>Cash and cash equivalents at the end of the year</b>	<b>97,079</b>	<b>100,703</b>

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