

LATVENERGO CONSOLIDATED AND LATVENERGO AS UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD
ENDING 30 JUNE 2021

CONTENTS

Management Report

3	Highlights
4	Latvenergo Group in Brief
6	Latvenergo Group Key Performance Indicators
7	Operating Environment
10	Financial Results
19	Latvenergo AS Key Performance Indicators
20	Statement of Management Responsibility
21	Formulas
22	List of Abbreviations

Unaudited Condensed Interim Financial Statements*

23	Statement of Profit or Loss
23	Statement of Comprehensive Income
24	Statement of Financial Position
25	Statement of Changes in Equity
26	Statement of Cash Flows
27	Notes to the Unaudited Condensed Interim Financial Statements

** Financial Statements include Latvenergo consolidated and Latvenergo AS financial information prepared in accordance with the International Financial Reporting Standards as adopted by the European Union*

FINANCIAL CALENDAR

30. 11. 2021.

Condensed Consolidated Interim Financial Statements for the 9-Month Period Ending 30 September 2021 (unaudited)

CONTACT DETAILS FOR INVESTOR RELATIONS

E-mail: investor.relations@latvenergo.lv

Website: <http://www.latvenergo.lv>

DISCLAIMER

The financial report includes future projections that are subject to risks, uncertainties and other important factors beyond the control of Latvenergo Group; therefore, the actual results in the future may differ materially from those stated or implied in the future projections.

The report has been prepared in Latvian and in English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version shall prevail.

Highlights

Electricity prices keep rising significantly.

In 1H 2021, electricity spot prices in the Nordics and the Baltics were significantly higher compared to the respective period a year ago, which is related to higher demand and higher energy resource prices. The electricity spot price in Latvia increased by 91% compared to the respective period a year ago.

The electricity output increased by 11%.

In 1H 2021, electricity output at Latvenergo Group's plants increased by 11% compared to the respective period a year ago, reaching 2,827 GWh. Electricity output at the Daugava HPPs remained at the same level in 1H 2020. Meanwhile, adapting to electricity market conditions and heat demand, the amount of electricity generated at the Latvenergo AS CHPPs was 29% higher than in 1H 2020, reaching 930 GWh. Also, the amount of thermal energy generated increased by 29% compared to 1H 2020, reaching 1,259 GWh. The increase was impacted by colder weather at the beginning of the year.

Latvenergo operates in all energy trade segments in Latvia, Lithuania and Estonia.



3.4 TWh of electricity sold to Baltic retail customers



740 thousand electricity customers



500+ GWh of natural gas sold to Baltic retail customers



16 thousand natural gas customers

The total number of electricity customers comprised about 740 thousand, including 60 thousand foreign customers. In June 2021, the Group acquired shares in three micro-network service companies in Estonia, and in the near future it will take over 20,000 customer portfolio in Estonia. This will significantly increase the number of the Group's customers in Estonia. The sales volume of natural gas to retail customers doubled.

Revenue increased by 14%.

448.1
REVENUE

145.1
EBITDA

57.1
PROFIT

3,299.7
ASSETS

MEUR

In 1H 2021, Latvenergo Group's revenue was 14% or EUR 54.7 million higher than in the respective period a year ago. This was affected by higher electricity spot prices, a greater amount of electricity sold and higher revenue from heat sales.

The Group's EBITDA decreased by 10% or EUR 16.7 million. This was negatively affected by higher electricity purchase prices.

Latvenergo Group's investments contribute to high-quality and secure energy supply to customers.

In 1H 2021, the total amount of investment comprised EUR 58.1 million, of which 73% was made in power distribution network assets. We are also continuing the implementation of the Daugava HPPs' hydropower unit reconstruction project, investing EUR 7.7 million during the reporting period.

Latvenergo AS issued 7-year green bonds in the amount of EUR 50 million.

On 17 May 2021, Latvenergo AS issued seven-year green bonds with a total nominal value of EUR 50 million. The proceeds from the issuance of notes will be allocated to environmentally friendly investment projects.

Latvenergo AS and Sadales tīkls AS received the Platinum category of the Sustainability Index again this year.

This assessment confirms that the companies promote excellent corporate governance and principles of transparency of information; operate efficiently, thoughtfully and sustainably; and care for employees, customers and the environment.



Latvenergo Group in Brief

Latvenergo Group is one of the largest power suppliers and a leader in green energy generation in the Baltics, operating in electricity and thermal energy generation and trade, natural gas trade, supply of products and services related to electricity consumption and energy efficiency, and electricity distribution services. According to the TOP 10 Most Valuable Baltic Companies 2020, Latvenergo Group is the most valuable energy company in the Baltics.

Latvenergo Group is comprised of the parent company Latvenergo AS, with decisive influence, and five subsidiaries. All shares of Latvenergo AS are owned by the state and held by the Ministry of Economics of the Republic of Latvia.

Latvenergo Group divides its operations into two operating segments: 1) generation and trade and 2) distribution. This division was made according to the internal organisational structure, which forms the basis for regular performance monitoring, decision-making on resources allocated to segments and their performance measurement. From a commercial point of view, each segment is managed differently.

The generation and trade segment



- comprises electricity and thermal energy generation operations, electricity and natural gas trade in the Baltics and administration of mandatory procurement in Latvia.



The distribution segment



- provides electricity distribution services in Latvia. Sadales tīkls AS is the largest state distribution system operator, covering approximately 98% of the territory of Latvia. Distribution system tariffs are approved by the Public Utilities Commission (PUC).



Latvenergo Group in Brief

Latvenergo Group's Strategy

Latvenergo Group's strategy for 2017–2022 provides for:

- strengthening of a sustainable and economically sound market position in core markets (in the Baltics) while considering geographic and / or product / service expansion;
- development of a generation portfolio that fosters synergy with trade and promotes an increase in value for the Group;
- development of a customer-driven, functional, safe and efficient power network.

Along with the strategy approval, Latvenergo Group's financial targets have been set. The targets are divided into three groups: profitability, capital structure and dividend policy.

The financial targets are set to ensure:

- 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;
- an optimal and industry-relevant capital structure that limits potential financial risks;
- an adequate dividend policy that is consistent with the planned investment policy and capital structure targets.

Target group	Ratio	Year 2022
Profitability	Return on equity	> 6%
	Net debt to equity	< 50%
Capital structure	Net debt to EBITDA	< 3 times
	Dividend policy	Dividend payout ratio

Taking into consideration the development directions of the Group, Latvenergo AS approved the Strategic Development and Efficiency Programme in 2017. The strategic development section is designed with the aim to contribute to the growth of the Group by engaging in new business development directions. Meanwhile, the efficiency section provides for the revision, centralization and digitalization of the Group's processes in order to maintain the Group's profitability in the long term considering the increase in costs due to inflation. The estimated efficiency potential for the Group's EBITDA is up to EUR 40 million. This is the Group's largest optimization plan in the last decade, and it will allow the Group to increase its value in the long run and to remain competitive in an open market and a changing energy industry.

At the end of 2020, work began on a medium-term strategy for the next period; it continues to be developed.

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		1H 2021	1H 2020	1H 2019	1H 2018	1H 2017
Electricity supply, incl.	GWh	4,935	4,615	4,743	5,254	5,465
<i>Retail electricity</i> ²⁾	GWh	3,384	3,083	3,365	3,320	3,541
<i>Wholesale electricity</i> ³⁾	GWh	1,551	1,532	1,378	1,934	1,924
Retail natural gas	GWh	506	227	143	51	0
Electricity generation	GWh	2,827	2,550	2,373	3,139	3,147
Thermal energy generation	GWh	1,259	978	1,139	1,442	1,574
Number of employees		3,303	3,374	3,478	3,539	4,112
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		1H 2021	1H 2020	1H 2019	1H 2018	1H 2017
Revenue*	MEUR	448.1	393.3	432.5	431.0	458.0
EBITDA ¹⁾ *	MEUR	145.1	161.9	127.8	167.5	192.4
Profit	MEUR	57.1	86.8	54.0	97.2	97.9
Assets	MEUR	3,299.7	3,248.0	3,731.7	3,833.7	3,842.2
Equity	MEUR	2,068.6	2,004.4	2,202.6	2,341.9	2,425.9
Net debt (adjusted) ¹⁾ *	MEUR	587.2	596.1	574.9	450.3	490.3
Investments	MEUR	58.1	93.2	99.6	96.6	92.8

Latvenergo Group Financial Ratios

	1H 2021	1H 2020	1H 2019	1H 2018	1H 2017
Net debt / EBITDA (adjusted) ¹⁾	2.3	2.1	2.1	1.0	1.5
EBITDA margin ¹⁾	32%	35%	29%	55%	40%
Return on equity (ROE) ¹⁾	4.3%	6.0%	1.4%	13.5%	6.8%
Return on assets (ROA) ¹⁾	2.6%	3.6%	0.9%	8.4%	4.2%
Return on capital employed (ROCE) (adjusted) ¹⁾ *	3.7%	4.7%	1.5%	6.5%	5.9%
Net debt / equity (adjusted) ¹⁾	28%	30%	26%	19%	20%

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

1) Formulas are available on page 21

2) Including operating consumption

3) Including sale of energy purchased within the mandatory procurement on the Nord Pool

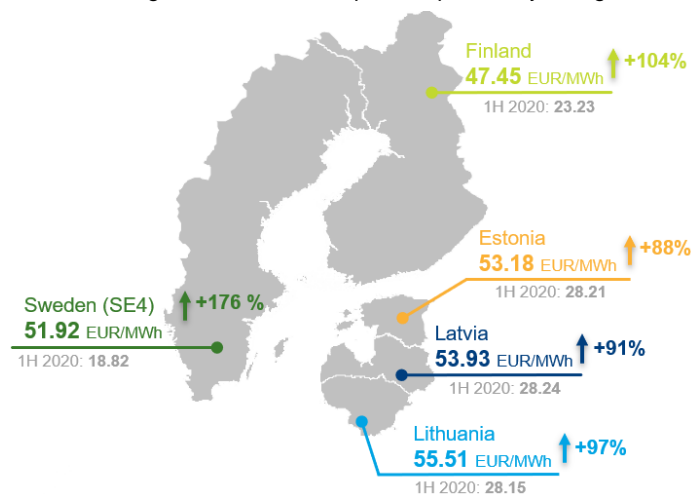
Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In 1H 2021:

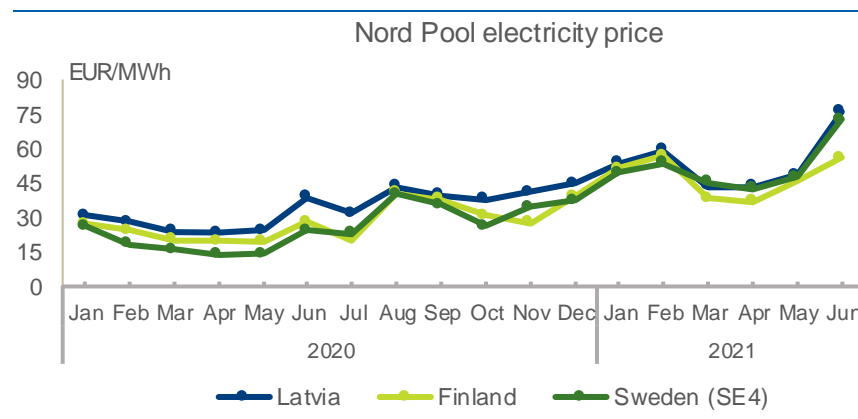
- the Nord Pool system price increased four times, and the electricity spot price in Latvia increased by 91%;
- the price of natural gas at GASPOOL (the German natural gas virtual trading point) and at TTF (the Dutch natural gas virtual trading point) increased almost threefold compared to the respective period a year ago.

Electricity prices keep rising significantly

In 1H 2021, the Nord Pool system price was four times higher (+299%), reaching 42.03 EUR/MWh. The rapid rise in electricity prices in the Nord Pool region was affected by higher demand for electricity due to colder weather at the beginning of the year, economic recovery and the resulting rise in energy resource prices, and lower output at wind power plants. Electricity consumption in the Nord Pool region was 7% higher than in the respective period a year ago.



In 1H 2021, the price difference between Latvia and Sweden (SE4) decreased to 2.01 EUR / MWh, while between Latvia and Finland it increased to 6.48 EUR / MWh respectively (in the respective period a year ago: 9.42 EUR / MWh and 5.01 EUR / MWh). The electricity price in Latvia was 1.58 EUR / MWh lower than in Lithuania and 0.75 EUR / MWh higher than in Estonia.



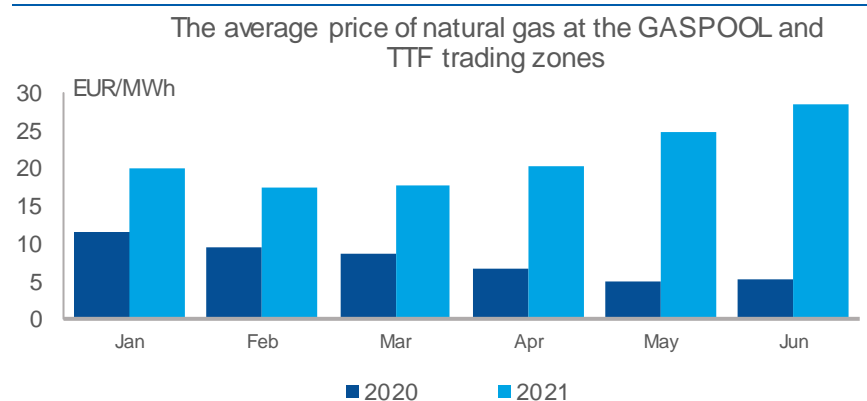
In 1H 2021, total electricity consumption in the Baltics increased by 5% compared to the respective period a year ago, reaching 14.4 TWh. Electricity consumption increased by 3% in Latvia, by 4% in Lithuania and by 8% in Estonia. The increase in consumption in the Baltic region was affected by colder weather at the beginning of the year and economic recovery after COVID-19 restrictions.

The increased demand contributed to an increase in electricity generation in the Baltics of 8%; it amounted to 7.9 TWh. Electricity output in Latvia increased by 7%, comprising 3.4 TWh, while in Lithuania it decreased by 7% to 2.1 TWh, and in Estonia it increased by 27% to 2.4 TWh. The electricity purchased from neighbouring countries did not change compared to the respective period a year ago; it amounted to 6.0 TWh.

Operating Environment

Natural gas prices almost tripled

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In 1H 2021, the price of natural gas in Europe was impacted by higher consumption, lower supply volumes and higher prices of other energy products. At the end of the reporting period, the natural gas reserve fill rate in Europe's gas storage facilities reached 48% (at the end of June 2020 it was 80%). In the reporting period, the price of natural gas at GASPOOL and the TTF (Front Month) was almost three times higher than in 1H 2020, reaching 21.5 EUR / MWh.



Natural gas prices are linked to oil prices; other energy resource prices also affect the natural gas market dynamics.

- The average price of Brent crude Futures oil in 1H 2021 was 65.2 USD/bbl, which was 55% higher than in the respective period a year ago, due to the positive pace of economic recovery as well as the OPEC+ decision on reducing oil output and lower oil reserve fill rates in the USA.
- The average price of coal (API2 Rotterdam Coal Futures Front month) in the reporting period increased by 64%, reaching 77.5 USD/t. Coal prices were mainly affected by higher demand in Asia as well as disruptions in coal deliveries from Colombia, Russia, Australia and South Africa.
- The average price of CO2 emission allowances (EUA DEC.21) in 1H 2021 increased by 91%, reaching 47.0 EUR/t. The rise in allowance prices was affected by the positive pace of economic recovery and rising raw material prices, as well as the reforms adopted by the European Commission to reduce greenhouse gas emissions by 2030.

Operating Environment

Unbundling transmission system asset ownership

According to the CM decision on 8 October 2019, transmission system assets in the amount of EUR 694.3 million were separated from Latvenergo Group on 10 June 2020. The separation of the transmission system assets was carried out by reducing the share capital of Latvenergo AS by EUR 222.7 million, which was the value of Latvijas elektriskie tīkli AS (LET) shares. Along with the unbundling of LET, all LET liabilities were transferred to Augstsprieguma tīkls AS, including the Latvenergo AS loan to LET in the amount of EUR 225 million. For more details, please see the Group's annual report for 2020. Along with the unbundling of transmission system assets, the investment financing required by the Group will also decrease.

Dividends

Latvenergo AS dividend payout is regulated by the Law on the Budget of the Republic of Latvia and the law "On the medium-term budgetary framework for 2021, 2022 and 2023". According to the regulations, Latvenergo AS dividend payout in the year 2022 (for the reporting year 2021) is not less than EUR 87.7 million (incl. corporate income tax), and in 2023 (for the reporting year 2022), it is not less than EUR 71.0 million (incl. corporate income tax). 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 evaluation of the results of the previous year. Latvenergo AS dividends are used as a source of funding for the state budget programme *Electricity User Support*, thereby decreasing the mandatory procurement component.

On 12 May 2021, the Shareholder's Meeting of Latvenergo AS approved the Latvenergo Consolidated and Latvenergo AS Annual Report 2020 and passed a decision on paying EUR 98.2 million in dividends to the state, corresponding to the amount stipulated in the regulations. The payout was carried out on 24 May 2021.

Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 30 June 2021, the Group's asset value reached EUR 3.3 billion and its equity reached EUR 2.1 billion.

Financial Results

In 1H 2021, Latvenergo Group's revenue reached EUR 448.1 million, which was EUR 54.7 million or 14% more than in the respective period a year ago. This was mainly affected by:

- EUR 43.9 million higher energy sales revenues mainly due to higher electricity market prices and a 10% increase in retail sales volume;
- EUR 7.6 million higher heat sales with 29% greater output due to colder weather conditions during the heating season.

Latvenergo Group financial figures		1H 2021	1H 2020	Δ	Δ, %
Revenue	MEUR	448.1	393.3	54.7	14%
EBITDA	MEUR	145.1	161.9	(16.7)	(10%)
Net profit	MEUR	57.1	86.8	(29.7)	(34%)
Assets	MEUR	3,299.7	3,248.0	51.7	2%

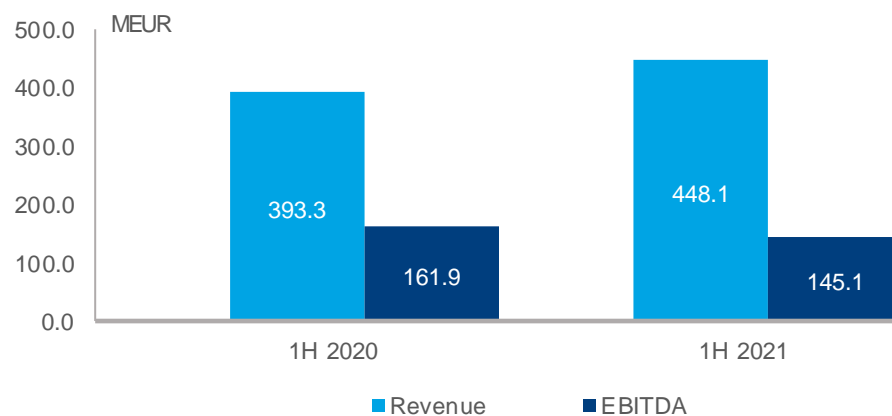
Latvenergo Group's EBITDA decreased by EUR 16.7 million or 10% compared to 1H 2020, reaching EUR 145.1 million. This was negatively affected mainly by higher electricity purchase prices.

The Group's profit for the reporting period reached EUR 57.1 million.

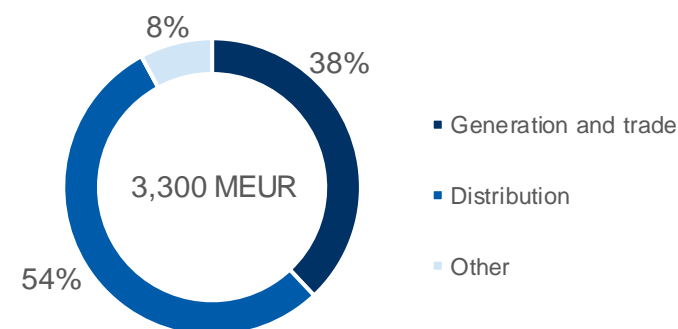
As of 30 June 2021, the Group's net debt to equity was 28% (as of 30 June 2020 it was 30%) and its net debt to EBITDA ratio was 2.3 (2.1). The capital structure ratios of Latvenergo Group are better than the industry average.

As the transmission assets were separated from Latvenergo Group on 10 June 2020, in comparable results, this segment is classified as discontinuing operations.

Revenue and EBITDA



Total assets, 6M 2021



Generation and Trade

Revenue
65%

EBITDA
57%

Assets
38%

Employees
27%

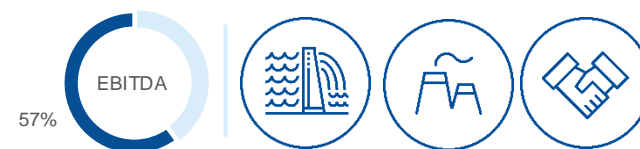
Segment weight in Latvenergo Group

Generation and trade comprise Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 87% of the segment's revenue came from electricity and natural gas trade, while 13% came from thermal energy supply.

In 1H 2021, the segment's revenue was impacted by EUR 43.9 million higher energy sales revenues mainly due to higher electricity market prices and a 10% increase in the retail sales volume. The segment's revenue was also positively impacted by EUR 7.6 million higher heat sales, due to greater heat output on account of colder weather conditions in the heating season.

Meanwhile, the segment's EBITDA was negatively impacted by higher electricity purchase prices.

In the reporting period, the total volume of electricity generated at Latvenergo Group's plants amounted to 2,827 GWh, which corresponded to 84% of the amount of electricity sold to retail customers (1H 2020: 83%).



Operational figures		1H 2021	1H 2020	Δ	Δ, %
Electricity supply, incl.	GWh	4,935	4,615	320	7%
<i>Retail electricity*</i>	GWh	3,384	3,083	301	10%
<i>Wholesale electricity**</i>	GWh	1,551	1,532	19	1%
Retail natural gas	GWh	506	227	279	123%
Electricity generation	GWh	2,827	2,550	277	11%
<i>Daugava HPPs</i>	GWh	1,882	1,804	78	4%
<i>CHPPs</i>	GWh	930	720	210	29%
<i>Liepaja plants and small plants</i>	GWh	14	25	(11)	(44%)
Thermal energy generation	GWh	1,259	978	281	29%
<i>CHPPs</i>	GWh	1,099	847	252	30%
<i>Liepaja plants</i>	GWh	160	131	29	22%
Financial figures		1H 2021	1H 2020	Δ	Δ, %
Revenue	MEUR	293.7	243.7	49.9	20%
EBITDA	MEUR	82.6	106.3	(23.7)	(22%)
Assets	MEUR	1,253.2	1,292.3	(39.2)	(3%)
Investments	MEUR	13.0	17.0	(4.0)	(24%)

* Including operating consumption

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

Generation and Trade



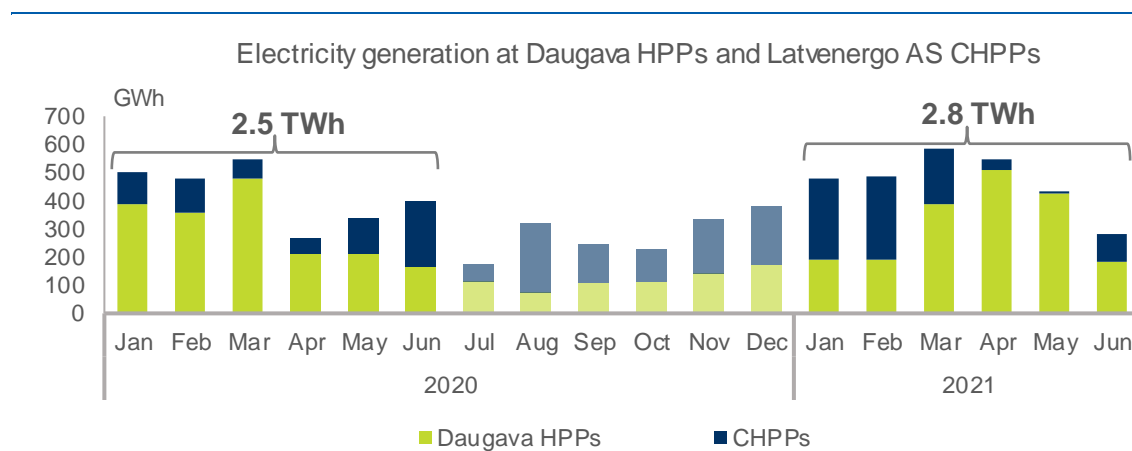
Generation

In 1H 2021, Latvenergo Group was the largest electricity producer in the Baltics, producing 36% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 2,827 GWh of electricity and 1,259 GWh of thermal energy.

The amount of power generated at the Daugava HPPs was at about the same level as in the respective period a year ago, reaching 1,882 GWh. The share of electricity generated from renewable energy sources at Latvenergo Group was 67% (1H 2020: 71%).

Latvenergo Group is a leader in green energy generation in the Baltics

In the reporting period, the amount generated at the Latvenergo AS CHPPs reached 930 GWh, which was 29% more than in the respective period a year ago. The relatively larger amount of power generated at the CHPPs was impacted by unusually low output in Q1 2020, when there were warm weather conditions and low electricity prices. The operation of the CHPPs is adjusted to the conditions of the electricity market and heat demand.



Due to the optimal combination of Latvenergo Group's generation at the Latvenergo AS CHPPs and Daugava HPPs and the import opportunities from other Nord Pool bidding areas, consumers in the Baltic states benefit from price convergence to the Nordic electricity market price level, which is historically the lowest price region in Europe.

In the reporting period, the total amount of thermal energy generated by Latvenergo Group increased by 29% compared to the respective period a year ago due to colder weather conditions in the heating season. Data from the Central Statistical Bureau show that the average air temperature in Riga in the reporting period was -0.4 C°, whereas in 1H 2020 it was +3.5 C°.

In April, the first solar park in Lithuania was commissioned in the city of Klaipeda with an installed capacity of 1.5 MW. The solar park is designed to generate electricity for *Elektrum* customers. A solar park in Estonia, with an installed capacity of 0.3 MW, is expected to be commissioned this year.

Generation and Trade

Trade

Latvenergo Group is one of the largest energy traders in the Baltics, offering its customers electricity and natural gas, as well as a wide range of related products and services, under the *Elektrum* brand.

Latvenergo – an energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia

In 1H 2021, the Group supplied 3,384 GWh of electricity to its customers in the Baltics, which is 10% more than in 1H 2020. The increase in electricity sales was impacted by the increased sales in markets outside Latvia, especially in the segments of large business customers and households in Lithuania. The overall amount of retail electricity trade outside Latvia accounted for about 40% of the total. The electricity trade volume in Latvia was 2,060 GWh, while in Lithuania it was 796 GWh and in Estonia it was 527 GWh.

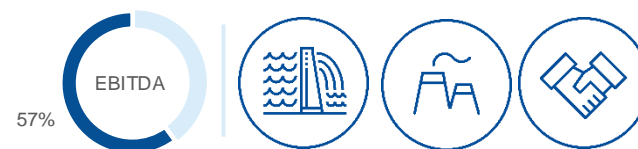
The total number of electricity customers comprised about 740 thousand, including 60 thousand foreign customers.

In June 2021, the Group's company *Elektrum Eesti* acquired shares in three micro-network service companies in Estonia, and in the near future it will take over 20,000 customer portfolio in Estonia from the Finnish company *Imatra Elekter*, thus significantly increasing Latvenergo's competitiveness in the Estonian electricity and related products and services market.

In the reporting period Latvenergo Group's natural gas sales to retail customers more than doubled compared to 1H 2020, reaching 506 GWh.

In the reporting period we continued to develop retail activities of other products and services related to electricity consumption and energy efficiency:

- A significantly higher number of contracts for the installation of solar panels and trade of solar park components was concluded in the Baltics. More than 370 new contracts were signed in 1H 2021, which is 59% more than in the respective period a year ago. The total installed solar panel capacity provided to Latvenergo Group's retail customers in the Baltics reached more than 8 MW; thus, Latvenergo is one of the leading providers of this service in the Baltics. 3/4 of panels are installed for customers outside Latvia.
- Steady growth in the number of *Elektrum Insured* customers in the Baltics continued, reaching more than 100 thousand.
- In the reporting period we expanded the e-shop assortment, and the total number of purchases reached almost 1,300 transactions. The most purchased products are Smart House Solutions, Security and Lighting.
- In 1H 2021, customers of the mobile application *Elektrum* made about 3,100 charges at public charging stations, comprising more than 50 MWh.



Completed in the first 6 months of 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, significantly increasing the number of the Group's customers 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 exceeded 100 thousand.



Customers of the mobile application *Elektrum* made more than 3,100 electric vehicle charges.

Generation and Trade

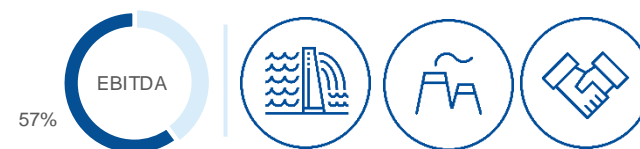
Mandatory procurement

According to the Electricity Market Law, the functions of public trader are performed by Enerģijas publiskais tirgotājs SIA (previously Enerģijas publiskais tirgotājs AS, which was reorganized on 31 March 2021). Mandatory procurement expenditures* are covered through an MPC charged to end users in Latvia. The MPC is determined on the basis of the actual costs in the preceding year and approved by the PUC.

As of 1 January 2021, the average MPC is reduced by 23%

On October 12, 2020, the CM adopted Order No. 595 *On the conceptual report "Complex measures for solving the problem of the mandatory procurement public service obligation fee and development of the electricity market"*. According to the Order, the average MPC is reduced by 23% – from 2.268 EUR / KWh to 1.751 EUR / KWh – starting from 1 January 2021. The reduction will be financed by a part of the dividends of Latvenergo AS.

The decrease in the average MPC of 23% impacted the decrease in MPC income by EUR 16.8 million. Meanwhile mandatory procurement expenditures decreased by EUR 27.4 million or 32% to EUR 57.1 million in the reporting period (in 1H 2020: EUR 84.4 million). The decrease in mandatory procurement expenditures was impacted by higher average electricity sales price at the Nord Pool exchange, as well as the decrease in the volume of purchased electricity. Mandatory procurement expenditures for cogeneration plants decreased by 30%, while for renewable energy sources they decreased by 34%.



Operating figures		1H 2021	1H 2020	Δ	Δ, %
Mandatory procurement component income	MEUR	57.1	73.9	(16.8)	(23%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	0.2	0.1	0.1	104%
Mandatory procurement expenditures*	MEUR	57.1	84.4	(27.4)	(32%)
<i>Incl. cogeneration</i>	MEUR	17.2	24.4	(7.2)	(30%)
<i>Incl. renewable energy resources</i>	MEUR	39.6	59.7	(20.1)	(34%)

* Mandatory procurement expenditures – costs of electricity purchased within the mandatory procurement and the guaranteed fee for electrical capacity installed at power plants minus revenues from the sale of electricity purchased on the Nord Pool exchange and plus income from support paid by producers and plus the costs of balancing mandatory procurement

In 1H 2021, Enerģijas publiskais tirgotājs SIA made payments from the state budget to energy-intensive manufacturing companies in the amount of EUR 0.2 million (1H 2020: EUR 0.1 million), thus reducing their MP payments. The decision on reduction of MP expenditures for energy-intensive manufacturing companies was made by the Ministry of Economics of the Republic of Latvia.



Distribution

Revenue
34%

EBITDA
39%

Assets
54%

Employees
56%

Segment weight in Latvenergo Group

The distribution segment is Latvenergo Group's largest segment by asset value. In 1H 2021, the segment's revenue increased by 3% compared to the respective period a year ago, reaching EUR 151.5 million. The segment's EBITDA increased by 14%, reaching EUR 56.3 million. Financial results were impacted by 2% higher distributed electricity due to colder weather and the reduction of operating costs, which was facilitated by the efficiency improvement programme.

Distribution revenue and EBITDA increased

Since 2017, Sadales tīkls AS has been implementing an efficiency programme, which comprises process reviews, decreasing the number of employees and transportation units, and optimizing the number of technical and support real estate bases. Within the framework of this programme, we are planning to reduce the number of employees at Sadales tīkls AS by around 880 in total by 2022. As of 30 June 2021, the number of employees at Sadales tīkls AS has been reduced by almost 820. At the end of the reporting period, the amount of smart electricity meters installed by the company comprised more than 930 thousand, which was more than 85% of the total number of electricity meters of customers of Sadales tīkls AS.

Operational figures		1H 2021	1H 2020	Δ	Δ, %
Electricity distributed	GWh	3,212	3,134	78	2%
Distribution losses	GWh	139	142	(3)	(2%)
SAIFI	number	1.0	1.2	(0.2)	(18%)
SAIDI	minutes	97	119	(22)	(19%)

Financial figures		1H 2021	1H 2020	Δ	Δ, %
Revenue	MEUR	151.5	147.4	4.1	3%
EBITDA	MEUR	56.3	49.3	6.9	14%
Assets	MEUR	1,786.4	1,676.9	109.5	7%
RAB	MEUR	1,571.6	1,462.5	109.1	7%
Investments	MEUR	42.2	42.2	0.1	0%

In 1H 2021, investments in distribution comprised EUR 42.2 million, which was at about the same level as in the respective period a year ago. The purpose of investments in the distribution segment is to promote the quality and security of the energy supply, reduce the frequency and duration of power supply disruptions caused by planned and unplanned maintenance, and ensure the appropriate voltage quality. Investments in modernization of distribution assets have increased the quality of distribution services by lowering SAIFI and SAIDI indicators. In 1H 2021, SAIFI was 1.0, while SAIDI was 97 minutes.

Completed in the first 6 months of 2021:

- Renewed a total of 840 km of power lines
- Installed 89.2 thousand smart electricity meters
- Power line routes cleared at a length of 2,347 km

Investments

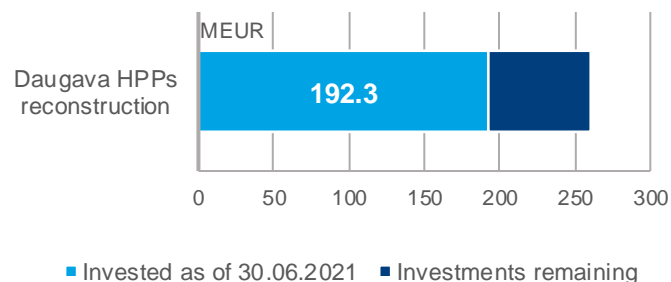
In 1H 2021, the total amount of investment comprised EUR 58.1 million, which was EUR 35 million or 38% less than in the respective period a year ago. The decrease in the amount of investment was determined by the unbundling of transmission system assets on 10 June 2020. Until the unbundling of transmission system assets, the investment made in transmission assets comprised EUR 28.9 million.

To ensure high-quality power network service, technical parameters and operational safety, a significant amount is invested in the modernization of the power distribution network. In the reporting period, the amount invested in power distribution network assets represented 73% of total investment.

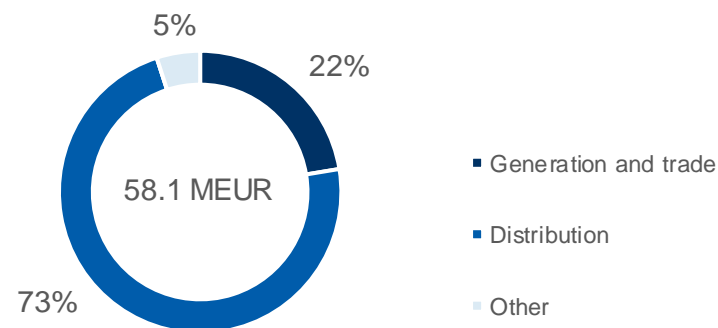
Investment in power distribution network assets – 3/4 of the total

Contributing to environmentally friendly projects, in 1H 2021, EUR 7.7 million was invested in the Daugava HPPs' hydropower unit reconstruction and by the end of the reporting period, work completed within the scope of the contract reached EUR 192.3 million. The hydropower unit reconstruction programme for the Daugava HPPs provides for the reconstruction of 11 hydropower units in order to ensure environmentally safe, sustainable and competitive operations and efficient water resource management. As of 30 June 2021, seven reconstructed hydropower units have been put into operation within the programme. Latvenergo Group is proceeding with a gradual overhaul of four Daugava HPPs' hydropower units. The total reconstruction costs will exceed EUR 250 million. Reconstruction will ensure functionality of the hydropower units for more than 40 years.

Main ongoing project



Investments, 1H 2020



Funding and Liquidity

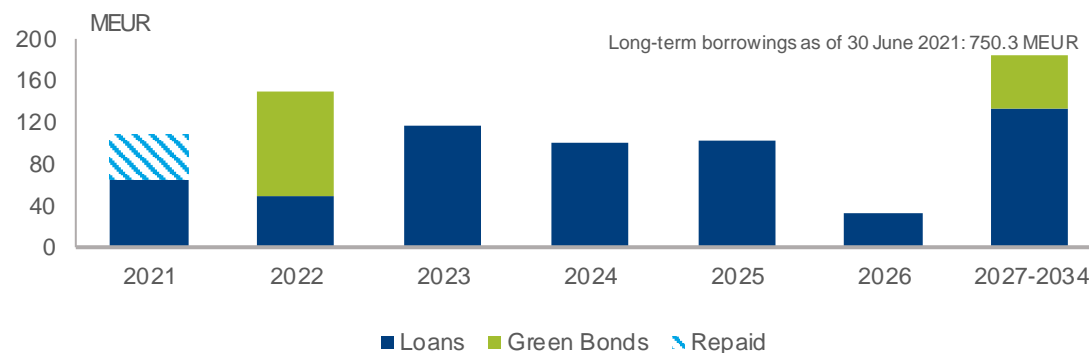
Latvenergo Group finances its investments from its own resources and external long-term borrowings, which are regularly sourced in financial and capital markets in a timely manner.

Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time.

Latvenergo AS issued 7-year green bonds in the amount of EUR 50 million

On 17 May 2021, Latvenergo AS issued seven-year green bonds with a total nominal value of EUR 50 million, a maturity date of 17 May 2028 and a fixed annual interest rate (coupon) of 0.5% (yield: 0.543%). The bonds were issued under the third Latvenergo AS EUR 200 million programme, and they are listed on Nasdaq Riga AS as of 18 May 2021. The bonds were issued in the format of green bonds, according to the Green Bond Framework of Latvenergo AS. The independent research centre CICERO Shades of Green has rated the updated Latvenergo AS Green Bond Framework as Dark Green (the highest category), indicating the compliance of the planned projects with long-term environmental protection and climate change mitigation objectives, as well as good governance and transparency.

Latvenergo Group's long-term debt repayment schedule



In June 2021, Latvenergo AS and Sadales tīkls AS received the Platinum category of the Sustainability Index. This assessment confirms that the companies promote excellent corporate governance and principles of transparency of information; operate efficiently, thoughtfully and sustainably; and care for employees, customers and the environment.

As of 30 June 2021, the Group's borrowings amount to EUR 750.3 million (30 June 2020: EUR 749.7 million) and comprise loans from commercial banks, international investment banks, and green bonds in the amount of EUR 150 million.

External funding sources are purposefully diversified in the long run, thus creating a balance between lender categories in the total loan portfolio.

As of 30 June 2021, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 4.1 years (30 June 2020: 4.3 years). The effective weighted average interest rate (with interest rate swaps) is 1.2% (30 June 2020: 1.4%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 2.7).

In the reporting period, all the binding financial covenants set in Latvenergo Group's loan agreements were met.

On 11 February 2021 *Moody's* completed a periodic review of the rating of Latvenergo AS. The credit rating Baa2 for Latvenergo AS has been stable for seven years in a row, confirming the consistency of operations and financial soundness of Latvenergo Group.

Financial Risk Management

The activities of Latvenergo Group are exposed to a variety of financial risks: market risks, credit risk, and liquidity and cash flow risk. Latvenergo Group's Financial Risk Management Policy focuses on eliminating the potential adverse effects from such risks on financial performance. In the framework of financial risk management, Latvenergo Group uses various financial risk controls and hedging to reduce certain risk exposures.

a) Market risks

I) Price risk

Price risk might negatively affect the financial results of the Group due to falling revenue from generation and a mismatch between floating market prices and fixed retail prices.

The main sources of Latvenergo Group's exposure to price risk are the floating market prices of electricity on the Nord Pool power exchange in Baltic bidding areas and the fuel price for CHPPs. The financial results of the Group may be negatively affected by the volatility of the electricity market price, which depends on the weather conditions in the Nordic countries, global prices of resources, and the influence of local factors (water availability and ambient air temperature) on electricity generation opportunities. Due to supply-demand factors and seasonal fluctuations, natural gas price volatility may have a negative effect on the difference between fixed retail electricity prices in contracts with customers and variable generation costs at CHPPs.

In order to hedge the price risk, the Group enters into long-term fixed price customer contracts, uses electricity financial derivatives and enters into fixed price contracts for natural gas supply. The impact of price risk on generation is hedged gradually – 80%–90% of projected electricity output is sold prior to the upcoming year. Further hedging of risk

is limited by the seasonal generation pattern of the Daugava HPPs.

II) Interest rate risk

Latvenergo Group's interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to the risk that finance costs might increase significantly when the reference rate surges. Most of the borrowings from financial institutions have a variable interest rate, comprising 6-month EURIBOR and a margin. The Group's Financial Risk Management Policy stipulates maintaining at least 35% of its borrowings as fixed interest rate borrowings (taking into account the effect of interest rate swaps and issued bonds) with a duration of 1–4 years. Taking into account the effect of interest rate swaps and bonds with a fixed interest rate, 42% of the long-term borrowings had a fixed interest rate with an average period of 1.8 years as of 30 June 2021.

III) Currency risk

Foreign currency exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency other than the functional currency.

As of 30 June 2021, all borrowings of Latvenergo Group are denominated in euros, and during the reporting year, there was no substantial exposure to foreign currency risk as regards the Group's investments.

To manage the Group's foreign currency exchange risk, the Financial Risk Management Policy envisages use of foreign exchange forward contracts.

b) Credit risk

Credit risk is managed at the Latvenergo Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, and receivables. Credit risk exposure of receivables is limited due to the large number of Group customers as there is no significant concentration of credit risk with any single counterparty or group of counterparties with similar characteristics.

Credit risk related to cash and short-term deposits with banks is managed by balancing the placement of financial assets in order to simultaneously choose the best offers and reduce the probability of incurrance of loss. No credit limits were exceeded during the reporting year, and the Group's management does not expect any losses due to the occurrence of credit risk.

c) Liquidity risk and cash flow risk

Latvenergo Group's liquidity and cash flow risk management policy is to maintain a sufficient amount of cash and cash equivalents and the availability of long and short-term funding through an adequate amount of committed credit facilities in order to meet existing and expected commitments and compensate for fluctuations in cash flows due to the occurrence of a variety of financial risks. On 30 June 2021, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 123.1 million (30 June 2020: EUR 67.0 million), while the current ratio was 1.1 (1.6).

The Group continuously monitors cash flow and liquidity forecasts, evaluating the total volume of undrawn borrowing facilities and cash and cash equivalents.

Latvenergo AS Key Performance Indicators

Latvenergo AS operational figures

		1H 2021	1H 2020	1H 2019
Electricity supply, incl.	GWh	2,932	2,916	2,709
<i>Retail electricity</i> ²⁾	GWh	2,060	2,115	2,132
<i>Wholesale electricity</i> ³⁾	GWh	871	801	577
Retail natural gas	GWh	389	198	138
Electricity generation	GWh	2,815	2,526	2,348
Thermal energy generation	GWh	1,099	847	999
Number of employees		1,280	1,275	1,343
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		1H 2021	1H 2020	1H 2019
Revenue	MEUR	232.9	204.2	224.0
EBITDA ¹⁾	MEUR	82.8	141.0	61.2
Profit	MEUR	72.0	142.8	81.9
Assets	MEUR	2,733.8	2,773.5	3,045.7
Equity	MEUR	1,714.1	1,746.0	1,906.5
Net debt (adjusted) ¹⁾ *	MEUR	580.4	588.9	565.8
Investments	MEUR	15.2	21.9	17.4

Latvenergo AS financial ratios

	1H 2021	1H 2020	1H 2019
Return on equity (ROE) ¹⁾	4.9%	8.9%	2.4%
Net debt / equity (adjusted) ¹⁾ *	34%	34%	30%
EBITDA margin ¹⁾	34%	46%	27%

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

1) Formulas are available on page 21

2) Including operating consumption

3) Including sale of energy purchased within the mandatory procurement on the Nord Pool

Statement of Management Responsibility

Based on the information available to the Management Board of Latvenergo AS, the *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-Month Period Ending 30 June 2021*, including the Management Report, have been prepared in accordance with the International Financial Reporting Standards and in all material aspects present a true and fair view of the assets, liabilities, financial position and profit and loss of Latvenergo Group and Latvenergo AS. Information provided in the Management Report is accurate.

The *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-Month Period Ending 30 June 2021* were approved by the Management Board of Latvenergo AS on 24 August 2021 and have been signed by Chairman of the Management Board Guntars Baļčūns as authorized person.

This document is signed with a secure digital signature and contains a time stamp

Guntars Baļčūns

24 August 2021

Chairman of the Management Board

Formulas

In order to ensure an objective and comparable presentation of the financial results, Latvenergo Group and Latvenergo AS use various financial figures and ratios that are derived from the financial statements.

Based on the most commonly used financial figures and ratios in the industry, the Latvenergo Group Strategy for 2017-2022, and the binding financial covenants set in the Group's loan agreements, Latvenergo Group has set and therefore uses the following financial figures and ratios:

- Profitability measures: EBITDA; EBITDA margin; return on assets (ROA); return on equity (ROE); return on capital employed (ROCE);
- Financial leverage measures: net debt; equity-to-asset ratio; net debt / EBITDA; net debt / equity; debt service coverage ratio;
- Liquidity measure: current ratio;
- Dividend policy measure: dividend pay-out ratio.

The financial ratios binding on loan agreements are: equity-to-asset ratio, net debt / EBITDA and debt service coverage ratio. Other ratios and financial figures, including net debt / EBITDA are the most commonly used ones in the industry.

The definitions and components of the financial figures and ratios are described below.

These financial figures and ratios have not changed since the previous period.

Formulas

Net debt (until 9 June 2020)=

(borrowings at the end of the period – LET borrowings) – (cash and cash equivalents at the end of the period – LET cash)

Net debt (as of 10 June 2020)=

borrowings at the end of the period - loans to AST - cash and cash equivalents at the end of the period

Net debt/EBITDA =

$$\frac{(\text{net debt at the beginning of the 12-month period} + \text{net debt at the end of the 12-month period}) \times 0.5}{\text{EBITDA (12-month rolling)}}$$

$$\text{EBITDA margin} = \frac{\text{EBITDA (12-month rolling)}}{\text{revenue (12-month rolling)}} \times 100\%$$

$$\text{Net debt/equity} = \frac{\text{net debt at the end of the reporting period}}{\text{equity at the end of the reporting period}} \times 100\%$$

$$\text{Return on assets} = \frac{\text{net profit (12-month rolling)}}{\text{average value of assets}} \times 100\%$$

$$\text{Average value of assets} = \frac{\text{assets at the beginning of the 12-month period} + \text{assets at the end of the 12-month period}}{2}$$

$$\text{Return on equity} = \frac{\text{net profit (12-month rolling)}}{\text{average value of equity}} \times 100\%$$

$$\text{Average value of equity} = \frac{\text{equity at the beginning of the 12-month period} + \text{equity at the end of the 12-month period}}{2}$$

$$\text{Return on capital employed} = \frac{\text{operating profit of the 12-month period}}{\text{average value of equity} + \text{average value of borrowings (without LET)}} \times 100\%$$

Average value of borrowings =

$$\frac{\text{borrowings from FI at the beginning of the 12-month period} + \text{borrowings from FI at the end of the 12-month period}}{2}$$

$$\text{Debt service coverage ratio} = \frac{\text{net income +/- extraordinary items} + \text{depreciation} + \text{interest expense}}{\text{principal payments} + \text{interest payments}}$$

$$\text{Current ratio} = \frac{\text{current assets at the end of the reporting period}}{\text{current liabilities at the end of the reporting period}}$$

$$\text{Return on segment assets} = \frac{\text{operating profit of the segment (12-month rolling)}}{\text{average value of segment assets}} \times 100\%$$

$$\text{Equity-to-asset ratio} = \frac{\text{total equity at the end of the reporting period}}{\text{total assets at the end of the reporting period}} \times 100\%$$

$$\text{Dividend pay-out ratio} = \frac{\text{dividends paid in the reporting year}}{\text{profit of the parent company in the previous reporting year}} \times 100\%$$

List of Abbreviations

Abbreviations

AST –	Augstsprieguma tīkls AS
bbl –	barrel of oil (158.99 litres)
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
CHPPs –	Latvenergo AS combined heat and power plants
GASPOOL –	the German natural gas virtual trading point
kV –	kilovolt
LEGMC –	Latvian Environment, Geology and Meteorology Centre
LET –	Latvijas elektriskie tīkli AS
MEUR –	million euros
MW –	megawatt
MWh –	megawatt hour (1,000,000 MWh = 1,000 GWh = 1 TWh)
MP –	mandatory procurement
MPC –	mandatory procurement component
nm ³ –	normal cubic meter
OECD –	The Organisation for Economic Co-operation and Development
PUC –	Public Utilities Commission
RAB –	Regulated asset base
SAIDI –	System Average Interruption Duration Index
SAIFI –	System Average Interruption Frequency Index
SET –	Subsidised Energy Tax
TTF –	the Dutch natural gas virtual trading point
WACC –	Weighted average cost of capital
WPP –	Wind power plant

Unaudited Condensed Interim Financial Statements

Statement of Profit or Loss

		EUR'000			
		Group		Parent Company	
	Notes	01/01- 30/06/2021	01/01- 30/06/2020	01/01- 30/06/2021	01/01- 30/06/2020
Revenue	4	448,052	393,338	232,861	204,240
Other income		13,600	14,071	13,504	49,400
Raw materials and consumables	5	(237,486)	(163,309)	(124,475)	(71,050)
Personnel expenses		(56,915)	(56,373)	(23,986)	(24,144)
Other operating expenses		(22,130)	(25,862)	(15,072)	(17,483)
EBITDA		145,121	161,865	82,832	140,963
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	7, 8	(83,448)	(79,206)	(37,072)	(40,536)
Operating profit		61,673	82,659	45,760	100,427
Finance income	6 a	1,403	797	6,021	6,677
Finance costs	6 b	(4,695)	(5,672)	(4,783)	(6,095)
Dividends from subsidiaries		–	–	24,978	41,743
Profit before tax		58,381	77,784	71,976	142,752
Income tax		(1,268)	(800)	–	–
Profit for the period from continuing operations		57,113	76,984	71,976	142,752
Profit for the period from discontinued operation		–	9,843	–	–
Profit for the period		57,113	86,827	71,976	142,752
Profit attributable to:					
– Equity holder of the Parent Company		56,012	85,367	71,976	142,752
– Non-controlling interests		1,101	1,460	–	–

Statement of Comprehensive Income

		EUR'000			
		Group		Parent Company	
	Notes	01/01- 30/06/2021	01/01- 30/06/2020	01/01- 30/06/2021	01/01- 30/06/2020
Profit for the period		57,113	86,827	71,976	142,752
<i>Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:</i>					
– (losses) / gains from change in hedge reserve	13	(6,068)	3,693	(6,068)	3,693
Other comprehensive (loss) / income for the period		(6,068)	3,693	(6,068)	3,693
TOTAL comprehensive income for the period		51,045	90,520	65,908	146,445
Comprehensive income attributable to:					
– Equity holder of the Parent Company		49,944	89,060	65,908	146,445
– Non-controlling interests		1,101	1,460	–	–

Statement of Financial Position

EUR'000

	Notes	Group		Parent Company	
		30/06/2021	31/12/2020	30/06/2021	31/12/2020
ASSETS					
Non-current assets					
Intangible assets and property, plant and equipment	7 a, b	2,849,194	2,877,354	1,066,174	1,087,763
Righ-of-use assets	8	7,348	8,253	3,987	4,486
Investment property	7 c	2,037	512	3,037	3,334
Non-current financial investments	9	40	40	645,218	645,218
Non-current loans to related parties	19 e	39,974	86,620	527,022	563,783
Other non-current receivables	11 c	2,520	429	417	417
Derivative financial instruments	16	507	291	507	291
Other financial investments	14	2,683	2,693	2,683	2,693
Total non-current assets		2,904,303	2,976,192	2,249,045	2,307,985
Current assets					
Inventories	10	68,363	68,754	51,863	50,471
Current intangible assets	7 a	12,215	3,157	12,215	3,157
Receivables from contracts with customers	11 a	97,559	108,178	64,315	75,856
Other current receivables	11 b, c	89,861	85,316	34,741	29,610
Deferred expenses		2,711	1,083	1,755	960
Current loans to related parties	19 e	–	–	198,694	178,446
Prepayment for income tax		–	43	–	–
Derivative financial instruments	16	1,549	1,266	1,549	1,266
Other financial investments	14	–	14,143	–	14,143
Cash and cash equivalents	12	123,095	100,703	119,647	98,261
Total current assets		395,353	382,643	484,779	452,170
TOTAL ASSETS		3,299,656	3,358,835	2,733,824	2,760,155
EQUITY AND LIABILITIES					
Equity					
Share capital		790,368	790,348	790,368	790,348
Reserves		1,141,543	1,154,367	756,333	766,115
Retained earnings		130,194	165,672	167,417	189,973
Equity attributable to equity holder of the Parent Company		2,062,105	2,110,387	1,714,118	1,746,436
Non-controlling interests		6,448	7,855	–	–
Total equity		2,068,553	2,118,242	1,714,118	1,746,436
Liabilities					
Non-current liabilities					
Borrowings	15	560,011	634,077	552,002	626,408
Lease liabilities	8	5,921	6,783	3,265	3,734
Deferred income tax liabilities		739	6,401	–	–
Provisions		17,029	17,317	8,327	8,402
Derivative financial instruments	16	4,423	9,672	4,423	9,672
Deferred income from contracts with customers	18 I, a	137,037	139,613	835	863
Other deferred income	18 I, b, c	158,060	170,413	151,509	163,480
Total non-current liabilities		883,220	984,276	720,361	812,559
Current liabilities					
Borrowings	15	190,280	109,122	188,034	106,984
Lease liabilities	8	1,516	1,561	786	806
Trade and other payables		93,240	100,912	62,962	63,704
Deferred income from contracts with customers	18 II, a	14,585	15,091	66	813
Other deferred income	18 II, b, c	25,121	24,799	24,356	24,021
Derivative financial instruments	16	23,141	4,832	23,141	4,832
Total current liabilities		347,883	256,317	299,345	201,160
Total liabilities		1,231,103	1,240,593	1,019,706	1,013,719
TOTAL EQUITY AND LIABILITIES		3,299,656	3,358,835	2,733,824	2,760,155

Statement of Changes in Equity

EUR'000

	Group							Parent Company			
	Attributable to equity holder of the Parent Company							Attributable to equity holder of the Parent Company			
	Share capital	Reserves	Retained earnings	Reserves classified as held for distribution	TOTAL	Non-controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
As of 31 December 2019	834,883	1,075,235	318,555	28,936	2,257,609	7,878	2,265,487	834,883	778,162	336,242	1,949,287
Decrease of share capital	(222,678)	–	–	–	(222,678)	–	(222,678)	(222,678)	–	–	(222,678)
Dividends paid	–	–	(127,071)	–	(127,071)	(1,819)	(128,890)	–	–	(127,071)	(127,071)
Disposal of non-current assets revaluation reserve	–	(5,791)	5,791	–	–	–	–	–	(4,096)	4,096	–
Discontinued operations	–	–	28,936	(28,936)	–	–	–	–	–	–	–
Total transactions with owners and other changes in equity	(222,678)	(5,791)	(92,344)	(28,936)	(349,749)	(1,819)	(351,568)	(222,678)	(4,096)	(122,975)	(349,749)
Profit for the period	–	–	85,367	–	85,367	1,460	86,827	–	–	142,752	142,752
Other comprehensive income for the period	–	3,693	–	–	3,693	–	3,693	–	3,693	–	3,693
Total comprehensive income for the period	–	3,693	85,367	–	89,060	1,460	90,520	–	3,693	142,752	146,445
As of 30 June 2020	612,205	1,073,137	311,578	–	1,996,920	7,519	2,004,439	612,205	777,759	356,019	1,745,983
Increase of share capital	178,143	–	(178,143)	–	–	–	–	178,143	–	(178,143)	–
Disposal of non-current assets revaluation reserve	–	(3,091)	3,091	–	–	–	–	–	–	–	–
Total transactions with owners and other changes in equity	178,143	(3,091)	(175,052)	–	–	–	–	178,143	–	(178,143)	–
Profit for the period	–	–	29,146	–	29,146	336	29,482	–	–	12,096	12,096
Other comprehensive income / (loss) for the period	–	84,321	–	–	84,321	–	84,321	–	(11,643)	–	(11,643)
Total comprehensive income / (loss) for the period	–	84,321	29,146	–	113,467	336	113,803	–	(11,643)	12,096	453
As of 31 December 2020	790,348	1,154,367	165,672	–	2,110,387	7,855	2,118,242	790,348	766,115	189,973	1,746,436
Increase of share capital	20	–	–	–	20	–	20	20	–	–	20
Dividends paid	–	–	(98,246)	–	(98,246)	(2,508)	(100,754)	–	–	(98,246)	(98,246)
Disposal of non-current assets revaluation reserve	–	(6,756)	6,756	–	–	–	–	–	(3,714)	3,714	–
Total transactions with owners and other changes in equity	20	(6,756)	(91,490)	–	(98,226)	(2,508)	(100,734)	20	(3,714)	(94,532)	(98,226)
Profit for the period	–	–	56,012	–	56,012	1,101	57,113	–	–	71,976	71,976
Other comprehensive loss for the period	–	(6,068)	–	–	(6,068)	–	(6,068)	–	(6,068)	–	(6,068)
Total comprehensive (loss) / income for the period	–	(6,068)	56,012	–	49,944	1,101	51,045	–	(6,068)	71,976	65,908
As of 31 June 2021	790,368	1,141,543	130,194	–	2,062,105	6,448	2,068,553	790,368	756,333	167,417	1,714,118

Statement of Cash Flows

EUR'000

	Notes	Group		Parent Company	
		01/01-30/06/2021	01/01-30/06/2020	01/01-30/06/2021	01/01-30/06/2020
Cash flows from operating activities					
Profit before tax		58,381	77,784	71,976	142,752
Profit before tax from discontinued operation		–	9,946	–	–
Profit before tax, total		58,381	87,730	71,976	142,752
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	54,370	47,438
- Net financial adjustments		9,883	3,916	5,394	(1,494)
- Other adjustments		(731)	320	(54)	34
- Dividends from subsidiaries		–	–	(24,978)	(41,743)
- Gain from distribution of assets / non-current financial investment of Parent Company		–	(5,001)	–	(36,246)
Operating profit before working capital adjustments		170,015	186,561	106,708	110,741
Decrease / (increase) in current assets		1,925	(3,068)	30,230	87,136
(Decrease) / increase in trade and other liabilities		(18,449)	3,310	(12,859)	(19,348)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	117,678	76,491
Cash generated from operating activities		153,491	186,803	241,757	255,020
Interest paid		(5,671)	(7,064)	(5,791)	(7,524)
Interest received		1,927	1,183	1,927	966
Paid corporate income tax		(6,852)	(10,726)	–	–
Net cash flows from operating activities		142,895	170,196	237,893	248,462
Cash flows from investing activities					
Loans issued to subsidiaries, net	19	–	–	(147,778)	(167,560)
Repayment of loans to related parties	19	46,672	138,560	46,672	138,560
Purchase of intangible assets and property, plant and equipment		(88,619)	(104,320)	(42,124)	(30,851)
Dividends received from subsidiaries		–	–	2,927	12,426
Proceeds from redemption of other financial investments		14,153	25	14,153	25
Net cash flows used in investing activities		(27,794)	34,265	(126,150)	(47,400)
Cash flows from financing activities					
Repayment of issued debt securities (bonds)	15	–	(35,000)	–	(35,000)
Proceeds from issued debt securities (bonds)	15	50,000	–	50,000	–
Proceeds on borrowings from financial institutions	15	1,500	3,500	–	–
Repayment of borrowings	15	(43,214)	(99,877)	(42,165)	(96,526)
Received financing from European Union		207	570	207	570
Lease payments		(448)	(494)	(153)	(18)
Dividends paid to non-controlling interests		(2,508)	(1,819)	–	–
Dividends paid to equity holder of the Parent Company		(98,246)	(127,071)	(98,246)	(127,071)
Net cash flows used in financing activities		(92,709)	(260,191)	(90,357)	(258,045)
Net increase / (decrease) in cash and cash equivalents		22,392	(55,730)	21,386	(56,983)
Cash and cash equivalents at the beginning of the period	12	100,703	122,722	98,261	121,261
Cash and cash equivalents at the end of the period	12	123,095	66,992	119,647	64,278

Notes to the Financial Statements

1. Corporate information

All shares of public limited company Latvenergo, parent company of Latvenergo Group (hereinafter – Latvenergo AS or the Parent Company) are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia. The registered address of Latvenergo AS is 12 Pulkveža Brieža Street, Riga, Latvia, LV-1230. According to the Energy Law of the Republic of Latvia, Latvenergo AS is designated as a national economy object of State importance and, therefore, is not subject to privatisation.

Latvenergo AS is power supply utility engaged in electricity and thermal energy generation, as well as sales of electricity and natural gas. Latvenergo AS is one of the largest corporate entities in the Baltics.

Latvenergo AS heads the Latvenergo Group (hereinafter – the Group) that includes the following subsidiaries:

- Sadales tīkls AS (since 18 September 2006) with 100% interest held;
- Elektrum Eesti OÜ (since 27 June 2007) and its subsidiary Elektrum Latvija SIA (since 18 September 2012) with 100% interest held;
- Elektrum Lietuva, UAB (since 7 January 2008) with 100% interest held;
- Enerģijas publiskais tirgotājs SIA (since 31 March 2021; previously, since 25 February 2014, before reorganisation - Enerģijas publiskais tirgotājs AS) with 100% interest held;
- Liepājas enerģija SIA (since 6 July 2005) with 51% interest held.

From 10 February 2011 till 10 June 2020 the Group included Latvijas elektriskie tīkli AS with 100% interest held in the company.

Latvenergo AS and its subsidiaries Sadales tīkls AS and Enerģijas publiskais tirgotājs SIA are also shareholders with 48.15% interest held in company Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS holds 46.30% of interest) that manages a defined-contribution corporate pension plan in Latvia.

Latvenergo AS shareholding in subsidiaries and other non-current financial investments are disclosed in Note 9.

Since 6 November 2020 the Management Board of Latvenergo AS was comprised of the following members: Guntars Baļčūns (Chairman of the Board), Kaspars Cikmačs and Arnis Kurgs. On 1 February 2021, Uldis Mucinieks was elected as Member of the Management Board and since 1 February 2021 the Management Board of Latvenergo AS was comprised of the following members: Guntars Baļčūns (Chairman of the Board), Kaspars Cikmačs, Arnis Kurgs and Uldis Mucinieks.

Since 11 June 2020 the Supervisory Board of Latvenergo AS was comprised of the following members: Ivars Golsts (Chairman), Kaspars Rokens (Deputy Chairman), Toms Siliņš, Aigars Laizāns and Gundars Ruža.

The Supervisory body – Audit Committee:

Since 20 November 2020 Audit Committee was comprised of the following members: Torbens Pedersens (*Torben Pedersen*), Svens Dinsdorfs, Toms Siliņš and Gundars Ruža;

Since 3 February 2021 Audit Committee was comprised of the following members: Torbens Pedersens (*Torben Pedersen*), Svens Dinsdorfs, Ilvija Grūba, Toms Siliņš and Gundars Ruža.

Latvenergo Group Consolidated and Latvenergo AS Annual Report 2020 has been approved on 12 May 2021 by the Latvenergo AS Shareholder's meeting (see on Latvenergo AS web page section "Investors": <http://www.latvenergo.lv/eng/investors/reports/>).

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-month period ending on 30 June 2021 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the period starting on 1 January 2021 and ending on 30 June 2021 and comparative information for the period of 2020 starting on 1 January 2020 and ending on 30 June 2020.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-month period ending on 30 June 2021 were authorised by the Latvenergo AS Management Board on 24 August 2021.

2. Significant accounting policies

These Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union (IFRS) and principal accounting policies applied to these financial statements were identical to those used in the Latvenergo Group Consolidated and Latvenergo AS Financial Statements of 2020. These policies have been consistently applied to all reporting periods presented in financial statements, unless otherwise stated. Where it is necessary, comparatives are reclassified.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements are prepared under the historical cost convention, except for some financial assets and liabilities (including derivative financial instruments and non-current financial investments) measured at fair value and certain property, plant and equipment

carried at revalued amounts as disclosed in accounting policies presented in Latvenergo Group Consolidated and Latvenergo AS Annual Report 2020.

Unaudited Condensed Financial Statements had been prepared in euros (EUR) currency and all amounts except non-monetary items shown in these Financial Statements are presented in thousands of EUR (EUR'000). All figures, unless stated otherwise are rounded to the nearest thousand.

Certain monetary amounts, percentages and other figures are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent.

3. Operating segment information

Operating segments of the Group and the Parent Company

For segment reporting purposes, the division into operating segments is based on internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the operating segment decision maker – management of the Group's company operating in each of segments. The Management Board of the Parent Company reviews financial results of operating segments.

The profit measure monitored by the chief operating decision maker primarily is EBITDA, but it also monitors operating profit. In separate financial statements operating profit excludes the dividend income and interest income from subsidiaries. The subsidiaries operate independently from the Parent Company under the requirements of EU and Latvian legislation and their businesses are different from that of the Parent Company. Therefore, the Parent Company's chief operating decision maker monitors the performance of the Parent Company and makes decisions regarding allocation of resources based on the operating results of the Parent Company.

Since 10 June 2020 the Group divides its operations into two main operating segments – generation and trade, and distribution. The Parent Company divides its operations into one main operating segment – generation and trade.

In addition, corporate functions, that cover administration and other support services, are presented in the Group and the Parent Company as separate segment.

Corporate functions provide management services to subsidiaries as well as provides IT and telecommunication, rental services to external customers.

Generation and trade comprises the Group's electricity and thermal energy generation operations, which are organised into the legal entities: Latvenergo AS and Liepājas enerģija SIA; electricity and natural gas trade (including electricity and natural gas wholesale) in the Baltics carried out by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB, as well as administration of the mandatory procurement process provided by Enerģijas publiskais tirgotājs SIA.

The operations of the **distribution** operating segment relate to the provision of electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia).

The operations of the **lease of transmission system (till 10 June 2020)** assets operating segment was managed by Latvijas elektriskie tīkli AS – the owner of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points), which provides financing of investments in these assets. In the financial statements this operating segment is classified as discontinued operation.

The following table presents revenue, financial results and profit information and segment assets and liabilities of the Group's and the Parent Company's operating segments. Inter-segment revenue is eliminated on consolidation and reflected in the

'adjustments and eliminations' column. All transactions between segments are made based on the regulated tariffs, where applicable, or on an arm's length principle.

EUR'000

	Group							Parent Company				
	Generation and trade	Distribution	Lease of transmission system assets*	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Parent Company
Period: 01/01–30/06/2021												
Revenue												
External customers	293,297	150,958	–	3,797	448,052	–	448,052	217,487	15,374	232,861	–	232,861
Inter-segment	358	510	–	23,672	24,540	(24,540)	–	357	12,883	13,240	(13,240)	–
TOTAL revenue	293,655	151,468	–	27,469	472,592	(24,540)	448,052	217,844	28,257	246,101	(13,240)	232,861
Results												
EBITDA	82,584	56,267	–	6,270	145,121	–	145,121	75,197	7,635	82,832	–	82,832
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(33,029)	(44,900)	–	(5,519)	(83,448)	–	(83,448)	(31,437)	(5,635)	(37,072)	–	(37,072)
Segment profit before tax	49,555	11,367	–	751	61,673	(3,292)	58,381	43,760	2,000	45,760	26,216	71,976
Capital expenditure	13,021	42,233	–	2,895	58,149	–	58,149	12,320	2,916	15,236	–	15,236
Period: 01/01–30/06/2020												
Revenue												
External customers	243,217	146,651	15,967	3,470	409,305	–	409,305	188,293	15,947	204,240	–	204,240
Inter-segment	525	705	1,594	23,533	26,357	(26,357)	–	237	12,537	12,774	(12,774)	–
TOTAL revenue	243,742	147,356	17,561	27,003	435,662	(26,357)	409,305	188,530	28,484	217,014	(12,774)	204,240
Results												
EBITDA	106,251	49,345	16,554	6,269	178,419	–	178,419	98,467	42,496	140,963	–	140,963
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(36,348)	(37,326)	(11,602)	(5,532)	(90,808)	–	(90,808)	(34,655)	(5,881)	(40,536)	–	(40,536)
Segment profit before tax	69,903	12,019	4,952	737	87,611	(4,875)	82,736	63,812	36,615	100,427	42,325	142,752
Capital expenditure	17,030	42,164	28,879	5,162	93,235	(75)	93,160	16,721	5,162	21,883	–	21,883

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation

Segment assets

EUR'000

	Group						Parent Company				
	Generation and trade	Distribution	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Company
As of 30 June 2021	1,253,167	1,786,416	94,281	3,133,864	165,792	3,299,656	1,119,275	121,285	1,240,560	1,493,264	2,733,824
As of 31 December 2020	1,263,651	1,795,034	95,907	3,154,592	204,243	3,358,835	1,131,977	125,634	1,257,611	1,502,544	2,760,155

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation

The Group's and the Parent Company's revenue from external customers

EUR'000

	Group					Parent Company				
	Generation and trade	Distribution	Lease of transmission system assets*	Corporate Functions	TOTAL segments	TOTAL Group	Generation and trade	Corporate Functions	TOTAL segments	TOTAL Parent Company
Period: 01/01–30/06/2021										
Revenue from contracts with customers recognised over time:										
Trade of energy and related supply services	252,925	1,560	–	–	254,485	254,485	185,271	–	185,271	185,271
Distribution system services	–	141,046	–	–	141,046	141,046	–	–	–	–
Heat sales	39,457	48	–	10	39,515	39,515	31,735	10	31,745	31,745
Other revenue	915	8,267	–	2,817	11,999	11,999	481	13,646	14,127	14,127
Total revenue from contracts with customers	293,297	150,921	–	2,827	447,045	447,045	217,487	13,656	231,143	231,143
Other revenue:										
Lease of transmission system assets	–	–	–	–	–	–	–	–	–	–
Lease of other assets	–	37	–	970	1,007	1,007	–	1,718	1,718	1,718
Other revenue	–	–	–	–	–	–	–	–	–	–
Total other revenue	–	37	–	970	1,007	1,007	–	1,718	1,718	1,718
Period: 01/01–30/06/2020										
Revenue from contracts with customers recognised over time:										
Trade of energy and related supply services	209,138	1,443	–	–	210,581	210,581	162,068	–	162,068	162,068
Distribution system services	–	137,099	–	–	137,099	137,099	–	–	–	–
Heat sales	31,860	41	–	8	31,909	31,909	25,613	8	25,621	25,621
Other revenue	2,219	8,020	–	2,837	13,076	13,076	612	13,885	14,497	14,497
Total revenue from contracts with customers	243,217	146,603	–	2,845	392,665	392,665	188,293	13,893	202,186	202,186
Other revenue:										
Lease of transmission system assets	–	–	15,631	–	15,631	15,631	–	–	–	–
Lease of other assets	–	48	–	625	673	673	–	2,054	2,054	2,054
Other revenue	–	–	336	–	336	336	–	–	–	–
Total other revenue	–	48	15,967	625	16,640	16,640	–	2,054	2,054	2,054

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets, financial instruments and deferred taxes are not allocated to individual segments as the underlying instruments are managed on a group basis. Taxes and certain financial assets and liabilities, including loans and borrowings are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Reconciliation of profit before tax

	EUR'000			
	Group		Parent Company	
	01/01-30/06/2021	01/01-30/06/2020	01/01-30/06/2021	01/01-30/06/2020
EBITDA	145,121	178,419	82,832	140,963
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(83,448)	(90,808)	(37,072)	(40,536)
Segment profit before tax	61,673	87,611	45,760	100,427
Finance income	1,403	797	6,021	6,677
Finance costs	(4,695)	(5,672)	(4,783)	(6,095)
Dividends received from subsidiaries	–	–	24,978	41,743
Profit before tax	58,381	82,736	71,976	142,752

Reconciliation of assets

	EUR'000			
	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Segment operating assets	3,133,864	3,154,592	1,240,560	1,257,611
Non-current financial investments	40	40	645,218	645,218
Loans to related parties	39,974	86,620	725,716	742,229
Other financial investments	2,683	16,836	2,683	16,836
Prepayment for income and other taxes	–	44	–	–
Cash and cash equivalents	123,095	100,703	119,647	98,261
TOTAL assets	3,299,656	3,358,835	2,733,824	2,760,155

4. Revenue

		EUR'000			
	IFRS or IAS applied	Group		Parent Company	
		01/01-30/06/2021	01/01-30/06/2020	01/01-30/06/2021	01/01-30/06/2020
Revenue from contracts with customers recognised over time:					
Trade of energy and related supply services	15. SFPS	254,485	210,581	185,271	162,068
Distribution system services	15. SFPS	141,046	137,099	–	–
Heat sales	15. SFPS	39,515	31,909	31,745	25,621
Other revenue	15. SFPS	11,999	13,076	14,127	14,497
Total revenue from contracts with customers		447,045	392,665	231,143	202,186
Other revenue:					
Lease of other assets	16. SFPS	1,007	673	1,718	2,054
Total other revenue		1,007	673	1,718	2,054
TOTAL revenue		448,052	393,338	232,861	204,240

Gross amounts invoiced to customers by applying agent accounting principle, recognised on net basis under trade of energy and related supply services:

		EUR'000			
		Group		Parent Company	
		01/01-30/06/2021	01/01-30/06/2020	01/01-30/06/2021	01/01-30/06/2020
Mandatory procurement PSO fees		31,967	42,418	33,242	43,978
Distribution system services		12,101	6,336	92,250	92,227
Transmission system services		854	747	866	771
TOTAL revenue recognised applying agent accounting principle		44,922	49,501	126,358	136,976

Net effect in revenue from applying agent accounting principle is 0.

5. Raw materials and consumables

		EUR'000			
		Group		Parent Company	
		01/01-30/06/2021	01/01-30/06/2020	01/01-30/06/2021	01/01-30/06/2020
Energy costs					
Electricity and costs of related supply services		99,800	57,321	31,247	11,605
Gains on fair value changes on electricity forwards and futures (Note 16 II)		(605)	(293)	(605)	(293)
Electricity transmission services costs		36,964	35,253	1,622	442
Natural gas and other energy resources costs		83,709	58,254	79,284	54,476
Losses / (gains) on fair value changes on natural gas forwards (Note 16 III)		7,265	(409)	7,265	(409)
		227,133	150,126	118,813	65,821
Raw materials, spare parts and maintenance costs		10,353	13,183	5,662	5,229
TOTAL raw materials and consumables		237,486	163,309	124,475	71,050

6. Finance income and costs

EUR'000

	Group		Parent Company	
	01/01-30/06/2021	01/01-30/06/2020	01/01-30/06/2021	01/01-30/06/2020
a) Finance income:				
Interest income	157	766	157	547
Interest income on loans to related parties	990	–	5,608	6,099
Gains on fair value changes on interest rate swaps (Note 16 I)	167	–	167	–
Net gain on issued debt securities (bonds)	59	31	59	31
Net gain on currency exchange rate fluctuations	30	–	30	–
TOTAL finance income	1,403	797	6,021	6,677
b) Finance costs:				
Interest expense on borrowings	3,687	4,276	3,811	4,733
Interest expense on issued debt securities (bonds)	959	1,302	959	1,302
Interest expense on assets lease	59	42	32	33
Capitalised borrowing costs	(169)	(226)	(169)	(226)
Net losses on redemption of other financial investments	12	25	12	25
Net losses on currency exchange rate fluctuations	–	17	–	17
Other finance costs	147	236	138	211
TOTAL finance costs	4,695	5,672	4,783	6,095

7. Intangible assets and property, plant and equipment

a) Intangible assets

EUR'000

	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
Non-current intangible assets						
Cost	111,105	64,166	64,166	60,591	69,436	69,436
Accumulated amortisation	(61,077)	(41,579)	(41,579)	(44,398)	(43,325)	(43,325)
Net book amount at the beginning of the period	50,028	22,587	22,587	16,193	26,111	26,111
Additions	1,547	2,327	14,352	1,499	1,855	13,816
Disposals	–	(6,980)	(17,414)	–	(6,965)	(17,414)
Impairment charge	–	–	(81)	–	–	(81)
Amortisation charge	(2,900)	(1,163)	(4,581)	(1,542)	(1,025)	(3,082)
Reclassified to current intangible assets	–	–	(3,157)	–	–	(3,157)
Recognised usage rights after distribution of discontinued operation*	–	38,322	38,322	–	–	–
Closing net book amount at the end of the period	48,675	55,093	50,028	16,150	19,976	16,193
Cost	112,642	121,701	111,105	62,081	71,249	60,591
Accumulated amortisation	(63,967)	(66,608)	(61,077)	(45,931)	(51,273)	(44,398)
Closing net book amount at the end of the period	48,675	55,093	50,028	16,150	19,976	16,193
Current intangible assets						
Net book amount at the beginning of the period	3,157	–	–	3,157	–	–
Disposals	26,740	–	–	26,740	–	–
	(17,682)	–	–	(17,682)	–	–
Reclassified from non-current intangible assets	–	–	3,157	–	–	3,157
Closing net book amount at the end of the period	12,215	–	3,157	12,215	–	3,157

* Until 10 June 2020, Latvijas elektriskie tīkli AS was a Latvenergo Group's company, that ensured the construction of connections to the transmission network and recognised usage rights for connection to transmission system network within the Group was excluded in consolidation process.

b) Property, plant and equipment

EUR'000

	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
Cost or revalued amount	6,373,740	6,323,235	6,323,235	3,177,841	3,186,045	3,186,045
Accumulated depreciation and impairment	(3,546,414)	(3,570,290)	(3,570,290)	(2,106,271)	(2,077,044)	(2,077,044)
Net book amount at the beginning of the period	2,827,326	2,752,945	2,752,945	1,071,570	1,109,001	1,109,001
Additions	56,602	90,833	164,051	13,736	20,029	46,730
Reclassified (to) / from investment properties	(1,665)	(7)	(477)	128	2,874	2,427
Reclassified to non-current assets held for sale	–	(11)	(43)	–	(11)	–
Disposals	(1,989)	(2,716)	(6,401)	(312)	(3,878)	(4,443)
Increase in value of assets as a result of revaluation	–	–	96,264	–	–	–
Reversal of impairment charge as a result of revaluation	–	–	8,660	–	–	–
(Recognised) / reversed impairment charge	(73)	13	(7,129)	–	–	(7,116)
Depreciation	(79,682)	(88,696)	(163,557)	(35,098)	(38,989)	(75,029)
Changes in value of assets attributable to the discontinued operation*	–	(16,987)	(16,987)	–	–	–
Closing net book amount at the end of the period	2,800,519	2,735,374	2,827,326	1,050,024	1,089,026	1,071,570
Cost or revalued amount	6,381,999	6,320,154	6,373,740	3,163,926	3,167,475	3,177,841
Accumulated depreciation and impairment	(3,581,480)	(3,584,780)	(3,546,414)	(2,113,902)	(2,078,449)	(2,106,271)
Closing net book amount at the end of the period	2,800,519	2,735,374	2,827,326	1,050,024	1,089,026	1,071,570

* Until 10 June 2020, Latvijas elektriskie tīkli AS was a Latvenergo Group's company, that was the owner of the transmission system assets and ensured the construction of the transmission network. Changes in value of assets include additions, disposals and depreciation of property, plant and equipment.

c) Investment property

EUR'000

	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
Cost or revalued amount	1,455	910	910	5,432	65,253	65,253
Accumulated depreciation and impairment	(943)	(609)	(609)	(2,098)	(25,818)	(25,818)
Net book amount at the beginning of the year	512	301	301	3,334	39,435	39,435
Reclassified to investment property held for capital appreciation	–	–	477	–	–	477
Reclassified from property, plant and equipment to investment property	1,665	7	–	–	–	–
Reclassified to property, plant and equipment	–	–	–	(128)	(2,874)	(2,904)
Disposal	(5)	(1)	(6)	(5)	(25)	(30)
Investment in the share capital of other company	–	–	–	–	(32,333)	(32,333)
Sold	(135)	(7)	(263)	(133)	(846)	(1,097)
Impairment charge	–	–	3	–	–	3
Depreciation	–	–	–	(31)	(176)	(217)
Closing net book amount at the end of the period	2,037	300	512	3,037	3,181	3,334
Cost or revalued amount	2,539	816	1,455	4,437	4,878	5,432
Accumulated depreciation and impairment	(502)	(516)	(943)	(1,400)	(1,697)	(2,098)
Closing net book amount at the end of the period	2,037	300	512	3,037	3,181	3,334

Property, plant and equipment revaluation

The revaluation of the distribution system assets was performed in two stages, and the result is recognised in the Financial statements of 2020. As a result, the carrying amount of assets was increased by EUR 104,924 thousand, of which EUR 96,264 thousand was recognised in non-current assets revaluation reserve in equity, while impairment in the amount of EUR 8,660 thousand was recognised in the Statement of Profit or Loss.

Distribution system electrical equipment was revalued as of 1 April 2020 and as a result the carrying amount of assets increased by EUR 30,739 thousand of

which EUR 30,870 thousand was recognised as increase in non-current assets revaluation reserve in equity, while impairment in amount of EUR 131 thousand was recognised in the Statement of Profit or Loss. Distribution system electricity lines were revalued as of 1 January 2021 and the revaluation result has been recognised in the Financial statements of 2020 as an adjusting event. As a result, the carrying amount of assets was increased by EUR 74,185 thousand, of which EUR 65,394 thousand was recognised in non-current assets revaluation reserve in equity, while reversal of previously recognised impairment in the amount of EUR 8,791 thousand was recognised in the Statement of Profit or Loss.

8. Leases

	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
EUR'000						
a) Right-of-use assets						
Initial recognition cost	10,970	6,745	6,745	5,619	3,873	3,873
Accumulated depreciation	(2,717)	(1,223)	(1,223)	(1,133)	(397)	(397)
Net book amount at the beginning of the period	8,253	5,522	5,522	4,486	3,476	3,476
Recognised changes in lease agreements	(112)	217	4,178	(98)	1,038	1,746
Depreciation	(793)	(674)	(1,447)	(401)	(347)	(736)
Closing net book amount at the end of the period	7,348	5,065	8,253	3,987	4,167	4,486
Initial recognition cost	10,846	6,924	10,970	5,521	4,911	5,619
Accumulated depreciation	(3,498)	(1,859)	(2,717)	(1,534)	(744)	(1,133)
Closing net book amount at the end of the period	7,348	5,065	8,253	3,987	4,167	4,486
b) Lease liabilities						
At the beginning of the period	8,344	5,565	5,565	4,540	3,502	3,502
<i>Of which are:</i>						
– non-current	6,783	4,349	4,349	3,734	3,126	3,126
– current	1,561	1,216	1,216	806	376	376
Recognised changes in lease agreements	(132)	217	4,178	(98)	1,038	1,746
Decrease of lease liabilities	(834)	(691)	(1,530)	(423)	(354)	(777)
Recognised interest liabilities (Note 6)	59	42	131	32	33	69
At the end of the period	7,437	5,133	8,344	4,051	4,219	4,540
<i>Of which are:</i>						
– non-current	5,921	4,079	6,783	3,265	3,545	3,734
– current	1,516	1,054	1,561	786	674	806

9. Non-current financial investments

The Parent Company's participating interest in subsidiaries and other non-current financial investments

Name of the company	Country of incorporation	Business activity held	30/06/2021		31/12/2020	
			Interest held, %	EUR'000	Interest held, %	EUR'000
Investments in subsidiaries						
Sadales tīkls AS	Latvia	Electricity distribution	100%	641,450	100%	641,450
Enerģijas publiskais tirgotājs SIA	Latvia	Administration of mandatory electricity procurement process	100%	40	100%	40
Elektrum Eesti, OÜ	Estonia	Electricity and natural gas trade	100%	35	100%	35
Elektrum Lietuva, UAB	Lithuania	Electricity and natural gas trade	100%	98	100%	98
Liepājas enerģija SIA	Latvia	Thermal energy generation and trade, electricity generation	51%	3,556	51%	3,556
TOTAL				645,179		645,179
Other non-current financial investments						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	46.30%	36	46.30%	36
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				39		39
TOTAL non-current financial investments of the Parent Company				645,218		645,218

The Group's non-current financial investments

Name of the company	Country of incorporation	Business activity held	30/06/2021		31/12/2020	
			Interest held, %	EUR'000	Interest held, %	EUR'000
Other non-current financial investments (Group)						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15%	37	48.15%	37
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				40		40

The Group owns 48.15% of the shares of the closed pension fund Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS – 46.30%). However, the Group and the Parent Company are only a nominal shareholder as the Pension Fund is a non-profit company, and all risks and benefits arising from associate's activities

and investments in the pension plan are taken and accrued by the members of the Pension Fund pension plan. For this reason, the investment in Pirmais Slēgtais Pensiju Fonds AS is valued at acquisition cost.

10. Inventories

	EUR'000			
	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Raw materials and materials	15,935	17,224	953	824
Natural gas	26,605	41,621	26,605	41,620
Goods for sale	2,387	2,508	651	549
Other inventories	8,121	8,203	8,060	8,060
Prepayments for inventories	16,558	189	16,309	25
Allowance for raw materials and other inventories	(1,243)	(991)	(715)	(607)
TOTAL inventories	68,363	68,754	51,863	50,471

Movement on the allowance for inventories

EUR'000

	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
At the beginning of the period	991	1,287	1,287	607	674	674
Charged / (credited) to the Statement of Profit or Loss	252	5	(296)	108	(20)	(67)
At the end of the period	1,243	1,292	991	715	654	607

11. Receivables from contracts with customers and other receivables
Receivables from contracts with customers grouped by the expected credit loss (ECL) assessment model, net

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Individually assessed receivables with lifetime ECL assessment (counterparty model)	6,845	2,775	9,063	6,257
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	90,714	105,403	55,252	69,599
TOTAL receivables from contracts with customers	97,559	108,178	64,315	75,856

a) Receivables from contracts with customers, net

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	128,328	136,647	92,124	102,120
– Heating customers (portfolio model)	1,434	9,463	1,137	7,386
– Other receivables from contracts with customers (portfolio model)	3,620	3,557	1,543	1,093
– Other receivables from contracts with customers (counterparty model)	6,857	2,780	5,028	1,480
– Subsidiaries (counterparty model) (Note 19 b)	–	–	4,046	4,782
	140,239	152,447	103,878	116,861
Allowances for expected credit loss from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(40,370)	(41,761)	(39,239)	(40,672)
– Heating customers (portfolio model)	(321)	(328)	(300)	(315)
– Other receivables from contracts with customers (portfolio model)	(1,977)	(2,175)	(13)	(13)
– Other receivables from contracts with customers (counterparty model)	(12)	(5)	(9)	(2)
– Subsidiaries (counterparty model) (Note 19 b)	–	–	(2)	(3)
	(42,680)	(44,269)	(39,563)	(41,005)
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	87,958	94,886	52,885	61,448
– Heating customers (portfolio model)	1,113	9,135	837	7,071
– Other receivables from contracts with customers (portfolio model)	1,643	1,382	1,530	1,080
– Other receivables from contracts with customers (counterparty model)	6,845	2,775	5,019	1,478
– Subsidiaries (counterparty model) (Note 19 b)	–	–	4,044	4,779
	97,559	108,178	64,315	75,856

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
At the beginning of the period	44,269	46,737	46,737	41,005	43,521	43,521
Receivables written off during the period as uncollectible	(1,922)	(1,167)	(3,681)	(1,696)	(965)	(3,252)
Allowances for expected credit losses	333	1,489	1,213	254	755	736
At the end of the period	42,680	47,059	44,269	39,563	43,311	41,005

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Current financial receivables:				
Unsettled revenue on mandatory procurement PSO fee recognised as assets*	77,431	77,273	–	–
Receivables for lease	82	48	55	33
Other current financial receivables	10,322	8,369	9,580	6,385
Other accrued income	100	874	94	874
Allowances for expected credit loss	(1,664)	(1,700)	(1,287)	(1,331)
Receivables for lease from subsidiaries (Note 19 b)	–	–	20	73
Other financial receivables from subsidiaries (Note 19 b)	–	–	21,299	21,460
Other accrued income from subsidiaries (Note 19 c)	–	–	1,542	1,850
Allowances for expected credit loss on subsidiaries receivables (Note 19 b)	–	–	(14)	(16)
TOTAL other current financial receivables	86,271	84,864	31,289	29,328

* By applying agent principle unsettled revenue on mandatory procurement PSO fee is recognised as assets in net amount, as difference between revenue and costs recognised under the mandatory procurement.

c) Other non-financial receivables

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Non-current non-financial receivables	2,520	429	417	417
Current non-financial receivables	3,590	452	3,452	282
TOTAL non-financial receivables	6,110	881	3,869	699

12. Cash and cash equivalents

 EUR'000
 EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Cash at bank	123,095	100,703	119,647	98,261
TOTAL cash and cash equivalents	123,095	100,703	119,647	98,261

13. Reserves

EUR'000

	Group							Parent Company			
	Non-current assets revaluation reserve	Hedge reserve	Post-employment benefit plan revaluation reserve	Other reserves	TOTAL reserves of continuing operations	Reserves classified as held for distribution	TOTAL	Non-current assets revaluation reserve	Hedge reserve	Post-employment benefit plan revaluation reserve	TOTAL
As of 31 December 2019	1,083,772	(6,227)	(2,420)	110	1,075,235	28,936	1,104,171	785,870	(6,227)	(1,481)	778,162
Attributable to discontinued operation:											
- Non-current assets revaluation reserve	-	-	-	-	-	(28,683)	(28,683)	-	-	-	-
- Post-employment benefit plan revaluation reserve	-	-	-	-	-	(21)	(21)	-	-	-	-
Disposal of non-current assets revaluation reserve	(5,791)	-	-	-	(5,791)	(232)	(6,023)	(4,097)	-	-	(4,097)
Gains from fair value changes of derivative financial instruments	-	3,693	-	-	3,693	-	3,693	-	3,693	-	3,693
As of 30 June 2020	1,077,981	(2,534)	(2,420)	110	1,073,137	-	1,073,137	781,773	(2,534)	(1,481)	777,758
Increase of non-current assets revaluation reserve as a result of revaluation (Note 7 b)	96,264	-	-	-	96,264	-	96,264	-	-	-	-
Disposal of non-current assets revaluation reserve	(3,091)	-	-	-	(3,091)	-	(3,091)	-	-	-	-
Losses on re-measurement of defined post-employment benefit plan	-	-	(476)	-	(476)	-	(476)	-	-	(176)	(176)
Losses from fair value changes of derivative financial instruments	-	(11,467)	-	-	(11,467)	-	(11,467)	-	(11,467)	-	(11,467)
As of 31 December 2020	1,171,154	(14,001)	(2,896)	110	1,154,367	-	1,154,367	781,773	(14,001)	(1,657)	766,115
Disposal of non-current assets revaluation reserve	(6,756)	-	-	-	(6,756)	-	(6,756)	(3,714)	-	-	(3,714)
Losses from fair value changes of derivative financial instruments	-	(6,068)	-	-	(6,068)	-	(6,068)	-	(6,068)	-	(6,068)
As of 30 June 2021	1,164,398	(20,069)	(2,896)	110	1,141,543	-	1,141,543	778,059	(20,069)	(1,657)	756,333

14. Other financial investments

Carrying (amortised cost) amount of other financial investments

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Financial investments in Latvian State Treasury bonds:				
- non-current	2,683	2,693	2,683	2,693
- current	-	14,143	-	14,143
TOTAL other financial investments	2,683	16,836	2,683	16,836

15. Borrowings

	EUR'000					
	Group			Parent Company		
	30/06/2021	31/12/2020		30/06/2021	31/12/2020	
Non-current borrowings from financial institutions	510,156	533,898		502,147	526,229	
Issued debt securities (bonds)	49,855	100,179		49,855	100,179	
TOTAL non-current borrowings	560,011	634,077		552,002	626,408	
Current portion of non-current borrowings from financial institutions	89,456	107,428		87,247	105,330	
Overdraft from financial institutions	100,117	–		100,117	–	
Accrued interest on non-current borrowings	570	617		533	577	
Accrued coupon interest on issued debt securities (bonds)	137	1,077		137	1,077	
TOTAL current borrowings	190,280	109,122		188,034	106,984	
TOTAL borrowings	750,291	743,199		740,036	733,392	

Movement in borrowings

	EUR'000					
	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
At the beginning of the period	743,199	882,671	882,671	733,392	872,899	872,899
Borrowings received	1,500	3,500	39,500	–	–	35,000
Borrowings repaid	(43,214)	(99,877)	(143,176)	(42,165)	(96,526)	(138,692)
Repayment of issued debt securities (bonds)	50,000	–	–	50,000	–	–
Overdraft received	–	(35,000)	(35,000)	–	(35,000)	(35,000)
Change in accrued interest on borrowings	(987)	(1,555)	(703)	(984)	(1,563)	(722)
Changes in outstanding value of issued debt securities (bonds)	(207)	(31)	(93)	(207)	(31)	(93)
At the end of the period	750,291	749,708	743,199	740,036	739,779	733,392

16. Derivative financial instruments

I) Interest rate swaps

The Parent Company enters into interest rate swap agreements with 7 to 10 year initial maturities and hedged floating rates are 6 month EURIBOR.

All contracts are designed as cash flow hedges and are eligible for hedge accounting. During the prospective and retrospective testing, an ineffective portion of some transactions has been identified and recognised in the Statement of Profit or Loss.

Fair value changes of interest rate swaps

	EUR'000											
	Group			Parent Company								
	01/01-30/06/2021		01/01-30/06/2020		2020		01/01-30/06/2021		01/01-30/06/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	–	(9,504)	–	(9,216)	–	(9,216)	–	(9,504)	–	(9,216)	–	(9,216)
Included in the Statement of Profit or Loss (Note 6)	–	167	–	–	–	–	–	167	–	–	–	–
Included in the Statement of Comprehensive Income	–	2,683	–	(884)	–	(288)	–	2,683	–	(884)	–	(288)
Outstanding fair value at the end of the period	–	(6,654)	–	(10,100)	–	(9,504)	–	(6,654)	–	(10,100)	–	(9,504)

II) Electricity forwards and futures

The Parent Company enters into electricity future contracts in the Nasdaq Commodities exchange, as well as concludes electricity forward contracts with energy companies. Electricity forward and future contracts are intended for hedging of the electricity price risk and are used for fixing the price of electricity

purchased in the Nord Pool AS power exchange. For the contracts which are fully effective contracts fair value gains or losses are included in other comprehensive income.

Fair value changes of electricity forward and future contracts

EUR'000

	Group						Parent Company					
	01/01-30/06/2021		01/01-30/06/2020		2020		01/01-30/06/2021		01/01-30/06/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	617	-	-	(3,916)	-	(3,916)	617	-	-	(3,916)	-	(3,916)
Included in Statement of Profit or Loss (Note 5)	605	-	-	293	114	2,220	605	-	-	293	114	2,220
Included in Statement of Comprehensive Income	834	-	-	628	503	1,696	834	-	-	628	503	1,696
Outstanding fair value at the end of the period	2,056	-	-	(2,995)	617	-	2,056	-	-	(2,995)	617	-

III) Natural gas swaps

The Parent Company enters into natural gas swap contracts with banks and energy companies. Natural gas swap contracts are intended for hedging of the natural gas price risk and are used for fixing the price of natural

gas purchased in wholesale gas market. For the contracts which are fully effective contracts fair value gains or losses are included in other comprehensive income.

Fair value changes of natural gas forward contracts

EUR'000

	Group						Parent Company					
	01/01-30/06/2021		01/01-30/06/2020		2020		01/01-30/06/2021		01/01-30/06/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	940	(4,993)	6,717	-	6,717	-	940	(4,993)	6,717	-	6,717	-
Included in Statement of Profit or Loss (Note 5)	(940)	(6,325)	409	-	(1,092)	-	(940)	(6,325)	409	-	(1,092)	-
Included in Statement of Comprehensive Income	-	(9,592)	3,949	-	(4,685)	(4,993)	-	(9,592)	3,949	-	(4,685)	(4,993)
Outstanding fair value at the end of the period	-	(20,910)	11,075	-	940	(4,993)	-	(20,910)	11,075	-	940	(4,993)

IV) Currency exchange forwards

Fair value changes of forward currencies exchange contracts

EUR'000

	Group						Parent Company					
	01/01-30/06/2021		01/01-30/06/2020		2020		01/01-30/06/2021		01/01-30/06/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	-	(7)	-	-	-	-	-	(7)	-	-	-	-
Included in Statement of Comprehensive Income	-	7	-	-	-	(7)	-	7	-	-	-	(7)
Outstanding fair value at the end of the period	-	-	-	-	-	(7)	-	-	-	-	-	(7)

17. Fair values and fair value measurement

In this Note are disclosed the fair value measurement hierarchy for the Group's and the Parent Company's financial assets and liabilities and revalued property, plant and equipment.

Quantitative disclosures of fair value measurement hierarchy for assets at the end of the period

EUR'000

Type of assets	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 30 June 2021								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,394,009	2,394,009	–	–	785,043	785,043
Non-current financial investments (Note 9)	–	–	40	40	–	–	39	39
<i>Derivative financial instruments, including:</i>								
Electricity forwards and futures (Note 16 II))	–	2,056	–	2,056	–	2,056	–	2,056
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	2,037	2,037	–	–	3,037	3,037
Other financial investments (Note 14)	–	2,683	–	2,683	–	2,683	–	2,683
Floating rate loans to subsidiaries (Note 19 e)	–	–	–	–	–	139,708	–	139,708
Fixed rate loans to related parties (Note 19 e)	–	39,974	–	39,974	–	586,008	–	586,008
Current financial receivables (Note 11 a, b)	–	–	191,756	191,756	–	–	90,628	90,628
Cash and cash equivalents (Note 12)	–	123,095	–	123,095	–	119,647	–	119,647
As of 31 December 2020								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,402,069	2,402,069	–	–	778,480	778,480
Non-current financial investments (Note 9)	–	–	40	40	–	–	39	39
<i>Derivative financial instruments, including:</i>								
Electricity forwards and futures (Note 16 II))	–	617	–	617	–	617	–	617
Natural gas forwards (Note 16 III))	–	940	–	940	–	940	–	940
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	512	512	–	–	3,334	3,334
Other financial investments (Note 14)	–	16,836	–	16,836	–	16,836	–	16,836
Floating rate loans to subsidiaries (Note 19 e)	–	–	–	–	–	131,133	–	131,133
Fixed rate loans to related parties (Note 19 e)	–	86,620	–	86,620	–	611,096	–	611,096
Current financial receivables (Note 11 a, b)	–	–	193,042	193,042	–	–	105,184	105,184
Cash and cash equivalents (Note 12)	–	100,703	–	100,703	–	98,261	–	98,261

There have been no transfers for assets between Level 1, Level 2 and Level 3 during the reporting period.

Quantitative disclosures of fair value measurement hierarchy for liabilities at the end of the period

EUR'000

Type of liabilities	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 30 June 2021								
Liabilities measured at fair value								
<i>Derivative financial instruments, including:</i>								
Interest rate swaps (Note 16 I))	–	6,654	–	6,654	–	6,654	–	6,654
Natural gas forwards (Note 16 III))	–	20,910	–	20,910	–	20,910	–	20,910
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 15)	–	150,109	–	150,109	–	150,109	–	150,109
Borrowings (Note 15)	–	600,182	–	600,182	–	589,927	–	589,927
Trade and other financial current payables	–	–	68,604	68,604	–	–	52,936	52,936
As of 31 December 2020								
Liabilities measured at fair value								
<i>Derivative financial instruments, including:</i>								
Interest rate swaps (Note 16 I))	–	9,504	–	9,504	–	9,504	–	9,504
Natural gas forwards (Note 16 III))	–	4,993	–	4,993	–	4,993	–	4,993
Currency exchange forwards (Note 16 IV))	–	7	–	7	–	7	–	7
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 15)	–	101,256	–	101,256	–	101,256	–	101,256
Borrowings (Note 15)	–	641,943	–	641,943	–	632,136	–	632,136
Trade and other financial current payables	–	–	76,429	76,429	–	–	51,664	51,664

There have been no transfers for liabilities between Level 1, Level 2 and Level 3 during the reporting period.

The fair value hierarchy for the Group's and the Parent Company's financial instruments that are measured at fair value, by using specific valuation methods, is disclosed above.

Set out below, is a comparison by class of the carrying amounts and fair values of the Group's and the Parent Company's financial instruments, other than those with carrying amounts which approximates their fair values:

EUR'000

	Group				Parent Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Financial assets								
Fixed rate loans to related parties	39,974	86,620	40,151	89,409	586,008	611,096	599,825	641,936
Other financial investments	2,683	16,836	2,946	18,031	2,683	16,836	2,946	18,031
Financial liabilities								
<i>Interest-bearing liabilities, including:</i>								
issued debt securities (bonds)	150,109	101,256	152,171	103,762	150,109	101,256	152,171	103,762

Management assessed that fair values of cash and short-term deposits, receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

18. Deferred income

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
I) Non-current deferred income				
a) contracts with customers				
From connection fees	136,202	138,750	–	–
Other deferred income	835	863	835	863
	137,037	139,613	835	863
b) operating lease				
Other deferred income	352	366	352	366
	352	366	352	366
c) other				
On grant for the installed electrical capacity of CHPPs	149,445	161,440	149,445	161,440
On financing from European Union funds	8,126	8,459	1,646	1,601
Other deferred income	137	148	66	73
	157,708	170,047	151,157	163,114
Total non-current deferred income	295,097	310,026	152,344	164,343
II) Current deferred income				
a) contracts with customers				
From connection fees	14,409	14,167	–	–
Other deferred income	176	924	66	813
	14,585	15,091	66	813
b) operating lease				
Other deferred income	221	20	221	20
	221	20	221	20
c) other				
On grant for the installed electrical capacity of CHPPs	23,990	23,990	23,990	23,990
On financing from European Union funds	910	782	145	7
Other deferred income	–	7	–	4
	24,900	24,779	24,135	24,001
TOTAL current deferred income	39,706	39,890	24,422	24,834
TOTAL deferred income	334,803	349,916	176,766	189,177

Movement in deferred income (non-current and current part)

EUR'000

	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
At the beginning of the period	349,916	375,984	375,984	189,177	211,268	211,268
Received deferred non-current income (financing)	207	570	1,441	207	570	1,441
Received advance payments for contracts with customers	–	40	808	–	40	808
Received connection fees for connection to distribution system	4,846	5,091	10,749	–	–	–
Compensation for the installed electrical capacity of CHPPs credited to the Statement of Profit or Loss	(11,995)	(11,995)	(23,990)	(11,995)	(11,995)	(23,990)
(Credited) / charged to the Statement of Profit or Loss	(8,171)	(7,232)	(15,076)	(623)	62	(350)
At the end of the period	334,803	362,458	349,916	176,766	199,945	189,177

19. Related party transactions

The Parent Company and, indirectly, its subsidiaries are controlled by the Latvian state. Related parties of the Latvenergo Group and the Parent Company are Shareholder of the Parent Company who controls over the Parent Company in accepting operating business decisions, members of Latvenergo Group entities' management boards, members of the Supervisory board of the Parent Company, members of Supervisory body of the Parent Company – the Audit Committee and close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence.

Trading transactions taking place under normal business activities with the Latvian government including its departments and agencies as well as transactions with

state-controlled entities and providers of public utilities are excluded from the scope of related party disclosures.

Transactions with government related entities include sales of energy and related services but does not contain individually significant transactions therefore quantitative disclosure of transactions with those related parties is impossible due to broad range of the Latvenergo Group's and the Parent Company's customers, except for transactions with transmission system operator – Augstsprieguma tīkls AS and also Latvijas elektriskie tīkli AS (from 10 June 2020 until 25 November 2020).

a) Sales/purchases of goods, PPE and services to/from related parties

EUR'000

	Group		Parent Company			
	01/01-30/06/2021	01/01-30/06/2020	01/01-30/06/2021		01/01-30/06/2020	
	Other related parties*	Other related parties*	Subsidiaries	Other related parties*	Subsidiaries	Other related parties*
Sales of goods, PPE and services, finance income	9,574	22,832	27,760	9,489	43,077	6,177
Purchases of goods, PPE, and services	42,090	69,864	142,023	5,829	134,623	5,779
<i>Including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:</i>						
– <i>Sadales tīkls AS</i>	–	–	121,120	–	132,971	–

b) Balances at the end of the period arising from sales/purchases of goods, PPE and services

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	24,872	25,704
– other related parties*	4,694	2,387	3,543	1,653
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(16)	(19)
– loss allowances for expected credit loss from receivables of other related parties*	(9)	(5)	(7)	(3)
	4,685	2,382	28,392	27,335
Payables to related parties:				
– subsidiaries	–	–	20,313	24,956
– other related parties*	7,582	8,324	1,289	1,805
	7,582	8,324	21,602	26,761

c) Accrued income raised from transactions with related parties

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
- for goods sold/services provided for subsidiaries (Note 11 a, b)	-	-	689	1,115
- for interest received from subsidiaries	-	-	1,346	1,346
- for goods sold/services provided for other related parties*	6	-	-	-
	6	-	2,035	2,461

d) Accrued expenses raised from transactions with related parties

EUR'000

	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
- for purchased goods/received services from subsidiaries	-	-	8,181	2,646
- for purchased goods/received services from other related parties*	190	-	-	-
	190	-	8,181	2,646

* Related parties included transmission system operator – Augstsprieguma tīkls AS, Latvijas elektriskie tīkli AS (from 10 June 2020 until 25 November 2020), Pirmāis Slēgtais Pensiju Fonds AS and other entities controlled by the management members of Latvenergo Group

In the 6-month period ending on 30 June 2021 remuneration to the Latvenergo Group's management includes remuneration to the members of the Management Boards the Group entities, the Supervisory Board and the Supervisory body (Audit Committee) of the Parent Company, including salary, social insurance contributions and payments to pension plan and is amounted to EUR 1,449.8 thousand (01/01 – 30/06/2020: EUR 1,534.3 thousand).

In the 6-month period ending on 30 June 2021 remuneration to the Parent Company's management includes remuneration to the members of the Parent

Company's Management Board, the Supervisory Board and the Supervisory body (Audit Committee), including salary, social insurance contributions and payments to pension plan and is amounted to EUR 501.2 thousand (01/01 – 30/06/2020: EUR 514.0 thousand).

Remuneration to the Latvenergo Group's and the Parent Company's management is included in the Statement of Profit or Loss position 'Personnel expenses'.

e) Loans to related parties (Parent Company)

Along with the distribution of transmission system assets on 10 June 2020, all Latvijas elektriskie tīkli AS liabilities were transferred to Augstsprieguma tīkls AS, including the Latvenego AS loan to Latvijas elektriskie tīkli AS in amount of EUR 225,232 thousand, of which EUR 138,560 thousand were repaid on 19 June 2020.

Non-current and current loans to related parties

	EUR'000			
	Group		Parent Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Non-current loans to subsidiaries				
Sadales tīkls AS				
Allowances for expected credit loss			487,360	477,507
Non-current loans to other related parties			(312)	(344)
Augstsprieguma tīkls AS				
Allowances for expected credit loss	40,000	86,672	40,000	86,672
TOTAL non-current loans	39,974	86,620	527,022	563,783
Current portion of non-current loans				
Sadales tīkls AS			84,133	76,648
Allowances for expected credit loss			(61)	(55)
Current loans to subsidiaries				
Sadales tīkls AS			10,000	10,000
Elektrum Eesti OÜ			10,083	7,937
Elektrum Lietuva, UAB			20,107	10,209
Enerģijas publiskais tirgotājs SIA			74,498	73,781
Allowances for expected credit loss			(66)	(74)
TOTAL current loans			198,694	178,446
TOTAL loans to related parties	39,974	86,620	725,716	742,229

Movement in loans issued to related parties

	EUR'000					
	Group			Parent Company		
	01/01-30/06/2021	01/01-30/06/2020	2020	01/01-30/06/2021	01/01-30/06/2020	2020
At the beginning of the period	86,620	–	–	742,229	794,256	794,256
Change in current loans in cash (net)	–	–	–	147,778	29,000	286,688
Change in current loans by non-cash offsetting of operating receivables and payables (net)	–	–	–	(79,354)	(134,560)	(364,096)
Issued non-current loans	–	225,232	225,232	–	225,232	225,232
Repayment of loans in cash	(46,672)	(138,560)	(138,560)	(46,672)	(138,560)	(138,560)
Issued non-current loans by non-cash offset	–	–	–	–	20,000	20,000
Repaid non-current loans by non-cash offset	–	–	–	(38,325)	(48,603)	(81,275)
Allowances for expected credit loss	26	(52)	(52)	60	(18)	(16)
At the end of the period	39,974	86,620	86,620	725,716	746,747	742,229
<i>incl. loan movement through bank account</i>						
Issued loans to subsidiaries	–	–	–	309,508	317,050	573,957
Repaid loans issued to subsidiaries	–	–	–	(161,730)	(149,490)	(287,269)
Repaid loans issued to other related parties	–	(138,560)	(138,560)	–	(138,560)	(138,560)
Issued loans, net	–	(138,560)	(138,560)	147,778	29,000	148,128

20. Events after the reporting period

There have been no significant events subsequent to the end of the reporting period that might have a material effect on the Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-month period ending on 30 June 2021.