

# LATVENERGO CONSOLIDATED AND LATVENERGO AS UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE 9-MONTH PERIOD  
ENDING 30 SEPTEMBER 2021

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*\* 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

### 28. 02. 2022.

Condensed Consolidated Interim Financial Statements for the 12-Month Period Ending 31 December 2021 (unaudited)

### 13. 04. 2022.

Latvenergo Consolidated Annual Report 2021

### 31. 05. 2022.

Condensed Consolidated Interim Financial Statements for the 3-Month Period Ending 31 March 2022 (unaudited)

### 31. 08. 2022.

Condensed Consolidated Interim Financial Statements for the 6-Month Period Ending 30 June 2022 (unaudited)

### 30. 11. 2022.

Condensed Consolidated Interim Financial Statements for the 9-Month Period Ending 30 September 2022 (unaudited)

## CONTACT DETAILS FOR INVESTOR RELATIONS

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## 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

## Record-high electricity and energy resource prices.

In the 9-month period of 2021, electricity spot prices in the Nordics and the Baltics continued to rise significantly and were twice as high as in 9M 2020. Such a rise in prices is related to record-high energy resource prices and higher electricity demand. The price of natural gas, which is the main factor that determines the price of electricity in the Baltics during the peak hours, reached 63.4 EUR/MWh in September 2021 (in September 2020 it was 11.3 EUR/MWh). Meanwhile the price of CO2 emission allowances hit 60 EUR/t in September 2021.

## The electricity output at the Latvenergo AS CHPPs increased by 10%.

In the 9-month period of 2021, electricity output at Latvenergo Group's plants increased by 3% compared to the respective period a year ago, reaching 3,407 GWh. Electricity output at the Daugava HPPs remained at the same level in 9M 2020, reaching 2,105 GWh. Meanwhile, adapting to electricity market conditions and heat demand, the amount of electricity generated at the Latvenergo AS CHPPs was 10% higher, reaching 1,283 GWh. Also, the amount of thermal energy generated increased by 20%, reaching 1,320 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.



The total number of electricity customers exceeds 750 thousand, and almost 85 thousand of them are outside Latvia. In August 2021, the Group acquired shares in three micro-network service companies in Estonia and took over almost 20,000 customers in Estonia from the Finnish company *Imatra Elekter*, significantly increasing the number of the Group's customers in Estonia. The sales volume of natural gas to retail customers doubled.

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

In the 9-month period of 2021, the total amount of investment comprised EUR 96.8 million, of which 65% was made in distribution network assets. We are also continuing the implementation of the Daugava HPPs' hydropower unit reconstruction project, investing EUR 9.8 million during the reporting period.

## Revenue increased by 17%.



In the 9-month period of 2021, Latvenergo Group's revenue was 17% or EUR 95.2 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 40% or EUR 85.3 million. This was mainly negatively affected by significantly higher electricity purchase prices.

## 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.



## A general strategic goal for Latvenergo AS has been set by the Cabinet of Ministers.

At the end of 2020, work began on a medium-term strategy for 2022-2026; it continues to be developed. The new strategy will focus on the Group's operational goals such as electrification, rapid growth and development of renewable energy plants. The Cabinet of Ministers set a new general strategic target for Latvenergo AS. The goal is to promote the competitiveness and growth of climate-neutral Latvia and increase the value of Latvenergo Group in the domestic market in the Baltics and beyond through developing and providing goods and services in the energy and related business value chains and the effective management of resources and infrastructure that are strategically important for the country's development and security.

# Highlights

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



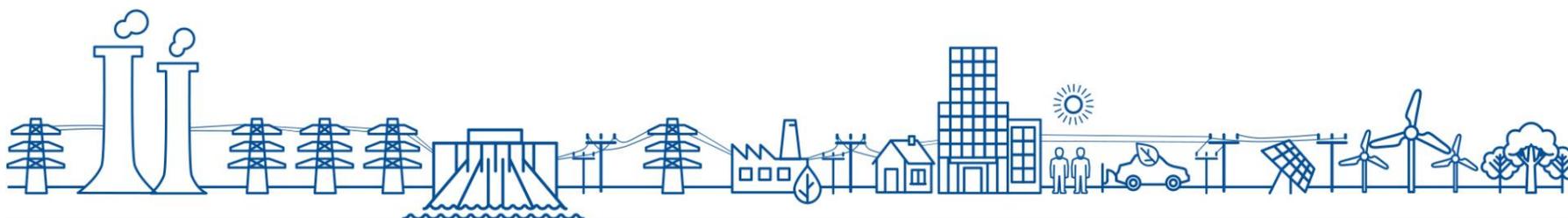
- comprises electricity and thermal energy generation operations, electricity and natural gas trade in the Baltics and administration of mandatory procurement in Latvia.



## 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 payout ratio	> 80%

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 2022-2026; it continues to be developed. The new strategy will focus on the Group's operational goals such as electrification, rapid growth and development of renewable energy plants. Thus, on November 9, 2021, the Cabinet of Ministers set a new general strategic target for Latvenergo AS. The goal is to promote the competitiveness and growth of climate-neutral Latvia and increase the value of Latvenergo Group in the domestic market in the Baltics and beyond through developing and providing goods and services in the energy and related business value chains and the effective management of resources and infrastructure that are strategically important for the country's development and security.

# Latvenergo Group Key Performance Indicators

## Latvenergo Group Operational Figures

		9M 2021	9M 2020	9M 2019	9M 2018	9M 2017
Electricity supply, incl.	GWh	6,884	6,590	6,855	7,476	7,646
<i>Retail electricity</i> <sup>2)</sup>	GWh	4,987	4,650	4,868	5,029	5,189
<i>Wholesale electricity</i> <sup>3)</sup>	GWh	1,897	1,940	1,987	2,447	2,457
Retail natural gas	GWh	677	318	193	74	7
Electricity generation	GWh	3,407	3,298	3,565	4,052	4,088
Thermal energy generation	GWh	1,320	1,101	1,216	1,545	1,791
Number of employees		3,176	3,347	3,474	3,521	4,053
Moody's credit rating		Baa2 (stable)				

## Latvenergo Group Financial Figures

		9M 2021	9M 2020	9M 2019	9M 2018	9M 2017
Revenue*	MEUR	659.5	564.4	621.1	613.0	647.9
EBITDA <sup>1)</sup> *	MEUR	126.8	212.1	172.0	240.3	268.0
Profit	MEUR	26.4	94.7	62.0	82.6	125.0
Assets	MEUR	3,313.6	3,265.4	3,786.1	3,820.3	3,887.5
Equity	MEUR	2,037.1	2,012.5	2,232.5	2,324.4	2,455.1
Net debt (adjusted) <sup>1)</sup> *	MEUR	703.9	584.3	590.9	546.9	538.4
Investments	MEUR	96.8	130.4	158.9	158.5	166.6

## Latvenergo Group Financial Ratios

	9M 2021	9M 2020	9M 2019	9M 2018	9M 2017
Net debt / EBITDA (adjusted) <sup>1)</sup>	3.3	2.1	2.7	1.2	1.5
EBITDA margin <sup>1)</sup>	22%	36%	25%	56%	41%
Return on equity (ROE) <sup>1)</sup>	2.4%	6.0%	2.4%	11.7%	7.1%
Return on assets (ROA) <sup>1)</sup>	1.5%	3.6%	1.5%	7.3%	4.3%
Return on capital employed (ROCE) (adjusted) <sup>1)</sup> *	2.3%	4.6%	2.3%	4.9%	6.1%
Net debt / equity (adjusted) <sup>1)</sup>	35%	29%	26%	24%	22%

\* 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

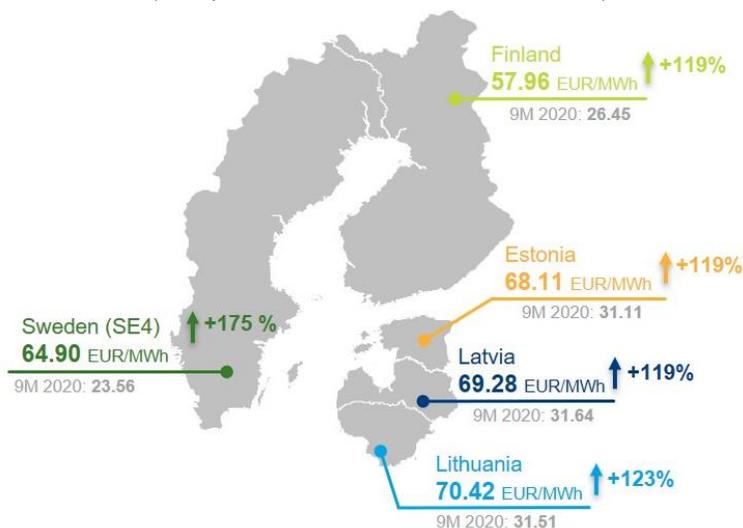
# Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In the 9-month period of 2021:

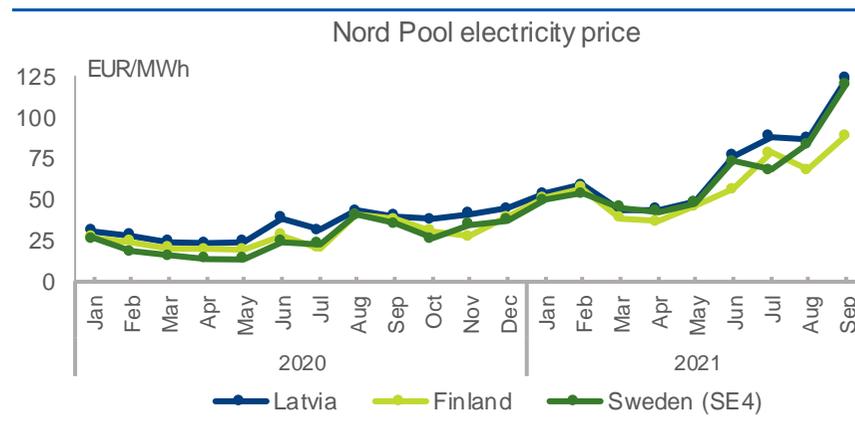
- the Nord Pool system price increased more than five times, and the electricity price in Latvia increased by 119%;
- the price of natural gas at TTF (the Dutch natural gas virtual trading point) almost quadrupled compared to the respective period a year ago.

## Record-high electricity prices

In the 9-month period of 2021, the Nord Pool system price was five times higher (+410%), reaching 50.87 EUR/MWh. The rapid rise in electricity prices in the Nord Pool region was affected by record-high energy resource prices, 6% higher demand for electricity and lower Nordic hydro balance due to dry weather. The price of natural gas, which is the main factor that determines the price of electricity in the Baltics during the peak hours, reached 63.4 EUR/MWh in September 2021 (in September 2020 it was 11.3 EUR/MWh).



In the 9-month period of 2021, the price difference between Latvia and Sweden (SE4) decreased to 4.37 EUR / MWh, while between Latvia and Finland it increased to 11.32 EUR / MWh (in the respective period a year ago: 8.08 EUR / MWh and 5.19 EUR / MWh). The electricity price in Latvia was on average 1.14 EUR / MWh lower than in Lithuania and 1.17 EUR / MWh higher than in Estonia.



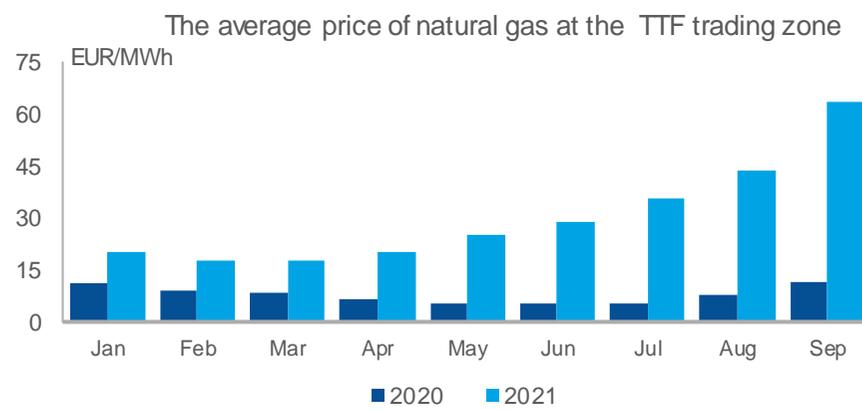
In the 9-month period of 2021, total electricity consumption in the Baltics increased by 5% compared to the respective period a year ago, reaching 21.0 TWh. Electricity consumption increased by 4% in Latvia and Lithuania and by 7% in Estonia. The increase in consumption in the Baltic region was affected by colder weather at the beginning of the year, a hotter summer, and economic recovery after COVID-19 restrictions.

Overall electricity generation in the Baltics in the 9-month period of 2021 was 2% higher than in the respective period a year ago; it amounted to 11.2 TWh. Electricity output in Latvia remained at the same level as in 9M 2020, comprising 4.2 TWh, while in Lithuania it decreased by 14% to 3.2 TWh, and in Estonia it increased by 22% to 3.8 TWh. The electricity purchased from neighbouring countries increased by 7%; it amounted to 9.2 TWh.

# Operating Environment

## Natural gas prices almost quadrupled

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In the 9-month period of 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 75% (at the end of September 2020 it was 95%). In the reporting period, the price of natural gas at the TTF (Front Month) was almost four times higher than in 9M 2020; the average price in September hit 63.4 EUR / MWh.



Natural gas prices are linked to oil prices; other energy resource prices also affect the natural gas market dynamics. Since the beginning of 2021 there has been a significant increase in energy resource prices, which was impacted by the positive pace of economic recovery after COVID-19 restrictions:

- The average price of Brent crude Futures oil in the 9-month period of 2021 was 68.0 USD / bbl, which was 60% higher than in the respective period a year ago, due to 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 was more than two times higher, reaching 101.6 USD / t. Coal prices were mainly affected by higher demand in Asia as well as disruptions in coal deliveries from Colombia, Russia, Australia, South Africa and China.
- The average price of CO2 emission allowances (EUA DEC.21) in the 9-month period of 2021 was two times higher than in 9M 2020, reaching 48.5 EUR / t. The rise in allowance prices was affected by rising raw material prices, as well as the reforms adopted by the European Commission to reduce greenhouse gas emissions by 2030. In September 2021, the price of CO2 emission allowances exceeded 60 EUR / t.

## Operating Environment

### On the impact of COVID-19 on Latvenergo Group operations

From 11 October 2021 to 11 January 2022, the Latvian government declared a state of emergency in order to limit the spread of COVID-19. Latvenergo Group continuously evaluates the impact of the spread of COVID-19, implements measures for customer and employee safety, and ensures appropriate shift arrangements in the facilities of strategic importance: the Daugava HPPs, the Latvenergo AS CHPPs and the facilities of Sadales tīkls AS.

In order to improve the epidemic situation, Latvenergo AS, together with other large Latvian companies, encourages working in the green regime. The green regime means that all employees working with customers in person must have certificates proving vaccination or recovery from COVID-19. Meanwhile, in order to visit customer centres or shops, all customers are obligated to have certificates proving vaccination or recovery from COVID-19; remote services can be used as an alternative.

Latvenergo Group services have not been significantly affected by the spread of the virus. The Group continues to ensure generation of electricity and thermal energy, as well as uninterrupted and accessible trade and distribution of electricity and natural gas to all its customers.

### 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.

### A general strategic goal for Latvenergo AS has been set by the Cabinet of Ministers

At the end of 2020, work began on a medium-term strategy for 2022-2026; it continues to be developed. The new strategy will focus on the Group's operational goals such as electrification, rapid growth and development of renewable energy plants. The challenge of the strategy is the rapid growth of the Group's electricity generation, doubling the Group's generation capacity and turning it from an importer into an exporter.

Thus, on November 9, 2021, the Cabinet of Ministers set a new general strategic goal for Latvenergo AS. The goal is to promote the competitiveness and growth of climate-neutral Latvia and increase the value of Latvenergo Group in the domestic market in the Baltics and beyond through developing and providing goods and services in the energy and related business value chains and the effective management of resources and infrastructure that are strategically important for the country's development and security.

### Latvenergo AS members of the Management Board have been elected

After the reporting period, on 16 November, the Supervisory Board of Latvenergo AS elected a new Chairman of the Management Board and members of the Management Board with a five-year term. Mārtiņš Čakste has been appointed as the Chairman of the Management Board of Latvenergo AS, while Dmitrijs Juskovecs and Harijs Teteris have been appointed as members of the Management Board. The new members of the Management Board will take office on 3 January 2022. Current board members Guntars Baļčūns and Kaspars Cikmačs will continue employment in the Management Board.

## Financial Results

In the 9-month period of 2021, Latvenergo Group's revenue reached EUR 659.5 million, which was EUR 95.2 million or 17% more than in the respective period a year ago. This was mainly affected by:

- EUR 85.5 million higher energy sales revenues mainly due to higher electricity market prices and a 7% increase in retail sales volume;
- EUR 8.3 million higher heat sales with 20% greater output due to colder weather conditions during the heating season.

Latvenergo Group financial figures		9M 2021	9M 2020	Δ	Δ, %
Revenue	MEUR	659.5	564.4	95.2	17%
EBITDA	MEUR	126.8	212.1	(85.3)	(40%)
Net profit	MEUR	26.4	94.7	(68.3)	(72%)
Assets	MEUR	3,313.6	3,265.4	48.1	1%

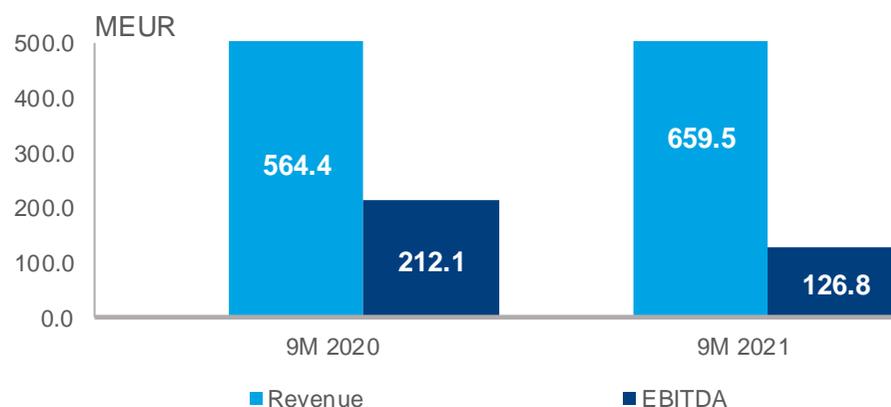
Latvenergo Group's EBITDA decreased by EUR 85.3 million or 40% compared to 9M 2020, reaching EUR 126.8 million. This was negatively affected mainly by significantly higher electricity purchase prices as well as higher natural gas and CO2 emission allowance prices. The electricity spot price in Latvia was 2.2 times higher compared to the respective period a year ago. The price of natural gas was almost four times higher and the average price of CO2 emission allowances was two times higher than in 9M 2020.

The Group's profit for the reporting period reached EUR 26.4 million.

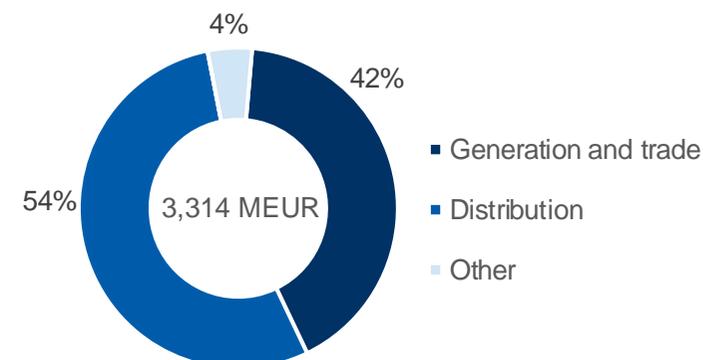
As of 30 September 2021, the Group's net debt to equity was 35% (as of 30 September 2020 it was 29%), which is better than the industry average.

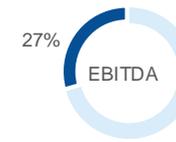
As the transmission assets were separated from Latvenergo Group on 10 June 2020, in comparable results, this segment is classified as discontinuing operations.

Revenue and EBITDA



Total Assets, 9M 2021





## Generation and Trade

Revenue  
**65%**

EBITDA  
**27%**

Assets  
**42%**

Employees  
**28%**

Segment weight in Latvenergo Group

In the 9-month period of 2021, generation and trade comprised Latvenergo Group's largest operating segment by revenue. The majority or 90% of the segment's revenue came from electricity and natural gas trade, while 10% came from thermal energy supply.

In the 9-month period of 2021, the segment's revenue was impacted by EUR 85.5 million higher energy sales revenues mainly due to higher electricity market prices and a 7% increase in the retail sales volume. The segment's revenue was also positively impacted by EUR 8.3 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 as well as higher natural gas and CO2 emission allowance prices.

In the reporting period, the total volume of electricity generated at Latvenergo Group's plants amounted to 3,407 GWh, which corresponded to 68% of the amount of electricity sold to retail customers (9M 2020: 71%).

Operational figures		9M 2021	9M 2020	Δ	Δ, %
Electricity supply, incl.	GWh	6,884	6,590	294	4%
<i>Retail electricity*</i>	GWh	4,987	4,650	338	7%
<i>Wholesale electricity**</i>	GWh	1,897	1,940	(44)	(2%)
Retail natural gas	GWh	677	318	359	113%
Electricity generation	GWh	3,407	3,298	109	3%
<i>Daugava HPPs</i>	GWh	2,105	2,100	5	0%
<i>CHPPs</i>	GWh	1,283	1,168	114	10%
<i>Liepaja plants and small plants</i>	GWh	19	29	(11)	(36%)
Thermal energy generation	GWh	1,320	1,101	220	20%
<i>CHPPs</i>	GWh	1,140	951	189	20%
<i>Liepaja plants</i>	GWh	180	149	31	20%

Financial figures		9M 2021	9M 2020	Δ	Δ, %
Revenue	MEUR	429.9	342.2	87.7	26%
EBITDA	MEUR	34.5	127.0	(92.5)	(73%)
Assets	MEUR	1,375.2	1,294.9	80.3	6%
Investments	MEUR	25.5	31.2	(5.7)	(18%)

\* Including operating consumption

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

# Generation and Trade

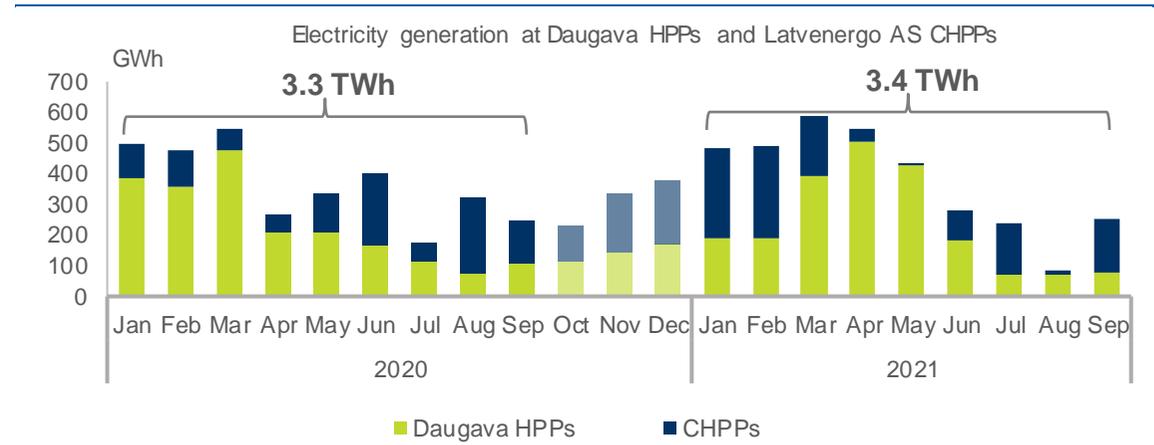
## Generation

In the 9-month period of 2021, Latvenergo Group was the largest electricity producer in the Baltics, producing 31% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 3,407 GWh of electricity and 1,320 GWh of thermal energy.

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

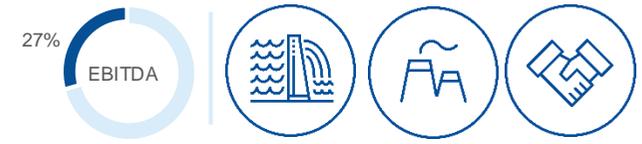
In the reporting period, the amount of power generated at the Daugava HPPs was at about the same level as in the respective period a year ago, reaching 2,105 GWh. The share of electricity generated from renewable energy sources at Latvenergo Group was 62% (9M 2020: 64%).

In the reporting period, the amount generated at the Latvenergo AS CHPPs increased by 10%, reaching 1,283 GWh. The relatively larger amount of power generated at the CHPPs was impacted by lower output in 9M 2020, when there were warm weather conditions and lower electricity prices. The operation of the CHPPs is adjusted to the conditions of the electricity market and heat demand.



In the reporting period, the total amount of thermal energy generated by Latvenergo Group increased by 20% 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 +0.7 C°, whereas in 9M 2020 it was +4.5 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 the 9-month period of 2021, the Group supplied 5.0 TWh of electricity to its customers in the Baltics, which is 7% more than in 9M 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 3.0 TWh, while in Lithuania it was 1.2 TWh and in Estonia it was 0.8 TWh.

The total number of electricity customers comprised about 750 thousand, including almost 85 thousand foreign customers.

In August 2021, the Group's company *Elektrum Eesti* acquired shares in three micro-network service companies in Estonia, took over almost 20,000 customers in Estonia from the Finnish company *Imatra Elekter*, and thus significantly increased Latvenergo's competitiveness in the Estonian electricity and related products and services market.

Latvenergo Group's natural gas sales to retail customers more than doubled, reaching almost 700 GWh.

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

- The number of contracts for the installation of solar panels and trade of solar park components in the Baltics continued to increase. In the 9-month period of 2021, almost 800 new contracts were signed, which is 79% 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 9 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 more than 1,800 transactions. The most purchased products are Smart House Solutions, Security and Lighting.
- In the 9-month period of 2021, the number of charges made at public charging stations by customers of the mobile application *Elektrum* doubled, reaching more than 5,500, comprising 100 MWh.

### Completed in the 9-month period of 2021:



The Group acquired shares in three micro-network service companies in Estonia and also it took over almost 20,000 customers in Estonia, significantly increasing the number of the Group's customers in Estonia.



5.0 TWh of electricity sold to retail customers.



700 GWh of natural gas sold to Baltic retail customers.



Almost 800 contracts were concluded for the installation of solar panels.



At the end of September, the total number of *Elektrum Insured* customers exceeded 100 thousand.



Customers of the mobile application *Elektrum* made more than 5,500 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 of EUR 24.5 million. Meanwhile mandatory procurement expenditures decreased by EUR 45.6 million or 39% to EUR 71.6 million in the reporting period (in 9M 2020: EUR 117.2 million). The decrease in mandatory procurement expenditures was impacted by a 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 31%, while for renewable energy sources they decreased by 42%.

In the 9-month period of 2021, Enerģijas publiskais tirgotājs SIA made payments from the state budget to energy-intensive manufacturing companies in the amount of EUR 2.6 million (9M 2020: EUR 2.9 million), thus reducing their MP payments. The decision on reduction of MP expenditures for energy-intensive manufacturing companies was made by the State Construction Control Bureau of Latvia.



Operating figures		9M 2021	9M 2020	Δ	Δ, %
Mandatory procurement component income	MEUR	85.2	109.7	(24.5)	(22%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	2.6	2.9	(0.2)	(8%)
Mandatory procurement expenditures*	MEUR	71.6	117.2	(45.6)	(39%)
<i>Incl. cogeneration</i>	MEUR	23.3	33.9	(10.6)	(31%)
<i>Incl. renewable energy resources</i>	MEUR	47.8	82.8	(35.0)	(42%)

\* 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



## Distribution

Revenue  
**34%**

EBITDA  
**65%**

Assets  
**54%**

Employees  
**54%**

Segment weight in Latvenergo Group

In the reporting period, the distribution segment was Latvenergo Group's largest segment by asset value and EBITDA. The segment's revenue increased by 3% compared to the respective period a year ago, reaching EUR 225.4 million. The segment's EBITDA increased by 11%, reaching EUR 82.9 million. Financial results were impacted by 3% higher distributed electricity and the reduction of operating costs, which was facilitated by the efficiency improvement programme.

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.

### The development plan of Sadales tīkls AS for the next 10 years has been approved

In October, the Public Utilities Commission approved the development plan of Sadales tīkls AS for the next ten-year planning period. Reconstruction and modernization of the distribution system will be continued in the period from 2022 to 2031, according to the development trends of the industry and public demand. The annual investment is expected to amount to EUR 75 million.

Operational figures		9M 2021	9M 2020	Δ	Δ, %
Electricity distributed	GWh	4,772	4,624	148	3%
Distribution losses	GWh	196	199	(3)	(2%)
SAIFI	number	0.7	0.8	(0.1)	(5%)
SAIDI	minutes	55	69	(14)	(8%)

Financial figures		9M 2021	9M 2020	Δ	Δ, %
Revenue	MEUR	225.4	218.7	6.8	3%
EBITDA	MEUR	82.9	74.7	8.3	11%
Assets	MEUR	1,789.5	1,680.2	109.3	7%
RAB	MEUR	1,579.4	1,466.6	112.8	8%
Investments	MEUR	63.3	62.0	1.3	2%

In the 9-month period of 2021, investments in distribution comprised EUR 63.3 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 the 9-month period of 2021, SAIFI was 0.7, while SAIDI was 55 minutes.

### Completed in the 9-month period of 2021:

- Renewed a total of 1,521 km of power lines
- Installed 102.8 thousand smart electricity meters
- Power line routes cleared at a length of 3,544 km

## Investments

In the 9-month period of 2021, the total amount of investment comprised EUR 96.8 million, which was EUR 34 million or 26% 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. In 2020, until the unbundling of transmission system assets, the investment made in transmission assets comprised EUR 28.9 million.

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

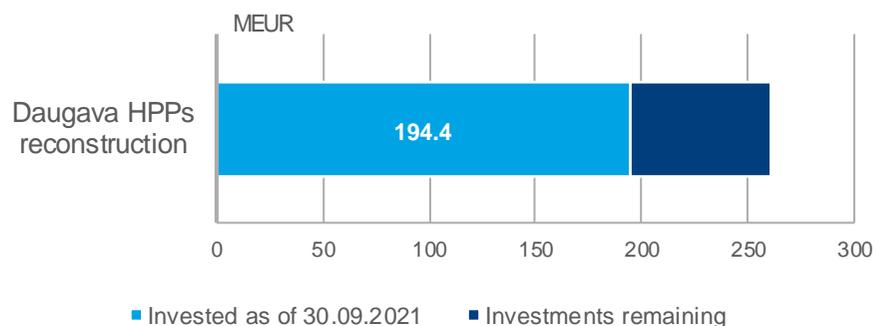
To ensure high-quality power network service, technical parameters and operational safety, a significant amount is invested in the modernization of the power distribution network. In the reporting period, the amount invested in power distribution network assets represented 65% of total investment.

Contributing to environmentally friendly projects, in the 9-month period of 2021, EUR 9.8 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 194.4 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 September 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.

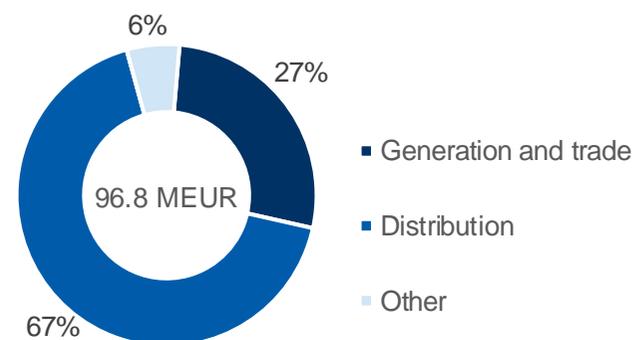
In 2021, *Elektrum Eesti* acquired a customer portfolio from the Finnish company *Imatra Elekter*, thus increasing its portfolio by about 20,000 customers and strengthening its position in the Baltic electricity market. Total investments amounted to EUR 2.4 million.

In order to create and ensure innovative electricity services, *Elektrum Eesti* acquired shares in several micro-network service companies in Estonia for EUR 7.6 million.

Main ongoing project



Investments, 9M 2021



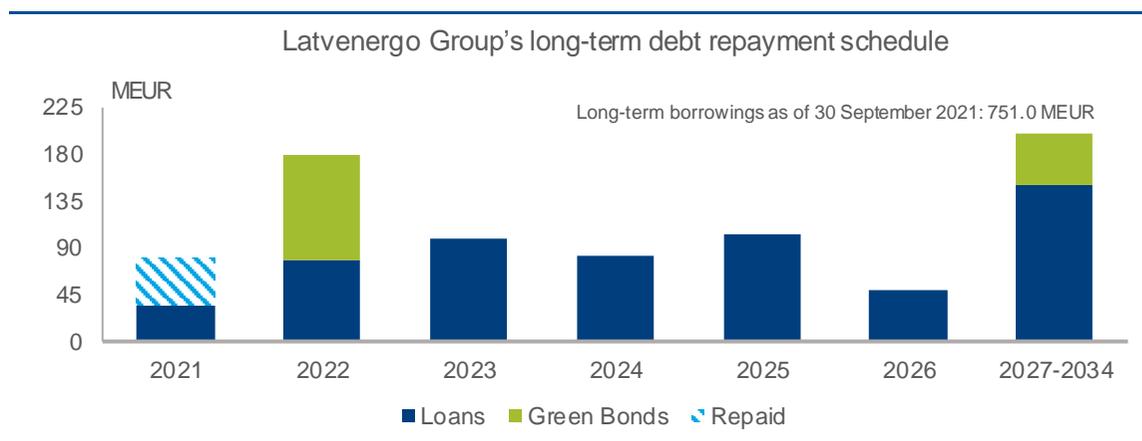
## Funding and Liquidity

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.

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.

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 September 2021, the Group's borrowings amount to EUR 751.4 million (30 September 2020: EUR 751.5 million), of which long-term borrowings comprise EUR 751.0 million, including long-term loans from commercial banks and international investment banks, as well as 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 September 2021, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 4.0 years (30 September 2020: 4.1 years). The effective weighted average interest rate (with interest rate swaps) is 1.2% (30 September 2020: 1.4%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 1.95).

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

On 7 August 2020, the international credit rating agency Moody's Investors Service renewed the Latvenergo AS credit analysis. The rating of Latvenergo AS remained unchanged: Baa2 with a stable outlook. 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 September 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 September 2021, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 47.4 million (30 September 2020: EUR 80.6 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

		9M 2021	9M 2020	9M 2019
Electricity supply, incl.	GWh	3,947	4,039	4,027
<i>Retail electricity</i> <sup>2)</sup>	GWh	2,989	3,121	3,122
<i>Wholesale electricity</i> <sup>3)</sup>	GWh	958	918	905
Retail natural gas	GWh	522	280	186
Electricity generation	GWh	3,391	3,271	3,530
Thermal energy generation	GWh	1,140	951	1,054
Number of employees		1,276	1,278	1,344
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

## Latvenergo AS financial figures

		9M 2021	9M 2020	9M 2019
Revenue	MEUR	331.4	283.0	320.6
EBITDA <sup>1)</sup>	MEUR	36.8	165.1	75.0
Profit	MEUR	34.7	148.5	80.2
Assets	MEUR	2,750.2	2,781.8	3,093.2
Equity	MEUR	1,676.1	1,752.0	1,926.7
Net debt (adjusted) <sup>1)</sup> *	MEUR	695.7	576.9	595.0
Investments	MEUR	21.3	38.6	29.2

## Latvenergo AS financial ratios

	9M 2021	9M 2020	9M 2019
Return on equity (ROE) <sup>1)</sup>	2.4%	9.2%	3.6%
Net debt / equity (adjusted) <sup>1)</sup> *	42%	33%	31%
EBITDA margin <sup>1)</sup>	16%	51%	19%

\* 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 9-Month Period Ending 30 September 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 9-Month Period Ending 30 September 2021* were approved by the Management Board of Latvenergo AS on 23 November 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

23 November 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.

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 until 18 June 2021)=

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

Net debt (as of 19 June 2021)=

borrowings at the end of the period - cash and cash equivalents at the end of the period

Net debt/EBITDA =

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

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

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

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

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

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

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

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

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
bbf –	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 <sup>3</sup> –	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

	Notes	Group		Parent Company	
		01/01– 30/09/2021	01/01– 30/09/2020	01/01– 30/09/2021	01/01– 30/09/2020
Revenue	4	659,543	564,359	331,442	283,002
Other income		21,174	21,382	19,852	56,315
Raw materials and consumables	5	(437,510)	(254,739)	(257,463)	(115,121)
Personnel expenses		(82,028)	(82,014)	(34,993)	(35,095)
Other operating expenses		(34,405)	(36,906)	(21,990)	(23,997)
<b>EBITDA</b>		<b>126,774</b>	<b>212,082</b>	<b>36,848</b>	<b>165,104</b>
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	7, 8	(92,076)	(119,103)	(28,896)	(59,268)
<b>Operating profit</b>		<b>34,698</b>	<b>92,979</b>	<b>7,952</b>	<b>105,836</b>
Finance income	6 a	1,885	1,453	8,855	9,729
Finance costs	6 b	(6,949)	(8,330)	(7,058)	(8,797)
Dividends from subsidiaries		–	–	24,978	41,743
<b>Profit before tax</b>		<b>29,634</b>	<b>86,102</b>	<b>34,727</b>	<b>148,511</b>
Income tax		(3,231)	(1,280)	–	–
<b>Profit for the period from continuing operations</b>		<b>26,403</b>	<b>84,822</b>	<b>34,727</b>	<b>148,511</b>
Profit for the period from discontinued operation		–	9,843	–	–
<b>Profit for the period</b>		<b>26,403</b>	<b>94,665</b>	<b>34,727</b>	<b>148,511</b>
<b>Profit attributable to:</b>					
– Equity holder of the Parent Company		25,527	93,416	34,727	148,511
– Non-controlling interests		876	1,249	–	–

## Statement of Comprehensive Income

EUR'000

	Notes	Group		Parent Company	
		01/01– 30/09/2021	01/01– 30/09/2020	01/01– 30/09/2021	01/01– 30/09/2020
<b>Profit for the period</b>		<b>26,403</b>	<b>94,665</b>	<b>34,727</b>	<b>148,511</b>
<i>Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:</i>					
– (losses) / gains from change in hedge reserve	13	(6,852)	3,940	(6,852)	3,940
<b>Other comprehensive (loss) / income for the period</b>		<b>(6,852)</b>	<b>3,940</b>	<b>(6,852)</b>	<b>3,940</b>
<b>TOTAL comprehensive income for the period</b>		<b>19,551</b>	<b>98,605</b>	<b>27,875</b>	<b>152,451</b>
<b>Comprehensive income attributable to:</b>					
– Equity holder of the Parent Company		18,675	97,356	27,875	152,451
– Non-controlling interests		876	1,249	–	–

## Statement of Financial Position

EUR'000

	Notes	Group		Parent Company	
		30/09/2021	31/12/2020	30/09/2021	31/12/2020
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets and property, plant and equipment	7 a, b	2,876,846	2,877,354	1,079,133	1,087,763
Right-of-use assets	8	7,116	8,253	3,788	4,486
Investment property	7 c	3,305	512	4,293	3,334
Non-current financial investments	9	40	40	645,218	645,218
Non-current loans to related parties	19 e	–	86,620	489,845	563,783
Other non-current receivables	11 c	2,520	429	417	417
Derivative financial instruments	16	1,664	291	1,664	291
Other financial investments	14	2,678	2,693	2,678	2,693
<b>Total non-current assets</b>		<b>2,894,169</b>	<b>2,976,192</b>	<b>2,227,036</b>	<b>2,307,985</b>
<b>Current assets</b>					
Inventories	10	146,130	68,754	128,671	50,471
Current intangible assets	7 a	22,565	3,157	22,565	3,157
Receivables from contracts with customers	11 a	113,154	108,178	71,835	75,856
Other current receivables	11 b, c	80,631	85,316	24,936	29,610
Deferred expenses		2,063	1,083	1,397	960
Current loans to related parties	19 e	–	–	220,924	178,446
Prepayment for income tax		–	43	–	–
Derivative financial instruments	16	7,396	1,266	7,396	1,266
Other financial investments	14	–	14,143	–	14,143
Cash and cash equivalents	12	47,449	100,703	45,477	98,261
<b>Total current assets</b>		<b>419,388</b>	<b>382,643</b>	<b>523,201</b>	<b>452,170</b>
<b>TOTAL ASSETS</b>		<b>3,313,557</b>	<b>3,358,835</b>	<b>2,750,237</b>	<b>2,760,155</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital		790,368	790,348	790,368	790,348
Reserves		1,138,157	1,154,367	755,542	766,115
Retained earnings		102,311	165,672	130,175	189,973
<b>Equity attributable to equity holder of the Parent Company</b>		<b>2,030,836</b>	<b>2,110,387</b>	<b>1,676,085</b>	<b>1,746,436</b>
Non-controlling interests		6,223	7,855	–	–
<b>Total equity</b>		<b>2,037,059</b>	<b>2,118,242</b>	<b>1,676,085</b>	<b>1,746,436</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	15	559,575	634,077	552,007	626,408
Lease liabilities	8	5,654	6,783	3,068	3,734
Deferred income tax liabilities		2,670	6,401	–	–
Provisions		17,365	17,317	8,426	8,402
Derivative financial instruments	16	4,358	9,672	4,358	9,672
Deferred income from contracts with customers	18 I, a	137,081	139,613	818	863
Other deferred income	18 I, b, c	152,351	170,413	146,001	163,480
<b>Total non-current liabilities</b>		<b>879,054</b>	<b>984,276</b>	<b>714,678</b>	<b>812,559</b>
<b>Current liabilities</b>					
Borrowings	15	191,820	109,122	189,203	106,984
Lease liabilities	8	1,559	1,561	789	806
Trade and other payables		118,843	100,912	99,761	63,704
Deferred income from contracts with customers	18 II, a	14,809	15,091	67	813
Other deferred income	18 II, b, c	25,014	24,799	24,255	24,021
Derivative financial instruments	16	45,399	4,832	45,399	4,832
<b>Total current liabilities</b>		<b>397,444</b>	<b>256,317</b>	<b>359,474</b>	<b>201,160</b>
<b>Total liabilities</b>		<b>1,276,498</b>	<b>1,240,593</b>	<b>1,074,152</b>	<b>1,013,719</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,313,557</b>	<b>3,358,835</b>	<b>2,750,237</b>	<b>2,760,155</b>

## 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
<b>As of 31 December 2019</b>	<b>834,883</b>	<b>1,075,235</b>	<b>318,555</b>	<b>28,936</b>	<b>2,257,609</b>	<b>7,878</b>	<b>2,265,487</b>	<b>834,883</b>	<b>778,162</b>	<b>336,242</b>	<b>1,949,287</b>
Decrease of share capital	(222,678)	–	–	–	(222,678)	–	(222,678)	(222,678)	–	–	(222,678)
Increase of share capital	178,143	–	(178,143)	–	–	–	–	178,143	–	(178,143)	–
Dividends paid	–	–	(127,071)	–	(127,071)	(1,819)	(128,890)	–	–	(127,071)	(127,071)
Disposal of non-current assets revaluation reserve	–	(6,930)	6,930	–	–	–	–	–	(4,097)	4,097	–
Discontinued operations	–	–	28,936	(28,936)	–	–	–	–	–	–	–
<b>Total transactions with owners and other changes in equity</b>	<b>(44,535)</b>	<b>(6,930)</b>	<b>(269,348)</b>	<b>(28,936)</b>	<b>(349,749)</b>	<b>(1,819)</b>	<b>(351,568)</b>	<b>(44,535)</b>	<b>(4,097)</b>	<b>(301,117)</b>	<b>(349,749)</b>
Profit for the period	–	–	93,416	–	93,416	1,249	94,665	–	–	148,511	148,511
Other comprehensive income for the period	–	3,940	–	–	3,940	–	3,940	–	3,940	–	3,940
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>3,940</b>	<b>93,416</b>	<b>–</b>	<b>97,356</b>	<b>1,249</b>	<b>98,605</b>	<b>–</b>	<b>3,940</b>	<b>148,511</b>	<b>152,451</b>
<b>As of 30 September 2020</b>	<b>790,348</b>	<b>1,072,245</b>	<b>142,623</b>	<b>–</b>	<b>2,005,216</b>	<b>7,308</b>	<b>2,012,524</b>	<b>790,348</b>	<b>778,005</b>	<b>183,636</b>	<b>1,751,989</b>
Disposal of non-current assets revaluation reserve	–	(1,952)	1,952	–	–	–	–	–	–	–	–
<b>Total transactions with owners and other changes in equity</b>	<b>–</b>	<b>(1,952)</b>	<b>1,952</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Profit for the period	–	–	21,097	–	21,097	547	21,644	–	–	6,337	6,337
Other comprehensive income / (loss) for the period	–	84,074	–	–	84,074	–	84,074	–	(11,890)	–	(11,890)
<b>Total comprehensive income / (loss) for the period</b>	<b>–</b>	<b>84,074</b>	<b>21,097</b>	<b>–</b>	<b>105,171</b>	<b>547</b>	<b>105,718</b>	<b>–</b>	<b>(11,890)</b>	<b>6,337</b>	<b>(5,553)</b>
<b>As of 31 December 2020</b>	<b>790,348</b>	<b>1,154,367</b>	<b>165,672</b>	<b>–</b>	<b>2,110,387</b>	<b>7,855</b>	<b>2,118,242</b>	<b>790,348</b>	<b>766,115</b>	<b>189,973</b>	<b>1,746,436</b>
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	–	(9,358)	9,358	–	–	–	–	–	(3,721)	3,721	–
<b>Total transactions with owners and other changes in equity</b>	<b>20</b>	<b>(9,358)</b>	<b>(88,888)</b>	<b>–</b>	<b>(98,226)</b>	<b>(2,508)</b>	<b>(100,734)</b>	<b>20</b>	<b>(3,721)</b>	<b>(94,525)</b>	<b>(98,226)</b>
Profit for the period	–	–	25,527	–	25,527	876	26,403	–	–	34,727	34,727
Other comprehensive loss for the period	–	(6,852)	–	–	(6,852)	–	(6,852)	–	(6,852)	–	(6,852)
<b>Total comprehensive (loss) / income for the period</b>	<b>–</b>	<b>(6,852)</b>	<b>25,527</b>	<b>–</b>	<b>18,675</b>	<b>876</b>	<b>19,551</b>	<b>–</b>	<b>(6,852)</b>	<b>34,727</b>	<b>27,875</b>
<b>As of 30 September 2021</b>	<b>790,368</b>	<b>1,138,157</b>	<b>102,311</b>	<b>–</b>	<b>2,030,836</b>	<b>6,223</b>	<b>2,037,059</b>	<b>790,368</b>	<b>755,542</b>	<b>130,175</b>	<b>1,676,085</b>

## Statement of Cash Flows

EUR'000

	Notes	Group		Parent Company	
		01/01– 30/09/2021	01/01– 30/09/2020	01/01– 30/09/2021	01/01– 30/09/2020
<b>Cash flows from operating activities</b>					
Profit before tax		29,634	86,102	34,727	148,511
Profit before tax from discontinued operation		–	9,945	–	–
<b>Profit before tax, total</b>		<b>29,634</b>	<b>96,047</b>	<b>34,727</b>	<b>148,511</b>
<b>Adjustments:</b>					
– Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets, and loss from disposal of non-current assets		120,172	145,170	53,985	70,597
– Net financial adjustments		26,155	3,738	19,353	(3,999)
– Other adjustments		(1,069)	219	(105)	4
– Dividends from subsidiaries		–	–	(24,978)	(41,743)
– Gain from distribution of assets / non-current financial investment of Parent Company		–	(5,001)	–	(36,246)
<b>Operating profit before working capital adjustments</b>		<b>174,892</b>	<b>240,173</b>	<b>82,982</b>	<b>137,124</b>
(Increase) / decrease in current assets		(81,525)	(5,760)	(41,544)	109,325
(Decrease) / increase in trade and other liabilities		(3,267)	2,887	16,354	(22,372)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	173,944	118,829
<b>Cash generated from operating activities</b>		<b>90,100</b>	<b>237,300</b>	<b>231,736</b>	<b>342,906</b>
Interest paid		(6,368)	(8,935)	(6,234)	(9,455)
Interest received		2,277	1,579	2,283	1,007
Paid corporate income tax		(6,860)	(10,744)	–	–
<b>Net cash flows from operating activities</b>		<b>79,149</b>	<b>219,200</b>	<b>227,785</b>	<b>334,458</b>
<b>Cash flows from investing activities</b>					
Loans issued to subsidiaries, net	19	–	–	(229,086)	(223,344)
Repayment of loans to related parties	19	86,672	138,560	86,672	138,560
Purchase of intangible assets and property, plant and equipment		(136,102)	(140,118)	(65,336)	(47,889)
Dividends received from subsidiaries		–	–	2,927	12,426
Proceeds from redemption of other financial investments		14,158	37	14,158	37
Payment for acquisition of subsidiaries, net of cash acquired		(4,410)	–	–	–
<b>Net cash flows used in investing activities</b>		<b>(39,682)</b>	<b>(1,521)</b>	<b>(190,665)</b>	<b>(120,210)</b>
<b>Cash flows from financing activities</b>					
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	2,380	4,500	–	–
Repayment of borrowings	15	(44,155)	(100,604)	(42,165)	(96,526)
Received financing from European Union		748	893	748	893
Lease payments		(940)	(695)	(241)	(75)
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)
<b>Net cash flows used in financing activities</b>		<b>(92,721)</b>	<b>(259,796)</b>	<b>(89,904)</b>	<b>(257,779)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(53,254)</b>	<b>(42,117)</b>	<b>(52,784)</b>	<b>(43,531)</b>
Cash and cash equivalents at the beginning of the period	12	100,703	122,722	98,261	121,261
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>47,449</b>	<b>80,605</b>	<b>45,477</b>	<b>77,730</b>

# 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 subsidiaries Elektrum Latvija SIA (since 18 September 2012), Energiaturu Vērguehitus OÜ (since 25 August 2021), Baltic Energy System OÜ (since 25 August 2021) and SNL Energia 1 OÜ (since 25 August 2021) all 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 9-month period ending on 30 September 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 September 2021 and comparative information for the period of 2020 starting on 1 January 2020 and ending on 30 September 2020.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 9-month period ending on 30 September 2021 were authorised by the Latvenergo AS Management Board on 23 November 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
<b>Period: 01/01–30/09/2021</b>												
<b>Revenue</b>												
External customers	429,198	224,661	–	5,684	<b>659,543</b>	–	<b>659,543</b>	308,544	22,898	<b>331,442</b>	–	<b>331,442</b>
Inter-segment	657	745	–	35,524	<b>36,926</b>	(36,926)	–	583	19,330	<b>19,913</b>	(19,913)	–
<b>TOTAL revenue</b>	<b>429,855</b>	<b>225,406</b>	<b>–</b>	<b>41,208</b>	<b>696,469</b>	<b>(36,926)</b>	<b>659,543</b>	<b>309,127</b>	<b>42,228</b>	<b>351,355</b>	<b>(19,913)</b>	<b>331,442</b>
<b>Results</b>												
<b>EBITDA</b>	<b>34,485</b>	<b>82,939</b>	<b>–</b>	<b>9,350</b>	<b>126,774</b>	<b>–</b>	<b>126,774</b>	<b>26,109</b>	<b>10,739</b>	<b>36,848</b>	<b>–</b>	<b>36,848</b>
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(23,065)	(60,881)	–	(8,130)	<b>(92,076)</b>	–	<b>(92,076)</b>	(20,597)	(8,299)	<b>(28,896)</b>	–	<b>(28,896)</b>
<b>Segment profit before tax</b>	<b>11,420</b>	<b>22,058</b>	<b>–</b>	<b>1,220</b>	<b>34,698</b>	<b>(5,064)</b>	<b>29,634</b>	<b>5,512</b>	<b>2,440</b>	<b>7,952</b>	<b>26,775</b>	<b>34,727</b>
Capital expenditure	25,538	63,317	–	5,351	<b>94,206</b>	<b>2,591</b>	<b>96,797</b>	15,907	5,370	<b>21,277</b>	–	<b>21,277</b>
<b>Period: 01/01–30/09/2020</b>												
<b>Revenue</b>												
External customers	341,394	217,649	15,967	5,316	<b>580,326</b>	–	<b>580,326</b>	259,471	23,531	<b>283,002</b>	–	<b>283,002</b>
Inter-segment	770	1,001	1,594	35,124	<b>38,489</b>	(38,489)	–	382	18,801	<b>19,183</b>	(19,183)	–
<b>TOTAL revenue</b>	<b>342,164</b>	<b>218,650</b>	<b>17,561</b>	<b>40,440</b>	<b>618,815</b>	<b>(38,489)</b>	<b>580,326</b>	<b>259,853</b>	<b>42,332</b>	<b>302,185</b>	<b>(19,183)</b>	<b>283,002</b>
<b>Results</b>												
<b>EBITDA</b>	<b>126,959</b>	<b>74,674</b>	<b>16,554</b>	<b>10,449</b>	<b>228,636</b>	<b>–</b>	<b>228,636</b>	<b>118,486</b>	<b>46,618</b>	<b>165,104</b>	<b>–</b>	<b>165,104</b>
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(52,973)	(57,465)	(11,602)	(8,665)	<b>(130,705)</b>	–	<b>(130,705)</b>	(50,488)	(8,780)	<b>(59,268)</b>	–	<b>(59,268)</b>
<b>Segment profit before tax</b>	<b>73,986</b>	<b>17,209</b>	<b>4,952</b>	<b>1,784</b>	<b>97,931</b>	<b>(6,877)</b>	<b>91,054</b>	<b>67,998</b>	<b>37,838</b>	<b>105,836</b>	<b>42,675</b>	<b>148,511</b>
Capital expenditure	31,238	62,046	28,879	8,298	<b>130,461</b>	<b>(75)</b>	<b>130,386</b>	30,264	8,299	<b>38,563</b>	–	<b>38,563</b>

\* 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 September 2021	1,375,221	1,789,541	98,628	<b>3,263,390</b>	50,167	<b>3,313,557</b>	1,235,133	110,962	<b>1,346,095</b>	1,404,142	<b>2,750,237</b>
As of 31 December 2020	1,263,651	1,795,034	95,907	<b>3,154,592</b>	204,243	<b>3,358,835</b>	1,131,977	125,634	<b>1,257,611</b>	1,502,544	<b>2,760,155</b>

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
<b>Period: 01/01–30/09/2021</b>										
<b>Revenue from contracts with customers recognised over time:</b>										
Trade of energy and related supply services	383,497	2,430	–	–	385,927	385,927	272,526	–	272,526	272,526
Distribution system services	–	209,461	–	–	209,461	209,461	–	–	–	–
Heat sales	43,750	50	–	10	43,810	43,810	35,266	10	35,276	35,276
Other revenue	1,951	12,667	–	4,232	18,850	18,850	752	20,341	21,093	21,093
<b>Total revenue from contracts with customers</b>	<b>429,198</b>	<b>224,608</b>	<b>–</b>	<b>4,242</b>	<b>658,048</b>	<b>658,048</b>	<b>308,544</b>	<b>20,351</b>	<b>328,895</b>	<b>328,895</b>
<b>Other revenue:</b>										
Lease of transmission system assets	–	–	–	–	–	–	–	–	–	–
Lease of other assets	–	53	–	1,442	1,495	1,495	–	2,547	2,547	2,547
Other revenue	–	–	–	–	–	–	–	–	–	–
<b>Total other revenue</b>	<b>–</b>	<b>53</b>	<b>–</b>	<b>1,442</b>	<b>1,495</b>	<b>1,495</b>	<b>–</b>	<b>2,547</b>	<b>2,547</b>	<b>2,547</b>
<b>Period: 01/01–30/09/2020</b>										
<b>Revenue from contracts with customers recognised over time:</b>										
Trade of energy and related supply services	303,070	2,360	–	7	305,437	305,437	230,041	–	230,041	230,041
Distribution system services	–	203,209	–	–	203,209	203,209	–	–	–	–
Heat sales	35,474	41	–	8	35,523	35,523	28,527	8	28,535	28,535
Other revenue	2,850	11,966	–	4,212	19,028	19,028	903	20,485	21,388	21,388
<b>Total revenue from contracts with customers</b>	<b>341,394</b>	<b>217,576</b>	<b>–</b>	<b>4,227</b>	<b>563,197</b>	<b>563,197</b>	<b>259,471</b>	<b>20,493</b>	<b>279,964</b>	<b>279,964</b>
<b>Other revenue:</b>										
Lease of transmission system assets	–	–	15,631	–	15,631	15,631	–	–	–	–
Lease of other assets	–	73	–	1,089	1,162	1,162	–	3,038	3,038	3,038
Other revenue	–	–	336	–	336	336	–	–	–	–
<b>Total other revenue</b>	<b>–</b>	<b>73</b>	<b>15,967</b>	<b>1,089</b>	<b>17,129</b>	<b>17,129</b>	<b>–</b>	<b>3,038</b>	<b>3,038</b>	<b>3,038</b>

\* 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	
	01/01–30/09/2021	01/01–30/09/2020	01/01–30/09/2021	01/01–30/09/2020
<b>EBITDA</b>	<b>126,774</b>	<b>228,636</b>	<b>36,848</b>	<b>165,104</b>
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(92,076)	(130,705)	(28,896)	(59,268)
<b>Segment profit before tax</b>	<b>34,698</b>	<b>97,931</b>	<b>7,952</b>	<b>105,836</b>
Finance income	1,885	1,453	8,855	9,729
Finance costs	(6,949)	(8,330)	(7,058)	(8,797)
Dividends received from subsidiaries	–	–	24,978	41,743
<b>Profit before tax</b>	<b>29,634</b>	<b>91,054</b>	<b>34,727</b>	<b>148,511</b>

### Reconciliation of assets

	EUR'000			
	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
<b>Segment operating assets</b>	<b>3,263,390</b>	<b>3,154,592</b>	<b>1,346,095</b>	<b>1,257,611</b>
Non-current financial investments	40	40	645,218	645,218
Loans to related parties	–	86,620	710,769	742,229
Other financial investments	2,678	16,836	2,678	16,836
Prepayment for income and other taxes	–	44	–	–
Cash and cash equivalents	47,449	100,703	45,477	98,261
<b>TOTAL assets</b>	<b>3,313,557</b>	<b>3,358,835</b>	<b>2,750,237</b>	<b>2,760,155</b>

## 4. Revenue

	IFRS or IAS applied	EUR'000			
		Group		Parent Company	
		01/01–30/09/2021	01/01–30/09/2020	01/01–30/09/2021	01/01–30/09/2020
<b>Revenue from contracts with customers recognised over time:</b>					
Trade of energy and related supply services	15. SFPS	385,927	305,437	272,526	230,041
Distribution system services	15. SFPS	209,461	203,209	–	–
Heat sales	15. SFPS	43,810	35,523	35,276	28,535
Other revenue	15. SFPS	18,850	19,028	21,093	21,388
<b>Total revenue from contracts with customers</b>		<b>658,048</b>	<b>563,197</b>	<b>328,895</b>	<b>279,964</b>
<b>Other revenue:</b>					
Lease of other assets	16. SFPS	1,495	1,162	2,547	3,038
<b>Total other revenue</b>		<b>1,495</b>	<b>1,162</b>	<b>2,547</b>	<b>3,038</b>
<b>TOTAL revenue</b>		<b>659,543</b>	<b>564,359</b>	<b>331,442</b>	<b>283,002</b>

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	
	01/01–30/09/2021	01/01–30/09/2020	01/01–30/09/2021	01/01–30/09/2020
Mandatory procurement PSO fees	46,909	63,764	48,843	65,340
Distribution system services	17,026	8,801	134,290	136,293
Transmission system services	1,304	1,184	1,317	1,208
Insurance intermediation	334	–	334	–
<b>TOTAL revenue recognised applying agent accounting principle</b>	<b>65,573</b>	<b>73,749</b>	<b>184,784</b>	<b>202,841</b>

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

## 5. Raw materials and consumables

EUR'000

	Group		Parent Company	
	01/01–30/09/2021	01/01–30/09/2020	01/01–30/09/2021	01/01–30/09/2020
<b>Energy costs</b>				
Electricity and costs of related supply services	214,089	102,742	99,962	30,759
Gains on fair value changes on electricity forwards and futures (Note 16 II)	(925)	(2,399)	(925)	(2,399)
Electricity transmission services costs	55,440	52,852	2,490	708
Natural gas and other energy resources costs	130,491	81,548	124,966	77,244
Losses / (gains) on fair value changes on natural gas forwards (Note 16 III)	22,059	(379)	22,059	(379)
	<b>421,154</b>	<b>234,364</b>	<b>248,552</b>	<b>105,933</b>
Raw materials, spare parts and maintenance costs	16,356	20,375	8,911	9,188
<b>TOTAL raw materials and consumables</b>	<b>437,510</b>	<b>254,739</b>	<b>257,463</b>	<b>115,121</b>

## 6. Finance income and costs

EUR'000

	Group		Parent Company	
	01/01–30/09/2021	01/01–30/09/2020	01/01–30/09/2021	01/01–30/09/2020
<b>a) Finance income:</b>				
Interest income	192	1,391	192	819
Interest income on loans to related parties	1,341	–	8,311	8,848
Gains on fair value changes on interest rate swaps (Note 16 I)	236	–	236	–
Net gain on issued debt securities (bonds)	85	62	85	62
Net gain on currency exchange rate fluctuations	31	–	31	–
<b>TOTAL finance income</b>	<b>1,885</b>	<b>1,453</b>	<b>8,855</b>	<b>9,729</b>
<b>b) Finance costs:</b>				
Interest expense on borrowings	5,452	6,430	5,614	6,972
Interest expense on issued debt securities (bonds)	1,499	1,787	1,499	1,787
Interest expense on assets lease	89	96	48	51
Capitalised borrowing costs	(250)	(353)	(250)	(353)
Net losses on redemption of other financial investments	17	37	17	37
Net losses on currency exchange rate fluctuations	–	59	–	59
Other finance costs	142	274	130	244
<b>TOTAL finance costs</b>	<b>6,949</b>	<b>8,330</b>	<b>7,058</b>	<b>8,797</b>

## 7. Intangible assets and property, plant and equipment

### a) Intangible assets

EUR'000

	Group			Parent Company		
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	2020
<b>Non-current intangible assets</b>						
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)
<b>Net book amount at the beginning of the period</b>	<b>50,028</b>	<b>22,587</b>	<b>22,587</b>	<b>16,193</b>	<b>26,111</b>	<b>26,111</b>
Additions	5,351	11,284	14,352	2,838	10,802	13,816
Goodwill acquired after acquisition of subsidiaries*	2,591	–	–	–	–	–
Disposals	(81)	(11,151)	(17,414)	(81)	(11,339)	(17,414)
Impairment charge	–	–	(81)	–	–	(81)
Amortisation charge	(4,385)	(3,134)	(4,581)	(2,308)	(2,124)	(3,082)
Reclassified to current intangible assets	–	–	(3,157)	–	–	(3,157)
Recognised usage rights after distribution of discontinued operation**	–	38,322	38,322	–	–	–
<b>Closing net book amount at the end of the period</b>	<b>53,504</b>	<b>57,908</b>	<b>50,028</b>	<b>16,642</b>	<b>23,450</b>	<b>16,193</b>
Cost						
Accumulated amortisation	118,803	128,683	111,105	63,221	78,219	60,591
<b>Closing net book amount at the end of the period</b>	<b>(65,299)</b>	<b>(70,775)</b>	<b>(61,077)</b>	<b>(46,579)</b>	<b>(54,769)</b>	<b>(44,398)</b>
Cost	<b>53,504</b>	<b>57,908</b>	<b>50,028</b>	<b>16,642</b>	<b>23,450</b>	<b>16,193</b>
<b>Current intangible assets</b>						
<b>Net book amount at the beginning of the period</b>	<b>3,157</b>	–	–	<b>3,157</b>	–	–
Additions	44,722	–	–	44,722	–	–
Disposals	(25,314)	–	–	(25,314)	–	–
Reclassified from non-current intangible assets	–	–	3,157	–	–	3,157
<b>Closing net book amount at the end of the period</b>	<b>22,565</b>	–	<b>3,157</b>	<b>22,565</b>	–	<b>3,157</b>

\* Recognised goodwill after the acquisition of 100% of the shares in Energiaturu Võrguehitus OÜ, Baltic Energy System OÜ and SNL Energia 1 OÜ in August 2021 made by Elektrum Eesti OÜ

\*\* 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		
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	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)
<b>Net book amount at the beginning of the period</b>	<b>2,827,326</b>	<b>2,752,945</b>	<b>2,752,945</b>	<b>1,071,570</b>	<b>1,109,001</b>	<b>1,109,001</b>
Additions	88,855	126,772	164,051	18,439	35,432	46,730
Reclassified (to) / from investment properties	(3,046)	(13)	(477)	(1,257)	2,868	2,427
Reclassified to non-current assets held for sale	–	(11)	(43)	–	(11)	–
Disposals	(3,298)	(4,333)	(6,401)	(319)	(4,371)	(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	–	–	–
Reversed / (recognised) impairment charge	26,699	212	(7,129)	26,699	386	(7,116)
Depreciation	(113,194)	(126,721)	(163,557)	(52,641)	(56,786)	(75,029)
Changes in value of assets attributable to the discontinued operation*	–	(16,987)	(16,987)	–	–	–
<b>Closing net book amount at the end of the period</b>	<b>2,823,342</b>	<b>2,731,864</b>	<b>2,827,326</b>	<b>1,062,491</b>	<b>1,086,519</b>	<b>1,071,570</b>
Cost or revalued amount	6,395,763	6,311,596	6,373,740	3,165,109	3,180,207	3,177,841
Accumulated depreciation and impairment	(3,572,421)	(3,579,732)	(3,546,414)	(2,102,618)	(2,093,688)	(2,106,271)
<b>Closing net book amount at the end of the period</b>	<b>2,823,342</b>	<b>2,731,864</b>	<b>2,827,326</b>	<b>1,062,491</b>	<b>1,086,519</b>	<b>1,071,570</b>

\* 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		
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	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)
<b>Net book amount at the beginning of the period</b>	<b>512</b>	<b>301</b>	<b>301</b>	<b>3,334</b>	<b>39,435</b>	<b>39,435</b>
Reclassified to investment property held for capital appreciation	–	–	477	–	–	477
Reclassified from property, plant and equipment to investment property	3,046	13	–	1,385	–	–
Reclassified to property, plant and equipment	–	–	–	(128)	(2,867)	(2,904)
Disposal	(10)	(2)	(6)	(10)	(26)	(30)
Investment in the share capital of other company	–	–	–	–	(32,333)	(32,333)
Sold	(243)	(31)	(263)	(243)	(865)	(1,097)
Impairment charge	–	–	3	–	–	3
Depreciation	–	–	–	(45)	(202)	(217)
<b>Closing net book amount at the end of the period</b>	<b>3,305</b>	<b>281</b>	<b>512</b>	<b>4,293</b>	<b>3,142</b>	<b>3,334</b>
Cost or revalued amount	4,243	837	1,455	6,140	4,905	5,432
Accumulated depreciation and impairment	(938)	(556)	(943)	(1,847)	(1,763)	(2,098)
<b>Closing net book amount at the end of the period</b>	<b>3,305</b>	<b>281</b>	<b>512</b>	<b>4,293</b>	<b>3,142</b>	<b>3,334</b>

## 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		
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	2020
EUR'000						
<b>a) Right-of-use assets</b>						
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)
<b>Net book amount at the beginning of the period</b>	<b>8,253</b>	<b>5,522</b>	<b>5,522</b>	<b>4,486</b>	<b>3,476</b>	<b>3,476</b>
Recognised changes in lease agreements	59	2,882	4,178	(97)	1,753	1,746
Depreciation	(1,196)	(1,050)	(1,447)	(601)	(542)	(736)
<b>Closing net book amount at the end of the period</b>	<b>7,116</b>	<b>7,354</b>	<b>8,253</b>	<b>3,788</b>	<b>4,687</b>	<b>4,486</b>
Initial recognition cost	11,006	9,588	10,970	5,522	5,626	5,619
Accumulated depreciation	(3,890)	(2,234)	(2,717)	(1,734)	(939)	(1,133)
<b>Closing net book amount at the end of the period</b>	<b>7,116</b>	<b>7,354</b>	<b>8,253</b>	<b>3,788</b>	<b>4,687</b>	<b>4,486</b>
<b>b) Lease liabilities</b>						
<b>At the beginning of the period</b>	<b>8,344</b>	<b>5,565</b>	<b>5,565</b>	<b>4,540</b>	<b>3,502</b>	<b>3,502</b>
<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	39	2,882	4,178	(97)	1,753	1,746
Decrease of lease liabilities	(1,259)	(1,098)	(1,530)	(634)	(560)	(777)
Recognised interest liabilities (Note 6)	89	96	131	48	51	69
<b>At the end of the period</b>	<b>7,213</b>	<b>7,445</b>	<b>8,344</b>	<b>3,857</b>	<b>4,746</b>	<b>4,540</b>
<i>Of which are:</i>						
– non-current	5,654	6,180	6,783	3,068	3,941	3,734
– current	1,559	1,265	1,561	789	805	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	30/09/2021		31/12/2020	
			Interest held, %	EUR'000	Interest held, %	EUR'000
<b>Investments in subsidiaries</b>						
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
<i>Elektrum Eesti OÜ</i>	Estonia	Electricity and natural gas trade	100%	35	100%	35
<i>Elektrum Lietuva, UAB</i>	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
<b>TOTAL</b>				<b>645,179</b>		<b>645,179</b>
<b>Other non-current financial investments</b>						
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
<b>TOTAL</b>				<b>39</b>		<b>39</b>
<b>TOTAL non-current financial investments of the Parent Company</b>				<b>645,218</b>		<b>645,218</b>

### The Group's non-current financial investments

Name of the company	Country of incorporation	Business activity held	30/09/2021		31/12/2020	
			Interest held, %	EUR'000	Interest held, %	EUR'000
<b>Other non-current financial investments (Group)</b>						
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
<b>TOTAL</b>				<b>40</b>		<b>40</b>

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	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
Raw materials and materials	16,086	17,224	862	824
Natural gas	80,405	41,621	80,405	41,620
Goods for sale	3,102	2,508	719	549
Other inventories	8,177	8,203	8,061	8,060
Prepayments for inventories	39,552	189	39,373	25
Allowance for raw materials and other inventories	(1,192)	(991)	(749)	(607)
<b>TOTAL inventories</b>	<b>146,130</b>	<b>68,754</b>	<b>128,671</b>	<b>50,471</b>

**Movement on the allowance for inventories**

EUR'000

	Group			Parent Company		
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	2020
At the beginning of the period	991	1,287	1,287	607	674	674
Charged / (credited) to the Statement of Profit or Loss	201	32	(296)	142	(33)	(67)
At the end of the period	1,192	1,319	991	749	641	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	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
Individually assessed receivables with lifetime ECL assessment (counterparty model)	7,515	2,775	9,675	6,257
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	105,639	105,403	62,160	69,599
<b>TOTAL receivables from contracts with customers</b>	<b>113,154</b>	<b>108,178</b>	<b>71,835</b>	<b>75,856</b>

**a) Receivables from contracts with customers, net**

EUR'000

	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
<b>Receivables from contracts with customers:</b>				
– Electricity, natural gas trade and related services customers (portfolio model)	131,614	136,647	96,896	102,120
– Electricity, natural gas trade and related services customers (counterparty model)	7,805	–	–	–
– Heating customers (portfolio model)	2,942	9,463	2,558	7,386
– Other receivables from contracts with customers (portfolio model)	5,586	3,557	1,858	1,093
– Other receivables from contracts with customers (counterparty model)	7,528	2,780	5,310	1,480
– Subsidiaries (counterparty model) (Note 19 b)	–	–	4,377	4,782
	<b>155,475</b>	<b>152,447</b>	<b>110,999</b>	<b>116,861</b>
<b>Allowances for expected credit loss from contracts with customers:</b>				
– Electricity, natural gas trade and related services customers (portfolio model)	(40,002)	(41,761)	(38,828)	(40,672)
– Electricity, natural gas trade and related services customers (counterparty model)	(15)	–	–	–
– Heating customers (portfolio model)	(317)	(328)	(304)	(315)
– Other receivables from contracts with customers (portfolio model)	(1,974)	(2,175)	(20)	(13)
– Other receivables from contracts with customers (counterparty model)	(13)	(5)	(9)	(2)
– Subsidiaries (counterparty model) (Note 19 b)	–	–	(3)	(3)
	<b>(42,321)</b>	<b>(44,269)</b>	<b>(39,164)</b>	<b>(41,005)</b>
<b>Receivables from contracts with customers, net:</b>				
– Electricity, natural gas trade and related services customers (portfolio model)	91,612	94,886	58,068	61,448
– Electricity, natural gas trade and related services customers (counterparty model)	7,790	–	–	–
– Heating customers (portfolio model)	2,625	9,135	2,254	7,071
– Other receivables from contracts with customers (portfolio model)	3,612	1,382	1,838	1,080
– Other receivables from contracts with customers (counterparty model)	7,515	2,775	5,301	1,478
– Subsidiaries (counterparty model) (Note 19 b)	–	–	4,374	4,779
	<b>113,154</b>	<b>108,178</b>	<b>71,835</b>	<b>75,856</b>

**Movements in loss allowances for impaired receivables from contracts with customers**

EUR'000

	Group			Parent Company		
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	2020
<b>At the beginning of the period</b>	44,269	46,737	46,737	41,005	43,521	43,521
Receivables written off during the period as uncollectible	(2,427)	(1,526)	(3,681)	(2,154)	(1,296)	(3,252)
Allowances for expected credit losses	479	1,134	1,213	313	460	736
<b>At the end of the period</b>	<b>42,321</b>	<b>46,345</b>	<b>44,269</b>	<b>39,164</b>	<b>42,685</b>	<b>41,005</b>

**b) Other current financial receivables**

EUR'000

	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
<b>Current financial receivables:</b>				
Unsettled revenue on mandatory procurement PSO fee recognised as assets*	63,550	77,273	–	–
Receivables for lease	51	48	47	33
Other current financial receivables	14,142	8,369	13,466	6,385
Other accrued income	129	874	129	874
Allowances for expected credit loss	(1,586)	(1,700)	(1,237)	(1,331)
Receivables for lease from subsidiaries (Note 19 b)	–	–	7	73
Other financial receivables from subsidiaries (Note 19 b)	–	–	6,684	21,460
Other accrued income from subsidiaries (Note 19 c)	–	–	1,551	1,850
Allowances for expected credit loss on subsidiaries receivables (Note 19 b)	–	–	(14)	(4)
<b>TOTAL other current financial receivables</b>	<b>76,286</b>	<b>84,864</b>	<b>20,643</b>	<b>29,328</b>

\* 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	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
Non-current non-financial receivables	2,520	429	417	417
Current non-financial receivables	4,345	452	4,293	282
<b>TOTAL non-financial receivables</b>	<b>6,865</b>	<b>881</b>	<b>4,710</b>	<b>699</b>

## 12. Cash and cash equivalents

EUR'000

	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
Cash at bank	47,449	100,703	45,477	98,261
<b>TOTAL cash and cash equivalents</b>	<b>47,449</b>	<b>100,703</b>	<b>45,477</b>	<b>98,261</b>

## 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
<b>As of 31 December 2019</b>	<b>1,083,772</b>	<b>(6,227)</b>	<b>(2,420)</b>	<b>110</b>	<b>1,075,235</b>	<b>28,936</b>	<b>1,104,171</b>	<b>785,870</b>	<b>(6,227)</b>	<b>(1,481)</b>	<b>778,162</b>
Attributable to discontinued operation:											
Non-current assets revaluation reserve	–	–	–	–	–	(28,683)	<b>(28,683)</b>	–	–	–	–
Post-employment benefit plan revaluation reserve	–	–	–	–	–	(21)	<b>(21)</b>	–	–	–	–
Disposal of non-current assets revaluation reserve	(6,930)	–	–	–	<b>(6,930)</b>	(232)	<b>(7,162)</b>	(4,097)	–	–	<b>(4,097)</b>
Gains from fair value changes of derivative financial instruments	–	3,940	–	–	<b>3,940</b>	–	<b>3,940</b>	–	3,940	–	<b>3,940</b>
<b>As of 30 September 2020</b>	<b>1,076,842</b>	<b>(2,287)</b>	<b>(2,420)</b>	<b>110</b>	<b>1,072,245</b>	<b>–</b>	<b>1,072,245</b>	<b>781,773</b>	<b>(2,287)</b>	<b>(1,481)</b>	<b>778,005</b>
Increase of non-current assets revaluation reserve as a result of revaluation (Note 7 b)	96,264	–	–	–	<b>96,264</b>	–	<b>96,264</b>	–	–	–	–
Disposal of non-current assets revaluation reserve	(1,952)	–	–	–	<b>(1,952)</b>	–	<b>(1,952)</b>	–	–	–	–
Losses on re-measurement of defined post-employment benefit plan	–	–	(476)	–	<b>(476)</b>	–	<b>(476)</b>	–	–	(176)	<b>(176)</b>
Losses from fair value changes of derivative financial instruments	–	(11,714)	–	–	<b>(11,714)</b>	–	<b>(11,714)</b>	–	(11,714)	–	<b>(11,714)</b>
<b>As of 31 December 2020</b>	<b>1,171,154</b>	<b>(14,001)</b>	<b>(2,896)</b>	<b>110</b>	<b>1,154,367</b>	<b>–</b>	<b>1,154,367</b>	<b>781,773</b>	<b>(14,001)</b>	<b>(1,657)</b>	<b>766,115</b>
Disposal of non-current assets revaluation reserve	(9,358)	–	–	–	<b>(9,358)</b>	–	<b>(9,358)</b>	(3,721)	–	–	<b>(3,721)</b>
Losses from fair value changes of derivative financial instruments	–	(6,852)	–	–	<b>(6,852)</b>	–	<b>(6,852)</b>	–	(6,852)	–	<b>(6,852)</b>
<b>As of 30 September 2021</b>	<b>1,161,796</b>	<b>(20,853)</b>	<b>(2,896)</b>	<b>110</b>	<b>1,138,157</b>	<b>–</b>	<b>1,138,157</b>	<b>778,052</b>	<b>(20,853)</b>	<b>(1,657)</b>	<b>755,542</b>

## 14. Other financial investments

### Carrying (amortised cost) amount of other financial investments

EUR'000

	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
Financial investments in Latvian State Treasury bonds:				
– non-current	2,678	2,693	2,678	2,693
– current	–	14,143	–	14,143
<b>TOTAL other financial investments</b>	<b>2,678</b>	<b>16,836</b>	<b>2,678</b>	<b>16,836</b>

## 15. Borrowings

	Group		Parent Company		EUR'000
	30/09/2021	31/12/2020	30/09/2021	31/12/2020	
	Non-current borrowings from financial institutions	509,715	533,898	502,147	526,229
Issued debt securities (bonds)	49,860	100,179	49,860	100,179	
<b>TOTAL non-current borrowings</b>	<b>559,575</b>	<b>634,077</b>	<b>552,007</b>	<b>626,408</b>	
Current portion of non-current borrowings from financial institutions	89,836	107,428	87,247	105,330	
Issued debt securities (bonds)	100,086	–	100,086	–	
Accrued interest on non-current borrowings	1,222	617	1,193	577	
Accrued coupon interest on issued debt securities (bonds)	676	1,077	677	1,077	
<b>TOTAL current borrowings</b>	<b>191,820</b>	<b>109,122</b>	<b>189,203</b>	<b>106,984</b>	
<b>TOTAL borrowings</b>	<b>751,395</b>	<b>743,199</b>	<b>741,210</b>	<b>733,392</b>	

### Movement in borrowings

	Group			Parent Company			EUR'000
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	2020	
	<b>At the beginning of the period</b>	<b>743,199</b>	<b>882,671</b>	<b>882,671</b>	<b>733,392</b>	<b>872,899</b>	<b>872,899</b>
Borrowings received	2,380	4,500	39,500	–	–	35,000	
Borrowings repaid	(44,155)	(100,604)	(143,176)	(42,165)	(96,526)	(138,692)	
Proceeds from issued debt securities (bonds)	50,000	–	–	50,000	–	–	
Repayment of issued debt securities (bonds)	–	(35,000)	(35,000)	–	(35,000)	(35,000)	
Change in accrued interest on borrowings	204	(17)	(703)	216	(18)	(722)	
Changes in outstanding value of issued debt securities (bonds)	(233)	(61)	(93)	(233)	(61)	(93)	
<b>At the end of the period</b>	<b>751,395</b>	<b>751,489</b>	<b>743,199</b>	<b>741,210</b>	<b>741,294</b>	<b>733,392</b>	

## 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

	Group						Parent Company						EUR'000
	01/01–30/09/2021		01/01–30/09/2020		2020		01/01–30/09/2021		01/01–30/09/2020		2020		
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
<b>Outstanding fair value at the beginning of the period</b>	–	(9,504)	–	(9,216)	–	(9,216)	–	(9,504)	–	(9,216)	–	(9,216)	
Included in the Statement of Profit or Loss (Note 6)	–	236	–	–	–	–	–	236	–	–	–	–	
Included in the Statement of Comprehensive Income	–	3,502	–	(673)	–	(288)	–	3,502	–	(673)	–	(288)	
<b>Outstanding fair value at the end of the period</b>	<b>–</b>	<b>(5,766)</b>	<b>–</b>	<b>(9,889)</b>	<b>–</b>	<b>(9,504)</b>	<b>–</b>	<b>(5,766)</b>	<b>–</b>	<b>(9,889)</b>	<b>–</b>	<b>(9,504)</b>	

## 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					
	01/01–30/09/2021		01/01–30/09/2020		2020		01/01–30/09/2021		01/01–30/09/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Outstanding fair value at the beginning of the period</b>	617	–	–	(3,916)	–	(3,916)	617	–	–	(3,916)	–	(3,916)
Included in Statement of Profit or Loss (Note 5)	1,049	(124)	179	2,220	114	2,220	1,049	(124)	179	2,220	114	2,220
Included in Statement of Comprehensive Income	7,245	–	247	1,696	503	1,696	7,245	–	247	1,696	503	1,696
<b>Outstanding fair value at the end of the period</b>	<b>8,911</b>	<b>(124)</b>	<b>426</b>	<b>–</b>	<b>617</b>	<b>–</b>	<b>8,911</b>	<b>(124)</b>	<b>426</b>	<b>–</b>	<b>617</b>	<b>–</b>

## 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					
	01/01–30/09/2021		01/01–30/09/2020		2020		01/01–30/09/2021		01/01–30/09/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Outstanding fair value at the beginning of the period</b>	940	(4,993)	6,717	–	6,717	–	940	(4,993)	6,717	–	6,717	–
Included in Statement of Profit or Loss (Note 5)	(940)	(21,119)	379	–	(1,092)	–	(940)	(21,119)	379	–	(1,092)	–
Included in Statement of Comprehensive Income	149	(17,755)	2,670	–	(4,685)	(4,993)	149	(17,755)	2,670	–	(4,685)	(4,993)
<b>Outstanding fair value at the end of the period</b>	<b>149</b>	<b>(43,867)</b>	<b>9,766</b>	<b>–</b>	<b>940</b>	<b>(4,993)</b>	<b>149</b>	<b>(43,867)</b>	<b>9,766</b>	<b>–</b>	<b>940</b>	<b>(4,993)</b>

## IV) Currency exchange forwards

### Fair value changes of forward currencies exchange contracts

EUR'000

	Group						Parent Company					
	01/01–30/09/2021		01/01–30/09/2020		2020		01/01–30/09/2021		01/01–30/09/2020		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Outstanding fair value at the beginning of the period</b>	–	(7)	–	–	–	–	–	(7)	–	–	–	–
Included in Statement of Comprehensive Income	–	7	–	–	–	(7)	–	7	–	–	–	(7)
<b>Outstanding fair value at the end of the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(7)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(7)</b>

## 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
<b>As of 30 September 2021</b>								
<b>Assets measured at fair value</b>								
Revalued property, plant and equipment	–	–	2,396,440	<b>2,396,440</b>	–	–	779,110	<b>779,110</b>
Non-current financial investments (Note 9)	–	–	40	<b>40</b>	–	–	39	<b>39</b>
<i>Derivative financial instruments, including:</i>								
Electricity forwards and futures (Note 16 II))	–	8,911	–	<b>8,911</b>	–	8,911	–	<b>8,911</b>
Natural gas forwards (Note 16 III))	–	149	–	<b>149</b>	–	149	–	<b>149</b>
<b>Assets for which fair values are disclosed</b>								
Investment properties (Note 7 c)	–	–	3,305	<b>3,305</b>	–	–	4,293	<b>4,293</b>
Other financial investments (Note 14)	–	2,678	–	<b>2,678</b>	–	2,678	–	<b>2,678</b>
Floating rate loans to subsidiaries (Note 19 e)	–	–	–	<b>–</b>	–	147,698	–	<b>147,698</b>
Fixed rate loans to related parties (Note 19 e)	–	–	–	<b>–</b>	–	563,071	–	<b>563,071</b>
Current financial receivables (Note 11 a, b)	–	–	189,440	<b>189,440</b>	–	–	92,478	<b>92,478</b>
Cash and cash equivalents (Note 12)	–	47,449	–	<b>47,449</b>	–	45,477	–	<b>45,477</b>
<b>As of 31 December 2020</b>								
<b>Assets measured at fair value</b>								
Revalued property, plant and equipment	–	–	2,402,069	<b>2,402,069</b>	–	–	778,480	<b>778,480</b>
Non-current financial investments (Note 9)	–	–	40	<b>40</b>	–	–	39	<b>39</b>
<i>Derivative financial instruments, including:</i>								
Electricity forwards and futures (Note 16 II))	–	617	–	<b>617</b>	–	617	–	<b>617</b>
Natural gas forwards (Note 16 III))	–	940	–	<b>940</b>	–	940	–	<b>940</b>
<b>Assets for which fair values are disclosed</b>								
Investment properties (Note 7 c)	–	–	512	<b>512</b>	–	–	3,334	<b>3,334</b>
Other financial investments (Note 14)	–	16,836	–	<b>16,836</b>	–	16,836	–	<b>16,836</b>
Floating rate loans to subsidiaries (Note 19 e)	–	–	–	<b>–</b>	–	131,133	–	<b>131,133</b>
Fixed rate loans to related parties (Note 19 e)	–	86,620	–	<b>86,620</b>	–	611,096	–	<b>611,096</b>
Current financial receivables (Note 11 a, b)	–	–	193,042	<b>193,042</b>	–	–	105,184	<b>105,184</b>
Cash and cash equivalents (Note 12)	–	100,703	–	<b>100,703</b>	–	98,261	–	<b>98,261</b>

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
<b>As of 30 September 2021</b>								
<b>Liabilities measured at fair value</b>								
<i>Derivative financial instruments, including:</i>								
Interest rate swaps (Note 16 I))	–	5,766	–	5,766	–	5,766	–	5,766
Electricity forwards and futures (Note 16 II))	–	124	–	124	–	124	–	124
Natural gas forwards (Note 16 III))	–	43,867	–	43,867	–	43,867	–	43,867
<b>Liabilities for which fair values are disclosed</b>								
Issued debt securities (bonds) (Note 15)	–	150,622	–	150,622	–	150,622	–	150,622
Borrowings (Note 15)	–	600,773	–	600,773	–	590,588	–	590,588
Trade and other financial current payables	–	–	95,326	95,326	–	–	91,122	91,122
<b>As of 31 December 2020</b>								
<b>Liabilities measured at fair value</b>								
<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
<b>Liabilities for which fair values are disclosed</b>								
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	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020	30/09/2021	31/12/2020	30/09/2021	31/12/2020
<b>Financial assets</b>								
Fixed rate loans to related parties	–	86,620	–	89,409	563,071	611,096	578,934	641,936
Other financial investments	2,678	16,836	2,946	18,031	2,678	16,836	2,946	18,031
<b>Financial liabilities</b>								
<i>Interest-bearing liabilities, including:</i>								
issued debt securities (bonds)	150,622	101,256	151,708	103,762	150,622	101,256	151,708	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	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
<b>I) Non-current deferred income</b>				
<b>a) contracts with customers</b>				
From connection fees	136,263	138,750	–	–
Other deferred income	818	863	818	863
	<b>137,081</b>	<b>139,613</b>	<b>818</b>	<b>863</b>
<b>b) operating lease</b>				
Other deferred income	346	366	347	366
	<b>346</b>	<b>366</b>	<b>347</b>	<b>366</b>
<b>c) other</b>				
On grant for the installed electrical capacity of CHPPs	143,447	161,440	143,447	161,440
On financing from European Union funds	8,443	8,459	2,150	1,601
Other deferred income	115	148	57	73
	<b>152,005</b>	<b>170,047</b>	<b>145,654</b>	<b>163,114</b>
<b>Total non-current deferred income</b>	<b>289,432</b>	<b>310,026</b>	<b>146,819</b>	<b>164,343</b>
<b>II) Current deferred income</b>				
<b>a) contracts with customers</b>				
From connection fees	14,603	14,167	–	–
Other deferred income	206	924	67	813
	<b>14,809</b>	<b>15,091</b>	<b>6</b>	<b>813</b>
<b>b) operating lease</b>				
Other deferred income	121	20	121	20
	<b>121</b>	<b>20</b>	<b>121</b>	<b>20</b>
<b>c) other</b>				
On grant for the installed electrical capacity of CHPPs	23,990	23,990	23,990	23,990
On financing from European Union funds	903	782	144	7
Other deferred income	–	7	–	4
	<b>24,893</b>	<b>24,779</b>	<b>24,134</b>	<b>24,001</b>
<b>TOTAL current deferred income</b>	<b>39,823</b>	<b>39,890</b>	<b>24,322</b>	<b>24,834</b>
<b>TOTAL deferred income</b>	<b>329,255</b>	<b>349,916</b>	<b>171,141</b>	<b>189,177</b>

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

EUR'000

	Group			Parent Company		
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	2020
<b>At the beginning of the period</b>	<b>349,916</b>	<b>375,984</b>	<b>375,984</b>	<b>189,177</b>	<b>211,268</b>	<b>211,268</b>
Received deferred non-current income (financing)	848	1,492	1,441	848	1,492	1,441
Received advance payments for contracts with customers	–	40	808	–	40	808
Received connection fees for connection to distribution system	8,730	7,838	10,749	–	–	–
Compensation for the installed electrical capacity of CHPPs credited to the Statement of Profit or Loss	(17,992)	(17,992)	(23,990)	(17,992)	(17,992)	(23,990)
(Credited) / charged to the Statement of Profit or Loss	(12,247)	(11,198)	(15,076)	(892)	(235)	(350)
<b>At the end of the period</b>	<b>329,255</b>	<b>356,164</b>	<b>349,916</b>	<b>171,141</b>	<b>194,573</b>	<b>189,177</b>

## 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			
	01/01–30/09/2021	01/01–30/09/2020	01/01–30/09/2021		01/01–30/09/2020	
	Other related parties*	Other related parties*	Subsidiaries	Other related parties*	Subsidiaries	Other related parties*
Sales of goods, PPE and services, finance income	13,802	23,237	41,379	13,689	58,816	7,090
Purchases of goods, PPE, and services	60,722	87,524	231,480	6,093	200,332	5,042
<i>including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:</i>						
– Sadales tīkls AS	–	–	177,055	–	196,818	–

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

EUR'000

	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
<b>Receivables from related parties:</b>				
– subsidiaries (Note 11 a, b)	–	–	10,834	25,704
– other related parties*	6,269	2,387	5,085	1,653
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(7)	(19)
– loss allowances for expected credit loss from receivables of other related parties*	(11)	(5)	(9)	(3)
	<b>6,258</b>	<b>2,382</b>	<b>15,903</b>	<b>27,335</b>
<b>Payables to related parties:</b>				
– subsidiaries	–	–	27,054	24,956
– other related parties*	7,853	8,324	1,504	1,805
	<b>7,853</b>	<b>8,324</b>	<b>28,558</b>	<b>26,761</b>

**c) Accrued income raised from transactions with related parties**

EUR'000

	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
- for goods sold/services provided for subsidiaries (Note 11 a, b)	-	-	234	1,115
- for interest received from subsidiaries	-	-	1,551	1,346
	-	-	<b>1,785</b>	<b>2,461</b>

**d) Accrued expenses raised from transactions with related parties**

EUR'000

	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
- for purchased goods/received services from subsidiaries	-	-	17,841	2,646
	-	-	<b>17,841</b>	<b>2,646</b>

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

In the 9-month period ending on 30 September 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 2,129.4 thousand (01/01 – 30/09/2020: EUR 2,024.0 thousand).

In the 9-month period ending on 30 September 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 719.6 thousand (01/01 – 30 /09/2020: EUR 791.1 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

	Group		Parent Company	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
<b>Non-current loans to subsidiaries</b>				
Sadales tīkls AS	–	–	482,599	477,507
Elektrum Eesti OÜ	–	–	7,560	–
Allowances for expected credit loss	–	–	(314)	(344)
<b>Non-current loans to other related parties</b>				
Augstsprieguma tīkls AS	–	86,672	–	86,672
Allowances for expected credit loss	–	(52)	–	(52)
<b>TOTAL non-current loans</b>	<b>–</b>	<b>86,620</b>	<b>489,845</b>	<b>563,783</b>
<b>Current portion of non-current loans</b>				
Sadales tīkls AS	–	–	98,083	76,648
Elektrum Eesti OÜ	–	–	300	–
Allowances for expected credit loss	–	–	(71)	(55)
<b>Current loans to subsidiaries</b>				
Sadales tīkls AS	–	–	9,582	10,000
Elektrum Eesti OÜ	–	–	21,272	7,937
Elektrum Lietuva, UAB	–	–	31,879	10,209
Enerģijas publiskais tirgotājs SIA	–	–	59,949	73,781
Allowances for expected credit loss	–	–	(70)	(74)
<b>TOTAL current loans</b>	<b>–</b>	<b>–</b>	<b>220,924</b>	<b>178,446</b>
<b>TOTAL loans to related parties</b>	<b>–</b>	<b>86,620</b>	<b>710,769</b>	<b>742,229</b>

### Movement in loans issued to related parties

	Group			Parent Company		
	01/01–30/09/2021	01/01–30/09/2020	2020	01/01–30/09/2021	01/01–30/09/2020	2020
<b>At the beginning of the period</b>	<b>86,620</b>	–	–	<b>742,229</b>	<b>794,256</b>	<b>794,256</b>
Change in current loans in cash (net)	–	–	–	229,086	223,345	286,688
Change in current loans by non-cash offsetting of operating receivables and payables (net)	–	–	–	(122,652)	(288,458)	(364,096)
Issued non-current loans	–	225,232	225,232	–	225,232	225,232
Repayment of loans in cash	(86,672)	(138,560)	(138,560)	(86,672)	(138,560)	(138,560)
Issued non-current loans by non-cash offset	–	–	–	–	20,000	20,000
Repaid non-current loans by non-cash offset	–	–	–	(51,292)	(75,603)	(81,275)
Allowances for expected credit loss	52	(52)	(52)	70	(28)	(16)
<b>At the end of the period</b>	<b>–</b>	<b>86,620</b>	<b>86,620</b>	<b>710,769</b>	<b>760,184</b>	<b>742,229</b>
<i>incl. loan movement through bank account</i>						
Issued loans to subsidiaries	–	–	–	490,652	435,853	573,957
Repaid loans issued to subsidiaries	–	–	–	(261,566)	(212,508)	(287,269)
Repaid loans issued to other related parties	(86,672)	(138,560)	(138,560)	(86,672)	(138,560)	(138,560)
<b>Issued loans, net</b>	<b>(86,672)</b>	<b>(138,560)</b>	<b>(138,560)</b>	<b>142,414</b>	<b>84,875</b>	<b>148,128</b>

## 20. Events after the reporting period

There have been no events subsequent to the end of the reporting period that might have a significant effect on the Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 9-month period ending on 30 September 2021.