



LATVENERGO CONSOLIDATED AND
LATVENERGO AS UNAUDITED CONDENSED
FINANCIAL STATEMENTS FOR 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

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)

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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.

An unprecedented rise in energy prices was observed in 2021. Electricity spot prices in the Baltics were two and a half times higher than in 2020. Such a rise in prices is related to record-high energy resource prices and higher electricity demand. The price of natural gas, which often determines the price of electricity in the Baltics during the peak hours, reached 115.8 EUR/MWh in December 2021 (in December 2020 it was 16.2 EUR/MWh). Meanwhile the price of CO₂ emission allowances hit 80 EUR/t in December 2021, which is 2.6 times higher than in 2020.

The electricity output at Latvenergo Group's plants increased by 6%.

In 2021, electricity output at Latvenergo Group's plants increased by 6%, reaching 4,517 GWh. Electricity output at the Daugava HPPs increased by 4%, reaching 2,636 GWh. Meanwhile, adapting to electricity market conditions and heat demand, the amount of electricity generated at the Latvenergo AS CHPPs was 10% higher, reaching 1,854 GWh. The amount of thermal energy generated increased by 22%, reaching 2,072 GWh. The increase was impacted by colder weather during the heating season.

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



The total number of electricity customers reached 755 thousand, and more than 90 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.

Revenue increased by 38%.



In 2021, Latvenergo Group's revenue was 38% or EUR 291.8 million higher than in the previous year. This was impacted by higher electricity spot prices, a greater amount of electricity sold and higher revenue from heat sales.

The Group's EBITDA decreased by 28% or EUR 79.1 million. This was mainly negatively impacted by significantly higher electricity and natural gas purchase prices as well as the price of CO₂ emission allowances.

A draft of Latvenergo Group's medium-term strategy for 2022–2026 has been developed.

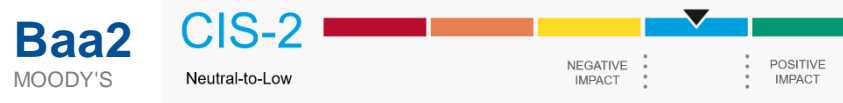
In November 2021, the Supervisory Board of Latvenergo AS conceptually approved Latvenergo Group's medium-term strategy for 2022–2026 with new strategic operational and financial targets. The new strategy will focus on the Group's operational goals, such as rapid development of renewable power plants and electrification.

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

In 2021, the total amount of investment comprised EUR 126.7 million, of which 67% was made in distribution network assets. We are also continuing the implementation of the Daugava HPPs' hydropower unit reconstruction project, investing EUR 11.7 million during the reporting period.

On 6 December 2021, the international credit rating agency Moody's reaffirmed the credit rating of Latvenergo AS at Baa2 with a stable outlook.

On 6 December 2021, Moody's published a Credit Impact Score of the environmental, social and governance risks (ESG) of Latvenergo AS. The ESG score is CIS-2. Meanwhile, on 24 January 2022, Moody's published an updated Credit Opinion of Latvenergo AS. The rating of Latvenergo AS remains unchanged: Baa2 with a stable outlook.



Latvenergo Group in Brief

Latvenergo Group is one of the largest power suppliers and a leader in green energy generation in the Baltics, operating in electricity and thermal energy generation and trade, natural gas trade, supply of products and services related to electricity consumption and energy efficiency, and electricity distribution services.

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



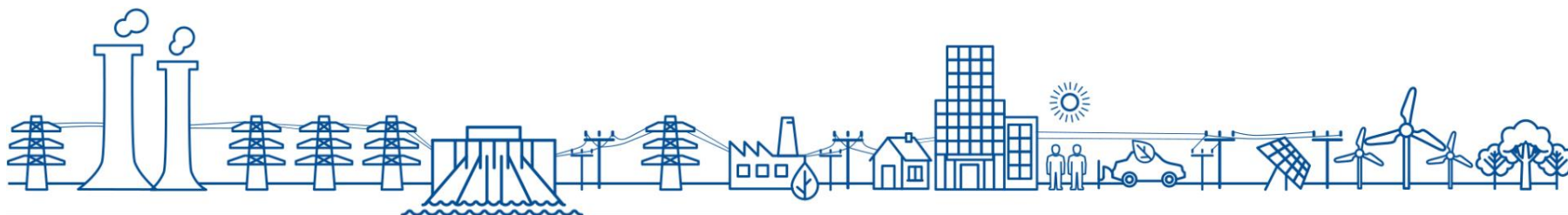
- comprises electricity and thermal energy generation operations, electricity and natural gas trade in the Baltics and administration of mandatory procurement in Latvia.



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

The European Union has prioritised climate and environmental change, as well as digitalization. These priorities follow the European Commission's Communication on the European Green Deal of 2019, which focuses on the use of renewable energy sources (RES) and progress towards climate neutrality by 2050.

Taking into account the new climate and energy policy settings and the significant changes they bring to the energy sector, at the end of 2021, the Cabinet of Ministers (CM) set a new general strategic target for Latvenergo AS:

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 in a sustainable, innovative and economically sound manner and the effective management of resources and infrastructure that are strategically important for the country's development and security.

In 2021, Latvenergo Group operated in accordance with the targets and objectives set in the medium-term operational strategy for 2017–2022, which have been fulfilled. The fulfilment of the targets set in the strategy provided an opportunity to evaluate the achievements in time and to set precise targets and objectives for the new strategy period, also taking into consideration the dynamic changes in the external environment. Accordingly, in 2021, Latvenergo Group's medium-term strategy for 2022–2026, with new strategic operational and financial targets, was developed, and at the end of the reporting year it was conceptually approved by the Supervisory Board of Latvenergo AS.

The new strategy was developed in accordance with the guidelines on corporate governance of state-owned enterprises set by the Organization for Economic Cooperation and Development. Taking into account the general strategic target set by the shareholder, the strategic priorities of Latvenergo Group were defined, which are further detailed in specific targets. During the development phase of the strategy, extensive discussions were held in thematic working group sessions, which involved both the Group's employees and external experts. In September 2021, an online seminar was held to identify the Group's stakeholders' vision for the Group's development.

Latvenergo Group in Brief

The Group's strategic targets

GENERATION Expand and diversify the generation portfolio with green technologies.	<p>The aim is to grow the RES generation portfolio, focusing on WPP and SPP:</p> <ul style="list-style-type: none"> • 2026: constructed or acquired WPP and SPP with total capacity of 600 MW; • 2030: constructed or acquired WPP and SPP with total capacity of 2300 MW. <p>The target also provides for:</p> <ul style="list-style-type: none"> • increasing the Daugava HPPs' asset value, guaranteeing their safe operation in the long run; • ensuring stable, efficient and economically viable operation of the CHPPs in the long run. 	<p>By implementing the strategy of Latvenergo Group, we plan to achieve the following CO₂ emission saving targets:</p> <ul style="list-style-type: none"> • 2026: 2.6 million tonnes • 2030: 17.8 million tonnes 	SDGs set as a priority and relevant to the Group's core business
TRADE Strengthen the position of <i>Elektrum</i> as the most valuable energy trader in the Baltics.	<p>The goal is to increase the customer portfolio; promote microgeneration, electrification, energy efficiency and product innovation; and launch operations in Poland.</p>		
ELECTROMOBILITY Develop electrification of the transport sector.	<p>The target is to develop a public charging network in the Baltics:</p> <ul style="list-style-type: none"> • 2026: 1200-1500 charging ports; • 2030: about 3000 charging ports. 		
DISTRIBUTION Ensure a sustainable and economically viable distribution service and improve the security and quality of electricity supply.	<p>The target is to systematically and cost-effectively improve the quality and security of electricity supply:</p> <ul style="list-style-type: none"> • SAIDI reduced to 160 min. in 2026; • SAIFI reduced to 1.85 times in 2026. <p>It also envisages the creation of a two-way network for the development of microgeneration and the implementation of digital transformation and efficiency measures.</p>		



In addition, the Group plans to develop innovative products, services and processes that are relevant to the Group's priority Sustainable Development Goals (SDGs). This target provides for the introduction of a culture of innovation in the Group, which supports: 1) research and development of innovative technologies; 2) development and implementation of innovative products and services, business directions and models; 3) systematic and continuous innovation to increase the efficiency of technological and corporate processes.

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		2021	2020	2019	2018	2017
Electricity supply, incl.	GWh	9,260	8,854	9,259	9,984	10,371
<i>Retail electricity²⁾</i>	GWh	6,706	6,394	6,505	6,954	6,923
<i>Wholesale electricity³⁾</i>	GWh	2,554	2,460	2,754	3,030	3,448
Retail natural gas	GWh	1,026	516	303	147	33
Electricity generation	GWh	4,517	4,249	4,880	5,076	5,734
Thermal energy generation	GWh	2,072	1,702	1,842	2,274	2,612
Number of employees		3,153	3,295	3,423	3,508	3,908
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		2021	2020	2019	2018	2017
Revenue*	MEUR	1,065	773.4	841.6	838.8	881.2
EBITDA ^{1)*}	MEUR	198.8	277.9	243.5	281.9	497.7
Profit	MEUR	71.6	116.3	94.4	76.0	322.0
Assets	MEUR	3,475.9	3,358.8	3,864.9	3,798.8	4,415.7
Equity	MEUR	2,123.4	2,118.2	2,265.5	2,320.1	2,846.9
Net debt (adjusted) ^{1)*}	MEUR	698.0	555.9	564.0	505.4	496.7
Investments	MEUR	126.7	168.9	229.4	220.6	243.8

Latvenergo Group Financial Ratios

	2021	2020	2019	2018	2017
Net debt / EBITDA (adjusted) ¹⁾	3.2	2.0	2.2	1.8	1.0
EBITDA margin ¹⁾	19%	36%	29%	34%	56%
Return on equity (ROE) ¹⁾	3.4%	5.3%	4.1%	2.9%	12.2%
Return on assets (ROA) ¹⁾	2.1%	3.2%	2.5%	1.8%	7.7%
Return on capital employed (ROCE) (adjusted) ^{1)*}	2.9%	4.2%	3.4%	2.5%	6.4%
Net debt / equity (adjusted) ¹⁾	33%	26%	25%	22%	17%

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

1) Formulas are available on page 22

2) Including operating consumption

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

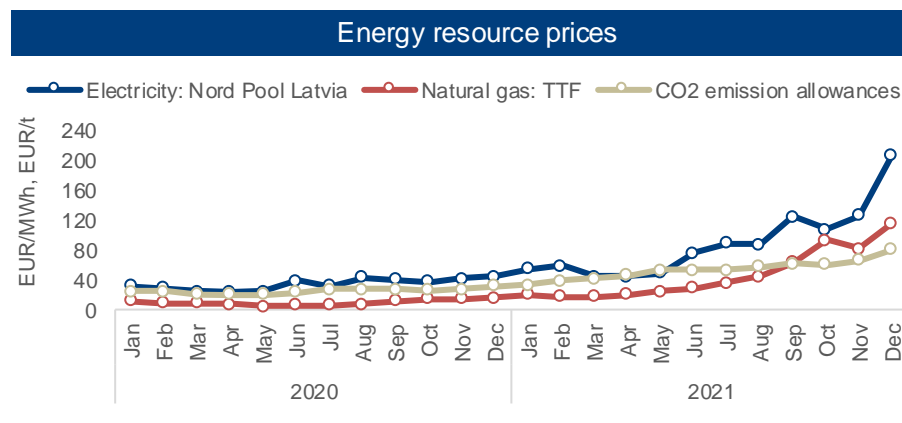
Operating Environment

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

- the Nord Pool system price increased almost six times, and the electricity price in Latvia increased more than two and a half times;
- the price of natural gas at TTF (the Dutch natural gas virtual trading point) increased almost five times compared to the previous year.

Record-high electricity prices

In Europe, 2021 will go down in the history of the electricity market with the largest price records in 10 years. In 2021, the Nord Pool system price was almost six times higher than in 2020 (+472%), reaching 62.3 EUR/MWh. The rapid rise in electricity prices in the Nord Pool region was affected by various factors: multiple increases in gas prices and CO₂ emission allowances, 5% higher demand for electricity, and lower generation of wind power plants in Europe. The price of natural gas at TTF, which often determines the price of electricity in the Baltics during the peak hours, reached 115.8 EUR/MWh in December 2021 (in December 2020 it was 16.2 EUR/MWh). Meanwhile, the price of CO₂ emission allowances hit 80 EUR/t in December 2021, which is 2.6 times higher than in 2020. In the second half of 2021, the monthly increase in electricity prices in Latvia marked new historical records for the average monthly price, reaching 207.4 EUR / MWh in December.



Average electricity price in Nordpool regions

Region	2021	2020	Δ, %
Latvia	88.8	34.0	161%
Estonia	86.7	33.7	157%
Lithuania	90.5	34.0	166%
Poland	86.7	40.8	113%
Sweden	57.9	19.0	205%
Finland	72.3	28.0	158%
Denmark	88.0	26.7	230%
Norway	56.9	9.3	512%
Germany	96.9	30.5	218%
France	109.2	32.2	239%
Great Britain	137.1	39.6	246%

In 2021, total electricity consumption in the Baltics increased by 4% compared to the previous year, reaching 28.7 TWh. Electricity consumption increased by 3% in Latvia and Lithuania and by 6% in Estonia. The increase in consumption in the Baltic region was affected by colder weather at the beginning and the end of the reporting year, a hotter summer, and economic recovery after COVID-19 restrictions.

Overall electricity generation in the Baltics in 2021 was 5% higher than in the previous year; it amounted to 15.6 TWh. Electricity output in Latvia increased by 2%, comprising 5.5 TWh. In Lithuania, it decreased by 14% to 4.3 TWh. Meanwhile, in Estonia it increased by 30% to 3.8 TWh, comprising 5.7 TWh, which was affected by 69% higher output at oil shale plants. The electricity purchased from neighbouring countries increased by 2%; it amounted to 12.4 TWh.

Operating Environment

Natural gas prices almost five times higher

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In 2021, the price of natural gas in Europe was mainly impacted by higher consumption, lower supply volumes and higher prices of other energy products. At the end of the reporting year, the natural gas reserve fill rate in Europe's gas storage facilities reached 54%, which is 20% lower than in the previous year, and 26% below the 10-year average. In the reporting year, the price of natural gas at the TTF (Front Month) reached 46.9 EUR/MWh, which is almost five times higher than in 2020, when the average price was 9.6 EUR/ MWh. Meanwhile, the average price in December hit a record-high level, exceeding 115 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 2021 was 70.9 USD / bbl., which was 64% higher than in the previous year. Despite the gradual increase in OPEC+ oil output, demand still exceeds supply.
- The average price of coal (API2 Rotterdam Coal Futures Front month) in the reporting year increased more than two times, reaching 116.2 USD / t. Coal prices were mainly impacted by higher demand in Asia as well as disruptions in coal deliveries from the main exporting countries.
- The average price of CO₂ emission allowances (EUA DEC.21) in 2021 was more than two times higher than in the previous year, reaching 53.3 EUR / t. The rise in allowance prices was impacted by rising raw material prices, a lower amount of emission allowances allocated to the market, and the reforms adopted by the European Commission to reduce greenhouse gas emissions by 2030. In December 2021, the price of CO₂ emission allowances reached 80 EUR / t, which was 2.6 times higher than in December 2020.

On the impact of COVID-19 on Latvenergo Group operations

From 11 October 2021 to 28 February 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 the reporting year, Latvenergo Group's services were not significantly impacted 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.

Operating Environment

Unbundling transmission system asset ownership

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

Latvenergo AS members of the Management Board have been elected

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 took office on 3 January 2022. Current board members Guntars Baļčūns and Kaspars Cikmačs continue their work in the Management Board.

The CM supports the intention to establish a joint venture for the development of wind farms in Latvia

After the reporting year, on 22 February 2022, the CM conceptually approved the proposal of the Ministry of Economics, which urgently addresses the targets of the National Energy and Climate Plan for 2021-2030 and strengthens the state's energy independence. The state plans to build new wind farms of strategic importance on state-owned land by entrusting the implementation of this project to a joint venture established by Latvenergo AS and Latvijas valsts meži AS. For further progress of the project, the Ministry of Economics must prepare the necessary amendments to regulatory enactments, to promote the development of wind farms in Latvia, as well as obtain a permit from the CM for the establishment of a joint venture between Latvenergo AS and Latvijas valsts meži AS for the development of wind farm projects.

State aid for the reduction of energy prices

Taking into account the extraordinary increase in energy prices in 2021, in accordance with CM Regulation No. 895 on 21.12.2021, all end users of electricity from 1 December to 31 December 2021 were granted state aid for the reduction of the electricity distribution system service fee by 50%, which was compensated from the state budget. Meanwhile, after the end of the reporting year, in January 2022, the Saeima of the Republic of Latvia adopted a law on measures to reduce the extraordinary rise in energy prices. The aim of this law is to reduce the negative socioeconomic impact on the well-being of the population and economic growth, which is associated with an unprecedented sharp rise in energy prices. The law provides for various types of support measures to legal and natural persons to partially compensate the rising costs of energy resources for four months (from 1 January to 30 April 2022). In total, four support measures are included to reduce the costs of electricity, heat and natural gas. The necessary financing for the implementation of the support measures specified by law is EUR 250 million, which will be provided from the state budget programme "Contingency Funds". Similar state support mechanisms for reducing energy prices have been established in Estonia and Lithuania.

Dividends

According to the law "On the medium-term budgetary framework for 2022, 2023 and 2024", Latvenergo AS dividend payout in the year 2022 (for the reporting year 2021) amounts to 64% of profit for the reporting year and is not less than EUR 70.2 million; in 2023 (for the reporting year 2022), it is not less than EUR 87.7 million (incl. corporate income tax); and in 2023 (for the reporting year 2022), it amounts to 64% of profit for the reporting year and is not less than EUR 56.8 million. Accordingly, corporate income tax is calculated and paid in accordance with laws and regulations. The actual amount of the dividend payout is set at the Shareholder's Meeting of Latvenergo AS after the approval of the annual report, upon evaluation of the results of the previous year. Latvenergo AS dividends will be used as a source of funding for the state budget programme Electricity User Support, thereby decreasing the mandatory procurement public service obligation fee. Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 31 December 2021, the Group's asset value amounts to EUR 3.5 billion and its equity exceeds EUR 2.1 billion.

Financial Results

In 2021, Latvenergo Group's revenue reached EUR 1,065.2 million, which was EUR 291.8 million or 38% more than in the previous year. This was mainly impacted by:

- EUR 252.4 million higher energy sales revenues mainly due to higher electricity market prices and a 5% increase in retail sales volume;
- EUR 30.8 million higher heat sales with 22% greater output due to colder weather conditions during the heating season as well as the increase in the average sales price, which was impacted by the higher market price of natural gas.

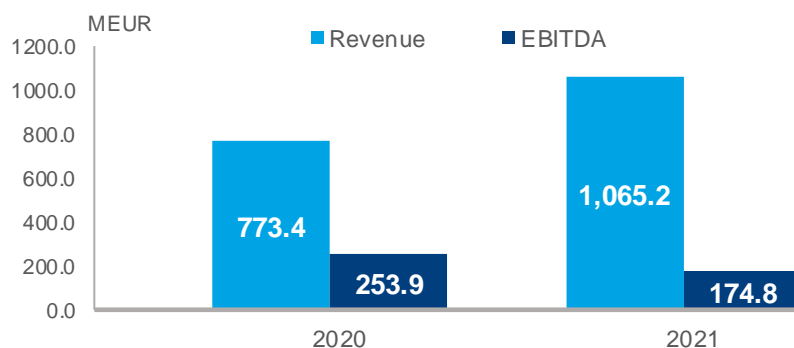
Latvenergo Group financial figures		2021	2020	Δ	Δ, %
Revenue	MEUR	1,065.2	773.4	291.8	38%
EBITDA	MEUR	198.8	277.9	(79.1)	(28%)
Net profit	MEUR	71.6	116.3	(44.7)	(38%)
Assets	MEUR	3,475.9	3,358.8	117.1	3%

Latvenergo Group's EBITDA decreased by EUR 79.1 million or 28% compared to 2020, reaching EUR 198.8 million. This was negatively impacted mainly by significantly higher electricity purchase prices as well as higher natural gas and CO₂ emission allowance prices. In 2021, the electricity spot price in Latvia was more than two and a half times higher compared to the previous year. The price of natural gas was almost five times higher, and the average price of CO₂ emission allowances was more than two times higher.

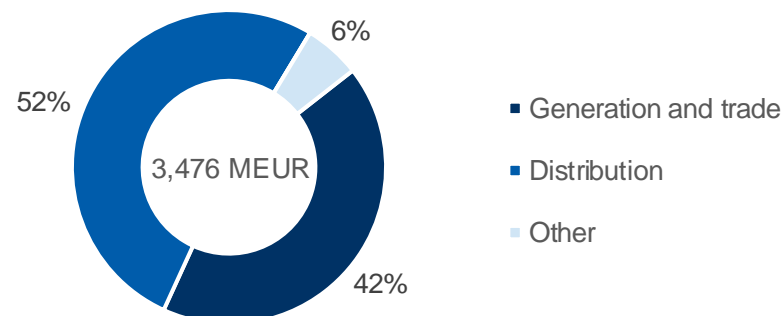
The Group's profit for the reporting year reached EUR 71.6 million.

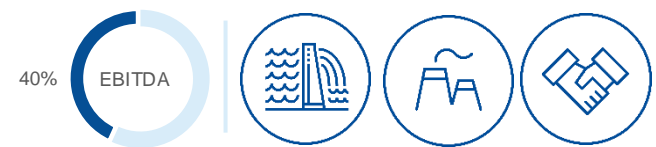
As the transmission assets were separated from Latvenergo Group on 10 June 2020, in comparable results, this segment is classified as discontinuing operations.

Revenue and EBITDA



Assets, 2021





Generation and Trade

Revenue
71%

EBITDA
40%

Assets
42%

Employees
29%

Segment weight in Latvenergo Group

In 2021, generation and trade comprised Latvenergo Group's largest operating segment by revenue. The majority or 89% of the segment's revenue came from electricity and natural gas trade, while 11% came from thermal energy supply.

In 2021, the segment's revenue was positively impacted by EUR 252.4 million higher energy sales revenues mainly due to higher electricity market prices and a 5% increase in the retail sales volume. The segment's revenue was also positively impacted by EUR 30.8 million higher heat sales due to greater heat output on account of colder weather conditions in the heating season as well as the increase in the average sales price, which was impacted by the higher market price of natural gas.

Meanwhile, the segment's EBITDA was negatively impacted by significantly higher electricity purchase prices as well as record-high natural gas and CO₂ emission allowance prices.

In the reporting year, the total volume of electricity generated at Latvenergo Group's plants amounted to 4,517 GWh, which corresponded to 67% of the amount of electricity sold to retail customers (2020: 66%).

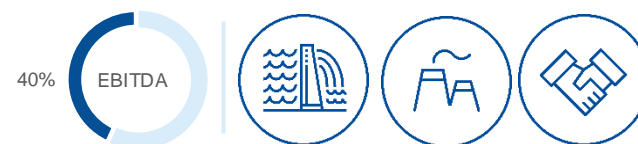
Operational figures		2021	2020	Δ	Δ, %
Electricity supply, incl.	GWh	9,260	8,854	406	5%
<i>Retail electricity*</i>	GWh	6,706	6,394	312	5%
<i>Wholesale electricity**</i>	GWh	2,554	2,460	93	4%
Retail natural gas	GWh	1,026	516	510	99%
Electricity generation	GWh	4,517	4,249	268	6%
<i>Daugava HPPs</i>	GWh	2,636	2,528	108	4%
<i>CHPPs</i>	GWh	1,854	1,685	170	10%
<i>Liepaja plants and small plants</i>	GWh	26	37	(10)	(28%)
Thermal energy generation	GWh	2,072	1,702	370	22%
<i>CHPPs</i>	GWh	1,800	1,475	325	22%
<i>Liepaja plants</i>	GWh	272	227	45	20%

Financial figures		2021	2020	Δ	Δ, %
Revenue	MEUR	755.4	472.2	283.2	60%
EBITDA	MEUR	80.4	159.1	(78.7)	(49%)
Assets	MEUR	1,473.3	1,263.7	209.7	17%
Investments	MEUR	32.5	40.6	(8.0)	(20%)

* Including operating consumption

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

Generation and Trade



Generation

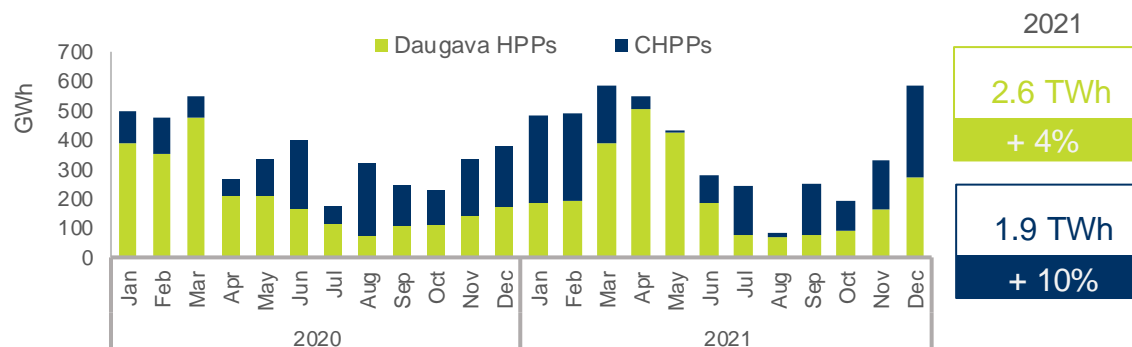
Latvenergo Group is the largest green electricity producer in the Baltics. Latvenergo Group produced 29% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 4,517 GWh of electricity and 2,072 GWh of thermal energy.

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

In 2021, the amount of power generated at the Daugava HPPs increased by 4% compared to the previous year, reaching 2,636 GWh. The share of electricity generated from renewable energy sources at Latvenergo Group was 59% (2020: 60%).

The amount generated at the Latvenergo AS CHPPs increased by 10%, reaching 1,854 GWh. The relatively larger amount of power generated at the CHPPs was impacted by lower output in 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.

Electricity generation at Daugava HPPs and Latvenergo AS CHPPs



The total amount of thermal energy generated by Latvenergo Group increased by 22% 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 year was +1.8 C°, whereas in 2020 it was +5.1 C°.

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 2021, the Group supplied 6.7 TWh of electricity to its customers in the Baltics, which is 5% more than in the previous year. 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 as well as the purchase of the Estonian customer portfolio from the electricity company *Imatra Elekter*. The overall amount of retail electricity trade outside Latvia accounted for about 40% of the total. The electricity trade volume in Latvia was 4.0 TWh, while in Lithuania it was 1.6 TWh and in Estonia it was 1.1 TWh.

The total number of electricity customers comprised about 755 thousand, including more than 90 thousand foreign customers.

In August 2021, the Group's company *Elektrum Eesti* 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*, thus significantly increasing Latvenergo's competitiveness in the Estonian electricity and related products and services market.

Latvenergo Group's natural gas sales to retail customers almost doubled, exceeding 1 TWh.

In the reporting year, 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 increased more than two times compared to 2020, exceeding 1,300. The total installed solar panel capacity provided to Latvenergo Group's retail customers in the Baltics reached almost 11 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 104 thousand.
- We expanded the e-shop assortment and functionalities. The total number of purchases reached more than 2,700 transactions in 2021. The most purchased products are Smart House Solutions, Security and Lighting.
- At the end of 2021, the *Elektrum* electric car charging network reached 90 charging ports. The number of charges made at public charging stations by customers of the mobile application *Elektrum* increased by 50% compared to 2020, reaching 8,500 and comprising 100 MWh.

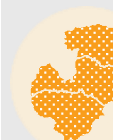
40%



EBITDA



Completed in 2021



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



6.7 TWh of electricity sold to retail customers.



1 TWh of natural gas sold to Baltic retail customers.



More than 1,300 contracts were concluded for the installation of solar panels.



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



Customers of the mobile application *Elektrum* made more than 8,500 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 2022, the average MPC is reduced by 57%

On November 30, 2021, the CM approved an information report entitled “On rapid reduction of the MPC as an instrument for limiting price growth in 2022”. According to the report, the average MPC is reduced by 57% – from 1.751 EUR / KWh to 0.755 EUR / KWh – starting from 1 January 2022. The average MPC rate starting from 1 January 2022 is the lowest since the introduction of the MPC more than 15 years ago.

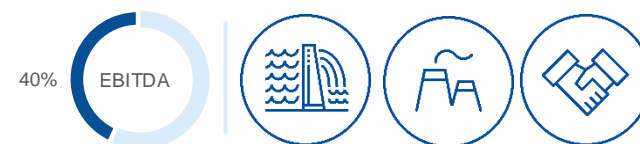
The reduction will be financed by a part of the dividends of Latvenergo AS.

Operating figures		2021	2020	Δ	Δ, %
Mandatory procurement component income	MEUR	116.6	150.3	(33.7)	(22%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	2.9	3.0	(0.1)	(3%)
Mandatory procurement expenditures*	MEUR	77.2	151.3	(74.1)	(49%)
<i>Incl. cogeneration</i>	MEUR	28.2	43.2	(15.0)	(35%)
<i>Incl. renewable energy resources</i>	MEUR	47.6	107.4	(59.8)	(56%)

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

In 2021, the MPC income was EUR 33.7 million lower than in the previous year. It was impacted by the decrease in the average MPC of 23% starting from 1 January 2021. Meanwhile, mandatory procurement expenditures decreased by EUR 74.1 million or 49% to EUR 77.2 million in 2021 (in 2020: EUR 151.3 million). The decrease in mandatory procurement expenditures was impacted by a significantly 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 35%, while for renewable energy sources they decreased by 56%.

In 2021, Enerģijas publiskais tirgotājs SIA made payments from the state budget to energy-intensive manufacturing companies in the amount of EUR 2.9 million (in 2020: EUR 3.0 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.





Distribution

Revenue
28%

EBITDA
53%

Assets
52%

Employees
53%

Segment weight in Latvenergo Group

In 2021, the distribution segment was Latvenergo Group's largest segment by asset value and EBITDA. The segment's revenue increased by 3% compared to the year 2020, reaching EUR 304.5 million. The segment's EBITDA has not significantly changed, reaching EUR 105.7 million. Financial results were positively impacted mainly by 3% higher distributed electricity and the reduction of operating costs, which was facilitated by the efficiency improvement programme. Meanwhile, the results were negatively impacted by higher electricity loss costs, with the electricity market price in Latvia increasing more than two and a half times compared to the year 2020.

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. As of 31 December 2021, the number of employees at Sadales tīkls AS has been reduced by almost 870. The amount of smart electricity meters installed by the company comprised more than 970 thousand, which is about 90% of the total number of electricity meters of customers of Sadales tīkls AS.

In 2021, investments in distribution comprised EUR 84.8 million, which was at about the same level as in the previous year. 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. In 2021, SAIFI was 2.3 times, while SAIDI was 208 minutes.

Operational figures		2021	2020	Δ	Δ, %
Electricity distributed	GWh	6,470	6,286	184	3%
Distribution losses	GWh	271	277	(6)	(2%)
SAIFI	number	0.3	0.3	0.0	1%
SAIDI	minutes	208	219	(11)	(5%)

Financial figures		2021	2020	Δ	Δ, %
Revenue	MEUR	304.5	296.3	8.2	3%
EBITDA	MEUR	105.7	105.9	(0.1)	(0%)
Assets	MEUR	1,801.1	1,795.0	6.0	0%
RAB	MEUR	1,594.0	1,587.0	7.0	0%
Investments	MEUR	84.8	87.4	(2.6)	(3%)

The operating strategy of Sadales tīkls AS for 2022–2027 has been approved

In October 2021, the Supervisory Board of Sadales tīkls AS approved the operating strategy of Sadales tīkls AS for 2022–2027. The strategy of the Company is integrated into the overall medium-term strategy of Latvenergo Group.

The general long-term target of Sadales tīkls AS is to ensure a sustainable and economically viable distribution service by managing the power grid efficiently and improving the security and quality of electricity supply, which are important for the competitiveness and growth of the economy, while contributing to the targets of climate neutrality. To achieve this, four targets have been set for the next strategic period, 2022-2027:

- Improvement of the quality and security of electricity supply. We plan to reduce SAIDI to 160 min. and SAIFI to 1.85 times until 2027;
- Digital transformation of the company;
- Continuous improvement of the company and increase in its value;
- Ensuring sustainable development and climate neutrality.

Completed in 2021

- Renewed a total of 2,272 km of power lines
- Installed 131.1 thousand smart electricity meters
- Power line routes cleared at a length of 4,235 km

Investments

In 2021, the total amount of investment comprised EUR 126.7 million, which was EUR 42.1 million or 25% less than in the previous year. The decrease in the amount of investment was impacted mainly 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.

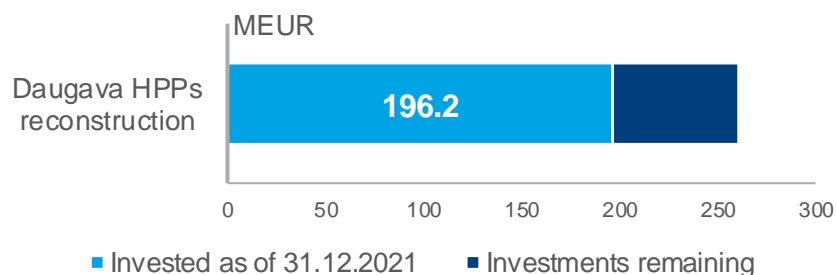
Investment in power distribution network assets – 2/3 of the total

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 year, the amount invested in power distribution network assets represented 67% of total investment.

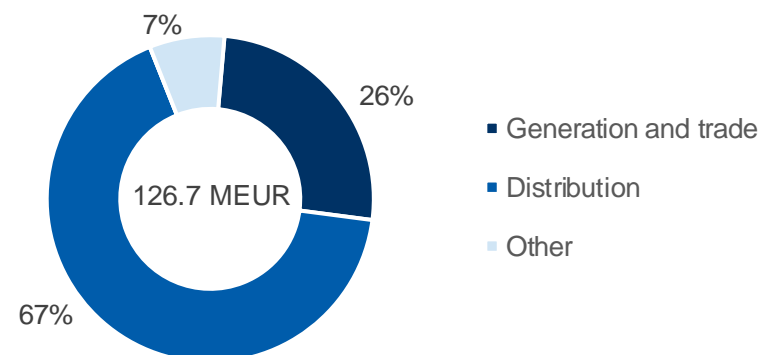
Contributing to environmentally friendly projects, in 2021, EUR 11.7 million was invested in the Daugava HPPs' hydropower unit reconstruction and by the end of the reporting year, work completed within the scope of the contract reached EUR 196.2 million. The hydropower unit reconstruction programme for 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 31 December 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 260 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. Meanwhile, in order to create and ensure innovative electricity services, *Elektrum Eesti* acquired shares in several micro-network service companies in Estonia; thus, the total investment in expanding operations in Estonia amounted to almost EUR 10 million in 2021.

Main ongoing project



Investments, 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.

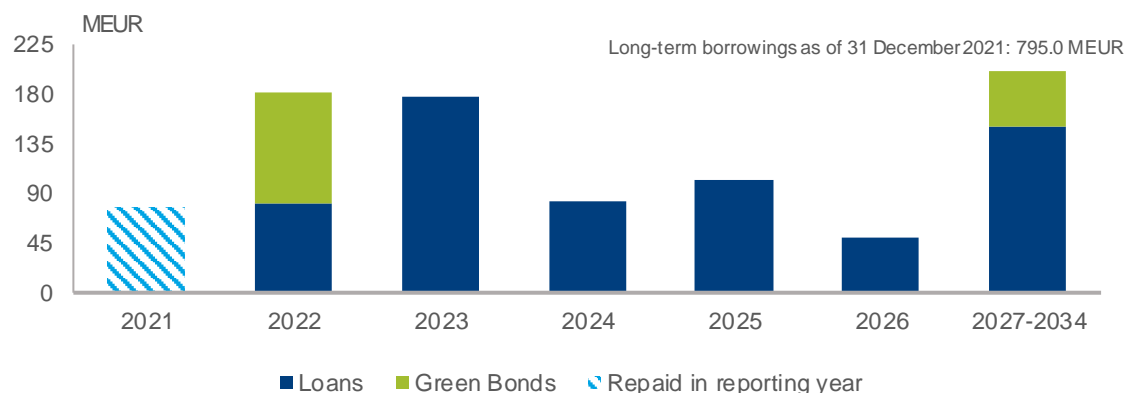
Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time.

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.

As of 31 December 2021, the Group's borrowings amount to EUR 795.0 million (31 December 2020: EUR 743.2 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.

Latvenergo Group's long-term debt repayment schedule



As of 31 December 2021, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 3.8 years (31 December 2020: 4.2 years). The effective weighted average interest rate (with interest rate swaps) is 1.2% (31 December 2020: 1.4%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 2.3).

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

On 6 December 2021, Moody's published the ESG score of Latvenergo AS, which is taken into account when determining the credit rating of the company. The ESG score is neutral-to-low, or CIS-2, indicating that the environmental, social and governance aspects of the company do not have a material effect on the credit rating. The indicator reflects moderate environmental, social and governance risks.

Moody's reaffirmed the credit rating for Latvenergo AS: Baa2 (stable)

After the reporting year, on 24 January 2022, Moody's published an updated Credit Opinion of Latvenergo AS. The rating of Latvenergo AS remains unchanged: Baa2 with a stable outlook. 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

1) 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 – 55%–60% 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, 37% of the long-term borrowings had a fixed interest rate with an average period of 1.5 years as of 31 December 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 31 December 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 31 December 2021, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 97.1 million (31 December 2020: EUR 100.7 million), while the current ratio was 1.4 (1.5).

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

		2021	2020	2019
Electricity supply, incl.	GWh	5,304	5,318	5,502
<i>Retail electricity</i> ²⁾	GWh	3,999	4,235	4,211
<i>Wholesale electricity</i> ³⁾	GWh	1,305	1,083	1,290
Retail natural gas	GWh	804	453	294
Electricity generation	GWh	4,495	4,215	4,832
Thermal energy generation	GWh	1,800	1,475	1,603
Number of employees		1,269	1,267	1,328
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		2021	2020	2019
Revenue	MEUR	592.8	385.6	437.5
EBITDA ¹⁾	MEUR	85.3	197.9	112.7
Profit	MEUR	79.5	154.8	101.2
Assets	MEUR	2,915.6	2,760.2	3,137.0
Equity	MEUR	1,761.1	1,746.4	1,949.3
Net debt (adjusted) ^{1)*}	MEUR	689.9	548.5	555.3
Investments	MEUR	29.5	51.0	48.3

Latvenergo AS financial ratios

	2021	2020	2019
Return on equity (ROE) ¹⁾	4.5%	8.4%	5.1%
Net debt / equity (adjusted) ^{1)*}	39%	31%	28%
EBITDA margin ¹⁾	14%	51%	26%

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

1) Formulas are available on page 22

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 Financial Statements for 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 Financial Statements for 2021* were approved by the Management Board of Latvenergo AS on 28 February 2022 and have been signed by Member 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

Member of the Management Board

28 February 2022

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 =

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

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

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

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

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

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

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

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

Average value of borrowings =

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

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

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

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

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

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

List of Abbreviations

Abbreviations

AST –	Augstsprieguma tīkls AS
bbl –	barrel of oil (158.99 litres)
CM –	Cabinet of Ministers
CO ₂ –	Carbon dioxide
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
kV –	kilovolt
LET –	Latvijas elektriskie tīkli AS
MEUR –	million euros
MW –	megawatt
MWh –	megawatt hour (1.000.000 MWh = 1.000 GWh = 1 TWh)
MP –	mandatory procurement
MPC –	mandatory procurement component
nm ³ –	normal cubic meter
PUC –	Public Utilities Commission
RAB –	Regulated asset base
RES –	Renewable energy sources
SAIDI –	System Average Interruption Duration Index
SAIFI –	System Average Interruption Frequency Index
SDG –	Sustainable Development Goals
SPP –	Solar power plant
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	
		2021	2020	2021	2020
Revenue	4	1,065,219	773,391	592,785	385,612
Other income		29,428	28,732	27,746	63,177
Raw materials and consumables	5	(740,127)	(369,261)	(458,470)	(173,884)
Personnel expenses		(105,623)	(105,971)	(45,413)	(45,657)
Other operating expenses		(50,084)	(48,997)	(31,373)	(31,359)
EBITDA		198,813	277,894	85,275	197,889
Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right-of-use assets	7, 8	(116,923)	(156,544)	(32,908)	(86,259)
Operating profit		81,890	121,350	52,367	111,630
Finance income	6 a	2,110	2,125	11,391	12,768
Finance costs	6 b	(9,070)	(10,776)	(9,216)	(11,293)
Dividends from subsidiaries		—	—	24,978	41,743
Profit before tax		74,930	112,699	79,520	154,848
Income tax		(3,307)	(6,234)	—	—
Profit for the year from continuing operations		71,623	106,465	79,520	154,848
Profit for the year from discontinued operation		—	9,844	—	—
Profit for the year		71,623	116,309	79,520	154,848
Profit attributable to:					
– Equity holder of the Parent Company		70,675	114,513	79,520	154,848
– Non-controlling interests		948	1,796	—	—

Statement of Comprehensive Income

EUR'000					
	Notes	Group		Parent Company	
		2021	2020	2021	2020
Profit for the year		71,623	116,309	79,520	154,848
<i>Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:</i>					
– gains / (losses) from change in hedge reserve	13	33,219	(7,774)	33,219	(7,774)
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		33,219	(7,774)	33,219	(7,774)
<i>Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:</i>					
– gains on revaluation of property, plant and equipment		—	96,264	—	—
– gains / (losses) as a result of re-measurement on defined post-employment benefit plan		1,098	(476)	121	(176)
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		1,098	95,788	121	(176)
Other comprehensive income / (loss) for the year		34,317	88,014	33,340	(7,950)
TOTAL comprehensive income for the year		105,940	204,323	112,860	146,898
Comprehensive income attributable to:					
– Equity holder of the Parent Company		104,992	202,527	112,860	146,898
– Non-controlling interests		948	1,796	—	—

Statement of Financial Position

EUR'000

	Notes	Group		Parent Company	
		31/12/2021	31/12/2020	31/12/2021	31/12/2020
ASSETS					
Non-current assets					
Intangible assets and property, plant, and equipment	7 a, b	2,880,211	2,877,354	1,084,379	1,087,763
Right-of-use assets	8	8,312	8,253	5,143	4,486
Investment property	7 c	3,316	512	3,602	3,334
Non-current financial investments	9	40	40	645,218	645,218
Non-current loans to related parties	19 e	—	86,620	477,010	563,783
Other non-current receivables	11 c	2,544	429	441	417
Deferred income tax assets		79	—	—	—
Derivative financial instruments	16	—	291	—	291
Other financial investments	14	—	2,693	—	2,693
Total non-current assets		2,894,502	2,976,192	2,215,793	2,307,985
Current assets					
Inventories	10	192,132	68,754	171,287	50,471
Current intangible assets	7 a	24,266	3,157	24,266	3,157
Receivables from contracts with customers	11 a	181,136	108,178	110,638	75,856
Other current receivables	11 b, c	59,740	85,316	45,402	29,610
Deferred expenses		1,235	1,083	949	960
Current loans to related parties	19 e	—	—	229,368	178,446
Prepayment for income tax		65	43	—	—
Derivative financial instruments	16	25,735	1,266	25,466	1,266
Other financial investments	14	—	14,143	—	14,143
Cash and cash equivalents	12	97,079	100,703	92,418	98,261
Total current assets		581,388	382,643	699,794	452,170
TOTAL ASSETS		3,475,890	3,358,835	2,915,587	2,760,155
EQUITY AND LIABILITIES					
Equity					
Share capital		790,368	790,348	790,368	790,348
Reserves		1,175,355	1,154,367	795,731	766,115
Retained earnings		151,430	165,672	174,971	189,973
Equity attributable to equity holder of the Parent Company		2,117,153	2,110,387	1,761,070	1,746,436
Non-controlling interests		6,295	7,855	—	—
Total equity		2,123,448	2,118,242	1,761,070	1,746,436
Liabilities					
Non-current liabilities					
Borrowings	15	614,075	634,077	603,728	626,408
Lease liabilities	8	6,540	6,783	4,085	3,734
Deferred income tax liabilities		2,955	6,401	—	—
Provisions		15,421	17,317	7,407	8,402
Derivative financial instruments	16	2,332	9,672	2,332	9,672
Deferred income from contracts with customers	18 I, a	137,019	139,613	802	863
Other deferred income	18 I, b, c	146,115	170,413	139,958	163,480
Total non-current liabilities		924,457	984,276	758,312	812,559
Current liabilities					
Borrowings	15	180,954	109,122	178,594	106,984
Lease liabilities	8	1,888	1,561	1,141	806
Trade and other payables		189,018	100,912	176,061	63,704
Deferred income from contracts with customers	18 II, a	15,031	15,091	67	813
Other deferred income	18 II, b, c	24,906	24,799	24,154	24,021
Derivative financial instruments	16	16,188	4,832	16,188	4,832
Total current liabilities		427,985	256,317	396,205	201,160
Total liabilities		1,352,442	1,240,593	1,154,517	1,013,719
TOTAL EQUITY AND LIABILITIES		3,475,890	3,358,835	2,915,587	2,760,155

Statement of Changes in Equity

EUR'000

	Group							Parent Company			
	Attributable to equity holder of the Parent Company							Attributable to equity holder of the Parent Company			
	Share capital	Reserves	Retained earnings	Reserves classified as held for distribution	TOTAL	Non-controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
As of 31 December 2019	834,883	1,075,235	318,555	28,936	2,257,609	7,878	2,265,487	834,883	778,162	336,242	1,949,287
Decrease of share capital	(222,678)	–	–	–	(222,678)	–	(222,678)	(222,678)	–	–	(222,678)
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	–	(8,882)	8,882	–	–	–	–	–	(4,097)	4,097	–
Discontinued operations	–	–	28,936	(28,936)	–	–	–	–	–	–	–
Total transactions with owners and other changes in equity	(44,535)	(8,882)	(267,396)	(28,936)	(349,749)	(1,819)	(351,568)	(44,535)	(4,097)	(301,117)	(349,749)
Profit for the year	–	–	114,513	–	114,513	1,796	116,309	–	–	154,848	154,848
Other comprehensive income / (loss) for the year	–	88,014	–	–	88,014	–	88,014	–	(7,950)	–	(7,950)
Total comprehensive income / (loss) for the year	–	88,014	114,513	–	202,527	1,796	204,323	–	(7,950)	154,848	146,898
As of 31 December 2020	790,348	1,154,367	165,672	–	2,110,387	7,855	2,118,242	790,348	766,115	189,973	1,746,436
Increase of share capital	20	–	–	–	20	–	20	20	–	–	20
Dividends paid	–	–	(98,246)	–	(98,246)	(2,508)	(100,754)	–	–	(98,246)	(98,246)
Disposal of non-current assets revaluation reserve	–	(13,329)	13,329	–	–	–	–	–	(3,724)	3,724	–
Total transactions with owners and other changes in equity	20	(13,329)	(84,917)	–	(98,226)	(2,508)	(100,734)	20	(3,724)	(94,522)	(98,226)
Profit for the year	–	–	70,675	–	70,675	948	71,623	–	–	79,520	79,520
Other comprehensive income for the year	–	34,317	–	–	34,317	–	34,317	–	33,340	–	33,340
Total comprehensive income for the year	–	34,317	70,675	–	104,992	948	105,940	–	33,340	79,520	112,860
As of 31 December 2021	790,368	1,175,355	151,430	–	2,117,153	6,295	2,123,448	790,368	795,731	174,971	1,761,070

Statement of Cash Flows

EUR'000

	Notes	Group		Parent Company	
		2021	2020	2021	2020
Cash flows from operating activities					
Profit before tax		74,930	112,699	79,520	154,848
Profit before tax from discontinued operation		–	9,946	–	–
Profit before tax, total		74,930	122,645	79,520	154,848
Adjustments:					
– Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right-of-use assets, and loss from disposal of non-current assets		164,560	190,430	75,558	103,266
– Net financial adjustments		20,376	7,081	11,518	(2,954)
– Other adjustments		(2,364)	(1,434)	(1,022)	(531)
– Dividends from subsidiaries		–	–	(24,978)	(41,743)
– Gain from distribution of assets / non-current financial investment of Parent Company		–	(5,001)	–	(36,246)
Operating profit before working capital adjustments		257,502	313,721	140,596	176,640
(Increase) / decrease in current assets		(173,920)	4,384	(140,838)	108,704
Increase / (decrease) in trade and other liabilities		62,145	(6,659)	86,290	(28,311)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	276,415	200,140
Cash generated from operating activities		145,727	311,446	362,463	457,173
Interest paid		(9,543)	(11,604)	(9,346)	(12,203)
Interest received		2,432	2,118	2,432	1,192
Paid corporate income tax		(6,867)	(10,766)	–	–
Net cash flows from operating activities		131,749	291,194	355,549	446,162
Cash flows from investing activities					
Loans issued to subsidiaries, net	19	–	–	(327,164)	(286,688)
Repayment of loans to related parties	19	86,672	138,560	86,672	138,560
Purchase of intangible assets and property, plant and equipment		(189,749)	(184,748)	(92,055)	(68,937)
Dividends received from subsidiaries		–	–	2,927	12,426
Proceeds from redemption of other financial investments		16,836	50	16,836	50
Net cash flows used in investing activities		(86,241)	(46,138)	(312,784)	(204,589)
Cash flows from financing activities					
Repayment of issued debt securities (bonds)	15	–	(35,000)	–	(35,000)
Proceeds from issued debt securities (bonds)	15	50,000	–	50,000	–
Proceeds on borrowings from financial institutions	15	79,997	39,500	75,000	35,000
Repayment of borrowings	15	(77,928)	(143,176)	(75,830)	(138,692)
Received financing from European Union		748	1,515	748	1,351
Lease payments		(1,195)	(1,024)	(280)	(161)
Dividends paid to non-controlling interests		(2,508)	(1,819)	–	–
Dividends paid to equity holder of the Parent Company		(98,246)	(127,071)	(98,246)	(127,071)
Net cash flows used in financing activities		(49,132)	(267,075)	(48,608)	(264,573)
Net decrease in cash and cash equivalents		(3,624)	(22,019)	(5,843)	(23,000)
Cash and cash equivalents at the beginning of the year	12	100,703	122,722	98,261	121,261
Cash and cash equivalents at the end of the year	12	97,079	100,703	92,418	98,261

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 Vērtēšanas 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 29 January 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 3 January 2022 the Management Board of Latvenergo AS was comprised of the following members: Mārtiņš Čakste (Chairman of the Board), Dmitrijs Juskovecs, Guntars Baļčūns, Kaspars Cikmačs, Harijs Teteris.

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 Financial Statements for 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 31 December 2021 and comparative information for the period starting 1 January 2020 and ending 31 December 2020.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements for 2020 were authorised by the Latvenergo AS Management Board on 28 February 2022.

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.

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
2021												
Revenue												
External customers	754,357	303,289	–	7,573	1,065,219	–	1,065,219	562,765	30,020	592,785	–	592,785
Inter-segment	1,068	1,175	–	46,422	48,665	(48,665)	–	1,044	25,226	26,270	(26,270)	–
TOTAL revenue	755,425	304,464	–	53,995	1,113,884	(48,665)	1,065,219	563,809	55,246	619,055	(26,270)	592,785
Results												
EBITDA	80,386	105,732	–	12,695	198,813	–	198,813	70,968	14,307	85,275	–	85,275
Depreciation, amortisation, and impairment of intangible assets, property, plant, and equipment and right-of-use assets	(25,169)	(80,841)	–	(10,913)	(116,923)	–	(116,923)	(21,773)	(11,135)	(32,908)	–	(32,908)
Segment profit before tax	55,217	24,891	–	1,782	81,890	(6,960)	74,930	49,195	3,172	52,367	27,153	79,520
Capital expenditure	32,545	84,786	–	9,397	126,728	–	126,728	20,123	9,422	29,545	–	29,545
2020												
Revenue												
External customers	471,247	294,927	15,967	7,217	789,358	–	789,358	354,686	30,926	385,612	–	385,612
Inter-segment	984	1,380	1,594	45,856	49,814	(49,814)	–	535	24,341	24,876	(24,876)	–
TOTAL revenue	472,231	296,307	17,561	53,073	839,172	(49,814)	789,358	355,221	55,267	410,488	(24,876)	385,612
Results												
EBITDA	159,120	105,870	16,554	12,904	294,448	–	294,448	148,180	49,709	197,889	–	197,889
Depreciation, amortisation, and impairment of intangible assets, property, plant, and equipment and right-of-use assets	(77,751)	(67,623)	(11,602)	(11,170)	(168,146)	–	(168,146)	(74,681)	(11,578)	(86,259)	–	(86,259)
Segment profit before tax	81,369	38,247	4,952	1,734	126,302	(8,651)	117,651	73,499	38,131	111,630	43,218	154,848
Capital expenditure	40,560	87,431	28,796	12,144	168,931	(76)	168,855	38,851	12,148	50,999	–	50,999

* 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 31 December 2021	1,473,344	1,801,062	104,221	3,378,627	97,263	3,475,890	1,341,057	130,516	1,471,573	1,444,014	2,915,587
As of 31 December 2020	1,263,651	1,795,034	95,907	3,154,592	204,243	3,358,835	1,131,977	125,634	1,257,611	1,502,544	2,760,155

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
2021										
Revenue from contracts with customers recognised over time:										
Trade of energy and related supply services	666,966	3,228	—	—	670,194	670,194	490,614	—	490,614	490,614
Distribution system services	1	282,949	—	—	282,950	282,950	—	—	—	—
Heat sales	84,123	91	—	10	84,224	84,224	71,215	10	71,225	71,225
Other revenue	3,267	16,949	—	5,636	25,852	25,852	936	26,600	27,536	27,536
Total revenue from contracts with customers	754,357	303,217	—	5,646	1,063,220	1,063,220	562,765	26,610	589,375	589,375
Other revenue:										
Other revenue	—	72	—	1,927	1,999	1,999	—	3,410	3,410	3,410
Total other revenue	—	72	—	1,927	1,999	1,999	—	3,410	3,410	3,410
2020										
Revenue from contracts with customers recognised over time:										
Trade of energy and related supply services	414,617	3,150	—	14	417,781	417,781	310,839	14	310,853	310,853
Distribution system services	1	275,586	—	—	275,587	275,587	—	—	—	—
Heat sales	53,349	67	—	12	53,428	53,428	42,623	12	42,635	42,635
Other revenue	3,280	16,029	—	5,647	24,956	24,956	1,224	26,979	28,203	28,203
Total revenue from contracts with customers	471,247	294,832	—	5,673	771,752	771,752	354,686	27,005	381,691	381,691
Other revenue:										
Lease of transmission system assets	—	—	15,631	—	15,631	15,631	—	—	—	—
Lease of other assets	—	95	—	1,544	1,639	1,639	—	3,921	3,921	3,921
Other revenue	—	—	336	—	336	336	—	—	—	—
Total other revenue	—	95	15,967	1,544	17,606	17,606	—	3,921	3,921	3,921

* 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	
	2021	2020	2021	2020
EBITDA	198,813	294,448	85,275	197,889
Depreciation, amortisation, and impairment of intangible assets, property, plant, and equipment and right-of-use assets	(116,923)	(168,146)	(32,908)	(86,259)
Segment profit before tax	81,890	126,302	52,367	111,630
Finance income	2,110	2,125	11,391	12,768
Finance costs	(9,070)	(10,776)	(9,216)	(11,293)
Dividends received from subsidiaries	–	–	24,978	41,743
Profit before tax	74,930	117,651	79,520	154,848

Reconciliation of assets

EUR'000				
	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Segment operating assets	3,378,627	3,154,592	1,471,573	1,257,611
Non-current financial investments	40	40	645,218	645,218
Loans to related parties	–	86,620	706,378	742,229
Other financial investments	–	16,836	–	16,836
Prepayment for income tax and other taxes	144	44	–	–
Cash and cash equivalents	97,079	100,703	92,418	98,261
TOTAL assets	3,475,890	3,358,835	2,915,587	2,760,155

4. Revenue

EUR'000				
IFRS or IAS applied	Group		Parent Company	
	2021	2020	2021	2020
Revenue from contracts with customers recognised over time:				
Trade of energy and related supply services	IFRS 15	670,194	417,781	490,614
Distribution system services	IFRS 15	282,950	275,587	310,853
Heat sales	IFRS 15	84,224	53,428	–
Other revenue	IFRS 15	25,852	24,956	71,225
Total revenue from contracts with customers		1,063,220	771,752	589,375
Other revenue:				
Lease of other assets	IFRS 16	1,999	1,639	3,410
Total other revenue		1,999	1,639	3,921
TOTAL revenue		1,065,219	773,391	592,785

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	
	2021	2020	2021	2020
Mandatory procurement PSO fees	62,603	84,665	64,537	88,177
Distribution system services	23,478	12,641	171,200	184,915
Transmission system services	1,744	1,654	1,758	1,686
Insurance intermediation	579	–	578	–
TOTAL revenue recognised applying agent accounting principle	88,404	98,960	238,073	274,778

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

5. Raw materials and consumables

EUR'000

	Group		Parent Company	
	2021	2020	2021	2020
Energy costs				
Electricity and costs of related supply services	369,388	154,667	180,864	50,433
Electricity transmission services costs	73,747	71,054	3,053	957
Natural gas and other energy resources costs	259,160	117,185	248,699	111,151
Losses / (gains) on fair value changes on energy futures, forwards, and swaps (Note 16 II)	13,373	(1,242)	13,642	(1,242)
	715,668	341,664	446,258	161,299
Raw materials, spare parts, and maintenance costs	24,459	27,597	12,212	12,585
TOTAL raw materials and consumables	740,127	369,261	458,470	173,884

6. Finance income and costs

EUR'000

	Group		Parent Company	
	2021	2020	2021	2020
a) Finance income:				
Interest income	564	2,032	564	1,097
Interest income on loans to related parties	994	–	10,276	11,578
Gains on fair value changes on interest rate swaps (Note 16 I)	316	–	316	–
Net gain on issued debt securities (bonds)	111	93	111	93
Net gain on redemption of other financial investments	94	–	94	–
Net gain on currency exchange rate fluctuations	31	–	30	–
TOTAL finance income	2,110	2,125	11,391	12,768
b) Finance costs:				
Interest expense on borrowings	7,029	8,421	7,247	9,031
Interest expense on issued debt securities (bonds)	2,041	2,273	2,041	2,273
Interest expense on assets lease	138	131	83	69
Capitalised borrowing costs	(331)	(479)	(330)	(479)
Net losses on redemption of other financial investments	–	50	–	50
Net losses on currency exchange rate fluctuations	–	105	–	105
Other finance costs	193	275	175	244
TOTAL finance costs	9,070	10,776	9,216	11,293

7. Intangible assets and property, plant, and equipment

a) Intangible assets

EUR'000

	Group		Parent Company	
	2021	2020	2021	2020
Non-current intangible assets				
Cost	111,105	64,166	60,591	69,436
Accumulated amortisation	(61,077)	(41,579)	(44,398)	(43,325)
Net book amount at the beginning of the year	50,028	22,587	16,193	26,111
Additions	9,453	14,352	4,321	13,816
Disposals	(81)	(17,414)	(81)	(17,414)
Impairment charge	81	(81)	81	(81)
Amortisation charge	(5,924)	(4,581)	(3,108)	(3,082)
Reclassified to current intangible assets	–	(3,157)	–	(3,157)
Recognised usage rights after distribution of discontinued operation*	–	38,322	–	–
Closing net book amount at the end of the year	53,557	50,028	17,406	16,193
Cost	120,296	111,105	64,687	60,591
Accumulated amortisation	(66,739)	(61,077)	(47,281)	(44,398)
Closing net book amount at the end of the year	53,557	50,028	17,406	16,193

* 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.

Current intangible assets

	Group		Parent Company	
	2021	2020	2021	2020
Net book amount at the beginning of the year	3,157	–	3,157	–
Additions	64,500	–	64,500	–
Disposals	(43,391)	–	(43,391)	–
Reclassified from non-current intangible assets	–	3,157	–	3,157
Closing net book amount at the end of the year	24,266	3,157	24,266	3,157

b) Property, plant, and equipment

EUR'000

	Group		Parent Company	
	2021	2020	2021	2020
Cost or revalued amount	6,373,740	6,323,235	3,177,841	3,186,045
Accumulated depreciation and impairment	(3,546,414)	(3,570,290)	(2,106,271)	(2,077,044)
Net book amount at the beginning of the year	2,827,326	2,752,945	1,071,570	1,109,001
Additions	117,255	164,051	25,203	46,730
Invested in share capital	20	–	20	–
Reclassified (to) / from investment properties	(3,182)	(477)	(692)	2,427
Reclassified to non-current assets held for sale	(105)	(43)	(20)	–
Disposals	(5,458)	(6,401)	(351)	(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	41,424	(7,129)	41,393	(7,116)
Depreciation	(150,626)	(163,557)	(70,150)	(75,029)
Changes in value of assets attributable to the discontinued operation*	–	(16,987)	–	–
Closing net book amount at the end of the year	2,826,654	2,827,326	1,066,973	1,071,570
Cost or revalued amount	6,396,916	6,373,740	3,170,861	3,177,841
Accumulated depreciation and impairment	(3,570,262)	(3,546,414)	(2,103,888)	(2,106,271)
Closing net book amount at the end of the year	2,826,654	2,827,326	1,066,973	1,071,570

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

c) Investment property

EUR'000

	Group		Parent Company	
	2021	2020	2021	2020
Cost or revalued amount	1,455	910	5,432	65,253
Accumulated depreciation and impairment	(943)	(609)	(2,098)	(25,818)
Net book amount at the beginning of the year	512	301	3,334	39,435
Reclassified from / (to) property, plant, and equipment	3,182	477	692	(2,427)
Disposal	(18)	(6)	(18)	(30)
Investment in the share capital of other company	–	–	–	(32,333)
Sold	(348)	(260)	(348)	(1,094)
Depreciation	(12)	–	(58)	(217)
Closing net book amount at the end of the year	3,316	512	3,602	3,334
Cost or revalued amount	3,807	1,455	4,561	5,432
Accumulated depreciation and impairment	(491)	(943)	(959)	(2,098)
Closing net book amount at the end of the year	3,316	512	3,602	3,334

Property, plant, and equipment revaluation

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

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

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

8. Leases

a) Right-of-use assets

	Group		Parent Company	
	2021	2020	2021	2020
Cost	10,970	6,745	5,619	3,873
Accumulated depreciation	(2,717)	(1,223)	(1,133)	(397)
Net book amount at the beginning of the year	8,253	5,522	4,486	3,476
Recognised changes in lease agreements	1,925	4,178	1,723	1,746
Depreciation	(1,866)	(1,447)	(1,066)	(736)
Closing net book amount at the end of the year	8,312	8,253	5,143	4,486
Cost	12,871	10,970	7,342	5,619
Accumulated depreciation	(4,559)	(2,717)	(2,199)	(1,133)
Closing net book amount at the end of the year	8,312	8,253	5,143	4,486

b) Lease liabilities

	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	8,344	5,565	4,540	3,502
Of which are:				
– non-current	6,783	4,349	3,734	3,126
– current	1,561	1,216	806	376
Recognised changes in lease agreements	1,906	4,178	1,725	1,746
Decrease of lease liabilities	(1,960)	(1,530)	(1,122)	(777)
Recognised interest liabilities (Note 6)	138	131	83	69
At the end of the year	8,428	8,344	5,226	4,540
Of which are:				
– non-current	6,540	6,783	4,085	3,734
– current	1,888	1,561	1,141	806

9. Non-current financial investments

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

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

The Group's non-current financial investments

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

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

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

10. Inventories

	EUR'000			
	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Raw materials and materials	17,978	17,224	847	824
Natural gas	115,461	41,621	115,461	41,620
Goods for sale	3,896	2,508	754	549
Other inventories	8,121	8,203	8,059	8,060
Prepayments for natural gas and other inventories	47,786	189	46,901	25
Allowance for raw materials and other inventories	(1,110)	(991)	(735)	(607)
TOTAL inventories	192,132	68,754	171,287	50,471

Movement on the allowance for inventories

	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	991	1,287	607	674
Charged / (credited) to the Statement of Profit or Loss	119	(296)	128	(67)
At the end of the year	1,110	991	735	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

	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Individually assessed receivables with lifetime ECL assessment (counterparty model)	37,995	2,775	16,837	6,257
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	143,141	105,403	93,801	69,599
TOTAL receivables from contracts with customers	181,136	108,178	110,638	75,856

a) Receivables from contracts with customers, net

	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	133,497	136,647	87,828	102,120
– Electricity and related services customers (counterparty model)	22,493	–	–	–
– Heating customers (portfolio model)	21,233	9,463	18,807	7,386
– Other receivables from contracts with customers (portfolio model)	5,384	3,557	1,150	1,093
– Other receivables from contracts with customers (counterparty model)	15,557	2,780	12,792	1,480
– Subsidiaries (counterparty model) (Note 19 b)	–	–	4,070	4,782
	198,164	152,447	124,647	116,861
Allowances for expected credit loss from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(14,748)	(41,761)	(13,621)	(40,672)
– Electricity and related services customers (counterparty model)	(28)	–	–	–
– Heating customers (portfolio model)	(361)	(328)	(343)	(315)
– Other receivables from contracts with customers (portfolio model)	(1,864)	(2,175)	(20)	(13)
– Other receivables from contracts with customers (counterparty model)	(27)	(5)	(22)	(2)
– Subsidiaries (counterparty model) (Note 19 b)	–	–	(3)	(3)
	(17,028)	(44,269)	(14,009)	(41,005)
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	118,749	94,886	74,207	61,448
– Electricity and related services customers (counterparty model)	22,465	–	–	–
– Heating customers (portfolio model)	20,872	9,135	18,464	7,071
– Other receivables from contracts with customers (portfolio model)	3,520	1,382	1,130	1,080
– Other receivables from contracts with customers (counterparty model)	15,530	2,775	12,770	1,478
– Subsidiaries (counterparty model) (Note 19 b)	–	–	4,067	4,779
	181,136	108,178	110,638	75,856

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	44,269	46,737	41,005	43,521
Receivables written off during the year as uncollectible	(30,094)	(3,681)	(29,679)	(3,252)
Allowances for expected credit losses	2,853	1,213	2,683	736
At the end of the year	17,028	44,269	14,009	41,005

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Current financial receivables				
Unsettled revenue on mandatory procurement PSO fee recognised as assets*	36,588	77,273	–	–
Receivables for lease	18	48	15	33
Other current financial receivables	22,475	8,369	21,707	6,385
Other accrued income	–	874	–	874
Allowances for expected credit loss	(1,583)	(1,700)	(1,247)	(1,331)
Receivables for lease from subsidiaries (Note 19 b)	–	–	21	73
Other financial receivables from subsidiaries (Note 19 b)	–	–	21,196	21,460
Other accrued income from subsidiaries (Note 19 c)	–	–	1,533	1,850
Allowances for expected credit loss on subsidiaries receivables (Note 19 b)	–	–	(13)	(16)
TOTAL other current financial receivables	57,498	84,864	43,212	29,328

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

c) Other non-financial receivables

EUR'000

	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Non-current non-financial receivables	2,544	429	441	417
Current non-financial receivables	2,242	452	2,190	282
TOTAL non-financial receivables	4,786	881	2,631	699

12. Cash and cash equivalents

EUR'000

	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Cash at bank	97,079	100,703	92,418	98,261
TOTAL cash and cash equivalents	97,079	100,703	92,418	98,261

13. Reserves

	Group							Parent Company			
	Non-current assets revaluation reserve	Hedge reserve	Post-employment benefit plan revaluation reserve	Other reserves	TOTAL reserves of continuing operations	Reserves classified as held for distribution	TOTAL	Non-current assets revaluation reserve	Hedge reserve	Post-employment benefit plan revaluation reserve	TOTAL
As of 31 December 2019	1,083,772	(6,227)	(2,420)	110	1,075,235	28,936	1,104,171	785,870	(6,227)	(1,481)	778,162
Reserves attributable to discontinued operation:											
– Non-current assets revaluation	–	–	–	–	–	(28,683)	(28,683)	–	–	–	–
– Post-employment benefit plan revaluation	–	–	–	–	–	(21)	(21)	–	–	–	–
Non-current assets revaluation reserve:											
– Increase as a result of revaluation	96,264	–	–	–	96,264	–	96,264	–	–	–	–
– Disposal	(8,882)	–	–	–	(8,882)	(232)	(9,114)	(4,097)	–	–	(4,097)
Losses on re-measurement of defined post-employment benefit plan	–	–	(476)	–	(476)	–	(476)	–	–	(176)	(176)
Losses from fair value changes of derivative financial instruments	–	(7,774)	–	–	(7,774)	–	(7,774)	–	(7,774)	–	(7,774)
As of 31 December 2020	1,171,154	(14,001)	(2,896)	110	1,154,367	–	1,154,367	781,773	(14,001)	(1,657)	766,115
Disposal of non-current assets revaluation reserve	(13,329)	–	–	–	(13,329)	–	(13,329)	(3,724)	–	–	(3,724)
Gains on re-measurement of defined post-employment benefit plan	–	–	1,098	–	1,098	–	1,098	–	–	121	121
Gains from fair value changes of derivative financial instruments	–	33,219	–	–	33,219	–	33,219	–	33,219	–	33,219
As of 31 December 2021	1,157,825	19,218	(1,798)	110	1,175,355	–	1,175,355	778,049	19,218	(1,536)	795,731

14. Other financial investments

Carrying (amortised cost) amount of other financial investments

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

15. Borrowings

EUR'000				
	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Non-current borrowings from financial institutions	564,209	533,898	553,862	526,229
Issued debt securities (bonds)	49,866	100,179	49,866	100,179
TOTAL non-current borrowings	614,075	634,077	603,728	626,408
Current portion of non-current borrowings from financial institutions	79,186	107,428	76,866	105,330
Issued debt securities (bonds)	100,055	–	100,055	–
Accrued interest on non-current borrowings	495	617	455	577
Accrued coupon interest on issued debt securities (bonds)	1,218	1,077	1,218	1,077
TOTAL current borrowings	180,954	109,122	178,594	106,984
TOTAL borrowings	795,029	743,199	782,322	733,392

Movement in borrowings

EUR'000				
	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	743,199	882,671	733,392	872,899
Borrowings received	79,997	39,500	75,000	35,000
Borrowings repaid	(77,928)	(143,176)	(75,830)	(138,692)
Proceeds from issued debt securities (bonds)	50,000	–	50,000	–
Repayment of issued debt securities (bonds)	–	(35,000)	–	(35,000)
Change in accrued interest on borrowings	19	(703)	18	(722)
Changes in outstanding value of issued debt securities (bonds)	(258)	(93)	(258)	(93)
At the end of the year	795,029	743,199	782,322	733,392

16. Derivative financial instruments

I) Interest rate swaps

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

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

Fair value changes of interest rate swaps

	Group				Parent Company			
	2021		2020		2021		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	-	(9,504)	-	(9,216)	-	(9,504)	-	(9,216)
Included in the Statement of Profit or Loss (Note 6)	-	316	-	-	-	316	-	-
Included in the Statement of Comprehensive Income	-	4,876	-	(288)	-	4,876	-	(288)
Outstanding fair value at the end of the year	-	(4,312)	-	(9,504)	-	(4,312)	-	(9,504)

EUR'000

II) Energy forwards, futures, and swaps

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.

The Parent Company also 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 energy forward and future contracts

	Group				Parent Company			
	2021		2020		2021		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	1,557	(4,993)	6,717	(3,916)	617	(4,993)	6,717	(3,916)
Included in Statement of Profit or Loss (Note 5)	(785)	(12,588)	(978)	2,220	(1,054)	(12,588)	(978)	2,220
Included in Statement of Comprehensive Income	24,963	3,373	(4,182)	(3,297)	24,963	3,373	(4,182)	(3,297)
Outstanding fair value at the end of the year	25,735	(14,208)	1,557	(4,993)	24,526	(14,208)	1,557	(4,993)

EUR'000

III) Fair value changes of forward currencies exchange contracts

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

EUR'000

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			TOTAL	Fair value measurement using			TOTAL
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
As of 31 December 2021								
Assets measured at fair value								
Revalued property, plant, and equipment	–	–	2,407,803	2,407,803	–	–	776,350	776,350
Non-current financial investments (Note 9)	–	–	40	40	–	–	39	39
<i>Derivative financial instruments, including:</i>								
Energy forwards, futures, and swaps (Note 16 II))	–	25,735	–	25,735	–	25,466	–	25,466
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	3,316	3,316	–	–	3,602	3,602
Loans to related parties:								
– Floating rate loans (Note 19 e)	–	–	–	–	–	172,313	–	172,313
– Fixed rate loans (Note 19 e)	–	–	–	–	–	534,065	–	534,065
Current financial receivables (Note 11 a, b)	–	–	238,634	238,634	–	–	153,850	153,850
Cash and cash equivalents (Note 12)	–	97,079	–	97,079	–	92,418	–	92,418
As of 31 December 2020								
Assets measured at fair value								
Revalued property, plant, and equipment	–	–	2,402,069	2,402,069	–	–	778,480	778,480
Non-current financial investments (Note 9)	–	–	40	40	–	–	39	39
<i>Derivative financial instruments, including:</i>								
Energy forwards, futures, and swaps (Note 16 II))	–	1,557	–	1,557	–	1,557	–	1,557
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	512	512	–	–	3,334	3,334
Other financial investments (Note 14)	–	16,836	–	16,836	–	16,836	–	16,836
Loans to related parties:								
– Floating rate loans (Note 19 e)	–	–	–	–	–	131,133	–	131,133
– Fixed rate loans (Note 19 e)	–	86,620	–	86,620	–	611,096	–	611,096
Current financial receivables (Note 11 a, b)	–	–	193,042	193,042	–	–	105,184	105,184
Cash and cash equivalents (Note 12)	–	100,703	–	100,703	–	98,261	–	98,261

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

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

EUR'000

Type of liabilities	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 31 December 2021								
Liabilities measured at fair value								
<i>Derivative financial instruments, including:</i>								
Interest rate swaps (Note 16 I))	–	4,312	–	4,312	–	4,312	–	4,312
Energy forwards, futures, and swaps (Note 16 II))	–	14,208	–	14,208	–	14,208	–	14,208
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 15)	–	151,139	–	151,139	–	151,139	–	151,139
Borrowings (Note 15)	–	643,890	–	643,890	–	631,183	–	631,183
Trade and other financial current payables	–	–	163,946	163,946	–	–	166,516	166,516
As of 31 December 2020								
Liabilities measured at fair value								
<i>Derivative financial instruments, including:</i>								
Interest rate swaps (Note 16 I))	–	9,504	–	9,504	–	9,504	–	9,504
Energy forwards, futures, and swaps (Note 16 II))	–	4,993	–	4,993	–	4,993	–	4,993
Currency exchange forwards (Note 16 III))	–	7	–	7	–	7	–	7
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 15)	–	101,256	–	101,256	–	101,256	–	101,256
Borrowings (Note 15)	–	641,943	–	641,943	–	632,136	–	632,136
Trade and other financial current payables	–	–	76,429	76,429	–	–	51,664	51,664

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

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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Financial assets								
Fixed rate loans to related parties	–	86,620	–	89,409	534,065	611,096	545,297	641,936
Other financial investments	–	16,836	–	18,031	–	16,836	–	18,031
Financial liabilities								
Issued debt securities (bonds)	151,139	101,256	151,683	103,762	151,139	101,256	151,683	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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
I) Non-current deferred income				
a) contracts with customers				
From connection fees	136,217	138,750	–	–
Other deferred income	802	863	802	863
	137,019	139,613	802	863
b) operating lease				
Other deferred income	342	366	342	366
	342	366	342	366
c) other				
On grant for the installed electrical capacity of CHPPs	137,450	161,440	137,450	161,440
On financing from European Union funds	8,220	8,459	2,114	1,601
Other deferred income	103	148	52	73
	145,773	170,047	139,616	163,114
Total non-current deferred income	283,134	310,026	140,760	164,343
II) Current deferred income				
a) contracts with customers				
From connection fees	14,794	14,167	–	–
Other deferred income	237	924	67	813
	15,031	15,091	67	813
b) operating lease				
Other deferred income	20	20	20	20
	20	20	20	20
c) other				
On grant for the installed electrical capacity of CHPPs	23,990	23,990	23,990	23,990
On financing from European Union funds	896	782	144	7
Other deferred income	–	7	–	4
	24,886	24,779	24,134	24,001
TOTAL current deferred income	39,937	39,890	24,221	24,834
TOTAL deferred income	323,071	349,916	164,981	189,177

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

EUR'000

	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	349,916	375,984	189,177	211,268
Received deferred non-current income (financing)	848	1,441	848	1,441
Received advance payments for contracts with customers	–	808	–	808
Received connection fees for connection to distribution system	12,556	10,749	–	–
Compensation for the installed electrical capacity of CHPPs credited to the Statement of Profit or Loss	(23,990)	(23,990)	(23,990)	(23,990)
(Credited) / charged to the Statement of Profit or Loss	(16,259)	(15,076)	(1,054)	(350)
At the end of the year	323,071	349,916	164,981	189,177

19. Related party transactions

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

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

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

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

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

EUR'000

	Group		Parent Company			
	2021	2020	2021		2020	
	Other related parties*	Other related parties*	Subsidiaries	Other related parties*	Subsidiaries	Other related parties*
Sales of goods, PPE and services, finance income	25,741	26,508	54,582	25,586	68,738	10,315
Purchases of goods, PPE, and services	82,404	110,039	346,535	9,221	268,253	7,192
<i>including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:</i>						
– <i>Sadales tīkls AS</i>	–	–	226,712	–	265,853	–

b) Receivables and payables at the end of the year arising from sales/purchases of goods, PPE and services

EUR'000

	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	25,004	25,704
– other related parties*	12,404	2,387	11,866	1,653
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(16)	(19)
– loss allowances for expected credit loss from receivables of other related parties*	(22)	(5)	(21)	(3)
	12,382	2,382	36,833	27,335
Payables to related parties:				
– subsidiaries	–	–	28,415	24,956
– other related parties*	10,969	8,324	2,126	1,805
	10,969	8,324	30,541	26,761

c) Accrued income raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
– for goods sold/services provided for subsidiaries (Note 11 a, b)	–	–	435	1,115
– for interest received from subsidiaries	–	–	1,381	1,346
	–	–	1,816	2,461

d) Accrued expenses raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
– for purchased goods/received services from subsidiaries	–	–	41,032	2,646
– for purchased goods / received services from other related parties*	327	–	327	–
	327	–	41,359	2,646

* 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 year ending 31 December 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 2,931.0 thousand (2020: EUR 2,800.6 thousand).

In the year ending 31 December 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 1,065.9 thousand (2020: EUR 1,173.3 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 Latvenergo 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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Non-current loans to subsidiaries				
Sadales tīkls AS	–	–	467,786	477,507
Elektrum Eesti OÜ	–	–	7,560	–
Elektrum Lietuva, UAB	–	–	1,970	–
Allowances for expected credit loss	–	–	(306)	(344)
Non-current loans to other related parties				
Augstsprieguma tīkls AS	–	86,672	–	86,672
Allowances for expected credit loss	–	(52)	–	(52)
TOTAL non-current loans	–	86,620	477,010	563,783
Current portion of non-current loans				
Sadales tīkls AS	–	–	97,000	76,648
Elektrum Eesti OÜ	–	–	300	–
Allowances for expected credit loss	–	–	(70)	(55)
Current loans to subsidiaries				
Sadales tīkls AS	–	–	10,000	10,000
Elektrum Eesti OÜ	–	–	34,880	7,937
Elektrum Lietuva, UAB	–	–	56,198	10,209
Enerģijas publiskais tirgotājs SIA	–	–	31,137	73,781
Allowances for expected credit loss	–	–	(77)	(74)
TOTAL current loans	–	–	229,368	178,446
TOTAL loans to related parties	–	86,620	706,378	742,229

Movement in loans issued to related parties

	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	86,620	–	742,229	794,256
Change in current loans in cash (net)	–	–	319,304	286,688
Change in current loans by non-cash offsetting of operating receivables and payables (net)	–	–	(199,767)	(364,096)
Issued non-current loans	–	225,232	–	225,232
Issued non-current loans in cash	–	–	7,860	–
Repayment of loans in cash	(86,672)	(138,560)	(86,672)	(138,560)
Issued non-current loans by non-cash offset	–	–	–	20,000
Repaid non-current loans by non-cash offset	–	–	(76,648)	(81,275)
Allowances for expected credit loss	52	(52)	72	(16)
At the end of the year	–	86,620	706,378	742,229
<i>incl. loan movement through bank account</i>				
Issued loans to subsidiaries	–	–	716,106	573,957
Repaid loans issued to subsidiaries	–	–	(388,942)	(287,269)
Repaid loans issued to other related parties	(86,672)	(138,560)	(86,672)	(138,560)
Issued loans, net	(86,672)	(138,560)	240,492	148,128

20. Events after the reporting year

On 24 January 2022 the international credit rating agency Moody's Investors Service has updated Latvenergo AS credit analysis. The rating of Latvenergo AS remains unchanged Baa2 with a stable outlook.

In January 2022, Latvenergo AS signed two short-term loan agreements (overdraft agreements) with term for both agreements up to 2 years for working capital financing and liquidity management - with OP Corporate Bank plc Latvia Branch in the amount of EUR 60 million and with SEB banka AS in the amount of EUR 30 million.

In January 2022, the Saeima of the Republic of Latvia adopted a Law on measures to reduce extraordinary rise in energy prices with the aim to reduce the negative socio-economic impact associated with an unprecedented sharp rise in energy prices on the well-being of the population and economic growth. The law provides for various types of support measures to legal and natural persons to

partially compensate the rising costs of energy resources from 1 January to 30 April 2022. Similar state support mechanisms for reducing energy prices have been established in Estonia and Lithuania. Support measures are financed from national budgets.

On 22 February 2022 the Cabinet of Ministers of the Republic of Latvia conceptually supported the intention of the state capital companies Latvenergo AS and Latvijas valsts meži AS to establish a joint venture for the development of wind farms in Latvia.

There have been no other significant events after the end of the reporting year that might have a material effect on the Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements for the year ending 31 December 2021.