Latvenergo

LATVENERGO CONSOLIDATED AND LATVENERGO AS UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 3-MONTH PERIOD ENDING 31 MARCH 2022

CONTENTS

Management Report

Unaudited Condensed Interim Financial Statements*

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

FINANCIAL CALENDAR

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, and this trend has continued in 2022 as the market responds to developments in Ukraine. In Q1 2022, electricity spot prices in the Baltics were 2.6 times higher than in the respective period a year ago. The price of natural gas, which often determines the price of electricity in the Baltics during the peak hours, exceeded 98 EUR/MWh in the reporting period (in Q1 2021 it was 18 EUR/MWh). Meanwhile, the price of CO_2 emission allowances reached 84 EUR/t, which is more than two times higher than in Q1 2021.

The electricity output at the Daugava HPPs increased by 15%.

In Q1 2022, electricity output at Latvenergo Group's plants reached 1,140 GWh. Electricity output at the Daugava HPPs increased by 15%, reaching 888 GWh. Meanwhile, the amount of electricity generated at the Latvenergo AS CHPPs decreased by 69%, reaching 244 GWh due to record-high prices of natural gas and CO_2 emission allowances. The amount of thermal energy generated was 15% lower, reaching 856 GWh. The decrease was impacted by warmer weather compared to the respective period a year ago.

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

1,422 GWh of electricity sold to Baltic retail customers	760 thousand electricity customers	339 GWh of natural gas sold to Baltic retail customers	19 thous. Natural gas customers

In Q1 2022, there is a positive dynamic in the number of Latvenergo customers in both the electricity and natural gas segments. We have about 760 thousand electricity customers, and more than 100 thousand of them are outside Latvia. The number of natural gas customers comprised more than 19 thousand at the of March.

EBITDA increased by 53%.

MEUR

407.7	123.6	81.8	3,518.8
REVENUE	EBITDA	PROFIT	ASSETS

In Q1 2022, Latvenergo Group's revenue was 63% or EUR 157.8 million higher than in the respective period a year ago. This was impacted by higher electricity and natural gas spot prices.

The Group's EBITDA increased by 53% or EUR 43.0 million. This was mainly positively impacted by the adjustment of electricity sales prices to the market situation and 15% greater output at the Daugava HPPs. Meanwhile, EBITDA was negatively impacted by higher natural gas purchase prices as well as the price of CO_2 emission allowances.

Latvenergo Group's medium-term strategy for 2022–2026 has been approved.

In March, the Supervisory Board of Latvenergo AS approved Latvenergo Group's medium-term strategy for 2022–2026 with new strategic operational and financial objectives. 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 Q1 2022, the total amount of investment comprised EUR 28.3 million, of which two thirds was made in distribution network assets. We are also continuing the implementation of the Daugava HPPs' hydropower unit reconstruction project. In the reporting period, one hydro unit of Riga HPP was put into operation; thus, a total of 8 of the 11 hydro units included in the programme have already been reconstructed.

The international credit rating agency Moody's reaffirmed the credit rating of Latvenergo AS at Baa2 with a stable outlook.

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.

Baa2
MOODY'S

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 issues pertaining to 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 objective 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's medium-term strategy for 2022–2026, with new strategic operational and financial objectives, was developed, and in March 2022, 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 objective set by the shareholder, the strategic priorities of Latvenergo Group were defined, which are further detailed in specific objectives. 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.

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

- ambitious, yet achievable profitability, which is consistent with the average ratios of benchmark companies in the European energy sector and provides for an adequate return on the business risk;
- an optimal and industry-relevant capital structure that limits potential financial risks;
- an adequate dividend policy that is consistent with the planned investment policy and capital structure targets;
- an investment-grade credit rating to secure funding for the strategy's ambitious investment programme.

The Group's financial objectives

Target group	Ratio	Year 2026
Profitability	Return on equity (ROE) excluding distribution*	> 7%
Capital structure	Adjusted FFO / Net debt ratio	> 25%
Dividend policy	Dividend payout ratio	> 64%
Other	Moody's credit rating	Maintain an investment-grade credit rating

* The profitability of the regulated services provided by the Group is determined by the Public Utilities Commission. The most significant share in the Group's regulated services is the distribution service. When evaluating the fulfilment of the ROE target, the Group's return indicator will be assessed, excluding the regulated return on the distribution service – ROE excluding distribution.

Latvenergo Group in Brief

The Group's strategic objectives

GENERATION Expand and diversify the generation portfolio with green technologies.	The aim is to grow the RES generation portfolio, focusing on WPP and SPP: • 2026: constructed or acquired WPP and SPP with total capacity of 600 MW; • 2030: constructed or acquired WPP and SPP with total capacity of 2,300 MW. The objective also provides for: • 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.
TRADE Strengthen the position of *Elektrum* as the most valuable energy trader in the Baltics.	The goal is to increase the customer portfolio; promote microgeneration, electrification, energy efficiency and product innovation; and launch operations in Poland.
ELECTROMOBILITY Develop electrification of the transport sector.	The objective is to develop a public charging network in the Baltics: • 2026: 1200-1,500 charging ports; • 2030: about 3,000 charging ports.
DISTRIBUTION Ensure a sustainable and economically viable distribution service and improve the security and quality of electricity supply.	The objective is to systematically and cost-effectively improve the quality and security of electricity supply: • SAIDI reduced to 160 min. in 2026; • SAIFI reduced to 1.85 times in 2026. It also envisages the creation of a two-way network for the development of microgeneration and the implementation of digital transformation and efficiency measures.

By implementing the strategy of Latvenergo Group, we plan to achieve the following CO_2 emission saving targets:

- **2026: 2.6 million tonnes**
- **2030: 17.8 million tonnes**

SDGs set as a priority and relevant to the Group's core business

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

		3M 2022	3M 2021	3M 2020	3M 2019	3M 2018
Retail electricity 2)	GWh	1,422	1,799	1,646	1,795	1,766
Retail natural gas	GWh	339	341	155	104	40
Electricity generation	GWh	1,140	1,565	1,538	1,347	1,929
Thermal energy generation	GWh	856	1,011	740	939	1,204
Number of employees		3,164	3,298	3,394	3,490	3,736
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		3M 2022	3M 2021	3M 2020	3M 2019	3M 2018
Revenue*	MEUR	407.7	249.9	219.8	241.9	249.9
EBITDA 2)*	MEUR	123.6	80.7	98.0	73.7	99.6
Profit	MEUR	81.8	35.5	57.9	38.4	64.9
Assets	MEUR	3,518.8	3,421.6	3,933.7	3,825.5	4,001.2
Equity	MEUR	2,232.5	2,156.3	2,325.2	2,342.0	2,459.9
Net debt 2)*	MEUR	544.0	448.3	498.4	440.6	410.3
Adjusted funds from operations (FFO)	MEUR	110.2	85.0	105.2	80.9	97.0
Capital expenditure	MEUR	28.3	26.6	55.5	44.3	33.0

Latvenergo Group Financial Ratios

	3M 2022	3M 2021	3M 2020	3M 2019	3M 2018
Return on equity (ROE) 2)	5.4%	4.2%	4.9%	2.1%	13.5%
ROE excluding distribution 2)	8.9%	5.6%	6.7%	1.0%	13.4%
Adjusted FFO / net debt	49.3%	52.7%	63.0%	45.5%	79.4%
Net debt / EBITDA 2)	2.1	1.8	1.8	1.7	0.9
EBITDA margin 2)	20%	32%	33%	31%	56%
Return on assets (ROA) 2)	3.4%	2.6%	2.9%	1.3%	8.3%
Return on capital employed (ROCE) 2)*	4.3%	3.4%	4.1%	1.8%	6.7%
Net debt / equity 2)	24%	21%	21%	19%	17%

* Figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership). For more details, please see the Group's annual report for 2020.
1) Including operating consumption
2) Formulas are available on page 22

Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In Q1 2022:

- the Nord Pool system price increased 2.6 times, and the electricity price in Latvia increased 2.7 times;
- the price of natural gas at TTF (the Dutch natural gas virtual trading point) increased more than five times compared to the respective period a year ago.

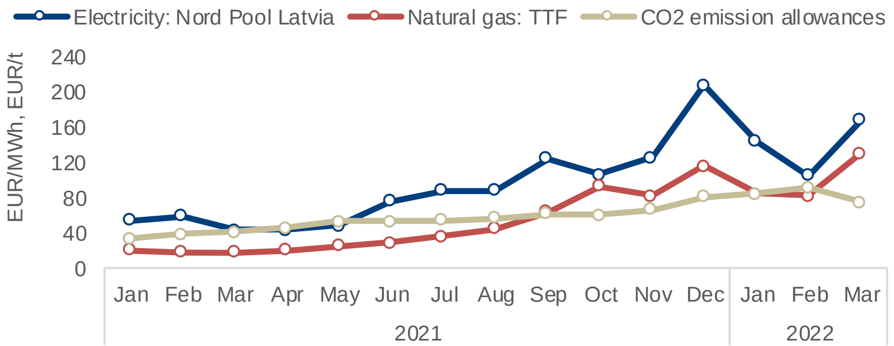
Record-high electricity prices

An unprecedented rise in energy prices was observed in 2021, and this trend has continued in 2022. Russia's invasion of Ukraine has shaken the world and impacted financial and energy markets. In the reporting period, the Nord Pool system price was 2.6 times higher than in Q1 2021 (+161%), reaching 110.0 EUR/MWh. The rise in electricity prices in the Nord Pool region was affected by record-high energy resource prices and lower generation of hydropower plants in the Nordics. The price of natural gas at TTF, which often determines the price of electricity in the Baltics during the peak hours, exceeded 98 EUR/MWh in Q1 2022 (in Q1 2021 it was 18 EUR/MWh). Meanwhile, the price of CO_2 emission allowances reached 84 EUR/t in Q1 2022, which is more than two times higher than in the respective period a year ago.

Average electricity price in Nord Pool regions

Region	3M 2022	3M 2021	Δ, %
Latvia	139.7	51.8	169%
Estonia	133.5	51.8	157%
Lithuania	141.4	53.5	165%
Poland	134.0	57.7	132%
Sweden	64.8	42.7	52%
Finland	91.8	48.6	89%
Denmark	151.1	49.1	208%
Norway	85.3	41.6	105%
Germany	182.8	49.6	269%
France	230.7	52.9	336%
Great Britain	237.3	72.8	226%

Energy resource prices



In Q1 2022, total electricity consumption in the Baltics decreased by 1% compared to the respective period a year ago, reaching 7.8 TWh. Electricity consumption in Latvia decreased by 1%. In Lithuania, it increased by 3% and in Estonia, it decreased by about 6% compared to Q1 2021.

In Q1 2022, the amount of overall electricity generation in the Baltics increased slightly, reaching 4.4 TWh (in Q1 2021 it was 4.3 TWh). Due to the higher price of natural gas, there was a decrease in electricity output of CHPPs in Latvia, and therefore the total volume of electricity generation in Latvia decreased by 25%, reaching 1.4 TWh. In Lithuania, electricity output increased by 14% to 1.2 TWh due to 68% greater wind energy output. Meanwhile, in Estonia electricity output increased by 30% to 1.8 TWh, which was affected by 39% higher output at oil shale plants. In the reporting period, the electricity purchased from neighbouring countries decreased by 5%; it amounted to 3.1 TWh.

Operating Environment

Natural gas prices five times higher

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In the reporting period, the price of natural gas in Europe was mainly impacted by higher consumption, low supply volumes due to Russia's invasion of Ukraine and uncertainty about future supplies caused by the war, and higher prices of other energy products. At the end of March, the natural gas reserve fill rate in Europe's gas storage facilities reached 26%, which is 4% lower than a year ago, and about 10% below the 10-year average. In Q1 2022, the average price of natural gas at the TTF (front month) exceeded 98 EUR/ MWh, which is more than five times higher than in Q1 2021, when the average price was 18 EUR/ MWh. Russia's invasion of Ukraine caused a significant increase in geopolitical risk, raising the risks of natural gas supplies and affecting the increase in natural gas prices, which reached 130 EUR / MWh in March.

The dynamics of the natural gas market are linked with the oil and other energy resource markets. The significant upward price trend has continued in 2022; it started in 2021 due to the positive pace of economic recovery after COVID-19 restrictions:

- The average price of Brent crude futures oil in Q1 2022 was 97.9 USD / bbl., which was 60% higher than in the respective period a year ago.
- The average price of coal (API2 Rotterdam coal futures front month) in the reporting period increased more than three times, reaching 217.9 USD / t. Coal prices were mainly impacted by disruptions in coal deliveries and concerns about future deliveries and the increase in gas prices.
- The average price of CO_2 emission allowances (EUA DEC.22) in Q1 2022 was more than two times higher than a year ago, reaching 83.6 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 European Commission's proposal to reduce the annual volume of auctions by 24% by 2030.

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 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 March 2022, the Group's asset value exceeds EUR 3.5 billion and its equity exceeds EUR 2.2 billion.

State aid for the reduction of energy prices

Taking into account the extraordinary increase in energy prices, in January 2022, the Saeima of the Republic of Latvia adopted a law on measures to reduce it. The aim of this law is to mitigate the negative socioeconomic impact on the well-being of the population and economic growth which is associated with this 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 were included to reduce the costs of electricity, heat and natural gas. The necessary financing for the implementation of the support measures specified by law was EUR 250 million, which was provided from the state budget programme "Contingency Funds". Various state support mechanisms for reducing energy prices have been established in Estonia and Lithuania.

Operating Environment

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

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 the project to proceed, the Ministry of Economics must prepare the necessary amendments to regulatory enactments, promoting 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.

Russia's invasion of Ukraine

On 24 February 2022, the Russian Federation launched an invasion of the Republic of Ukraine. Shortly after the invasion, the EU and the rest of the world, including global bodies, imposed a wide-ranging set of restrictive measures against Russia which is updated and expanded on a regular basis.

The restrictive measures imposed had no significant impact on the Group's performance; no operations have been suspended and no significant direct losses related to the restrictive measures have been incurred. Latvenergo Group has not entered into any significant direct agreements with companies in Russia, Belarus, or Ukraine which could have a significant negative impact on the Group's operations in the current situation. The general economic downturn could have an additional impact on Latvenergo Group's financial results.

Assessing the possible risks related to Russia's invasion of Ukraine and in accordance with the task given by the government on 24 February 2022 to replenish gas reserves for national security purposes, Latvenergo AS has swiftly procured approximately 2 terawatt hours (TWh) of gas for the security of supply of production of the combined heat and power plants of Latvenergo AS. The agreements concluded envisage liquefied natural gas supply to Klaipeda Terminal and injection of gas into Inčukalns underground gas storage in April and May 2022. Natural gas will be supplied from Norway, the USA and Qatar. The amount of gas purchased will ensure the production of electricity and heat in the planned production regime of the combined heat and power plants of Latvenergo AS in 2022, at the same time envisaging gas reserves in the event of a possible energy crisis. On 21 April 2022, amendments to the Energy Law of the Republic of Latvia were accepted which stipulate that the purchase and storage of natural gas to ensure energy supply reserves on behalf of the state shall be organised by Latvenergo AS.

Financial Results

In Q1 2022, Latvenergo Group's revenue reached EUR 407.7 million, which was EUR 157.8 million or 63% more than in the respective period a year ago. This was mainly impacted by EUR 140.9 million higher energy sales revenues mainly due to higher electricity market prices.

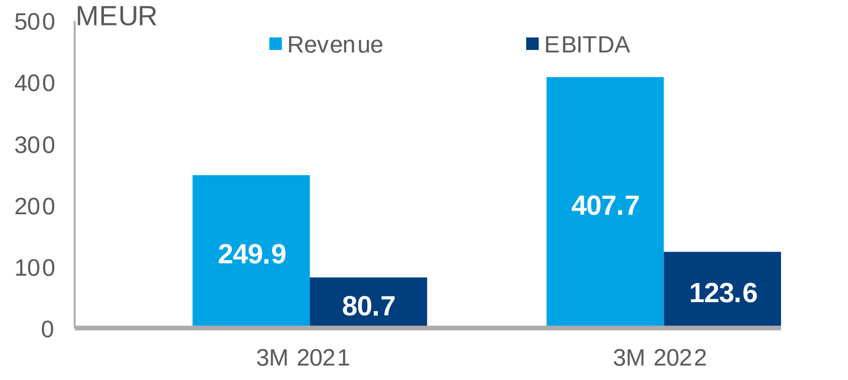
Latvenergo Group financial figures		3M 2022	3M 2021	Δ	Δ, %
Revenue	MEUR	407.7	249.9	157.8	63%
EBITDA	MEUR	123.6	80.7	43.0	53%
Net profit	MEUR	81.8	35.5	46.3	130%
Assets	MEUR	3,518.8	3,421.6	97.2	3%

Latvenergo Group's revenue and EBITDA increased by more than half

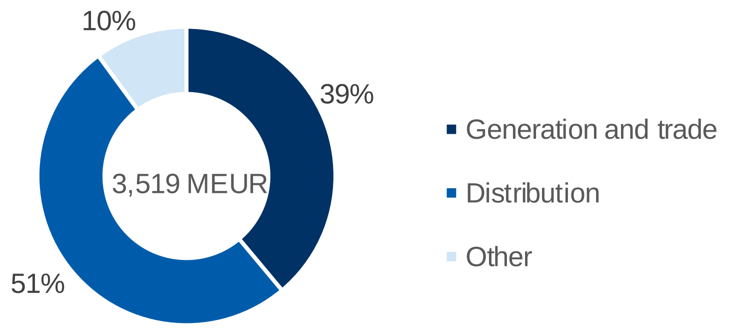
Latvenergo Group's EBITDA increased by EUR 43.0 million or 53% compared to Q1 2021, reaching EUR 123.6 million. This was positively impacted mainly by the adjustment of electricity sales prices to the market situation and 15% greater output at the Daugava HPPs. Meanwhile, EBITDA was negatively impacted by higher natural gas purchase prices as well as the price of CO_2 emission allowances. In Q1 2022, the electricity spot price in Latvia was 2.7 times higher compared to the respective period a year ago. Meanwhile, the price of natural gas was more than five times higher, and the average price of CO_2 emission allowances was two times higher.

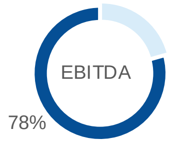
The Group's profit for the reporting period reached EUR 81.8 million.

Revenue and EBITDA



Assets





Generation and Trade

Segment weight in Latvenergo Group

Revenue
80%

EBITDA
78%

Assets
39%

Employees
29%

In Q1 2022, generation and trade comprised Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 86% of the segment's revenue came from electricity and natural gas trade, while 14% came from thermal energy supply.

The segment's revenue was positively impacted by EUR140.9 million higher energy sales revenues mainly due to higher electricity and natural gas market prices. The segment's revenue was also positively impacted by EUR 16.4 million higher heat sales due to the increase in the average sales price, which was impacted by the higher market price of natural gas.

Meanwhile, the segment's EBITDA was positively impacted by the adjustment of electricity sales prices to the market situation and 15% greater output at the Daugava HPPs. EBITDA was negatively impacted by significantly higher electricity purchase prices as well as record-high natural gas and CO_2 emission allowance prices.

In the 3-month period of 2022, the total volume of electricity generated at Latvenergo Group's plants amounted to 1,140 GWh, which corresponded to 80% of the amount of electricity sold to retail customers (In Q1 2021: 87%).

Operational figures		**3M 2022**	**3M 2021**	**Δ**	**Δ, %**
Electricity supply, incl.	GWh	2,076	2,638	(562)	(21%)
*Retail electricity**	*GWh*	*1,422*	*1,799*	*(377)*	*(21%)*
*Wholesale electricity***	*GWh*	*654*	*840*	*(186)*	*(22%)*
Retail natural gas	GWh	339	341	(3)	(1%)
Electricity generation	GWh	1,140	1,565	(425)	(27%)
Daugava HPPs	GWh	*888*	*769*	*119*	*15%*
CHPPs	GWh	*244*	*787*	*(542)*	*(69%)*
Liepaja plants and small plants	GWh	*8*	*9*	*(1)*	*(9%)*
Thermal energy generation	GWh	856	1,011	(154)	(15%)
CHPPs	GWh	*751*	*894*	*(143)*	*(16%)*
Liepaja plants	GWh	*106*	*117*	*(11)*	*(9%)*

Financial figures		**3M 2022**	**3M 2021**	**Δ**	**Δ, %**
Revenue	MEUR	327.5	168.9	158.6	94%
EBITDA	MEUR	96.0	46.0	49.9	108%
Assets	MEUR	1,369.0	1,218.6	150.4	12%
Capital expenditure	MEUR	5.3	6.0	(0.7)	(11%)

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

Generation and Trade

Generation

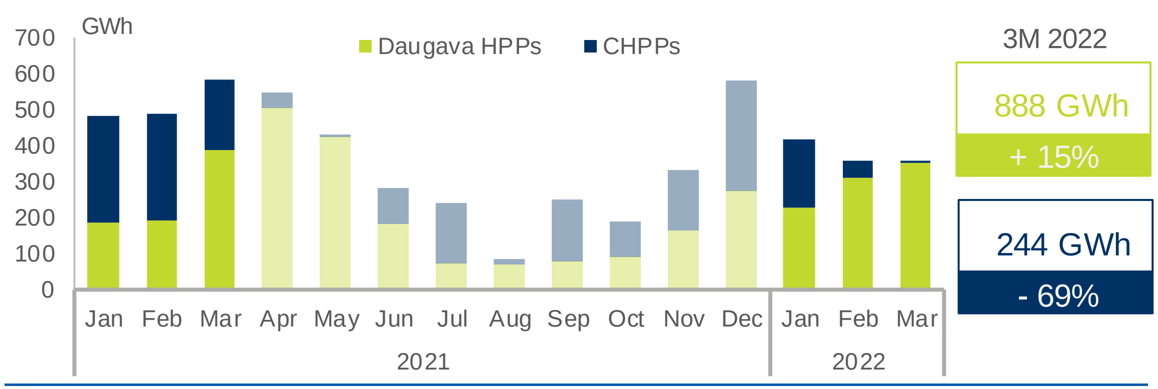
Latvenergo Group is the largest green electricity producer in the Baltics. Latvenergo Group produced 26% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 1,140 GWh of electricity and 856 GWh of thermal energy.

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

In Q1 2022, the amount of power generated at the Daugava HPPs increased by 15% compared to the previous year, reaching 888 GWh. The amount of power generated at the Daugava HPPs was impacted by higher water inflow in the river Daugava. According to data from the Latvian Environment, Geology and Meteorology Centre, the average water inflow in the Daugava River in Q1 2022 was 665 m^3/s, while in the respective period a year ago it was 576 m^3/s.

The amount generated at the Latvenergo AS CHPPs comprised 244 GWh, which is 69% lower than in Q1 2021. The decrease in the amount of power generated at the CHPPs was impacted by the price of natural gas, the main fuel resource in the Latvenergo AS CHPPs' operation, which was more than five times higher. Also, the price of CO_2 emission allowances was more than two times higher. 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



With the increase in electricity generation at the Daugava HPPs and the decrease in the electricity output at the Latvenergo AS CHPPs, the share of electricity generated from renewable energy sources at Latvenergo Group increased, reaching 78% (Q1 2021: 50%).

The total amount of thermal energy generated by Latvenergo Group decreased by 15% due to warmer weather conditions. Data from the Central Statistical Bureau show that the average air temperature in Riga in the reporting year was +1.2 C°, whereas in Q1 2021 it was -1.3 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.

In Q1 2022, there was a 2% increase in the number of electricity customers, which comprised about 760 thousand, including more than 100 thousand foreign customers. The electricity customer portfolio shows a positive increase in both the business and household customer segments, mainly due to the increase in the number of customers within households in Lithuania and the purchase of the Estonian customer portfolio from the electricity company *Imatra Elekter* in Q3 2021.

In Q1 2022, the Group supplied 1,422 GWh of electricity to its customers in the Baltics, which is 21% less than in Q1 2021. The decrease was impacted by the adjustment of electricity sales prices for large business customers, reducing the difference between the Group's sales and generation volume in conditions of high and volatile electricity market prices.

The overall amount of retail electricity trade outside Latvia accounted for about 35%. The electricity trade volume in Latvia was 926 GWh, while in Lithuania it was 278 GWh and in Estonia it was 218 GWh.

Meanwhile, the number of natural gas customers increased by 28%, comprising more than 19 thousand at the end of March. Due to warmer weather, Latvenergo Group's natural gas sales to retail customers did not change significantly, reaching 339 GWh.

With the growing market demand for renewable energy, the demand for solar panels increased significantly. The number of contracts for the installation of solar panels and trade of solar park components in the Baltics increased almost 11 times compared to Q1 2021, exceeding 1,600. Such demand was reinforced by the introduction of state support programmes in Latvia for the use of renewable energy resources, as well as the agreements concluded on remote solar parks in Lithuania. The total installed solar panel capacity provided to Latvenergo Group's retail customers in the Baltics exceeded 13 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.

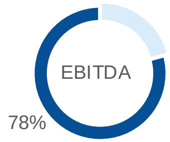
At the beginning of 2022, the *elektrumveikals.lv* e-shop assortment was supplemented with heating products, including heat pumps and natural gas boilers.

Moving towards the goal set in the strategy – to expand and diversify the generation portfolio with green technologies – we continue to develop solar park projects. Currently, a total of 9 new solar park projects in the Baltics with a total capacity of 70 MW are in the project or construction stage. The capacity of solar parks built in Lithuania is offered for purchase to customers in Lithuania.

At the end of March, the *Elektrum* electric car charging network reached 95 charging ports. The number of charges made at public charging stations by customers of the mobile application *Elektrum* doubled compared to Q1 2021, exceeding 3,900 and comprising 69 MWh.

Completed in the 3-month period of 2022

- 1,422 GWh of electricity sold to retail customers.
- 339 GWh of natural gas sold to Baltic retail customers.
- More than 1,600 contracts were concluded for the installation of solar panels.
- Customers of the mobile application *Elektrum* made more than 3,900 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. 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%

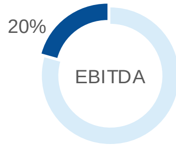
On November 30, 2021, the CM approved an information report entitled *“On rapid reduction of the MPC as an instrument for limiting price growth in 2022”*. According to the report, the average MPC is reduced by 57% – from 1.751 EUR / KWh to 0.755 EUR / KWh – starting from 1 January 2022. The average MPC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

Under the law on measures to reduce the extraordinary rise in energy prices, all end-users of electricity from 1 January to 30 April 2022, were granted state aid for the reduction of the MPC fee by 100%, which was fully compensated from the state budget.

Operating figures		**3M 2022**	**3M 2021**	**Δ**	**Δ, %**
Mandatory procurement component income	MEUR	13.6	30.0	(16.4)	(55%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	0.2	0.2	(0.02)	(10%)
Mandatory procurement expenditures*	MEUR	7.6	30.1	(22.5)	(75%)
Incl. cogeneration	MEUR	5.7	8.9	(3.2)	(36%)
Incl. renewable energy resources	MEUR	1.5	20.9	(19.4)	(93%)

* 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

The MPC income was EUR 16.4 million lower than in Q1 2022. It was impacted by the decrease in the average MPC of 57% starting from 1 January 2022. Meanwhile, MPC expenditures decreased to EUR 7.6 million (in Q1 2021: EUR 30.1 million), which is EUR 22.5 million or 75% less than in Q1 2021. The decrease was impacted by a significantly higher average electricity sales price at the Nord Pool exchange (+169%), for which electricity purchased within MPC was sold, as well as a 26% decrease in the volume of purchased electricity. The decrease in the amount of purchased electricity was in all types of cogeneration plants. This was due to the cancellation of MPC support permits for a number of power plants, as well as the end of the support period for an increasing number of power plants. An additional impact was made by the high price of natural gas; as a result, the amount of electricity generated at natural gas cogeneration power plants decreased by 64%. Overall, MPC expenditures decreased by 36% for cogeneration plants and by 93% for renewable energy sources.



Distribution

Segment weight in Latvenergo Group

Revenue
19%

EBITDA
20%

Assets
51%

Employees
53%

In the 3-month period of 2022, the segment's revenue did not change significantly, compared to the respective period a year ago, reaching EUR 79.3 million. Meanwhile, the segment's EBITDA decreased by EUR 6.7 million, reaching EUR 25.0 million. EBITDA was mainly negatively impacted by EUR 6.2 million higher electricity loss costs, with the electricity market price in Latvia increasing 2.7 times compared to the respective period a year ago.

Under the law on measures to reduce the extraordinary rise in energy prices, all end-users of electricity from 1 January to 30 April 2022 were granted state aid for the reduction of the electricity distribution system service fee by 100%, which was fully compensated from the state budget.

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 March 2022, the number of employees at Sadales tīkls AS has been reduced by about 870. The amount of smart electricity meters installed by the company comprised more than 999 thousand, which is about 91% of the total number of electricity meters of customers of Sadales tīkls AS.

Operational figures		**3M 2022**	**3M 2021**	**Δ**	**Δ, %**
Electricity distributed	GWh	1,695	1,711	(16)	(1%)
Distribution losses	GWh	75	84	(9)	(11%)
SAIFI	number	0.9	0.5	0.4	96%
SAIDI	minutes	85.7	41.8	44	105%

Financial figures		**3M 2022**	**3M 2021**	**Δ**	**Δ, %**
Revenue	MEUR	79.3	79.5	(0.2)	(0%)
EBITDA	MEUR	25.0	31.7	(6.7)	(21%)
Assets	MEUR	1,795.3	1,784.8	10.5	1%
RAB	MEUR	1,586.9	1,579.9	7.0	0%
Capital expenditure	MEUR	18.6	19.5	(0.9)	(5%)

In the reporting period, investments in distribution comprised EUR 18.6 million. 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. The beginning of 2022 was characterized by the most intense period of storms in recent years, which significantly impacted SAIDI and SAIFI indicators in Q1 2022.

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.

Completed in the 3-month period of 2022

- Renewed a total of 150 km of power lines
- Installed 28.7 thousand smart electricity meters
- Power line routes cleared at a length of 1,143 km

Investments

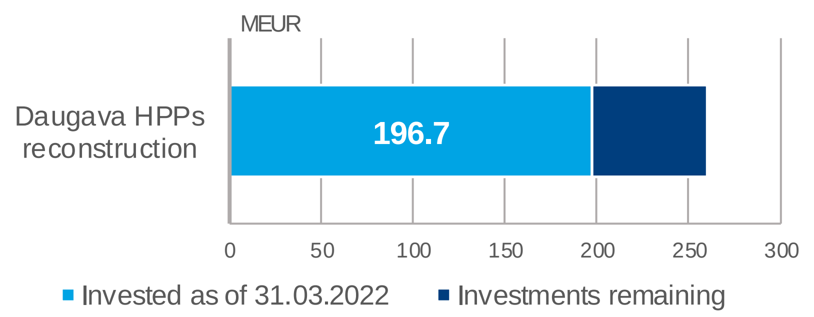
In the 3-month period of 2022, the total amount of investment comprised EUR 28.3 million; it did not change significantly compared to the respective period a year ago.

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 66% of total investment.

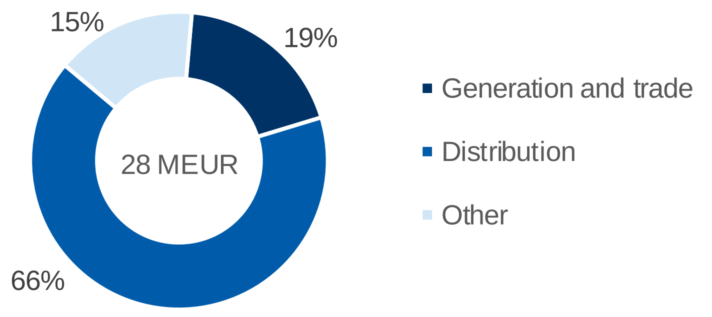
> Investment in power distribution network assets – 2/3 of the total

We continued the hydropower unit reconstruction of the Daugava HPPs. By the end of the reporting period, work completed within the scope of the contract reached EUR 196.7 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. In the reporting period, one hydro unit of Riga HPP was put into operation; thus, a total of 8 of the 11 hydro units included in the programme have already been reconstructed as of 31 March 2022. The total reconstruction costs will exceed EUR 250 million. Reconstruction will ensure functionality of the hydropower units for more than 40 years.

Main ongoing project



Capital expenditure



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.

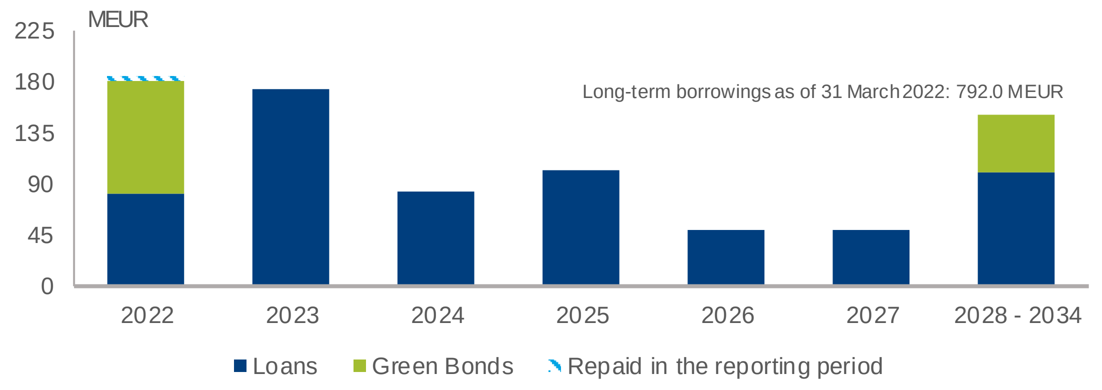
Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time.

After the reporting period, Latvenergo AS continued to issue bonds under the third Latvenergo AS EUR 200 million programme and, on 5 May 2022, issued five-year green bonds with a total nominal value of EUR 100 million, a maturity date of 5 May 2027, a fixed annual interest rate (coupon) and a yield of 2.42%. As of 6 May 2022, they are listed on Nasdaq Riga AS.

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 March 2022, the Group's borrowings amount to EUR 792.0 million (31 March 2021: EUR 768.4 million), including long-term loans from commercial banks and international financial institutions, as well as green bonds in the amount of EUR 150 million.

Latvenergo Group's long-term debt repayment schedule



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

As of 31 March 2022, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 3.5 years (31 March 2021: 4 years). The effective weighted average interest rate (with interest rate swaps) is 1.0% (31 March 2021: 1.3%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 2.6).

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

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

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 eight 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 mitigating the potential adverse effects from such risks on financial performance. In the framework of financial risk management, Latvenergo Group uses various financial risk controls and hedging to reduce certain risk exposures.

a) Market risks

I) Price risk

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

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

In order to hedge the price risk, the Group enters into long-term fixed price customer contracts, uses electricity financial derivatives and enters into fixed price contracts for natural gas supply. The impact of price risk on generation is hedged gradually – 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 1.4 years as of 31 March 2022.

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 March 2022, 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 incurrence 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 March 2022, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 248.0 million (31 March 2021: EUR 233.5 million), while the current ratio was 1.7 (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

		3M 2022	3M 2021	3M 2020
Electricity supply. incl.	GWh	1,287	1,590	1,654
Retail electricity[2]	GWh	926	1,111	1,124
Wholesale electricit[3]	GWh	361	479	530
Retail natural gas	GWh	284	269	136
Electricity generation	GWh	1,134	1,557	1,525
Thermal energy generation	GWh	751	894	647
Number of employees		1,274	1,267	1,281
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		3M 2022	3M 2021	3M 2020
Revenue	MEUR	266.0	135.2	117.4
EBITDA[1]	MEUR	96.9	44.9	63.5
Profit	MEUR	88.8	49.4	83.3
Assets	MEUR	2,937.4	2,841.1	3,220.3
Equity	MEUR	1,877.2	1,798.3	2,034.4
Net debt (adjusted)[1]*	MEUR	537.3	445.8	493.7
Capital expenditure	MEUR	5.8	6.9	16.7

Latvenergo AS financial ratios

	3M 2022	3M 2021	3M 2020
Return on equity (ROE)[1]	6.5%	6.3%	8.2%
Net debt / equity (adjusted)[1]*	29%	25%	24%
EBITDA margin[1]	19%	44%	33%

* Financial figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership). For more details, please see the Group's annual report for 2020.
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 Interim Financial Statements for the 3-month period ending 31 March 2022,* including the Management Report, have been prepared in accordance with the International Financial Reporting Standards and in all material respect present a true and fair view of the assets, liabilities, financial position and profit and loss of Latvenergo Group and Latvenergo AS. Information provided in the Management Report is accurate.

The *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-month period ending 31 March 2022* were approved by the Management Board of Latvenergo AS on 24 May 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

24 May 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 2022-2026. 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); ROE excluding distribution; return on capital employed (ROCE);
- Financial leverage measures: net debt; equity-to-asset ratio; net debt / EBITDA; net debt / equity; debt service coverage ratio; Adjusted Funds from operations (FFO) / Net debt;
- 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 compared to the financial statements for 2021.

Net debt* = borrowings at the end of the period - cash and cash equivalents at the end of the period

Adjusted Funds from operations (FFO) =
funds from operations (FFO) – compensation from the state-on-state support for the installed capacity of CHPPs

$$\text{Adjusted Funds from operations (FFO) / Net debt} = \frac{\text{adjusted FFO (12-month rolling)}}{(\text{net debt at the beginning of the 12-month period} + \text{net debt at the end of the 12-month period})/2} \times 100\ \%$$

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

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

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

$$\text{Return on assets} = \frac{\text{net profit (12-month rolling)}}{(\text{assets at the beginning of the 12-month period} + \text{assets at the end of the 12-month period})/2} \times 100\%$$

$$\text{Return on equity} = \frac{\text{net profit (12-month rolling)}}{(\text{equity at the beginning of the 12-month period} + \text{equity at the end of the 12-month period})/2} \times 100\%$$

Return on equity excluding distribution =
(Group's profit – Sadales tīkls AS profit (12-month rolling)) / ((Group's equity – Sadales tīkls AS equity (at the beginning of the 12-moth period) + Group's equity – Sadales tīkls AS equity (at the end of the 12-month period) / 2)

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

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

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

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

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

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

* Financial figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership).

List of 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 01/01-31/03/2022	Group 01/01-31/03/2021	Parent Company 01/01-31/03/2022	Parent Company 01/01-31/03/2021
Revenue	4	407,729	249,888	266,026	135,190
Other income		7,435	7,127	6,832	6,662
Raw materials and consumables	5	(246,135)	(136,609)	(152,375)	(76,888)
Personnel expenses		(29,879)	(28,189)	(13,704)	(12,179)
Other operating expenses		(15,505)	(11,531)	(9,904)	(7,871)
EBITDA*		**123,645**	**80,686**	**96,875**	**44,914**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right–of–use assets	7, 8	(40,027)	(42,666)	(18,953)	(18,498)
Operating profit		**83,618**	**38,020**	**77,922**	**26,416**
Finance income	6 a	433	666	2,501	2,959
Finance costs	6 b	(2,013)	(2,332)	(2,018)	(2,369)
Dividends from subsidiaries		–	–	10,429	22,366
Profit before tax		**82,038**	**36,354**	**88,834**	**49,372**
Income tax		(236)	(812)	–	–
Profit for the period		**81,802**	**35,542**	**88,834**	**49,372**
Profit attributable to:					
- Equity holder of the Parent Company		81,586	34,467	88,834	49,372
- Non-controlling interests		216	1,075	–	–

EBITDA – operating profit before depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right-of-use assets (Earnings Before Interest, Tax, Depreciation and Amortisation)

Statement of Comprehensive Income

EUR'000

	Notes	Group 01/01-31/03/2022	Group 01/01-31/03/2021	Parent Company 01/01-31/03/2022	Parent Company 01/01-31/03/2021
Profit for the period		**81,802**	**35,542**	**88,834**	**49,372**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
- gains from change in hedge reserve	13	27,259	2,510	27,259	2,510
Other comprehensive income for the period		**27,259**	**2,510**	**27,259**	**2,510**
TOTAL comprehensive income for the period		**109,061**	**38,052**	**116,093**	**51,882**
Comprehensive income attributable to:					
- Equity holder of the Parent Company		108,845	36,977	116,093	51,882
- Non-controlling interests		216	1,075	–	–

Statement of Financial Position

EUR'000

	Notes	Group		Parent Company	
		31/03/2022	31/12/2021	31/03/2022	31/12/2021
ASSETS					
Non-current assets					
Intangible assets	7 a	52,555	53,557	17,033	17,406
Property, plant and equipment	7 c	2,815,240	2,826,654	1,054,158	1,066,973
Right-of-use assets	8	7,922	8,312	4,870	5,143
Investment property	7 d	3,501	3,316	3,903	3,602
Non-current financial investments	9	40	40	645,218	645,218
Non-current loans to related parties	19 e	–	–	475,004	477,010
Other non-current receivables	11 c	2,545	2,544	441	441
Deferred income tax assets		100	79	–	–
Derivative financial instruments	15	2,262	–	2,262	–
Total non-current assets		**2,884,165**	**2,894,502**	**2,202,889**	**2,215,793**
Current assets					
Inventories	10	105,457	192,132	87,680	171,287
Current intangible assets	7 b	14,838	24,266	14,838	24,266
Receivables from contracts with customers	11 a	159,629	181,136	106,601	110,638
Other current receivables	11 b, c	53,138	59,740	46,439	45,402
Deferred expenses		1,767	1,235	1,000	949
Current loans to related parties	19 e	–	–	180,495	229,368
Prepayment for income tax		75	65	–	–
Derivative financial instruments	15	51,791	25,735	51,522	25,466
Cash and cash equivalents	12	247,958	97,079	245,970	92,418
Total current assets		**634,653**	**581,388**	**734,545**	**699,794**
TOTAL ASSETS		**3,518,818**	**3,475,890**	**2,937,434**	**2,915,587**
Equity					
Share capital					
Reserves		790,368	790,368	790,368	790,368
Retained earnings		1,198,320	1,175,355	819,683	795,731
Equity attributable to equity holder of the Parent Company		237,310	151,430	267,112	174,971
Non-controlling interests		**2,225,998**	**2,117,153**	**1,877,163**	**1,761,070**
Total equity		6,511	6,295	–	–
Liabilities		**2,232,509**	**2,123,448**	**1,877,163**	**1,761,070**
Non-current liabilities					
Borrowings					
Lease liabilities	14	604,904	614,075	598,019	603,728
Deferred income tax liabilities	8	6,216	6,540	3,868	4,085
Provisions		605	2,955	–	–
Derivative financial instruments		15,737	15,421	7,592	7,407
Deferred income from contracts with customers	15	1,371	2,332	1,371	2,332
Other deferred income	18 I, a	135,507	137,019	785	802
Total non-current liabilities	18 I, b, c	139,880	146,115	133,918	139,958
Current liabilities		**904,220**	**924,457**	**745,553**	**758,312**
Borrowings					
Lease liabilities	14	187,073	180,954	185,203	178,594
Trade and other payables	8	1,828	1,888,	1,088	1,141
Deferred income from contracts with customers	17	151,944	189,018	103,032	176,061
Other deferred income	18 II, a	15,167	15,031	67	67
Derivative financial instruments	18 II, b, c	24,903	24,906	24,154	24,154
Total current liabilities	15	1,174	16,188	1,174	16,188
Total liabilities		**382,089**	**427,985**	**314,718**	**396,205**
TOTAL EQUITY AND LIABILITIES		**1,286,309**	**1,352,442**	**1,060,271**	**1,154,517**
ASSETS		**3,518,818**	**3,475,890**	**2,937,434**	**2,915,587**

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	Total	Non-controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
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**
Disposal of non–current assets revaluation reserve	–	(4,498)	4,498		–	**–**	–	(3,714)	3,714	**–**
Total transactions with owners and other changes in equity	**–**	**(4,498)**	**4,498**	**–**	**–**	**–**	**–**	**(3,714)**	**3,714**	**–**
Profit for the period	–	–	34,467	**34,467**	1,075	**35,542**	–	–	49,372	**49,372**
Other comprehensive income for the period	–	2,510	–	**2,510**	–	**2,510**	–	2,510	–	**2,510**
Total comprehensive income for the period	**–**	**2,510**	**34,467**	**36,977**	**1,075**	**38,052**	**–**	**2,510**	**49,372**	**51,882**
As of 31 March 2021	**790,348**	**1,152,379**	**204,637**	**2,147,364**	**8,930**	**2,156,294**	**790,348**	**764,911**	**243,059**	**1,798,318**
Increase of share capital	20	–	–		–	**20**	20	–	–	20
Dividends for 2020	–	–	(98,246)	**(98,246)**	(2,508)	**(100,754)**	–	–	(98,246)	(98,246)
Disposal of non–current assets revaluation reserve	–	(8,831)	8,831		–	**–**	–	(10)	10	**–**
Total transactions with owners and other changes in equity	**20**	**(8,831)**	**(89,415)**	**(98,226)**	**(2,508)**	**(100,734)**	**20**	**(10)**	**(98,236)**	**(98,226)**
Profit for the period	–	–	36,208	**36,208**	(127)	**36,081**	–	–	30,148	**30,148**
Other comprehensive income for the period	–	31,807	–	**31,807**	–	**31,807**	–	30,830	–	**30,830**
Total comprehensive income for the period	**–**	**31,807**	**36,208**	**68,015**	**(127)**	**67,888**	**–**	**30,830**	**30,148**	**60,978**
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**
Disposal of non–current assets revaluation reserve	–	(4,294)	4,294	–	–	**–**	–	(3,307)	3,307	**–**
Total transactions with owners and other changes in equity		**–**	**(4,294)**	**4,294**	**–**	**–**	**–**	**(3,307)**	**3,307**	**–**
Profit for the period	–	–	81,586	**81,586**	216	**81,802**	–	–	88,834	**88,834**
Other comprehensive income for the period	–	27,259	–	**27,259**	–	**27,259**	–	27,259	–	**27,259**
Total comprehensive income for the period	**–**	**27,259**	**81,586**	**108,845**	**216**	**109,061**	**–**	**27,259**	**88,834**	**116,093**
As of 31 March 2022	**790,368**	**1,198,320**	**237,310**	**2,225,998**	**6,511**	**2,232,509**	**790,368**	**819,683**	**267,112**	**1,877,163**

Statement of Cash Flows

EUR'000

	Notes	Group 01/01-31/03/2022	Group 01/01-31/03/2021	Parent Company 01/01-31/03/2022	Parent Company 01/01-31/03/2021
Cash flows from operating activities					
Profit before tax		**82,038**	**36,354**	**88,834**	**49,372**
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		49,884	46,008	28,108	21,596
- Net financial adjustments		(15,124)	6,910	(17,188)	4,671
- Other adjustments		180	989	119	83
- Dividends from subsidiaries		–	–	(10,429)	(22,366)
Interest paid		(757)	(440)	(430)	(467)
Interest received		–	1,226	–	879
Paid corporate income tax		(7)	(22)	–	–
Funds from operations (FFO)		**116,214**	**91,025**	**89,014**	**53,768**
Decrease in current assets		114,239	34,465	99,004	51,144
(Decrease) / Increase in trade and other liabilities		(44,156)	3,055	(77,222)	2,874
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	63,489	62,328
Net cash flows from operating activities		**186,297**	**128,545**	**174,285**	**170,114**
Cash flows from investing activities					
Loans issued to subsidiaries, net	19	–	–	(12,551)	(71,182)
Purchase of intangible assets and property, plant and equipment		(31,311)	(33,946)	(8,153)	(9,343)
Proceeds from redemption of other financial investments		–	14,148	–	14,148
Net cash flows used in investing activities		**(31,311)**	**(19,798)**	**(20,704)**	**(66,377)**
Cash flows from financing activities					
Repayment of borrowings from financial institutions	14	(3,939)	(942)	–	–
Received financing from European Union		–	207	–	207
Lease payments		(168)	(231)	(29)	(78)
Net cash flows (used in) / generated from financing activities		**(4,107)**	**(966)**	**(29)**	**129**
Net increase in cash and cash equivalents		**150,879**	**107,781**	**153,552**	**103,866**
Cash and cash equivalents at the beginning of the period	12	97,079	100,703	92,418	98,261
Cash and cash equivalents at the end of the period	**12**	**247,958**	**208,484**	**245,970**	**202,127**

Funds from operations = Net cash flows from operating activities – changes in current assets – changes in trade and other liabilities - Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net

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 Rupublic 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 Võrguehitus 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 25 February 2014) with 100% interest held;
- Liepājas enerģija SIA (since 6 July 2005) with 51% interest held.

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 helds 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 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 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 2021 has been approved on 9 May 2022 by the Latvenergo AS Shareholder's meeting (see on Latvenergo AS web page section "Investors": http://www.latvenergo.lv/eng/investors/reports/.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3–month period ending on 31 March 2021 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the period starting on 1 January 2022 and ending on 31 March 2022 and comparative information for the period of 2021 starting on 1 January 2021 and ending on 31 March 2021.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3–month period ending on 31 March 2022 were authorised by the Latvenergo AS Management Board on 24 May 2022.

2. Significant accounting policies

These Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim 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 2021. 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 Interim Financial Statements are prepared under the historical cost convention, except for some financial assets and liabilities (including derivative financial instruments and non–current financial investments) measured at fair value and certain property, plant and equipment carried at revalued amounts as disclosed in accounting policies presented in Latvenergo Group Consolidated and Latvenergo AS Annual Report 2021.

Unaudited Condensed Interim 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.

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 (including its subsidiaries – Energiaturu Võrguehitus OÜ, Baltic Energy System OÜ and SNL Energia 1 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 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	Distri-bution	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated
Periods: 01/01–31/03/2022											
Revenue											
External customers	326,631	79,271	1,827	**407,729**	–	**407,729**	258,158	7,868	**266,026**	–	**266,026**
Inter-segment	886	63	12,498	**13,447**	(13,447)	**–**	860	7,221	**8,081**	(8,081)	**–**
TOTAL revenue	**327,517**	**79,334**	**14,325**	**421,176**	**(13,447)**	**407,729**	**259,018**	**15,089**	**274,107**	**(8,081)**	**266,026**
Results											
EBITDA	**95,990**	**24,988**	**2,667**	**123,645**	**–**	**123,645**	**93,575**	**3,300**	**96,875**	**–**	**96,875**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(16,789)	(20,178)	(3,060)	**(40,027)**	–	**(40,027)**	(15,860)	(3,093)	**(18,953)**	–	**(18,953)**
Segment profit / (loss) before tax	**79,201**	**4,810**	**(393)**	**83,618**	**(1,580)**	**82,038**	**77,715**	**207**	**77,922**	**10,912**	**88,834**
Capital expenditure	5,344	18,583	4,323	**28,250**	**–**	**28,250**	1,511	4,323	**5,834**	**–**	**5,834**
Periods: 01/01–31/03/2021											
Revenue											
External customers	168,710	79,269	1,909	**249,888**	–	**249,888**	127,550	7,640	**135,190**	–	**135,190**
Inter-segment	181	267	11,597	**12,045**	(12,045)	**–**	186	6,423	**6,609**	(6,609)	**–**
TOTAL revenue	**168,891**	**79,536**	**13,506**	**261,933**	**(12,045)**	**249,888**	**127,736**	**14,063**	**141,799**	**(6,609)**	**135,190**
Results											
EBITDA	**46,043**	**31,684**	**2,959**	**80,686**	**–**	**80,686**	**41,788**	**3,126**	**44,914**	**–**	**44,914**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(16,457)	(23,443)	(2,766)	**(42,666)**	–	**(42,666)**	(15,665)	(2,833)	**(18,498)**	–	**(18,498)**
Segment profit / (loss) before tax	**29,586**	**8,241**	**193**	**38,020**	**(1,666)**	**36,354**	**26,123**	**293**	**26,416**	**22,956**	**49,372**
Capital expenditure	6,017	19,487	1,087	**26,591**	**–**	**26,591**	5,778	1,102	**6,880**	**–**	**6,880**

Segment assets

EUR'000

	Group						Parent Company				
	Generation and trade	Distri-bution	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated
As of 31 March 2021	1,369,045	1,795,299	106,301	**3,270,645**	248,173	**3,518,818**	1,247,677	143,070	**1,390,747**	1,546,687	**2,937,434**
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**

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

EUR'000

	Group					Parent Company			
	Generation and trade	Distribution	Corporate Functions	TOTAL segments	TOTAL Group	Generation and trade	Corporate Functions	TOTAL segments	TOTAL Group
Periods: 01/01–31/03/2022									
Revenue from contracts with customers recognised over time:									
Trade of energy and related supply services	278,991	833	–	**279,824**	**279,824**	216,560	–	**216,560**	**216,560**
Distribution system services	–	73,920	–	**73,920**	**73,920**	–	–	**–**	**–**
Heat sales	46,403	42	–	**46,445**	**46,445**	41,327	–	**41,327**	**41,327**
Other revenue	1,237	4,459	1,415	**7,111**	**7,111**	271	7,098	**7,369**	**7,369**
Total revenue from contracts with customers	**326,631**	**79,254**	**1,415**	**407,300**	**407,300**	**258,158**	**7,098**	**265,256**	**265,256**
Other revenue:									
Lease of other assets	–	17	412	**429**	**429**	–	770	**770**	**770**
Total other revenue	**–**	**17**	**412**	**429**	**429**	**–**	**770**	**770**	**770**
Periods: 01/01–31/03/2021									
Revenue from contracts with customers recognised over time:									
Trade of energy and related supply services	138,218	747	–	**138,965**	**138,965**	103,064	–	**103,064**	**103,064**
Distribution system services	–	74,334	–	**74,334**	**74,334**	–	–	**–**	**–**
Heat sales	30,037	40	7	**30,084**	**30,084**	24,253	7	**24,260**	**24,260**
Other revenue	455	4,131	1,409	**5,995**	**5,995**	233	6,767	**7,000**	**7,000**
Total revenue from contracts with customers	**168,710**	**79,252**	**1,416**	**249,378**	**249,378**	**127,550**	**6,774**	**134,324**	**134,324**
Other revenue:									
Lease of other assets	–	17	493	**510**	**510**	–	866	**866**	**866**
Total other revenue	**–**	**17**	**493**	**510**	**510**	**–**	**866**	**866**	**866**

Adjustments and eliminations

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

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

Reconciliation of profit before tax

EUR'000

	Group		Parent Company	
	01/01-31/03/2022	01/01-31/03/2021	01/01-31/03/2022	01/01-31/03/2021
EBITDA	**123,645**	**80,686**	**96,875**	**44,914**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right–of–use assets	(40 027)	(42,666)	(18,953)	(18,498)
Segment profit before tax	**83,618**	**38,020**	**77,922**	**26,416**
Finance income	433	666	2,501	2,959
Finance costs	(2,013)	(2,332)	(2,018)	(2,369)
Dividends received from subsidiaries	–	–	10,429	22,366
Profit before tax	**82,038**	**36,354**	**88,834**	**49,372**

Reconciliation of assets

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Segment operating assets	**3,270,645**	**3,378,627**	**1,390,747**	**1,471,573**
Non-current financial investments	40	40	645,218	645,218
Loans to related parties	–	–	655,499	706,378
Prepayment for income and other taxes	175	144	–	–
Cash and cash equivalents	247,958	97,079	245,970	92,418
TOTAL assets	**3,518,818**	**3,475,890**	**2,937,434**	**2,915,587**

4. Revenue

EUR'000

	IFRS or IAS applied	Group		Parent Company	
		01/01-31/03/2022	01/01-31/03/2021	01/01-31/03/2022	01/01-31/03/2021
Revenue from contracts with customers recognised over time:					
Trade of energy and related supply services	IFRS 15	279,824	138,965	216,560	103,064
Distribution system services	IFRS 15	73,920	74,334	–	–
Heat sales	IFRS 15	46,445	30,084	41,327	24,260
Other revenue	IFRS 15	7,111	5,995	7,369	7,000
Total revenue from contracts with customers		**407,300**	**249,378**	**265,256**	**134,324**
Other revenue:					
Lease of other assets	IFRS 16	429	510	770	866
Total other revenue		**429**	**510**	**770**	**866**
TOTAL revenue		**407,729**	**249,888**	**266,026**	**135,190**

In accordance with 'Law on measures to reduce extraordinary rise in energy prices' adopted by the Saeima of the Republic of Latvia and Regulations of the Cabinet of Ministers of the Republic of Latvia No. 74 'Amendments in Regulations of the Cabinet of Ministers of the Republic of Latvia No. 50 'Regulations regarding the trade and use of electricity' ', which entered into force on 29 January 2022, the government granted support to all end-users, while not changing the tariffs, for electricity distribution fee and mandatory procurement PSO fees from 1 January to 30 April 2022 by 100% of the fee, as well reduction in the fee for natural gas consumed by households in accordance with the provisions of the law, which is reimbursed from the state budget.

During the reporting period in the revenue from contracts with customers recognised reduction in the fee for consumed natural gas in amount of EUR 911 thousand and reduction in the fee of electricity distribution system in amount of EUR 72,828 thousand. Reduction in the mandatory procurement PSO fees in amount of EUR 13,582 thousand recognised in assets. In the revenue from contracts with customers recognised reduction of the fee to end-users for consumed electricity in amount of EUR 887 thousand in accordance with state support mechanism of the Republic of Estonia for reducing energy prices.

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

EUR'000

	Group		Parent Company	
	01/01-31/03/2022	01/01-31/03/2021	01/01-31/03/2022	01/01-31/03/2021
Mandatory procurement PSO fees	6	14,072	(4)	17,482
Distribution system services	6,796	7,134	3,370	50,085
Transmission system services	65	391	68	423
Insurance intermediation	340	–	339	–
TOTAL revenue recognised applying agent accounting principle	**7,207**	**21,597**	**3,773**	**67,990**

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

5. Raw materials and consumables

EUR'000

	Group		Parent Company	
	01/01-31/03/2022	01/01-31/03/2021	01/01-31/03/2022	01/01-31/03/2021
Energy costs:				
Electricity and costs of related supply services	100,675	49,353	35,273	12,972
Electricity transmission services costs	18,404	18,733	710	822
Natural gas and other energy resources costs	138,640	58,316	130,418	55,267
(Gains) / losses on fair value changes on energy futures, forwards, and swaps (Note 15 II)	(16,625)	5,113	(16,625)	5,113
	241,094	**131,515**	**149,776**	**74,174**
Raw materials, spare parts and maintenance costs	5,041	5,094	2,599	2,714
TOTAL raw materials and consumables	**246,135**	**136,609**	**152,375**	**76,888**

6. Finance income and costs

EUR'000

	Group		Parent Company	
	01/01-31/03/2022	01/01-31/03/2021	01/01-31/03/2022	01/01-31/03/2021
a) Finance income:				
Interest income	–	122	–	122
Interest income on loans to related parties	–	347	2,068	2,640
Gains on fair value changes on interest rate swaps (Note 15 I)	408	108	408	108
Net gain on issued debt securities (bonds)	25	31	25	31
Net gain on currency exchange rate fluctuations	–	58	–	58
TOTAL finance income	**433**	**666**	**2,501**	**2,959**
b) Finance costs:				
Interest expense on borrowings	1,405	1,856	1,423	1,909
Interest expense on issued debt securities (bonds)	530	475	530	475
Interest expense on assets lease	30	30	18	16
Capitalised borrowing costs	(56)	(75)	(56)	(75)
Net losses on redemption of other financial investments	–	8	–	8
Other finance costs	104	38	103	36
TOTAL finance costs	**2,013**	**2,332**	**2,018**	**2,369**

7. Intangible assets and property, plant and equipment

a) Non–current intangible assets

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	01/01-31/03/2021	2021	01/01-31/03/2022	01/01-31/03/2021	2021
Cost	120,295	111,105	111,105	64,687	60,591	60,591
Accumulated amortisation	(66,738)	(61,077)	(61,077)	(47,281)	(44,398)	(44,398)
Net book amount at the beginning of the period	**53,557**	**50,028**	**50,028**	**17,406**	**16,193**	**16,193**
Additions	561	596	9,453	459	585	4,321
Disposals	–	–	(81)	–		(81)
Impairment charge	–	–	81	–	–	81
Amortisation charge	(1,563)	(1,443)	(5,924)	(832)	(764)	(3,108)
Closing net book amount at the end of the period	**52,555**	**49,181**	**53,557**	**17,033**	**16,014**	**17,406**
Cost	120,852	111,701	120,295	65,140	61,176	64,687
Accumulated amortisation	(68,297)	(62,520)	(66,738)	(48,107)	(45,162)	(47,281)
Closing net book amount at the end of the period	**52,555**	**49,181**	**53,557**	**17,033**	**16,014**	**17,406**

b) Current intangible assets

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	01/01-31/03/2021	2021	01/01-31/03/2022	01/01-31/03/2021	2021
Net book amount at the beginning of the period	**24,266**	**3,157**	**3,157**	**24,266**	**3,157**	**3,157**
Additions	–	–	64,500	–	–	64,500
Disposals	(9,427)	(3,157)	(43,391)	(9,427)	(3,157)	(43,391)
Closing net book amount at the end of the period	**14,839**	**–**	**24,266**	**14,839**	**–**	**24,266**

c) Property, plant and equipment

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	01/01-31/03/2021	2021	01/01-31/03/2022	01/01-31/03/2021	2021
Cost or revalued amount	6,396,917	6,373,740	6,373,740	3,170,861	3,177,841	3,177,841
Accumulated depreciation and impairment	(3,570,263)	(3,546,414)	(3,546,414)	(2,103,888)	(2,106,271)	(2,106,271)
Net book amount at the beginning of the period	**2,826,654**	**2,827,326**	**2,827,326**	**1,066,973**	**1,071,570**	**1,071,570**
Additions	27,683	25,995	117,255	5,375	6,295	25,203
Invested in share capital	–	–	20	–	–	20
Reclassified (to) / from investment properties	(315)	(1,594)	(3,182)	(315)	–	(692)
Reclassified to non-current assets held for sale	–	(74)	(105)	–	(74)	(20)
Disposals	(813)	(396)	(5,456)	(48)	(95)	(351)
Increase in value of assets as a result of revaluation	–	–	–	–	–	–
Reversal of impairment charge as a result of revaluation	–	–	–	–	–	–
(Recognised) / reversed impairment charge	(216)	(51)	41,423	(184)	–	41,393
Depreciation	(37,753)	(40,771)	(150,627)	(17,643)	(17,515)	(70,150)
Closing net book amount at the end of the period	**2,815,240**	**2,810,435**	**2,826,654**	**1,054,158**	**1,060,181**	**1,066,973**
Cost or revalued amount	6,391,837	6,367,633	6,396,917	3,150,579	3,158,684	3,170,860
Accumulated depreciation and impairment	(3,576,597)	(3,557,198)	(3,570,263)	(2,096,421)	(2,098,503)	(2,103,887)
Closing net book amount at the end of the period	**2,815,240**	**2,810,435**	**2,826,654**	**1,054,158**	**1,060,181**	**1,066,973**

d) Investment property

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	01/01-31/03/2021	2021	01/01-31/03/2022	01/01-31/03/2021	2021
Cost or revalued amount	3,807	1,455	1,455	4,561	5,432	5,432
Accumulated depreciation and impairment	(491)	(943)	(943)	(959)	(2,098)	(2,098)
Net book amount at the beginning of the year	**3,316**	**512**	**512**	**3,602**	**3,334**	**3,334**
Reclassified from / (to) property, plant and equipment	315	1,668	3,182	315	74	692
Disposal	(8)	(3)	(18)	(9)	(3)	(18)
Investment in the share capital of other company	–	–	–	–	–	–
Sold	(119)	(9)	(348)	–	(9)	(348)
Depreciation	(3)	–	(12)	(5)	(15)	(58)
Closing net book amount at the end of the period	**3,501**	**2,168**	**3,316**	**3,903**	**3,381**	**3,602**
Cost or revalued amount	4,866	3,094	3,807	5,745	5,287	4,561
Accumulated depreciation and impairment	(1,365)	(926)	(491)	(1,842)	(1,906)	(959)
Closing net book amount at the end of the period	**3,501**	**2,168**	**3,316**	**3,903**	**3,381**	**3,602**

e) Property, plant and equipment revaluation

Hydropower plants and distribution system assets (property, plant and equipment) of the Group and the Parent company are revalued regularly but not less frequently than every five years, revaluation may be performed more frequently if there is a significant and sustained increase in the civil engineering construction costs.

a) Assets of Hydropower plants:
   – hydropower plants' buildings and facilities, revalued as of 1 April 2017
   – hydropower plants' technology equipment and machinery, revalued as of 1 April 2017

b) Distribution system electricity lines and electrical equipment:
   – electricity lines, revalued as of 1 January 2021
   – electrical equipment of transformer substations, revalued as of 1 April 2020

In February 2022, the Parent company started the valuation process for hydropower plants, by involving independent and certified valuation experts.

8. Leases

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	**01/01-31/03/2021**	**2021**	**01/01-31/03/2022**	**01/01-31/03/2021**	**2021**
a) Right–of–use assets						
Initial recognition cost	12,871	10,970	10,970	7,342	5,619	5,619
Accumulated depreciation	(4,559)	(2,717)	(2,717)	(2,199)	(1,133)	(1,133)
Net book amount at the beginning of the period	**8,312**	**8,253**	**8,253**	**5,143**	**4,486**	**4,486**
Recognised changes in lease agreements	102	(150)	1,925	16	(17)	1,723
Depreciation	(492)	(401)	(1,866)	(289)	(204)	(1,066)
Closing net book amount at the end of the period	**7,922**	**7,702**	**8,312**	**4,870**	**4,265**	**5,143**
Initial recognition cost	12,971	10,809	12,871	7,358	5,602	7,342
Accumulated depreciation	(5,049)	(3,107)	(4,559)	(2,488)	(1,337)	(2,199)
Closing net book amount at the end of the period	**7,922**	**7,702**	**8,312**	**4,870**	**4,265**	**5,143**
b) Lease liabilities						
At the beginning of the period	**8,428**	**8,344**	**8,344**	**5,226**	**4,540**	**4,540**
Of which are:						
– non–current	*6,540*	*6,783*	*6,783*	*4,085*	*3,734*	*3,734*
– current	*1,888*	*1,561*	*1,561*	*1,141*	*806*	*806*
Recognised changes in lease agreements	103	(169)	1,906	16	(17)	1,725
Decrease of lease liabilities	(517)	(422)	(1,960)	(304)	(215)	(1,122)
Recognised interest liabilities (Note 6)	30	30	138	18	16	83
At the end of the period	**8,044**	**7,783**	**8,428**	**4,956**	**4,324**	**5,226**
Of which are:						
– non–current	*6,216*	*6,261*	*6,540*	*3,868*	*3,523*	*4,085*
– current	*1,828*	*1,522*	*1,888*	*1,088*	*801*	*1,141*

9. Non–current financial investments

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

Name of the company	Country of incorporation	Business activity held	31/03/2022 Interest held, %	31/03/2022 EUR'000	31/12/2021 Interest held, %	31/12/2021 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**
				645,218		**645,218**

The Group's non–current financial investments

Name of the company	Country of incorporation	Business activity held	31/03/2022 Interest held, %	31/03/2022 EUR'000	31/12/2021 Interest held, %	31/12/2021 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 31/03/2022	Group 31/12/2021	Parent Company 31/03/2022	Parent Company 31/12/2021
Raw materials and materials	15,199	17,978	819	847
Natural gas	75,282	115,461	75,282	115,461
Goods for sale	3,472	3,896	901	754
Other inventories	8,019	8,121	7,879	8,059
Prepayments for inventories	4,599	47,786	3,528	46,901
Allowance for raw materials and other inventories	(1,114)	(1,110)	(729)	(735)
TOTAL inventories	**105,457**	**192,132**	**87,680**	**171,287**

Movement on the allowance for inventories

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	01/01-31/03/2021	2021	01/01-31/03/2022	01/01-31/03/2021	2021
At the beginning of the period	**1,110**	**991**	**991**	**735**	**607**	**607**
Charged / (credited) to the Statement of Profit or Loss	4	80	119	(6)	22	128
At the end of the period	**1,114**	**1,071**	**1,110**	**729**	**629**	**735**

11. Receivables from contracts with customers and other receivables

Receivables from contracts with customers grouped by the expected credit loss (ECL) assessment model, net

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Individually assessed receivables with lifetime ECL assessment (counterparty model)	32,079	15,530	36,697	16,837
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	127,550	165,606	69,904	93,801
TOTAL receivables from contracts with customers	**159,629**	**181,136**	**106,601**	**110,638**

a) Receivables from contracts with customers, net

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	102,636	133,497	71,548	87,828
– Electricity, natural gas trade and related services customers (counterparty model)	24,394	22,493	–	–
– Heating customers (portfolio model)	14,524	21,233	12,692	18,807
– Other receivables from contracts with customers (portfolio model)	4,814	5,384	1,359	1,150
– Other receivables from contracts with customers (counterparty model)	32,111	15,557	29,406	12,792
– Subsidiaries (counterparty model) (Note 19 b)	–	–	7,322	4,070
	178,479	**198,164**	**122,327**	**124,647**
Allowances for expected credit loss from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(16,582)	(14,748)	(15,345)	(13,621)
– Electricity, natural gas trade and related services customers (counterparty model)	(35)	(28)	–	–
– Heating customers (portfolio model)	(348)	(361)	(328)	(343)
– Other receivables from contracts with customers (portfolio model)	(1,853)	(1,864)	(22)	(20)
– Other receivables from contracts with customers (counterparty model)	(32)	(27)	(29)	(22)
– Subsidiaries (counterparty model) (Note 19 b)	–	–	(2)	(3)
	(18,850)	**(17,028)**	**(15,726)**	**(14,009)**
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	86,054	118,749	56,203	74,207
– Electricity, natural gas trade and related services customers (counterparty model)	24,359	22,465	–	–
– Heating customers (portfolio model)	14,176	20,872	12,364	18,464
– Other receivables from contracts with customers (portfolio model)	2,961	3,520	1,337	1,130
– Other receivables from contracts with customers (counterparty model)	32,079	15,530	29,377	12,770
– Subsidiaries (counterparty model) (Note 19 b)	–	–	7,320	4,067
	159,629	**181,136**	**106,601**	**110,638**

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	01/01-31/03/2021	2021	01/01-31/03/2022	01/01-31/03/2021	2021
At the beginning of the period	**17,028**	**44,269**	**44,269**	**14,009**	**41,005**	**41,005**
Receivables written off during the period as uncollectible	(452)	(1,032)	(30,094)	(448)	(1,025)	(29,679)
Allowances for expected credit losses	2,274	10	2,853	2,165	(7)	2,683
At the end of the period	**18,850**	**43,247**	**17,028**	**15,726**	**39,973**	**14,009**

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Current financial receivables:				
Unsettled revenue on mandatory procurement PSO fee recognised as assets*	35,272	36,588	–	–
Receivables for lease	31	18	30	15
Other current financial receivables	18,996	22,475	17,431	21,707
Other accrued income	29	–	29	–
Allowances for expected credit losses	(1,565)	(1,583)	(1,232)	(1,247)
Receivables for dividends from subsidiaries	–	–	10,429	–
Receivables for lease from subsidiaries (Note 19 b)	–	–	12	21
Other financial receivables from subsidiaries (Note 19 b)	–	–	17,974	21,196
Other accrued income from subsidiaries (Note 19 c)	–	–	1,640	1,534
Allowances for expected credit losses on subsidiaries receivables (Note 19 b)	–	–	(17)	(14)
TOTAL other current financial receivables	**52,763**	**57,498**	**46,296**	**43,212**

* 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	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Non–current non–financial receivables	2,545	2,544	441	441
Current non–financial receivables	375	2,242	143	2,190
TOTAL non–financial receivables	**2,920**	**4,786**	**584**	**2,631**

12. Cash and cash equivalents

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Cash at bank	233,471	100,703	227,114	98,261
TOTAL cash and cash equivalents	**233,471**	**100,703**	**227,114**	**98,261**

13. Reserves

EUR'000

	Group					Parent Company			
	Non–current assets revaluation reserve	Hedge reserve	Post–employment benefit plan revaluation reserve	Other reserves	TOTAL	Non–current assets revaluation reserve	Hedge reserve	Post–employment benefit plan revaluation reserve	TOTAL
As of 31 December 2020	**1,171,154**	**(14,001)**	**(2,896)**	**110**	**1,154,367**	**781,773**	**(14,001)**	**(1,657)**	**766,115**
Disposal of revaluation reserve	(4,498)	–	–	–	**(4,498)**	(3,714)	–	–	**(3,714)**
Gains from fair value changes of derivative financial instruments	–	2,510	–	–	**2,510**	–	2,510	–	**2,510**
As of 31 March 2021	**1,166,656**	**(11,491)**	**(2,896)**	**110**	**1,152,379**	**778,059**	**(11,491)**	**(1,657)**	**764,911**
Disposal of revaluation reserve	(8,831)	–	–	–	**(8,831)**	(10)	–	–	**(10)**
Gains on re–measurement of defined post–employment benefit plan	–	–	1,098	–	**1,098**	–	–	121	**121**
Gains from fair value changes of derivative financial instruments	–	30,709	–	–	**30,709**	–	30,709	–	**30,709**
As of 31 December 2021	**1,157,825**	**19,218**	**(1,798)**	**110**	**1,175,355**	**778,049**	**19,218**	**(1,536)**	**795,731**
Disposal of revaluation reserve	(4,294)	–	–	–	**(4,294)**	(3,307)	–	–	**(3,307)**
Gains from fair value changes of derivative financial instruments	–	27,259	–	–	**27,259**	–	27,259	–	**27,259**
As of 31 March 2022	**1,153,531**	**46,477**	**(1,798)**	**110**	**1,198,320**	**774,742**	**46,477**	**(1,536)**	**819,683**

14. Borrowings

EUR'000

	Group		Parent Company	
	31/03/2022	**31/12/2021**	**31/03/2022**	**31/12/2021**
Non–current borrowings from financial institutions	555,033	564,209	548,148	553,862
Issued debt securities (bonds)	49,871	49,866	49,871	49,866
TOTAL non–current borrowings	**604,904**	**614,075**	**598,019**	**603,728**
Current portion of non–current borrowings from financial institutions	84,424	79,186	82,581	76,866
Overdraft from financial institutions	100,024	100,055	100,024	100,055
Accrued interest on non–current borrowings	877	495	850	455
Accrued coupon interest on issued debt securities (bonds)	1,748	1,218	1,748	1,218
TOTAL current borrowings	**187,073**	**180,954**	**185,203**	**178,594**
TOTAL borrowings	**791,977**	**795,029**	**783,222**	**782,322**

Movement in borrowings

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	**01/01-31/03/2021**	**2021**	**01/01-31/03/2022**	**01/01-31/03/2021**	**2021**
At the beginning of the period	**795,029**	**743,199**	**743,199**	**782,322**	**733,392**	**733,392**
Borrowings received	–	–	79,997	–	–	75,000
Borrowings repaid	(3,939)	(942)	(77,928)	–	–	(75,830)
Repayment of issued debt securities (bonds)	–	–	50,000	–	–	50,000
Overdraft received	–	24,987	–	–	24,987	–
Change in accrued interest on borrowings from financial institutions	912	1,173	19	925	1,196	18
Changes in outstanding value of issued debt securities (bonds)	(25)	(31)	(258)	(25)	(31)	(258)
At the end of the period	**791,977**	**768,386**	**795,029**	**783,222**	**759,544**	**782,322**

15. Derivative financial instruments

Outstanding fair values of derivatives and their classification

EUR'000

	Group				Parent Company			
	31/03/2022		31/12/2021		31/03/2022		31/12/2021	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	2,262	(1,174)	–	(4,312)	2,262	(1,174)	–	(4,312)
Energy forwards, futures, and swaps	51,791	(1,371)	25,735	(14,208)	51,522	(1,371)	25,466	(14,208)
Total outstanding fair values of derivatives	**54,053**	**(2,545)**	**25,735**	**(18,520)**	**53,784**	**(2,545)**	**25,466**	**(18,520)**

I) Interest rate swaps

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

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

Fair value changes of interest rate swaps

EUR'000

	Group						Parent Company					
	01/01-31/03/2022		01/01-31/03/2021		2021		01/01-31/03/2022		01/01-31/03/2021		2021	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**–**	**(4,312)**	**–**	**(9,504)**	**–**	**(9,504)**	**–**	**(4,312)**	**–**	**(9,504)**	**–**	**(9,504)**
Included in the Statement of Profit or Loss (Note 6)	–	408	–	109	**–**	316	–	408	–	109	**–**	316
Included in the Statement of Comprehensive Income	2,262	2,730	–	1,788	–	4,876	2,262	2,730	–	1,788	–	4,876
Outstanding fair value at the end of the period	**2,262**	**(1,174)**	**–**	**(7,607)**	**–**	**(4,312)**	**2,262**	**(1,174)**	**–**	**(7,607)**	**–**	**(4,312)**

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

EUR'000

	Group						Parent Company					
	01/01-31/03/2022		01/01-31/03/2021		2021		01/01-31/03/2022		01/01-31/03/2021		2021	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**25,735**	**(14,208)**	**1,557**	**(4,993)**	**1,557**	**(4,993)**	**25,466**	**(14,208)**	**1,557**	**(4,993)**	**1,557**	**(4,993)**
Included in Statement of Profit or Loss (Note 5)	5,409	11,216	(808)	(4,306)	(785)	(12,588)	5,409	11,216	(808)	(4,306)	(1,054)	(12,588)
Included in Statement of Comprehensive Income	20,647	1,621	34	651	24,963	3,373	20,647	1,621	34	651	24,963	3,373
Outstanding fair value at the end of the period	**51,791**	**(1,371)**	**783**	**(8,648)**	**25,735**	**(14,208)**	**51,522**	**(1,371)**	**783,**	**(8,648)**	**25,466**	**(14,208)**

16. Fair values and fair value measurement

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

Quantitative disclosures of fair value measurement hierarchy for assets at the end of the period EUR'000

Type of assets	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 31 March 2022								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,412,023	**2,412,023**	–	–	789,887	**789,887**
Non-current financial investments (Note 9)	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:								
Interest rate swaps (Note 15 I)		2,262	–	**2,262**	–	2,262	–	**2,262**
Energy forwards, futures, and swaps (Note 15 II)	–	51,791	–	**51,791**	–	51,522	–	**51,522**
Assets for which fair values are disclosed								
Investment properties (Note 7 c)	–	–	3,501,	**3,501**	–	–	3,903	**3,903**
Loans to related parties:								
– Floating rate loans (Note 19 c)	–	–	–	**–**	–	145,085	–	**145,085**
– Fixed rate loans (Note 19 c)	–	–	–	**–**	–	510,415	–	**510,415**
Current financial receivables (Note 11 a, b)	–	–	212,392	**212,392**	–	–	152,897	**152,897**
Cash and cash equivalents (Note 12)	–	247,958	–	**247,958**	–	245,970	–	**245,970**
As of 31 December 2021								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,407,773	**2,407,773**	–	–	778,480	**778,480**
Non-current financial investments (Note 9)	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:								
Energy forwards, futures, and swaps (Note 15 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 c)	–	–	–	**–**	–	172,313	–	**172,313**
– Fixed rate loans (Note 19 c)	–	–	–	**–**	–	534,065	–	**534,065**
Current financial receivables (Note 11 a, b)	–	–	238,635	**238,635**	–	–	153,850	**153,850**
Cash and cash equivalents (Note 12)	–	97,079	–	**97,079**	–	92,418	–	**92,418**

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

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

EUR'000

Type of liabilities	Group – Fair value measurement using – Quoted prices in active markets (Level 1)	Group – Significant observable inputs (Level 2)	Group – Significant unobservable inputs (Level 3)	Group – TOTAL	Parent Company – Fair value measurement using – Quoted prices in active markets (Level 1)	Parent Company – Significant observable inputs (Level 2)	Parent Company – Significant unobservable inputs (Level 3)	Parent Company – TOTAL
As of 31 March 2022								
Liabilities measured at fair value								
Derivative financial instruments, including:								
Interest rate swaps (Note 15 I)	–	1,174	–	**1,174**	–	1,174	–	**1,174**
Energy forwards, futures, and swaps (Note 15 II)	–	1,371	–	**1,371**	–	1,371	–	**1,371**
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14)	–	151,643	–	**151,643**	–	151,643	–	**151,643**
Borrowings from financial institutions (Note 14)	–	640,334	–	**640,334**	–	631,579	–	**631,579**
Trade and other financial current payables (Note 17)	–	–	112,882	**112,882**	–	–	83,864	**83,864**
As of 31 December 2021								
Liabilities measured at fair value								
Derivative financial instruments, including:								
Interest rate swaps (Note 15 I)	–	4,312	–	**4,312**	–	4,312	–	**4,312**
Energy forwards, futures, and swaps (Note 15 II)	–	14,208	–	**14,208**	–	14,208	–	**14,208**
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14)	–	151,139	–	**151,139**	–	151,139	–	**151,139**
Borrowings from financial institutions (Note 14)	–	643,890	–	**643,890**	–	631,183	–	**631,183**
Trade and other financial current payables (Note 17)	–	–	163,950	**163,950**	–	–	166,517	**166,517**

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

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

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

EUR'000

	Group – Carrying amount 31/03/2022	Group – Carrying amount 31/12/2021	Group – Fair value 31/03/2022	Group – Fair value 31/12/2021	Parent Company – Carrying amount 31/03/2022	Parent Company – Carrying amount 31/12/2021	Parent Company – Fair value 31/03/2022	Parent Company – Fair value 31/12/2021
Financial assets								
Fixed rate loans to related parties	–	–	–	–	510,415	534,065	511,588	545,297
Financial liabilities								
Interest–bearing liabilities, including:								
issued debt securities (bonds)	151,643	151,139	148,023	151,683	151,643	151,139	148,023	151,683

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.

17. Trade and other payables

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Financial liabilities:				
Payables for materials and services	29,436	60,945	9,222	29,672
Payables for electricity and natural gas	56,950	78,053	40,102	57,297
Payables to related parties (Note 19 b)	11,048	10,969	11,153	30,541
Accrued expenses	10,347	10,889	5,703	5,832
Accrued expenses from related parties (Note 19 b)	179	327	14,352	41,359
Other financial current payables	4,922	2,767	3,332	1,816
TOTAL financial liabilities	**112,882**	**163,950**	**83,864**	**166,517**
Non–financial liabilities:				
State social security contributions and other taxes	23,586	12,405	12,427	4,095
Contract liabilities	11,878	9,822	5,234	4,289
Other current payables	3,598	2,841	1,507	1,160
TOTAL non–financial liabilities	**39,062**	**25,068**	**19,168**	**9,544**
TOTAL trade and other current payables	**151,944**	**189,018**	**103,032**	**176,061**

18. Deferred income

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
I) Non–current deferred income				
a) contracts with customers				
From connection fees	134,722	136,217	–	–
Other deferred income	785	802	785	802
	135,507	**137,019**	**785**	**802**
b) operating lease				
Other deferred income	336	342	336	342
	336	**342**	**336**	**342**
c) other				
On grant for the installed electrical capacity of CHPPs	131,452	137,450	131,452	137,450
On financing from European Union funds	7,997	8,220	2,079	2,114
Other deferred income	95	103	51	52
	139,544	**145,773**	**133,582**	**139,616**
Total non–current deferred income	**275,387**	**283,134**	**134,703**	**140,760**
II) Current deferred income				
a) contracts with customers				
From connection fees	14,911	14,794	–	–
Other deferred income	256	237	67	67
	15,167	**15,031**	**67**	**67**

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	893	896	144	144
	24,883	**24,886**	**24,134**	**24,134**
TOTAL current deferred income	**40,070**	**39,937**	**24,221**	**24,221**
TOTAL deferred income	**315,457**	**323,071**	**158,924**	**164,981**

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

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	**01/01-31/03/2021**	**2021**	**01/01-31/03/2022**	**01/01-31/03/2021**	**2021**
At the beginning of the period	**323,071**	**349,916**	**349,916**	**164,981**	**189,177**	**189,177**
Recognised in Statement of Financial Position:						
– fees for connection to distribution system	2,338	2,026	12,556	–	–	–
– other deferred non–current income (financing)	–	207	848	–	207	848
Recognised in Statement of Profit or Loss:						
– Other deferred income	(6,232)	(5,997)	(24,907)	(6,035)	(5,997)	(24,106)
– Deferred income from contracts with customers and operating lease	(3,720)	(4,487)	(15,342)	(22)	(780)	(938)
At the end of the period	**315,457**	**341,665**	**323,071**	**158,924**	**182,607**	**164,981**

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. The Group and the Parent Company enter into transactions with many of these bodies on an arm's length basis.

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 operators – Augstsprieguma tīkls AS and Conexus Baltic Grid AS.

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

EUR'000

	Group		Parent Company			
	01/01–31/03/2022	**01/01–31/03/2021**	**01/01–31/03/2022**		**01/01–31/03/2021**	
	Other related parties*	**Other related parties***	**Subsidiaries**	**Other related parties***	**Subsidiaries**	**Other related parties***
Sales of goods, PPE and services, finance income	8,979	4,875	13,721	8,920	13,656	4,823
Purchases of goods, PPE, and services	26,953	28,111	24,376	8,372	75,120	9,385
including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:						
– Sadales tīkls AS	–	–	1,114	–	64,890	–

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

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	31,005	25,004
– other related parties*	5,696	12,991	5,443	12,453
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(19)	(16)
– loss allowances for expected credit loss from receivables of other related parties*	(7)	(23)	(7)	(22)
	5,689	**12,968**	**36,422**	**37,419**
Payables to related parties:				
– subsidiaries	–	–	7,230	28,415
– other related parties*	7,122	8,324	3,923	5,430
	7,122	**8,324**	**11,153**	**33,845**

c) Accrued income raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
– for goods sold/services provided for subsidiaries (Note 11 a, b)	–	–	4,975	435
– for interest received from subsidiaries	–	–	1,397	1,381
– for goods sold/services provided for other related parties*	527	107	521	107
	527	**107**	**6,893**	**1,923**

d) Accrued expenses raised from transactions with related parties

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
– for purchased goods/received services from subsidiaries	–	–	14,236	41,032
– for purchased goods/received services from other related parties*	179	327	116	327
	179	**327**	**14,352**	**41,359**

* Related parties included transmission system operators – Augstsprieguma tīkls AS and Conexus Baltic Grid AS, Pirmais Slēgtais Pensiju Fonds AS and other entities controlled by the management members of Latvenergo Group

In the 3–month period ending on 31 March 2022 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 687.6 thousand (01/01 – 31/03/2021: EUR 704.2 thousand).

In the 3–month period ending on 31 March 2022 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 227.2 thousand (01/01 – 31/03/2021: EUR 257.0 thousand).

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

e) Loans to related parties

Non–current and current loans to related parties

EUR'000

	Group		Parent Company	
	31/03/2022	31/12/2021	31/03/2022	31/12/2021
Non–current loans to subsidiaries				
Sadales tīkls AS	–	–	463,152	467,786
Elektrum Eesti OÜ	–	–	7,410	7,560
Elektrum Lietuva, UAB	–	–	4,728	1,970
Allowances for expected credit loss	–	–	(286)	(306)
TOTAL non–current loans	**–**	**–**	**475,004**	**477,010**
Current portion of non–current loans				
Sadales tīkls AS	–	–	97,446	97,000
Elektrum Eesti OÜ	–	–	300	300
Elektrum Lietuva, UAB	–	–	591	–
Allowances for expected credit loss	–	–	(59)	(62)
Current loans to subsidiaries				
Sadales tīkls AS	–	–	10,000	10,000
Elektrum Eesti OÜ	–	–	21,498	34,880
Elektrum Lietuva, UAB	–	–	27,357	56,198
Enerģijas publiskais tirgotājs SIA	–	–	23,411	31,137
Allowances for expected credit loss	–	–	(49)	(85)
TOTAL current loans	**–**	**–**	**180,495**	**229,368**
TOTAL loans to related parties	**–**	**–**	**655,499**	**706,378**

Movement in loans issued to related parties

EUR'000

	Group			Parent Company		
	01/01-31/03/2022	01/01-31/03/2021	2021	01/01-31/03/2022	01/01-31/03/2021	2021
At the beginning of the period	**–**	**86,620**	**86,620**	**706,378**	**742,229**	**742,229**
Change in current loans in cash (net)	–	–	–	12,551	71,182	319,304
Change in current loans by non–cash offsetting of operating receivables and payables (net)	–	–	–	(38,905)	(49,362)	(199,767)
Issued non–current loans in cash	–	–	–	–	–	7,860
Repayment of loan in cash	–	–	(86 672)	–	–	(86,672)
Repaid non–current loans by non–cash offset	–	–	–	(24,584)	(12,968)	(76,648)
Allowances for expected credit loss	–	(3)	52	59	45	72
At the end of the period	**–**	**86,617**	**–**	**655,499**	**751,126**	**706,378**
incl. loan movement through bank account						
Issued loans to subsidiaries	–	–	–	209,676	154,593	716,106
Repaid loans issued to subsidiaries	–	–	–	(197,125)	(83,411)	(388,942)
Repaid loans issued to other related parties	–	–	(86,672)	–	–	(86,672)
Issued loans, net	**–**	**–**	**(86,672)**	**12,551**	**71,182**	**240,492**

20. Events after the reporting period

On 21 April 2022 were accepted amendments to the Energy Law of the Republic of Latvia, which stipulate that the purchase and storage of natural gas to ensure energy supply reserves on behalf of the state shall be organised by Latvenergo AS.

On 5 May 2022 Latvenergo AS issued five–year green bonds in the total nominal value of EUR 100 000 thousand with a maturity date of 5 May 2027, a fixed annual interest rate (coupon) and a yield of 2.42%. The notes are issued under Latvenergo AS EUR 200 000 thousand third programme for the issuance of notes. The issued notes are listed on Nasdaq Riga AS as of 6 May 2022.

In May 2022, Latvenergo AS signed two short–term loan agreements (overdraft agreements) for working capital financing and liquidity management – with OP Corporate Bank plc Latvia Branch in the amount of EUR 100 000 thousand and with Swedbank AS in the amount of EUR 100 000 thousand. The term for both agreements is up to 2 years.

There have been no other significant events subsequent to the end of the reporting period that might have a material effect on the Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3–month period ending on 31 March 2022.