

LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 9-MONTH PERIOD
ENDING 30 SEPTEMBER 2023

30.11.2023, Riga

Disclaimer

This presentation and any materials distributed or made available in connection herewith (collectively, the “presentation”) have been prepared by Latvenergo AS (the “Company”) solely for your use and benefit for information purposes only. By accessing, downloading, reading or otherwise making available to yourself any content of the presentation, in whole or in part, you hereby agree to be bound by the following limitations and accept the terms and conditions as set out below.

You are only authorized to view, print and retain a copy of the presentation solely for your own use. No information contained in the presentation may be copied, photocopied, duplicated, reproduced, passed on, redistributed, published, exhibited or the contents otherwise divulged, released or disseminated, directly or indirectly, in whole or in part, in any form by any means and for any purpose to any other person than your directors, officers, employees or those persons retained to advise you, who agree to be bound by the limitations set out herein.

The presentation does not constitute or form part of, and should not be construed as, an offer, solicitation or invitation to subscribe for, underwrite or otherwise acquire, any securities of the Company or any member of its group nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company or any member of its group, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. Any person considering the purchase of any securities of the Company must inform himself or herself independently before taking any investment decision. The presentation has been provided to you solely for your information and background and is subject to amendment. Further, the information in this presentation has been compiled based on information from a number of sources and reflects prevailing conditions as of its date, which are subject to change.

The information contained in this presentation has not been independently verified. The following consolidated financial statements are unaudited and no auditor has opined that these unaudited financial statements present fairly, in all material respects, the financial position and the results of operations of the Company for the period reported in accordance with generally accepted accounting principles. Therefore, once audited by an independent auditor, the audited financial statements of the Company may differ from the unaudited financial statements presented. However, the Company has prepared the unaudited financial statements on the same basis as its audited financial statements, and in the opinion of the Company’s management, the unaudited financial statements include all adjustments that the Company considers necessary for a fair presentation of its financial position and results of operations for the period presented.

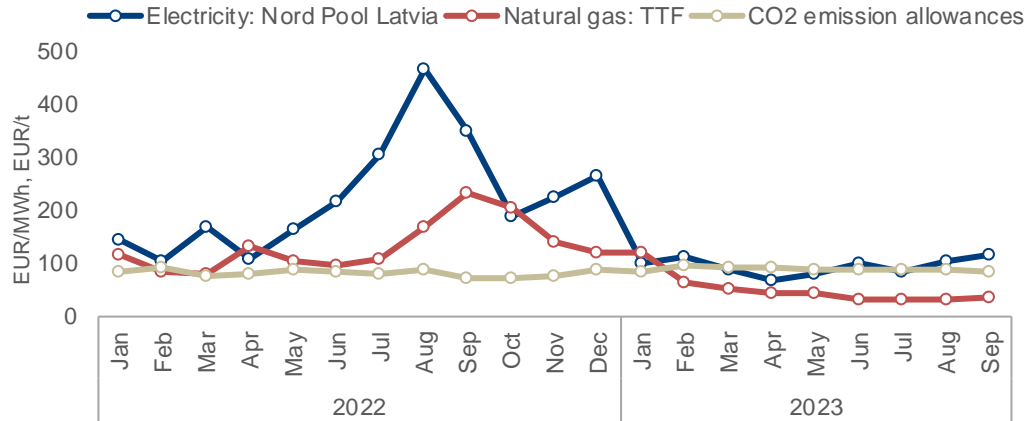
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

The information in this presentation is subject to verification, completion and change without notice and the Company is not under any obligation to update or keep current the information contained herein. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its respective members, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation, and any reliance you place on such information or opinions will be at your sole risk. Neither the Company nor any of its respective members, directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

This presentation includes “forward-looking statements,” which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words “targets,” “believes,” “expects,” “aims,” “intends,” “will,” “may,” “anticipates,” “would,” “plans,” “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Accordingly, any reliance you place on such forward-looking statements will be at your sole risk. These forward-looking statements speak only as at the date as of which they are made. Past performance of the Company cannot be relied on as a guide to future performance. No statement in this presentation is intended to be a profit forecast.

This presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

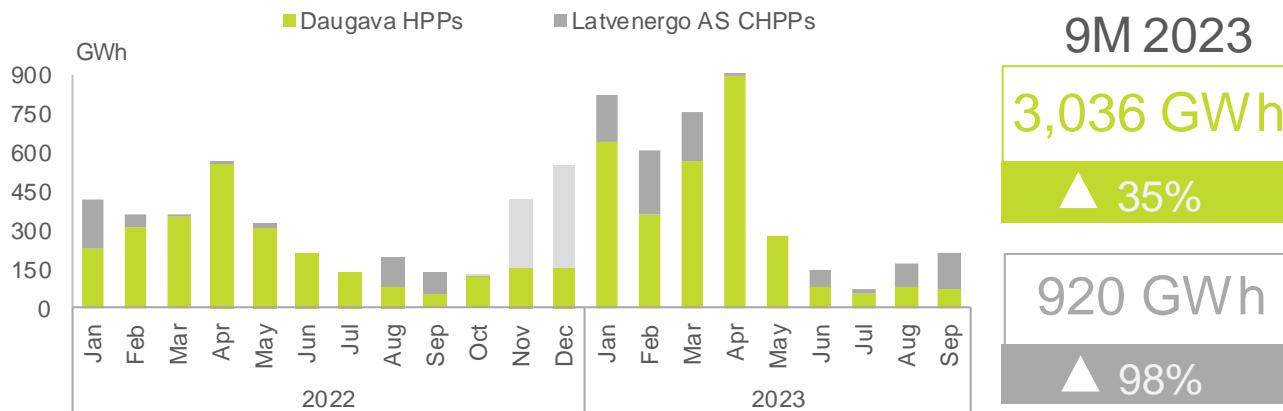
Prices of electricity and natural gas decreased



Main facts – 9M 2023

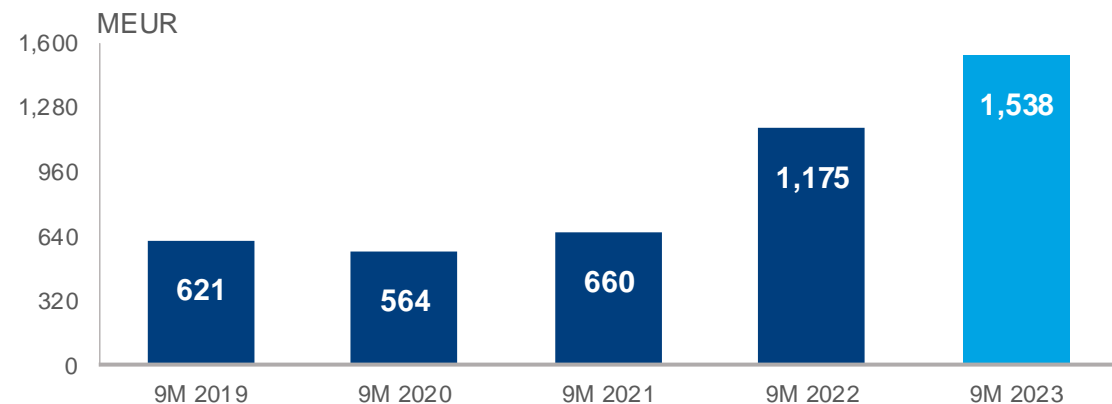
- Decrease in electricity prices was primarily affected by a decrease in the price of energy resources, mainly natural gas, and a greater output of renewable energy
- The price of natural gas at TTF virtual trading point (front month) 60% lower, reaching 50 EUR/MWh (9M 2022: 124 EUR/ MWh)
- The average price of CO2 emission allowances (EUA DEC.23) 7% higher, reaching 88 EUR/t (9M 2022: 82 EUR/t)

Electricity generation increased by 46%

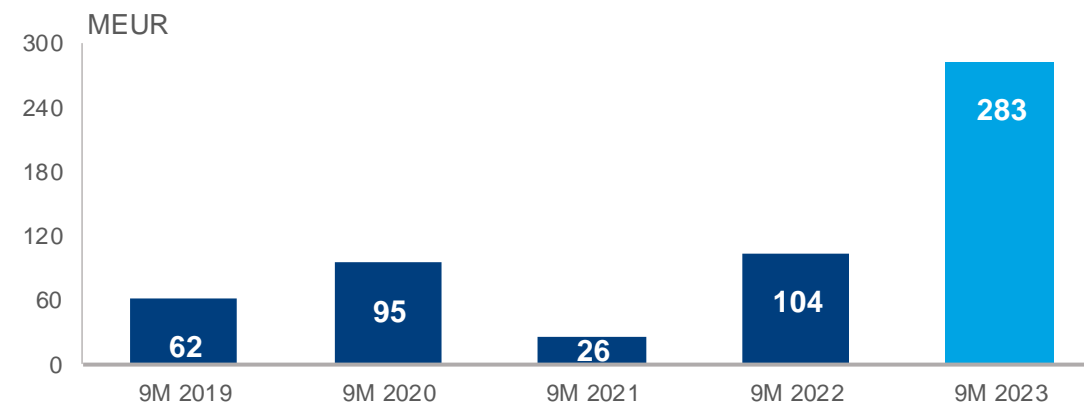


Key financial figures

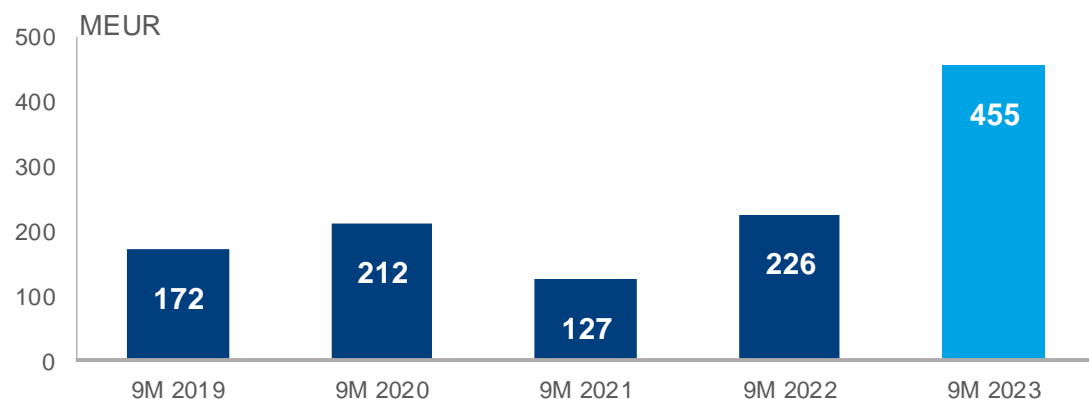
Revenue*



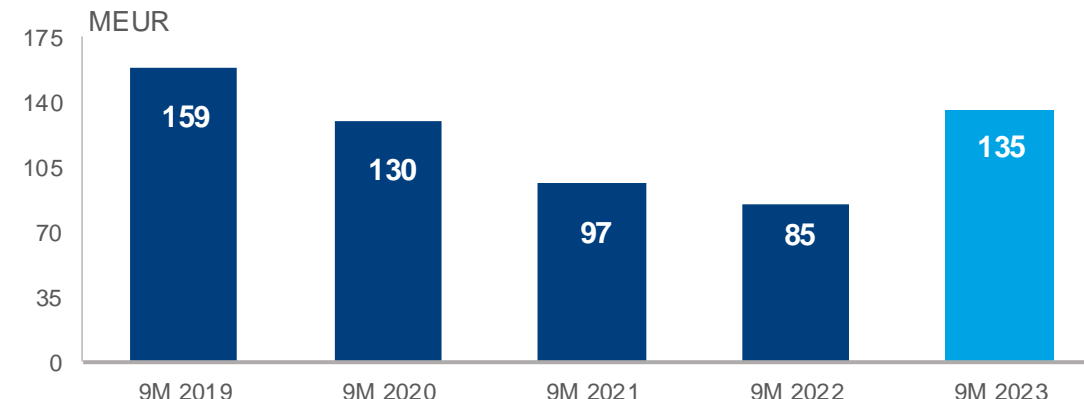
Net profit



EBITDA*



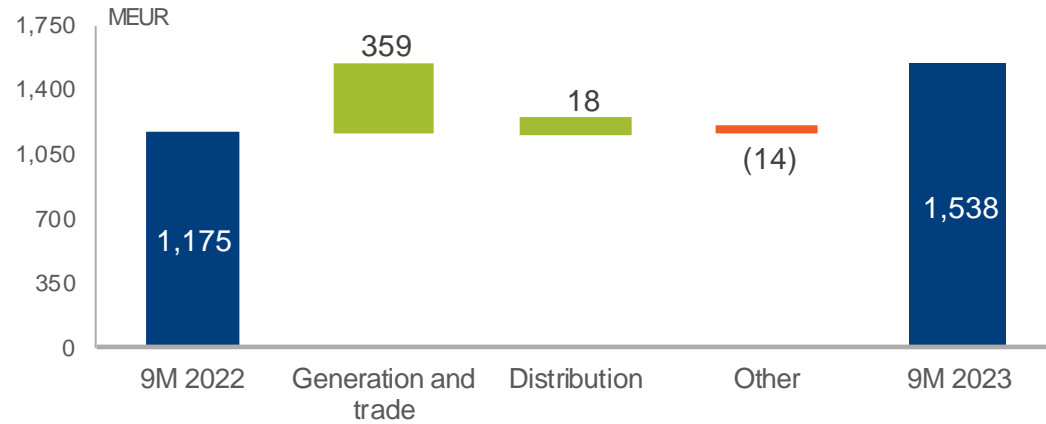
Investments



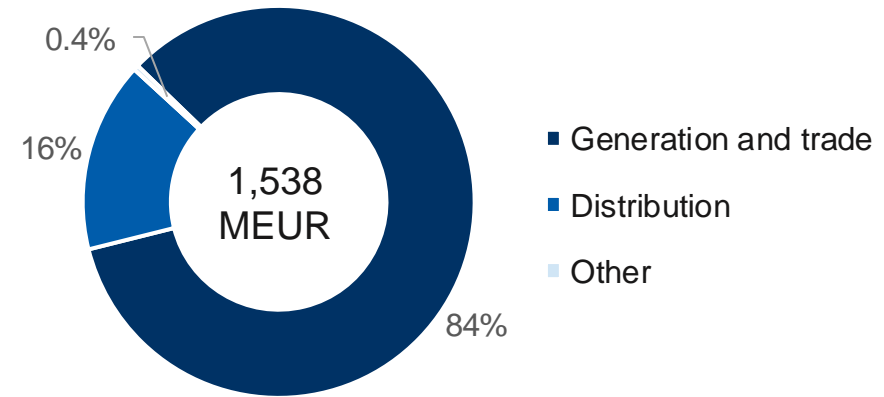
* Figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership). For more details, please see the Group's annual report for 2020

Latvenergo Group's EBITDA increased two times

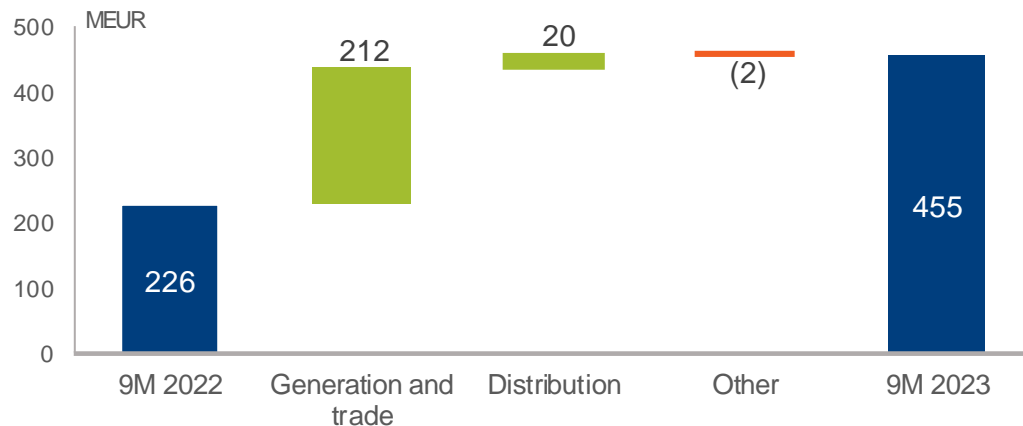
Revenue dynamics by segments



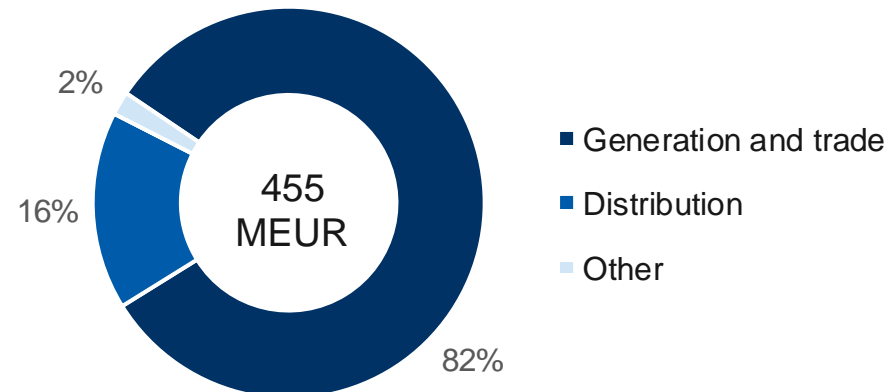
Revenue weight by segments



EBITDA dynamics by segments

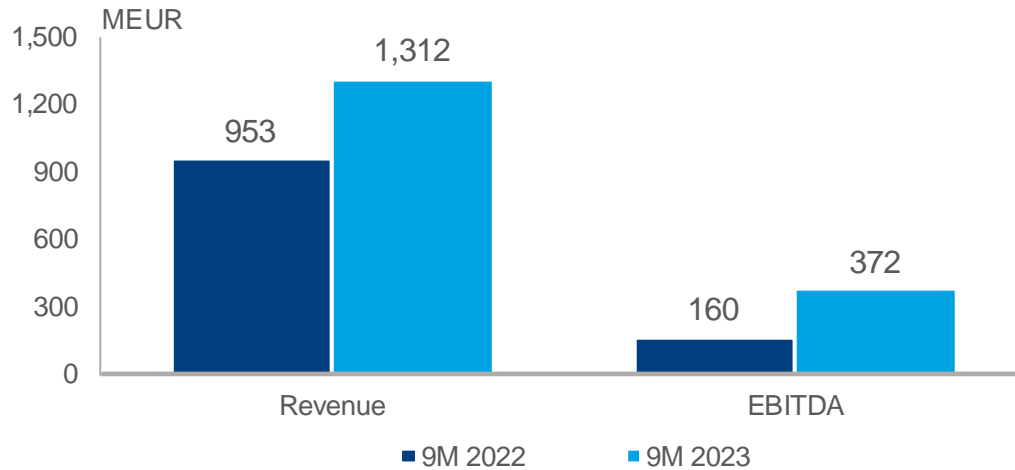


EBITDA weight by segments



Generation and trade

Revenue and EBITDA



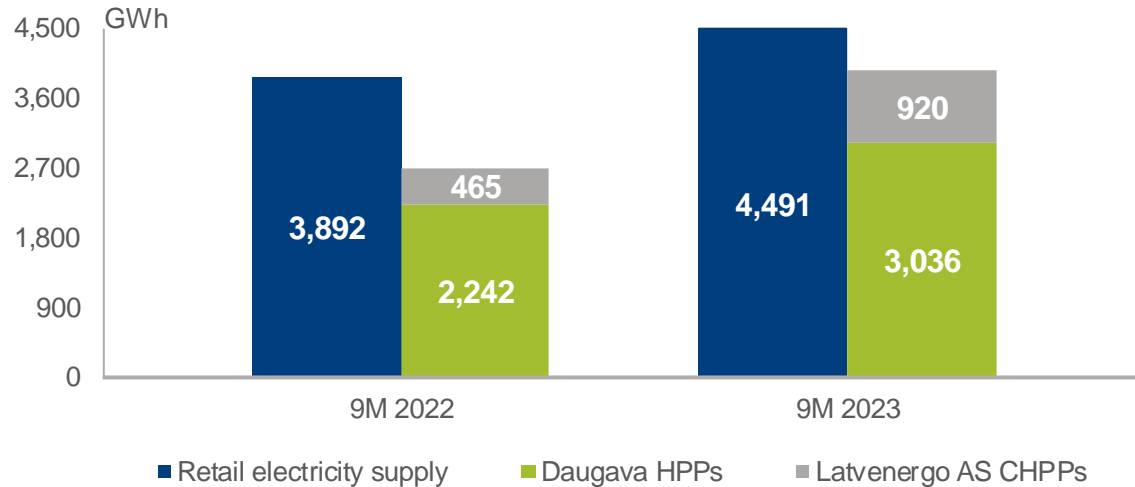
Main facts – 9M 2023

- The segment’s revenue positively impacted by 15% greater amount of electricity sold in retail, higher energy sales prices and greater amount of power generated at the Daugava HPPs
- The segment’s EBITDA mainly positively impacted by greater amount of power generated at the Daugava HPPs and lower electricity and natural gas purchase prices
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia



Latvenergo – largest renewable electricity producer in the Baltics

3,971 GWh of electricity generated



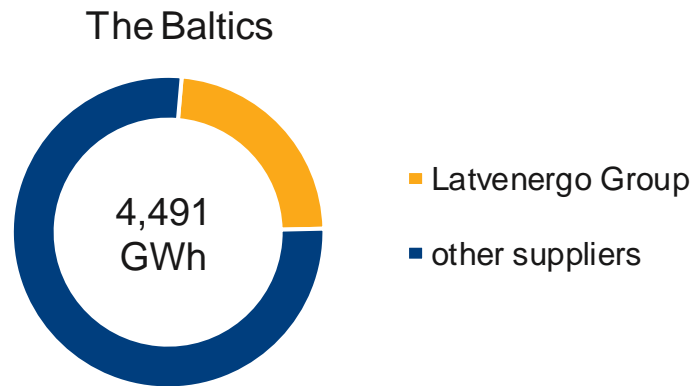
77% of electricity generated from renewable sources

- *Latvenergo* – produced 34% of the total electricity generated in the Baltics
- Electricity generated at *Latvenergo* corresponds to 88% of the electricity sold at retail
- Electricity generation at Daugava HPPs is up by 35%, and at *Latvenergo* CHPPs, it's up by 98%
- The amount of thermal energy reached 1 TWh (9M 2022: 1,1 TWh)



Trade

Retail electricity supply*



4,491 GWh of electricity sold to Baltic retail customers. The number of customers is up by 3%, reaching 834 thous.



921 GWh of natural gas sold to Baltic retail customers. The number of customers has doubled, reaching 42 thous.

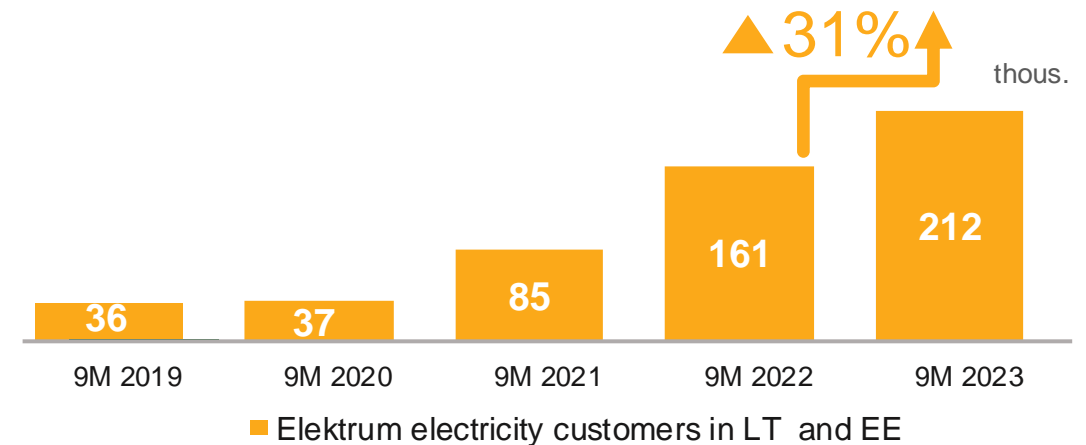


Over 1,300 contracts were signed for installing solar panels in the Baltics. The total installed solar panel capacity in the Baltics reached almost 70 MW.



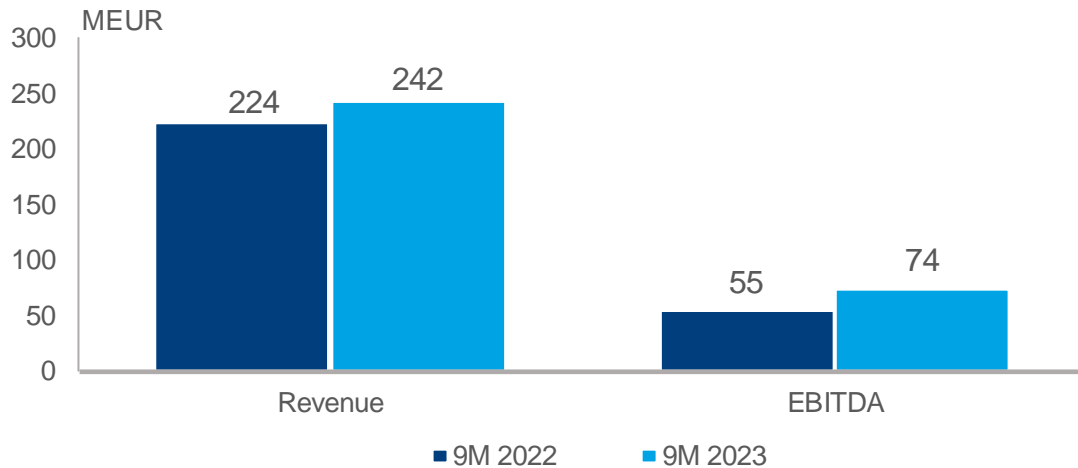
More than 34.8 thous. electric vehicle charges were made at the *Elektrum Drive* electric car charging stations.

The number of Elektrum customers in neighbouring countries grows rapidly



Distribution

Revenue and EBITDA



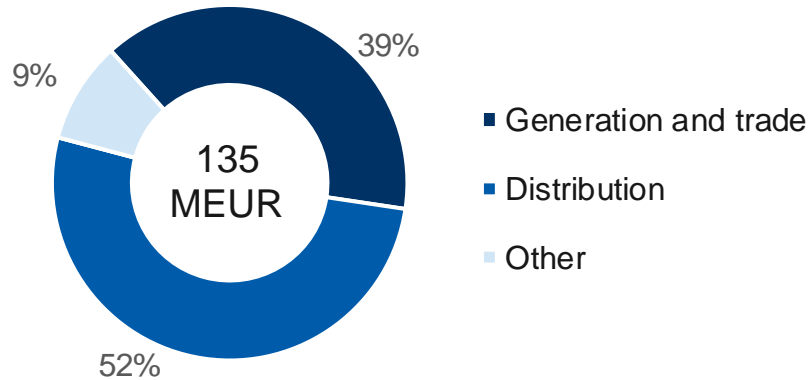
Main facts – 9M 2023

- Electricity distributed decreased by 5%, reaching 4,399 GWh (9M 2022: 4,640 GWh)
- Financial results were positively affected by the new distribution tariffs of Sadales tīkls AS that came into effect on 1 July 2023 and lower electricity loss costs due to a lower market price of electricity
- Financial results were negatively affected by reduced consumption and a rise in operating costs due to inflation
- Capital expenditure in distribution assets reached 70.1 MEUR (9M 2022: 60.3 MEUR)



Investments

Investment in distribution network assets – 1/2 of the total



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

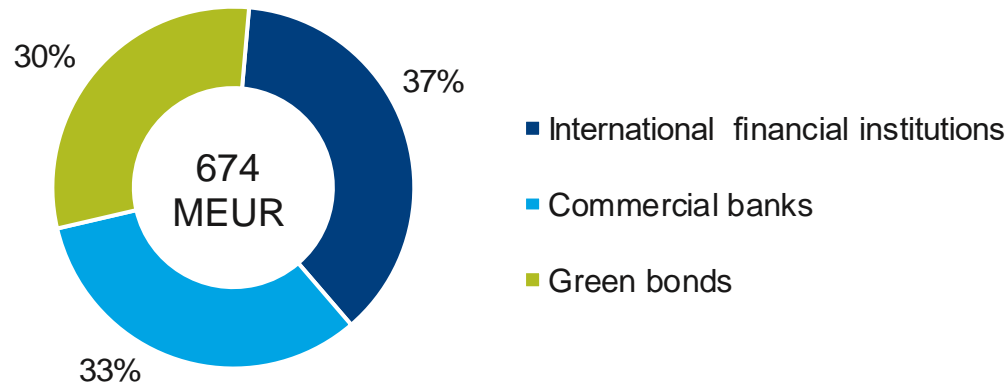


Development of solar park projects

- 25,2 MEUR were allocated towards the development of solar parks, which is about 1/5 of Group's total investments
- 2 solar parks with a total capacity of 5,7 MW were commissioned in Lithuania
- Overall, in the Baltic region, there are 15 solar park projects in the project or construction stage with a total capacity exceeding 300 MW; their gradual commissioning is expected from 2023-2025.

Investment funding

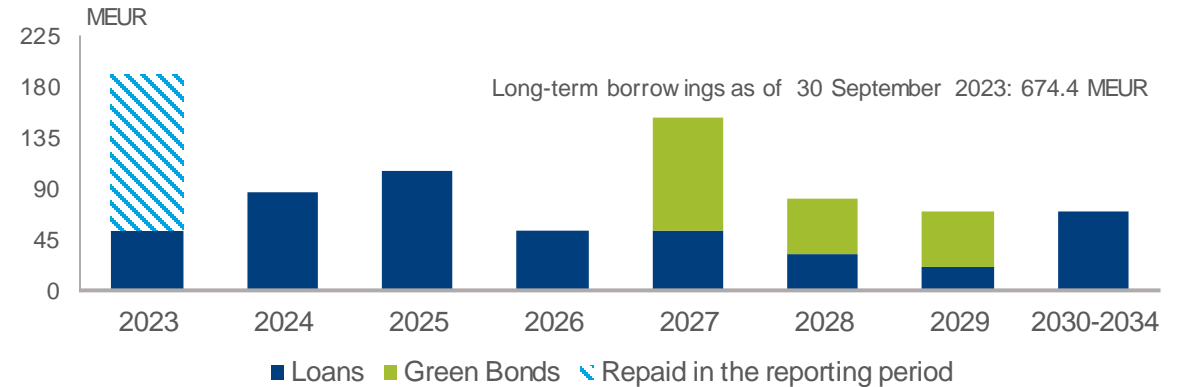
Diversified long-term funding



Main facts – 9M 2023

- On 22 February 2023, 6-year green bonds worth 50 MEUR were issued
- In March 2023, Moody's published an updated Credit Opinion of Latvenergo AS: Baa2 (stable)

Long-term debt repayment schedule



Main figures of the long-term debt portfolio

	30.09.2023
Share of fixed interest rate*	46%
Weighted average fixed interest rate duration*	2.1 years
Weighted average effective interest rate*	3.1%

Thank you!

Latvenergo AS
Pulkveža Brieža Street 12
Riga, LV-1230, Latvia

Contact Information

www.latvenergo.lv

 Latvenergo

 latvenergo_

 Latvenergo

 LatvenergoVideo

Daugava HPPs – Daugava hydropower plants

EBITDA – Earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets

EU – European Union

IFRS – International Financial Reporting Standards

MEUR – Million euros

MWh – Megawatt hour (1,000,000 MWh = 1,000 GWh = 1 TWh)

PSO fee – Public service obligation fee

CHPPs – Latvenergo AS combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

WPP – Wind power plant

Consolidated Statement of Profit or Loss*

	EUR'000	
	01/01- 30/09/2023	01/01- 30/09/2022
Revenue	1,537,552	1,174,584
Other income	30,025	26,253
Raw materials and consumables	(952,600)	(841,055)
Personnel expenses	(107,893)	(89,368)
Other operating expenses	(51,738)	(44,287)
EBITDA	455,346	226,127
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets	(130,534)	(115,733)
Operating profit	324,812	110,394
Finance income	5,710	1,090
Finance costs	(18,850)	(6,914)
Profit before tax	311,672	104,570
Income tax	(28,279)	(311)
Profit for the period	283,393	104,259
Profit attributable to:		
- Equity holder of the Parent Company	283,120	105,105
- Non-controlling interests	273	(846)

Consolidated Statement of Financial Position*

	EUR'000	
	30/09/2023	31/12/2022
ASSETS		
Non-current assets		
Intangible assets	57,858	51,789
Property, plant, and equipment	3,313,473	3,005,370
Right-of-use assets	9,790	10,526
Investment property	1,781	2,297
Non-current financial investments	40	40
Other non-current receivables	483	482
Derivative financial instruments	6,930	8,131
Total non-current assets	3,390,355	3,078,635
Current assets		
Inventories	245,660	295,638
Current intangible assets	17,186	31,664
Receivables from contracts with customers	182,631	314,109
Other current receivables	38,975	17,521
Deferred expenses	1,946	2,408
Derivative financial instruments	2,239	2,598
Cash and cash equivalents	253,163	112,757
Total current assets	741,800	776,695
TOTAL ASSETS	4,132,155	3,855,330
EQUITY AND LIABILITIES		
EQUITY		
Share capital	790,368	790,368
Reserves	1,676,440	1,282,683
Retained earnings	430,925	276,242
Equity attributable to equity holder of the Parent Company	2,897,733	2,349,293
Non-controlling interests	6,948	7,126
Total equity	2,904,681	2,356,419
LIABILITIES		
Non-current liabilities		
Borrowings	569,701	574,754
Lease liabilities	7,814	8,648
Deferred income tax liabilities	1,618	667
Provisions	16,441	15,566
Deferred income from contracts with customers	134,046	133,116
Other deferred income	103,528	121,180
Other non-current liabilities	93	265
Total non-current liabilities	833,241	854,196
Current liabilities		
Borrowings	104,744	301,164
Lease liabilities	2,150	2,027
Trade and other payables	228,579	165,274
Deferred income from contracts with customers	20,444	29,330
Other deferred income	24,901	24,901
Derivative financial instruments	13,415	122,019
Total current liabilities	394,233	644,715
Total liabilities	1,227,474	1,498,911
TOTAL EQUITY AND LIABILITIES	4,132,155	3,855,330

*The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 9-month period ending 30 September 2023 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Cash Flows*

	EUR'000	
	01/01- 30/09/2023	01/01- 30/09/2022
Cash flows from operating activities		
Profit before tax	311,672	104,570
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	133,719	118,510
– Net financial adjustments	(4,747)	3,997
– Other adjustments	894	742
Interest paid	(14,465)	(5,933)
Interest received	3,590	2
Paid corporate income tax	(27,364)	(2,644)
Funds from operations (FFO)	403,299	219,244
Decrease / (increase) in current assets	174,955	(432,183)
Increase in trade and other liabilities	16,625	151,033
Net cash flows from / (used in) operating activities	594,879	(61,906)
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(128,261)	(86,631)
Net cash flows used in investing activities	(128,261)	(86,631)
Cash flows from financing activities		
Repayment of issued debt securities (bonds)	–	(100,000)
Proceeds on issued debt securities (bonds)	50,000	100,000
Proceeds on borrowings from financial institutions	–	203,312
Repayment of borrowings from financial institutions	(256,866)	(29,181)
Received financing from European Union	16,245	–
Lease payments	(1,149)	(757)
Dividends paid to non-controlling interests	(451)	–
Proceeds from non-controlling interests contributions to share capital	–	400
Dividends paid to equity holder of the Parent Company	(133,991)	(70,160)
Net cash flows (used in) / generated from financing activities	(326,212)	103,614
Net increase / (decrease) in cash and cash equivalents	140,406	(44,923)
Cash and cash equivalents at the beginning of the period	112,757	97,079
Cash and cash equivalents at the end of the period	253,163	52,156