

Latvenergo Group

Unaudited Results 2018

Investor Conference Webinar Presentation



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Agenda

Group Profile

Financials 2018

- Market Overview
- Revenue and Profitability
- Segment Results
- Investments
- Funding

Current Events

- Elektrum enters Latvian household gas market
- Highlights of 2018

Q&A

Group Profile

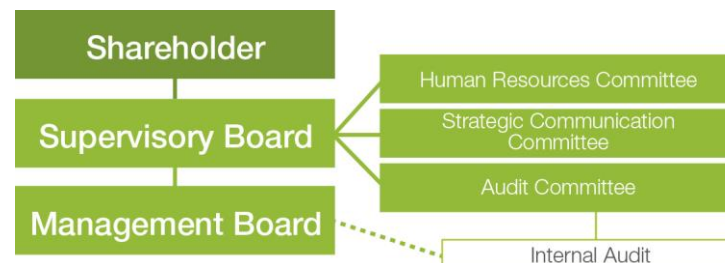
General

- Vertically integrated utility
- Wholly-owned by the Republic of Latvia
- Credit rating: Moody`s – Baa2/stable
- Installed generation capacities:
 - Daugava HPPs – 1,536 MWeI
 - Latvenergo AS CHPPs – 1,025 MWeI; 1,617 MWth
 - Liepaja and small plants – 8 MWeI; 225 MWth
- Length of power lines:
 - Distribution 93.2 thsd. km
 - Transmission 5.2 thsd. km
- Retail customers – 800 thsd.
- 3,508 employees

Segments and Group structure 2018

Segment	Revenues	EBITDA	Latvenergo Group	
Generation and trade – electricity and thermal energy generation and trade – natural gas trade	55%	46%	Latvenergo AS	
			Elektrum Eesti OÜ (EE)	100%
			Elektrum Lietuva UAB (LT)	100%
			Enerģijas publiskais tirgotājs AS	100%
			Liepājas enerģija SIA	51%
Electricity distribution	35%	37%	Sadales tīkls AS	
Lease of transmission system assets	5%	13%	Latvijas elektriskie tīkli AS	
	MEUR	878.0	321.6	

Governance structure of Latvenergo AS



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Group Profile

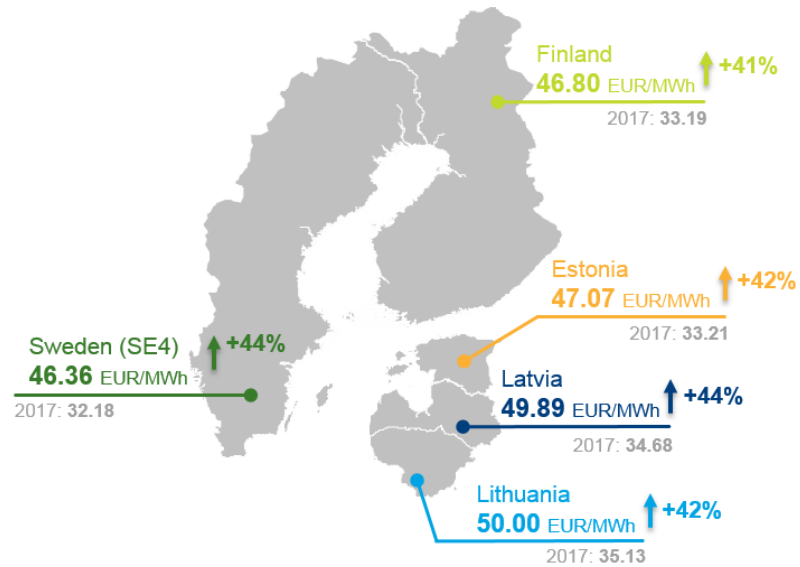
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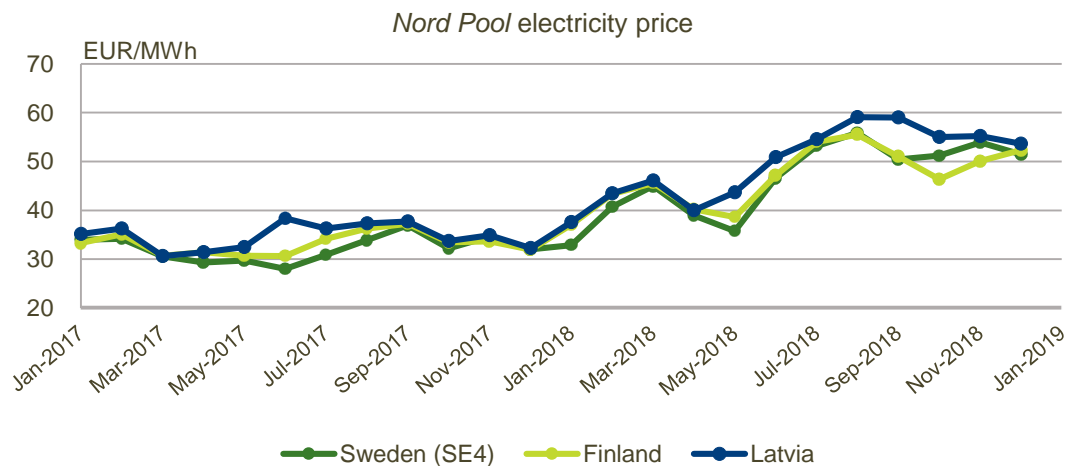
Market Overview



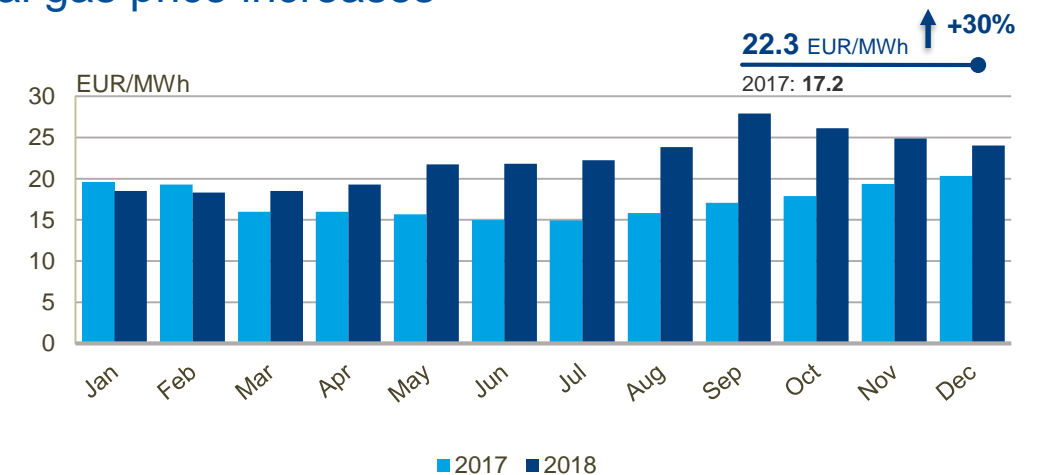
Key highlights 2018

- Electricity prices increased by more than 40% in the region due to:
 - warm and dry weather
 - lower water levels at the Scandinavian hydropower reservoirs
 - lower electricity output at HPPs and WPPs
 - higher prices of energy resources (coal, gas, oil,) and CO2 emission prices

Electricity prices increase



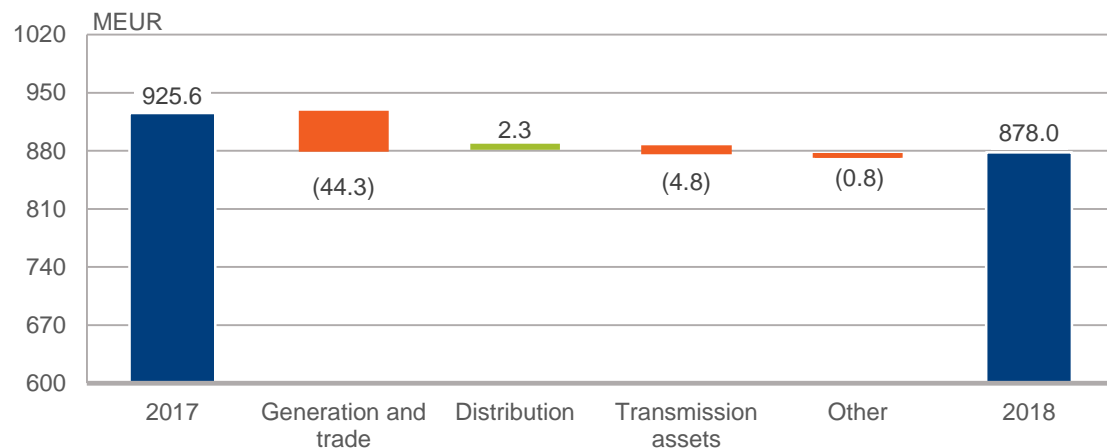
Natural gas price increases*



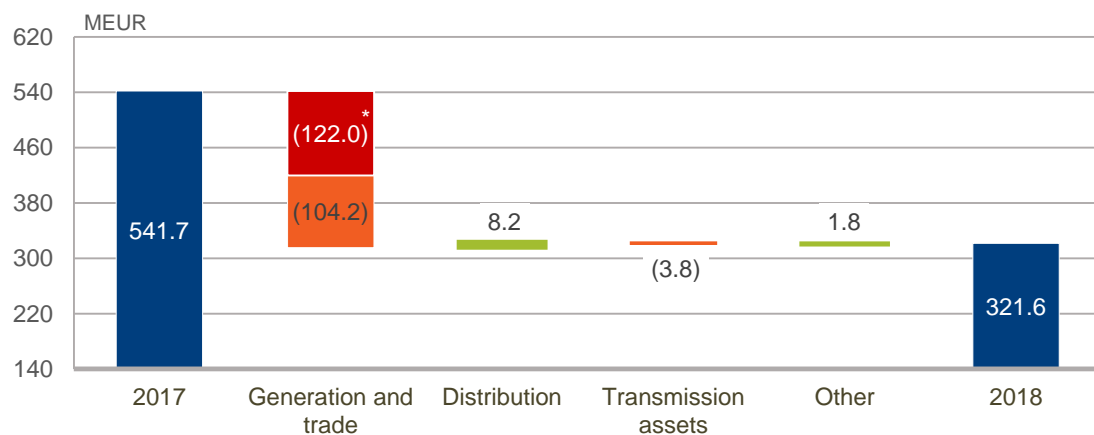
*average price of natural gas at the GASPOOL and TTF trading zones

Revenue and Profitability

Revenue dynamics by segment



EBITDA dynamics by segment

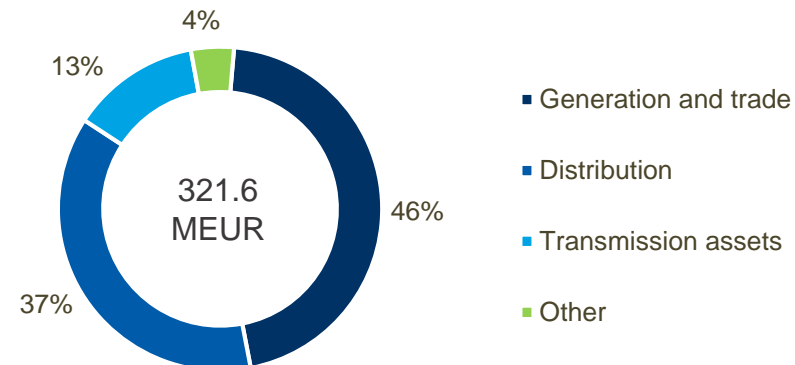


*Latvenergo AS CHPPs' factors

Key highlights 2018

- The results were negatively impacted by:
 - lower revenue from the installed electrical capacity at the Latvenergo AS CHPPs
 - lower compensation for the CHPPs' capacity payments
 - higher electricity and CO2 emission allowances prices
 - 44% lower electricity output at the Daugava HPPs
- Net profit: 76 MEUR (2017: 322 MEUR, from which 149.1 MEUR was deferred tax reversal as a result of the corporate income tax reform)

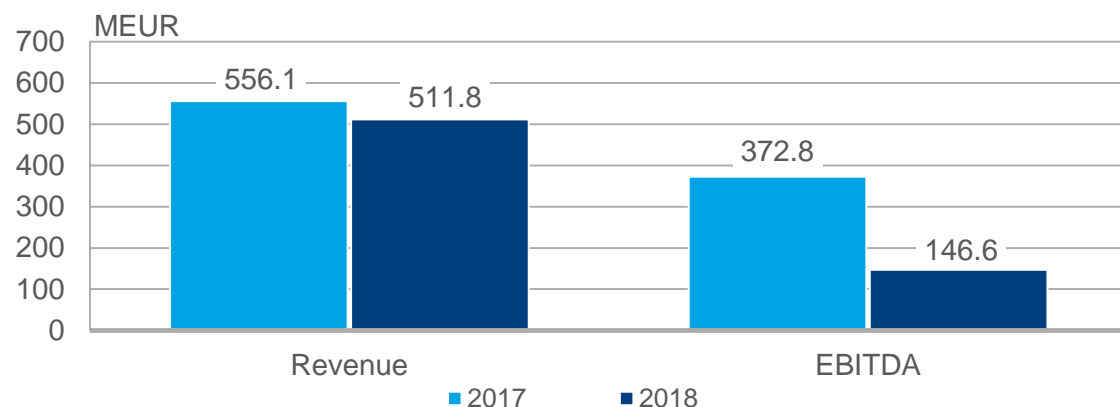
EBITDA weight by segment



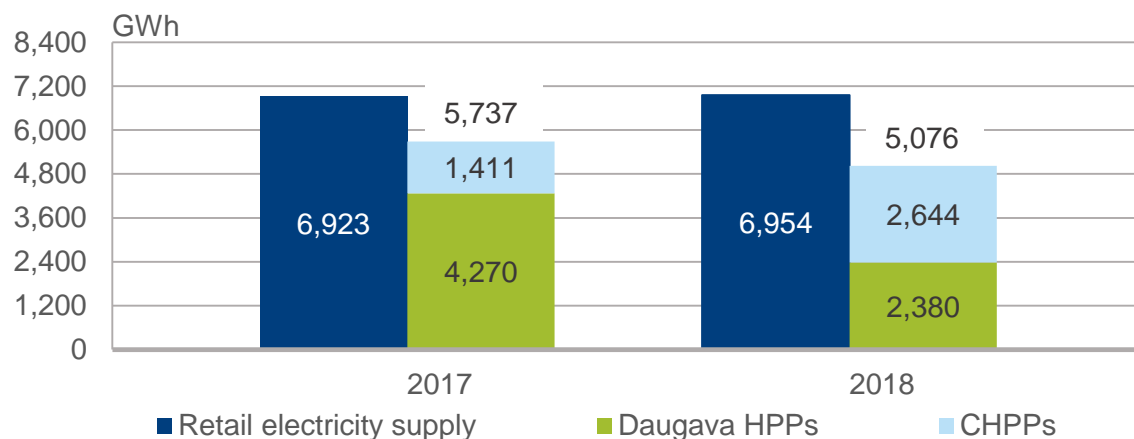
Generation and Trade



Segment revenue and EBITDA



Retail sales and electricity generated



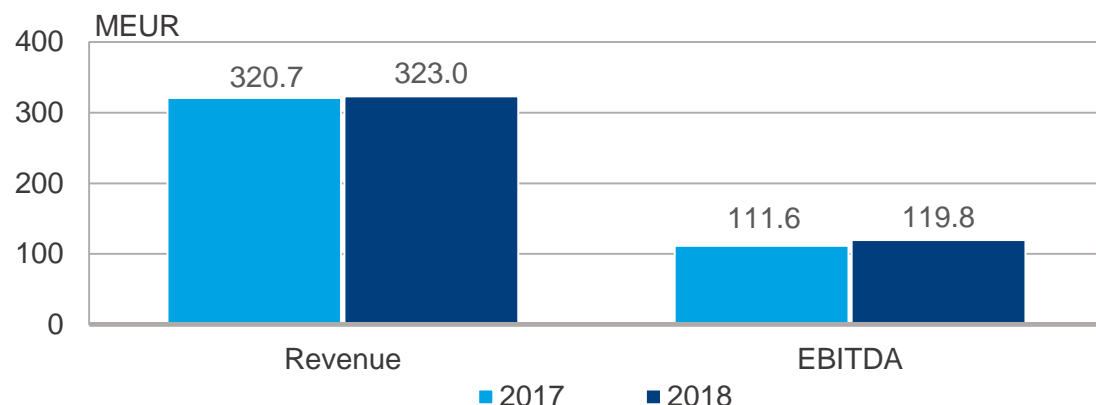
Key highlights 2018

- 87% higher electricity output at the Riga CHPPs
- Total electricity generated – 5,076 GWh (2017: 5,737 GWh)
- Total thermal energy generated – 2,274 GWh (2017: 2,612 GWh)
- Total amount of electricity generated at Latvenergo power plants corresponds to 73% of the amount of electricity sold to retail customers
- Retail electricity supply in the Baltics reached 6,954 GWh, 1/3 of it supplied outside Latvia

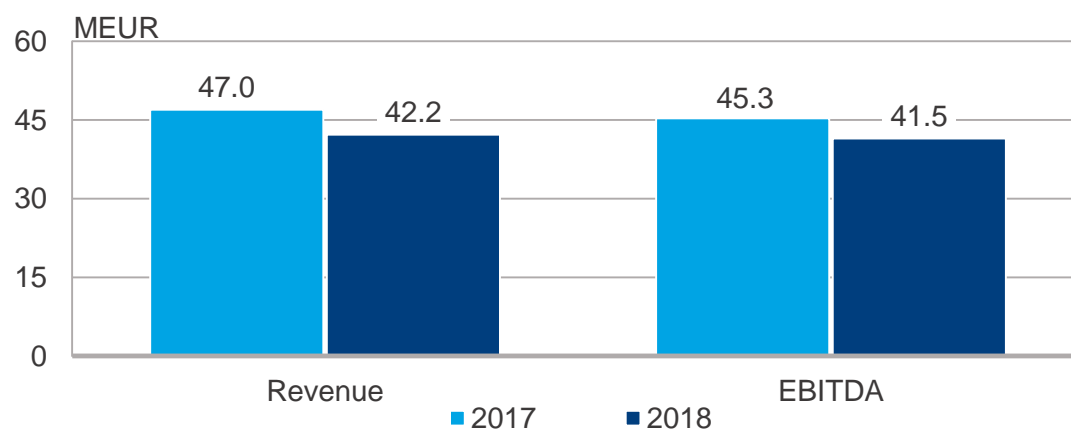
Distribution and Lease of Transmission Assets



Distribution revenue and EBITDA



Transmission revenue and EBITDA



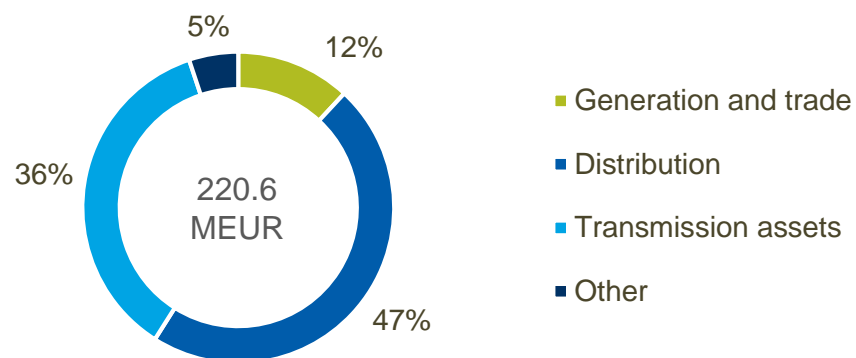
Key highlights 2018

- Electricity distributed: 6,600 GWh (2017: 6,463 GWh)
- Results positively impacted by:
 - 7.2 MEUR lower personnel termination costs associated with the efficiency programme
 - 2% larger volume of distributed electricity
- Results negatively impacted by:
 - higher electricity prices → higher cost of distribution losses
- Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS has been reduced by 20%
- Smart electricity meters installed in the company reaches 544.3 thousand or 1/2 of the total electricity meters
- Actively conducted construction works in the *Kurzeme Ring* project



Investments

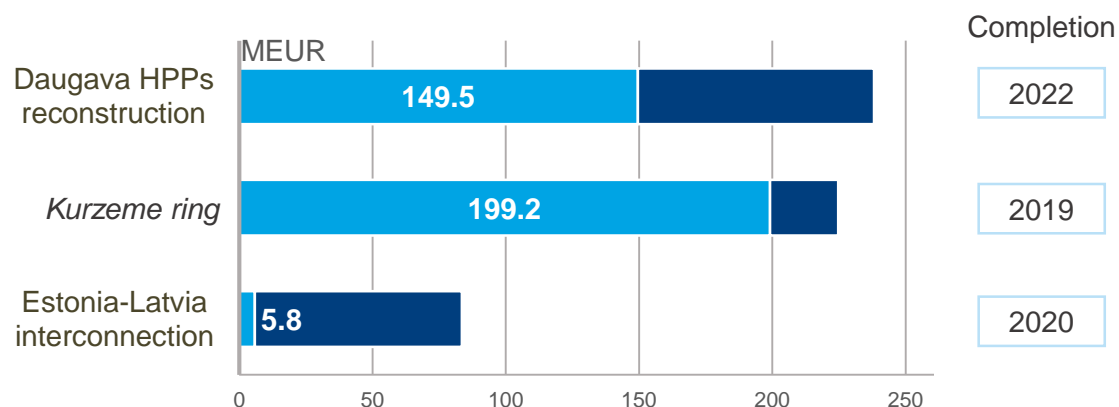
Investment in network assets – 80% of the total



Investments in environmentally friendly projects

- Total investments in 2018 – 220.6 MEUR (2017: 243.8 MEUR) from which:
 - 65 MEUR made in the *Kurzeme Ring* project
 - 21 MEUR made in the Daugava HPPs hydropower unit reconstruction
- Investments in network assets allow to improve the quality of the power network services and technical parameters

Major investment projects



The reconstruction will provide for further 40-year operation of hydropower units

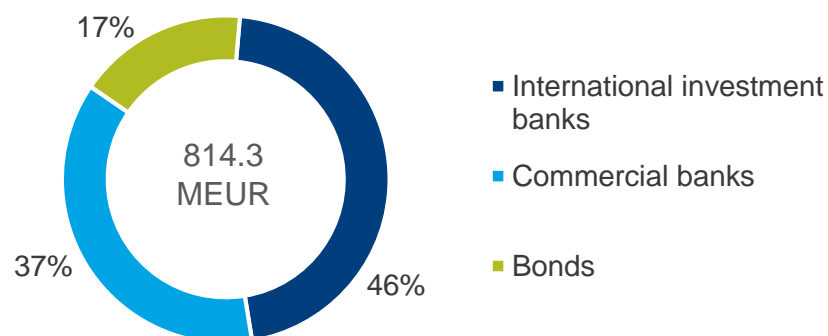
45% EU co-funding for the final stage of the project

EU co-funding – 65%

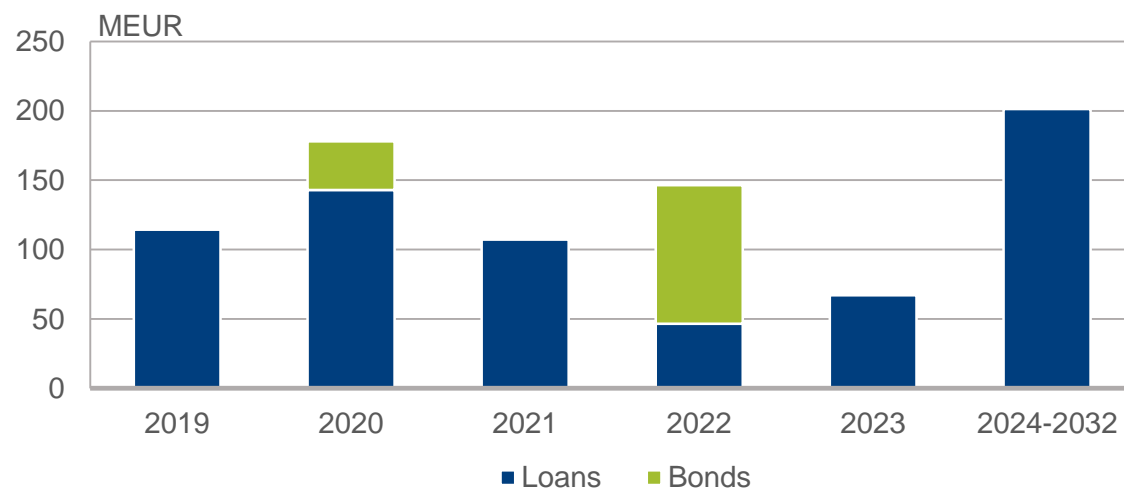
■ Invested until the end of the reporting year ■ Planned until the end of the project

Funding

Debt by source of financing



Debt repayment schedule



Key highlights 2018

- Total borrowings – 814.3 MEUR (2017 – 826.8 MEUR)
 - incl., bonds – 135 MEUR, of which 100 MEUR *green* bonds
- Loans in amount of 240 MEUR attracted from banks
- Moody's credit rating – Baa2 (stable)
- In June Moody's has affirmed the assessment of Latvenergo AS *green* bonds – GB1 (excellent)
- Capital ratio – 61%; all financial covenants have been met

Liquidity

Cash and short term bank deposits with maturity up to 3M	129 MEUR
Committed long-term loans	150 MEUR
Investment in liquid financial assets	17 MEUR
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	296 MEUR

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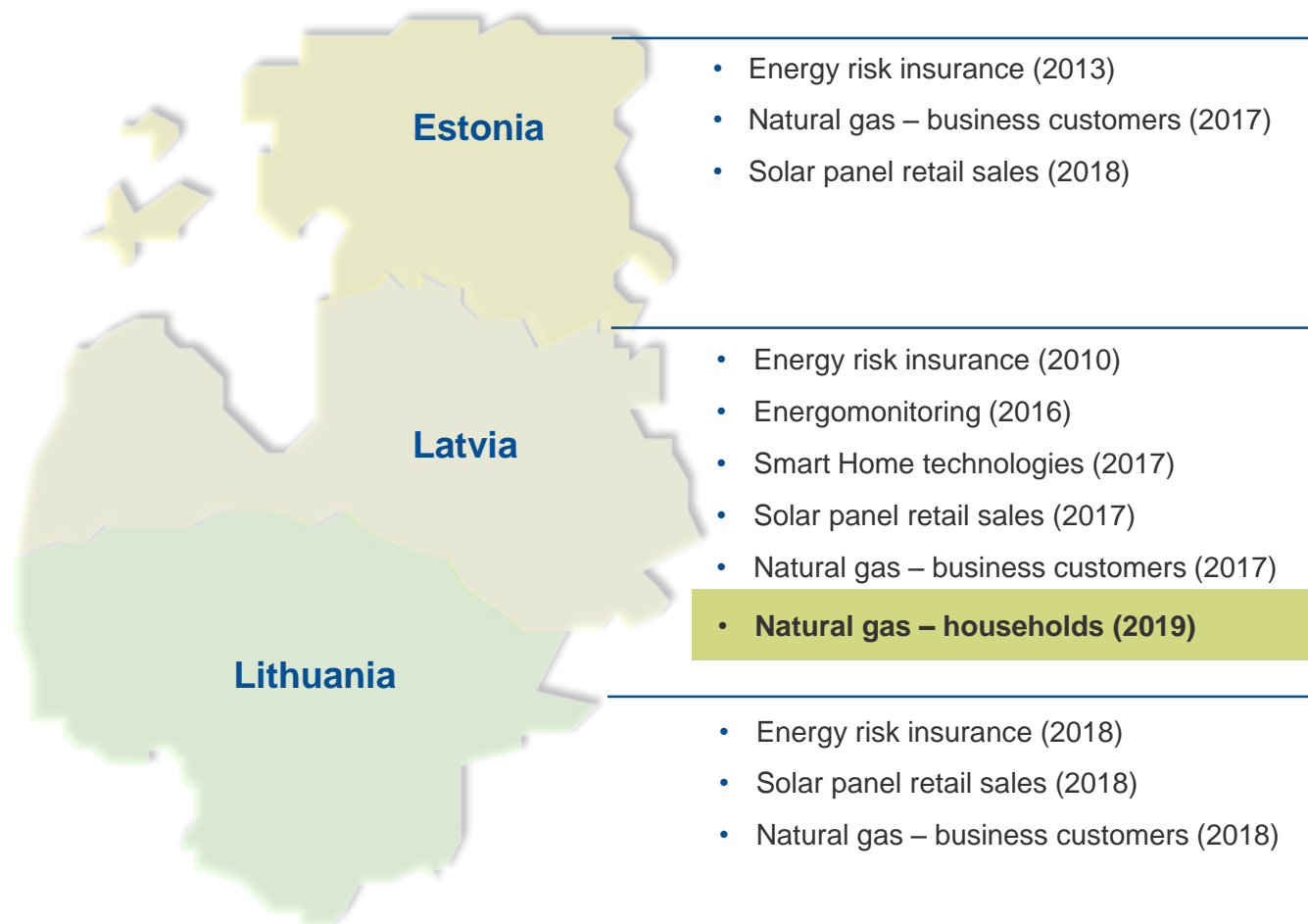
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- Highlights of 2018

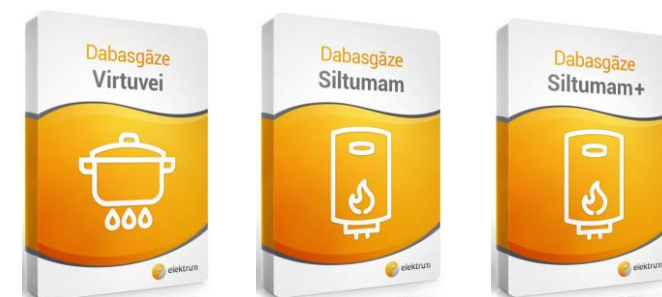
Q&A

elektrum enters Latvian household gas market



Key highlights

- Implementation of Group corporate strategy – diversifying of product offering and revenue streams
- Successful entry in business customer segment of gas market in 2017 (400 companies served as of end of 2018)
- Latvian household gas market:
 - 1.4 TWh (10% from all Latvian gas consumption)
 - 420 000 customers, including 50 000 households using gas for heating
- In February 2019 Elektrum starts selling natural gas to Latvian households



- Well developed customer service, including digital channels and one bill for electricity and gas

Highlights of 2018

Latvenergo Group is the most valuable energy company in the Baltics

Latvenergo contributes to the decrease in the mandatory procurement component



Developing sales in the Baltics

Improving the quality of distribution services: both SAIFI and SAIDI indicators decreased by more than 10%

Latvenergo AS received the Platinum category of the Sustainability Index and the highest overall assessment in the history of its operations



Generated the largest electricity output at CHPPs in the history

Latvenergo organised the first physics festival in Latvia

FIZMIX^{LV}



Digitalizing processes and services

Q&A

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