LATVENERGO CONSOLIDATED AND LATVENERGO AS

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD

ENDING 30 JUNE 2019

Latvenergo Group is the most valuable energy company and one of the largest power supply providers in the Baltics. Latvenergo operates in all energy trade segments in Latvia, Lithuania and Estonia.

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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

29. 11. 2019.

Condensed Consolidated Interim Financial Statements for the 9-Month Period Ending 30 September 2019 (unaudited)

CONTACT DETAILS FOR INVESTOR RELATIONS

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DISCLAIMER

The financial report includes future projections that are subject to risks, uncertainties and other important factors beyond the control of Latvenergo Group; therefore, the actual results in the future may differ materially from those stated or implied in the future projections.

The report has been prepared in Latvian and in English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version shall prevail.

Highlights

Warm, dry weather in Europe and higher CO_2 emission allowance prices affected the rise in electricity prices in the region.

Latvia
46.07 EUR/MWh **+6%**
1H 2018: **43.61**

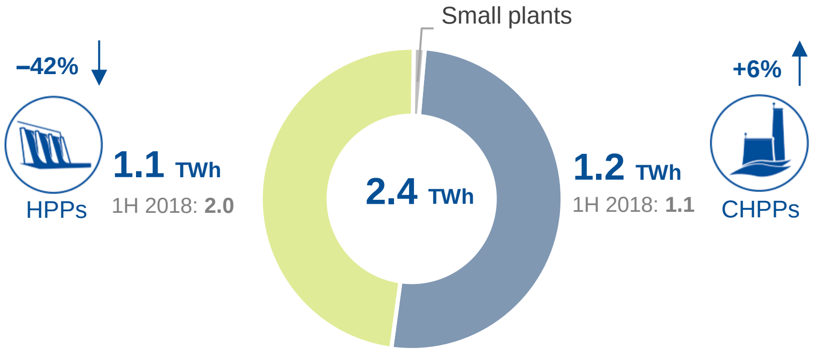
Nord Pool system price
41.22 EUR/MWh **+6%**
1H 2018: **38.82**

The financial results were impacted by lower electricity output at the Daugava HPPs.

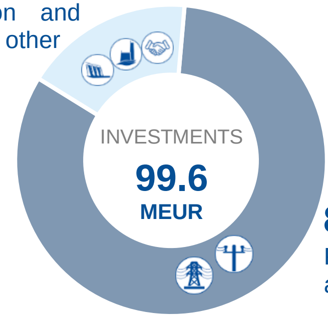
MEUR

451.6	147.0	54.0	3,731.7
REVENUE	EBITDA	PROFIT	ASSETS

The amount of power generated at the Daugava HPPs decreased by 42%, which was impacted by lower water inflow in the river Daugava.



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



Latvenergo **– an energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia.**

3.4 TWh of electricity sold to Baltic retail customers

775 thous.
Electricity customers

143 GWh of natural gas sold to Baltic retail customers

2,200
Natural gas customers

Moody's credit rating for Latvenergo AS has been stable since 2015.

Baa2
MOODY'S

Latvenergo Group in Brief

Latvenergo Group is one of the largest power supply providers in the Baltics operating in electricity and thermal energy generation and trade, natural gas trade, electricity distribution services and lease of transmission system assets.

Latvenergo Group is comprised of the parent company Latvenergo AS and seven 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 three operating segments: generation and trade, distribution and lease of transmission system assets. This division is 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 99% of the territory of Latvia. Distribution system tariffs are approved by the Public Utilities Commission (PUC).

The transmission system asset leasing segment

- conducts the lease of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points) to the transmission system operator. Payments for the lease of transmission system assets are calculated in accordance with the methodology approved by the PUC.

Latvenergo Group in Brief

Latvenergo Group's Strategy

Latvenergo Group's strategy for 2017–2022 provides for:

- strengthening of a sustainable and economically sound market position in core markets (in the Baltics) while considering geographic and / or product / service expansion;
- development of a generation portfolio that fosters synergy with trade and promotes an increase in value for the Group;
- development of a customer-driven, functional, safe and efficient power network.

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

The financial targets are set to ensure:

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

Target group	Ratio	Year 2022
Profitability	Return on equity	> 6%
Capital structure	Net debt to equity	< 50%
	Net debt to EBITDA	< 3 times
Dividend policy	Dividend payout ratio	> 80%

Taking into consideration the development directions of the Group, Latvenergo AS approved the Strategic Development and Efficiency Programme in 2017. The strategic development section is designed with the aim to contribute to the growth of the Group by engaging in new business development directions. Meanwhile, the efficiency section provides for the revision, centralization and digitalization of the Group's processes in order to maintain the Group's profitability in the long term considering the increase in costs due to inflation. The estimated efficiency potential for the Group's EBITDA exceeds EUR 30 million. This is the Group's largest optimization plan in the last decade, and it will allow the Group to increase its value in the long run and to remain competitive in an open market and a changing energy industry.

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		1H 2019	1H 2018	1H 2017	1H 2016	1H 2015
Electricity and natural gas supply, incl.	GWh	4,887	5,305	5,465	5,124	4,985
Retail electricity[2)]	GWh	*3,365*	*3,320*	*3,541*	*3,969*	*3,989*
Retail natural gas	GWh	*143*	*51*	*0*	-	-
Wholesale electricity[3)]	GWh	*1,379*	*1,934*	*1,924*	*1,155*	*997*
Electricity generation	GWh	2,373	3,139	3,147	2,431	1,931
Thermal energy generation	GWh	1,139	1,442	1,574	1,527	1,395
Number of employees		3,478	3,539	4,112	4,187	4,163
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		1H 2019	1H 2018	1H 2017	1H 2016	1H 2015
Revenue	MEUR	451.6	450.2	478.9	476.0	474.1
EBITDA[1)]	MEUR	147.0	187.3	213.1	203.3	177.8
Profit	MEUR	54.0	97.2	97.9	74.6	61.7
Assets	MEUR	3,731.7	3,833.7	3,842.2	3,545.5	3,527.5
Equity	MEUR	2,202.6	2,341.9	2,425.9	2,091.5	2,054.0
Net debt[1)]	MEUR	744.3	611.6	566.8	648.4	703.6
Investments	MEUR	99.6	96.6	92.8	79.6	79.3

Latvenergo Group Financial Ratios

	1H 2019	1H 2018	1H 2017	1H 2016	1H 2015
Net debt / EBITDA[1)]	2.4	1.1	1.5	2.0	2.6
EBITDA margin[1)]	32%	58%	43%	36%	29%
Return on equity (ROE)[1)]	1.4%	13.5%	6.8%	4.7%	2.4%
Return on assets (ROA)[1)]	0.9%	8.4%	4.2%	2.8%	1.4%
Return on capital employed (ROCE)[1)]	1.8%	6.8%	6.2%	4.1%	2.4%
Net debt / equity[1)]	34%	26%	23%	31%	34%

1) Formulas are available on page 22
2) Including operating consumption
3) Including sale of energy purchased within the mandatory procurement on the Nord Pool

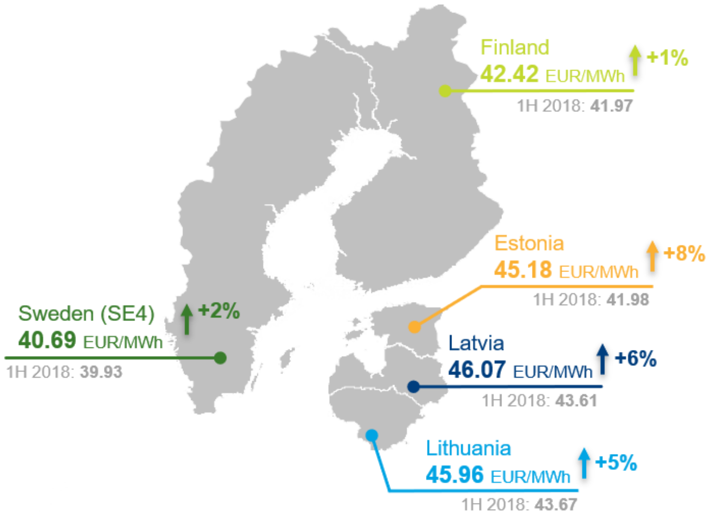
Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In 1H 2019:

- the Nord Pool system price increased by 6% compared to the respective period a year ago. The electricity spot price in Latvia also increased by 6%;
- the price of natural gas at the GASPOOL and TTF trading platforms was on average 19% lower compared to the respective period a year ago.

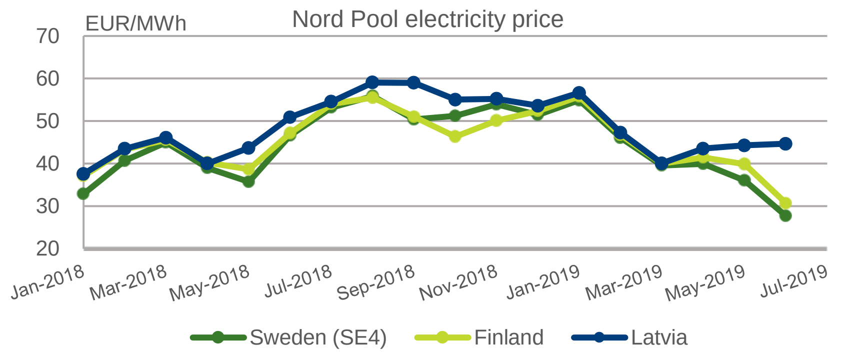
Higher electricity prices

In 1H 2019, electricity prices in the Nordics and the Baltics were higher compared to the respective period a year ago. However, electricity prices started to stabilize in the second quarter, which is related to the normalization of the Nordic hydrobalance.



In the first 6 months of 2019, the weather was the main factor influencing electricity prices in the Nordics. Lower output of hydroelectricity fostered the increase in electricity generation at fossil fuel power stations. Also, higher CO_2 emission allowance prices increased electricity prices. Meanwhile, fluctuating electricity output at wind stations led to fluctuating dynamics in spot prices.

In 1H 2019, the average Nord Pool system price was 41.22 EUR/MWh, which is 6% higher than in the respective period a year ago. The electricity spot price in Latvia was also 6% higher than in the respective period a year ago. Price differences between Latvia and Sweden (SE4) increased by 46% or 1.70 EUR/MWh, reaching 5.38 EUR/MWh, which was affected by lower electricity output in the Baltics. The electricity price difference between Latvia and Estonia reached 0.90 EUR/MWh, while between Latvia and Lithuania it was 0.11 EUR/MWh.

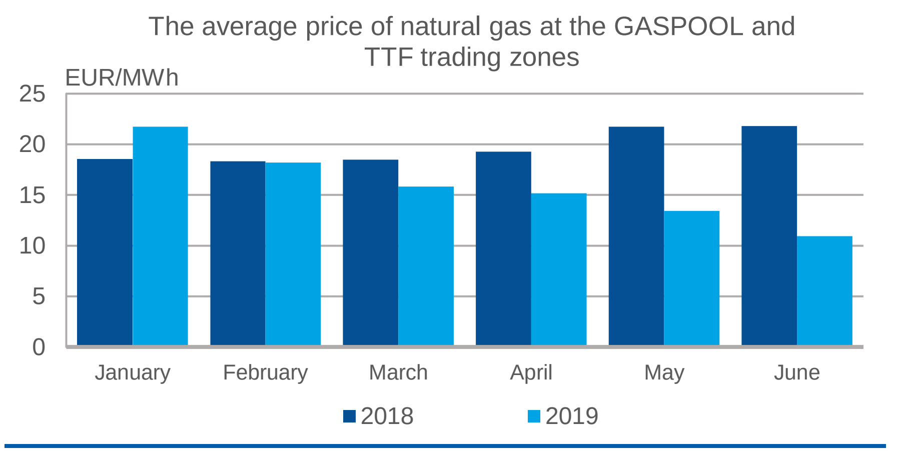


In 1H 2019, total electricity consumption in the Baltics remained at the same level as a year earlier: 14.3 TWh. Electricity consumption decreased by 1% in Latvia and by 2% in Estonia, while in Lithuania it increased by 2%. Electricity output in the Baltics decreased by 22% and amounted to 8.5 TWh. The largest decrease occurred in Estonia (-32%) since electricity output at oil shale plants in Estonia fell significantly due to high emission allowance prices. Due to lower electricity generation, electricity imports from the other Nord Pool areas increased by 73%, reaching 5.5 TWh.

Operating Environment

The natural gas price decreases

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. Since the beginning of the year, there has been a significant decline in the price of natural gas due to the relatively warm winter. As a result, lower natural gas consumption during the heating season maintained a high level of natural gas reserves, leading to lower prices for current supplies. In the first half of 2019 the average price of natural gas at the GASPOOL (Cal 20) and TTF (Cal 20) trading platforms was 19% lower than a year earlier. The average natural gas price was 16.0 EUR/MWh at the GASPOOL trading platform and 15.7 EUR/MWh at the TTF.



The price of natural gas in Latvia is affected by other raw material and CO_2 emission allowance prices:

- The average price of Brent (Front Month) crude oil in 1H 2019 was 66.2 USD/bbl, which was 7% lower than in the respective period a year ago. Starting from 2019 oil output in OPEC and Russia decreased due to the aim to stabilize oil market prices. Record high oil production in the United States limited the rise in oil prices. Oil price trends were influenced by US trade sanctions on Iran and Venezuela.
- In 1H 2019, the average price of coal (API2 Cal 20) decreased by 7% compared to the respective period a year ago, reaching 74.1 USD/t. Coal prices increased due to increased coal storage in Europe and decreased demand in China's coal market.
- The average price of CO_2 emission allowances in 1H 2019 reached 24.3 EUR/t, which is almost twice as high as in the respective period a year ago. CO_2 emission allowance prices increased along with electricity output at fossil fuel power plants. Starting from 2019, the reform of the EU emissions trading system (ETS) came into force, reducing the permits available on the market. Therefore, the price of CO2 allowances during the reporting period was determined by the lower auction volume and higher demand and the United Kingdom's indecision about Brexit as well.

Operating Environment

Dividends

Latvenergo AS dividend payout is regulated by the Law on the Budget of the Republic of Latvia and the law "On the medium-term budgetary framework for 2018, 2019 and 2020". On 8 May 2019, the Shareholders' Meeting of Latvenergo AS approved the Latvenergo Consolidated and Latvenergo AS Annual Report 2018 and passed a decision on paying EUR 132.9 million in dividends to the state. 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 30 June 2019, the Group's asset value exceeds EUR 3.7 billion and its equity amount to EUR 2.2 billion.

On 19 March 2019, the credit rating agency Moody's reconfirmed the credit rating of Latvenergo AS at the Baa2 level with a stable future outlook. The credit rating has been stable for five years in a row.

Unbundling transmission system asset ownership

According to Directive 2009/72/EC, European Union Member States had to choose and introduce one of three models of unbundling transmission system asset ownership as of 3 March 2012:

1) full ownership unbundling;

2) an independent system operator; or

3) an independent transmission operator.

All three models are considered equally effective in terms of both legal framework and market development as they are in line with the fundamental regulatory goal of Directive 2009/72/EC: removing any conflicts of interest between transmission system operators and producers and traders.

An independent system operator model was introduced in Latvia, which, in assessing the impact on the state budget, market development, end consumers and other stakeholders, was chosen as the most optimum to manage in 2011. The existing transmission operator unbundling model was certified by the Public Utilities Commission (PUC).

As a result of the selection of the model, the transmission system assets are invested in Latvijas elektriskie tīkli AS (LET), while LET leases assets to the transmission system operator (Augstsprieguma tīkls AS). The lease payment is calculated according to the methodology set by PUC. Latvijas elektriskie tīkli AS is a subsidiary of Latvenergo AS, which provides monitoring and management of Latvian power transmission network assets as well as fundraising for the maintenance of existing transmission networks and the construction of new ones. In 2018, the revenue of Latvijas elektriskie tīkli AS was EUR 43.3 million, the profit was EUR 13.4 million and the assets at the end of 2018 were EUR 551 million.

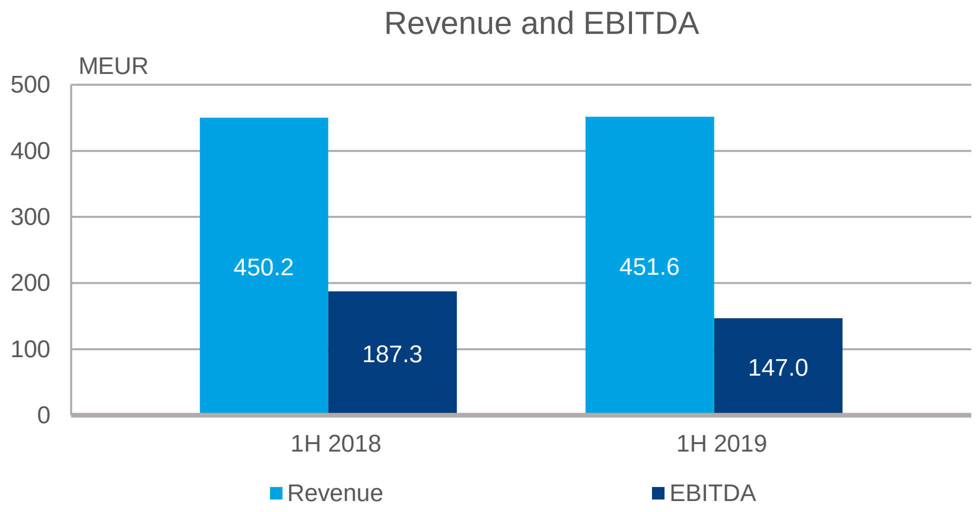
The choice of the most optimum model of unbundling of the transmission system asset ownership is within the competence of the Ministry of Economics and the Cabinet of Ministers. The Ministry of Economics has expressed the view that it is necessary to move towards the introduction of a full ownership unbundling model and to consider the most appropriate way of unbundling. Latvenergo AS will implement, in the most effective way, the necessary steps regarding changes in the unbundling model, if accepted by the relevant institutions.

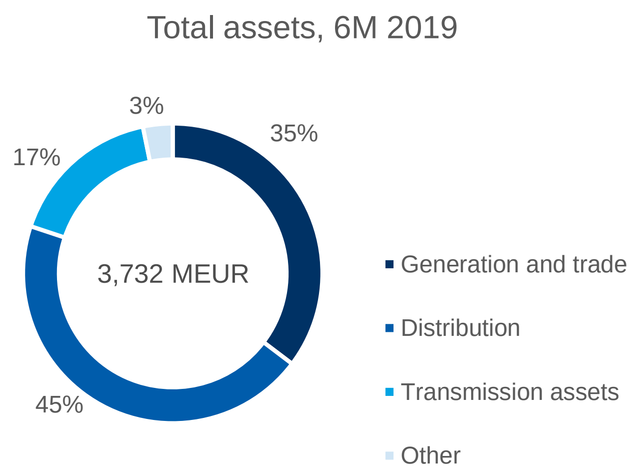
Financial Results

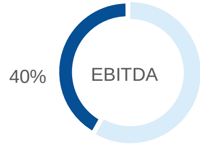
In 1H 2019, Latvenergo Group's revenue remained at the same level as a year earlier and comprised EUR 451.6 million. Meanwhile, EBITDA decreased by 22%, reaching EUR 147.0 million. The Group's results were impacted by 42% or 836 GWh lower electricity output at the Daugava HPPs.

At the end of the reporting period, the Group's net debt to equity was 34% (as of 30 June 2018, it was 26%) and its net debt to EBITDA ratio was 2.4 (as of 30 June 2018, it was 1.1). The capital structure ratios of Latvenergo Group are better than those of many industry benchmark companies.

Latvenergo Group financial figures		1H 2019	1H 2018	Δ	Δ, %
Revenue	MEUR	451.6	450.2	1.4	0%
EBITDA	MEUR	147.0	187.3	(40.3)	(22%)
Net profit	MEUR	54.0	97.2	(43.2)	(44%)
Assets	MEUR	3,731.7	3,833.7	(102.0)	(3%)







Generation and Trade

Segment weight in Latvenergo Group

Revenue
56%

EBITDA
40%

Assets
35%

Employees
26%

Generation and trade is Latvenergo Group's largest operating segment by revenue. In 1H 2019, the majority or 84% of the segment's revenue came from electricity and natural gas trade, while 16% came from thermal energy supply.

The segment's results were impacted mainly by lower electricity output at the Daugava HPPs.

In the reporting period, the total volume of electricity generated at Latvenergo Group's plants amounted to 2,373 GWh, which corresponded to 71% of the amount of electricity sold to retail customers (in the respective period in 2018 it was 95%).

Operational figures	1H 2019	1H 2018	Δ	Δ, %
Electricity and natural gas supply, incl.	4,887	5,305	(418)	(8%)
*Retail electricity**	3,365	3,320	45	1%
Retail natural gas	143	51	92	181%
*Wholesale electricity***	1,379	1,934	(555)	(29%)
Electricity generation	2,373	3,139	(766)	(24%)
Daugava HPPs	1,141	1,977	(836)	(42%)
CHPPs	1,205	1,135	70	6%
Liepaja plants and small plants	27	27	0.1	0%
Thermal energy generation	1,139	1,442	(303)	(21%)
CHPPs	999	1,278	(279)	(22%)
Liepaja plants	140	164	(24)	(14%)

Financial figures		1H 2019	1H 2018	Δ	Δ, %
Revenue	MEUR	269.9	266.2	3.7	1%
EBITDA	MEUR	59.1	100.7	(41.6)	(41%)
Assets	MEUR	1,317.8	1,346.0	(28.2)	(2%)
Investments	MEUR	12.1	13.1	(1.0)	(8%)
EBITDA margin		20.4%	66.3%	(45.9 pp.)	(69%)

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

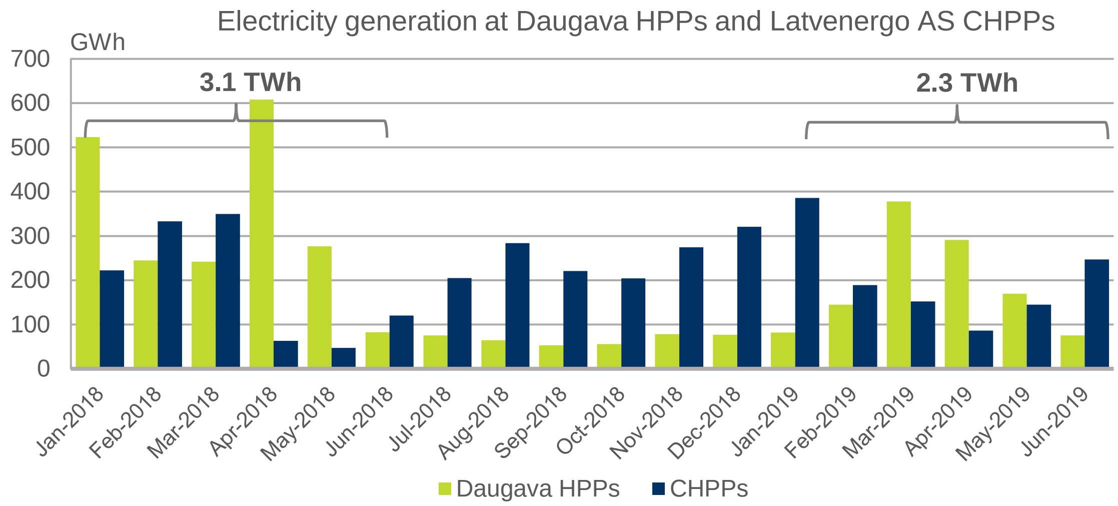
Latvenergo Group's electricity procurement process is targeted at cost optimisation and provides economic benefits to both the Group and its customers. Generation volumes of the Latvenergo AS CHPPs and Daugava HPPs are linked to economically equivalent volumes of customer portfolios, thus achieving cost-effectiveness while excluding internal price risks between sale and purchase transactions. Latvenergo Group's customer portfolio can be made larger than its generation volumes. This is possible by including additional electricity financial instruments in the price risk management and making use of the flexibility of the Group's generation assets, switching strategically between electricity supply sources: the power exchange and the Group's own power plants. In this way, Latvenergo Group manages the profit potential of sales of electricity generated, utilizes possibilities to reduce the procurement costs of electricity necessary for customers, and reduces its exposure to market price fluctuation risks.

Generation and Trade

Generation

In 1H 2019, the total amount generated by Latvenergo Group's power plants comprised 2,373 GWh of electricity and 1,139 GWh of thermal energy.

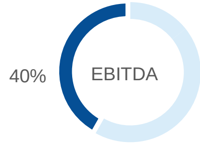
The amount of power generated at the Daugava HPPs decreased by 42% compared to the respective period a year ago, reaching 1,141 GWh. The amount of power generated at the Daugava HPPs was impacted by lower water inflow in the river Daugava compared to the respective period a year ago. According to data from the LEGMC, the average water inflow in the Daugava River in 1H 2019 was only 447 m3/s, while in the respective period a year ago it was 817 m3/s. In 1H 2019, the share of electricity generated from renewable energy sources at Latvenergo Group was 49% (in the respective period in 2018 it was 63%).



The Latvenergo AS CHPPs operated in a market conjuncture by effectively planning operating modes and fuel consumption. In 1H 2019, the amount generated at the CHPPs reached 1,205 GWh, which is 6% more than in the respective period in 2018.

Due to the optimal combination of Latvenergo Group's generation at the CHPPs and Daugava HPPs and the import opportunities from other Nord Pool bidding areas, consumers in the Baltic states benefit from price convergence to the Nordic electricity market price level, which is historically the lowest price region in Europe.

In 1H 2019, the total amount of thermal energy generated by Latvenergo Group decreased by 21% compared to the respective period a year ago. The decrease was impacted by competition and warmer weather conditions during the heating season. Data from the Central Statistical Bureau show that the average air temperature in Riga in 1H 2019 during the heating season was +2.7 C°, whereas in the respective period last year it was +0.5 C°.



Generation and Trade

Trade

In 1H 2019, Latvenergo Group was one of the largest energy trading companies in the Baltics.

> *Latvenergo* – an energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia

In the reporting period, the Group supplied 3,508 GWh of electricity and natural gas to retail customers in the Baltics, which is 4% more than in the respective period in 2018.

The overall amount of retail electricity trade outside Latvia accounted for 1/3 of the total, reaching 1,233 GWh. The electricity trade volume in Latvia was 2,132 GWh, while in Lithuania it was 732 GWh and in Estonia it was 501 GWh.

The total number of electricity customers comprises approximately 775 thousand, including more than 35 thousand foreign customers.

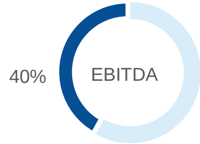
In the reporting period natural gas retail sales amounted to 143 GWh. The amount of natural gas used for both operating consumption and trade reached 3,274 GWh (in the respective period in 2018 it was 3,218 GWh). Currently, Latvenergo Group is the second largest natural gas consumer in the Baltics.

As of 30 June 2019, the natural gas portfolio consists of 618 business customers; meanwhile, the launch of gas trading to households in Latvia in February 2019 increased the natural gas portfolio by more than 1,600 households.

In 1H 2019, the retail activities of other services in the Baltic states continued. The number of *Elektrum Insured* customers continued to increase, reaching more than 53.6 thousand at the end of the reporting period. The number of solar panel contracts reached more than 130 with substantial growth in sales in Lithuania. As of May 2019, in addition to *Elektrum Solar* and *Smart House* products, the *Elektrum* e-shop also offers LED bulbs and electric scooters.

Completed in 1H 2019:

- 3.4 TWh of electricity sold to retail customers
- The amount of natural gas used for both operating consumption and trade reached 3.3 TWh.
- Solar panels installed for 66 customers in the Baltics with a total capacity of 530 kW
- At the end of the reporting period, the total number of *Elektrum Insured* customers exceeded 53,000
- 171 *Smart House devices* installed in Latvia



Generation and Trade

Mandatory procurement

According to the Electricity Market Law, the functions of public trader are performed by Enerģijas publiskais tirgotājs AS.

Mandatory procurement expenditures* are covered through a public service obligation fee (hereinafter – PSO fee) charged to end users in Latvia. The PSO fee is determined on the basis of the actual costs in the preceding year and approved by the PUC.

Operating figures		**1H 2019**	**1H 2018**	**Δ**	**Δ, %**
Mandatory procurement PSO fee income	MEUR	76.1	85.8	(9.7)	(11.3%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	2.2	2.6	(0.4)	(15.4%)
Mandatory procurement expenditures*	MEUR	85.0	84.8	0.2	0.2%
Incl. cogeneration	MEUR	32.3	28.5	3.8	13.3%
Incl. renewable energy resources	MEUR	52.4	56.0	(3.6)	(6.4%)

* 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 the costs of balancing mandatory procurement

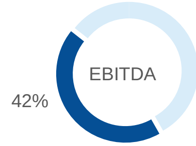
> The average PSO fee has remained unchanged since 1 January 2019

On 28 November 2018, the council of the PUC approved the mandatory procurement public service obligation. Since 1 January 2019, the PSO fee has remained unchanged: 2.268 euro cents/kWh. The average PSO fee has been at this level since 1 July 2018, when it was reduced by 12% on average. Since 2017, the average PSO fee has been reduced by 15%.

In the coming years, according to the law "On the medium-term budgetary framework for 2018, 2019 and 2020", Latvenergo AS dividends will be used as the main funding source for the PSO fee reduction.

In 1H 2019, Enerģijas publiskais tirgotājs AS made payments from the state budget to energy-intensive manufacturing companies in the amount of EUR 2.2 million, thus reducing their MP payments. The decision on reduction of MP expenditures for energy-intensive manufacturing companies was made by the Ministry of Economics of the Republic of Latvia.

In 1H 2019, MP expenditures did not change significantly compared to the respective period a year earlier and comprised EUR 85.0 million.



Distribution

Segment weight in Latvenergo Group

Revenue
34%

EBITDA
42%

Assets
45%

Employees
57%

The distribution segment is Latvenergo Group's largest segment by EBITDA and asset value and the second largest segment by revenue. In 1H 2019, the segment's revenue did not change significantly compared to the respective period a year earlier and comprised EUR 160.7 million, while EBITDA increased by 4%, reaching EUR 62.0 million.

> The distribution segment's asset value exceeds 1.6 billion euros

The segment's results were positively impacted mainly by the EUR 4.3 million decrease in personnel costs compared to the respective period a year ago. This decrease stems from the approved efficiency programme, which was launched in 2017. Currently, Sadales tīkls AS has several efficiency projects, including process reviews and digitalization, installation of smart meters, changes in customer relationship management processes, decreasing transportation units, and optimizing the number of real estate bases. Within the framework of this programme, we are planning to reduce the number of employees at Sadales tīkls AS by around 800 in total by 2022. As of 30 June 2019, the number of employees at Sadales tīkls AS has been reduced by 20% or 500. As of 30 June 2019, the amount of smart electricity meters installed by the company comprises 632.9 thousand, which is more than 1/2 of the total number of electricity meters of customers of Sadales tīkls AS. Considering the expected cost reduction from the efficiency programme, possible changes in distribution system service tariffs are being analyzed.

Operational figures		**1H 2019**	**1H 2018**	**Δ**	**Δ, %**
Electricity distributed	GWh	3,304	3,321	(17)	(1%)
Distribution losses	GWh	144	166	(22)	(13%)

Financial figures		**1H 2019**	**1H 2018**	**Δ**	**Δ, %**
Revenue	MEUR	160.7	162.8	2.1	(1%)
EBITDA	MEUR	62.0	59.5	2.5	4%
Assets	MEUR	1,671.2	1,655.2	16.0	1%
Investments	MEUR	42.2	40.7	1.5	4%
EBITDA margin		38.1%	34.0%	4.1 pp.	12%

However, the segment's results were negatively impacted by a slight decrease in distributed electricity, which was mainly caused by the weather conditions and higher average air temperature.

In 1H 2019, investments in distribution assets increased by 4% and comprised EUR 42.2 million. The value of distribution assets is EUR 1,671.2 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.

Completed in 1H 2019:

- Renewed a total of 370 km of low and medium-voltage power lines
- Restored and constructed 119 transformer substations
- Installed 88,374 smart electricity meters
- Power line routes cleared from shrubs at a length of 1,940 km

Lease of Transmission System Assets

Revenue
4%

EBITDA
14%

Assets
17%

Employees
0.2%

Segment weight in Latvenergo Group

The construction of the *Kurzeme ring* project is proceeding successfully

The revenue of the transmission system asset leasing segment represents 4% of Latvenergo Group's revenue. In 1H 2019, the segment's revenue remained at the same level as a year earlier and comprised EUR 20.7 million, while EBITDA was EUR 20.3 million. Leasing of transmission system assets is a regulated segment. Revenue in this segment is calculated in accordance with the methodology approved by the PUC.

Financial figures		1H 2019	1H 2018	Δ	Δ, %
Revenue	MEUR	20.7	20.6	0.1	1%
EBITDA	MEUR	20.3	20.5	(0.2)	(1%)
Total assets	MEUR	623.1	538.0	85.1	16%
Investments	MEUR	38.5	37.9	0.7	2%

In the reporting period, investment in transmission system assets was in the amount of EUR 38.5 million, which is approximately the same amount as in the respective period a year ago. The largest investment was made in the energy infrastructure project *Kurzeme Ring*. In 1H 2019, EUR 22.3 million was invested in this project (in the respective period in 2018: EUR 32.4 million).

The value of transmission system assets increased to EUR 623.1 million due to the investments.

Investments

In 1H 2019, the total amount of investment increased by 3% compared to the respective period a year ago and comprised EUR 99.6 million.

Investment in power network assets – 82% of the total

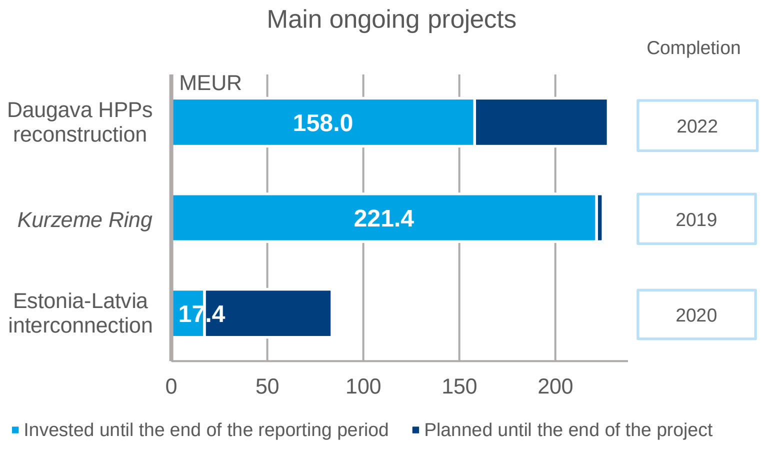
To ensure high-quality power network service, technical parameters and operational safety, a significant amount is invested in the modernization of the power network. In the reporting period, the amount invested in power network assets represented 82% of total investment.

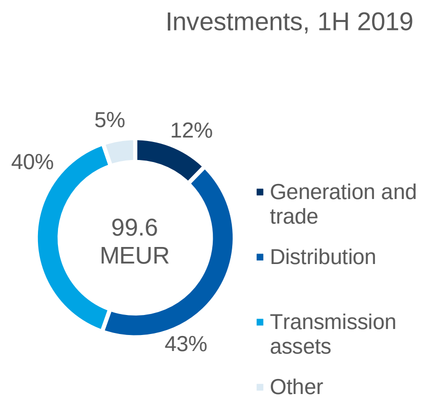
Contributing to environmentally friendly projects, in 1H 2019, EUR 8.5 million was invested in the Daugava HPPs' hydropower unit reconstruction.

Investment projects:

Hydropower unit reconstruction programme for the Daugava HPPs (Reconstruction of the Daugava HPPs)

The programme provides for the reconstruction of 11 hydropower units in order to provide environmentally safe, sustainable and competitive operations and efficient water resource management. As of 30 June 2019, five reconstructed hydropower units have been put into operation within the programme. Latvenergo Group is proceeding with a gradual overhaul of six Daugava HPPs' hydropower units. The programme is scheduled for completion by 2022, with estimated total reconstruction costs exceeding EUR 200 million. As of 30 June 2019, work completed within the scope of the contract reached EUR 158.0 million. Reconstruction will ensure functionality of the hydropower units for another 40 years.





The *Kurzeme Ring* project

The *Kurzeme Ring* project will increase the safety level of power supply in the Kurzeme region and Latvia as a whole, providing an opportunity for more efficient use of the Lithuania-Sweden marine cable *NordBalt* and allowing further integration of the Baltics into the Nordic electricity market.

The *Kurzeme Ring* project is scheduled for completion in 2019, and the total planned project construction costs are less than EUR 230 million. For the final stage of the project, European Union co-funding in the amount of 45% of the construction cost was attracted. In addition to this, the transmission system operator (Augstsprieguma tīkls AS) will allocate congestion management revenue in the amount of EUR 11.5 million to finance the project. In the reporting year, research was completed for all the projects, several 330 kV transmission lines were under construction and rebuilding work was continuing at several substations.

The third Estonia–Latvia power transmission network interconnection

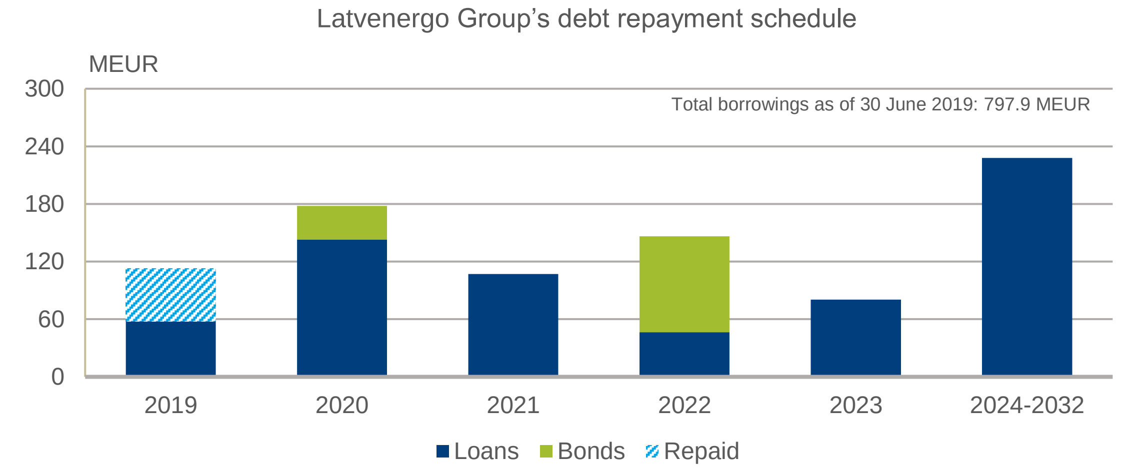
The project is of major significance for the future electricity transmission infrastructure of the whole Baltic region. The construction of the new 330 kV interconnection is scheduled for completion by the end of 2020 and planned construction costs of the project in Latvia are less than EUR 100 million. EU co-funding in the amount of 65% was attracted, and in addition to this, Augstsprieguma tīkls AS will allocate congestion fee revenue in the amount of 31.0 million EUR. In the reporting period, the construction project was under development, and preparations for reconstruction of substations were started. On 16 May 2019, the first poles were erected in Rūjiena Municipality, marking the start of the project's construction.

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.

Diversified sources of funding



As of 30 June 2019, the Group's borrowings amount to EUR 797.9 million (30 June 2018: EUR 798.9 million), comprising loans from commercial banks, international investment banks, and bonds amounting to EUR 135 million, of which EUR 100 million are *green* bonds.

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

As of 30 June 2019, all borrowings are denominated in euro currency. The weighted average repayment period has not changed compared to the respective period a year ago and constitutes 4.0 years. The effective weighted average interest rate (with interest rate swaps) is 1.5% (30 June 2018: 1.4%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 1.9).

As of 30 June 2019, the net borrowings of Latvenergo Group are EUR 744.3 million (30 June 2018: EUR 611.6 million), while the net debt / EBITDA ratio is 2.4 (30 June 2018: 1.1). In 1H 2019, all the binding financial covenants set in Latvenergo Group's loan agreements have been met.

On 19 March 2019, the international credit rating agency Moody's reconfirmed the credit rating for Latvenergo AS: Baa2 with a stable outlook. Moody's credit rating for Latvenergo AS has been stable for five years in a row, confirming the consistency of operations and financial soundness of Latvenergo Group.

Financial Risk Management

The activities of Latvenergo Group are exposed to a variety of financial risks: market risks, credit risk, and liquidity and cash flow risk. Latvenergo Group's Financial Risk Management Policy focuses on eliminating the potential adverse effects from such risks on financial performance. In the framework of financial risk management, Latvenergo Group uses various financial risk controls and hedging to reduce certain risk exposures.

a) Market risks

I) Price risk

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

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

In order to hedge the price risk, the Group enters into long-term fixed price customer contracts, uses electricity financial derivatives and enters into fixed price contracts for natural gas supply. The impact of price risk on generation is hedged gradually – 80%–90% of projected electricity output is sold prior to the upcoming year. Further hedging of risk is limited by the seasonal generation pattern of the Daugava HPPs.

II) Interest rate risk

Latvenergo Group's interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to the risk that finance costs might increase significantly when the reference rate surges. Most of the borrowings from financial institutions have a variable interest rate, comprising 3, 6 or 12-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 2–4 years. Taking into account the effect of interest rate swaps and bonds with a fixed interest rate, 55% of the borrowings had a fixed interest rate with an average period of 2.1 years as of 30 June 2019.

III) Currency risk

Foreign currency exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency other than the functional currency.

As of 30 June 2019, 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 30 June 2019, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 53.6 million (30 June 2018: EUR 187.3 million), while the current ratio was 0.8 (1.6).

The Group continuously monitors cash flow and liquidity forecasts, evaluating the total volume of undrawn borrowing facilities and cash and cash equivalents.

Latvenergo AS Key Performance Indicators

Latvenergo AS operational figures

		1H 2019	1H 2018	1H 2017
Electricity and natural gas supply, incl.	GWh	2,846	3,397	3,330
*Retail electricity***	GWh	2,132	2,236	2,359
Retail natural gas	GWh	138	51	0
*Wholesale electricity****	GWh	577	1,110	971
Electricity generation	GWh	2,348	3,114	3,122
Thermal energy generation	GWh	999	1,281	1,423
Number of employees		1,343	1,375	1,476
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		1H 2019	1H 2018	1H 2017
Revenue	MEUR	224.0	236.2	262.7
EBITDA*	MEUR	61.2	105.9	130.1
Profit	MEUR	81.9	247.7	82.2
Assets	MEUR	3,045.7	3,223.0	3,129.5
Equity	MEUR	1,906.5	2,030.0	2,170.0
Net debt*	MEUR	735.5	602.4	556.9
Investments	MEUR	17.4	20.1	34.7

Latvenergo AS financial ratios

	1H 2019	1H 2018	1H 2017
Return on equity (ROE)*	2.4%	15.1%	6.2%
Net debt / equity*	38%	30%	26%
EBITDA margin*	27%	77%	47%

* Formulas are available on page 22
** Including operating consumption
*** 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 6-Month Period Ending 30 June 2019* , including the Management Report, have been prepared in accordance with the International Financial Reporting Standards and in all material aspects present a true and fair view of the assets, liabilities, financial position and profit and loss of Latvenergo Group and Latvenergo AS. Information provided in the Management Report is accurate.

The *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-Month Period Ending 30 June 2019* were approved by the Management Board of Latvenergo AS on 27 August 2019 and have been signed by Chairman of the Management Board Āris Žīgurs and Member of the Management Board Guntars Baļčūns as authorized persons.

Āris Žīgurs
Chairman of the Management Board

Guntars Baļčūns
Member of the Management Board

27 August 2019

Formulas

In order to ensure an objective and comparable presentation of the financial results, Latvenergo Group and Latvenergo AS use various financial figures and ratios that are derived from the financial statements.

Based on the most commonly used financial figures and ratios in the industry, the Latvenergo Group Strategy for 2017-2022, and the binding financial covenants set in the Group's loan agreements, Latvenergo Group has set and therefore uses the following financial figures and ratios:

- Profitability measures: EBITDA; EBITDA margin; return on assets (ROA); return on equity (ROE); return on capital employed (ROCE);
- Financial leverage measures: net debt; equity-to-asset ratio; net debt / EBITDA; net debt / equity; debt service coverage ratio;
- Liquidity measure: current ratio;
- Dividend policy measure: dividend pay-out ratio.

The definitions and components of the financial figures and ratios are described below.

These financial figures and ratios have not changed since the previous period.

Formulas

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

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

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

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

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

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

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

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

$$\text{Return on capital employed} = \frac{\text{operating profit of the 12-month period}}{\text{average value of equity} + \text{average value of borrowings}} \times 100\%$$

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

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

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

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

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

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

List of Abbreviations

Abbreviations

bbl –	barrel of oil (158.99 litres)
Daugava HPPs –	Daugava hydropower plants
EBITDA –	earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets
kV –	kilovolt
LEGMC –	Latvian Environment, Geology and Meteorology Centre
MEUR –	million euros
MW –	megawatt
MWh –	megawatt hour (1,000,000 MWh = 1,000 GWh = 1 TWh)
MP –	mandatory procurement
nm^3 –	normal cubic meter
OECD –	The Organisation for Economic Co-operation and Development
PSO –	public service obligation
PUC –	Public Utilities Commission
CHPPs –	Latvenergo AS combined heat and power plants
SAIDI –	System Average Interruption Duration Index
SAIFI –	System Average Interruption Frequency Index
SET –	Subsidised Energy Tax
WPP –	Wind power plant

Unaudited Condensed Interim Financial Statements

Statement of Profit or Loss

EUR'000

	Notes	Group 01/01–30/06/2019	Group 01/01–30/06/2018	Parent Company 01/01–30/06/2019	Parent Company 01/01–30/06/2018
Revenue	4	451,592	450,235	223,971	236,245
Other income		15,183	22,911	13,354	21,235
Raw materials and consumables used	5	(243,679)	(203,397)	(135,289)	(108,163)
Personnel expenses		(53,333)	(56,579)	(23,549)	(22,770)
Other operating expenses		(22,228)	(26,436)	(16,751)	(21,114)
EBITDA		**146,985**	**187,275**	**61,159**	**105,863**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	7, 8	(85,289)	(86,139)	(34,742)	(36,812)
Operating profit		**61,696**	**101,136**	**26,417**	**69,051**
Finance income	6	563	576	6,388	6,140
Finance costs	6	(4,707)	(4,400)	(5,765)	(5,081)
Dividends from subsidiaries		–	–	54,858	177,645
Profit before tax		**57,552**	**97,312**	**81,898**	**247,755**
Income tax		(3,528)	(101)	–	(20)
Profit for the period		**54,024**	**97,211**	**81,898**	**247,735**
Profit attributable to:					
- Equity holder of the Parent Company		52,320	95,531	–	–
- Non–controlling interests		1,704	1,680	–	–

Statement of Comprehensive Income

EUR'000

	Notes	Group 01/01–30/06/2019	Group 01/01–30/06/2018	Parent Company 01/01–30/06/2019	Parent Company 01/01–30/06/2018
Profit for the period		**54,024**	**97,211**	**81,898**	**247,735**
Comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:					
- (loss) / gains from change in hedge reserve	14 c	(36,374)	10,583	(36,374)	10,583
Net comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods	14 c	**(36,374)**	**10,583**	**(36,374)**	**10,583**
Comprehensive (loss) / income for the period		**(36,374)**	**10,583**	**(36,374)**	**10,583**
TOTAL comprehensive income for the period		**17,650**	**107,794**	**45,524**	**258,318**
Attributable to:					
- Equity holder of the Parent Company		15,946	106,114	–	–
- Non–controlling interests		1,704	1,680	–	–

Statement of Financial Position

EUR'000

	Notes	Group 30/06/2019	Group 31/12/2018	Parent Company 30/06/2019	Parent Company 31/12/2018
ASSETS					
Non–current assets					
Intangible assets and property, plant and equipment	7	3,322,272	3,316,172	1,133,221	1,156,699
Right–of–use assets	8	7,173	–	3,672	–
Investment property		340	467	61,208	61,796
Non–current financial investments	10	40	40	830,542	830,542
Non–current loans to subsidiaries	16 e	–	–	586,518	595,004
Investments in other financial assets	14 a	16,910	16,935	16,910	16,935
Other non–current receivables	11 b	36,823	30,920	330	331
Total non–current assets		**3,383,558**	**3,364,534**	**2,632,401**	**2,661,307**
Current assets					
Inventories	9	80,578	71,975	66,992	58,410
Receivables from contracts with customers	11 a	97,037	117,955	80,784	81,025
Other current receivables	11 b, c	108,933	84,830	8,121	14,445
Prepayment for income tax		176	11,619	139	10,152
Deferred expenses		3,256	2,598	2,079	1,552
Current loans to subsidiaries	16 e	–	–	198,940	170,811
Derivative financial instruments	14 c	4,516	15,853	4,516	15,853
Cash and cash equivalents	12	53,619	129,455	51,682	127,554
Total current assets		**348,115**	**434,285**	**413,253**	**479,802**
TOTAL ASSETS		**3,731,673**	**3,798,819**	**3,045,654**	**3,141,109**
EQUITY AND LIABILITIES					
Equity					
Share capital		834,883	834,791	834,883	834,791
Reserves		1,084,254	1,125,466	754,713	794,555
Retained earnings		275,572	351,350	316,907	364,477
Equity attributable to equity holder of the Parent Company		**2,194,709**	**2,311,607**	**1,906,503**	**1,993,823**
Non–controlling interests		7,883	8,458	–	–
Total equity		**2,202,592**	**2,320,065**	**1,906,503**	**1,993,823**
Liabilities					
Non–current liabilities					
Borrowings	14 b	605,420	700,028	599,019	690,568
Non–current lease liabilities	8	5,983	–	3,312	–
Provisions		20,389	20,178	8,565	8,625
Deferred income tax liabilities		3,942	12,297	–	–
Derivative financial instruments	14 c	7,648	3,923	7,648	3,923
Deferred income from contracts with customers	15 I, a	141,812	143,494	–	–
Other deferred income	15 I, b, c	308,305	303,519	198,072	210,105
Total non–current liabilities		**1,093,499**	**1,183,439**	**816,616**	**913,221**
Current liabilities					
Borrowings	14 b	192,504	114,315	188,123	111,700
Current lease liabilities	8	1,215	–	373	–
Trade and other payables		170,534	135,008	78,590	92,062
Income tax payable		1	2	–	–
Deferred income from contracts with customers	15 II, a	13,410	13,271	–	–
Other deferred income	15 II, b, c	26,691	26,438	24,222	24,022
Derivative financial instruments	14 c	31,227	6,281	31,227	6,281
Total current liabilities		**435,582**	**295,315**	**322,535**	**234,065**
Total liabilities		**1,529,081**	**1,478,754**	**1,139,151**	**1,147,286**
TOTAL EQUITY AND LIABILITIES		**3,731,673**	**3,798,819**	**3,045,654**	**3,141,109**

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 2017	**1,288,715**	**1,125,728**	**424,406**	**2,838,849**	**8,042**	**2,846,891**	**1,288,715**	**791,681**	**302,242**	**2,382,638**
Implementation effect of IFRS 9 'Financial instruments'	–	–	(290)	**(290)**	–	**(290)**	–	–	(629)	**(629)**
As of 1 January 2018	**1,288,715**	**1,125,728**	**424,116**	**2,838,559**	**8,042**	**2,846,601**	**1,288,715**	**791,681**	**301,613**	**2,382,009**
Decrease of share capital*	(454,413)	–	–	**(454,413)**	–	**(454,413)**	(454,413)	**–**	**–**	**(454,413)**
Increase of share capital**	489	–	–	**489**	–	**489**	489	–	–	**489**
Dividends for 2017	–	–	(156,418)	**(156,418)**	(2,116)	**(158,534)**	–	–	(156,418)	**(156,418)**
Disposal of non–current assets revaluation reserve	–	(2,804)	2,804	**–**	–	**–**	–	(1,798)	1,798	**–**
Total contributions and profit distributions recognised directly in equity	**(453,924)**	**(2,804)**	**(153,614)**	**(610,342)**	**(2,116)**	**(612,458)**	**(453,924)**	**(1,798)**	**(154,620)**	**(610,342)**
Profit for the period	–	–	95,531	**95,531**	1,680	**97,211**	–	–	247,735	**247,735**
Other comprehensive income for the period	–	10,583	–	**10,583**	–	**10,583**	–	10,583	–	**10,583**
Total comprehensive income for the period	**–**	**10,583**	**95,531**	**106,114**	**1,680**	**107,794**	**–**	**10,583**	**247,735**	**258,318**
As of 30 June 2018	**834,791**	**1,133,507**	**366,033**	**2,334,331**	**7,606**	**2,341,937**	**834,791**	**800,466**	**394,728**	**2,029,985**
Disposal of non–current assets revaluation reserve	–	(7,425)	7,425	**–**	–	**–**	–	(4,751)	4,751	**–**
Total contributions and profit distributions recognised directly in equity	**–**	**(7,425)**	**7,425**	**–**	**–**	**–**	**–**	**(4,751)**	**4,751**	**–**
Profit for the period	–	–	(22,108)	**(22,108)**	852	**(21,256)**	–	–	(35,002)	**(35,002)**
Other comprehensive loss for the period	–	(616)	–	**(616)**	–	**(616)**	–	(1,160)	–	**(1,160)**
Total comprehensive income / (loss) for the period	**–**	**(616)**	**(22,108)**	**(22,724)**	**852**	**(21,872)**	**–**	**(1,160)**	**(35,002)**	**(36,162)**
As of 31 December 2018	**834,791**	**1,125,466**	**351,350**	**2,311,607**	**8,458**	**2,320,065**	**834,791**	**794,555**	**364,477**	**1,993,823**
Increase of share capital***	92	–	–	**92**	–	**92**	92	–	–	**92**
Dividends for 2017	–	–	(132,936)	**(132,936)**	(2,279)	**(135,215)**	–	–	(132,936)	**(132,936)**
Disposal of non–current assets revaluation reserve	–	(4,838)	4,838	**–**	**–**	**–**	–	(3,468)	3,468	**–**
Total contributions and profit distributions recognised directly in equity	**92**	**(4,838)**	**(128,098)**	**(132,844)**	**(2,279)**	**(135,123)**	**92**	**(3,468)**	**(129,468)**	**(132,844)**
Profit for the period	–	–	52,320	**52,320**	1,704	**54,024**	–	–	81,898	**81,898**
Other comprehensive loss for the period	–	(36,374)	–	**(36,374)**	–	**(36,374)**	–	(36,374)	–	**(36,374)**
Total comprehensive income / (loss) for the period	**–**	**(36,374)**	**52,320**	**15,946**	**1,704**	**17,650**	**–**	**(36,374)**	**81,898**	**45,524**
As of 30 June 2019	**834,883**	**1,084,254**	**275,572**	**2,194,709**	**7,883**	**2,202,592**	**834,883**	**754,713**	**316,907**	**1,906,503**

* In March 2018 registered decrease of share capital in the amount of EUR 454,413 thousand, related to the trilateral agreement between Republic of Latvia, Latvenergo AS and Enerģijas publiskais tirgotājs AS (public trader) on the decrease of the intensity of support of the future state commitments to Latvenergo AS regarding its cogeneration power plants Riga TEC-1 and Riga TEC-2 (CHPPs) in exchange to a one-off compensation.

** In June 2018, in accordance with the Directive No. 765 of the Cabinet of Ministers of the Republic of Latvia, dated 19 December 2017 – "On the Investment of the State's property units in the Share Capital of Latvenergo AS", real estate in the amount of EUR 489 thousand was invested in the share capital of Latvenergo AS (see Note 7 b).

*** On 28 June 2019 in accordance with the Directive No. 177 of the Cabinet of Ministers of the Republic of Latvia, dated 16 April 2019 – "On the Investment of the State's property units in the Share Capital of Latvenergo AS" real estate in the amount of EUR 92 thousand invested in the share capital of Latvenergo AS and changes regarding increase of share capital registered in the Commercial Register of the Republic of Latvia.

Statement of Cash Flows

EUR'000

	Notes	Group 01/01–30/06/2019	Group 01/01–30/06/2018	Parent Company 01/01–30/06/2019	Parent Company 01/01–30/06/2018
Cash flows from operating activities					
Profit before tax		57,552	97,312	81,898	247,755
Adjustments:					
– Amortisation, depreciation and impairment of non–current assets		83,277	88,587	30,696	37,260
– Net financial adjustments		7,663	3,920	2,902	(950)
– Other adjustments		238	766	(34)	175
– Dividends from subsidiaries		–	–	(54,858)	(177,645)
Operating profit before working capital adjustments		**148,730**	**190,585**	**60,604**	**106,595**
Decrease in current assets		28,427	106,982	36,709	46,233
Decrease in trade and other payables		(2,338)	(12,190)	(22,619)	(19,694)
Impact of non–cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	129,152	167,264
Cash generated from operating activities		**174,819**	**285,377**	**203,846**	**300,398**
Interest paid		(6,192)	(6,274)	(7,266)	(6,948)
Interest received		944	957	944	957
Paid / (repaid) corporate income tax		(456)	(39,294)	10,000	(34,918)
Net cash flows from operating activities		**169,115**	**240,766**	**207,524**	**259,489**
Cash flows from investing activities					
Loans issued to subsidiaries, net		–	–	(148,777)	(158,825)
Purchase of intangible assets and property, plant and equipment		(94,821)	(104,553)	(9,178)	(19,660)
Proceeds from investments in subsidiaries		–	–	21,115	53,378
Proceeds from redemption of other financial investments		25	25	25	25
Net cash flows used in investing activities		**(94,796)**	**(104,528)**	**(136,815)**	**(125,082)**
Cash flows from financing activities					
Proceeds on borrowings from financial institutions		40,000	1,000	40,000	–
Repayment of borrowings	14 b	(54,940)	(27,413)	(53,645)	(26,301)
Dividends paid to non–controlling interests		(2,279)	(2,116)	–	–
Dividends paid to equity holder of the Parent Company		(132,936)	(156,418)	(132,936)	(156,418)
Net cash flows used in financing activities		**(150,155)**	**(184,947)**	**(146,581)**	**(182,719)**
Net decrease in cash and cash equivalents	**12**	**(75,836)**	**(48,709)**	**(75,872)**	**(48,312)**
Cash and cash equivalents at the beginning of the period	12	129,455	236,003	127,554	232,855
Cash and cash equivalents at the end of the period	**12**	**53,619**	**187,294**	**51,682**	**184,543**

Notes to the Unaudited Condensed Interim Financial Statements

1. CORPORATE INFORMATION

All shares of public limited company Latvenergo (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 subsidiary Elektrum Latvija SIA (since 18 September 2012) with 100% interest held;
- Elektrum Lietuva, UAB (since 7 January 2008) with 100% interest held;
- Latvijas elektriskie tīkli AS (since 10 February 2011) with 100% interest held;
- Enerģijas publiskais tirgotājs AS (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, Latvijas elektriskie tīkli AS and Enerģijas publiskais tirgotājs AS 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 of the Group are disclosed in Note 10 'Non–current Financial Investments'.

The Management Board of Latvenergo AS since 16 November 2015 until 1 March 2018 was comprised of the following members: Āris Žīgurs (Chairman of the Board), Uldis Bariss, Māris Kuņickis, Guntars Baļčūns and Guntis Stafeckis. From 1 March 2018 Guntis Stafeckis and from 5 October 2018 Māris Kuņickis does not continue work on the Management Board. Since 25 September 2018 Kaspars Cikmačs has been acting as a member of the Management Board of Latvenergo AS and until the end of the reporting period the Management Board of Latvenergo AS was comprised of the following members: Āris Žīgurs (Chairman of the Board), Uldis Bariss, Guntars Baļčūns and Kaspars Cikmačs.

The Supervisory Board of Latvenergo AS since 16 December 2016 until 19 June 2019 was comprised of the following members: Andris Ozoliņš (Chairman of the Board), Andris Liepiņš (Deputy Chairman), Baiba Anda Rubesa, Mārtiņš Bičevskis and Martin Sedlacky. Since 19 June 2019 until 1 July 2019 the Supervisory Board of Latvenergo AS was comprised of the following members: Pāvels Rebenoks (Chairman of the Board), Renārs Degro (Deputy Chairman), Inese Kublicka, Kristaps Stepanovs and Artūrs Šnoriņš. The process of selection of new candidates for the Supervisory Board of Latvenergo AS is underway.

The Supervisory body – Audit Committee since 3 March 2017 until 19 June 2019 was comprised of the following members: Torben Pedersen (Chairman of the Committee), Svens Dinsdorfs, Andris Ozoliņš, Andris Liepiņš and Marita Salgrāve. Since 19 June 2019 until 1 July 2019 Audit Committee was comprised of the following members: Torben Pedersen, Svens Dinsdorfs, Marita Salgrāve, Renārs Degro and Kristaps Stepanovs. Currently, the Audit Committee is composed of the following members: Torben Pedersen, Svens Dinsdorfs and Marita Salgrāve.

Latvenergo Group Consolidated and Latvenergo AS Annual Report 2018 has been approved on 8 May 2019 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 6–month period ending 30 June 2019 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the period starting on 1 January 2019 and ending on 30 June 2019 and comparative information for the 6–month period starting 1 January 2018 and ending 30 June 2018.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6–month period ending 30 June 2019 were authorised by the Latvenergo AS Management Board on 27 August 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

These Latvenergo Consolidated and Latvenergo AS 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 2018. These policies have been consistently applied to all reporting periods presented in financial statements, unless otherwise stated. Where it is necessary, comparatives are reclassified.

The preparation of the Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from those.

Latvenergo Group and Latvenergo AS has applied IFRS 16 *Leases* in Financial Statements for 2019 with initial application date as of 1 January 2019.

As lessees Latvenergo Group and the Parent Company adopted IFRS 16 by recognising in the Financial Statements the right–of–use assets and lease liabilities. Upon implementation of IFRS 16, Latvenergo Group and the Parent Company made an assessment on the identified right–of–use assets, non–cancellable lease terms and lease payments. Latvenergo Group and the Parent Company use a single accounting model for all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration (see Note 8).

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) measured at fair value through profit or loss and for the revaluation of property, plant and equipment carried at revalued amounts through other comprehensive income as disclosed in accounting policies presented in Latvenergo Group Consolidated and Latvenergo AS Annual Report 2018.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements had been prepared in euros (EUR) currency and all amounts shown in these Financial Statements are presented in thousands of EUR (EUR'000). All figures, unless stated otherwise are rounded to the nearest thousand.

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 three main operating segments – generation and trade, distribution and lease of transmission system assets. The Parent Company divides its operations into one main operating segment – generation and trade.

In addition, corporate functions, that cover administration and other support services, are presented in the Group and the Parent Company as separate segment.

Corporate functions provide management services to subsidiaries as well as provides IT and telecommunication, rental services to external customers.

Generation and trade comprises the Group's electricity and thermal energy generation operations, which are organised into the legal entities: Latvenergo AS and Liepājas enerģija SIA; electricity and natural gas trade (including electricity and natural gas wholesale) in the Baltics carried out by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB, as well as administration of the mandatory procurement process provided by Enerģijas publiskais tirgotājs AS.

The operations of the ***distribution*** operating segment relate to the provision of electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia).

The operations of the ***lease of transmission system*** assets operating segment is managed by Latvijas elektriskie tīkli AS – the owner of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points), which provides financing of investments in these assets.

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	Lease of trans–mission system	Corporate functions	TOTAL segments	Adjust–ments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjust–ments and eliminations	TOTAL Parent Company
Period 01/01–30/06/2019												
Revenue												
External customers	269,206	159,876	19,043	3,467	**451,592**	–	**451,592**	202,905	21,066	**223,971**	–	**223,971**
Inter–segment	716	831	1,674	23,623	**26,844**	(26,844)	**–**	392	12,062	**12,454**	(12,454)	**–**
TOTAL revenue	**269,922**	**160,707**	**20,717**	**27,090**	**478,436**	**(26,844)**	**451,592**	**203,297**	**33,128**	**236,425**	**(12,454)**	**223,971**
Results												
EBITDA	**59,130**	**61,957**	**20,310**	**5,588**	**146,985**	**–**	**146,985**	**51,772**	**9,387**	**61,159**	**–**	**61,159**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(29,149)	(37,955)	(12,415)	(5,770)	**(85,289)**	–	**(85,289)**	(27,319)	(7,423)	**(34,742)**	–	**(34,742)**
Segment profit / (loss) before tax	**29,981**	**24,002**	**7,895**	**(182)**	**61,696**	**(4,144)**	**57,552**	**24,453**	**1,964**	**26,417**	**55,481**	**81,898**
Capital expenditure	12,074	42,223	38,549	5,143	**97,989**	**1,641**	**99,630**	11,634	5,804	**17,438**	**–**	**17,438**
Period 01/01–30/06/2018												
Revenue												
External customers	265,500	161,865	19,245	3,625	**450,235**	–	**450,235**	211,731	24,514	**236,245**	–	**236,245**
Inter–segment	720	900	1,345	23,078	**26,043**	(26,043)	**–**	196	11,460	**11,656**	(11,656)	**–**
TOTAL revenue	**266,220**	**162,765**	**20,590**	**26,703**	**476,278**	**(26,043)**	**450,235**	**211,927**	**35,974**	**247,901**	**(11,656)**	**236,245**
Results												
EBITDA	**100,681**	**59,451**	**20,488**	**6,655**	**187,275**	**–**	**187,275**	**92,864**	**12,999**	**105,863**	**–**	**105,863**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(29,145)	(38,285)	(12,658)	(6,051)	**(86,139)**	–	**(86,139)**	(27,602)	(9,210)	**(36,812)**	–	**(36,812)**
Segment profit / (loss) before tax	**71,536**	**21,166**	**7,830**	**604**	**101,136**	**(3,824)**	**97,312**	**65,262**	**3,789**	**69,051**	**178,704**	**247,755**
Capital expenditure	13,095	40,733	37,868	6,577	**98,273**	(1,668)	**96,605**	12,726	7,408	**20,134**	–	**20,134**

Segment assets

EUR'000

	Group							Parent Company				
	Generation and trade	Distri–bution	Lease of trans–mission system	Corporate functions	TOTAL segments	Adjust–ments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjust–ments and eliminations	TOTAL Parent Company
As of 30 June 2019	1,317,791	1,671,249	623,120	84,463	**3,696,623**	35,050	**3,731,673**	1,194,974	161,433	**1,356,407**	1,689,247	**3,045,654**
As of 31 December 2018	1,329,274	1,669,710	579,327	86,350	**3,664,661**	134,158	**3,798,819**	1,212,681	161,577	**1,374,258**	1,766,851	**3,141,109**

Adjustments and eliminations

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

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

Reconciliation of profit before tax

EUR'000

	Group		Parent Company	
	01/01–30/06/2019	**01/01–30/06/2018**	**01/01–30/06/2019**	**01/01–30/06/2018**
EBITDA	**146,985**	**187,275**	**61,159**	**105,863**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(85,289)	(86,139)	(34,742)	(36,812)
Segment profit before tax	**61,696**	**101,136**	**26,417**	**69,051**
Finance income	563	576	6,388	6,140
Finance costs	(4,707)	(4,400)	(5,765)	(5,081)
Dividends received from subsidiaries	–	–	54,858	177,645
Profit before tax	**57,552**	**97,312**	**81,898**	**247,755**

Reconciliation of assets

EUR'000

	Group		Parent Company	
	30/06/2019	**31/12/2018**	**30/06/2019**	**31/12/2018**
Segment operating assets	**3,696,623**	**3,664,661**	**1,356,407**	**1,374,258**
Connection usage rights	(40,211)	(39,744)	–	–
Non–current financial investments	40	40	830,542	830,542
Loans to subsidiaries	–	–	785,458	765,815
Other financial investments	16,910	16,935	16,910	16,935
Derivative financial instruments	4,516	15,853	4,516	15,853
Prepayment for income and other taxes	176	11,619	139	10,152
Cash and cash equivalents	53,619	129,455	51,682	127,554
TOTAL assets	**3,731,673**	**3,798,819**	**3,045,654**	**3,141,109**

4. REVENUE

EUR'000

	IFRS or IAS applied	Group		Parent Company	
		01/01–30/06/2019	01/01–30/06/2018	01/01–30/06/2019	01/01–30/06/2018
Revenue from contracts with customers recognised over time:					
Trade of energy and related supply services	IFRS 15	221,646	215,205	161,980	169,385
Distribution system services	IFRS 15	150,626	153,034	–	–
Heat sales	IFRS 15	44,419	46,484	37,640	38,934
Other revenue	IFRS 15	15,217	15,424	19,379	20,011
TOTAL revenue from contracts with customers		**431,908**	**430,147**	**218,999**	**228,330**
Other revenue:					
Lease of transmission system assets	IFRS 16 / IAS 17	18,789	18,993	–	–
Lease of other assets	IFRS 16 / IAS 17	641	843	4,972	7,915
Other revenue	IFRS 16 / IAS 17	254	252	–	–
TOTAL other revenue		**19,684**	**20,088**	**4,972**	**7,915**
TOTAL revenue		**451,592**	**450,235**	**223,971**	**236,245**

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

EUR'000

	Group		Parent Company	
	01/01–30/06/2019	01/01–30/06/2018	01/01–30/06/2019	01/01–30/06/2018
Mandatory procurement PSO fees	44,063	53,463	45,683	55,103
Distribution system services	5,671	5,397	99,979	106,018
Transmission system services	758	768	771	789
TOTAL revenue recognised applying agent accounting principle	**50,492**	**59,628**	**146,433**	**161,910**

5. RAW MATERIALS AND CONSUMABLES USED

EUR'000

	Group		Parent Company	
	01/01–30/06/2019	01/01–30/06/2018	01/01–30/06/2019	01/01–30/06/2018
Electricity				
Purchased electricity	88,571	70,327	28,061	22,466
Fair value loss on electricity forwards and futures (Note 14 c, II)	3,634	152	3,634	152
Electricity transmission services costs	35,832	35,558	517	436
	128,037	**106,037**	**32,212**	**23,054**
Energy resources costs	101,488	82,918	97,282	78,828
Raw materials, spare parts and maintenance costs	14,154	14,442	5,795	6,281
TOTAL raw materials and consumables used	**243,679**	**203,397**	**135,289**	**108,163**

6. FINANCE INCOME AND COSTS

EUR'000

	Group		Parent Company	
	01/01–30/06/2019	01/01–30/06/2018	01/01–30/06/2019	01/01–30/06/2018
Finance income:				
Interest income on bank accounts and deposits	7	20	7	20
Interest income on loans to subsidiaries	–	–	5,825	5,564
Interest income from other financial investments	534	534	534	534
Net gain on issued debt securities (bonds)	22	22	22	22
TOTAL finance income	**563**	**576**	**6,388**	**6,140**
Finance costs:				
Interest expense on borrowings	3,346	3,398	4,436	4,092
Interest expense on issued debt securities (bonds)	1,408	1,408	1,408	1,408
Interest expense on assets lease	56	–	29	–
Capitalised borrowing costs	(213)	(484)	(213)	(484)
Net losses on redemption of other financial investments	25	25	25	25
Net losses from currency exchange rate fluctuations	27	1	27	1
Other finance costs	58	52	53	39
TOTAL finance costs	**4,707**	**4,400**	**5,765**	**5,081**

7. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

a) *Intangible assets*

EUR'000

	Group			Parent Company		
	01/01–30/06/2019	01/01–30/06/2018	2018	01/01–30/06/2019	01/01–30/06/2018	2018
Net book amount at the beginning of the period	**19,079**	**13,413**	**13,413**	**22,813**	**17,461**	**17,461**
Additions	2,505	1017	20,518	2,497	996	20,352
Transfers	–	–	(80)	–	–	(551)
Disposals	(8,018)	(72)	(11,066)	(8,243)	(294)	(11,066)
Amortisation charge	(1,691)	(1,751)	(3,706)	(1,509)	(1,593)	(3,383)
Closing net book amount at the end of the period	**11,875**	**12,607**	**19,079**	**15,558**	**16,570**	**22,813**

b) *Property, plant and equipment*

EUR'000

	Group			Parent Company		
	01/01–30/06/2019	01/01–30/06/2018	2018	01/01–30/06/2019	01/01–30/06/2018	2018
Net book amount at the beginning of the period	**3,297,093**	**3,308,985**	**3,308,985**	**1,133,886**	**1,231,454**	**1,231,454**
Additions	98,864	95,112	217,389	16,680	18,175	38,300
Invested in share capital	–	489	489	–	489	489
Reclassified to investment property	(135)	(61)	(44)	(849)	(428)	(2,374)
Disposals	(2,453)	(2,522)	(7,612)	(171)	(286)	(14,010)
Impairment charge	10,148	9,599	(33,441)	10,022	9,656	(33,254)
Depreciation	(93,120)	(93,987)	(188,673)	(41,905)	(43,403)	(86,719)
Closing net book amount at the end of the period	**3,310,397**	**3,317,615**	**3,297,093**	**1,117,663**	**1,215,657**	**1,133,886**

8. LEASES

EUR'000

	Group	Parent Company
	01/01–30/06/2019	01/01–30/06/2019
Right–of–use assets		
Net book amount at the beginning of the period	**–**	**–**
Initial recognition value as of 1 January 2019	8,147	3,870
Recognised changes in lease agreements	(347)	–
Depreciation recognised in the Statement of Profit or Loss	(627)	(198)
Closing net book amount at the end of the period	**7,173**	**3,672**
Lease liabilities		
Net book amount at the beginning of the period	**–**	**–**
Initial recognition value as of 1 January 2019	8,147	3,870
Recognised changes in lease agreements	(347)	
Decrease of lease liabilities	(658)	(214)
Recognised interest liabilities (Note 6)	56	29
Closing net book amount at the end of the period	**7,198**	**3,685**
incl.		
– current lease liabilities	*5,983*	*3,312*
– non–current lease liabilities	*1,215*	*373*

9. INVENTORIES

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Raw materials and materials	15,303	14,865	1,269	1,286
Natural gas	49,091	49,757	49,091	49,757
Other inventories	8,199	8,292	8,068	8,070
Prepayments for inventories	9,396	198	9,327	33
Allowance for raw materials and other inventories	(1,411)	(1,137)	(763)	(736)
TOTAL inventories	**80,578**	**71,975**	**66,992**	**58,410**

Movement on the allowance for inventories:

EUR'000

	Group			Parent Company		
	01/01–30/06/2019	01/01–30/06/2018	2018	01/01–30/06/2019	01/01–30/06/2018	2018
At the beginning of the period	**1,137**	**1,494**	**1,494**	**736**	**992**	**992**
Inventories written off	–	–	(287)	–	–	(260)
Charged to the Statement of Profit or Loss	274	(92)	(70)	27	(13)	4
At the end of the period	**1,411**	**1,402**	**1,137**	**763**	**979**	**736**

10. NON–CURRENT FINANCIAL INVESTMENTS

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

Name of the company	Country of incorporation	Business activity held	30/06/2019 Interest held, %	30/06/2019 EUR'000	31/12/2018 Interest held, %	31/12/2018 EUR'000
Investments in subsidiaries:						
Latvijas elektriskie tīkli AS	Latvia	Lease of transmission system assets	100%	185,624	100%	185,624
Sadales tīkls AS	Latvia	Electricity distribution	100%	641,150	100%	641,150
Enerģijas publiskais tirgotājs AS	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				**830,503**		**830,503**
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**

The Group's non–current financial investments:

Name of the company	Country of incorporation	Business activity held	30/06/2019 Interest held, %	30/06/2019 EUR'000	31/12/2018 Interest held, %	31/12/2018 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 all risks and benefits arising from associate's activities will accrue to the employees who are members of the pension plan.

11. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS AND OTHER RECEIVABLES

a) Receivables from contracts with customers, net

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

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Individually assessed receivables with lifetime ECL assessment (counterparty model)	6,088	7,051	19,393	7,915
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	90,949	110,904	61,391	73,110
TOTAL receivables from contracts with customers	**97,037**	**117,955**	**80,784**	**81,025**

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers	131,353	138,308	102,238	102,154
– Heating customers	1,491	14,715	1,127	11,955
– Other receivables from contracts with customers (portfolio model)	5,860	5,675	1,988	3,331
– Other receivables from contracts with customers (counterparty model)	6,097	7,060	4,956	3,203
– Subsidiaries (Note 16 b)	–	–	14,454	4,719
	144,801	**165,758**	**124,763**	**125,362**
Provisions for impaired receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers	(44,524)	(44,953)	(43,582)	(43,968)
– Heating customers	(317)	(342)	(308)	(334)
– Other receivables from contracts with customers (portfolio model)	(2,914)	(2,499)	(72)	(28)
– Other receivables from contracts with customers (counterparty model)	(9)	(9)	(7)	(4)
– Subsidiaries (Note 16 b)	–	–	(10)	(3)
	(47,764)	**(47,803)**	**(43,979)**	**(44,337)**
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers	86,829	93,355	58,656	58,186
– Heating customers	1,174	14,373	819	11,621
– Other receivables from contracts with customers (portfolio model)	2,946	3,176	1,916	3,303
– Other receivables from contracts with customers (counterparty model)	6,088	7,051	4,949	3,199
– Subsidiaries (Note 16 b)	–	–	14,444	4,716
	97,037	**117,955**	**80,784**	**81,025**

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

EUR'000

	Group			Parent Company		
	01/01–30/06/2019	01/01–30/06/2018	2018	01/01–30/06/2019	01/01–30/06/2018	2018
At the beginning of the period	**47,803**	**48,862**	**48,862**	**44,337**	**44,868**	**44,868**
Effect of IFRS 9 'Financial instruments' adoption	–	122	122	–	115	115
Receivables written off during the period as uncollectible	(1,082)	(655)	(2,549)	(1,059)	(619)	(2,074)
Allowance for impaired receivables	1,043	(134)	1,368	701	19	1,428
At the end of the period	**47,764**	**48,195**	**47,803**	**43,979**	**44,383**	**44,337**

b) Other financial receivables

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Other non–current receivables	36,884	30,960	330	331
Loss allowances for expected credit loss	(61)	(40)	–	–
TOTAL non–current financial receivables	**36,823**	**30,920**	**330**	**331**
Current financial receivables:				
Unsettled revenue on mandatory procurement PSO fee recognised as assets*	85,603	74,497	–	–
Receivables for lease	7,565	7,646	–	49
Receivables for lease from subsidiaries (Note 16 b)	–	–	–	1,061
Other financial receivables from subsidiaries (Note 16 b)	–	–	1,351	6,745
Other accrued income from subsidiaries (Note 16 c)	–	–	1,692	4,358
Other accrued income	469	872	469	883
Other current financial receivables	13,672	4,146	3,035	2,930
Loss allowances for expected credit loss on subsidiaries receivables (Note 16 b)	–	–	–	(6)
Loss allowances for expected credit loss	(2,016)	(2,548)	(2,094)	(1,787)
TOTAL current financial receivables	**105,293**	**84,613**	**4,453**	**14,233**
TOTAL other financial receivables	**142,116**	**115,533**	**4,783**	**14,564**

* unsettled revenue on mandatory procurement PSO fee is recognised as assets in net amount, by applying agent principle, as difference between revenue from sale of electricity in Nord Pool power exchange by market price, received mandatory procurement PSO fees, received government grant for compensating the increase of mandatory procurement costs and costs of purchased electricity under the mandatory procurement from electricity generators who generate electricity in efficient cogeneration process or using renewable energy sources, as well as guaranteed fees for installed electrical capacity in cogeneration plants (over 4 MW)

c) Other non–financial receivables

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Current non–financial receivables:				
Pre–tax and overpaid taxes	3,390	108	3,373	105
Other current receivables	250	109	295	107
TOTAL current non–financial receivables	**3,640**	**217**	**3,668**	**212**

12. CASH AND CASH EQUIVALENTS

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Cash at bank	49,125	95,094	47,188	93,193
Short–term bank deposits	–	30,000	–	30,000
Restricted cash and cash equivalents*	4,494	4,361	4,494	4,361
TOTAL cash and cash equivalents	**53,619**	**129,455**	**51,682**	**127,554**

* Restricted cash and cash equivalents consist of the financial security for participating in NASDAQ OMX Commodities Exchange. Financial security is fully recoverable after termination of participation without any penalties, therefore restricted cash is considered as cash equivalent.

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 2017	**1,130,398**	**(3,987)**	**(793)**	**110**	**1,125,728**	**795,893**	**(3,987)**	**(225)**	**791,681**
Disposal of non–current assets revaluation reserve	(2,804)	–	–	–	**(2,804)**	(1,798)	–	–	**(1,798)**
Gains from fair value changes of derivative financial instruments	–	10,583	–	–	**10,583**	–	10,583	–	**10,583**
As of 30 June 2018	**1,127,594**	**6,596**	**(793)**	**110**	**1,133,507**	**794,095**	**6,596**	**(225)**	**800,466**
Disposal of non–current assets revaluation reserve	(7,425)	–	–	–	**(7,425)**	(4,751)	–	–	**(4,751)**
Gains/(losses) on re–measurement of defined post–employment benefit plan	–	–	436	–	**436**	–	–	(108)	**(108)**
Losses from fair value changes of derivative financial instruments	–	(1,052)	–	–	**(1,052)**	–	(1,052)	–	**(1,052)**
As of 31 December 2018	**1,120,169**	**5,544**	**(357)**	**110**	**1,125,466**	**789,344**	**5,544**	**(333)**	**794,555**
Disposal of non–current assets revaluation reserve	(4,838)	–	–	–	**(4,838)**	(3,468)	–	–	**(3,468)**
Losses from fair value changes of derivative financial instruments	–	(36,374)	–	–	**(36,374)**	–	(36,374)	–	**(36,374)**
As of 30 June 2019	**1,115,331**	**(30,830)**	**(357)**	**110**	**1,084,254**	**785,876**	**(30,830)**	**(333)**	**754,713**

14. FINANCIAL ASSETS AND LIABILITIES

a) Other financial investments

As of 30 June 2019 the entire Group's and the Parent Company's other financial investments till the adoption of IFRS 9 "Financial instruments" classified as held–to–maturity financial assets were non–current Latvian State Treasury bonds with 5–year and 10–year maturity, which were purchased with the purpose to invest liquidity reserve in the low risk financial instruments with higher yield.

All other financial investments are denominated in euros. The maximum exposure to credit risk at the reporting date is the carrying amount of other financial investments.

Carrying (amortised) amount of other financial investments:

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Financial investments in Latvian State Treasury bonds – non–current	16,910	16,935	16,910	16,935
TOTAL other financial investments	**16,910**	**16,935**	**16,910**	**16,935**

b) Borrowings

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Non-current borrowings from financial institutions	505,125	564,711	498,724	555,251
Issued debt securities (bonds)	100,295	135,317	100,295	135,317
Total non-current borrowings	**605,420**	**700,028**	**599,019**	**690,568**
Current portion of non-current borrowings from financial institutions	156,748	112,102	152,393	109,512
Issued debt securities (bonds)	35,000	–	35,000	–
Accrued interest on non-current borrowings	544	529	518	504
Accrued coupon interest on issued debt securities (bonds)	212	1,684	212	1,684
Total current borrowings	**192,504**	**114,315**	**188,123**	**111,700**
TOTAL borrowings	**797,924**	**814,343**	**787,142**	**802,268**

Movement in borrowings

EUR'000

	Group			Parent Company		
	01/01–30/06/2019	01/01–30/06/2018	2018	01/01–30/06/2019	01/01–30/06/2018	2018
At the beginning of the period	**814,343**	**826,757**	**826,757**	**802,268**	**814,772**	**814,772**
Borrowings received	40,000	1000	93,500	40,000	–	90,000
Borrowing repaid	(54,940)	(27,413)	(105,931)	(53,645)	(26,301)	(102,522)
Change in accrued interest on borrowings	(1,457)	(1,469)	61	(1,459)	(1,464)	62
Changes in outstanding value of issued debt securities (bonds)	(22)	(22)	(44)	(22)	(22)	(44)
At the end of the period	**797,924**	**798,853**	**814,343**	**787,142**	**786,985**	**802,268**

c) Derivative financial instruments

I) Interest rate swaps

All contracts are designed as cash flow hedges. It was established that they are fully effective and therefore there is no ineffective portion to be recognised within profit or loss in the Group's and the Parent Company's Statement of Profit or Loss.

Fair value changes of interest rate swaps:

EUR'000

	Group						Parent Company					
	01/01–30/06/2019		01/01–30/06/2018		2018		01/01–30/06/2019		01/01–30/06/2018		2018	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**–**	**(7,375)**	**31**	**(8,061)**	**31**	**(8,061)**	**–**	**(7,375)**	**31**	**(8,061)**	**31**	**(8,061)**
Included in Statement of Comprehensive Income (Note 13)	–	(3,754)	(31)	590	(31)	686	–	(3,754)	(31)	590	(31)	686
Outstanding fair value at the end of the period	**–**	**(11,129)**	**–**	**(7,471)**	**–**	**(7,375)**	**–**	**(11,129)**	**–**	**(7,471)**	**–**	**(7,375)**

II) Electricity forwards and futures

Latvenergo AS enters into electricity future contracts in the Nasdaq Commodities power exchange, as well as concludes electricity forward contracts with other counterparties.

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 (Note 13).

Fair value changes of electricity forward and future contracts:

EUR'000

	Group						Parent Company					
	01/01–30/06/2019		01/01–30/06/2018		2018		01/01–30/06/2019		01/01–30/06/2018		2018	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**15,853**	**–**	**4,588**	**(23)**	**4,588**	**(23)**	**15,853**	**–**	**4,588**	**(23)**	**4,588**	**(23)**
Included in Statement of Profit or Loss (Note 5)	(105)	(3,529)	(174)	23	(440)	23	(105)	(3,529)	(174)	23	(440)	23
Included in Statement of Comprehensive Income (Note 13)	(14,868)	–	10,024	–	11,705	–	(14,868)	–	10,024	–	11,705	–
Outstanding fair value at the end of the period	**880**	**(3,529)**	**14,438**	**–**	**15,853**	**–**	**880**	**(3,529)**	**14,438**	**–**	**15,853**	**–**

III) Natural gas forwards

Fair value changes of natural gas forward contracts:

EUR'000

	Group						Parent Company					
	01/01–30/06/2019		01/01–30/06/2018		2018		01/01–30/06/2019		01/01–30/06/2018		2018	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**–**	**(2,829)**	**–**	**–**	**–**	**–**	**–**	**(2,829)**	**–**	**–**	**–**	**–**
Included in Statement of Comprehensive Income (Note 13)	3,636	(21,388)	–	–	–	(2,829)	3,636	(21,388)	–	–	–	(2,829)
Outstanding fair value at the end of the period	**3,636**	**(24,217)**	**–**	**–**	**–**	**(2,829)**	**3,636**	**(24,217)**	**–**	**–**	**–**	**(2,829)**

15. DEFERRED INCOME

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
I) Non–current deferred income				
a) from contracts with customers				
Deferred income from connection fees	141,812	143,494	–	–
	141,812	**143,494**	**–**	**–**
b) from lease				
Deferred income from connection fees	4,548	3,852	–	–
Deferred income on transmission system assets reconstruction	1,014	984	–	–
Other deferred income	394	403	393	403
	5,956	**5,239**	**393**	**403**
c) other				
Deferred income on grant for the installed electrical capacity of CHPPs	197,424	209,419	197,424	209,419
Deferred income on financing from European Union funds	57,425	57,851	13	18
Deferred income on financing receivable from European Union funds	47,130	30,617	–	–
Deferred income from plant and equipment received free of charge	370	393	242	265
	302,349	**298,280**	**197,679**	**209,702**
TOTAL non–current deferred income	**450,117**	**447,013**	**198,072**	**210,105**
II) Current deferred income				
a) from contracts with customers				
Deferred income from connection fees	13,241	12,984	–	–
Deferred income from use of allowed effective electrical load (distribution system services)	169	287	–	–
	13,410	**13,271**	**–**	**–**
b) from lease				
Deferred income from connection fees	449	449	–	–
c) other				
Deferred income on grant for the installed electrical capacity of CHPPs	23,990	23,990	23,990	23,990
Deferred income on financing from European Union funds	1,991	1,941	12	12
Other deferred income	261	58	220	20
	26,242	**25,989**	**24,222**	**24,022**
TOTAL current deferred income	**40,101**	**39,709**	**24,222**	**24,022**
TOTAL deferred income	**490,218**	**486,722**	**222,294**	**234,127**

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

EUR'000

	Group			Parent Company		
	01/01–30/06/2019	01/01–30/06/2018	2018	01/01–30/06/2019	01/01–30/06/2018	2018
At the beginning of the period	**486,722**	**537,286**	**537,286**	**234,127**	**315,443**	**315,443**
Received deferred non–current income (financing)	17,034	14,940	31,537	234	–	–
Received connection fees	6,392	7,439	14,726	–	–	–
Compensation for the installed electrical capacity of CHPPs credited to the Statement of Profit or Loss	(11,995)	(14,652)	(81,004)	(11,995)	(14,652)	(81,004)
Credited to the Statement of Profit or Loss (in Note 4 as "Other revenue")	(7,935)	(8,793)	(15,823)	(72)	(38)	(312)
At the end of the period	**490,218**	**536,220**	**486,722**	**222,294**	**300,753**	**234,127**

16. 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 and transactions between state–controlled entities and providers of public utilities are excluded from the scope of related party disclosures. Transactions with government related entities include sales of energy and related services and does not contain individually significant transactions and quantitative disclosure of transactions with those related parties is impossible due to broad range of the Latvenergo Group's and the Parent Company's customers, except for transactions with transmission system operator – Augstsprieguma tīkls AS.

a) Income and expenses from transactions with related parties

EUR'000

	Group		Parent Company	
	01/01–30/06/2019	01/01–30/06/2018	01/01–30/06/2019	01/01–30/06/2018
Income:				
– subsidiaries	–	–	37,118	40,167
– government related entities*	25,368	28,127	6,021	5,761
	25,368	**28,127**	**43,139**	**45,928**
Expenses:				
– subsidiaries	–	–	154,176	171,863
– government related entities*	38,963	37,769	3,266	2,220
	38,963	**37,769**	**157,442**	**174,083**
including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:				
– Sadales tīkls AS	–	–	*142,993*	*159,129*
	–	**–**	***142,993***	***159,129***

* Transmission system operator – Augstsprieguma tīkls AS

EUR'000

	Group		Parent Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
b) Balances at the end of the period arising from sales/purchases of goods and services:				
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	13,128	12,204
– government related and other related parties*	60,134	42,273	4,957	3,365
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(10)	(9)
– loss allowances for expected credit loss from receivables of government related and other related parties*	(80)	(55)	(8)	(4)
	60,054	**42,218**	**18,067**	**15,556**
Payables to related parties:				
– subsidiaries	–	–	23,790	30,865
– government related and other related parties*	13,048	12,262	1,095	1,044
	13,048	**12,262**	**24,885**	**31,909**

* Transmission system operator – Augstsprieguma tīkls AS and Pirmais Slēgtais Pensiju Fonds AS

	Group		Parent Company	
c) Accrued income raised from transactions with related parties:				
– for goods sold/services provided for subsidiaries (Note 11 a, b)	–	–	2,676	2,859
– for interest received from subsidiaries (Note 11 a, b)	–	–	1,692	1,820
– for goods sold/services provided for government related entities*	474	474	–	–
	474	**474**	**4,368**	**4,679**
d) Accrued expenses raised from transactions with related parties:				
– for purchased goods/received services from subsidiaries	–	–	1,940	5,657
– for purchased goods/received services from government related entities*	17	–	–	–
	17	**–**	**1,940**	**5,657**

* Transmission system operator – Augstsprieguma tīkls AS

In the 6–month period ending 30 June 2019 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 1,461.8 thousand (6–month period of 2018: EUR 1,382.6 thousand).

In the 6–month period ending 30 June 2019 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 526.1 thousand (6–month period of 2018: EUR 540.1 thousand).

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

e) Loans to related parties (Parent Company)

Non–current and current loans to related parties: EUR'000

	Parent Company	
	30/06/2019	31/12/2018
Non–current loans to subsidiaries		
Sadales tīkls AS	436,540	442,728
Latvijas elektriskie tīkli AS	150,353	152,681
Impairment for expected credit loss	(375)	(405)
TOTAL non–current loans	**586,518**	**595,004**
Current portion of non–current loans		
Sadales tīkls AS	61,115	49,854
Latvijas elektriskie tīkli AS	16,415	8,175
Impairment for expected credit loss	(50)	(39)
Current loans to subsidiaries		
Latvijas elektriskie tīkli AS	2,621	18,541
Sadales tīkls AS	25,363	6,502
Elektrum Eesti OÜ	5,702	7,882
Elektrum Lietuva, UAB	6,853	11,740
Enerģijas publiskais tirgotājs AS	80,999	68,233
Impairment for expected credit loss	(78)	(77)
TOTAL current loans	**198,940**	**170,811**
TOTAL loans to subsidiaries	**785,458**	**765,815**

Movement in loans: EUR'000

	Parent Company		
	01/01–30/06/2019	01/01–31/06/2018	2018
At the beginning of the period	**765,815**	**1,098,781**	**1,098,781**
Change in current loans in cash (net)	148,777	158,825	323,539
Change in current loans by non–cash offsetting of operating receivables and payables (net)	(133,881)	(591,975)	(720,848)
Issued non–current loans by non–cash offset with dividends	33,743	–	124,268
Reduction of non–current loans by non–cash offsetting of operating receivables and payables	(29,014)	(29,702)	(59,404)
Effect of IFRS 9 'Financial instruments' adoption	–	(515)	(515)
Impairment for expected credit loss	18	83	(6)
At the end of the period	**785,458**	**635,497**	**765,815**

17. EVENTS AFTER THE REPORTING YEAR

There have been no 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 6-month period ending 30 June 2019.