



LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 9-MONTH PERIOD ENDING
30 SEPTEMBER 2019

29.11.2019, Riga

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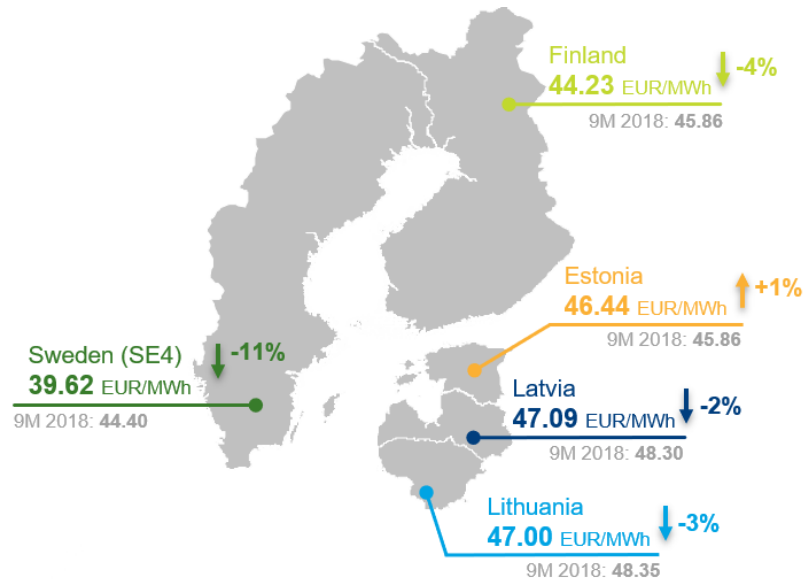
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group’s consolidated and Latvenergo AS Unaudited Interim Financial statements, see the section “Formulas”.

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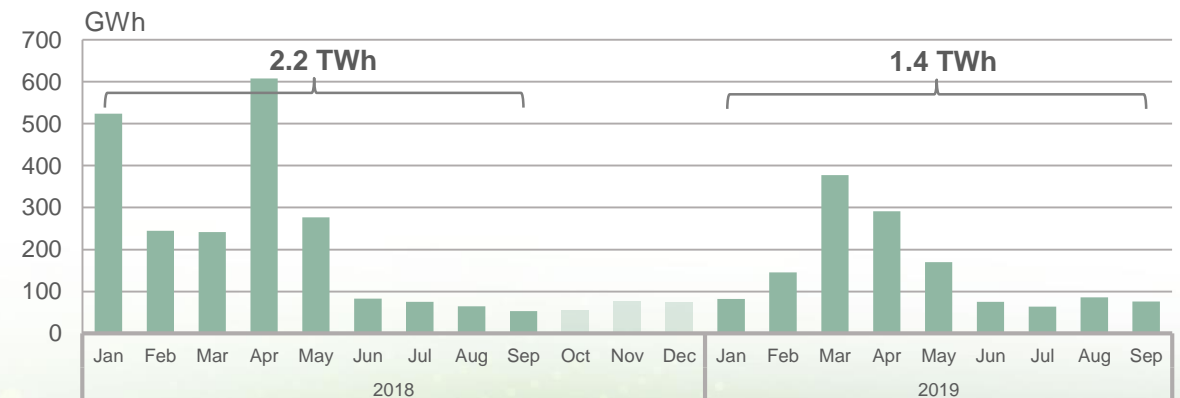
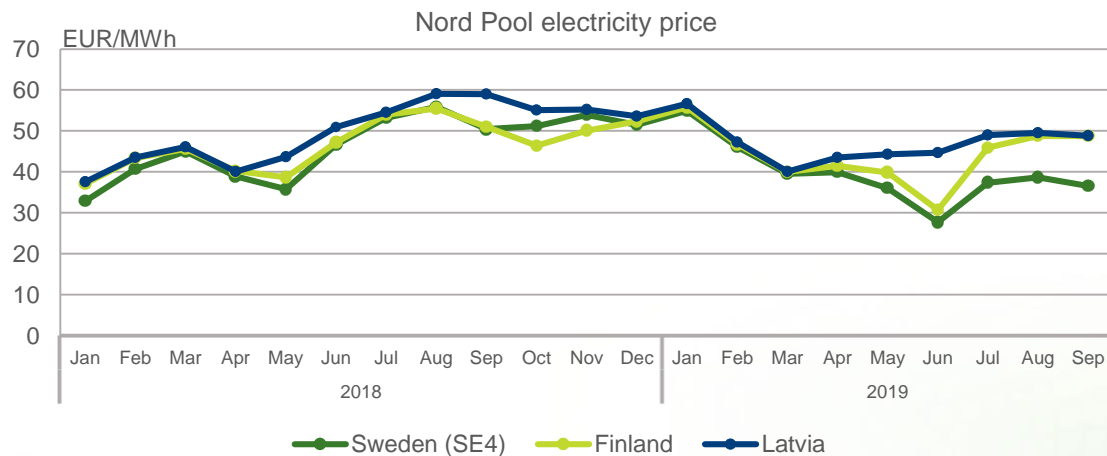
Lower electricity prices



Main facts – 9M 2019

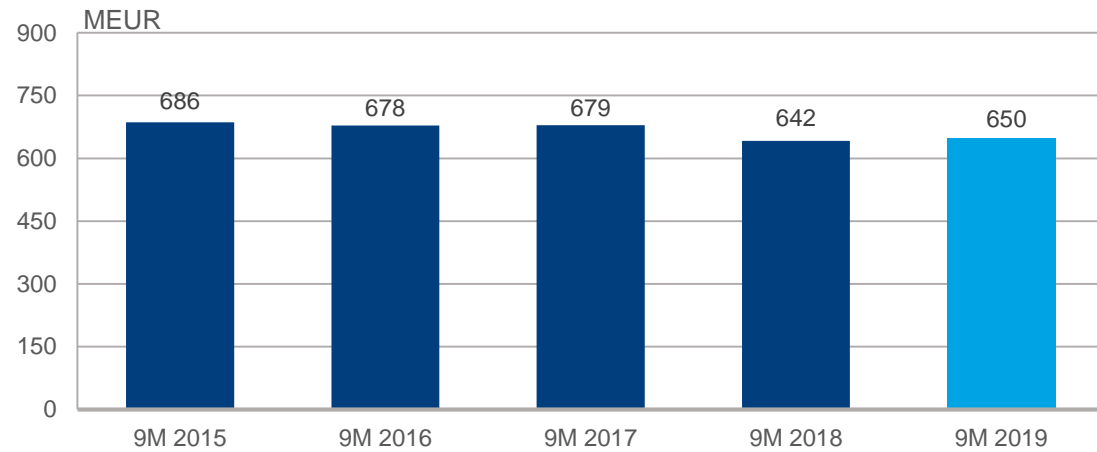
- Electricity prices were influenced by:
 - normalization of the Nordic hydrobalance
 - lower energy raw material prices
 - higher prices of CO2 emission allowance
 - lower electricity generation in the Baltics, especially in Estonia
- The average natural gas price (Front Month) decreased by 32%, reaching 14.6 EUR/MWh at GASPOOL trading zone and 14.4 EUR/MWh at TTF trading zone
- CO2 emission allowance price reached 25.3 EUR/t which is almost 2 times more than a year ago

37 % lower electricity output at Daugava HPPs

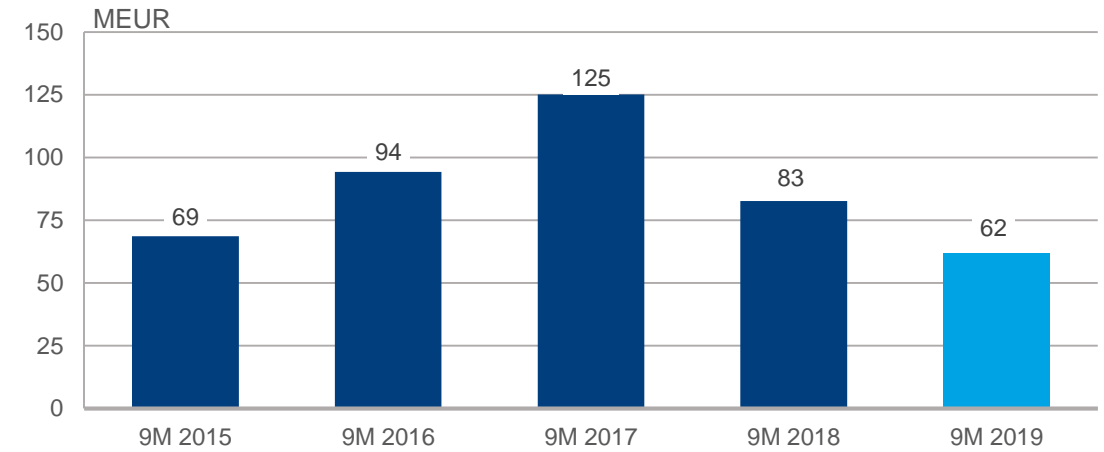


Key financial figures

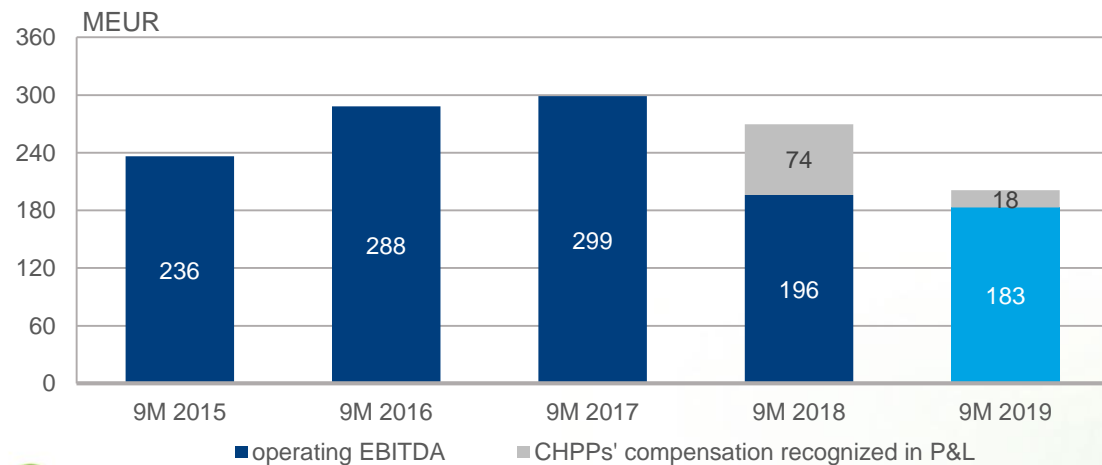
Revenue



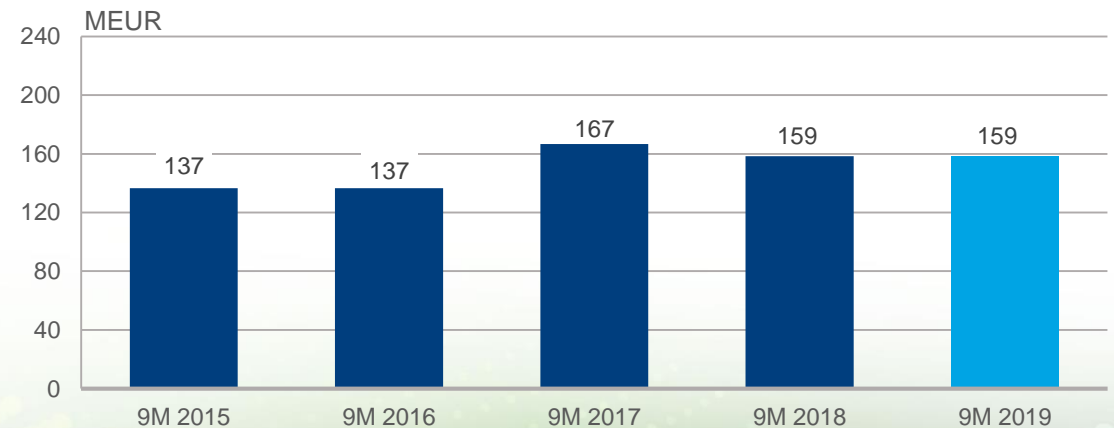
Net profit



EBITDA

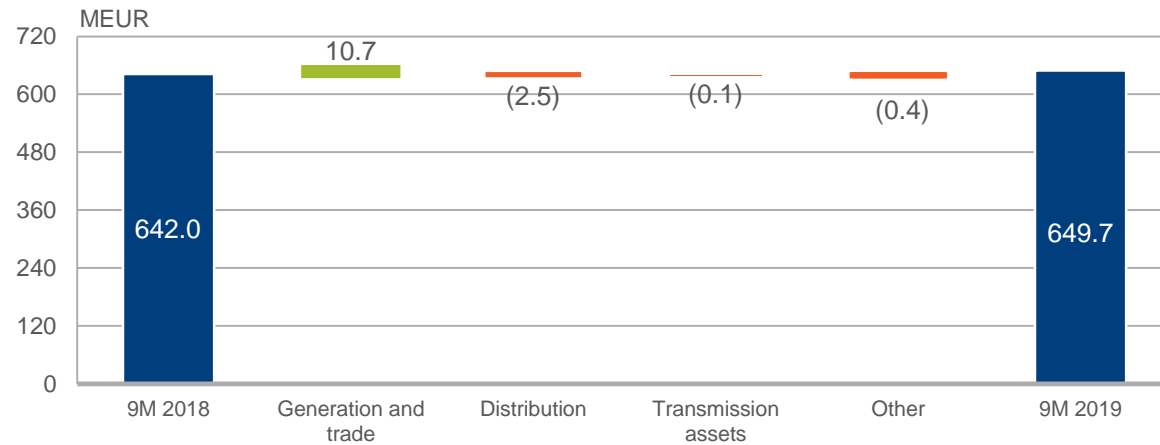


Investments

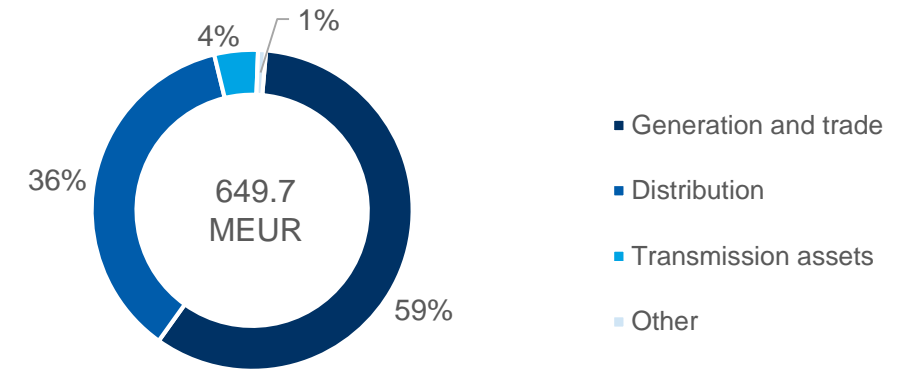


Results were impacted by 37% lower Daugava HPPs' output

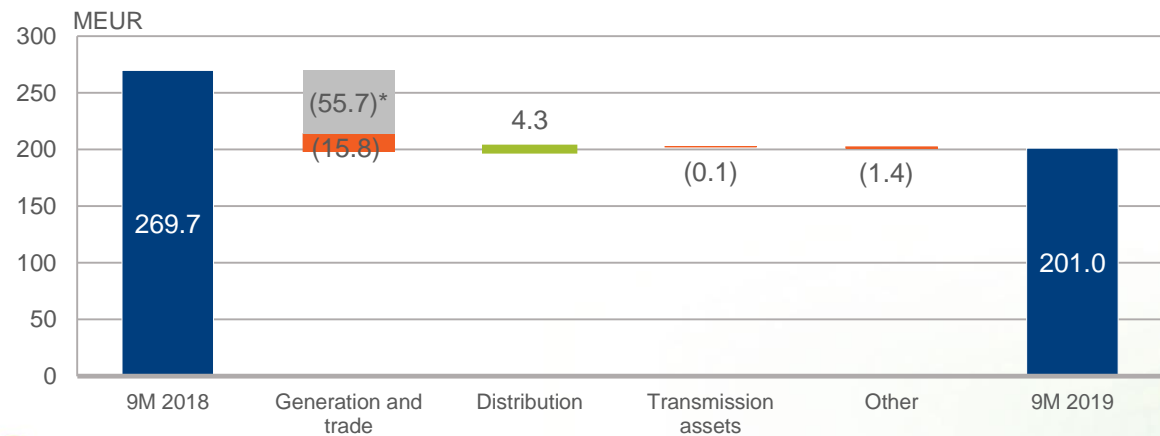
Revenue dynamics by segments



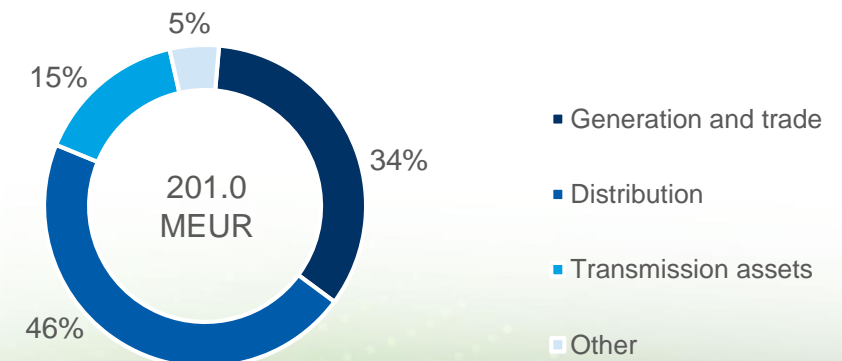
Revenue weight by segments



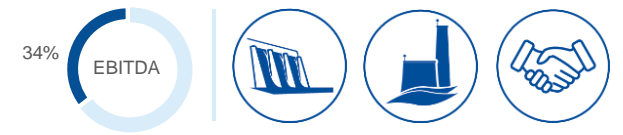
EBITDA dynamics by segments



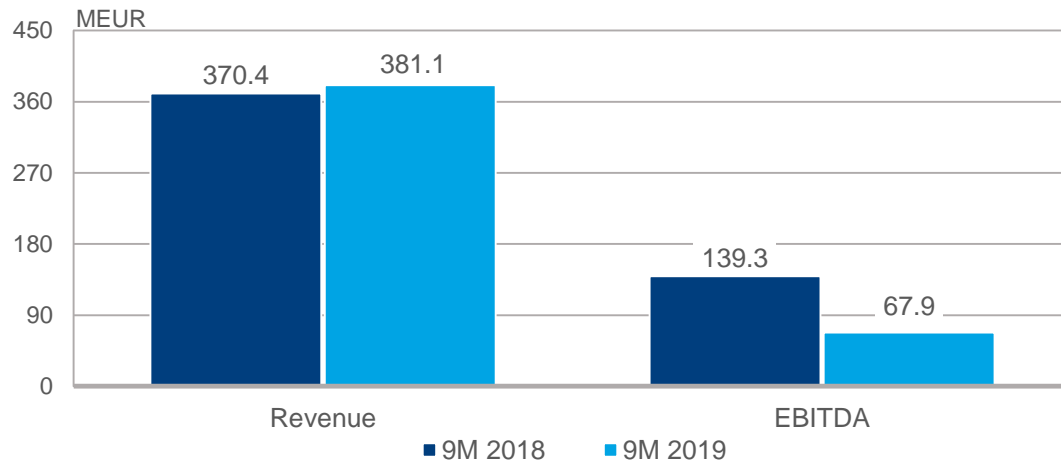
EBITDA weight by segments



Generation and trade



Segment revenue and EBITDA



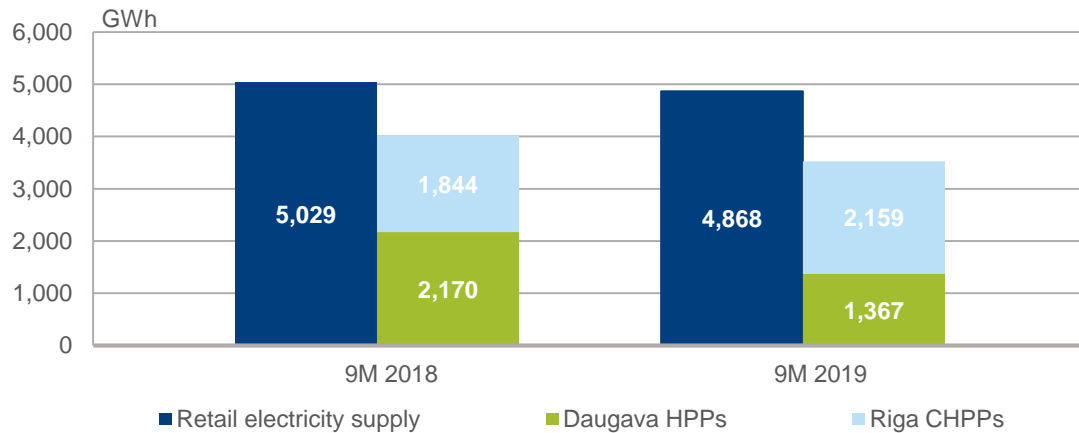
Main facts – 9M 2019

- Results of the segment were negatively impacted by:
 - lower electricity output at the Daugava HPPs
 - EUR 55.7 lower compensation for the Latvenergo AS CHPPs' capacity payments recognised in the profit and loss statement
- Latvenergo Group – energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia.
- In the reporting period the PSO fee was 2.268 euro cents/kWh

Energy generation



3,565 GWh of electricity generated



Main facts – 9M 2019

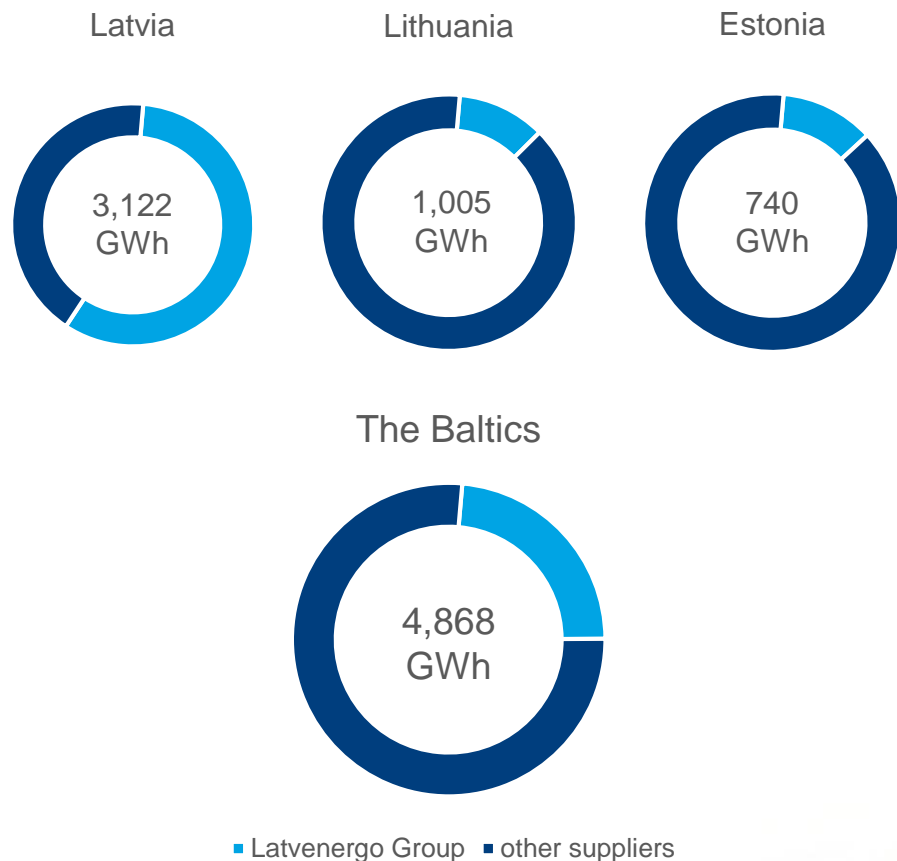
- Power generated at the Daugavas HPPs decreased by 37% due to lower water inflow in the river Daugava
- Power generated at the Latvenergo AS CHPPs increased by 17%
- CHPPs operated in market conjuncture efficiently planning operating modes and fuel consumption
- Total amount of electricity generated at Latvenergo power plants corresponds to 73% of the amount of electricity sold to retail customers(9M 2018: 81%)
- The amount of thermal energy generated decreased by 21% due to competition and warmer weather conditions, reaching 1,216 GWh





Trade of electricity and natural gas

Retail electricity supply*

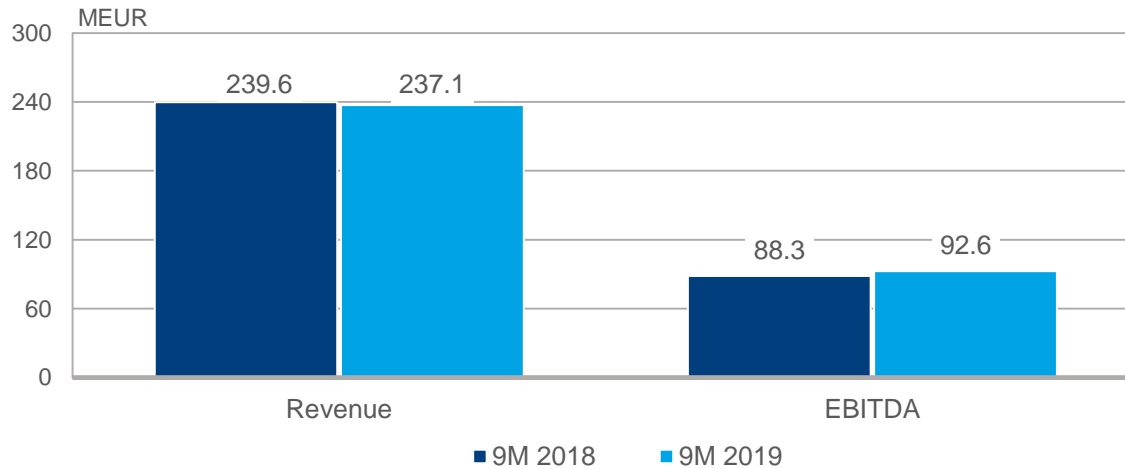


* including operational consumption

Main facts – 9M 2019

-  4.9 TWh of electricity sold to Baltic retail customers
-  The amount of natural gas used for both operating consumption and trade reached 5.3 TWh.
-  Solar panels installed for 188 customers in the Baltics with a total capacity of 1,440 kW
-  At the end of the reporting period, the total number of *Elektrum Insured* customers exceeded 58,000
-  185 *Smart House devices* installed in the Baltics

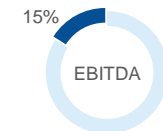
Segment revenue and EBITDA



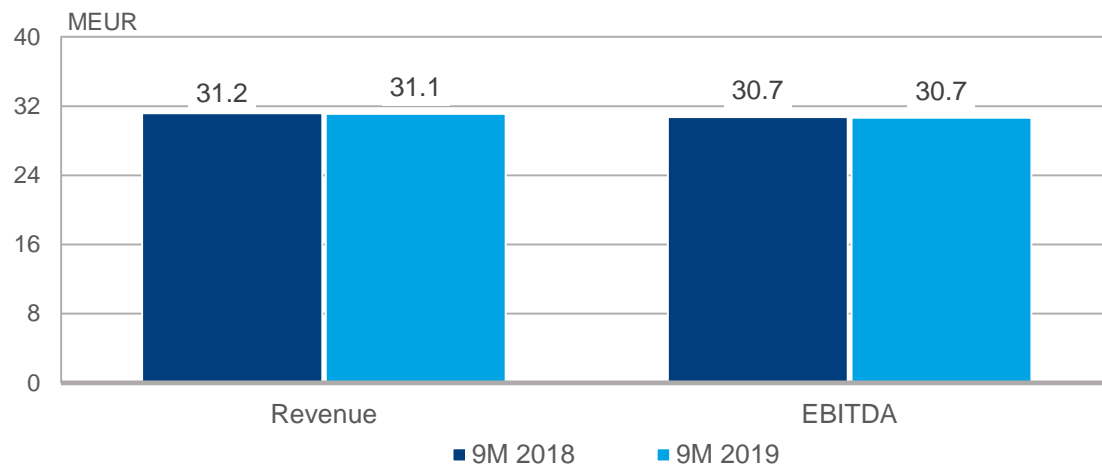
Main facts – 9M 2019

- Electricity distributed: 4,838 GWh (9M 2018: 4,873 GWh)
- Results positively impacted by lower costs associated with the efficiency programme
- Results negatively impacted by 1% decrease in distributed electricity
- Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS has been reduced by 500
- Smart electricity meters installed in the company reaches 677.7 thousand or 60% of the total electricity meters
- Investments in distribution assets: 69.6 MEUR (9M 2018: 65.1 MEUR)
- The value of distribution assets increased to 1,673.6 MEUR
- The average distribution service tariff will decrease by 5.5% starting from 1 January 2020

Transmission system asset leasing



Segment revenue and EBITDA

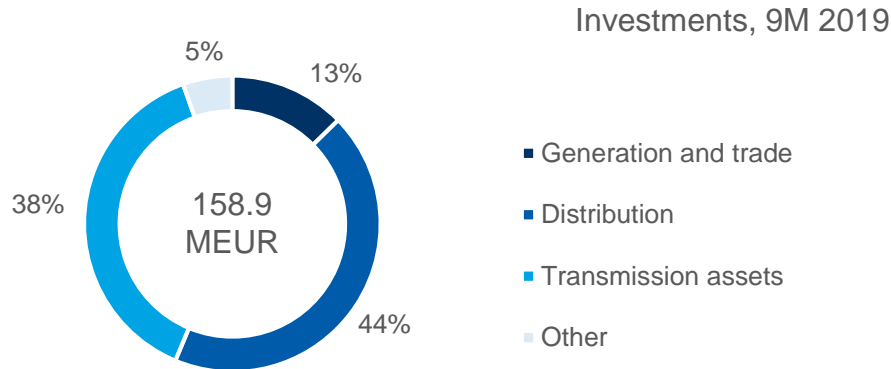


Main facts – 9M 2019

- Segment's revenue is calculated in accordance with the methodology approved by the Public Utilities Commission
- Investments in transmission system assets: 61.1 MEUR (9M 2018: 64.2 MEUR)
- Major investment projects in the reporting period:
 - *Kurzeme Ring* (in 9M 2019 invested 24.3 MEUR)
 - The third power transmission interconnection between Estonia and Latvia (22.6 MEUR)
- On 8 October 2019 the Cabinet of Ministers of the Republic of Latvia decided to support full unbundling of ownership of the electricity transmission system operator until 1 July 2020, providing that transmission assets will be taken over from Latvenergo AS by Augstsprieguma tīkls AS.
 - Reduction of the share capital of Latvenergo AS is planned by withdrawing the capital shares of LET from the base of assets of Latvenergo AS
 - The share capital of Latvenergo AS will be increased by investing retained earnings from previous years
- The value of transmission assets increased to 618.0 MEUR (30.09.2018: 555.7 MEUR)

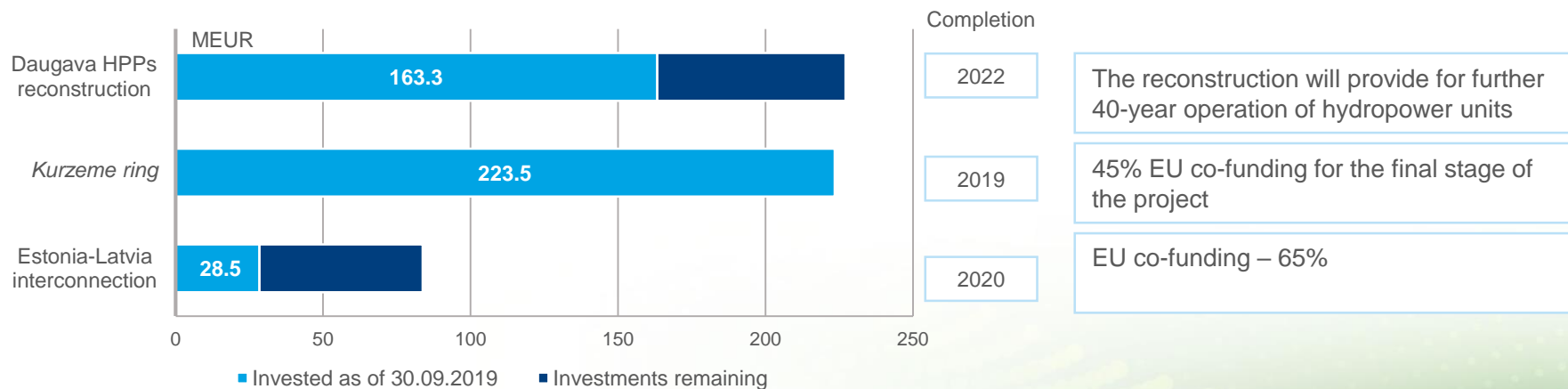
Investments

Investment in network assets – 82% of the total



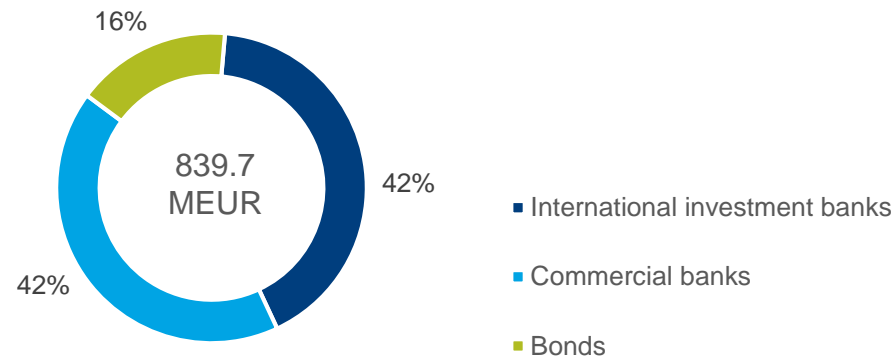
- Investments in network assets allows to improve the quality of the power network services and technical parameters

Major investment projects



Funding and Liquidity

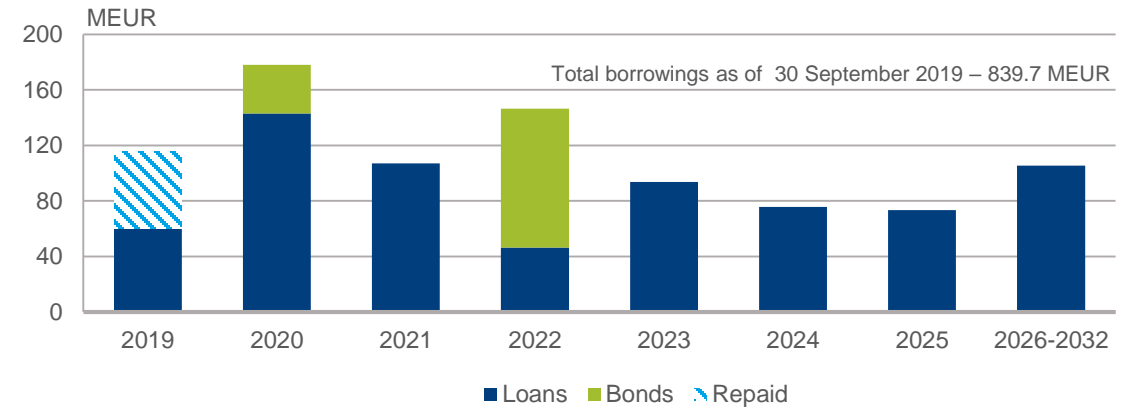
Diversified sources of funding



Main facts – 9M 2019

- At the end of the reporting period, the outstanding amount of bonds reached 135 MEUR, incl. 100 MEUR *green* bonds
- On 15 October 2019, the international credit rating agency Moody's reconfirmed the credit rating for Latvenergo AS: Baa2 (stable)
- Capital ratio: 59% (30.09.2018: 61%)

Debt repayment schedule



Main figures

	30.09.2019
Share of fixed interest rate*	50%
Duration	2 years
Effective weighted average interest rate*	1.5%

* with interest rate swaps

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Abbreviations

Daugava HPPs – Daugava hydropower plants

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

EU – European Union

IFRS – International Financial Reporting Standards

MEUR – Million euros

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

PSO fee – Public service obligation fee

CHPPs – AS Latvenergo combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

Consolidated Statement of Profit or Loss*

	EUR'000	
	01/01– 30/09/2019	01/01– 30/09/2018
Revenue	649,654	642,007
Other income	22,808	84,603
Raw materials and consumables used	(361,675)	(339,076)
Personnel expenses	(76,768)	(81,047)
Other operating expenses	(33,000)	(36,803)
EBITDA	201,019	269,684
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(126,115)	(181,406)
Operating profit	74,904	88,278
Finance income	885	884
Finance costs	(7,056)	(6,394)
Profit before tax	68,733	82,768
Income tax	(6,703)	(134)
Profit for the period	62,030	82,634
Profit attributable to:		
- <i>Equity holder of the Parent Company</i>	60,626	81,260
- <i>Non-controlling interests</i>	1,404	1,374

* The Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 9-Month Period Ending 30 September 2019 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Financial Position*

	EUR'000	
	30/09/2019	31/12/2018
ASSETS		
Non-current assets		
Intangible assets and property, plant and equipment	3,348,307	3,316,172
Right-of-use assets	6,851	–
Investment property	314	467
Non-current financial investments	40	40
Investments in other financial assets	16,898	16,935
Other non-current receivables	9,492	30,920
Total non-current assets	3,381,902	3,364,534
Current assets		
Inventories	106,406	71,975
Receivables from contracts with customers	98,989	117,955
Other current receivables	106,107	84,830
Prepayment for income tax	157	11,619
Deferred expenses	1,872	2,598
Derivative financial instruments	6,320	15,853
Cash and cash equivalents	84,304	129,455
Total current assets	404,155	434,285
TOTAL ASSETS	3,786,057	3,798,819
EQUITY AND LIABILITIES		
Equity		
Share capital	834,883	834,791
Reserves	1,105,028	1,125,466
Retained earnings	284,962	351,350
Equity attributable to equity holder of the Parent Company	2,224,873	2,311,607
Non-controlling interests	7,583	8,458
Total equity	2,232,456	2,320,065
Liabilities		
Non-current liabilities		
Borrowings	644,733	700,028
Non-current lease liabilities	5,665	–
Provisions	18,807	20,178
Deferred income tax liabilities	7,102	12,297
Derivative financial instruments	9,563	3,923
Deferred income on contracts with customers	141,669	143,494
Other deferred income	311,790	303,519
Total non-current liabilities	1,139,329	1,183,439
Current liabilities		
Borrowings	194,967	114,315
Current lease liabilities	1,224	–
Trade and other payables	174,316	135,008
Income tax payable	3	2
Deferred income on contracts with customers	13,520	13,271
Other deferred income	26,730	26,438
Derivative financial instruments	3,512	6,281
Total current liabilities	414,272	295,315
Total liabilities	1,553,601	1,478,754
TOTAL EQUITY AND LIABILITIES	3,786,057	3,798,819

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Consolidated Statement of Cash Flows*

	EUR'000	
	01/01– 30/09/2019	01/01– 30/09/2018
Cash flows from operating activities		
Profit before tax	68,733	82,768
Adjustments:		
– Amortisation, depreciation and impairment of non-current assets	146,875	193,705
– Net financial adjustments	4,052	5,756
– Other adjustments	(1,410)	1,528
Operating profit before working capital adjustments	218,250	283,757
Decrease in current assets	11,767	15,002
Decrease in trade and other payables	19,240	(31,182)
Cash generated from operating activities	249,257	267,577
Interest paid	(7,373)	(6,782)
Interest received	944	983
Paid corporate income tax	(458)	(39,294)
Net cash flows from operating activities	242,370	222,484
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(177,344)	(181,879)
Proceeds from redemption of other financial investments	37	37
Net cash flows used in investing activities	(177,307)	(181,842)
Cash flows from financing activities		
Proceeds on borrowings from financial institutions	80,416	2,100
Repayment of borrowings	(55,667)	(27,924)
Proceeds on financing from European Union funds	252	–
Dividends paid to non-controlling interests	(2,279)	(2,116)
Dividends paid to equity holder of the Parent Company	(132,936)	(156,418)
Net cash flows used in financing activities	(110,214)	(184,358)
Net decrease in cash and cash equivalents	(45,151)	(143,716)
Cash and cash equivalents at the beginning of the period	129,455	236,003
Cash and cash equivalents at the end of the period	84,304	92,287

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