



LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 3-MONTH PERIOD ENDING 31 March 2019

31.05.2019, Riga

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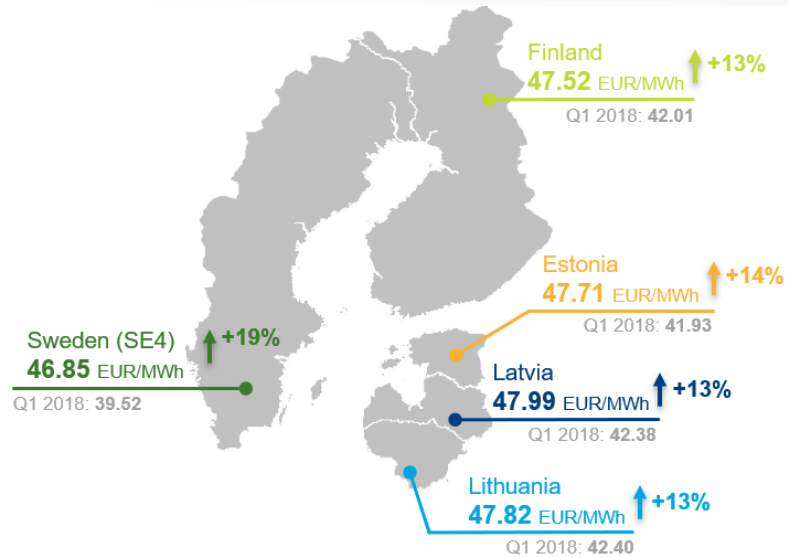
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Interim Financial statements, see the section “Formulas”.

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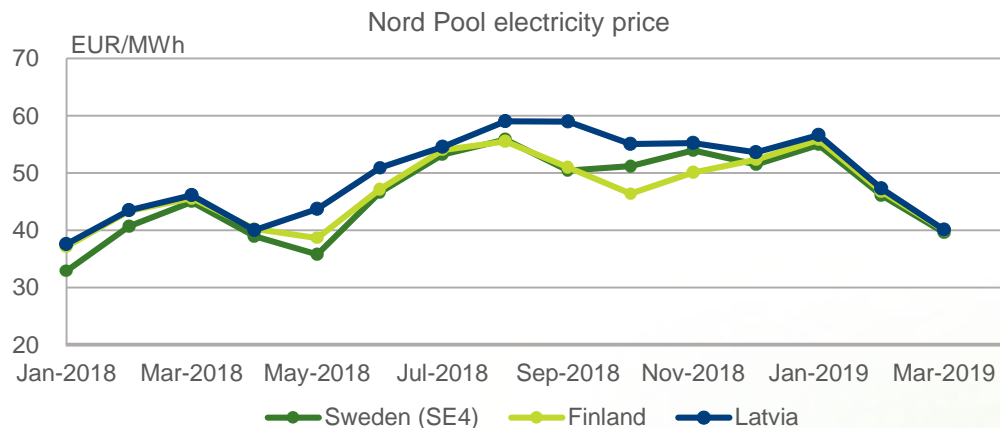
Higher electricity prices



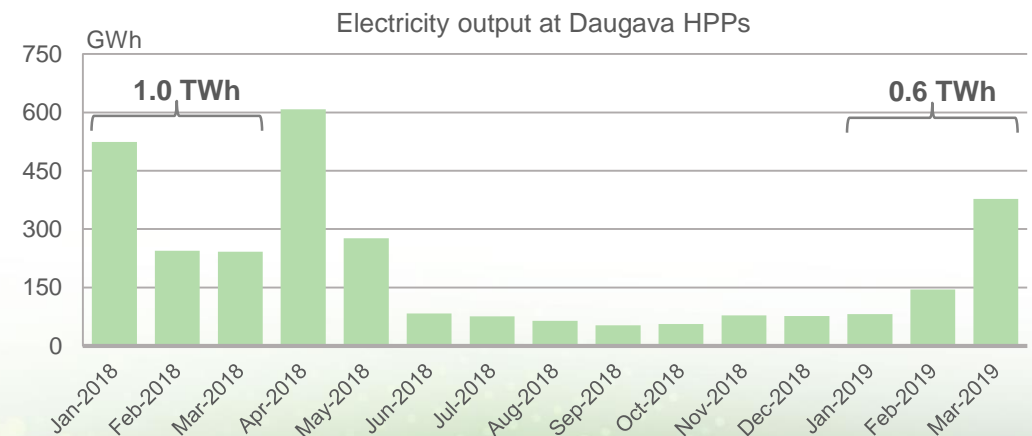
Main facts – 3 months of 2019

- Electricity prices increased due to:
 - dry weather
 - lower water levels at the Scandinavian hydropower reservoirs
 - lower electricity output at HPPs
 - higher prices of energy resources and CO2 emission allowance
- The average natural gas price increased by 21%, reaching 20.0 EUR/MWh
- CO2 emission allowance price reached 22,7 EUR/t which is 2 times more than a year ago

Electricity price convergence

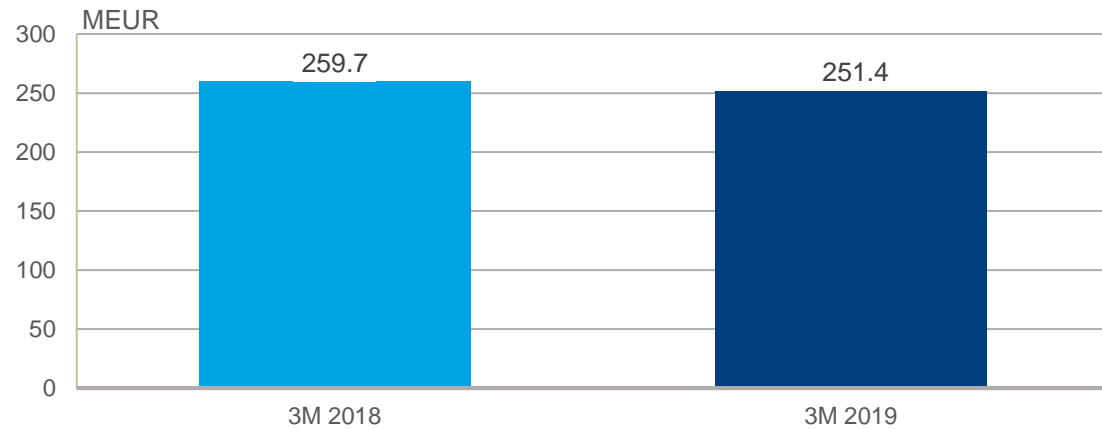


40 % lower electricity output at Daugava HPPs

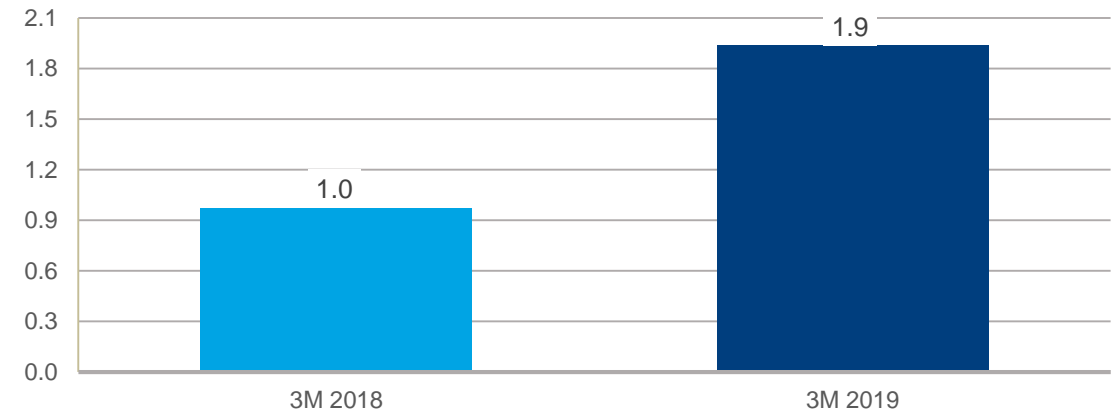


Results were impacted by lower Daugava HPPs' output

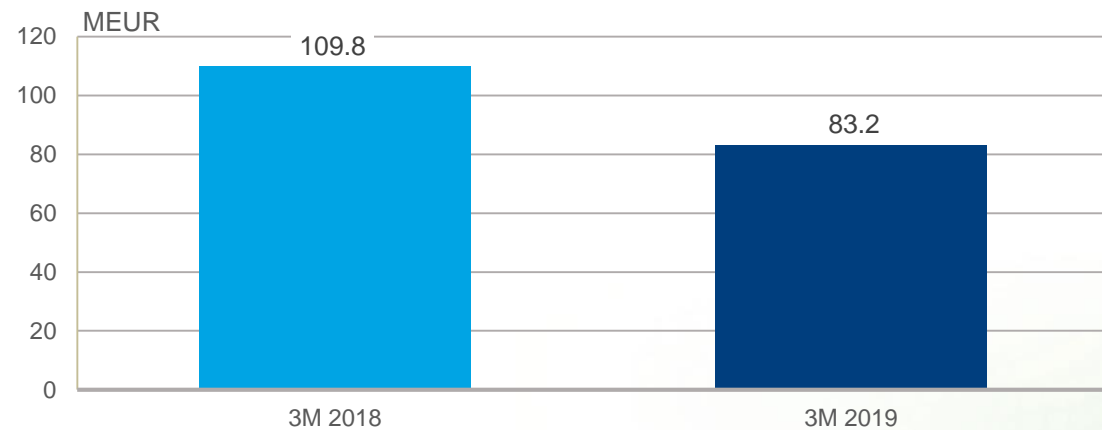
Revenue



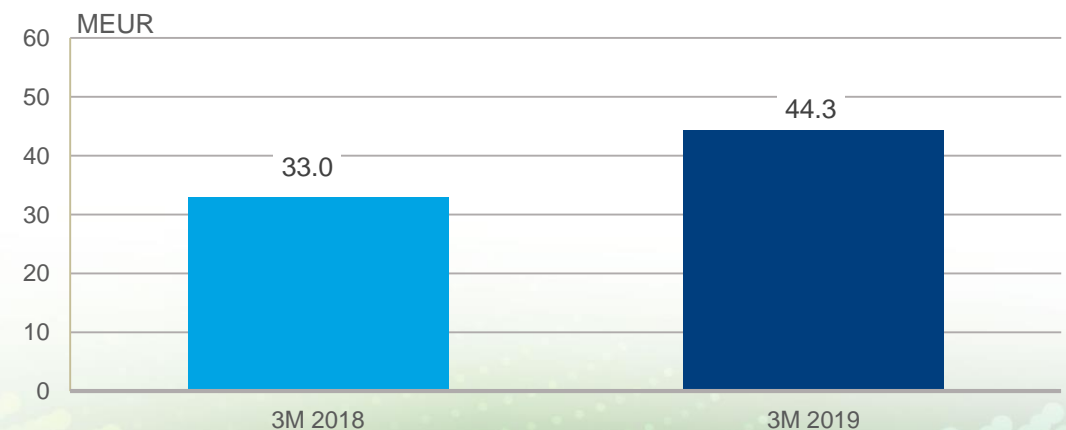
Net debt/EBITDA



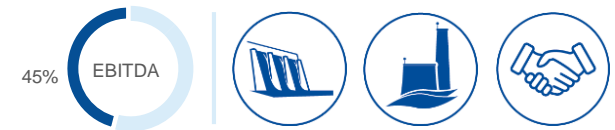
EBITDA



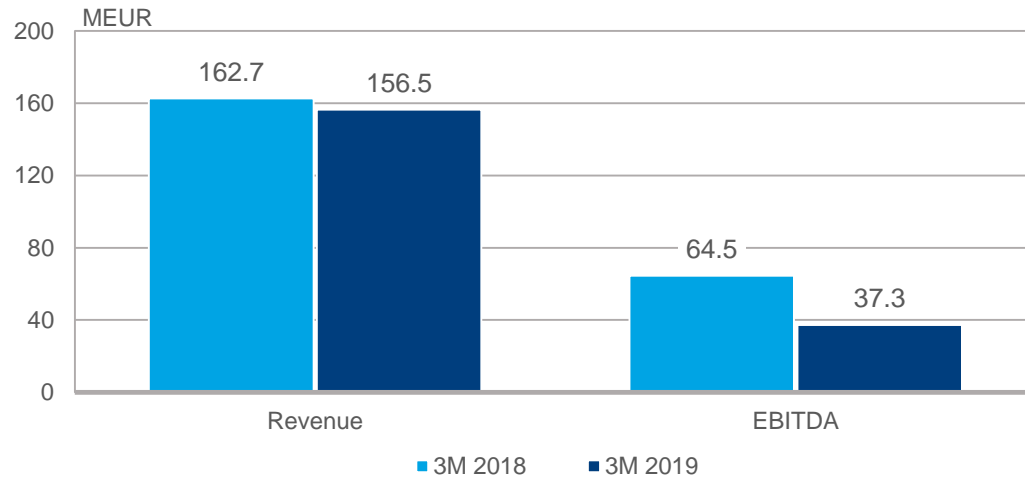
Investments



Generation and trade



Segment revenue and EBITDA



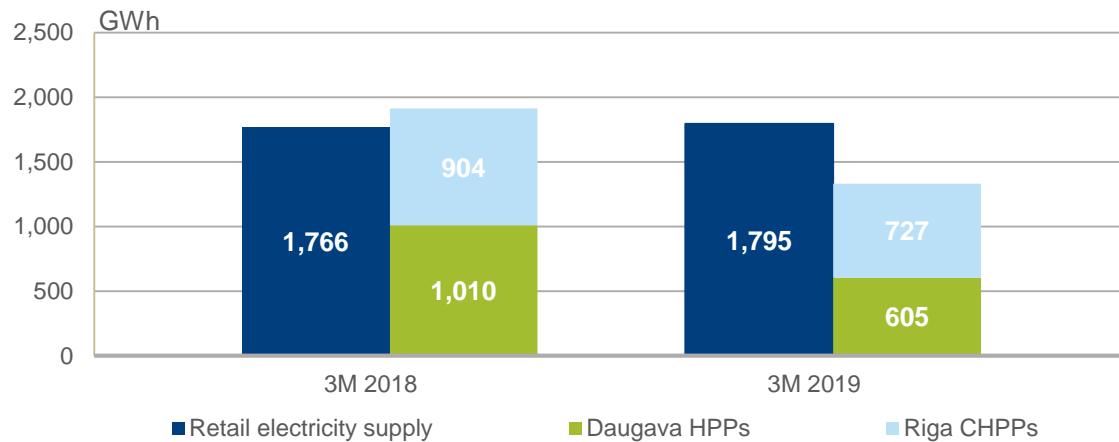
Main facts – 3 months of 2019

- Results of the segment were negatively impacted by lower electricity output at the Daugava HPPs
- Latvenergo Group – energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia.
- Starting from 1 January 2019, the PSO fee remained unchanged: 2.268 euro cents/kWh.

Energy generation



1,347 GWh of electricity generated



Main facts – 3 months of 2019

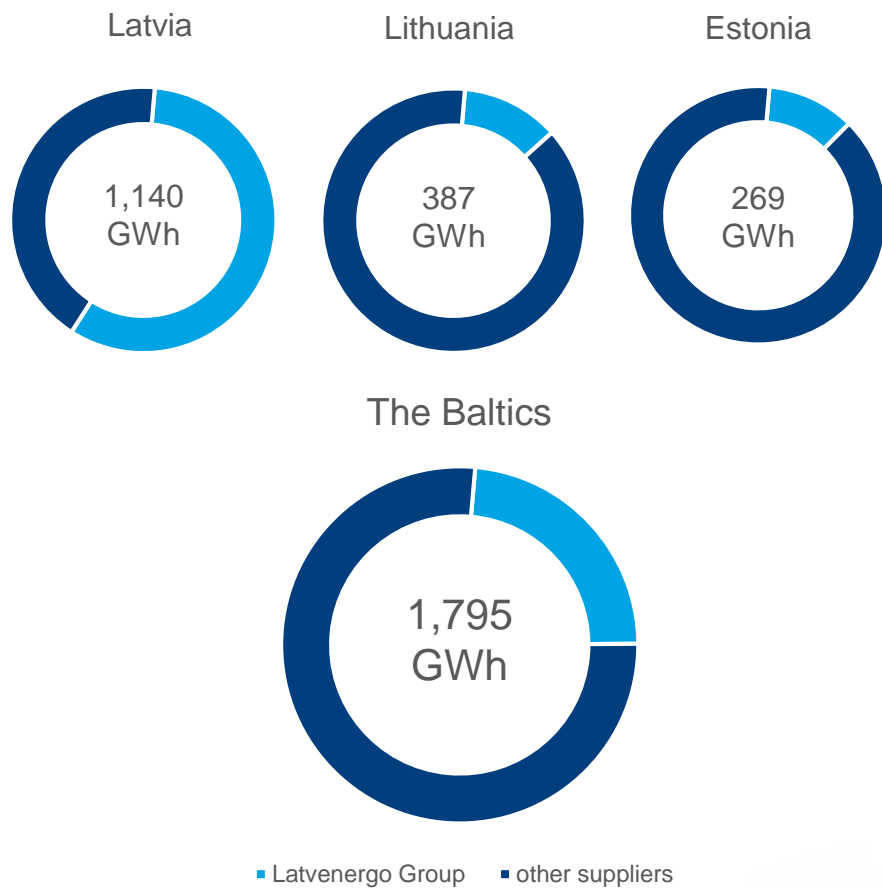
- Power generated at the Daugavas HPPs decreased by 40% due to lower water inflow in the river Daugava
- Power generated at the Latvenergo AS CHPPs decreased by 20%
- CHPPs operated in market conjuncture efficiently planning operating modes and fuel consumption
- Total amount of electricity generated at Latvenergo power plants corresponds to 75% of the amount of electricity sold to retail customers
- The amount of thermal energy generated decreased by 22% due to warmer weather conditions, reaching 939 GWh










Trade of electricity and natural gas

Retail electricity supply*

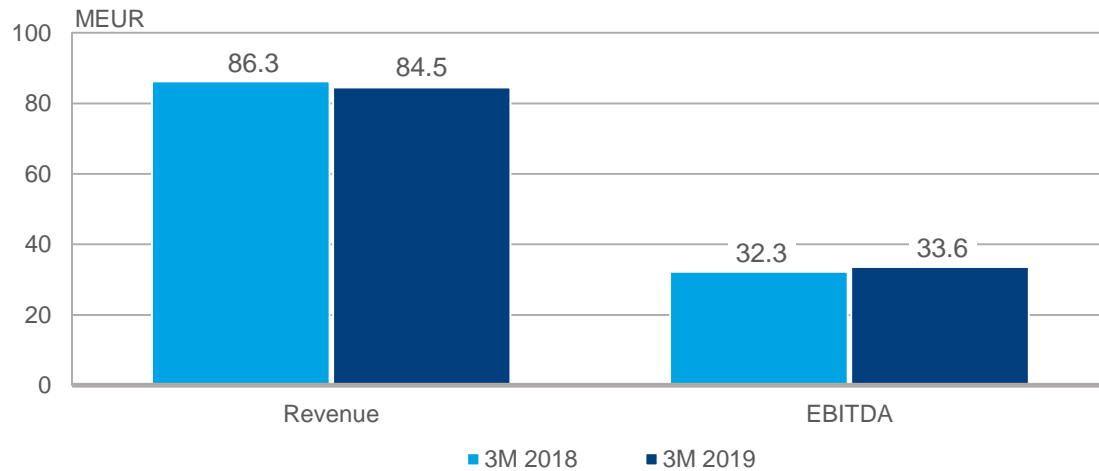


* including operational consumption

Main facts – 3 months of 2019

-  1.8 TWh of electricity sold to Baltic retail customers
-  The Group launched natural gas trade to households in Latvia.
The amount of natural gas used for both operating consumption and trade reached 2.1 TWh.
-  Solar panels installed for 26 customers in the Baltics with a total capacity of 260 kW
-  At the end of the reporting year, the total number of *Elektrum Insured* customers exceeded 47,000
-  163 *Smart House devices* installed in the Baltics

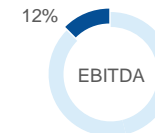
Segment revenue and EBITDA



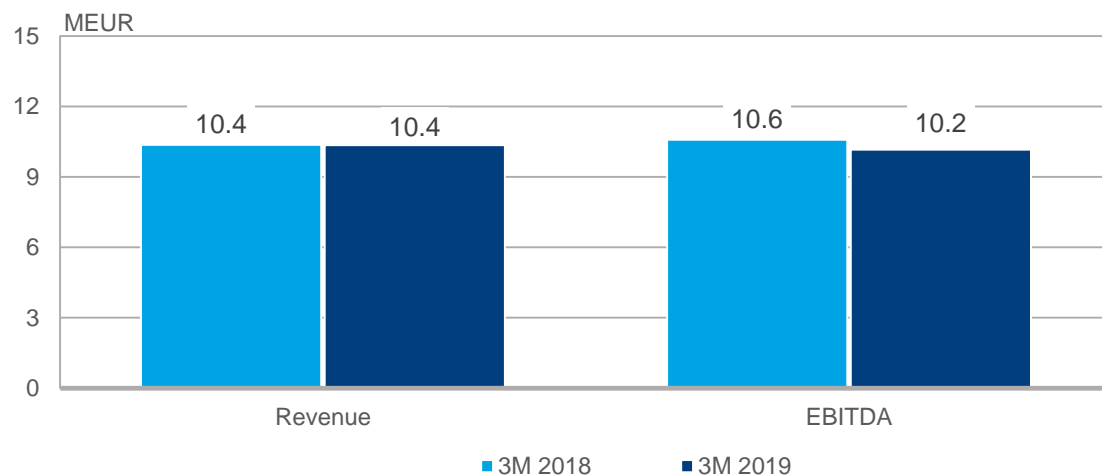
Main facts – 3 months of 2019

- Electricity distributed: 1,762 GWh (Q1 2018: 1,786 GWh)
- Results positively impacted by 2.4 MEUR lower personnel termination costs associated with the efficiency programme
- Results negatively impacted by decrease in distributed electricity
- Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS has been reduced by 500 or 20%
- Smart electricity meters installed in the company reaches 584.1 thousand or 1/2 of the total electricity meters
- Investments in distribution assets: 18.9 MEUR (Q1 2018: 16.8 MEUR)
- The value of distribution assets increased to 1,666.0 MEUR

Transmission system asset leasing



Segment revenue and EBITDA



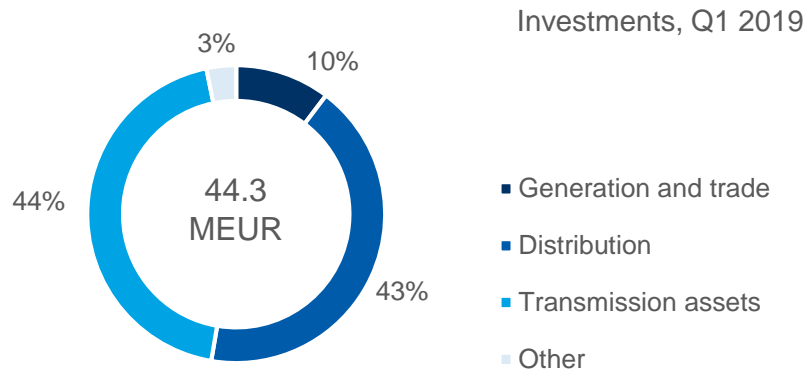
Main facts – 3 months of 2019

- Segment's revenue is calculated in accordance with the methodology approved by the Public Utilities Commission
- Investments in transmission system assets: 19.6 MEUR (Q1 2018: 12.7 MEUR)
- Major investment projects in the reporting period:
 - *Kurzeme Ring* (in Q1 2019 invested 14.4 MEUR)
 - The third power transmission interconnection between Estonia and Latvia (4.0 MEUR)
- Due to the investments, the value of transmission assets increased to 604.8 MEUR



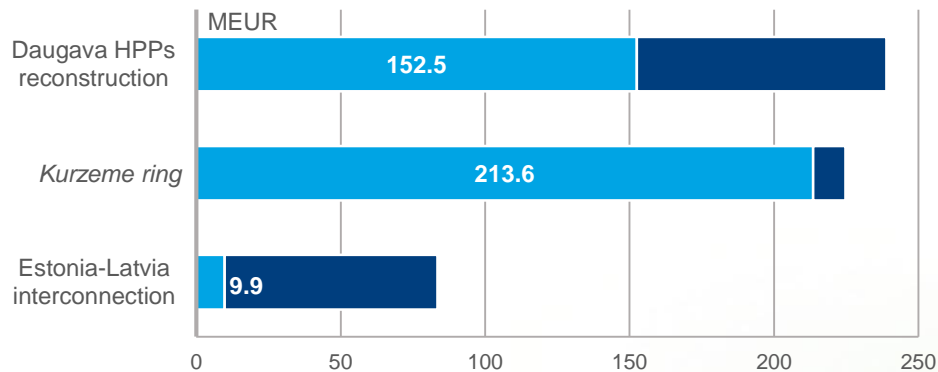
Investments

Investment in network assets – 86% of the total



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

Major investment projects



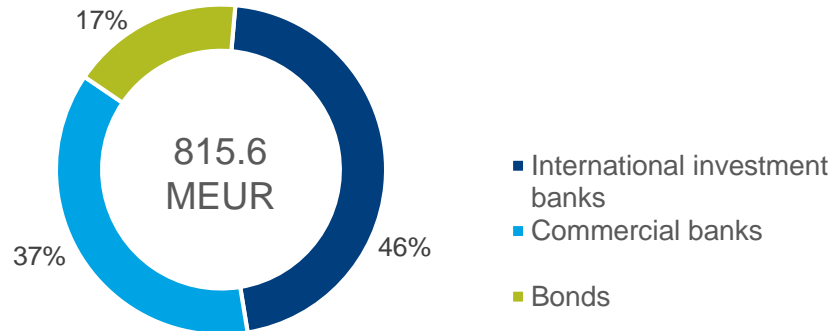
■ Invested until the end of the reporting period ■ Planned until the end of the project

Completion

| | |
|------|---|
| 2022 | The reconstruction will provide for further 40-year operation of hydropower units |
| 2019 | 45% EU co-funding for the final stage of the project |
| 2020 | EU co-funding – 65% |

Funding and Liquidity

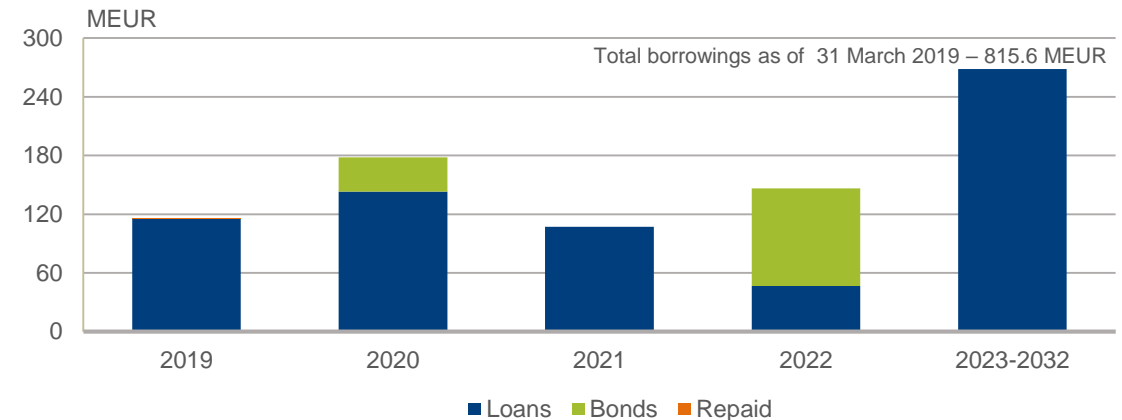
Diversified sources of funding



Main facts – 3 months of 2019

- At the end of the reporting year, the outstanding amount of bonds reached 135 MEUR, incl. 100 MEUR *green* bonds
- On 19 March 2019, the international credit rating agency Moody's reconfirmed the credit rating for Latvenergo AS: Baa2 (stable)
- Capital ratio remained unchanged: 61% (31.03.2018: 61%)

Debt repayment schedule



Main figures

| | |
|---|------------|
| | 31.03.2019 |
| Share of fixed interest rate* | 53% |
| Duration | 2.0 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– 31/03/2019 | 01/01– 31/03/2018 |
| Revenue | 251,378 | 259,675 |
| Other income | 7,833 | 13,460 |
| Raw materials and consumables used | (137,760) | (120,933) |
| Personnel expenses | (26,964) | (28,877) |
| Other operating expenses | (11,304) | (13,499) |
| EBITDA | 83,183 | 109,826 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | (42,716) | (42,938) |
| Operating profit | 40,467 | 66,888 |
| Finance income | 284 | 281 |
| Finance costs | (2,372) | (2,244) |
| Profit before tax | 38,379 | 64,925 |
| Income tax | (14) | (6) |
| Profit for the period | 38,365 | 64,919 |
| Profit attributable to: | | |
| - Equity holder of the Parent Company | 36,600 | 63,166 |
| - Non-controlling interests | 1,765 | 1,753 |

* The Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2019 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Financial Position*

| | EUR'000 | |
|---|------------------|------------------|
| | 31/03/2019 | 31/12/2018 |
| ASSETS | | |
| Non-current assets | | |
| Intangible assets and property, plant and equipment | 3,315,635 | 3,316,172 |
| Right-of-use assets | 8,878 | – |
| Investment property | 527 | 467 |
| Non-current financial investments | 40 | 40 |
| Other financial investments | 16,923 | 16,935 |
| Other non-current receivables | 36,832 | 30,920 |
| Total non-current assets | 3,378,835 | 3,364,534 |
| Current assets | | |
| Inventories | 38,908 | 71,975 |
| Receivables from contracts with customers | 108,275 | 117,955 |
| Other current receivables | 94,844 | 84,830 |
| Prepayment for income tax | 11,591 | 11,619 |
| Deferred expenses | 1,423 | 2,598 |
| Derivative financial instruments | 3,138 | 15,853 |
| Cash and cash equivalents | 188,497 | 129,455 |
| Total current assets | 446,676 | 434,285 |
| TOTAL ASSETS | 3,825,511 | 3,798,819 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 834,791 | 834,791 |
| Reserves | 1,105,096 | 1,125,466 |
| Retained earnings | 391,843 | 351,350 |
| Equity attributable to equity holder of the Parent Company | 2,331,730 | 2,311,607 |
| Non-controlling interests | 10,223 | 8,458 |
| Total equity | 2,341,953 | 2,320,065 |
| Liabilities | | |
| Non-current liabilities | | |
| Borrowings | 697,364 | 700,028 |
| Non-current lease liabilities | 7,584 | – |
| Provisions | 20,240 | 20,178 |
| Deferred income tax liabilities | 12,297 | 12,297 |
| Derivative financial instruments | 1,985 | 3,923 |
| Deferred income on contracts with customers | 142,715 | 143,494 |
| Other liabilities and deferred income | 305,850 | 303,519 |
| Total non-current liabilities | 1,188,035 | 1,183,439 |
| Current liabilities | | |
| Borrowings | 118,250 | 114,315 |
| Current lease liabilities | 1,309 | – |
| Trade and other payables | 124,091 | 135,008 |
| Income tax payable | 1 | 2 |
| Deferred income on contracts with customers | 13,374 | 13,271 |
| Other deferred income | 26,491 | 26,438 |
| Derivative financial instruments | 12,007 | 6,281 |
| Total current liabilities | 295,523 | 295,315 |
| Total liabilities | 1,483,558 | 1,478,754 |
| TOTAL EQUITY AND LIABILITIES | 3,825,511 | 3,798,819 |

* The Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2019 are prepared in accordance with the IFRS as adopted by the European Union.

Consolidated Statement of Cash Flows*

| | EUR'000 | |
|---|----------------------|----------------------|
| | 01/01– 31/03/2019 | 01/01– 31/03/2018 |
| Cash flows from operating activities | | |
| Profit before tax | 38,379 | 64,925 |
| Adjustments: | | |
| – Amortisation, depreciation and impairment of non-current assets | 46,764 | 43,298 |
| – Net financial adjustments | 2,094 | 2,163 |
| – Other adjustments | 62 | 213 |
| Operating profit before working capital adjustments | 87,299 | 110,599 |
| Decrease / (increase) in current assets | 69,075 | 487,455 |
| (Decrease) / increase in trade and other payables | (44,588) | (467,027) |
| Cash generated from operating activities | 111,786 | 131,027 |
| Interest paid | (1,275) | (675) |
| Interest received | 944 | 270 |
| Paid corporate income tax | (6) | (5,848) |
| Net cash flows from operating activities | 111,449 | 124,774 |
| Cash flows from investing activities | | |
| Purchase of intangible assets and property, plant and equipment | (51,692) | (47,263) |
| Proceeds from redemption of other financial investments | 12 | 12 |
| Net cash flows used in investing activities | (51,680) | (47,251) |
| Cash flows from financing activities | | |
| Repayment of borrowings | (727) | (511) |
| Net cash flows used in financing activities | (727) | (511) |
| Net increase in cash and cash equivalents | 59,042 | 77,012 |
| Cash and cash equivalents at the beginning of the period | 129,455 | 236,003 |
| Cash and cash equivalents at the end of the period | 188,497 | 313,015 |

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