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CREDIT OPINION
25 October 2019

Update

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RATINGS

Latvenergo AS

Domicile	Latvia
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Latvenergo AS

Update following rating affirmation at Baa2 with a stable outlook

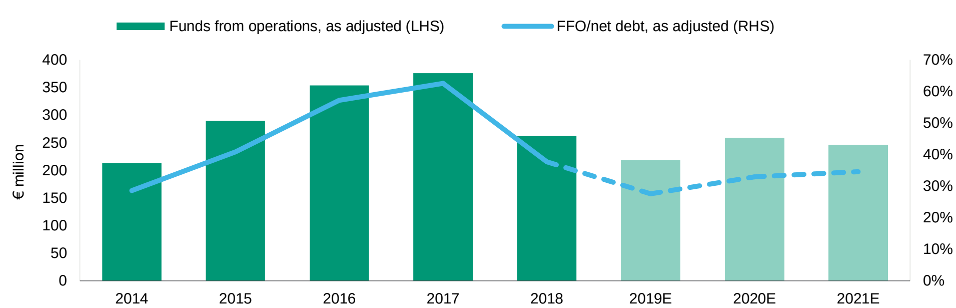
Summary

Latvenergo AS' (Latvenergo) credit profile is underpinned by (1) the group's leading position as an integrated utility in its home market; (2) its fairly low-cost and environmentally clean hydro generation asset base; (3) a strong contribution to its earnings from regulated distribution activities; and (4) its solid financial profile.

However, Latvenergo's credit strength is constrained by (1) its small size; (2) the group's substantial short generation position versus its supply requirements; (3) the volatile hydro generation and variable profitability of gas-fuelled heat and power plants, given their exposure to commodity prices; and (4) the evolving nature of the electricity markets in which Latvenergo operates.

Latvenergo's Baa2 rating incorporates two notches of uplift for the potential extraordinary support from its 100% owner, the Government of Latvia (A3 stable), in case of financial distress. At the same time, the company remains exposed to political interference and regulatory risks.

Exhibit 1
Leverage metrics are likely to decline in 2019 as low hydrology leads to a decrease of earnings from generation



Sources: Company and Moody's Investors Service

Credit strengths

» Dominant position in Latvia and leading electricity supplier in the Baltics

» Stable cash flow from regulated distribution network activities, offset by an evolving framework

» Solid financial profile

» Government support, which provides two notches of rating uplift

Credit challenges

» Relatively small size and short position in generation, which render the company vulnerable to changes in the regional electricity markets

» Cash flow generation exposed to variable hydrology and commodity prices

» Declining market share in the business customer supply segment in Latvia, mitigated by a large and stable market share in the household segment

Rating outlook

The outlook on Latvenergo's rating is stable. This reflects our expectation that, in the context of the risks and opportunities characterising the evolving Latvian market, and following the transmission asset unbundling, the company should nonetheless be able to maintain a financial profile in line with the current rating guidance of funds from operations (FFO)/net debt in the low 20s in percentage terms on a sustained basis.

Factors that could lead to an upgrade

Upward pressure on Latvenergo's rating is unlikely to materialise in the near term but could develop in the medium to long term through a combination of the following: (1) increased visibility into the effect of the ongoing market integration of Latvia with its neighbours and the Nordic countries on the company's business position and financial performance; and (2) the maintenance of good liquidity and a financial profile comfortably and sustainably in excess of the current guidance. Upward rating pressure could also develop if the credit quality of the Latvian government were to materially strengthen.

Factors that could lead to a downgrade

Latvenergo's rating could come under downward pressure if (1) the company is not able to maintain a financial profile commensurate with the current guidance, that is, if FFO/net debt were to decline below the low 20s in percentage terms on a sustained basis; (2) the company's liquidity profile were to deteriorate; (3) there were material adverse changes in the regulatory or legal frameworks in Latvia; or (4) the credit quality of the Latvian government or the support assumptions currently incorporated into our assessment were to weaken.

Key indicators

Exhibit 2

Credit metrics in 2018 declined significantly as a result of substantially lower generation earnings

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	LTM Jun-19	12-18 month forward view
(CFO Pre-W/C + Interest) / Interest	11.2x	16.1x	24.1x	30.5x	28.6x	28.7x	20x - 25x
FFO / Net Debt	28.6%	40.9%	57.2%	62.6%	37.7%	34.2%	31% - 36%
RCF / Net Debt	26.7%	36.3%	44.5%	47.3%	14.9%	16.3%	18% - 23%
FCF / Net Debt	-7.3%	3.5%	12.4%	2.2%	-13.6%	-17.6%	2% - 7%

Ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. For definitions of Moody's most common ratio terms, please see the accompanying User's Guide.
Source: Moody's Financial Metrics™

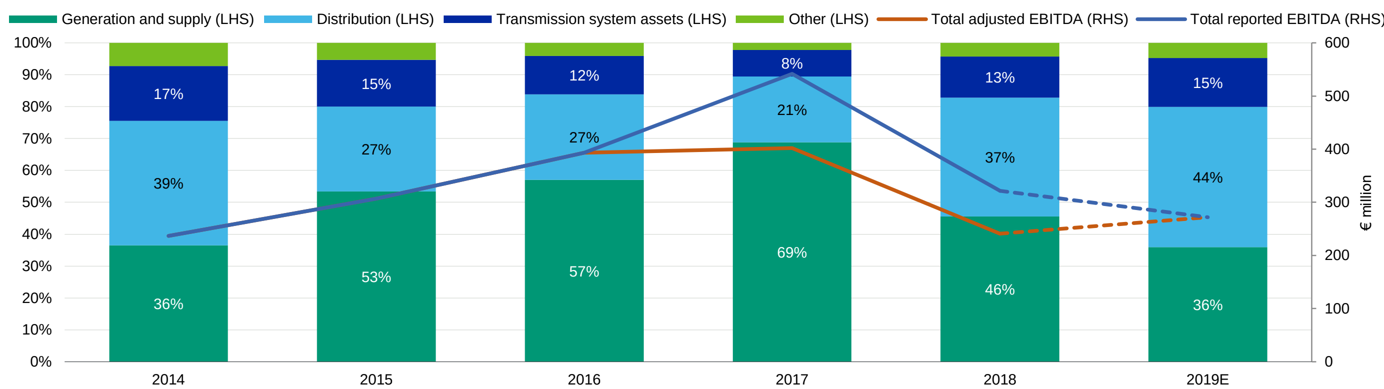
Profile

Latvenergo AS (Latvenergo) is the dominant vertically integrated utility in Latvia, with a total installed capacity of some 2.6 gigawatts (GW), representing around 90% of the total Latvian electricity generation capacity. Latvenergo's main power plants comprise three hydropower plants (HPPs, 1.6 GW) on River Daugava and two gas-fuelled combined heat and power plants (CHPPs, 1.0 GW) in Riga. The group also owns and operates the Latvian electricity distribution network. Finally, the Latvian electricity transmission grid assets are currently owned by the group but will be transferred to the independent system operator Augstprieguma tīkls AS (AST) in 2020, leading to a loss of regulated business. Latvenergo is 100% owned by the Latvian government.

Exhibit 3

Latvenergo's earnings split is driven by the volatile contribution from its generation business

Reported EBITDA (RHS) and segmental share (LHS)



Adjusted EBITDA excludes income of €140 million in 2017 and €81 million in 2018 for restructured capacity payments.
Source: Company and Moody's Investors Service

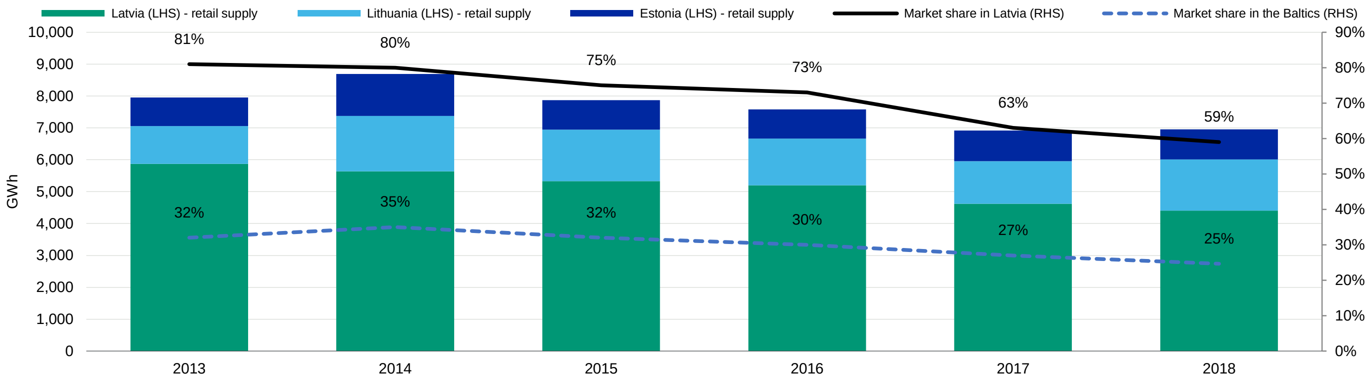
Detailed credit considerations

Leading supplier in Latvia and the Baltics but relatively small size leaves the company vulnerable to changes in the broader regional electricity markets

Latvenergo is the dominant utility in Latvia and one of the leading electricity end-suppliers across the three Baltic countries, with aggregate sales of around 7.0 terawatt hours (TWh) and an overall market share of around 25% in 2018. Despite its strong position in the domestic market, Latvenergo's scale remains relatively small in the pan-European context, which leaves the company exposed to changes in the wider regional electricity markets.

The group's domestic market share and volumes sold have steadily decreased since the full liberalisation of Latvia's electricity supply segment in 2015, mitigated by (1) an increasing share in the neighbouring Baltic markets; and (2) a retention level above 90% in the less volatile Latvian household segment.

Exhibit 4
Latvenergo's declining sales in Latvia have been partially offset by the volumes sold in Estonia and Lithuania
Retail sales and retail market shares in Latvia and the Baltics



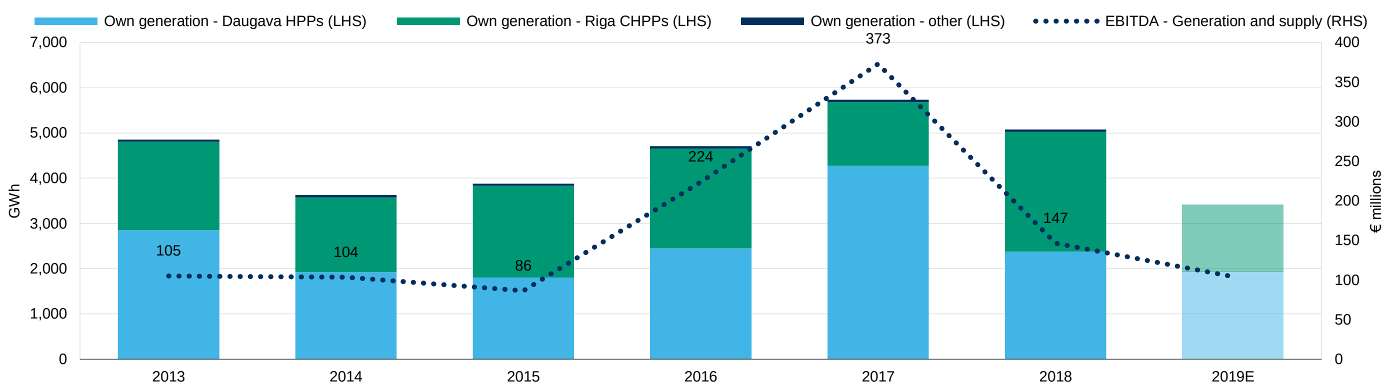
Sources: Company and Moody's Investors Service

Latvenergo partly meets its end-supply obligations with generation from its own HPPs and CHPPs, whose total output varies considerably, with levels ranging from 3.6 TWh to 5.7 TWh between 2013 and 2018 because of (1) the high reliance on hydropower, and (2) the variable utilisation of CHPPs with high seasonal correlation.

Hydro plant output is highly variable and results in significant volatility in earnings

The annual production of Latvenergo's HPPs ranges between around 1.8 TWh and 4.3 TWh, depending on the hydrological conditions. During the spring flood period, which typically lasts two to three months, the generation output exceeds the domestic demand, thus supporting electricity exports. The variable nature of the hydro generation output, given its low fixed-cost nature, exposes Latvenergo to significant volatility in earnings. Modest water levels in the first half of 2019 suggest an overall low HPP output in 2019, likely to be reflected in lower earnings.

Exhibit 5
Latvenergo's cash flow is exposed to variable hydro production, which is partly balanced by CHPPs
Generation output versus earnings from generation and supply



Sources: Company and Moody's Investors Service

CHPPs' earnings are supported by capacity payments and heating income, but exposed to commodity prices

Latvenergo's CHPPs run mainly in the cogeneration mode during the heating season from October through March. In 2018, the Riga CHPPs with an installed thermal capacity of 1.6 GW provided some 60% of the heat supplied to the district heating system of the city, generating regulated income.

In addition, Latvenergo receives capacity payments, which amount to €25 million in 2018-20 respectively €21 million in 2021-28 and offset the plants' fixed costs. The capacity payment scheme for large CHPPs was restructured by the government in August 2017, which for Latvenergo led to (1) a reduction in net cash payments after related taxes to €25 million in 2018 from €85 million in 2017; (2) noncash one-off income of €140 million and €81 million in 2017 and 2018, respectively, as part of the compensation for the reduction; and (3) a release of the company's capital in an amount of around €455 million back to its government shareholder (see Latvenergo AS - Capacity payment restructuring mitigated by significant financial flexibility, 7 September 2017, and Latvenergo AS - Update to credit analysis, 19 March 2019).

The CHPPs are exposed to volatile gas and elevated carbon prices, with the latter having risen significantly since mid-2018, whereas the allocation of free carbon allowances will end in 2020. While we expect both the items to reduce CHPP generation margins, we view (1) the capacity support covering fixed operating costs, (2) the technical flexibility of the gas-fired plants that allow load adaptation to market conditions on short notice, and (3) the regulated nature of the district heating income, as mitigating factors.

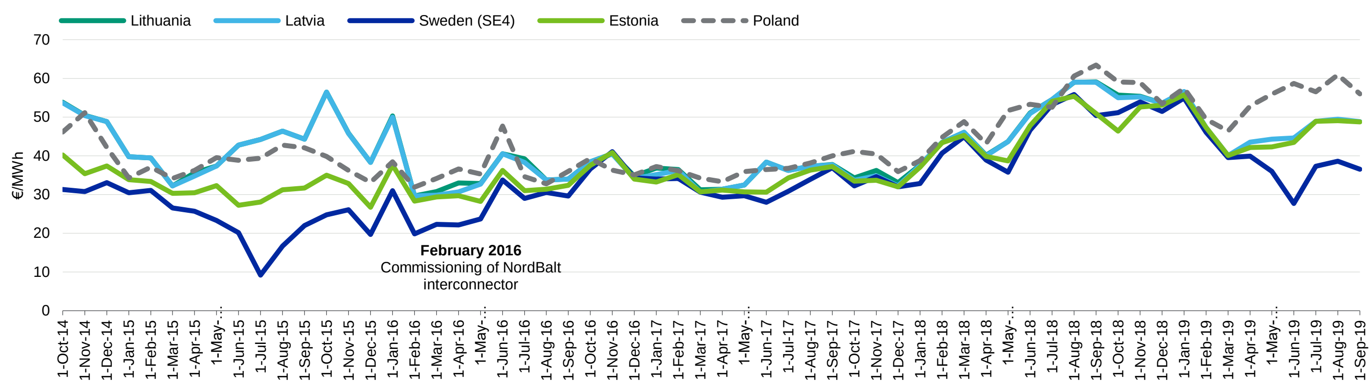
Latvenergo's short position in generation exposes its supply business to price volatility

Latvenergo covers its supply shortfall with imports from the NordPool (NP) electricity exchange where the company also sells any excess output from its HPPs during the spring flood period. Given (1) the volatile own generation in combination with fixed-price tariff offers and (2) the increased interconnection capacities since 2015 between the Baltic and the much larger Nordic countries (and Poland), Latvenergo is exposed to Nordic power generation volatility reflected in converging power prices that are significantly driven by Nordic hydrology. Baltic power prices tend to be positioned between lower-priced Nordic and higher-priced Polish prices in the day-ahead market. The ensuing risk of price volatility is partially mitigated by (1) a positive correlation between rising electricity prices (often influenced by a low hydro output) and higher CHPP production; (2) the use of derivative financial instruments; and (3) the complementary hydrology seasons in Latvia and Southern Sweden, the latter defining the lower end of the NP price range.

Exhibit 6

Prices in the Baltics and Nord Pool reflect close links, with Southern Sweden's hydro capacity acting as a price floor

Day-ahead electricity prices expressed in €/MWh



Sources: Nord Pool, Polish Power Exchange and Moody's Investors Service

Transfer of transmission assets in 2020 decreases regulated earnings, mitigated by the expected debt reduction

Since 2011, the electricity transmission grid has been managed under the independent system operator model that legally separates the grid operations, which were assigned to the state-owned company AST, from asset ownership and funding. The grid is the property of Latvenergo's fully owned subsidiary Latvijas elektriskie tīkli AS (LET), which leases the transmission assets to AST under tariffs approved by the regulator, the Public Utilities Commission (PUC). LET is the group's smallest business segment in terms of revenue and EBITDA, with 5% and 13%, respectively, in 2018.

On 8 October 2019, the Latvian government decided to support the introduction of a full electricity transmission ownership unbundling model in Latvia by 1 July 2020 to enhance regulatory transparency and promote cost savings for end-users through lower transmission fees.

The planned transaction foresees the transfer of LET shares from Latvenergo to the Latvian state and a parallel reduction in the share capital of Latvenergo in the same amount. LET equity as of year-end 2018 amounted to €233 million. The transfer of transmission assets to AST will subsequently occur through an equity increase in kind by the Latvian state. The outstanding debt incurred by Latvenergo to finance transmission investments is matched by intercompany loans to LET. While the details of the transaction have yet to be finalised, we expect AST to refinance LET intercompany loans to Latvenergo, leading to a reduction in Latvenergo's debt over time.

While the transfer of this regulated and predictable business segment weakens the group's business risk profile, we see the expected reduction in Latvenergo's debt and decrease in investment spending (see below) as offsetting factors.

Regulated distribution network activities provide predictability to cash flow, despite planned tariff reduction and evolving framework

Latvenergo also owns and operates the country's electricity distribution network through its 100% subsidiary Sadales tīkls AS (ST). The segment's EBITDA contribution (€120 million in 2018) has improved following an increase in the regulatory asset base (RAB) to nearly €1.1 billion, remunerated at a 5% weighted average cost of capital (WACC) rate, and the introduction of higher tariffs, all in August 2016.

Following the consultations of a working group headed by the Ministry of Economics to reduce end-user electricity prices, SAT submitted a request to the PUC to reduce tariffs by an average of 5.5%, starting on 1 January 2020. The resulting revenue reduction is to be compensated for by an efficiency programme that aims to achieve €26 million cost savings at ST by 2022, as well as by higher distributed volumes. The tariff request is complemented by amendments to the existing tariff methodology, which the PUC announced on 30 September 2019. Elements of a revenue cap approach with efficiency factors and a five-year regulatory period will be introduced. We understand that details have yet to be finalised, and we expect the RAB and WACC parameters to be reviewed as well. While the WACC is likely to fall below 5%, the RAB may be revaluated to stabilise ST's returns. A significant cut in returns would be credit negative.

We view the evolution of the regulatory framework towards a five-year regulatory period as positive, offset by (1) the low transparency of methodological and returns details; and (2) the lack of stringency, given that the tariff is to be lowered now against efficiency gains only occurring over time. The adverse effect on earnings from the decrease in tariffs is mitigated by the efficiency programme, which mostly consists of controllable staff and overhead cost reductions.

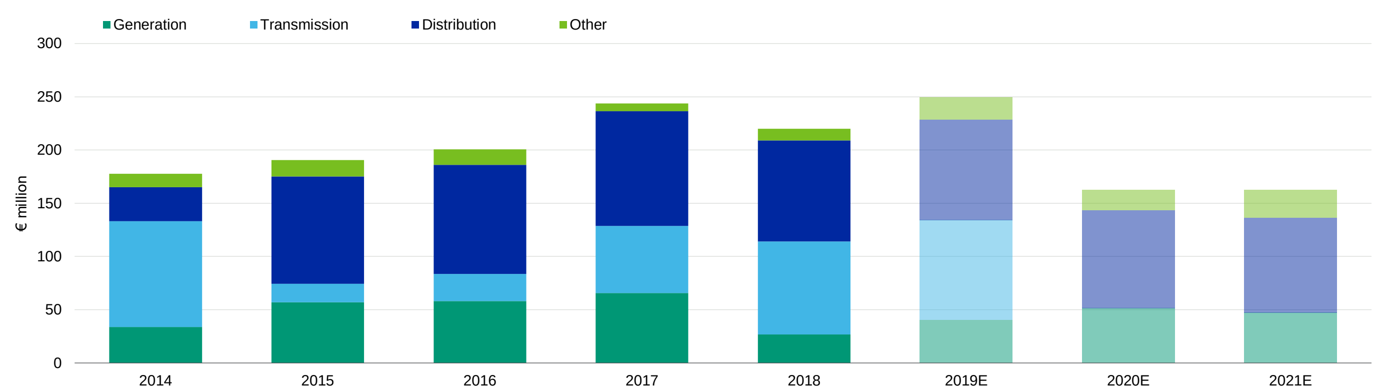
Lower capital spending programme after the unbundling of the transmission business is cash flow positive

Latvenergo's originally forecast investment volume for 2019-22 of an average annual amount of over €200 million will decline after the transmission unbundling in 2020. We assume that the annual investment expenditures in 2021 and 2022 will be around €160 million with the reduction representing mostly the first phase of the Baltic Synchronisation project that will link the Baltics' transmission grids with the European continental frequency area.

Investments in the distribution segment will be focused on the expansion and modernisation of grid assets (40% of investments in 2018), including connections of new customers. We assume annual expenditure in the range of €80 million-€90 million. Most generation-related capital spending is dedicated to the upgrade of Latvenergo's hydro plants (total project volume of around €230 million) and should allow for a further 40 years of operations of the hydro plants.

Exhibit 7

Latvenergo's capital investments are bound to decline considerably after the transmission business unbundling



Source: Company

Latvenergo's financial profile remains solid, but is exposed to the volatility in generation earnings

Following another low hydrology spring season, EBITDA in H1 2019 declined to €147 million from €187 million in the year-earlier period. FFO remained sufficient to support investment spending of €95 million and a €15 million net reduction in debt. However, available cash spent on dividends of €132 million led to higher net debt levels compared with year-end 2018. Given the fact that hydrology in the first half of the year is a decisive driver for period earnings, we expect leverage metrics in 2019 to decrease year-on-year, but to remain comfortably above our guidance.

While the unbundling of transmission assets and the lack of clarity about regulatory and tariff changes in distribution reduce the visibility on earnings for 2020, we expect an improvement in leverage metrics from 2021, given the fact that (1) Latvenergo should receive a cash compensation for outstanding transmission-related borrowings, which will be used for debt reduction; and (2) investment spending for transmission will cease and the HPP reconstruction programme will be completed in 2022. Thus, we expect the company to continue to meet the guidance for the current Baa2 rating of FFO/net debt in the low 20s in percentage terms over the medium term.

The company's financial profile may be challenged by (1) the increasing convergence of power prices towards lower Nord Pool prices, (2) tighter retail margins in the Baltics as a result of competitive pressure, or (3) the continued low hydrology in Latvia.

The company's financial policy includes a maximum leverage target of net debt/EBITDA of 3x. As of H1 2019, net debt/reported EBITDA was 2.4x. We understand that the company's high dividend payout target of more than 80% of net profit is strictly conditional upon meeting the leverage hurdle.

Recent government actions have been credit negative

Apart from determining large dividend payouts, the Latvian government as the sole owner of Latvenergo has recently been instigating measures that limit the company's profitability and reduce its equity base, such as the (1) restructuring of capacity payments, including capital release; (2) unbundling of transmission assets, again accompanied by a decrease in equity; and (3) planned reduction in distribution tariffs. While the latter is requested by the company from the PUC, it is notable that the Minister of Economics in June cited the failure to reduce distribution tariffs as one of the reasons for his dismissal of the supervisory board.

All measures are driven by the government's aim to keep end-user prices of electricity low. We view the reduction in the capital buffer and high extraction of dividends as credit negative, but we understand that the government's actions are strictly subject to preserving Latvenergo's solid credit profile.

Environment: Moderately well positioned for decarbonisation

The EU has committed to reduce greenhouse gas emissions by 40% from the 1990 levels and to increase the contribution of renewables to energy demand to 32% of the total by 2030. We believe that unregulated utilities, which account for 40% of the EU carbon emissions, will need to deliver a significant share of the reductions, and that this will create a variety of risks and opportunities for individual companies.

In Latvia, some 50% of the electricity consumption and 40% of total energy demand are covered by production from renewable assets. Overall, we believe that Latvenergo is moderately well positioned compared with its peers, given its reliance on hydro generation, as well as less carbon intensive gas-fired power plants. As a result, the group's CO_2 intensity of some 120-150 kilogramme/MWh (taking into account all generation sources) is low compared with the Baltic region as a whole, where around 60% of the generation comes from fossil fuels, including CO_2-intensive oil-shale-based generation in Estonia. We further note Latvenergo's potential for further diversification into the renewable segment, as stipulated in its corporate strategy.

The company's exposure to CO_2 prices is reduced by the free allocations it receives in relation to its thermal assets. However, the share of free allowances will drop to some 30% of the necessary amount by 2020, and the company will only retain some free allowances for heat generation in the fourth settlement period of the EU's Emission Trading Scheme from 2021.

Government support provides two notches of rating uplift

Latvenergo's Baa2 rating incorporates two notches of uplift for potential government support from its standalone credit quality, or Baseline Credit Assessment (BCA), of ba1. The uplift reflects the credit quality of the Latvian government, which owns 100% of Latvenergo's shares, as well as our assessment of a strong probability of government support for the group in the event of financial distress, and a high level of default dependence (that is, the degree of exposure to common drivers of credit quality). The Latvian government has currently no plans to divest its stake in Latvenergo in the near term, which underpins our support assumption incorporated into the final rating.

Liquidity analysis

As of 30 June 2019, the company reported nearly €54 million of unrestricted cash and cash equivalents.

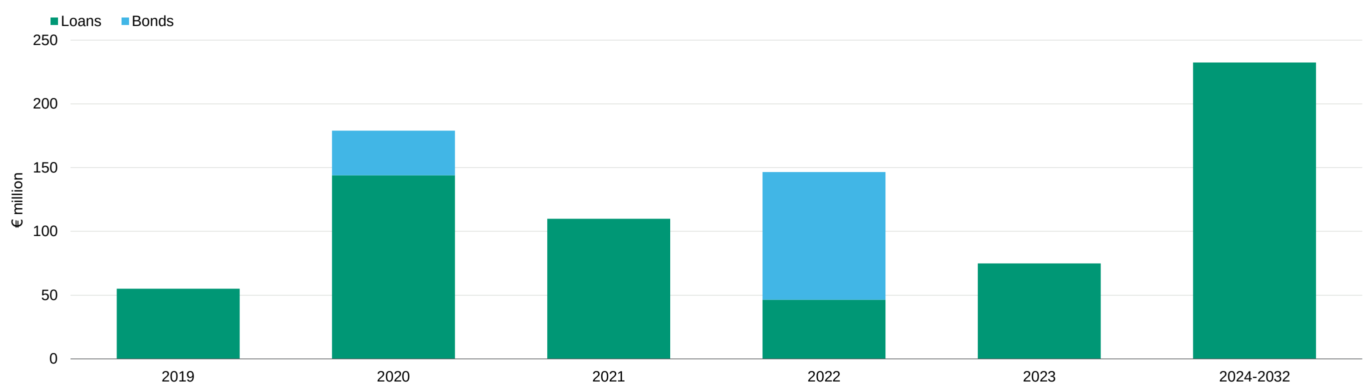
Latvenergo secured committed €240 million loan facilities from several banks in 2018, with a repayment term of seven and 10 years, which are used for the implementation of investment projects and the management of refinancing risk. As of H1 2019, less than 50% of the amount remained available. In June 2015 and April 2016, Latvenergo issued green bonds in the combined amount of €100 million due in 2022. This contributed to the diversification of its debt structure and improved its maturity profile. Latvenergo also has a fairly diverse banking group, with a sizeable share of lending provided by supranational institutions, such as the European Investment Bank and the European Bank for Reconstruction and Development.

The company has sufficient liquidity through cash, internally generated cash flow and the committed facilities to meet funding requirements over the next 12-18 months.

Exhibit 8

Latvenergo has a well-spread debt maturity profile and sufficient liquidity

Debt repayment schedule (as of the end of June 2019)



Sources: Company and Moody's Investors Service

Structural considerations

The Baa2 senior unsecured rating of Latvenergo's outstanding green bonds is at the same level as the company's issuer rating and reflects the absence of structural and contractual subordination of the green bond creditors to the claims of other Latvenergo group lenders.

Rating methodology and scorecard factors

The principal methodologies used in rating Latvenergo are Unregulated Utilities and Unregulated Power Companies, published in May 2017, and Government-Related Issuers, published in June 2018.

Based on the company's forecast financial results, the scorecard-indicated outcome is Baa2, which is above the assigned BCA of ba1. The BCA also incorporates the exposure to market developments in the wider Nordic/Baltic electricity market; uncertainties related to the market transition in Latvia; and volatility in the company's hydro generation, limiting the visibility in its cash flow generation.

Exhibit 9

Rating factors

Latvenergo AS

Unregulated Utilities and Unregulated Power Companies Industry Grid [1][2]	Current LTM - 06/30/2019 [1][2]		Moody's 12-18 Month Forward View As of October 2019 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	Ba	Ba	B	B
Factor 2 : Business Profile (40%)				
a) Market Diversification	Ba	Ba	Ba	Ba
b) Hedging and Integration Impact on Cash Flow Predictability	Ba	Ba	Ba	Ba
c) Market Framework & Positioning	Ba	Ba	Ba	Ba
d) Capital Requirements and Operational Performance	Baa	Baa	A	A
e) Business Mix Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	28.5x	Aaa	20x - 25x	Aaa
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	49.4%	A	31% - 36%	A/Baa
c) RCF / Net Debt (3 Year Avg)	29.4%	A	18% - 23%	Baa
Rating:				
a) Indicated Rating from Grid		Baa1		Baa2
b) Actual Baseline Credit Assessment Assigned				ba1
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	ba1			
b) Government Local Currency Rating	A3			
c) Default Dependence	High			
d) Support	Strong			
e) Final Rating Outcome	Baa2			

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 9/30/2019. [3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Investors Service

Ratings

Exhibit 10

Category	Moody's Rating
LATVENERGO AS	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured -Dom Curr	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 11

Peer comparison

Latvenergo AS

	Latvenergo AS Baa2 Stable			Eesti Energia AS Baa3 Stable			CEZ, a.s. Baa1 Stable			PGE Polska Grupa Energetyczna S.A. Baa1 Stable			Hrvatska Elektroprivreda d.d. Ba2 Positive		
(in USD millions)	FYE Dec-2016	FYE Dec-2017	FYE Dec-2018	FYE Dec-2016	FYE Dec-2017	FYE Dec-2018	FYE Dec-2016	FYE Dec-2017	FYE Dec-2018	FYE Dec-2016	FYE Dec-2017	FYE Dec-2018	FYE Dec-2016	FYE Dec-2017	FYE Dec-2018
Revenue	1,031	1,046	1,037	821	852	1,034	8,253	8,603	8,377	7,127	6,134	7,196	1,906	2,037	2,267
EBITDA	438	457	285	367	285	337	2,315	2,265	2,234	1,865	2,018	1,754	683	542	644
Total Debt	846	1,002	937	1,024	1,094	1,303	7,451	8,475	8,255	2,586	3,117	3,082	843	831	778
Net Debt	652	721	794	788	735	1,232	6,818	7,725	7,765	1,413	2,407	2,765	406	484	307
(CFO Pre-W/C + Int.) / Int.	24.1x	30.5x	28.6x	8.7x	7.0x	6.1x	8.3x	8.0x	7.5x	25.3x	21.4x	19.1x	13.5x	13.5x	16.0x
FFO / Net Debt	57.2%	62.6%	37.7%	39.0%	34.5%	17.9%	27.4%	26.6%	24.3%	107.2%	79.7%	61.7%	131.4%	117.3%	194.8%
RCF / Net Debt	44.5%	47.3%	14.9%	38.9%	26.8%	16.5%	15.2%	15.7%	14.2%	99.2%	79.7%	61.3%	110.5%	90.8%	183.8%
Net Debt / EBITDA	1.6x	1.5x	2.9x	2.3x	2.4x	3.8x	3.1x	3.1x	3.6x	0.8x	1.1x	1.6x	0.6x	0.8x	0.5x

All figures and ratios are calculated using Moody's estimates and standard adjustments for the consolidated group. FYE = Financial year-end.

Source: Moody's Financial Metrics™

Exhibit 12

Select historical adjusted financial data

Latvenergo AS

EUR Millions	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
INCOME STATEMENT					
Revenue	1,011	929	932	926	878
EBITDA	240	311	396	404	241
EBIT	66	127	209	214	48
Interest Expense	21	19	15	13	10
Net Income	40	97	167	300	31
BALANCE SHEET					
Total Debt	836	808	802	834	820
Cash & Cash Equivalents	90	99	184	234	125
Net Debt	746	708	618	601	695
Net PP&E	3,077	3,088	3,368	3,317	3,304
Total Assets	3,497	3,530	3,913	4,424	3,806
CASH FLOW					
Funds from Operations (FFO)	213	290	354	376	262
Cash Flow from Operations (CFO)	138	247	341	338	303
Cash Dividends - Common	-14	-33	-79	-92	-159
Retained Cash Flow (RCF)	199	257	275	284	103
Capital Expenditure	-179	-189	-186	-234	-239
Free Cash Flow (FCF)	-55	25	77	13	-94
FFO / Debt	25.5%	35.9%	44.1%	45.0%	32.0%
FFO / Net Debt	28.6%	40.9%	57.2%	62.6%	37.7%
RCF / Net Debt	26.7%	36.3%	44.5%	47.3%	14.9%
FCF / Net Debt	-7.3%	3.5%	12.4%	2.2%	-13.6%
PROFITABILITY					
EBIT Margin %	7%	14%	22%	23%	5%
EBITDA Margin %	24%	33%	43%	44%	27%
INTEREST COVERAGE					
FFO Interest Coverage	11.2x	16.1x	24.1x	30.5x	28.6x
LEVERAGE					
Debt / EBITDA	3.5x	2.6x	2.0x	2.1x	3.4x
Net Debt / EBITDA	3.1x	2.3x	1.6x	1.5x	2.9x
Net Debt / Fixed Assets	24%	23%	18%	18%	21%
Debt / Book Capitalization	27%	25%	23%	23%	26%

All figures are calculated using Moody's estimates and standard adjustments for the consolidated group.

Source: Moody's Financial Metrics™

Exhibit 13
Moody's-adjusted debt breakdown
Latvenergo AS

(in EUR Millions)	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
As Reported Debt	**827**	**797**	**792**	**827**	**814**
Operating Leases	11	12	13	10	8
Non-Standard Adjustments	-2	-2	-2	-2	-2
Moody's-Adjusted Debt	**836**	**808**	**802**	**834**	**820**

All figures are calculated using Moody's estimates and standard adjustments for the consolidated group.
Source: Moody's Financial Metrics™

Exhibit 14
Moody's-adjusted EBITDA breakdown
Latvenergo AS

(in EUR Millions)	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
As Reported EBITDA	**239**	**310**	**396**	**543**	**323**
Operating Leases	1	1	1	2	1
Unusual	-1	0	-1	-140	-83
Non-Standard Adjustments	0	0	0	0	0
Moody's-Adjusted EBITDA	**240**	**311**	**396**	**404**	**241**

All figures are calculated using Moody's estimates and standard adjustments for the consolidated group.
Source: Moody's Financial Metrics™

Moody's related publications

Issuer Comment:

» Capacity payment restructuring mitigated by significant financial flexibility, 7 September 2018

Assessment:

» Latvenergo AS - Update to Green Bond Assessment, 7 June 2018

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