LATVENERGO CONSOLIDATED AND LATVENERGO AS

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

No. Stimului



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.

FINANCIAL CALENDAR

30 June 2020 (unaudited)

Condensed Consolidated Interim Financial

Statements for the 6-Month Period Ending

Condensed Consolidated Interim Financial

Statements for the 9-Month Period Ending

30 September 2020 (unaudited)

28.08.2020

27.11.2020

CONTENTS

Management Report

- 3 Highlights
- 4 Latvenergo Group in Brief
- 6 Latvenergo Group Key Performance Indicators
- 7 Operating Environment
- 11 Financial Results
- 21 Latvenergo AS Key Performance Indicators
- 22 Statement of Management Responsibility
- 23 Formulas
- 24 List of Abbreviations

Unaudited Condensed Interim Financial Statements**

- 25 Statement of Profit or Loss
- 25 Statement of Comprehensive Income
- 26 Statement of Financial Position
- 27 Statement of Changes in Equity
- 28 Statement of Cash Flows
- 29 Notes to the Unaudited Condensed Interim Financial Statements

*According to the TOP10 most valuable Baltic companies: <u>https://www.top101.lv/en/top10/baltics-2019</u>

** 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

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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

Lower electricity demand due to warmer weather and COVID-19 affected the fall in electricity prices in the region.

Latvia **27.63** EUR/MWh (42%) 3M 2019: 48.02 Nord Pool system price **15.45** EUR/MWh (67%) 3M 2019: 46.87

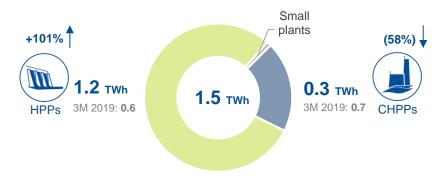
EBITDA increased by 33%.

219.8 REVENUE **98.0** EBITDA 3,933.7

MEUR

ASSETS

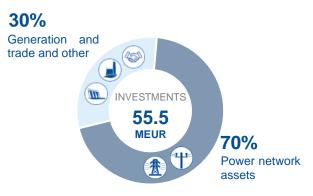
The amount of power generated at the Daugava HPPs was two times higher compared to the respective period a year ago, which was impacted by higher water inflow in the river Daugava.



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

57.9

PROFIT



Latvenergo operates in all energy trade segments in Latvia, Lithuania and Estonia.



Latvenergo AS will issue green bonds with the highest rating from CICERO of **200 MEUR.**

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.



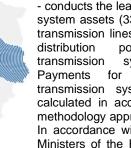
The distribution segment



- 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 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. In accordance with the Cabinet of Ministers of the Republic of Latvia (CM) decision of 8 October 2019. unbundling of the transmission assets from Latvenergo Group is planned until 1 July 2020.

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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%
Capital Structure	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

		3M 2020	3M 2019	3M 2018	3M 2017	3M 2016
Electricity supply, incl.	GWh	2,581	2,555	2,904	3,029	2,741
Retail electricity ²⁾	GWh	1,646	1,795	1,766	1,882	2,174
Wholesale electricity ³⁾	GWh	935	760	1,138	1,147	567
Retail natural gas	GWh	155	104	40	_	_
Electricity generation	GWh	1,538	1,347	1,929	1,855	1,236
Thermal energy generation	GWh	740	939	1,204	1,137	1,173
Number of employees		3,394	3,490	3,736	4,133	4,181
Moody's credit rating		Baa2 (stable)				

Latvenergo Group Financial Figures

		3M 2020	3M 2019	3M 2018	3M 2017	3M 2016
Revenue [*]	MEUR	219.8	241.9	249.9	255.4	251.7
EBITDA ^{1)*}	MEUR	98.0	73.7	99.6	103.6	88.5
Profit	MEUR	57.9	38.4	64.9	55.1	38.6
Assets	MEUR	3,933.7	3,825.5	4,001.2	3,956.2	3,607.5
Equity	MEUR	2,325.2	2,342.0	2,459.9	2,471.6	2,133.4
Net debt (adjusted) ^{1)*}	MEUR	498.4	440.6	410.3	458.1	575.1
Investments	MEUR	55.5	44.3	33.0	32.1	34.7

Latvenergo Group Financial Ratios

	3M 2020	3M 2019	3M 2018	3M 2017	3M 2016
Net debt / EBITDA (adjusted) ¹⁾	1.8	1.7	0.9	1.4	2.5
EBITDA margin ¹⁾	33%	31%	57%	41%	29%
Return on equity (ROE) ¹⁾	4.9%	2.1%	13.5%	6.4%	4.0%
Return on assets (ROA) ¹⁾	2.9%	1.3%	8.3%	3.9%	2.4%
Return on capital employed (ROCE) (adjusted) ^{1)*}	4.1%	1.8%	6.7%	5.7%	2.8%
Net debt / equity (adjusted) ¹⁾	21%	19%	17%	19%	27%

* Financial figures and ratios are presented by excluding discontinuing operations (unbundling transmission system asset ownership) – see Note 17 to the Unaudited Condensed Financial Statements.

1) Formulas are available on page 23

2) Including operating consumption

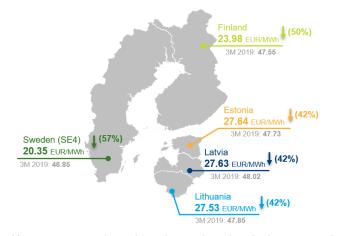
3) Including sale of energy purchased within the mandatory procurement on the Nord Pool

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In Q1 2020, energy raw material prices were also significantly affected by the global COVID-19 pandemic:

- the Nord Pool system price decreased by 67% and the electricity spot price in Latvia decreased by 42% compared to the respective period a year ago;
- the price of natural gas at the GASPOOL and TTF trading platforms was on average 48% lower compared to the respective period a year ago.

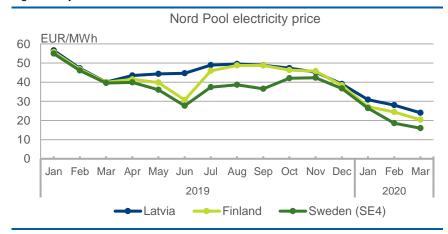
Significantly lower electricity prices

In the 3-month period of 2020, electricity prices in the Nordics and the Baltics were lower compared to the respective period a year ago due to the normalization of the Nordic hydrobalance and lower demand for electricity due to warmer weather and COVID-19.



Air temperatures throughout the northern hemisphere were above normal, which affected the reduction in electricity consumption in the region. Also, during the reporting period, heavy precipitation in Scandinavia increased the water storage in reservoirs, soil and snow up to 23 TWh above the norm, which resulted in greater output of hydroelectricity not only in Scandinavia but also in Latvia. In Q1 2020, the electricity output at wind farms was 45% greater than in Q1 2019. Due to lower electricity demand, demand for raw materials (natural gas and coal) decreased. The decrease in electricity prices and demand resulted in lower electricity output in the Baltics.

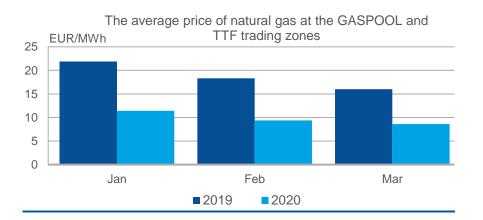
In Q1 2020, the average Nord Pool system price was 15.45 EUR/MWh, which was 67% lower than in the respective period a year ago. Even though the price level decreased in the whole region, at the same time the price difference between Latvia and Sweden (SE4) increased to 7.28 EUR / MWh (Q1 2019: 1.17 EUR / MWh). Electricity prices in the Baltic countries did not differ significantly.



In Q1 2020, total electricity consumption in the Baltics decreased by 3.6% compared to Q1 2019 and reached 7.4 TWh. Electricity output in the Baltics decreased by 18% and amounted to 4.1 TWh. Electricity output in Latvia was 9% higher and in Lithuania it was 18% higher than in the respective period a year ago. However, electricity output in Estonia decreased by 53% since electricity output at oil shale plants in Estonia fell significantly on account of high emission allowance prices and lower electricity prices. Due to lower electricity generation in the Baltics, the electricity purchased from neighbouring countries increased by 27% and reached 3.1 TWh.

The natural gas price decreases

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In the 3-month period of 2020, the price of natural gas was impacted by warmer weather conditions in Europe resulting in lower natural gas demand. However, high deliveries of liquefied natural gas (LNG) continue. At the end of March, the natural gas reserve fill rate in Europe's gas storage facilities reached 55% (in the respective period in 2019 it was 41%). In the reporting period, the average (Front Month) price of natural gas at GASPOOL (the German natural gas exchange) and the TTF (the Dutch natural gas exchange) was 48% lower than in the respective period a year ago. The average natural gas (Front Month) price was 10.0 EUR/MWh at the GASPOOL trading platform and 9.6 EUR/MWh at the TTF.



Natural gas prices are linked to oil prices; other energy resource prices also affect the natural gas market dynamics.

During the reporting period, the global COVID-19 pandemic had a significant impact on the decline in demand for energy products, resulting in a downward trend in all energy resource markets.

- The average price of Brent crude oil in the 3-month period of 2020 was 50.88 USD/bbl, which was 20% lower than in the respective period a year ago. In March, after unsuccessful negotiations between OPEC and Russia, Saudi Arabia's oil output increased, leading to further overproduction and falling oil prices;
- In the 3-month period of 2020, the average price of coal (API2 Rotterdam Coal Futures Cal 21) decreased by 24% compared to the respective period a year ago, reaching 59.16 USD/t. Coal prices were mainly affected by declining demand in Asia and Europe, as well as lower prices in other energy raw material markets.
- The average price of CO2 emission allowances (EUA DEC.20) in the 3month period of 2020 remained at the same level as in the respective period a year ago: 22.81 EUR/t.

Unbundling transmission system asset ownership

An independent system operator model was introduced in Latvia. Given that this model is one of the rarest in Europe, and based on an assessment by the Ministry of Economics, on 8 October 2019 the CM decided to support full unbundling of ownership of the electricity transmission system operator (TSO) until 1 July 2020, providing that transmission assets will be taken over from Latvenergo AS by Augstsprieguma tīkls AS. The change of ownership of assets takes place through the reduction of the share capital of Latvenergo AS by withdrawing the capital shares of LET from the base of assets of Latvenergo AS. In accordance with the CM decision on unbundling transmission system asset ownership, the share capital of Latvenergo AS will be increased this year by investing retained earnings from previous years.

After the reporting period, on 24 April 2020, the Shareholder Meeting was held, at which it was decided to reduce the share capital of Latvenergo AS by EUR 222.7 million to EUR 612.2 million. The market value of 100% LET shares was determined by KPMG Baltics AS. After the capital shares of LET become property of the state, they will be invested in the share capital of Augstsprieguma tīkls AS.

Along with the unbundling of LET, all LET liabilities will be transferred, including the Latvenergo AS loan to LET. As of 31 March 2020, LET long-term and short-term borrowings amounted to EUR 214.5 million. The investment financing required by the Group will also decrease – in the last 5 years the average amount of investments in the transmission assets was EUR 56 million per year.

In 2019, the revenue of LET was EUR 41.1 million, its profit was EUR 9.5 million and the asset value was EUR 663 million.

On 15 October, the international credit rating agency Moody's affirmed the credit rating of Latvenergo AS at investment grade Baa2 with a stable outlook, also taking into account the planned unbundling of transmission system asset ownership.

Amendments to the Electricity Market Law

On 27 February 2020, the Saeima included in the agenda the draft law "On Amendments to the Electricity Market Law". The draft law provides for the deletion of some stipulations of the Electricity Market Law, which defines payments of a guaranteed fee for electrical capacity installed at cogeneration power plants. Also, it provides for terminating the order that states that the electricity costs incurred by the public trader in carrying out the statutory functions are borne by the final consumers. The draft law may have an impact on Latvenergo Group's profits and asset value.

The Board of Latvenergo AS has been approved for a new term

After the reporting period, on 18 May 2020, at the meeting of the Supervisory Board of Latvenergo AS it was decided to extend the employment relationship with Members of the Management Board, and the new terms of office will start on 16 November 2020. For the new period, Āris Žīgurs has been approved as Chairman of the Management Board of Latvenergo AS, while Guntars Baļčūns and Uldis Bariss have been approved as Members of the Management Board. The term of office of Member of the Management Board Kaspars Cikmačs will also continue until 24 September 2023.

On the impact of COVID-19 on Latvenergo Group operations

At the beginning of 2020, the existence of a new disease, COVID-19, caused by a coronavirus, was confirmed, and by now it has spread globally, including in Latvia, and is hindering business operations and affecting economic growth. Latvenergo Group continuously evaluates the impact of the spread of COVID-19, implements measures for customer and employee safety, and ensures appropriate shift arrangements in the facilities of strategic importance: the Daugava HPPs, the Latvenergo AS CHPPs and the facilities of Sadales tikls AS. The Group continues to supply all services to its customers, and all issues related to customer service are solved remotely.

Currently, provision of Latvenergo Group services has not been significantly affected by the spread of the virus. The Group continues to ensure generation of electricity and thermal energy, as well as uninterrupted and accessible trade and distribution of electricity and natural gas to all its customers. As the situation is unclear and developing rapidly, Latvenergo Group cannot currently provide a quantitative estimate of the potential impact of the spread of the virus on the Group. However, it is expected that the impact of COVID-19 may cause an economic recession, which would have the largest effect on electricity consumption and receivables. In Q1 2020, electricity consumption in Latvia decreased by 3.3% compared to the respective period a year ago.

Financial Results

In the 3-month period of 2020, Latvenergo Group's revenue reached EUR 219.8 million, which was EUR 22.1 million or 9% less than in the respective period a year ago. This was mainly affected by EUR 12.5 million lower heat sales due to warmer weather conditions and by EUR 6.7 million lower distribution revenue due to the lower amount of distributed electricity and reduced electricity distribution service tariff.

Latvenergo Group's EBITDA increased by 33% compared to the respective period a year ago, reaching EUR 98.0 million. This was mainly affected by two times higher electricity output at the Daugava HPPs and lower electricity purchase prices. In Q1 2020, the electricity spot price in Latvia decreased by 42% compared to the respective period a year ago.

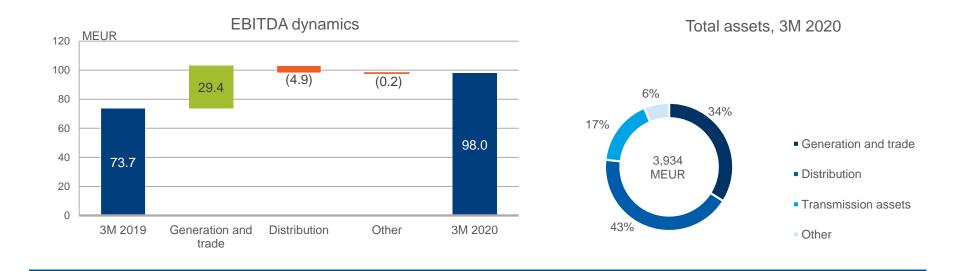
Latvenergo Group financial figures		3M 2020	3M 2019	Δ	Δ, %
Revenue	MEUR	219.8	241.9	(22.1)	(9%)
EBITDA	MEUR	98.0	73.7	24.3	33%
Net profit	MEUR	57.9	38.4	19.5	51%
Assets	MEUR	3,933.7	3,825.5	108.2	3%

Meanwhile, the Group's profit increased by EUR 19.5 million compared to the respective period a year ago, reaching EUR 57.9 million.

As of 31 March 2020, the Group's net debt to equity was 21% (as of 31 March 2019, it was 19%) and its net debt to EBITDA ratio was 1.8 (1.7). The capital structure ratios of Latvenergo Group are better than the industry average.

Latvenergo Group's EBITDA increased by 33%

In accordance with the CM decision of 8 October 2019 on the unbundling of transmission assets from Latvenergo Group until 1 July 2020, the Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020 were prepared in such a way that the operations of the transmission segment are reported as discontinuing operations. This therefore affects the profit and loss positions previously published; for more information, see Note 17 to the Unaudited Condensed Interim Financial Statements.



Revenue
58%DescriptionEBITDA
62%environmentAssets
34%utilities
tumelingEmployees
26%26%

Generation and trade is Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 83% of the segment's revenue came from electricity and natural gas trade, while 17% came from thermal energy supply.

The segment's revenue was impacted by EUR 12.5 million lower heat sales due to warmer weather conditions. Meanwhile, the segment's EBITDA was positively impacted by two times or 613 GWh higher electricity output at the Daugava HPPs and lower electricity purchase prices.

In the 3-month period of 2020, the total volume of electricity generated at Latvenergo Group's plants amounted to 1,538 GWh, which corresponded to 93% of the amount of electricity sold to retail customers (in the respective period in 2019 it was 75%).

The volume of electricity sold to Latvenergo Group's customers 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.

Operational figures		3M 2020	3M 2019	Δ	Δ, %
Electricity supply, incl.	GWh	2,581	2,555	26	1%
Retail electricity*	GWh	1,646	1,795	(149)	(8%)
Wholesale electricity**	GWh	935	760	175	23%
Retail natural gas	GWh	155	104	51	49%
Electricity generation	GWh	1,538	1,347	192	14%
Daugava HPPs	GWh	1,218	605	613	101%
CHPPs	GWh	306	727	(421)	(58%)
Liepaja plants and small plants	GWh	15	15	(0)	(0%)
Thermal energy generation	GWh	740	939	(199)	(21%)
CHPPs	GWh	647	833	(186)	(22%)
Liepaja plants	GWh	93	106	(13)	(12%)

Financial figures		3M 2020	3M 2019	Δ	Δ, %
Revenue	MEUR	140.9	156.5	(15.5)	(10%)
EBITDA	MEUR	66.7	37.3	29.4	79%
Assets	MEUR	1,336.3	1,284.0	52.3	4%
Investments	MEUR	14.5	4.6	9.9	217%
EBITDA margin		26.4%	23.6%	2.8pp.	12%

* Including operating consumption

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

Generation

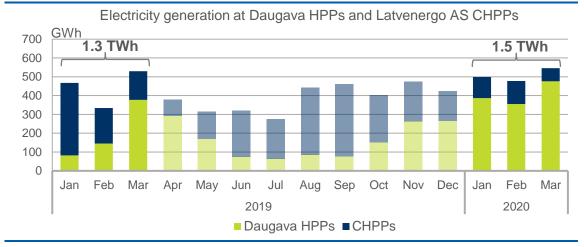
In the 3-month period of 2020, Latvenergo Group was the largest electricity producer in the Baltics, producing 37% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 1,538 GWh of electricity and 740 GWh of thermal energy.

The amount of power generated at the Daugava HPPs was two times higher compared to the respective period a year ago, reaching 1,218 GWh. The amount of power generated at the Daugava HPPs was impacted by atypically warm winter and high water inflow in the Daugava River. In Q1 2020, the average water inflow in the Daugava River was 979 m3/s, while in the respective period a year ago it was 467 m3/s. The share of electricity generated from renewable energy sources at Latvenergo Group was 80% (in Q1 2019 it was 45%).

The amount of power generated at the Daugava HPPs was two times higher

In the reporting period, the amount generated at the Latvenergo AS CHPPs reached 306 GWh, which was 58% less than in the previous year. The operation of the CHPPs is adjusted to the conditions of the electricity market and heat demand.

Due to the optimal combination of Latvenergo Group's generation at the Latvenergo AS 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 Q1 2020, 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 warmer weather conditions during the heating season. Data from the Central Statistical Bureau show that the average air temperature in Riga in the reporting period during the heating season was $+3.6 \, \text{C}^\circ$, whereas in Q1 2019 it was -0.3.



Trade

In the reporting period, Latvenergo Group maintained a stable position in the Baltic electricity market while, in addition to electricity, providing customers with various related products and services (natural gas, solar panels, etc.).

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

In the 3-month period of 2020, the Group supplied 1,646 GWh of electricity in the Baltics. The overall amount of retail electricity trade outside Latvia accounted for 1/3 of the total. The electricity trade volume in Latvia was 1.1 TWh, while in Lithuania it was 0.3 TWh and in Estonia it was 0.2 TWh.

The total number of electricity customers comprised approximately 750 thousand, including more than 35 thousand foreign customers.

In the reporting period, the natural gas retail sales volume doubled compared to the respective period a year ago and amounted to 155 GWh. In Q1 2020, Latvenergo Group's natural gas consumption in the Baltics was 1.4 TWh. Currently, Latvenergo Group is the second largest natural gas consumer in the Baltics.

As of 31 March 2020, the natural gas portfolio consisted of 8.2 thousand customers, of which 7.4 thousand were households.

In the reporting period, the retail activities of other services in the Baltic states continued. In Q1 2020, a total of 136 contracts for the installation of solar panels were concluded in the Baltics, which is 4 times more than in the respective period a year ago. The number of *Elektrum Insured* customers continued to increase, reaching 74.3 thousand. The development of the *Elektrum* e-shop continued, adding new products to the assortment in the categories Security, Smart Home Solutions, and Electric Transport. In Q1 2020, units sold at the *Elektrum* e-shop reached 1,200. In the reporting period, approximately 1,300 charges were made at the *Elektrum* electric vehicle charging stations.

Completed in the 3-month period of 2020:



1.6 TWh of electricity sold to retail customers.



The amount of natural gas used for both operating consumption and trade reached 1.4 TWh.

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136 new contracts were concluded for the installation of solar panels.



At the end of March, the total number of *Elektrum Insured* customers exceeded 74,300.



Almost 1,200 units sold in the *Elektrum* e-shop.

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.

In 2020, the average PSO fee has remained unchanged

On 27 November 2019, the PUC approved the new PSO fee, and as of 1 January 2020 the average PSO fee is 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.



Operating figures		3M 2020	3M 2019	Δ	Δ, %
Mandatory procurement PSO fee income	MEUR	38.9	39.7	(0.8)	(2.0%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	0.1	0.5	(0.4)	(80.0%)
Mandatory procurement expenditures*	MEUR	45.5	45.6	(0.1)	(0.2%)
Incl. cogeneration	MEUR	12.8	17.4	(4.6)	(26.4%)
Incl. renewable energy resources	MEUR	32.6	28.1	4.5	16.0%

* 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 income from support paid by producers and plus the costs of balancing mandatory procurement

In the 3-month period of 2020, MP expenditures reached EUR 45.5 million, which is at the same level as the respective period a year ago. Mandatory procurement expenditures decreased for cogeneration stations and increased for renewable energy.

In Q1 2020, Enerģijas publiskais tirgotājs AS made payments from the state budget to energyintensive manufacturing companies in the amount of EUR 0.1 million (in the respective period in 2019 – EUR 0.5 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.

27% EBITDA

Distribution

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The distribution segment is Latvenergo Group's largest segment by asset value and the second largest segment by revenue and EBITDA. In the 3-month period of 2020, the segment's revenue decreased by 8% compared to the respective period a year ago, reaching EUR 77.7 million. The decrease was impacted by a 4% lower amount of distributed electricity and by the reduced average electricity distribution service tariff.

The efficiency programme contributes to a 5.5% reduction in the average distribution system service tariff

The PUC approves tariffs for distribution system operators. On 30 September 2019, the PUC announced amendments to the existing tariff methodology. Elements of a revenue cap approach with efficiency factors, a regulatory account and a five-year regulatory period were introduced. On November 27, 2019, the PUC approved a project on the electricity distribution service tariff for a period of 5 years until 2024 which was submitted by Sadales tīkls AS; thus, as of 1 January 2020, the average electricity distribution service tariff was reduced by 5.5%. The electricity distribution service tariff takes into account recent changes in the weighted average cost of capital (WACC) calculation approved by the PUC in August 2019. The pre-tax real WACC rate was set at 3.31% (nominal rate: 4.61%). Since allowed revenue is calculated in real terms, an adjustment of the regulated asset base (RAB) is based on revaluation.

The decrease in distribution tariffs was ensured by the ambitious operational efficiency improvement programme implemented by Sadales tīkls AS, within the framework of which process reviews, decreasing

Operational figures		3M 2020	3M 2019	Δ	Δ, %
Electricity distributed	GWh	1,690	1,762	(72)	(4%)
Distribution losses	GWh	70	97	(27)	(28%)
Financial figures		3M 2020	3M 2019	Δ	Δ, %
Revenue	MEUR	77.7	84.5	(6.7)	(8%)
EBITDA	MEUR	28.7	33.6	(4.9)	(15%)
Assets	MEUR	1,684.3	1,666.0	18.3	1%
RAB	MEUR	1,466.8	1,452.9	13.9	1%
Investments	MEUR	20.1	18.9	1.2	7%
EBITDA margin		38.4%	37.7%	0.7pp.	2%

the number of employees and transportation units, and optimizing the number of technical and support real estate bases is performed. 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 31 March 2020, the number of employees at Sadales tīkls AS has been reduced by approximately 600. At the end of the reporting period, the amount of smart electricity meters installed by the company comprised 753.9 thousand, which was approximately 67% of the total number of electricity meters of customers of Sadales tīkls AS.

In the 3-month period of 2020, the Group's EBITDA decreased by 15%, reaching EUR 28.7 million. Along with lower distribution system service revenues, it was also positively impacted by lower distribution loss costs, due to the lower price of electricity losses based on the decreasing electricity market price in the region.

In the reporting period, investments in distribution comprised EUR 20.1 million, which is 7% more than in the respective period a year ago. The value of distribution assets was EUR 1,684.3 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 the 3-month period of 2020:

- Renewed a total of 134 km of low and medium-voltage power lines
- Restored and constructed 42 transformer substations
- Installed 47,098 smart electricity meters
- Power line routes cleared from shrubs at a length of 1,178 km

EBITDA

Lease of Transmission System Assets



Unbundling of transmission assets from Latvenergo Group is planned until July 1, 2020

The revenue of the transmission system asset leasing segment represents 4% of Latvenergo Group's revenue. In the 3-month period of 2020, both the segment's revenue and EBITDA remained at the same level as a year earlier and comprised EUR 10.4 million and EUR 10.3 million respectively. 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		3M 2020	3M 2019	Δ	Δ, %
Revenue	MEUR	10.4	10.4	0.0	0%
EBITDA	MEUR	10.3	10.2	0.1	1%
Assets	MEUR	663.4	604.8	(58.6)	10%
RAB	MEUR	412.8	343.5	69.4	20%
Investments	MEUR	18.6	19.6	(1.0)	(5%)

In the reporting period, investment in transmission system assets comprised EUR 18.6 million, which is 5% less than in the respective period a year ago. The largest investment was made in the project *The third Estonia–Latvia power transmission network interconnection.* In Q1 2020, EUR 12.0 million was invested in this project (in Q1 2019: EUR 4.0 million).

As of 31 March 2020, the value of transmission system assets comprised EUR 663.4 million.

In accordance with the CM decision of 8 October 2019 on the unbundling of transmission assets from Latvenergo Group until July 1, 2020, the operations of the transmission segment are reported as discontinuing operations.

Investments

In the 3-month period of 2020, the total amount of investment comprised EUR 55.5 million, which was EUR 11 million or 25% more than in the respective period a year ago. The increase in the amount of investments was determined by EUR 8.7 million higher investments in the reconstruction of Daugava hydropower units. Contributing to environmentally friendly projects, in Q1 2020, EUR 11.7 million was invested in the Daugava HPPs' hydropower unit reconstruction.

Investment in power network assets – 70% 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 70% of total investment. EUR 18.6 million of this was invested in transmission system assets.

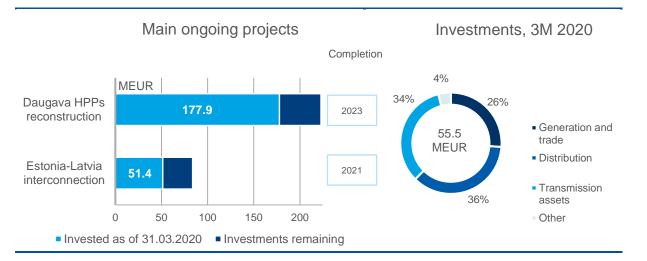
Investment projects:

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 ensure environmentally safe, sustainable and competitive operations and efficient water resource management. As of 31 March 2020, six reconstructed hydropower units have been put into operation within the programme. Latvenergo Group is proceeding with a gradual overhaul of five Daugava HPPs' hydropower units. The programme is scheduled for completion by 2023, with estimated total reconstruction costs exceeding EUR 200 million. As of 31 March 2020, work completed within the scope of the contract reached EUR 177.9 million. Reconstruction will ensure functionality of the hydropower units for another 40 years.

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 2021 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.



Funding and Liquidity

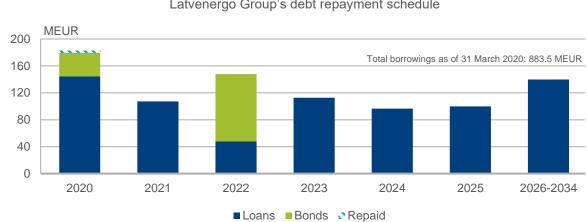
Latvenergo Group finances its investments from its own resources and external long-term borrowings, which are regularly sourced in financial and capital markets in a timely manner.

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.

Latvenergo AS will issue green bonds of up to EUR 200 million

After the reporting period, on 28 April 2020, the Financial and Capital Market Commission registered the base prospectus of the third bond programme of Latvenergo AS, allowing it to make a public offering of bonds. The total amount of the bond programme in nominal value is up to EUR 200 million and the maturity of the bonds is up to 10 years. The bonds will be issued in the format of green bonds, for which the Green Bond Framework of Latvenergo AS was developed. The independent research centre CICERO Shades of Green has rated the updated Latvenergo AS green bonds framework as Dark Green (the highest category), indicating the compliance of the planned projects with long-term environmental protection and climate change mitigation objectives, as well as good governance and transparency.

As of 31 March 2020, the Group's borrowings amount to EUR 883.5 million (31 March 2019: EUR 815.6 million), comprising loans from commercial banks, international investment banks, and bonds amounting to EUR 135 million, of which EUR 100 million are green bonds.



Latvenergo Group's debt repayment schedule

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

As of 31 March 2020, all borrowings are denominated in euro currency. The weighted average repayment period has not changed compared to the previous year and constitutes 3.9 years. The effective weighted average interest rate (with interest rate swaps) is 1.4% (31 March 2019: 1.5%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 2.4).

In the 3-month period of 2020, all the binding financial covenants set in Latvenergo Group's loan agreements were met.

On 10 March 2020, the international credit rating agency Moody's performed the annual credit rating assessment of Latvenergo AS, maintaining it at investment grade Baa2 with a stable outlook. In setting the credit rating of Latvenergo AS, Moody's particularly appreciated Latvenergo's competitive position in the domestic electricity market, its costeffective and environmentally friendly hydropower asset base, its share of regulated distribution revenues, and its strong financial profile. 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 supplydemand 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. 45% of the borrowings had a fixed interest rate with an average period of 1.7 years as of 31 March 2020. During 2020, the necessary actions will be taken to bring the Group's actual average fixed interest rate period within the limits set by the Financial Risk Management Policy.

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 31 March 2020, 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 31 March 2020, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 170.9 million (31 March 2019: EUR 188.5 million), while the current ratio was 2.1 (1.5).

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

		3M 2020	3M 2019	3M 2018
Electricity supply, incl.	GWh	1,654	1,468	1,915
Retail electricity ²⁾	GWh	1,124	1,140	1,213
Wholesale electricit ³⁾	GWh	530	329	702
Retail natural gas	GWh	136	100	39
Electricity generation	GWh	1,525	1,333	1,916
Thermal energy generation	GWh	647	833	1,078
Number of employees		1,281	1,344	1,423
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		3M 2020	3M 2019	3M 2018
Revenue	MEUR	117.4	128.5	143.6
EBITDA ¹⁾	MEUR	63.5	36.0	63.7
Profit	MEUR	83.3	19.0	97.4
Assets	MEUR	3,220.3	3,131.5	3,278.7
Equity	MEUR	2,034.4	1,996.4	2,027.7
Net debt (adjusted) ^{1)*}	MEUR	493.7	435.1	403.8
Investments	MEUR	16.7	6.1	5.3

Latvenergo AS financial ratios

	3M 2020	3M 2019	3M 2018
Return on equity (ROE) ¹⁾	8.2%	6.7%	9.5%
Net debt / equity (adjusted) ^{1)*}	24%	22%	20%
EBITDA margin ¹⁾	33%	32%	78%

* Excluding discontinuing operations (unbundling transmission system asset ownership) - see Note 17 to the Unaudited Condensed Financial Statements

1) Formulas are available on page 23

2) Including operating consumption

3) 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 3-Month Period Ending 31 March 2020, 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 3-Month Period Ending 31 March 2020 were approved by the Management Board of Latvenergo AS on 26 May 2020 and have been signed by Chairman of the Management Board Āris Žīgurs and Member of the Management Board Guntars Baļčūns as authorized persons.

This document is signed with a secure digital signature and contains a time stamp

Āris Žīgurs Chairman of the Management Board

Guntars Baļčūns Member of the Management Board

26 May 2020

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; equityto-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 - LET borrowings) - (cash and cash equivalents at the end of the period - LET cash)

Net debt/EBITDA = (net debt at the beginning of the 12-month period + net debt at the end of the 12-month period) × 0.5 EBITDA (12-month rolling) EBITDA margin = $\frac{\text{EBITDA (12-month rolling)}}{\text{revenue (12-month rolling)}} \times 100\%$

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

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

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

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

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

Return on capital employed =
$$\frac{\text{operating profit of the 12-month period}}{\text{average value of equity + average value of borrowings (without LET)}} \times 100\%$$

Average value of borrowings = borrowings from FI at the beginning of the 12-month period + borrowings from FI at the end of the 12-month period 2

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

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

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

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

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
CHPPs –	Latvenergo AS combined heat and power plants
kV –	kilovolt
LEGMC -	Latvian Environment, Geology and Meteorology Centre
LET –	Latvijas elektriskie tīkli AS
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
RAB –	Regulated asset base
SAIDI –	System Average Interruption Duration Index
SAIFI –	System Average Interruption Frequency Index
SET –	Subsidised Energy Tax
WACC -	Weighted average cost of capital
WPP –	Wind power plant

Unaudited Condensed Interim Financial Statements

Statement of Profit or Loss

		Grou	ıp	Parent Company		
	Notes 3	01/01- 31/03/2020	01/01– 31/03/2019	01/01– 31/03/2020	-01/01 31/03/2019	
Revenue	4	219,768	241,856	117,444	128,507	
Other income		7,104	7,534	6,550	6,649	
Raw materials and consumables used	5	(87,782)	(137,740)	(38,569)	(78,277)	
Personnel expenses	Ũ	(28,141)	(26,848)	(12,019)	(12,075)	
Other operating expenses		(12,991)	(11,139)	(9,893)	(8,828)	
EBITDA		97,958	73,663	63,513	35,976	
Depreciation, amortisation and impairment of intangible assets,		(38,900)	(36,467)	(20,310)	(17,216)	
property, plant and equipment and right-of-use assets	7, 8	(, , ,			,	
Operating profit		59,058	37,196	43,203	18,760	
Finance income	6	295	284	3,323	3,147	
Finance costs	6	(2,941)	(2,363)	(3,039)	(2,866)	
Dividends from subsidiaries		-	-	39,850	-	
Profit before tax		56,412	35,117	83,337	19,041	
Income tax		(1,276)	(14)	-	-	
Profit for the period from continuing operations		55,136	35,103	83,337	19,041	
Profit for the period from discontinued operations	17	2,763	3,264	-	-	
Profit for the period		57,899	38,367	83,337	19,041	
Profit attributable to:						
 Equity holder of the Parent Company 		56,648	36,601	83,337	19,041	
– Non-controlling interests		1,251	1,766	-	-	

Statement of Comprehensive Income

		Grou	ıp	Parent Co	mpany
	Notes	01/01– 31/03/2020	01/01– 31/03/2019	01/01– 31/03/2020	01/01– 31/03/2019
Profit for the period		57,899	38,367	83,337	19,041
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:					
– gains / (losses) from change in hedge reserve	14 c	1,786	(16,477)	1,786	(16,477)
Net comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		1,786	(16,477)	1,786	(16,477)
Other comprehensive income / (loss) for the period		1,786	(16,477)	1,786	(16,477)
TOTAL comprehensive income for the period		59,685	21,890	85,123	2,564
Attributable to:					
 Equity holder of the Parent Company 		58,434	20,124	85,123	2,564
- Non-controlling interests		1,251	1,766	-	-

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Statement of Financial Position

		Group				
	Notes	31/03/2020	31/12/2019	31/03/2020	31/12/2019	
ASSETS						
Non-current assets						
Intangible assets and property, plant and equipment	7	2,770,735	2,775,532	1,127,503	1,135,112	
Right-of-use assets	8	5,241	5,522	4.050	3.476	
Investment property	Ũ	300	301	4,471	39,435	
Non-current financial investments	10	39	39	831,650	831,350	
Non-current loans to related parties	16 e	-	-	620,735	588,434	
Other non-current receivables	10 C	433	433	421	421	
Other financial investments	14 a	16,873	16,885	16,873	16,885	
Fotal non-current assets		2,793,621	2,798,712	2,605,703	2,615,113	
Current assets						
nventories	9	82,340	104,927	68,052	89,522	
Receivables from contracts with customers	11 a	107,975	111,530	80,649	82,973	
Other current receivables	11 b, c	102,640	77,085	68,705	13,328	
Deferred expenses	- , -	1,982	3,015	1,245	2,082	
Current loans to related parties	16 e	_	_	216,337	205,822	
Prepayment for income tax		140	140	140	140	
Derivative financial instruments	14 c	12,590	6,717	12,590	6,717	
Cash and cash equivalents	12	170,604	122,422	166,840	121,261	
Current assets excluding assets held for distribution		478,271	425,836	614,558	521,845	
Assets held for distribution	17	661,778	640,393	-		
Total current assets		1,140,049	1,066,229	614,558	521,845	
TOTAL ASSETS		3,933,670	3,864,941	3,220,261	3,136,958	
QUITY AND LIABILITIES						
Equity						
		004 000	004.000	004.000	004 000	
Share capital		834,883	834,883	834,883	834,883	
Reserves		1,076,325	1,075,235	779,857	778,162	
Retained earnings		376,031	318,555	419,670	336,242	
Reserves of disposal group classified as held for distribution		28,804	28,936	-	-	
Equity attributable to equity holder of the Parent Company Ion-controlling interests		2,316,043 9,129	2,257,609 7,878	2,034,410	1,949,287	
Fotal equity		2,325,172		2 024 440	4 0 40 297	
iotal equity jabilities		2,325,172	2,265,487	2,034,410	1,949,287	
Non–current liabilities						
Borrowings	14 b	703,156	702,129	696,832	696,863	
ease liabilities	8	4,037	4,349	,	3,126	
Deferred income tax liabilities	0	4,037 2,194	4,349 8,327	3,462	3,120	
Provisions		18,734	18,491	8.393	8.489	
	11 -			- /	-,	
Derivative financial instruments	14 c	6,593	6,149	6,593	6,149	
Deferred income from contracts with customers Dther deferred income	15 I, a 15 I, b, c	142,503 188,022	143,330 194,033	899 180,487	877 186,297	
fotal non-current liabilities	15 I, b, C	1,065,239	1,076,808	896,666	901,801	
Current liabilities		1,000,200	1,010,000	000,000	001,001	
Borrowings	14 b	180,390	180,542	177,893	176,036	
ease liabilities	8	1,252	1,216	621	376	
Frade and other payables	8	111,058	115,708	71,893	78,863	
ncome tax payables		7,395	115,700	11,095	10,003	
Deferred income from contracts with customers	15 II. a	13.854	13.764	_ 65	63	
Deferred income from contracts with customers Dther deferred income						
Derivative financial instruments	15 II, b, c 14 c	24,873 14,687	24,857 6,983	24,026 14,687	24,031 6,983	
Current liabilities excluding liabilities held for distribution	14 0	353,509	343,070	289,185	285,870	
iabilities directly associated with the assets held for distribution		189,750	179,576	209,105	205,870	
Total current liabilities		543,259	522,646	289,185	285,870	
Total liabilities		1,608,498	1,599,454	1,185,851	1,187,671	

Statement of Changes in Equity

										EUR'000
								Parent C	ompany	
	Attributable	to equity holde	r of the Parent C	ompany						
Share capital	Reserves	Retained earnings	Reserves classified as held for distribution	TOTAL	Non– controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
834,791	1,125,466	351,350	-	2,311,607	8,458	2,320,065	834,791	794,555	364,477	1,993,823
-	(3,893)	3,893	_			_		(3,395)	3,395	
-	(3,893)	3,893	-		-	-	-	(3,395)	3,395	-
-	-	36,601	-	36,601	1,766	38,367	-	-	19,041	19,041
	(16,477)							(16,477)	-	(16,477)
-	(16,477)	36,601	-	20,124	1,766	21,890	-	(16,477)	19,041	2,564
834,791	1,105,096	391,844	-	2,331,731	10,224	2,341,955	834,791	774,683	386,913	1,996,387
92	-	-	-	92	-	92	92	-	-	92
-	(2,500)		-	(132,936)	(2,279)	(135,215)	-	(70)		(132,936)
-			-	-	-	-	-			-
			,			- (135 123)				(132,844)
JL	(32,324)	(129,340)	20,930	(132,044)	(2,213)	(133,123)	JL	(13)	(132,037)	(132,044)
-	-	56,059	-	56,059	(67)	55,992	-	-	82,186	82,186
-	2,663	-	-	2,663	_	2,663	_	3,558	, _	3,558
-	2,663	56,059	-	58,722	(67)	58,655	-	3,558	82,186	85,744
834,883	1,075,235	318,555	28,936	2,257,609	7,878	2,265,487	834,883	778,162	336,242	1,949,287
_	(696)	696	_	-	_	_	_	(91)	91	-
-	-	132	(132)	-	-	-	_	-	-	-
	(696)	828	(132)	-	_			(91)	91	-
-	_	56,648	_	56,648	1 ,251	57,899	_	_	83,337	83,337
	1,786	-		1,786	-	1,786		1,786	-	1,786
	1,786	56,648	-	58,434	1,251	59,685	-	1,786	83,337	85,123
834,883	1,076,325	376,031	28,804	2,316,043	9,129	2,325,172	834,883	779,857	419,670	2,034,410
	834,791	Share capital Reserves 834,791 1,125,466 - (3,893) - (3,893) - (3,893) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (16,477) - (3,588) - (28,936) - (28,936) - (28,936) - (2,663) - 2,663 - 2,663 - - - - - - - - - - -<	Share capital Reserves Retained earnings 834,791 1,125,466 351,350 - (3,893) 3,893 - (3,893) 3,893 - (3,893) 3,893 - (3,893) 3,893 - (3,893) 3,893 - (3,893) 3,893 - (3,893) 3,893 - (16,477) - - (16,477) - - (16,477) 36,601 834,791 1,105,096 391,844 92 - - - (132,936) - - (3,588) 3,588 - (28,936) - - (28,936) - - (2663) - - 2,663 - - 2,663 - - 2,663 - - 2,663 - - 1,32 318,555 </td <td>Attributable to equity holder of the Parent Colspan="2">Reserves classified as held for distribution Share capital Reserves Retained earnings Reserves classified as held for distribution 834,791 1,125,466 351,350 - - (3,893) 3,893 - - (3,893) 3,893 - - (3,601) - - - (16,477) - - - (16,477) 36,601 - - (16,477) 36,601 - - (16,477) 36,601 - - (16,477) 36,601 - - (132,936) - - - (132,936) - - - (28,936) - 28,936 - 2,663 - - - 2,663 - - - 2,663 - - - 2,663 - - - 696</td> <td>Share capital Reserves Retained earnings classified as held for distribution TOTAL 834,791 1,125,466 351,350 - 2,311,607 - (3,893) 3,893 - - - (3,893) 3,893 - - - (3,893) 3,893 - - - (16,477) - (16,477) - - (16,477) - (16,477) - - (16,477) 36,601 - 20,124 834,791 1,105,096 391,844 - 2,331,731 92 - - - 92 - (132,936) - 92 - (132,936) - - 92 (32,524) (129,348) 28,936 (132,844) - 2,663 - - - 92 2,663 - - - - 2,663 - - -</td> <td>Attributable to equity holder of the Parent Company Reserves Reserves Classified as held for distribution Non-controlling interests 834,791 1,125,466 351,350 - 2,311,607 8,458 - (3,893) 3,893 - - - - (3,893) 3,893 - - - - (3,893) 3,893 - - - - (3,893) 3,893 - - - - (3,893) 3,893 - - - - (16,477) - (16,477) - - - (16,477) 36,601 - 20,124 1,766 834,791 1,105,096 391,844 - 2,331,731 10,224 92 - - - 132,936) (2,279) - (28,936) - 28,936 - - 92 (32,524) (129,348) 28,936 (132,844)</td> <td>Attributable to equity holder of the Parent Company Reserves classified asheld for distribution Non- controlling interests Share capital Reserves Reserves earnings Non- controlling distribution 834,791 1,125,466 351,350 - 2,311,607 8,458 2,320,065 - (3,893) 3,893 -</td> <td>Attributable to equity holder of the Parent Company Reserves classified share capital Non- classified distribution Non- controlling interests TOTAL Share capital 834,791 1,125,466 351,350 - 2,311,607 8,458 2,320,065 834,791 - (3.893) 3.893 - - - - - - (3.893) 3.893 - - - - - - (3.893) 3.893 - - - - - - - 36,601 - 36,601 1.766 38,367 - - (16,477) 36,601 - 20,124 1,766 21,890 - 92 - - - 92 - 92 92 - - - - - - - - - - - - - - - - - - -<td>Attributable to equity holder of the Parent Company Reserves classified as held for share capital Non- controlling interests TOTAL Share capital Reserves classified as held for controlling Non- controlling interests Share capital Reserves 834,791 1,125,466 351,350 - - - - (3,395) -</td><td>Attributable to equily holder of the Parent Company Reserves classified as held for distribution Non- controlling interests Share capital Share capital Reserves capital Retained capital Share capital Share capital Reserves capital Retained capital Share capital Retained capital Reserves Retained capital - </td></td>	Attributable to equity holder of the Parent Colspan="2">Reserves classified as held for distribution Share capital Reserves Retained earnings Reserves classified as held for distribution 834,791 1,125,466 351,350 - - (3,893) 3,893 - - (3,893) 3,893 - - (3,601) - - - (16,477) - - - (16,477) 36,601 - - (16,477) 36,601 - - (16,477) 36,601 - - (16,477) 36,601 - - (132,936) - - - (132,936) - - - (28,936) - 28,936 - 2,663 - - - 2,663 - - - 2,663 - - - 2,663 - - - 696	Share capital Reserves Retained earnings classified as held for distribution TOTAL 834,791 1,125,466 351,350 - 2,311,607 - (3,893) 3,893 - - - (3,893) 3,893 - - - (3,893) 3,893 - - - (16,477) - (16,477) - - (16,477) - (16,477) - - (16,477) 36,601 - 20,124 834,791 1,105,096 391,844 - 2,331,731 92 - - - 92 - (132,936) - 92 - (132,936) - - 92 (32,524) (129,348) 28,936 (132,844) - 2,663 - - - 92 2,663 - - - - 2,663 - - -	Attributable to equity holder of the Parent Company Reserves Reserves Classified as held for distribution Non-controlling interests 834,791 1,125,466 351,350 - 2,311,607 8,458 - (3,893) 3,893 - - - - (3,893) 3,893 - - - - (3,893) 3,893 - - - - (3,893) 3,893 - - - - (3,893) 3,893 - - - - (16,477) - (16,477) - - - (16,477) 36,601 - 20,124 1,766 834,791 1,105,096 391,844 - 2,331,731 10,224 92 - - - 132,936) (2,279) - (28,936) - 28,936 - - 92 (32,524) (129,348) 28,936 (132,844)	Attributable to equity holder of the Parent Company Reserves classified asheld for distribution Non- controlling interests Share capital Reserves Reserves earnings Non- controlling distribution 834,791 1,125,466 351,350 - 2,311,607 8,458 2,320,065 - (3,893) 3,893 -	Attributable to equity holder of the Parent Company Reserves classified share capital Non- classified distribution Non- controlling interests TOTAL Share capital 834,791 1,125,466 351,350 - 2,311,607 8,458 2,320,065 834,791 - (3.893) 3.893 - - - - - - (3.893) 3.893 - - - - - - (3.893) 3.893 - - - - - - - 36,601 - 36,601 1.766 38,367 - - (16,477) 36,601 - 20,124 1,766 21,890 - 92 - - - 92 - 92 92 - - - - - - - - - - - - - - - - - - - <td>Attributable to equity holder of the Parent Company Reserves classified as held for share capital Non- controlling interests TOTAL Share capital Reserves classified as held for controlling Non- controlling interests Share capital Reserves 834,791 1,125,466 351,350 - - - - (3,395) -</td> <td>Attributable to equily holder of the Parent Company Reserves classified as held for distribution Non- controlling interests Share capital Share capital Reserves capital Retained capital Share capital Share capital Reserves capital Retained capital Share capital Retained capital Reserves Retained capital - </td>	Attributable to equity holder of the Parent Company Reserves classified as held for share capital Non- controlling interests TOTAL Share capital Reserves classified as held for controlling Non- controlling interests Share capital Reserves 834,791 1,125,466 351,350 - - - - (3,395) -	Attributable to equily holder of the Parent Company Reserves classified as held for distribution Non- controlling interests Share capital Share capital Reserves capital Retained capital Share capital Share capital Reserves capital Retained capital Share capital Retained capital Reserves Retained capital -

Statement of Cash Flows

					EUR'000
		Gro	oup	Parent Co	mpany
	Notes	01/01– 31/03/2020	01/01– 31/03/2019	01/01– 31/03/2020	01/01– 31/03/2019
Cash flows from operating activities Profit before tax		56,412	35.117	83,337	19,041
Profit before tax from discontinued operations	17	2,865	3,264	03,337	19,041
Profit before tax, total	17	59,277	38,381	83.337	19,041
Adjustments:		55,211	30,301	03,337	13,041
- Amortisation and depreciation of intangible assets, property, plant and equipment and right-of-use					
assets, impairment of non-current assets and loss from disposal of non-current assets		48,664	46,745	22,497	20,502
- Net financial adjustments		6,643	2,090	3,744	(271)
- Other adjustments		166	62	(139)	(42)
- Dividends from subsidiaries		_	_	(39,850)	<u> </u>
Operating profit before working capital adjustments		114,750	87,278	69,589	39,230
(Increase) / decrease in current assets		(18,658)	69,075	38,298	29,776
Încrease / (decrease) in trade and other liabilities		11,132	(44,340)	(12,352)	(19,605)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		-	_	38,692	99,484
Cash generated from operating activities		107,224	112,013	134,227	148,885
Interest paid		(2,020)	(1,294)	(2,129)	(1,789)
Interest received		948	944	948	944
Paid corporate income tax		(2,452)	(6)	-	-
Net cash flows from operating activities		103,700	111,657	133,046	148,040
Cash flows from investing activities					
Loans issued to subsidiaries, net		-	_	(81,601)	(82,928)
Purchase of intangible assets and property, plant and equipment		(54,534)	(51,692)	(15,816)	(9,982)
Dividends received from subsidiaries		- · · · ·	_	9,742	_
Proceeds from redemption of other financial investments		12	12	12	12
Net cash flows used in investing activities		(54,522)	(51,680)	(87,663)	(92,898)
Cash flows from financing activities					
Proceeds on borrowings from financial institutions	14 b	2,000	_	-	-
Repayment of borrowings	14 b	(2,943)	(727)	-	-
Received financing from European Union		202	_	202	-
Lease payments		(256)	(208)	(6)	(4)
Dividends paid to non–controlling interests		_	-		_
Dividends paid to equity holder of the Parent Company		-		-	_
Net cash flows (used in) / generated from financing activities		(997)	(935)	196	(4)
Net increase in cash and cash equivalents		48,181	59,042	45,579	55,138
Cash and cash equivalents at the beginning of the period	12	122,723	129,455	121,261	127,554
Cash and cash equivalents at the end of the period	12	170,904	188,497	166,840	182,692

Notes to the Unaudited Condensed Interim Financial Statements

1. Corporate information

All shares of public limited company Latvenergo, parent company of Latvenergo Group (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 are disclosed in Note 10.

Since 25 September 2018 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.

Since 8 October 2019 until the date of election of new members of the Supervisory Board of Latvenergo AS in accordance with the candidate selection procedure started in August 2019, the Supervisory Board of Latvenergo AS was comprised of the following members: Edmunds Valantis (Chairman), Edijs Šaicāns (Deputy Chairman) and Irēna Bērziņa.

The Supervisory body – Audit Committee since 8 October 2019 was comprised of the following members: Torben Pedersen, Svens Dinsdorfs, Marita Salgrāve and Irēna Bērziņa.

Latvenergo Group Consolidated and Latvenergo AS Annual Report 2019 has been approved on 8 May 2020 by the Latvenergo AS Shareholder's meeting (see on Latvenergo AS web page section "Investors" – <u>http://www.latvenergo.lv/eng/investors/reports/</u>).

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3–month period ending on 31 March 2020 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the period starting on 1 January 2020 and ending on 31 March 2020 and comparative information for the period of 2019 starting on 1 January 2019 and ending on 31 March 2019.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3–month period ending on 31 March 2020 were authorised by the Latvenergo AS Management Board on 26 May 2020.

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 2019. These policies have been consistently applied to all reporting periods presented in financial statements, unless otherwise stated. Where it is necessary, comparatives are reclassified.

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 and non–current financial investments) measured at fair value and certain property, plant and equipment

carried at revalued amounts as disclosed in accounting policies presented in Latvenergo Group Consolidated and Latvenergo AS Annual Report 2019.

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

Certain monetary amounts, percentages and other figures are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent.

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

												2010000
_				Group						Parent Compa	any	
	Genera– tion and trade	Distri– bution	Lease of transmis– sion system assets*	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: 01/01-31/03/2020												
Revenue												
External customers	140,646	77,397	9,430	1,725	229,198	-	229,198	109,092	8,352	117,444	-	117,444
Inter-segment	287	328	956	11,639	13,210	(13,210)	-	120	6,266	6,386	(6,386)	_
TOTAL revenue	140,933	77,725	10,386	13,364	242,408	(13,210)	229,198	109,212	14,618	123,830	(6,386)	117,444
Results												
EBITDA	66,737	28,653	10,286	2,065	107,741	_	107,741	60,785	2,728	63,513	-	63,513
Depreciation, amortisation and impairment of intangible assets, property, plant and							,		,	,		
equipment and right-of-use assets	(18,169)	(18.014)	(6.913)	(2.717)	(45.813)	_	(45,813)	(17.323)	(2.987)	(20,310)	_	(20,310)
Segment profit / (loss) before tax	48,568	10,639	3,373	(652)	61,928	(2,651)	59,277	43,462	(259)	43,203	40,134	83,337
Capital expenditure	14,532	20.110	18,619	2.228	55,489	(25)	55,464	14,453	2,228	16,681		16,681
Period: 01/01–31/03/2019	,	-, -		, -			,		, ,			
Revenue												
External customers	156,080	84,003	9,522	1,773	251,378	_	251,378	117.878	10,629	128,507	_	128,507
Inter-segment	386	469	829	11,661	13,345	(13,345)	_	214	6,036	6,250	(6,250)	_
TOTAL revenue	156,466	84,472	10,351	13,434	264,723	(13,345)	251,378	118,092	16,665	134,757	(6,250)	128,507
Results												
EBITDA	37,310	33,584	10,160	2,107	83,161	_	83,161	31,916	4,060	35,976	_	35,976
Depreciation, amortisation and impairment of intangible assets, property, plant and		·		·	·				·	·		·
equipment and right-of-use assets	(14,242)	(19,161)	(6,239)	(3,054)	(42,696)	_	(42,696)	(13,426)	(3,790)	(17,216)	_	(17,216)
Segment profit / (loss) before tax	23,068	14,423	3,921	(947)	40,465	(2,084)	38,381	18,490	270	18,760	281	19,041
Capital expenditure	4,589	18,865	19,628	1,432	44,514	(182)	44,332	4,480	1,575	6,055	_	6,055

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation (Note 17)

Segment assets												EUR'000
				Group					Р	arent Compa	ny	
	Genera– tion and trade	Distri– bution	Lease of transmission system* assets	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 31 March 2020	1,336,303	1.684.305	663,398	87,698	3,771,704	161,966	3,933,670	1,189,098	165,998	1.355.096	1,865,165	3,220,261
As of 31 December 2019	1,346,937	1,681,422	642,151	87,966	3,758,476	106,465	3,864,941	1,197,434	168,915	1,366,349	1,770,609	3,136,958

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation (Note 17)

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

Reconciliation of profit before tax				EUR'000
· · · · · · · · · · · · · · · · · · ·	Gro	bup	Parent C	ompany
	01/01-31/03/2020	01/01-31/03/2019	01/01-31/03/2020	01/01-31/03/2019
EBITDA	107,741	83,161	63,513	35,976
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(45 813)	(42,696)	(20,310)	(17,216)
Segment profit before tax	61,928	40,465	43,203	18,760
Finance income	295	284	3,323	3,147
Finance costs	(2,946)	(2,368)	(3,039)	(2,866)
Dividends received from subsidiaries	-	_	39,850	
Profit before tax	59,277	38,381	83,337	19,041

Reconciliation of assets

	Gro	up	Parent Com	Parent Company		
	31/03/2020	31/12/2019	31/03/2020	31/12/2019		
Segment operating assets	3,771,704	3,758,476	1,355,096	1,366,349		
Connection usage rights	(38,581)	(39,739)	_			
Non-current financial investments	39	39	831,650	831,350		
Loans to related parties	-	_	837,072	794,256		
Other financial investments	16,873	16,885	16,873	16,885		
Derivative financial instruments	12,590	6,717	12,590	6,717		
Prepayment for income and other taxes	141	141	140	140		
Cash and cash equivalents	170,904	122,422	166,840	121,261		
TOTAL assets	3,933,670	3,864,941	3,220,261	3,136,958		

FUR'000

4. Revenue

					EUR'000
		Grou	lb	Parent C	ompany
	IFRS or IAS applied	01/01-31/03/2020	01/01-31/03/2019	01/01-31/03/2020	01/01-31/03/2019
Revenue from contracts with customers recognised over time:					
Trade of electric energy and related supply services	15. SFPS	110,560	114,999	85,123	82,989
Trade of natural gas and related supply services	15. SFPS	4,743	3,727	4,317	3,602
Distribution system services	15. SFPS	72,644	79,375	-	-
Heat sales	15. SFPS	23,709	36,186	19,081	30,840
Other revenue	15. SFPS	7,649	7,088	7,375	8,559
Total revenue from contracts with customers		219,305	241,375	115,896	125,990
Other revenue:					
Lease of other assets	16. SFPS	463	481	1,548	2,517
Total other revenue		463	481	1,548	2,517
TOTAL revenue		219,768	241,856	117,444	128,507

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

	Group Parent		company	
	01/01-31/03/2020	01/01-31/03/2019	01/01-31/03/2020	01/01-31/03/2019
Mandatory procurement PSO fees	22,164	22,981	22,854	23,741
Distribution system services	3,743	3,425	48,676	52,818
Transmission system services	352	368	357	372
TOTAL revenue recognised applying agent accounting principle	26,259	26,774	71,887	76,931

Net effect in revenue from applying agent accounting principle is 0.

5. Raw materials and consumables used

	Grou	up	Parent C	ompany
	01/01-31/03/2020	01/01-31/03/2019	01/01-31/03/2020	01/01-31/03/2019
Electricity				
Purchased electricity	25,164	45,547	589	11,700
Loss on fair value changes on electricity forwards and futures (Note 14 c, II)	4,651	26	4,651	26
Electricity transmission services costs	18,027	18,349	197	266
	47,842	63,922	5,437	11,992
Natural gas and other energy resources costs	33,377	66,284	30,808	63,357
Gains on fair value changes on natural gas forwards (Note 14 c, III)	(590)	-	(590)	-
Raw materials, spare parts and maintenance costs	7,153	7,534	2,914	2,928
TOTAL raw materials and consumables used	87,782	137,740	38,569	78,277

6. Finance income and costs

				EUR'000
	Gro	oup	Parent C	ompany
	01/01-31/03/2020	01/01-31/03/2019	01/01-31/03/2020	01/01-31/03/2019
Finance income:				
Interest income	280	272	280	272
Interest income on loans to subsidiaries	-	-	3,028	2,863
Net gain on issued debt securities (bonds)	11	11	11	11
Net income on currency exchange rate fluctuations	4	1	4	1
TOTAL finance income	295	284	3,323	3,147
Finance costs:				
Interest expense on borrowings	(2,222)	(1,705)	(2,345)	(2,221)
Interest expense on issued debt securities (bonds)	(728)	(720)	(728)	(720)
Interest expense on assets lease	(20)	(25)	(15)	(14)
Capitalised borrowing costs	117	118	117	118
Net losses on redemption of other financial investments	(12)	(12)	(12)	(12)
Other finance costs	(76)	(19)	(56)	(17)
TOTAL finance costs	(2,941)	(2,363)	(3,039)	(2,866)

7. Intangible assets and property, plant and equipment

a) Intangible assets						EUR'000
· · ·		Group			Parent Company	
	01/01-31/03/2020	01/01-31/03/2019	2019	01/01-31/03/2020	01/01-31/03/2019	2019
Net book amount at the beginning of the period	22,587	19,079	19,079	26,111	22,813	22,813
Additions	687	2,029	27,955	686	2,020	27,840
Disposals	(2,175)	(3,162)	(21,319)	(2,286)	(3,273)	(21,764)
Amortisation charge	(577)	(885)	(3,128)	(508)	(798)	(2,778)
Closing net book amount at the end of the period	20,522	17,061	22,587	24,003	20,762	26,111

b) Property, plant and equipment

		Group			Parent Company	
	01/01-31/03/2020	01/01-31/03/2019	2019	01/01-31/03/2020	01/01-31/03/2019	2019
Net book amount at the beginning of the period	2,752,945	3,297,093	3,297,093	1,109,001	1,133,886	1,133,886
Additions	36,158	44,044	226,986	15,995	5,774	45,941
Invested in share capital	-	-	92	-	-	92
Reclassified (to) / from investment properties	-	(69)	(135)	1,709	(296)	(1,939)
Reclassified to non-current assets held for sale	-	_	(146)	_	- · · ·	_
Disposals	(879)	(1,003)	(6,241)	(3,708)	(108)	(6,976)
Reversed impairment charge	41	4,959	19,770	_	4,860	19,763
Depreciation	(38,052)	(46,450)	(183,299)	(19,497)	(20,604)	(81,766)
Assets attributable to the discontinuing operation	_	_	(601,175)	_	· · · ·	_
Closing net book amount at the end of the period	2,750,213	3,298,574	2,752,945	1,103,500	1,123,512	1,109,001

8. Leases

		Group		Parent Company		LOICOOD	
	01/01-31/03/2020	01/01-31/03/2019	2019	01/01-31/03/2020 01/01-31/03/2019		2019	
Right–of–use assets							
Net book amount at the beginning of the period	5,522	-	-	3,476	-	-	
Initial recognition value as of 1 January 2019	-	8,075	8,075	-	3,870	3,870	
Recognised changes in lease agreements	31	_	(230)	734	-	3	
Amortisation	(312)	(321)	(1,224)	(160)	(99)	(397)	
Excluded right-of-use assets of discontinued operation	_	_	(1,099)		_	_	
Closing net book amount at the end of the period	5,241	7,754	5,522	4,050	3,771	3,476	
Lease liabilities							
Net book amount at the beginning of the period	5,565	-	-	3,502	-	-	
Initial recognition value as of 1 January 2019	-	8,075	8,075	-	3,870	3,870	
Recognised changes in lease agreements	31	_	(222)	734	_	3	
Decrease of lease liabilities	(327)	(337)	(1,277)	(169)	(107)	(428)	
Recognised interest liabilities (Note 6)	20	29	96	16	14	57	
Excluded lease liabilities of discontinued operation	_	-	(1,107)	-	_	_	
Closing net book amount at the end of the period	5,289	7,767	5,565	4,083	3,777	3,502	
of which are:		,	,	,			
current lease liabilities	4,037	6,526	4,349	3,462	3,406	3,126	
non–current lease liabilities	1,252	1,241	1,216	621	372	376	

9. Inventories

				EUR'000
	G	roup	Parent C	Company
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
Raw materials and materials	14,280	15,114	884	762
Natural gas	59,177	80,907	59,177	80,907
Goods for sale	1,809	1,874	539	421
Other inventories	8,223	8,156	8,065	8,065
Prepayments for inventories	211	163	41	41
Allowance for raw materials and other inventories	(1,360)	(1,287)	(654)	(674)
TOTAL inventories	82,340	104,927	68,052	89,522

Movement on the allowance for inventories:

Movement on the allowance for inventories:						EUR'000
		Group			Parent Company	
	01/01-31/03/2020	01/01-31/03/2019	2019	01/01-31/03/2020	01/01-31/03/2019	2019
At the beginning of the period	1,287	1,137	1,137	674	736	736
Charged to the Statement of Profit or Loss	73	187	150	(20)	-	(62)
At the end of the period	1,360	1,324	1,287	654	736	674

10. Non-current financial investments

			31/03/202	0	31/12/20)19
Name of the company	Country of incorporation	Business activity held	Interest held, %	EUR'000	Interest held, %	EUR'000
Investments in subsidiaries:						
Latvijas elektriskie tīkli AS	Latvia	Lease of transmission system assets	100%	186,432	100%	186,432
Sadales tīkls AS	Latvia	Electricity distribution	100%	641,450	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					831 611	
Other non-current financial investments	S:					
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 Parent Company's participating interest in subsidiaries and other non-current financial investments

			31/03/202	0	31/12/20)19
Name of the company	Country of incorporation	Business activity held	Interest held, %	EUR'000	Interest held, %	EUR'000
Other non-current financial investme	ents (Group):					
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15%	36	48.15%	36
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				39		39

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. In 2020, the Parent Company invested in the share capital of Sadales tīkls AS, by investing the Parent Company's real estate and property, plant and equipment related to distribution system and its related liabilities (borrowings).

In 2019, the Parent Company invested in the share capital of Latvijas elektriskie tīkli AS, by investing the Parent Company's real estate related to transmission system, its lease, supervisory and governance activities and its related liabilities (borrowings).

				EUR'000
	Parent Company	Sadales tīkis AS	Parent Company	Latvijas elektriskie tīkli AS
Invested assets at cost	35,300		26.946	
	35,300	-	26,846	-
Invested assets at valuated (fair) value	-	40,894	-	35,493
Related liabilities (borrowings)	(35,000)	(35,000)	(26,038)	(26,038)
Investment in subsidiary	300	-	808	-
Invested in share capital	-	5,894	-	9,455

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								
	Gro	up	Parent Co	arent Company				
	31/03/2020	31/12/2019	31/03/2020	31/12/2019				
Individually assessed receivables with lifetime ECL assessment (counterparty model)	4,683	5,105	10,706	9,068				
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	103,292	106,425	69,943	73,905				
TOTAL receivables from contracts with customers	107,975	111,530	80,649	82,973				

				EUR'000
	Gro	oup	Parent Con	npany
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
Receivables from contracts with customers:				
 Electricity, natural gas trade and related services customers (portfolio model) 	136,965	138,926	105,249	107,721
- Heating customers (portfolio model)	8,771	9,210	6,456	7,127
 Other receivables from contracts with customers (portfolio model) 	4,371	5,019	1,468	2,571
 Other receivables from contracts with customers (counterparty model) 	4,690	5,112	2,639	2,452
 Subsidiaries (counterparty model) (Note 16 b) 	-	_	8,073	6,623
	154,797	158,267	123,885	126,494
Provisions for impaired receivables from contracts with customers:				
 Electricity, natural gas trade and related services customers (portfolio model) 	(43,926)	(44,108)	(42,905)	(43,187)
 Heating customers (portfolio model) 	(324)	(325)	(313)	(315)
 Other receivables from contracts with customers (portfolio model) 	(2,565)	(2,297)	(12)	(12)
 Other receivables from contracts with customers (counterparty model) 	(7)	(7)	(4)	(3)
 Subsidiaries (counterparty model) (Note 16 b) 	<u> </u>		(2)	(4)
	(46,822)	(46,737)	(43,236)	(43,521)
Receivables from contracts with customers, net:				
 Electricity, natural gas trade and related services customers (portfolio model) 	93,039	94,818	62,344	64,534
 Heating customers (portfolio model) 	8,447	8,885	6,143	6,812
 Other receivables from contracts with customers (portfolio model) 	1,806	2,722	1,456	2,559
 Other receivables from contracts with customers (counterparty model) 	4,683	5,105	2,635	2,449
 Subsidiaries (counterparty model) (Note 16 b) 	_		8,071	6,619
	107,975	111,530	80,649	82,973

Movements in loss allowances for impaired receivables from contracts with customers Group Parent Company Parent Company											
		Group									
	01/01-31/03/2020	01/01-31/03/2019	2019	01/01-31/03/2020	01/01-31/03/2019	2019					
At the beginning of the period	46,737	47,803	47,803	43,521	44,337	44,337					
Receivables written off during the period as uncollectible	(589)	(778)	(1,935)	(398)	(772)	(1,422)					
Allowance for impaired receivables	674	(183)	869	113	52	606					
At the end of the period	46,822	46,842	46,737	43,236	43,617	43,521					

b) Other current financial receivables

Parent Company Group 31/03/2020 31/12/2019 31/03/2020 31/12/2019 Unsettled revenue on mandatory procurement PSO fee recognised as assets* 81,708 74,938 _ _ Receivables for lease 70 71 79 76 Receivables for lease from subsidiaries (Note 16 b) 205 615 _ _ Other financial receivables from subsidiaries (Note 16 b) _ _ 11,918 9,640 Other accrued income from subsidiaries (Note 16 c) 1,864 5,964 _ _ Other accrued income 303 872 303 872 Other current financial receivables 22,405 3,113 21,377 1,534 Receivables of dividends from subsidiaries 30,109 _ _ _ Loss allowances for expected credit loss on subsidiaries receivables (Note 16 b) (30) (7) _ Loss allowances for expected credit loss (2, 151)(2, 108)(1,406)(1,368)TOTAL other current financial receivables 102,344 68,510 76,891 13,221

* by applying agent principle unsettled revenue on mandatory procurement PSO fee is recognised as assets in net amount, as difference between revenue and costs recognised under the mandatory procurement

c) Other non–financial receivables				EUR'000
	G	roup	Parent Con	npany
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
Non-current non-financial receivables	433	433	421	421
TOTAL non-current non-financial receivables	433	433	421	421
Current non-financial receivables:				
Pre-tax and overpaid taxes	57	69	47	58
Other current receivables	239	125	148	49
TOTAL current non-financial receivables	296	194	195	107
TOTAL non-financial receivables	729	627	616	528

12. Cash and cash equivalents

				EUR'000	
	Gi	roup	Parent Company		
	31/03/2020	31/03/2020 31/12/2019		31/12/2019	
Cash at bank	166,179	85,665	162,415	84,504	
Short-term bank deposits	-	30,000	-	30,000	
Restricted cash and cash equivalents*	4,425	6,757	4,425	6,757	
Cash and cash equivalents	170,604	122,422	166,840	121,261	
Cash attributable to discontinued operation	300	300	-	-	
TOTAL cash and cash equivalents	170,904	122,722	333,680	121,261	

* 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 considered as cash equivalent.

13. Reserves

											EUR'000
<u>.</u>				Group					Parent C	ompany	
	Non– current assets revaluation reserve	Hedge reserve	Post– employment benefit plan revaluation reserve	Other reserves	TOTAL reserves of continuing operations	Reserves of disposal group classified as held for distribution	TOTAL	Non– current assets revaluation reserve	Hedge reserve	Post- employment benefit plan revaluation reserve	TOTAL
As of 31 December 2018	1,120,169	5,544	(357)	110	1,125,466	_	1,125,466	789,344	5,544	(333)	794,555
Disposal of non–current assets revaluation reserve Losses from fair value changes of derivative financial instruments	(3,893)	- (16,477)	-	-	(3,893) (16,477)		(3,893) (16,477)	(3,395)	- (16,477)	-	(3,395) (16,477)
As of 31 March 2019	1,116,276	(10,933)	(357)	110	1,105,096	-	1,105,096	785,949	(10,933)	(333)	774,683
Non–current assets revaluation reserve related to discontinued operation Post–employment benefit plan revaluation	(29,171)	_	_	_	(29,171)	29,171	_	_	-	-	-
reserve related to discontinued operation Disposal of non-current assets revaluation	-	-	(18)	-	(18)	18	-	-	-	-	-
reserve	(3,333)	-	-	-	(3,333)	(255)	(3,588)	(79)	-	-	(79)
(Losses) / gains on re-measurement of defined post-employment benefit plan Gains from fair value changes of derivative	-	-	(2,045)	-	(2,045)	2	(2,043)	-	-	(1,148)	(1,148)
financial instruments	-	4,706	-	-	4,706	-	4,706	-	4,706	-	4,706
As of 31 December 2019	1,083,772	(6,227)	(2,420)	110	1,075,235	28,936	1,104,171	785,870	(6,227)	(1,481)	778,162
Disposal of non–current assets revaluation reserve Gains from fair value changes of derivative financial instruments	(696)	_ 1.786	-	-	(696) 1,786	(132)	(828) 1,786	(91)	-	-	(91) 1,786
As of 31 March 2020	1,083,076	(4,441)	(2,420)	110	1,076,325	28,804	1,105,129	785,779	(4,441)	(1,481)	779,857

14. Financial assets and liabilities

a) Other financial investments

As of 31 March 2020 the entire Group's and the Parent Company's other financial investments were Latvian State Treasury bonds with 5-year and 10year maturity, which were purchased with the purpose to invest liquidity reserve in the low risk financial instruments with higher yield.

All 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 cos	amount of other	financial investments:
-------------------------	-----------------	------------------------

	Gr	oup	Parent Company			
	31/03/2020	31/12/2019	31/03/2020	31/12/2019		
Financial investments in Latvian State Treasury bonds – non-current	16,873	16,885	16,873	16,885		
TOTAL other financial investments	16,873	16,885	16,873	16,885		

b) Borrowings

b) Borrowings				EUR'000
	Gro	oup	Parent Con	npany
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
Non-current borrowings from financial institutions	602,884	601,826	596,560	596,560
Issued debt securities (bonds)	100,272	100,303	100,272	100,303
Total non-current borrowings	703,156	702,129	696,832	696,863
Current portion of non-current borrowings from financial institutions	141,175	142,885	138,691	138,691
Issued debt securities (bonds)	34,989	34,969	34,989	34,969
Current borrowings	-	291	-	-
Accrued interest on non-current borrowings	1,814	713	1,801	692
Accrued coupon interest on issued debt securities (bonds)	2,412	1,684	2,412	1,684
Total current borrowings	180,390	180,542	177,893	176,036
TOTAL borrowings	883,546	882,671	874,725	872,899

Movement in borrowings

		Group			Parent Company	
	01/01-31/03/2020	01/01-31/03/2019	2019	01/01-31/03/2020	01/01-31/03/2019	2019
At the beginning of the period	882,671	814,343	814,343	872,899	802,268	802,268
Borrowings received	2,000	-	180,291	-	_	180,000
Borrowings repaid	(2,943)	(727)	(112,102)	-	_	(109,513)
Change in accrued interest on borrowings	1,829	2,009	183	1,837	1,999	188
Changes in outstanding value of issued debt securities (bonds)	(11)	(11)	(44)	(11)	(11)	(44)
At the end of the period	883,546	815,614	882,671	874,725	804,256	872,899

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

EUR'000

Fair value changes of interest rate swaps:

an raide enangee er intereet rate ene													
			Gr	oup						Parent	Company		
	01/01-31	/03/2020	01/01-31/03/2019		2019		01/01-31/03/2020		/03/2020	01/01-31/03/2019		20	19
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	As	sets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of													
the period	-	(9,216)	-	(7,375)	-	(7,375)		-	(9,216)	-	(7,375)	-	(7,375)
Included in Statement of Comprehensive Income (Note 13)	_	(672)	_	1,933	_	(1,841)		_	(672)	_	1,933	_	(1,841)
Outstanding fair value at the end of the period	_	(9,888)	_	(5,442)	_	(9,216)		_	(9.888)	_	(5,442)	-	(9,216)

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:

											E	UR'000
		Group							Parent 0	Company		
	01/01-3	31/03/2020	01/01–31	1/03/2019	20)19	01/01–3	31/03/2020	01/01–3 ⁻	1/03/2019	20	19
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	_	(3,916)	15,853	-	15,853	_	_	(3,916)	15,853	_	15,853	_
Included in Statement of Profit or Loss (Note 5)	_	(4,651)	(26)	_	(105)	(2,221)	_	(4,651)	(26)	-	(105)	(2,221)
Included in Statement of Comprehensive Income (Note 13)	_	(2,825)	(12,689)	_	(15,748)	(1,695)	_	(2,825)	(12,689)	_	(15,748)	(1,695)
Outstanding fair value at the end of the period	_	(11,392)	3,138	_	_	(3,916)	_	(11,392)	3,138	_	-	(3,916)

III) Natural gas forwards

Fair value changes of natural gas forward contracts:

			G	roup					Parent C	Company		
	01/01–3	1/03/2020	01/01–3	31/03/2019	20	19	01/01–31	/03/2020	01/01–31	/03/2019	20	19
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of												
the period	6,717	-	-	(2,829)	-	(2,829)	6,717	-	-	(2,829)	-	(2,829)
Included in the Statement of Profit or Loss												
(Note 5)	590	-	-	-	2,033	-	590	-	-	-	2,033	-
Included in Statement of Comprehensive												
Income (Note 13)	5,283	-	-	(5,721)	4,684	2,829	5,283	-	-	(5,721)	4,684	2,829
Outstanding fair value at the end of the												
period	12,590	-	-	(8,550)	6,717	-	12,590	-	-	(8,550)	6,717	-

EUR'000

15. Deferred income

				EUR'000
	Grou	p	Parent Con	npany
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
I) Non-current deferred income				
a) contracts with customers				
From connection fees	141,604	142,453	-	-
Other deferred income	899	877	899	877
	142,503	143,330	899	877
b) operating lease				
Other deferred income	377	383	377	383
	377	383	377	383
c) other				
On grant for the installed electrical capacity of CHPPs	179,432	185,429	179,432	185,429
On financing from European Union funds	7,895	7,889	456	256
Other deferred income	318	332	222	229
	187,645	193,650	180,110	185,914
Total non-current deferred income	330,525	337,363	181,386	187,174
II) Current deferred income				
a) contracts with customers				
From connection fees	13,765	13,629	-	-
Other deferred income	89	135	65	63
	13,854	13,764	65	63
b) operating lease				
Other deferred income	20	20	20	20
	20	20	20	20
c) other				
On grant for the installed electrical capacity of CHPPs	23,990	23,990	23,990	23,990
On financing from European Union funds	787	787	12	12
Other deferred income	76	60	4	9
	24,853	24,837	24,006	24,011
TOTAL current deferred income	38,727	38,621	24,091	24,094
TOTAL deferred income	369,252	375,984	205,477	211,268

		Group			Parent Company	
	01/01-31/03/2020	01/01-31/03/2019	2019	01/01-31/03/2020	01/01-31/03/2019	2019
At the beginning of the period	375,984	486,722	486,722	211,268	234,127	234,127
Received deferred non-current income (financing)	202	8,678	46,337	202	-	259
Received advance payments for contracts with customers	40	-	940	40	-	940
Received connection fees for connection to distribution system	2,716	2,619	12,902	-	-	-
Received connection fees for connection to transmission system Compensation for the installed electrical capacity of CHPPs credited to	-	433	1,795	-	-	-
the Statement of Profit or Loss	(5,997)	(5,997)	(23,990)	(5,997)	(5,997)	(23,990)
Transferred to deferred income of discontinued operation	-	_	(132,507)	-	_	-
Credited to the Statement of Profit or Loss	(3,693)	(4,025)	(16,215)	(36)	(9)	(68)
At the end of the period	369,252	488,430	375,984	205,477	228,121	211,268

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
	Gro	up	Parent Co	ompany
	01/01– 31/03/2020	01/01– 31/03/2019	01/01– 31/03/2020	01/01– 31/03/2019
Income:				
– subsidiaries	-	-	22,197	18 603
 government related entities* 	11,402	11,629	1,838	1 936
	11,402	11,629	24,035	20,539
Expenses:				
– subsidiaries	-	-	70,399	80 880
– government related entities*	19,110	19,672	1,231	1,515
	19,110	19,672	71,630	82,395
including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:				
– Sadales tīkis AS	-	-	69,729	75 056
	-	-	69,729	75,056

* Transmission system operator – Augstsprieguma tīkls AS

	Gro	up	Parent Co	mpany
	31/03/2020	31/12/2019	31/03/2020	31/12/201
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	-	-	14,692	15,27
- government related and other related parties*	50,838	39,924	2,217	1,21
 loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b) 	-	-	(32)	(1
- loss allowances for expected credit loss from receivables of government related and other related parties*	(68)	(54)	(4)	(
	50,770	39,870	16,873	16,47
Payables to related parties:				
- subsidiaries	_	-	23,945	26,18
- government related and other related parties*	15,061	10,753	824	7
-	15 061	10,753	24,769	26,90
ransmission system operator – Augstsprieguma tīkls AS and Pirmais Slēgtais Pensiju Fonds AS				
c) Accrued income raised from transactions with related parties:				EUR'000
	Gro 31/03/2020	up 31/12/2019	Parent Co 31/03/2020	ompany 31/12/201
for and and and an incompany ideal for subsidiaries (Nets 11 a, b)	31/03/2020	31/12/2019		
- for goods sold/services provided for subsidiaries (Note 11 a, b)	-	-	8,693	1,8
- for interest received from subsidiaries (Note 11 a, b)	-	-	2,778	1,6
	-	-	-	
 for goods sold/services provided for government related entities* 			11,471	3,40

d) Accrued expenses raised from transactions with related parties:				EUR 000
	Gro	up	Parent Co	ompany
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
 – for purchased goods/received services from subsidiaries 	-	-	6	1,335
 – for purchased goods/received services from government related entities* 	2	1,460	-	-
	2	1,460	6	1,335

* Transmission system operator – Augstsprieguma tīkls AS

In the 3–month period ending on 31 March 2020 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 717.8 thousand (01/01 – 31/03/2019: EUR 713.6 thousand).

In the 3–month period ending on 31 March 2020 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 260.2 thousand (01/01 - 31/03/2019: EUR 264.8 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)

Ion–current and current loans to related parties:		EUR'000
·	Parent Com	pany
	31/03/2020	31/12/2019
Non-current loans to subsidiaries		
Sadales tīkls AS	462,479	427,351
Latvijas elektriskie tīkli AS	158,703	161,460
Impairment for expected credit loss	(447)	(377)
TOTAL non-current loans	620,735	588,434
Current portion of non-current loans		
Sadales tīkis AS	77,282	75,377
Latvijas elektriskie tīkli AS	27,259	27,259
Impairment for expected credit loss	(75)	(66)
Current loans to subsidiaries		
Latvijas elektriskie tīkli AS*	27,761	7,228
Sadales tīkls AS	5,549	15,182
Elektrum Eesti OÜ	4,377	7,052
Elektrum Lietuva, UAB	712	3,967
Enerģijas publiskais tirgotājs AS	73,553	69,889
Impairment for expected credit loss	(81)	(66)
TOTAL current loans	216,337	205,822
TOTAL loans to subsidiaries	837,072	794,256

Novement in loans:			EUR'000
		Parent Company	
	01/01-31/03/2020	01/01-31/03/2019	2019
At the beginning of the period	794,256	765,815	765,815
Change in current loans in cash (net)	81,601	82,928	272,103
Change in current loans by non-cash offsetting of operating receivables and payables (net)	(25,723)	(86,516)	(219,388)
Issued non-current loans by non-cash offset for dividends	_	_	33,743
Reduction of non-current loans by non-cash offsetting of operating receivables and payables	(12,968)	(12,968)	(58,029)
Impairment for expected credit loss	(94)	(19)	12
At the end of the period	837,072	749,240	794,256

17. Discontinued operations

tatement of Profit or Loss:	Gro	EUR'000
	01/01-31/03/2020	01/01-31/03/2019
Revenue	9,430	9,522
Other income	651	349
Raw materials and consumables used	(1)	(20)
Personnel expenses	(105)	(117)
Other operating expenses	(192)	(236)
EBITDA	9,783	9,498
Depreciation, amortisation and impairment of intangible assets, property,		
plant and equipment and right-of-use assets	(6,913)	(6,229)
Operating profit	2,870	3,269
Finance costs	(5)	(5)
Profit before tax	2,865	3,264
Income tax	(102)	
Profit for the period from discontinued operations	2,763	3,264
		-,
ssets, reserves and liabilities classified as held for distribution:		EUR'000
ssets, reserves and liabilities classified as held for distribution:	Grou	EUR'000
	Grou 31/03/2020	EUR'000
ASSETS	31/03/2020	EUR'000 up 31/12/2019
ASSETS Assets	31/03/2020 661,778	EUR'000 up 31/12/2019 640,393
ASSETS Assets	31/03/2020	EUR'000 up 31/12/2019
ASSETS Assets TOTAL assets held for distribution	31/03/2020 661,778	EUR'000 up 31/12/2019 640,393
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES	31/03/2020 661,778 661,778	EUR'000 up 31/12/2019 640,393 640,393
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves	31/03/2020 661,778 661,778 28,804	EUR'000 up 31/12/2015 640,393 640,393 28,936
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves Liabilities	31/03/2020 661,778 661,778 28,804 189,750	EUR'000 up 31/12/2019 640,393 640,393 28,936 179,576
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves Liabilities	31/03/2020 661,778 661,778 28,804	EUR'000 up 31/12/2015 640,393 640,393 28,936
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves Liabilities TOTAL equity and liabilities directly associated with assets held for distribution	31/03/2020 661,778 661,778 28,804 189,750	EUR'000 up 31/12/2019 640,393 640,393 28,936 179,576 208,512
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves Liabilities TOTAL equity and liabilities directly associated with assets held for distribution	31/03/2020 661,778 661,778 28,804 189,750 218,554	EUR'000 up 31/12/2019 640,393 640,393 28,936 179,576 208,512 EUR'000
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves	31/03/2020 661,778 661,778 28,804 189,750 218,554 Gro	EUR'000 up 31/12/2019 640,393 640,393 640,393 28,936 179,576 208,512 EUR'000 pup
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves Liabilities TOTAL equity and liabilities directly associated with assets held for distribution	31/03/2020 661,778 661,778 28,804 189,750 218,554	EUR'000 up 31/12/2019 640,393 640,393 28,936 179,576 208,512 EUR'000 pup
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves Liabilities TOTAL equity and liabilities directly associated with assets held for distribution	31/03/2020 661,778 661,778 28,804 189,750 218,554 Gro	EUR'000 up 31/12/2019 640,393 640,393 28,936 179,576 208,512 EUR'000 pup
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves Liabilities TOTAL equity and liabilities directly associated with assets held for distribution let cash flows from discontinued operations:	31/03/2020 661,778 661,778 28,804 189,750 218,554 Gro 01/01–31/03/2020	EUR'000 up 31/12/2015 640,393 640,393 28,936 179,576 208,512 EUR'000 pup 01/01-31/03/2015
ASSETS Assets TOTAL assets held for distribution EQUITY AND LIABILITIES Reserves Liabilities TOTAL equity and liabilities directly associated with assets held for distribution let cash flows from discontinued operations: Net cash flows from operating activities	31/03/2020 661,778 661,778 28,804 189,750 218,554 Gro 01/01–31/03/2020 16,039	EUR'000 up 31/12/2015 640,393 640,393 28,936 179,576 208,512 EUR'000 pup 01/01–31/03/2015 17,799

18. Events after the reporting period

On 24 April 2020, the Shareholder's Meeting of Latvenergo AS decided to reduce the share capital of Latvenergo AS by EUR 222,678 thousand. The reduction of the share capital is related to the decision adopted by the Cabinet of Ministers of the Republic of Latvia on 8 October 2019 to support complete unbundling of the electricity transmission system operator, setting 1 July 2020 as the term for enforcement of the decision. Unbundling of transmission assets takes place by reducing the share capital of Latvenergo AS, by withdrawing capital shares in Latvijas elektriskie tīkli AS of the asset base of Latvenergo AS.

On 28 April 2020 the Financial and Capital Market Commission has registered the Base Prospectus of the Third Programme for the Issuance of Notes of Latvenergo AS and has permitted Latvenergo AS to make a public offering of Notes. The total amount of the green bonds offer programme in nominal value is EUR 200,000 thousand. The independent research center CICERO Shades of Green has rated the updated Latvenergo AS green bonds framework as Dark green, which is the highest category shading in CICERO's methodology.

On 18 May 2020, at the meeting of the Supervisory Board of Latvenergo AS it was decided to extend the employment relationship with the Members of the Management Board, and new period of authorisations of the board members will start on 16 November 2020. Āris Žīgurs has been approved as Chairman of the Management Board of Latvenergo AS for the new period, and as Members of the Management Board – Guntars Baļčūns and Uldis Bariss. The term of office of the Member of the Management Board Kaspars Cikmačs will also continue until 24 September 2023.

On 21 May 2020, Latvenergo AS paid out dividends to the State in the amount of EUR 127,071 thousand.

There have been no other 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 3-month period ending on 31 March 2020.