LATVENERGO CONSOLIDATED AND LATVENERGO AS

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 9-MONTH PERIOD
ENDING 30 SEPTEMBER 2020

Latvenergo

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

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FINANCIAL CALENDAR

26. 02. 2021.
Condensed Consolidated Interim Financial Statements for the 12-Month Period Ending 31 December 2020 (unaudited)

14. 04. 2021.
Latvenergo Consolidated Annual Report 2020

31. 05. 2021.
Condensed Consolidated Interim Financial Statements for the 3-Month Period Ending 31 March 2021 (unaudited)

31. 08. 2021.
Condensed Consolidated Interim Financial Statements for the 6-Month Period Ending 30 June 2021 (unaudited)

30. 11. 2021.
Condensed Consolidated Interim Financial Statements for the 9-Month Period Ending 30 September 2021 (unaudited)

CONTACT DETAILS FOR INVESTOR RELATIONS

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DISCLAIMER

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

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

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

*** 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*

Highlights

Significantly lower electricity prices in the region.

In the 9-month period of 2020, electricity spot prices in the Nordics and the Baltics were significantly 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. In the 9-month period of 2020, the electricity spot price in Latvia decreased by 33% compared to the respective period a year ago.

The amount of power generated at the Daugava HPPs was 54% higher compared to the respective period a year ago.

In the reporting period, Latvenergo Group generated 3,298 GWh of electricity at its plants, which is 7% less than in the respective period a year ago. Electricity output at the Daugava HPPs increased by 54% due to atypically low water inflow in 2019. Adapting to electricity market conditions and heat demand, the amount of electricity generated at the Latvenergo AS CHPPs reached 1,168 GWh, which was 46% less than in the respective period a year ago. In the reporting period, 1,101 GWh of thermal energy were produced, which is 9% less than in the respective period a year ago. The decrease was impacted by warmer weather conditions at the beginning of the year.

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

4.6 TWh of electricity sold to Baltic retail customers

740 thous. Electricity customers

318 GWh of natural gas sold to Baltic retail customers

12 thous. Natural gas customers

The overall amount of retail electricity trade outside Latvia accounted for 1/3 of the total. In the reporting period, operations were launched in the Lithuanian electricity household market. The sales volume of natural gas to retail customers was 65% higher than in the respective period a year ago. Sales of other retail products such as solar panels and *Elektrum Insured* continued to develop, as did the e-shop and *Elektrum* electric vehicle charging stations.

On 10 June 2020, transmission system assets were separated from Latvenergo Group.

In accordance with the CM decision of 8 October 2019, transmission system assets in the amount of EUR 694.3 million were separated from Latvenergo Group on 10 June 2020. All the shares of Latvijas elektriskie tīkli AS (LET) in the amount of EUR 222.7 million were transferred to the Ministry of Economics. Along with the unbundling of LET, all LET liabilities were also transferred.

EBITDA increased by 23%.

MEUR

564.4	212.1	94.7	3,265.4
REVENUE	EBITDA	PROFIT	ASSETS

In the reporting period, Latvenergo Group's revenue was 9% or EUR 56.7 million less than in the respective period a year ago. This was negatively affected by lower revenue in the distribution segment, lower revenue from heat sales and lower electricity spot prices.

The Group's EBITDA increased by 23% or EUR 40.0 million compared to the respective period a year ago. This was positively affected by higher electricity output at the Daugava HPPs and lower electricity and natural gas purchase prices.

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

In the 9-month period of 2020, the total amount of investment comprised EUR 130.4 million, of which 70% was made in power network assets. We are also continuing the implementation of the Daugava HPPs' hydropower unit reconstruction project, investing EUR 15.7 million during the reporting period.

The international credit rating agency Moody's maintained the credit rating of Latvenergo AS at investment grade Baa2.

On 7 August 2020, the international credit rating agency Moody's Investors Service renewed the Latvenergo AS credit analysis. The rating of Latvenergo AS remained unchanged: Baa2 with a stable outlook.

Baa2

MOODY'S

Latvenergo Group in Brief

Latvenergo Group is one of the largest power supply providers in the Baltics operating in electricity and thermal energy generation and trade, natural gas trade, electricity distribution services and, until 10 June 2020, 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.

Until 10 June 2020, Latvenergo Group divided its operations into three operating segments: generation and trade, distribution and lease of transmission system assets. This division was 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 has been 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 98% of the territory of Latvia. Distribution system tariffs are approved by the Public Utilities Commission (PUC).

The transmission system asset leasing segment

- conducts the lease of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points) to the transmission system operator. Payments for the lease of transmission system assets are calculated in accordance with the methodology approved by the PUC. In accordance with the Cabinet of Ministers of the Republic of Latvia (hereinafter – CM) decision of 8 October 2019, the transmission assets were separated from Latvenergo Group on 10 June 2020.

Latvenergo Group in Brief

Latvenergo Group's Strategy

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

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

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

The financial targets are set to ensure:

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

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

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

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		9M 2020	9M 2019	9M 2018	9M 2017	9M 2016
Electricity supply, incl.	GWh	6,590	6,855	7,476	7,646	7,272
Retail electricity[2)]	GWh	*4,650*	*4,868*	*5,029*	*5,189*	*5,702*
Wholesale electricity[3)]	GWh	*1,940*	*1,987*	*2,447*	*2,457*	*1,570*
Retail natural gas	GWh	318	193	74	7	0
Electricity generation	GWh	3,298	3,565	4,052	4,088	3,052
Thermal energy generation	GWh	1,101	1,216	1,545	1,791	1,725
Number of employees		3,347	3,474	3,521	4,053	4,184
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		9M 2020	9M 2019	9M 2018	9M 2017	9M 2016
Revenue*	MEUR	564.4	621.1	613.0	647.9	642.9
EBITDA[1)*]	MEUR	212.1	172.0	240.3	268.0	252.9
Profit	MEUR	94.7	62.0	82.6	125.0	94.3
Assets	MEUR	3,265.4	3,786.1	3,820.3	3,887.5	3,564.6
Equity	MEUR	2,012.5	2,232.5	2,324.4	2,455.1	2,110.5
Net debt (adjusted)[1)*]	MEUR	584.3	590.9	546.9	538.4	543.2
Investments	MEUR	130.4	158.9	158.5	166.6	136.5

Latvenergo Group Financial Ratios

	9M 2020	9M 2019	9M 2018	9M 2017	9M 2016
Net debt / EBITDA (adjusted)[1)]	2.1	2.7	1.2	1.5	2.2
EBITDA margin[1)]	36%	25%	56%	41%	33%
Return on equity (ROE)[1)]	6.0%	2.4%	11.7%	7.1%	5.3%
Return on assets (ROA)[1)]	3.6%	1.5%	7.3%	4.3%	3.1%
Return on capital employed (ROCE) (adjusted)[1)*]	4.6%	2.3%	4.9%	6.1%	3.9%
Net debt / equity (adjusted)[1)]	29%	26%	24%	22%	26%

* Financial figures and ratios are presented by excluding discontinuing operations (unbundling transmission system asset ownership) – see Note 18 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

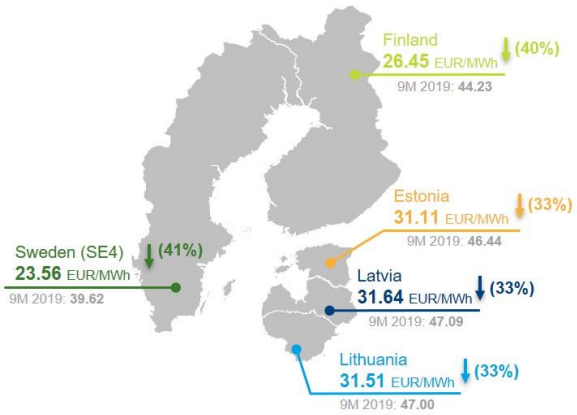
Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In the 9-month period of 2020, energy raw material prices were affected by lower demand due to warmer weather and COVID-19 pandemic:

- the Nord Pool system price decreased by 74% and the electricity spot price in Latvia decreased by 33% compared to the respective period a year ago;
- the price of natural gas at the GASPOOL and TTF trading platforms was on average 46% lower compared to the respective period a year ago.

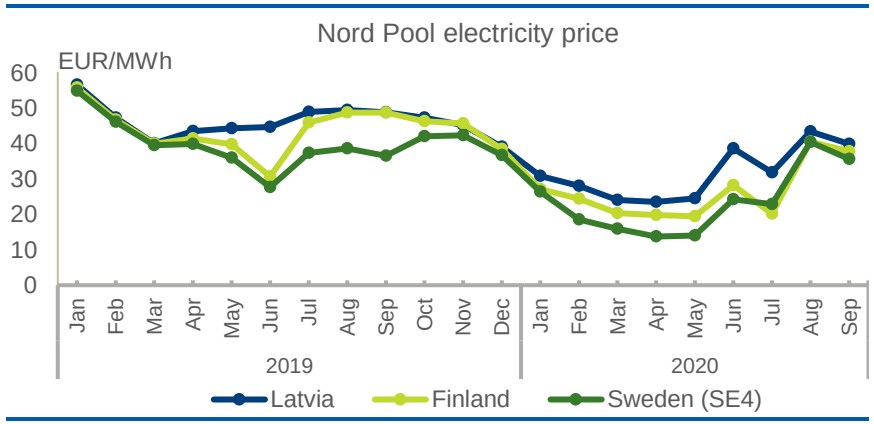
Significantly lower electricity prices

In the reporting period, electricity prices in the Nord Pool region were affected by both higher share of renewable energy generation and lower demand for electricity due to warmer weather and COVID-19.



The electricity generation at the Nordic hydropower plants was 15% greater (+21.4 TWh) than in the respective period last year, while at the wind farms in the Nord Pool region it was 30% greater (+10.2 TWh). The average Nord Pool system price in the 9-month period of 2020 was 9.98 EUR / MWh, which was 74% lower than in the respective period last year.

The higher electricity price in the Baltics was affected by the reduction of capacity in Estlink interconnections due to annual maintenance work, as well as the limitations of NordBalt interconnection capacity. The price difference between Latvia and Sweden (SE4) and Finland increased to 8.08 EUR / MWh and 5.19 EUR / MWh respectively (9M 2019: 7.47 EUR / MWh and 2.86 EUR / MWh). Electricity prices in the Baltic countries did not differ significantly.



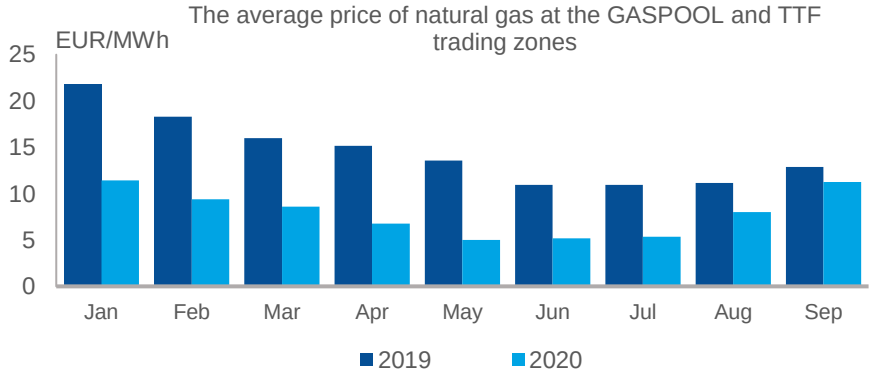
In the 9-month period of 2020, total electricity consumption in the Baltics decreased by 3.3% compared to the respective period a year ago and reached 20.0 TWh. The decrease in consumption in the Baltic region was affected by warmer weather in Q1 2020, as well as the COVID-19 emergency restrictions announced in all three Baltic countries in Q2 2020 as in many parts of Europe and the world. If we assess on a quarterly basis, electricity consumption in Latvia decreased the most in Q2 2020 (-4.2%), while in Q3 2020 the decrease in electricity consumption was 1.1%.

The fall in electricity prices and demand reduced electricity generation in the Baltics by 8%; it amounted to 11.0 TWh, comprising 4.2 TWh in Latvia, 3.7 TWh in Lithuania and 3.1 TWh in Estonia. Electricity output in Latvia was 7% lower. The increase in electricity output in Lithuania of 37% was due to higher output at wind farms. However, electricity output in Estonia decreased by 34% 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 3% and reached 8.7 TWh.

Operating Environment

Low natural gas price

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In the 9-month period of 2020, the price of natural gas in Europe was impacted by higher deliveries of liquefied natural gas (LNG), warmer weather conditions and the high share of renewable energy generation in Europe. 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 virtual trading point) was 46% lower than in the 9-month period of 2019. The average natural gas (Front Month) price was 8.0 EUR/MWh at the GASPOOL trading platform and 7.8 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 economy, including the dynamics of energy product prices.

- The average price of Brent crude oil in the 9-month period of 2020 was 42.5 USD/bbl, which was 34% lower than in the respective period a year ago due to lower demand.
- The average price of coal (API2 Rotterdam Coal Futures Cal 21) decreased by 22% compared to the respective period a year ago, reaching 57.1 USD/t. Coal prices were mainly affected by declining demand. In Europe, the decline in coal demand was affected by lower natural gas prices and high renewable energy generation.
- The average price of CO2 emission allowances (EUA DEC.20) in the reporting period decreased by 6%, reaching 23.9 EUR/t. In Europe, the decline in allowance prices was affected not only by lower industrial activity, but also by lower raw material prices and higher allowances available on the market. In turn, the upward trend in CO2 prices was driven by the European Commission's announcements of the new goals of the European Climate Act or the "Green Deal" to achieve climate neutrality by 2050.

Operating Environment

Unbundling transmission system asset ownership

The most common transmission system management model in Europe is one in which the network assets are owned by the transmission system operator. Therefore, 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 revenue of the transmission system asset leasing segment represented 4% of Latvenergo Group's revenue; EBITDA and asset value represented 14% and 17% respectively.

On 10 June 2020, transmission system assets in the amount of EUR 694.3 million were separated from Latvenergo Group, transferring all the shares of LET in the amount of EUR 222.7 million to the Ministry of Economics. Therefore, the share capital of Latvenergo AS was decreased to EUR 612.2 million. The market value of 100% LET shares was valuated by KPMG Baltics AS.

On 9 July 2020, in accordance with the decision of the CM on unbundling of transmission assets, the shareholders' meeting of Latvenergo AS decided to increase the share capital of Latvenergo AS by EUR 178.1 million by investing in Latvenergo AS retained earnings from previous years and determining the share capital of Latvenergo AS in the amount of EUR 790.3 million.

Along with the unbundling of LET, all LET liabilities were transferred, including the Latvenergo AS loan to LET in the amount of EUR 225 million. The AST loans will be repaid to Latvenergo AS in three instalments, of which EUR 139 million were already repaid in June and the remaining amount will be repaid in equal parts in 2022 and 2023.

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.

On 7 August 2020, the international credit rating agency Moody's Investors Service renewed the Latvenergo AS credit analysis, maintaining the investment grade Baa2 with a stable outlook, also taking into account the unbundling of transmission system asset ownership.

Amendments to the Electricity Market Law

On 17 September 2020, at the first reading the Saeima supported the 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.

At the same time, on October 12, 2020, the CM adopted Order No. 595 *On the conceptual report "Complex measures for solving the problem of the mandatory procurement public service obligation fee and development of the electricity market"*, which does not require significant changes in the mandatory procurement support mechanism, but rather aims to reduce the average public service obligation fee (hereinafter – PSO fee) from the existing 22.68 EUR / MWh to 17.51 EUR / MWh starting from 1 January 2021. The PSO reduction will be financed by a part of the dividends of Latvenergo AS.

On changes in the Management Board of Latvenergo AS

On October 30, 2020, Āris Žīgurs, the Chairman of the Management Board of Latvenergo AS, ceased to work for Latvenergo AS. As of October 31, Guntars Baļčūns, Member of the Management Board and Chief Financial Officer, is appointed as acting Chairman of the Latvenergo AS Management Board. On November 11, 2020, Uldis Bariss, Member of the Management Board and Commercial Director of Latvenergo AS, ceased to work for Latvenergo AS. The Chief Technology and Support Officer Kaspars Cikmačs continues to work in the Management Board. On November 6, Arnis Kurgs was appointed as a member of the temporary board of the Company, and he will perform the duties of this position until the establishment of the permanent composition of the board. New members of the Board of Latvenergo AS will be selected through a competition procedure.

Operating Environment

Dividends

According to the draft law "On the medium-term budgetary framework for 2021, 2022 and 2023", Latvenergo AS dividend payout in the year 2021 (for the reporting year 2020) is not less than EUR 127.1 million (incl. corporate income tax); in 2022 (for the reporting year 2021) is not less than EUR 87.7 (incl. corporate income tax); and in 2023 (for the reporting year 2022), it is not less than EUR 71.0 (incl. corporate income tax). The actual amount of the dividend payout is set at the Shareholder's Meeting of Latvenergo AS after the approval of the annual report, upon evaluation of the results of the previous year.

Latvenergo AS dividends will be used as a source of funding for the state budget programme *Electricity User Support*, thereby decreasing the mandatory procurement public service obligation fee.

Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 30 September 2020, the Group's asset value amounts to EUR 3.3 billion and its equity exceeds EUR 2.0 billion

On the impact of COVID-19 on Latvenergo Group operations

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 tīkls AS.

The restrictions implemented in the Baltics in order to limit the spread of COVID-19 reduced economic activity, including electricity consumption. In the 9-month period of 2020, electricity consumption in Latvia decreased by 2.9% compared to the respective period a year ago, and this was due to both the spread of COVID-19 and warmer weather at the beginning of the year.

In the 9-month period of 2020, Latvenergo Group services have 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.

Financial Results

In the 9-month period of 2020, Latvenergo Group's revenue reached EUR 564.4 million, which was EUR 56.7 million or 9% less than in the respective period a year ago. This was mainly affected by:

- EUR 28.7 million lower electricity sales revenues due to lower electricity prices and the 3.3% decrease in electricity consumption in the Baltics due to warmer weather and COVID-19;
- EUR 18.4 million lower distribution segment revenue due to the lower amount of distributed electricity and the reduced average electricity distribution service tariff;
- EUR 12.7 million lower heat sales due to warmer weather conditions.

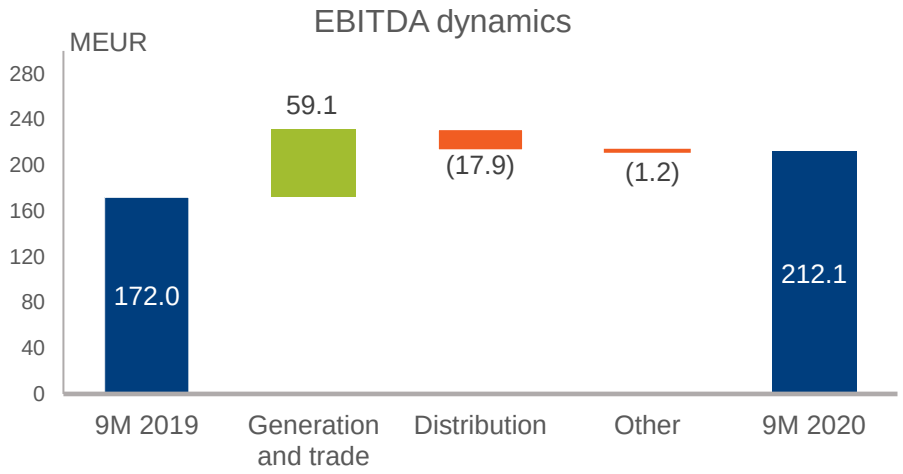
Latvenergo Group financial figures		9M 2020	9M 2019	Δ	Δ, %
Revenue	MEUR	564.4	621.1	(56.7)	(9%)
EBITDA	MEUR	212.1	172.0	40.0	23%
Net profit	MEUR	94.7	62.0	32.6	53%
Assets	MEUR	3,265.4	3,786.1	(520.6)	(14%)

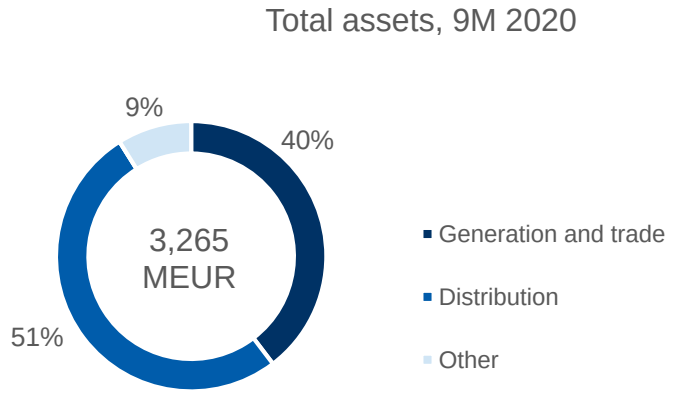
Latvenergo Group's EBITDA increased by 23% compared to the respective period a year ago, reaching EUR 212.1 million. This was positively affected by 54% or 734 GWh higher electricity output at the Daugava HPPs and lower electricity purchase prices. In the 9-month period of 2020, the electricity spot price in Latvia decreased by 33% compared to the respective period a year ago. EBITDA was negatively affected by lower distribution segment revenue.

The Group's profit for the reporting period reached EUR 94.7 million.

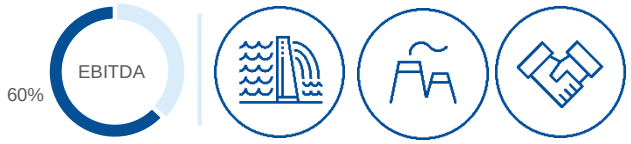
As of 30 September 2020, the Group's net debt to equity was 29% (as of 30 September 2019, it was 26%) and its net debt to EBITDA ratio was 2.1 (2.7). The capital structure ratios of Latvenergo Group are better than the industry average.

As the transmission assets were separated from Latvenergo Group on 10 June 2020, the comparative results 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 18 to the Unaudited Condensed Interim Financial Statements.





Generation and Trade



Segment weight in Latvenergo Group

Revenue **60%**

EBITDA **60%**

Assets **40%**

Employees **26%**

Generation and trade is Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 90% of the segment's revenue came from electricity and natural gas trade, while 10% came from thermal energy supply.

The segment's revenue was impacted by EUR 28.7 million lower electricity sales revenues due to lower electricity prices and the 3.3% decrease in electricity consumption in the Baltics due to warmer weather and COVID-19. The segment's revenue was also impacted by EUR 12.7 million lower heat sales due to warmer weather conditions.

Meanwhile, the segment's EBITDA was positively impacted by 54% or 734 GWh higher electricity output at the Daugava HPPs and lower electricity purchase prices.

In the reporting period, the total volume of electricity generated at Latvenergo Group's plants amounted to 3,298 GWh, which corresponded to 71% of the amount of electricity sold to retail customers (in the respective period in 2019 it was 73%).

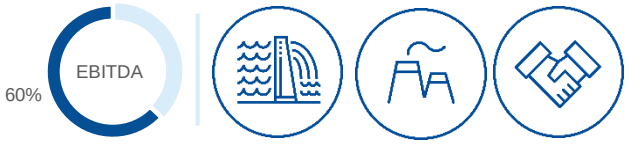
The volume of electricity sold to Latvenergo Group's customers can be made larger than its generation volumes. This is possible by including additional electricity financial instruments in the price risk management and making use of the flexibility of the Group's generation assets, switching strategically 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		**9M 2020**	**9M 2019**	**Δ**	**Δ, %**
Electricity supply, incl.	GWh	6,590	68,855	(265)	(4%)
*Retail electricity**	*GWh*	4,650	4,868	(218)	(4%)
*Wholesale electricity***	*GWh*	1,940	1,987	(47)	(2%)
Retail natural gas	GWh	318	193	126	65%
Electricity generation	GWh	3,298	3,565	(267)	(7%)
Daugava HPPs	GWh	2,100	1,367	734	54%
CHPPs	GWh	1,168	2,159	(991)	(46%)
Liepaja plants and small plants	GWh	29	39	(9)	(24%)
Thermal energy generation	GWh	1,101	1,216	(115)	(9%)
CHPPs	GWh	951	1,054	(103)	(10%)
Liepaja plants	GWh	149	161	(12)	(8%)

Financial figures		**9M 2020**	**9M 2019**	**Δ**	**Δ, %**
Revenue	MEUR	342.2	381.1	(38.9)	(10%)
EBITDA	MEUR	127.0	67.9	59.1	87%
Assets	MEUR	1,294.9	1,341.3	(46.4)	(3%)
Investments	MEUR	31.2	20.2	11.0	55%
EBITDA margin		33.9	14.4	19.5	136%

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

Generation and Trade



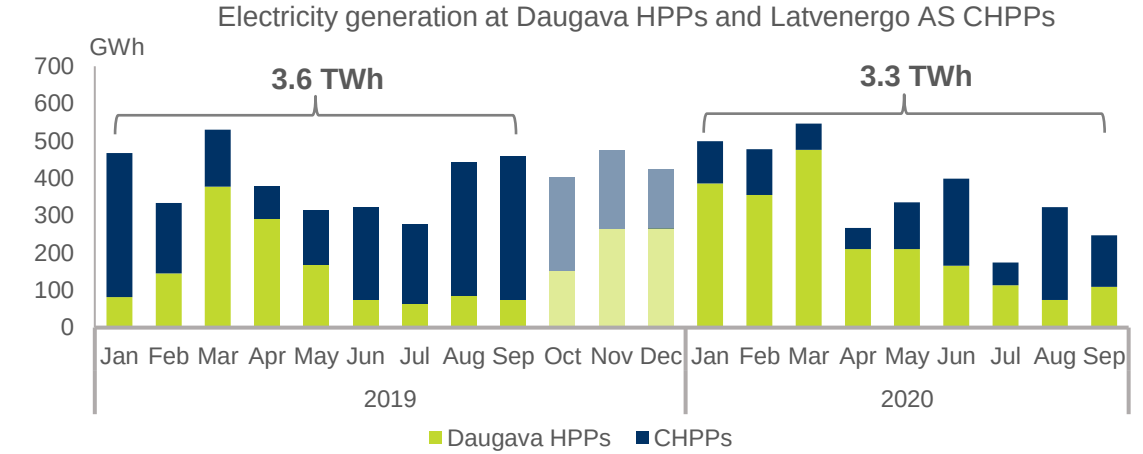
Generation

In the 9-month period of 2020, Latvenergo Group was the largest electricity producer in the Baltics, producing 30% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 3,298 GWh of electricity and 1,101 GWh of thermal energy.

The amount of power generated at the Daugava HPPs was 54% higher compared to the respective period a year ago, reaching 2,100 GWh. The relatively larger amount of power generated at the Daugava HPPs was impacted by higher water inflow in the Daugava River. In the 9-month period of 2020, the average water inflow in the Daugava River was 559 m3/s, while in the respective period a year ago it was 357 m3/s. The share of electricity generated from renewable energy sources at Latvenergo Group was 64% (in 9M 2019 it was 39%).

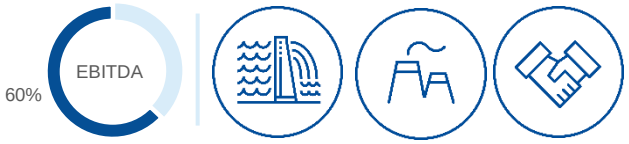
> The share of electricity generated from renewable energy sources comprised 64%

In the reporting period, the amount generated at the Latvenergo AS CHPPs reached 1,168 GWh, which was 46% less than in the respective period a year ago. 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 the 9-month period of 2020, the total amount of thermal energy generated by Latvenergo Group decreased by 9% compared to the respective period a year ago. The decrease was impacted by warmer weather conditions at the beginning of the year. Data from the Central Statistical Bureau show that the average air temperature in Riga in the reporting period during the heating season was +4.5 C°, whereas in the 9-month period of 2020 it was +2.7 C°.



Generation and Trade

Trade

In the 9-month period of 2020, Latvenergo Group maintained a stable position in the Baltic electricity market, continuing to actively expand into new business segments and launching operations in the Lithuanian household electricity market.

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

In the 9-month period of 2020, the total electricity consumption in the Baltics decreased by 3.3% compared to the respective period a year ago. This was due to warmer weather conditions at the beginning of the year and the COVID-19 emergency restrictions announced in all three Baltic countries in Q2 2020.

In the 9-month period of 2020, the Group supplied 4,650 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 3,121 GWh, while in Lithuania it was 853 GWh and in Estonia it was 676 GWh.

The total number of electricity customers comprised approximately 740 thousand, including 37 thousand foreign customers.

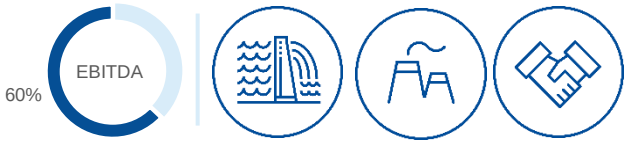
Latvenergo Group's natural gas sales to retail customers were 65% higher than in the 9-month period of 2019, reaching 318 GWh. The increase in natural gas sales can be observed in all three Baltic countries, due to the positive dynamics of the number of customers.

At the end of September, the natural gas portfolio consisted of 11.7 thousand customers, of which 10.4 thousand were households.

In the reporting period, the retail activities of other services in the Baltic states continued. 460 contracts were signed for the installation of solar panels in the Baltics; thus, the number of concluded contracts has doubled compared to the respective period a year ago. By the end of the reporting period, the total installed solar panel capacity provided to Latvenergo Group's retail customers in the Baltics reached 4.7 MW; 76% of panels are installed for customers outside Latvia. During the reporting period, *Elektrum* started construction projects for two solar panel parks in Lithuania and Estonia. The planned installed capacity of the Lithuanian solar park will be 1.5 MW, while for Estonia it will be 0.25 MW. The number of *Elektrum Insured* customers continued to increase, reaching 93.9 thousand. The development of the *Elektrum* e-shop continued, exceeding 1,300 transactions in the 9-month period of 2020. In the reporting period, approximately 4,500 charges were made at the *Elektrum* electric vehicle charging stations, comprising 122 MWh.

Completed in the 9-month period of 2020:

- 4.6 TWh of electricity sold to retail customers.
- The amount of natural gas used for both operating consumption and trade reached 3.6 TWh.
- 460 contracts were concluded for the installation of solar panels.
- At the end of September, the total number of *Elektrum Insured* customers exceeded 93,800.
- 3,200 units sold in the *Elektrum* e-shop.



Generation and Trade

Mandatory procurement

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

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

Operating figures		9M 2020	9M 2019	Δ	Δ, %
Mandatory procurement PSO fee income	MEUR	109.7	112.4	(2.7)	(2%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	2.9	3.5	(0.6)	(17%)
Mandatory procurement expenditures*	MEUR	117.2	114.4	2.8	2%
Incl. cogeneration	MEUR	33.9	42.8	(8.9)	(21%)
Incl. renewable energy resources	MEUR	82.8	71.2	11.6	16%

* 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 2020, the average PSO fee has remained unchanged

At the time of publishing this report, 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.

On October 12, 2020, the CM adopted Order No. 595 *On the conceptual report "Complex measures for solving the problem of the mandatory procurement public service obligation fee and development of the electricity market"*, which does not require significant changes in the mandatory procurement support mechanism, but rather aims to reduce the average PSO fee from the existing 22.68 EUR / MWh to 17.51 EUR / MWh starting from 1 January 2021. The PSO reduction will be financed by a part of the dividends of Latvenergo AS.

According to the above-mentioned CM order, Enerģijas publiskais tirgotājs AS has calculated and submitted to the PUC the average PSO fee for the next year with a reduction of 23%.

In the 9-month period of 2020, MP expenditures reached EUR 117.2 million, which is EUR 2.8 million or 2% more than in the respective period a year ago. Mandatory procurement expenditures for cogeneration plants decreased significantly, while for renewable energy sources they increased.

In the 9-month period of 2020, Enerģijas publiskais tirgotājs AS made payments from the state budget to energy-intensive manufacturing companies in the amount of EUR 2.9 million (in the respective period in 2019 – EUR 3.5 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.

Distribution

Revenue
39%

EBITDA
35%

Assets
51%

Employees
57%

Segment weight in Latvenergo Group

The distribution segment is Latvenergo Group's largest segment by asset value and the second largest segment by revenue and EBITDA. In the 9-month period of 2020, the segment's revenue decreased by 8% compared to the respective period a year ago, reaching EUR 218.7 million. The segment's EBITDA decreased by 29%, reaching EUR 74.7 million. The decrease in revenue and EBITDA was impacted by 4% lower distributed electricity due to warmer weather and COVID-19 and by the reduced average electricity distribution service tariff.

Operational figures		9M 2020	9M 2019	Δ	Δ, %
Electricity distributed	GWh	4,624	4,838	(214)	(4%)
Distribution losses	GWh	183	191	(8)	(4%)

Financial figures		9M 2020	9M 2019	Δ	Δ, %
Revenue	MEUR	218.7	237.1	(18.4)	(8%)
EBITDA	MEUR	74.7	92.6	(17.9)	(19%)
Assets	MEUR	1,680.2	1,673.6	6.6	0%
RAB	MEUR	1,467.6	1,455.3	12.2	1%
Investments	MEUR	62.0	69.6	(7.5)	(11%)
EBITDA margin		35.6	38.7	(3.1 pp.)	(8%)

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

Since 2017, Sadales tīkls AS has been implementing an efficiency programme, which comprises process reviews, decreasing the number of employees and transportation units, and optimizing the number of technical and support real estate bases. Within the framework of this programme, we are planning to reduce the number of employees at Sadales tīkls AS by around 800 in total by 2022. As of 30 September 2020, the number of employees at Sadales tīkls AS has been reduced by more than 600. At the end of the reporting period, the amount of smart electricity meters installed by the company comprised more than 830 thousand, which was approximately 74% of the total number of electricity meters of customers of Sadales tīkls AS. The measures taken by Sadales tīkls AS within the framework of the efficiency improvement programme contributed to a 5.5% reduction in the average distribution system service tariff as of 1 January 2020.

In the reporting period, investments in distribution comprised EUR 62.0 million, which was 11% lower than in the respective period a year ago. The value of distribution assets was EUR 1,680.2 million. The purpose of investments in the distribution segment is to promote the quality and security of the energy supply, reduce the frequency and duration of power supply disruptions caused by planned and unplanned maintenance, and ensure the appropriate voltage quality.

Completed in the 9-month period of 2020:

- Renewed a total of 1,124 km of low and medium-voltage power lines
- Restored and constructed 383 transformer substations
- Installed 126.5 thousand smart electricity meters
- Power line routes cleared at a length of 3,506 km

Lease of Transmission System Assets

Financial figures		9M 2020	9M 2019	Δ	Δ, %
Revenue	MEUR	17.6	31.1	(13.5)	(44%)
EBITDA	MEUR	16.6	30.7	(14.1)	(46%)
Investments	MEUR	28.9	61.1	(32.2)	(53%)

On 10 June 2020, transmission system assets were separated from Latvenergo Group

In accordance with the CM decision of 8 October 2019, the transmission assets were separated from Latvenergo Group on 10 June 2020 (for more information, see the section *Operating Environment*).

By 10 June 2020, the segment's revenue and EBITDA comprised EUR 17.6 million and EUR 16.6 million respectively. Leasing of transmission system assets was a regulated segment. Revenue in this segment was calculated in accordance with the methodology approved by the PUC.

Investment made in transmission system assets by 10 June 2020 comprised EUR 28.9 million, which is 53% 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*. By 10 June 2020, EUR 17.9 million was invested in this project (in 9M 2019: EUR 22.6 million).

Investments

In the 9-month period of 2020, the total amount of investment comprised EUR 130.4 million which was EUR 28.5 million or 18% less than in the respective period a year ago. The decrease in the amount of investment was determined by EUR 32.2 million lower investments in transmission system assets.

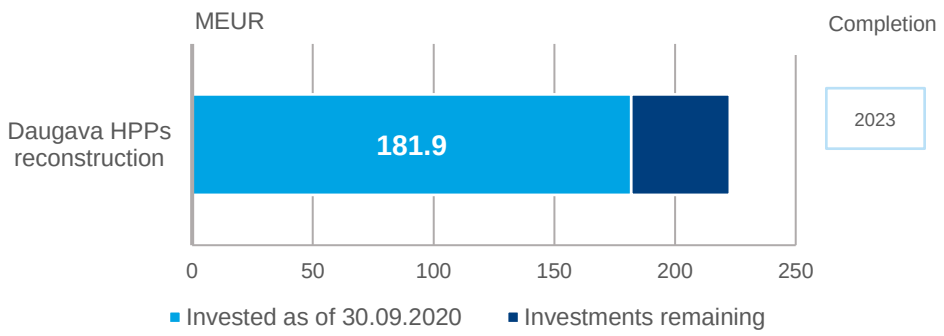
Contributing to environmentally friendly projects, in the 9-month period of 2020, EUR 15.7 million was invested in the Daugava HPPs' hydropower unit reconstruction.

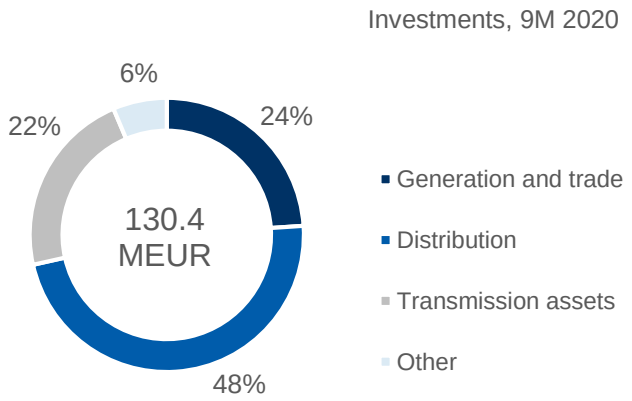
To ensure high-quality power network service, technical parameters and operational safety, a significant amount is invested in the modernization of the power network. In the reporting period, the amount invested in power network assets represented 70% of total investment. EUR 28.9 million of this was invested in transmission system assets.

> Investment in power network assets – 70% of the total

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 30 September 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 30 September 2020, work completed within the scope of the contract reached EUR 181.9 million. Reconstruction will ensure functionality of the hydropower units for another 40 years.





Funding and Liquidity

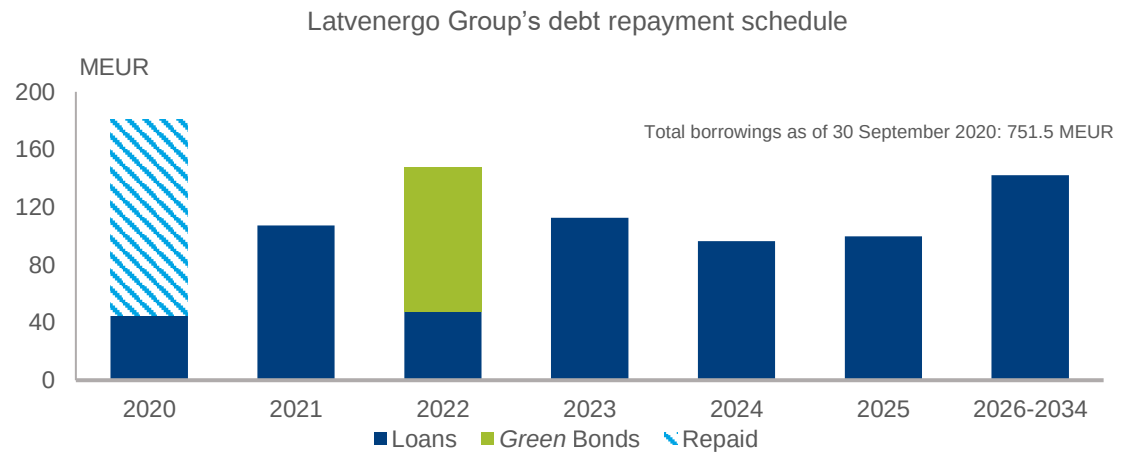
Latvenergo Group finances its investments from its own resources and external long-term borrowings, which are regularly sourced in financial and capital markets in a timely manner.

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.

> The rating of Latvenergo AS remained unchanged: Baa2

The Financial and Capital Market Commission has 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 30 September 2020, the Group's borrowings amount to EUR 751.5 million (30 September 2019: EUR 839.7 million), comprising loans from commercial banks, international investment banks, and EUR 100 million *green* bonds.



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

As of 30 September 2020, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 4.1 years (30 September 2019: 3.8 years). The effective weighted average interest rate (with interest rate swaps) is 1.4% (30 September 2019: 1.5%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 1.5).

In the 9-month period of 2020, all the binding financial covenants set in Latvenergo Group's loan agreements were met.

On 7 August 2020, the international credit rating agency Moody's Investors Service renewed the Latvenergo AS credit analysis. The rating of Latvenergo AS remained unchanged: 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 cost-effective 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 supply-demand factors and seasonal fluctuations, natural gas price volatility may have a negative effect on the difference between fixed retail electricity prices in contracts with customers and variable generation costs at CHPPs.

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

II) Interest rate risk

Latvenergo Group's interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to the risk that finance costs might increase significantly when the reference rate surges. Most of the borrowings from financial institutions have a variable interest rate, comprising 3, 6 or 12-month EURIBOR and a margin. The Group's Financial Risk Management Policy stipulates maintaining at least 35% of its borrowings as fixed interest rate borrowings (taking into account the effect of interest rate swaps and issued bonds) with a duration of 2–4 years. Taking into account the effect of interest rate swaps and bonds with a fixed interest rate, 39% of the borrowings had a fixed interest rate with an average period of 1.6 years as of 30 September 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 by the end of 2020.

III) Currency risk

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

As of 30 September 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 30 September 2020, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 80.6 million (30 September 2019: EUR 84.3 million), while the current ratio was 1.6 (1.0).

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

		9M 2020	9M 2019	9M 2020
Electricity supply, incl.	GWh	4,039	4,027	4,539
Retail electricity[2)]	GWh	3,121	3,122	3,270
Wholesale electricit[3)]	GWh	918	905	1,269
Retail natural gas	GWh	280	186	73
Electricity generation	GWh	3,271	3,530	4,017
Thermal energy generation	GWh	951	1,054	1,362
Number of employees		1,278	1,344	1,356
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		9M 2020	9M 2019	9M 2020
Revenue	MEUR	283.0	320.6	322.1
EBITDA[1)]	MEUR	165.1	75.0	151.6
Profit	MEUR	148.5	80.2	223.0
Assets	MEUR	2,781.8	3,093.2	3,188.5
Equity	MEUR	1,752.0	1,926.7	2,002.3
Net debt (adjusted)[1)*]	MEUR	576.9	595.0	536.9
Investments	MEUR	38.6	29.2	31.5

Latvenergo AS financial ratios

	9M 2020	9M 2019	9M 2020
Return on equity (ROE)[1)]	9.2%	3.6%	13.1%
Net debt / equity (adjusted)[1)*]	33%	31%	27%
EBITDA margin[1)]	51%	19%	79%

* Excluding discontinuing operations (unbundling transmission system asset ownership) – see Note 18 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 9-Month Period Ending 30 September 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 9-Month Period Ending 30 September 2020* were approved by the Management Board of Latvenergo AS on 24 November 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

24 November 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; equity-to-asset ratio; net debt / EBITDA; net debt / equity; debt service coverage ratio;
- Liquidity measure: current ratio;
- Dividend policy measure: dividend pay-out ratio.

The financial ratios binding on loan agreements are: equity-to-asset ratio, net debt / EBITDA and debt service coverage ratio. Other ratios and financial figures, including net debt / EBITDA are the most commonly used ones in the industry.

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, excluding the Net debt calculation. With the separation of the transmission assets, starting from the results of 6 months of 2020, the LET loans included in the calculation are replaced by loans to AST (for more information, see Operating Environment).

Formulas

Net debt (until 9 June 2020)=
(borrowings at the end of the period – LET borrowings) – (cash and cash equivalents at the end of the period – LET cash)

Net debt (as of 10 June 2020)=
borrowings at the end of the period - loans to AST - cash and cash equivalents at the end of the period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

List of Abbreviations

Abbreviations

bbl –	barrel of oil (158.99 litres)
Daugava HPPs –	Daugava hydropower plants
EBITDA –	earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets
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

Statement of Profit or Loss

EUR'000

	Notes	Group 01/01-30/09/2020	Group 01/01-30/09/2019	Parent Company 01/01-30/09/2020	Parent Company 01/01-30/09/2019
Revenue	4	564,359	621,090	283,002	320,560
Other income		21,382	21,887	56,315	20,127
Raw materials and consumables used	5	(254,739)	(361,654)	(115,121)	(206,774)
Personnel expenses		(82,014)	(76,401)	(35,095)	(34,145)
Other operating expenses		(36,906)	(32,873)	(23,997)	(24,728)
EBITDA		**212,082**	**172,049**	**165,104**	**75,040**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right–of–use assets	7, 8	(79 206)	(119,103)	(107,588)	(59,268)
Operating profit		**92,979**	**64,461**	**105,836**	**24,331**
Finance income	6	1,453	885	9,729	9,735
Finance costs	6	(8,330)	(7,042)	(8,797)	(8,714)
Dividends from subsidiaries		–	–	41,743	54,858
Profit before tax		**86,102**	**58,304**	**148,511**	**80,210**
Income tax		(1,280)	(4,917)	–	–
Profit for the period from continuing operations		**84,822**	**53,387**	**148,511**	**80,210**
Profit for the period from discontinued operations	18	9,843	8,643	–	–
Profit for the period		**94,665**	**62,030**	**148,511**	**80,210**
Profit attributable to:					
– Equity holder of the Parent Company		93,416	60,626	148,511	80,210
– Non-controlling interests		1,249	1,404	–	–

Statement of Comprehensive Income

EUR'000

	Notes	Group 01/01-30/09/2020	Group 01/01-30/09/2019	Parent Company 01/01-30/09/2020	Parent Company 01/01-30/09/2019
Profit for the period		**94,665**	**62,030**	**148,511**	**80,210**
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:					
– gains / (losses) from change in hedge reserve	13	3,940	(14,516)	3,940	(14,516)
Net comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		**3,940**	**(14,516)**	**3,940**	**(14,516)**
Other comprehensive income / (loss) for the period		**3,940**	**(14,516)**	**3,940**	**(14,516)**
TOTAL comprehensive income for the period		**98,605**	**47,514**	**152,451**	**65,694**
Attributable to:					
– Equity holder of the Parent Company		97,356	46,110	152,451	65,694
– Non–controlling interests		1,249	1,404	–	–

Statement of Financial Position

EUR'000

	Notes	Group 30/09/2020	Group 31/12/2019	Parent Company 30/09/2020	Parent Company 31/12/2019
ASSETS					
Non-current assets					
Intangible assets and property, plant and equipment	7	2,789,772	2,775,532	1,109,969	1,135,112
Right-of-use assets	8	7,354	5,522	4,687	3,476
Investment property		281	301	3,142	39,435
Non-current financial investments	10	40	39	645,218	831,350
Non-current loans to related parties	17 e	86,620	–	577,467	588,434
Other non-current receivables	11 b	433	433	421	421
Other financial investments	14 a	2,697	16,885	2,697	16,885
Total non-current assets		**2,887,197**	**2,798,712**	**2,343,601**	**2,615,113**
Current assets					
Inventories	9	88,212	104,927	71,414	89,522
Receivables from contracts with customers	11 a	93,670	111,530	67,911	82,973
Other current receivables	11 b, c	89,513	77,085	12,727	13,328
Deferred expenses		1,741	3,015	1,222	2,082
Current loans to related parties	17 e	–	–	182,717	205,822
Prepayment for income tax		140	140	140	140
Derivative financial instruments	14 c	10,192	6,717	10,192	6,717
Other non-current receivables	14 a	14,151	–	14,151	–
Cash and cash equivalents	12	80,605	122,422	77,730	121,261
Current assets excluding assets held for distribution		**378,224**	**425,836**	**438,204**	**521,845**
Assets held for distribution	18	–	640,393	–	–
Total current assets		**378,224**	**1,066,229**	**438,204**	**521,845**
TOTAL ASSETS		**3,265,421**	**3,864,941**	**2,781,805**	**3,136,958**
EQUITY AND LIABILITIES					
Equity					
Share capital		790,348	834,883	790,348	834,883
Reserves		1,072,245	1,075,235	778,005	778,162
Retained earnings		142,623	318,555	183,636	336,242
Reserves of disposal group classified as held for distribution		–	28,936	–	–
Equity attributable to equity holder of the Parent Company		**2,005,216**	**2,257,609**	**1,751,989**	**1,949,287**
Non-controlling interests		7,308	7,878	–	–
Total equity		**2,012,524**	**2,265,487**	**1,751,989**	**1,949,287**
Liabilities					
Non-current liabilities					
Borrowings	14 b	662,380	702,129	654,604	696,863
Lease liabilities	8	6,180	4,349	3,941	3,126
Deferred income tax liabilities		1,408	8,327	–	–
Provisions		19,471	18,491	8,595	8,489
Derivative financial instruments	14 c	8,128	6,149	8,128	6,149
Deferred income from contracts with customers	16 I, a	140,382	143,330	867	877
Other deferred income	16 I, b, c	176,156	194,033	169,021	186,297
Total non-current liabilities		**1,014,105**	**1,076,808**	**845,156**	**901,801**
Current liabilities					
Borrowings	14 b	89,108	180,542	86,689	176,036
Lease liabilities	8	1,265	1,216	805	376,
Trade and other payables		107,032	115,708	70,720	78,381
Deferred income from contracts with customers	16 II, a	14,120	13,764	65	63
Other deferred income	16 II, b, c	25,506	24,857	24,620	24,031
Derivative financial instruments	14 c	1,761	6,983	1,761	6,983
Current liabilities excluding liabilities held for distribution		**238,792**	**343,070**	**184,660**	**285,870**
Liabilities directly associated with the assets held for distribution		–	179,576	–	–
Total current liabilities		**238,792**	**522,646**	**184,660**	**285,870**
Total liabilities		**1,252,897**	**1,599,454**	**1,029,816**	**1,187,671**
TOTAL EQUITY AND LIABILITIES		**3,265,421**	**3,864,941**	**2,781,805**	**3,136,958**

Statement of Changes in Equity

EUR'000

	Group							Parent Company			
	Attributable to equity holder of the Parent Company							Attributable to equity holder of the Parent Company			
	Share capital	Reserves	Retained earnings	Reserves classified as held for distribution	TOTAL	Non–controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
As of 31 December 2018	**834,791**	**1,125,466**	**351,350**	**–**	**2,311,607**	**8,458**	**2,320,065**	**834,791**	**794,555**	**364,477**	**1,993,823**
Increase of share capital (Note 7 a)	92	–	–	–	**92**	–	**92**	92	–	–	**92**
Dividends for 2018	–	–	(132,936)	–	**(132,936)**	(2,279)	**(135,215)**	–	–	(132,936)	**(132,936)**
Disposal of non–current assets revaluation reserve	–	(5,922)	5,922	–	–	–	–	–	(3,470)	3,470	**–**
Total transactions with owners and other changes in equity	**92**	**(5,922)**	**(127,014)**	**–**	**(132,844)**	**(2,279)**	**(135,123)**	**92**	**(3,470)**	**(129,466)**	**(132,844)**
Profit for the period		–	60,626	–	**60,626**	1,404	**62,030**	–	–	80,210	**80,210**
Other comprehensive loss for the period	–	(14,516)	–	–	**(14,516)**	–	**(14,516)**	–	(14,516)	–	**(14,516)**
Total comprehensive (loss) / income for the period	**–**	**(14 516)**	**60,626**	**–**	**46,110**	**1,404**	**47,514**	**–**	**(14,516)**	**80,210**	**65,694**
As of 30 September 2019	**834,883**	**1,105,028**	**284,962**	**–**	**2,224,873**	**7,583**	**2,232,456**	**834,883**	**776,569**	**315,221**	**1,926,673**
Disposal of non–current assets revaluation reserve	–	(1,559)	1,559	–	**–**	–	**–**	–	(4)	4	**–**
Discontinued operations (Note 18)	–	(28,936)	–	28,936	**–**	–	**–**	–	–	–	**–**
Total transactions with owners and other changes in equity	**–**	**(30,495)**	**1,559**	**28,936**	**–**	**–**	**–**	**–**	**(4)**	**4**	**–**
Profit for the period	–	–	32,034	–	**32,034**	295	**32,329**	–	–	21,017	**21,017**
Other comprehensive income for the period	–	702	–	–	**702**	–	**702**	–	1,597	–	**1,597**
Total comprehensive income for the period	**–**	**702**	**32,034**	**–**	**32,736**	**295**	**33,031**	**–**	**1,597**	**21,017**	**22,614**
As of 31 December 2019	**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**
Decrease of share capital*	(222,678)	–	–	–	**(222,678)**	–	**(222,678)**	(222,678)	–	–	**(222,678)**
Increase of share capital**	178,143	–	(178,143)	–	**–**	–	**–**	178,143	–	(178,143)	**–**
Dividends for 2019	–	–	(127,071)	–	**(127,071)**	(1,819)	**(128,890)**	–	–	(127,071)	**(127,071)**
Disposal of non–current assets revaluation reserve	–	(6,930)	6,930	–	**–**	–	**–**	–	(4,097)	4,097	**–**
Discontinuing operations (Note 18)	–	–	28,936	(28,936)	**–**	**–**	**–**	–	–	–	**–**
Total transactions with owners and other changes in equity	**(44,535)**	**(6,930)**	**(269,348)**	**(28,936)**	**(349,749)**	(1,819)	**(351,568)**	**(44,535)**	**(4,097)**	**(301,117)**	**(349,749)**
Profit for the period	–	–	93,416	–	**93,416**	1,249	**94,665**	–	–	148,511	**148,511**
Other comprehensive income for the period	–	3,940	–	–	**3,940**	–	**3,940**	–	3,940	–	**3,940**
Total comprehensive income for the period	**–**	**3,940**	**93,416**	**–**	**97,356**	**1,249**	**98,605**	**–**	**3,940**	**148,511**	**152,451**
As of 30 September 2020	**790,348**	**1,072,245**	**142,623**	**–**	**2,005,216**	**7,308**	**2,012,524**	**790,348**	**778,005**	**183,636**	**1,751,989**

* On 10 June 2020, transmission system assets were separated from the Latvenergo Group, transferring all the shares of Latvijas elektriskie tīkli AS to the Ministry of Economics and decreasing share capital of Latvenergo AS.

** On 9 July 2020, in accordance with the decision of the Cabinet of Ministers of the Republic of Latvia on unbundling of transmission assets, the shareholders' meeting of Latvenergo AS decided to increase the share capital of Latvenergo AS by investing in Latvenergo AS retained earnings from previous years.

Statement of Cash Flows

EUR'000

	Notes	Group 01/01-30/09/2020	Group 01/01-30/09/2019	Parent Company 01/01-30/09/2020	Parent Company 01/01-30/09/2019
Cash flows from operating activities					
Profit before tax		86,102	58,304	148,511	80,210
Profit before tax from discontinued operation		9,945	10,429	–	–
Profit before tax, total		**96,047**	**68,733**	**148,511**	**80,210**
Adjustments:					
- 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		145,170	146,875	70,597	68,377
- Net financial adjustments		3,738	4,052	(3,999)	(3,133)
- Other adjustments		219	(1,410)	4	(262)
- Dividends from subsidiaries		–	–	(41,743)	(54,858)
- Gain from distribution of assets / non-current financial investment of Parent Company		(5,001)	–	(36,246)	–
Operating profit before working capital adjustments		**240,173**	**218,250**	**137,124**	**90,334**
(Increase) / decrease in current assets		(5,760)	11,767	111,218	14,711
Increase / (decrease) in trade and other liabilities		2,887	19,942	(22,372)	(13,263)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	118,829	185,696
Cash generated from operating activities		**237,300**	**249,959**	**344,799**	**277,478**
Interest paid		(8,935)	(7,419)	(9,455)	(9,058)
Interest received		1,579	944	1,007	944
Paid corporate income tax		(10,744)	(458)	–	10,000
Net cash flows from operating activities		**219,200**	**243,026**	**336,351**	**279,364**
Cash flows from investing activities					
Loans issued to subsidiaries, net	17	–	–	(223,344)	(190,215)
Repayment of loans to related parties	17	138,560	–	138,560	–
Purchase of intangible assets and property, plant and equipment		(140,118)	(177,344)	(47,889)	(47,936)
Dividends received from subsidiaries		–	–	10,533	21,115
Proceeds from redemption of other financial investments		37	37	37	37
Net cash flows generated used in investing activities		**(1,521)**	**(177,307)**	**(122,103)**	**(216,999)**
Cash flows from financing activities					
Repayment of issued debt securities (bonds)	14 b	(35,000)	–	(35,000)	–
Proceeds on borrowings from financial institutions	14 b	4,500	80,416	–	80,000
Repayment of borrowings	14 b	(100,604)	(55,667)	(96,526)	(53,645)
Received financing from European Union		893	252	893	–
Lease payments		(695)	(656)	(75)	(13)
Dividends paid to non–controlling interests		(1,819)	(2,279)	–	–
Dividends paid to equity holder of the Parent Company		(127,071)	(132,936)	(127,071)	(132,936)
Net cash flows used in financing activities		**(259,796)**	**(110,870)**	**(257,779)**	**(106,594)**
Net decrease in cash and cash equivalents		**(42,117)**	**(45,151)**	**(43,531)**	**(44,229)**
Cash and cash equivalents at the beginning of the period	12	122,722	129,455	121,261	127,554
Cash and cash equivalents at the end of the period		**80,605**	**84,304**	**77,730**	**83,325**

Notes to the 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;
- Enerģijas publiskais tirgotājs AS (since 25 February 2014) with 100% interest held;
- Liepājas enerģija SIA (since 6 July 2005) with 51% interest held.

From 10 February 2011 till 10 June 2020 the Group included Latvijas elektriskie tīkli AS with 100% interest held in the company.

Latvenergo AS and its subsidiaries Sadales tīkls 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. At the end of October and in November occurred several changes in the Management Board of Latvenergo AS: On 30 October 2020, Āris Žīgurs, the Chairman of the Management Board, terminated the work of Latvenergo AS and starting from 31 October 2020, Guntars Baļčūns is appointed as Chairman of the Management Board.

On 11 November 2020, Uldis Bariss, Member of the Management Board terminated the work of Latvenergo AS. On 6 November 2020, Arnis Kurgs was elected as Member of the Management Board. Since 11 November 2020 the Management Board of Latvenergo AS was comprised of the following members: Guntars Baļčūns (Chairman of the Board), Kaspars Cikmačs and Arnis Kurgs.

Since 9 October 2019 until 10 June 2020 the Supervisory Board of Latvenergo AS was comprised of the following members: Edmunds Valantis (Chairman), Edijs Šaicāns (Deputy Chairman) and Irēna Bērziņa. Since 11 June 2020 the Supervisory Board of Latvenergo AS was comprised of the following members: Ivars Golsts (Chairman), Kaspars Rokens (Deputy Chairman), Toms Siliņš, Aigars Laizāns and Gundars Ruža.

The Supervisory body – Audit Committee:
Since 9 October 2019 Audit Committee was comprised of the following members: Torbens Pedersens *(Torben Pedersen),* Svens Dinsdorfs, Marita Salgrāve;
Since 11 June 2020 Audit Committee was comprised of the following members: Torbens Pedersens *(Torben Pedersen),* Svens Dinsdorfs, Marita Salgrāve, Toms Siliņš and Gundars Ruža;
Since 20 November 2020 Audit Committee was comprised of the following members: Torbens Pedersens *(Torben Pedersen)*, Svens Dinsdorfs, Toms Siliņš and Gundars Ruža.

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": http://www.latvenergo.lv/eng/investors/reports/).

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 9–month period ending on 30 September 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 30 September 2020 and comparative information for the period of 2019 starting on 1 January 2019 and ending on 30 September 2019.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 9–month period ending on 30 September 2020 were authorised by the Latvenergo AS Management Board on 24 November 2020.

2. Significant accounting policies

These Latvenergo Consolidated and Latvenergo AS Condensed Interim Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union (IFRS) and principal accounting policies applied to these financial statements were identical to those used in the Latvenergo Group Consolidated and Latvenergo AS Financial Statements of 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.

Since 10 June 2020 the Group divides its operations into two main operating segments – generation and trade, and distribution. 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 (till 10 June 2020)*** assets operating segment was 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. In the financial statements this operating segment is classified as discontinued operation (Note 18).

The following table presents revenue, financial results and profit information and segment assets and liabilities of the Group's and the Parent Company's operating segments. Inter–segment revenue is eliminated on consolidation and reflected in the 'adjustments and eliminations' column. All transactions between segments are made based on the regulated tariffs, where applicable, or on an arm's length principle.

EUR'000

	Group							Parent Company				
	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: 01/01–30/09/2020												
Revenue												
External customers	341,394	217,649	15,967	5,316	**580,326**	–	**580,326**	259,471	23,531	**283,002**	–	**283,002**
Inter–segment	770	1,001	1,594	35,124	**38,489**	(38,489)	**–**	382	18,801	**19,183**	(19,183)	**–**
TOTAL revenue	**342,164**	**218,650**	**17,561**	**40,440**	**618,815**	**(38,489)**	**580,326**	**259,853**	**42,332**	**302,185**	**(19,183)**	**283,002**
Results												
EBITDA	**126,959**	**74,674**	**16,554**	**10,449**	**228,636**	**–**	**228,636**	**118,486**	**46,618**	**165,104**	**–**	**165,104**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right–of–use assets	(52,973)	(57,465)	(11,602)	(8,665)	**(130,705)**	–	**(130,705)**	(50,488)	(8,780)	**(59,268)**	–	**(59,268)**
Segment profit before tax	**73,986**	**17,209**	**4,952**	**1,784**	**97,931**	**(6,885)**	**91,046**	**67,998**	**37,838**	**105,836**	**42,675**	**148,511**
Capital expenditure	31,238	62,046	28,879	8,298	**130,461**	(75)	**130,386**	30,264	8,299	**38,563**	–	**38,563**
Period: 01/01–30/09/2019												
Revenue												
External customers	380,032	235,882	28,564	5,176	**649,654**	–	**649,654**	289,013	31,547	**320,560**	–	**320,560**
Inter–segment	1,034	1,184	2,526	35,611	**40,355**	(40,355)	**–**	582	18,085	**18,667**	(18,667)	**–**
TOTAL revenue	**381,066**	**237,066**	**31,090**	**40,787**	**690,009**	**(40,355)**	**649,654**	**289,595**	**49,632**	**339,227**	**(18,667)**	**320,560**
Results												
EBITDA	**67,857**	**92,582**	**28,969**	**11,610**	**201,018**	**–**	**201,018**	**59,293**	**15,747**	**75,040**	**–**	**75,040**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right–of–use assets	(42,375)	(56,614)	(18,525)	(8,599)	**(126,113)**	–	**(126,113)**	(39,923)	(10,786)	**(50,709)**	–	**(50,709)**
Segment profit before tax	**25,482**	**35,968**	**10,444**	**3,011**	**74,905**	**(6,172)**	**68,733**	**19,370**	**4,961**	**24,331**	**55,879**	**80,210**
Capital expenditure	20,194	69,560	61,083	8,611	**159,448**	(524)	**158,924**	19,295	9,865	**29,160**	–	**29,160**

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation (Note 18)

Segment assets

EUR'000

	Group							Parent Company				
	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 30 September 2020	1,294,894	1,680,198	–	95,884	**3,070,976**	194,445	**3,265,421**	1,159,760	111,733	**1,271,493**	1,510,312	**2,781,805**
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 18)

Adjustments and eliminations

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

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

Reconciliation of profit before tax

EUR'000

	Group		Parent Company	
	01/01-30/09/2020	01/01-30/09/2019	01/01-30/09/2020	01/01-30/09/2019
EBITDA	**228,636**	**201,018**	**165,104**	**75,040**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right–of–use assets	(130 705)	(126,113)	(59,268)	(50,709)
Segment profit before tax	**97,931**	**74,905**	**105,836**	**24,331**
Finance income	1,453	885	9,729	9,735
Finance costs	(8,338)	(7,057)	(8,797)	(8,714)
Dividends received from subsidiaries	–	–	41,743	54,858
Profit before tax	**91,046**	**68,733**	**148,511**	**80,210**

Reconciliation of assets

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Segment operating assets	**3,070,976**	**3,758,476**	**1,271,493**	**1,366,349**
Connection usage rights	–	(39,739)	–	–
Non–current financial investments	40	39	645,218	831,350
Loans to related parties	86,620	–	760,184	794,256
Other financial investments	16,848	16,885	16,848	16,885
Derivative financial instruments	10,192	6,717	10,192	6,717
Prepayment for income and other taxes	140	141	140	140
Cash and cash equivalents	80,605	122,422	77,730	121,261
TOTAL assets	**3,265,421**	**3,864,941**	**2,781,805**	**3,136,958**

4. Revenue

EUR'000

	IFRS or IAS applied	Group		Parent Company	
		01/01-30/09/2020	01/01-30/09/2019	01/01-30/09/2020	01/01-30/09/2019
Revenue from contracts with customers recognised over time					
Trade of electric energy and related supply services	15. SFPS	295,104	323,824	222,030	240,777
Trade of natural gas and related supply services	15. SFPS	7,793	6,104	6,985	5,903
Distribution system services	15. SFPS	203,209	221,902	–	–
Heat sales	15. SFPS	35,523	48,173	28,535	40,680
Other revenue	15. SFPS	21,345	19,767	22,414	25,759
Total revenue from contracts with customers		**562,974**	**619,770**	**279,964**	**313,119**
Other revenue					
Lease of other assets	16. SFPS	1,385	1,320	3,038	7,441
Total other revenue		**1,385**	**1,320**	**3,038**	**7,441**
TOTAL revenue		**564,359**	**621,090**	**283,002**	**320,560**

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

EUR'000

	Group		Parent Company	
	01/01-30/09/2020	01/01-30/09/2019	01/01-30/09/2020	01/01-30/09/2019
Mandatory procurement PSO fees	67,618	65,061	65,340	67,554
Distribution system services	8,801	7,927	136,293	147,111
Transmission system services	1,178	1,154	1,208	1,192
TOTAL revenue recognised applying agent accounting principle	**77,597**	**74,142**	**202,841**	**215,857**

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

5. Raw materials and consumables used

EUR'000

	Group		Parent Company	
	01/01-30/09/2020	01/01-30/09/2019	01/01-30/09/2020	01/01-30/09/2019
Electricity				
Purchased electricity	100,549	127,778	29,751	43,491
Gains on fair value changes on electricity forwards and futures (Note 14 c, II)	(2,399)	(971)	(2,399)	(971)
Electricity transmission services costs	52,852	53,426	708	777
	151,002	**180,233**	**28,060**	**43,297**
Natural gas and other energy resources costs	81,548	159,430	77,244	154,454
Gains on fair value changes on natural gas forwards (Note 14 c, III)	(379)	–	(379)	–
Raw materials, spare parts and maintenance costs	22,568	23,131	10,196	10,163
TOTAL raw materials and consumables used	**254,739**	**361,654**	**115,121**	**206,774**

6. Finance income and costs

EUR'000

	Group		Parent Company	
	01/01-30/09/2020	01/01-30/09/2019	01/01-30/09/2020	01/01-30/09/2019
Finance income:				
Interest income	1,391	812	819	812
Interest income on loans to subsidiaries	–	–	8,848	8,850
Net gain on issued debt securities (bonds)	62	33	62	33
Net gain on currency exchange rate fluctuations	–	40	–	40
TOTAL finance income	**1,453**	**885**	**9,729**	**9,735**
Finance costs:				
Interest expense on borrowings	(6,430)	(5,029)	(6,972)	(6,735)
Interest expense on issued debt securities (bonds)	(1,787)	(2,144)	(1,787)	(2,144)
Interest expense on assets lease	(96)	(70)	(51)	(43)
Capitalised borrowing costs	353	321	353	321
Net losses on redemption of other financial investments	(37)	(37)	(37)	(37)
Net losses on currency exchange rate fluctuations	(59)	–	(59)	–
Other finance costs	(274)	(83)	(244)	(76)
TOTAL finance costs	**(8,330)**	**(7,042)**	**(8,797)**	**(8,714)**

7. Intangible assets and property, plant and equipment

a) Intangible assets

EUR'000

	Group			Parent Company		
	01/01-30/09/2020	01/01-30/09/2019	2019	01/01-30/09/2020	01/01-30/09/2019	2019
Net book amount at the beginning of the period	**22,587**	**19,079**	**19,079**	**26,111**	**22,813**	**22,813**
Additions	11,284	20,853	27,955	10,802	20,813	27,840
Disposals	(11,151)	(16,902)	(21,319)	(11,339)	(17,236)	(21,764)
Amortisation charge	(3,134)	(2,489)	(3,128)	(2,124)	(2,216)	(2,778)
Usage rights after distribution of discontinued operation	38,322	–	–	–	–	–
Closing net book amount at the end of the period	**57,908**	**20,541**	**22,587**	**23,450**	**24,174**	**26,111**

b) Property, plant and equipment

EUR'000

	Group			Parent Company		
	01/01-30/09/2020	01/01-30/09/2019	2019	01/01-30/09/2020	01/01-30/09/2019	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	126,772	157,555	226,986	35,432	27,839	45,941
Invested in share capital	–	92	92	–	92	92
Reclassified (to) / from investment properties	(13)	(135)	(135)	2,868	(917)	(1,939)
Reclassified to non-current assets held for sale	(11)	–	(146)	(11)	–	–
Disposals	(4,333)	(4,155)	(6,241)	(4,370)	(652)	(6,976)
Reversed impairment charge	212	16,046	19,770	386	15,957	19,763
Depreciation	(126,446)	(138,730)	(183,299)	(56,787)	(62,348)	(81,766)
Assets attributable to the discontinuing operation	(17,262)	–	(601,175)	–	–	–
Closing net book amount at the end of the period	**2,731,864**	**3,327,766**	**2,752,945**	**1,086,519**	**1,113,857**	**1,109,001**

8. Leases

EUR'000

	Group			Parent Company		
	01/01-30/09/2020	01/01-30/09/2019	2019	01/01-30/09/2020	01/01-30/09/2019	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	2,882	(352)	(230)	1,753	3	3
Amortisation	(1,050)	(940)	(1,224)	(542)	(298)	(397)
Excluded right–of–use assets of discontinued operation	–	–	(1,099)	–	–	–
Closing net book amount at the end of the period	**7,354**	**6,783**	**5,522**	**4,687**	**3,575**	**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	2,882	(352)	(222)	1,754	3	3
Decrease of lease liabilities	(1,098)	(986)	(1,277)	(561)	(321)	(428)
Recognised interest liabilities (Note 6)	96	84	96	51	43	57
Excluded lease liabilities of discontinued operation	–	–	(1,107)	–	–	–
Closing net book amount at the end of the period	**7,445**	**6,821**	**5,565**	**4,746**	**3,595**	**3,502**
of which are:						
current lease liabilities	*6,180*	*5,601*	*4,349*	*3,941*	*3,220*	*3,126*
non–current lease liabilities	*1,265*	*1,220*	*1,216*	*805*	*375*	*376*

9. Inventories

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Raw materials and materials	16,002	15,114	828	762
Goods for sale	2,559	1,874	691	421
Other inventories	8,177	8,156	8,065	8,065
Allowance for impaired inventories	(1,319)	(1,287)	(641)	(674)
Natural gas	62,460	80,907	62,460	80,907
Prepayments for inventories	333	163	11	41
TOTAL inventories	**88,212**	**104,927**	**71,414**	**89,522**

Movement on the allowance for inventories:

EUR'000

	Group			Parent Company		
	01/01-30/09/2020	01/01-30/09/2019	2019	01/01-30/09/2020	01/01-30/09/2019	2019
At the beginning of the period	**1,287**	**1,137**	**1,137**	**674**	**736**	**736**
Charged to the Statement of Profit or Loss	32	193	150	(33)	18	(62)
At the end of the period	**1,319**	**1,330**	**1,287**	**641**	**754**	**674**

10. Non–current financial investments

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

Name of the company	Country of incorporation	Business activity held	30/09/2020 Interest held, %	30/09/2020 EUR'000	31/12/2019 Interest held, %	31/12/2019 EUR'000
Investments in subsidiaries						
Latvijas elektriskie tīkli AS	Latvia	Lease of transmission system assets	–	–	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				**645,179**		**831 611**
Other non–current financial investments						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	46.30%	36	46.30%	36
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				**39**		**39**

The Group's non–current financial investments

Name of the company	Country of incorporation	Business activity held	30/09/2020 Interest held, %	30/09/2020 EUR'000	31/12/2019 Interest held, %	31/12/2019 EUR'000
Other non–current financial investments (Group)						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15%	37	48.15%	36
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				**40**		**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 the Pension Fund is a non-profit company, and all risks and benefits arising from associate's activities and investments in the pension plan are taken and accrued by the members of the Pension Fund pension plan. On 26 May 2020 Latvijas elektriskie tīkli AS sold 1/6 of presumed capital shares of Pirmais Slēgtais Pensiju Fonds AS to Sadales tīkls AS and Enerģijas publiskais tirgotājs AS., the purchase agreement entered into force as of 15 October 2020.

In 2020, the Parent Company invested in the share capital of Sadales tīkls AS in the amount of EUR 300 thousand, by investing the Parent Company's real estate and property, plant and equipment related to distribution system in the amount of EUR 35,300 thousand and its related liabilities (borrowings) in the amount of EUR 35,000 thousand.

11. Receivables from contracts with customers and other receivables

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

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Individually assessed receivables with lifetime ECL assessment (counterparty model)	6,198	5,105	9,439	9,068
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	87,472	106,425	58,472	73,905
TOTAL receivables from contracts with customers	**93,670**	**111,530**	**67,911**	**82,973**

a) Receivables from contracts with customers, net

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	127,507	138,926	98,377	107,721
– Heating customers (portfolio model)	1,699	9,210	1,409	7,127
– Other receivables from contracts with customers (portfolio model)	4,602	5,019	1,361	2,571
– Other receivables from contracts with customers (counterparty model)	6,207	5,112	4,402	2,452
– Subsidiaries (counterparty model) (Note 17 b)	–	–	5,047	6,623
	140,015	**158,267**	**110,596**	**126,494**
Provisions for impaired receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(43,459)	(44,108)	(42,367)	(43,187)
– Heating customers (portfolio model)	(313)	(325)	(302)	(315)
– Other receivables from contracts with customers (portfolio model)	(2,564)	(2,297)	(6)	(12)
– Other receivables from contracts with customers (counterparty model)	(9)	(7)	(7)	(3)
– Subsidiaries (counterparty model) (Note 17 b)	–	–	(3)	(4)
	(46,345)	**(46,737)**	**(42,685)**	**(43,521)**
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	84,048	94,818	56,010	64,534
– Heating customers (portfolio model)	1,386	8,885	1,107	6,812
– Other receivables from contracts with customers (portfolio model)	2,038	2,722	1,355	2,559
– Other receivables from contracts with customers (counterparty model)	6,198	5,105	4,395	2,449
– Subsidiaries (counterparty model) (Note 17 b)	–	–	5,044	6,619
	93,670	**111,530**	**67,911**	**82,973**

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group			Parent Company		
	01/01-30/09/2020	01/01-30/09/2019	2019	01/01-30/09/2020	01/01-30/09/2019	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	(1,526)	(1,362)	(1,935)	(1,296)	(1,240)	(1,422)
Allowance for impaired receivables	1,134	1,574	869	460	1,064	606
At the end of the period	**46,345**	**48,015**	**46,737**	**42,685**	**44,161**	**43,521**

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Current financial receivables:				
Unsettled revenue on mandatory procurement PSO fee recognised as assets*	84,844	74,938	–	–
Receivables for lease	129	76	67	71
Receivables for lease from subsidiaries (Note 17 b)	–	–	74	615
Other financial receivables from subsidiaries (Note 17 b)	–	–	6,226	9,640
Other accrued income from subsidiaries (Note 17 c)	–	–	2,028	1,864
Other accrued income	743	872	743	872
Other current financial receivables	5,633	3,113	4,737	1,534
Loss allowances for expected credit loss on subsidiaries receivables (Note 17 b)	–	–	(5)	(7)
Loss allowances for expected credit loss	(2,164)	(2,108)	(1,329)	(1,368)
TOTAL other current financial receivables	**89,185**	**76,891**	**12,541**	**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

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Non-current non–financial receivables	433	433	421	421
Current non-financial receivables	328	194	186	107
TOTAL non–financial receivables	**761**	**627**	**607**	**528**

12. Cash and cash equivalents

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Cash at bank	76,145	85,665	73,270	84,504
Short–term bank deposits	–	30,000	–	30,000
Restricted cash and cash equivalents*	4,460	6,757	4,460	6,757
Cash and cash equivalents	**80,605**	**122,422**	**77,730**	**121,261**
Cash attributable to discontinued operation	–	300	–	–
TOTAL cash and cash equivalents	**80,605**	**122,722**	**77,730**	**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

	Group							Parent Company			
	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	(5,922)	–	–	–	**(5,922)**	–	**(5,922)**	(3,470)	–	–	**(3,470)**
Losses from fair value changes of derivative financial instruments	–	(14,516)	–	–	**(14,516)**	–	**(14,516)**	–	(14,516)	–	**(14,516)**
As of 30 September 2019	**1,114,247**	**(8,972)**	**(357)**	**110**	**1,105,028**	**–**	**1,105,028**	**785,874**	**(8,972)**	**(333)**	**776,569**
Non–current assets revaluation reserve related to discontinued operation	(29,171)	–	–	–	**(29,171)**	29,171	**–**	–	–	–	**–**
Post–employment benefit plan revaluation reserve related to discontinued operation	–	–	(18)	–	**(18)**	18	**–**	–	–	–	**–**
Disposal of non–current assets revaluation reserve	(1,304)	–	–	–	**(1,304)**	(255)	**(1,559)**	(4)	–	–	**(4)**
(Losses) / gains on re–measurement of defined post–employment benefit plan	–	–	(2 045)	–	**(2,045)**	2	**(2,043)**	–	–	(1,148)	**(1,148)**
Gains from fair value changes of derivative financial instruments	–	2,745	–	–	**2,745**	–	**2,745**	–	2,745	–	**2,745**
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**
Non–current assets revaluation reserve related to discontinued operation	–	–	–	–	**–**	(28,683)	**(28,683)**	–	–	–	**–**
Post–employment benefit plan revaluation reserve related to discontinued operation	–	–	–	–	**–**	(21)	**(21)**	–	–	–	**–**
Disposal of non–current assets revaluation reserve	(6,930)	–	–	–	**(6,930)**	(232)	**(7,162)**	(4,097)	–	–	**(4,097)**
Gains from fair value changes of derivative financial instruments	–	3,940	–	–	**3,940**	–	**3,940**	–	3,940	–	**3,940**
As of 30 September 2020	**1,076,842**	**(2,287)**	**(2,420)**	**110**	**1,072,245**	**–**	**1,072,245**	**781,773**	**(2,287)**	**(1,481)**	**778,005**

14. Financial assets and liabilities

a) Other financial investments

As of 30 June 2020 the entire Group's and the Parent Company's other financial investments were Latvian State Treasury bonds with 5–year and 10–year maturity, which were purchased with the purpose to invest liquidity reserve in the low risk financial instruments with higher yield.

All 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 cost) amount of other financial investments:

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Financial investments in Latvian State Treasury bonds – non–current	2,697	16,885	2,697	16,885
Financial investments in Latvian State Treasury bonds – current	14,151	–	14,151	–
TOTAL other financial investments	**16,848**	**16,885**	**16,848**	**16,885**

b) Borrowings

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Non–current borrowings from financial institutions	562,170	601,826	554,394	596,560
Issued debt securities (bonds)	100,210	100,303	100,210	100,303
Total non-current borrowings	**662,380**	**702,129**	**654,604**	**696,863**
Current portion of non–current borrowings from financial institutions	86,728	142,885	84,330	138,691
Issued debt securities (bonds)	–	34,969	–	34,969
Current borrowings	–	291	–	–
Accrued interest on non–current borrowings	1,789	713	1,768	692
Accrued coupon interest on issued debt securities (bonds)	591	1,684	591	1,684
Total current borrowings	**89,108**	**180,542**	**86,689**	**176,036**
TOTAL borrowings	**751,488**	**882,671**	**741,293**	**872,899**

Movement in borrowings

EUR'000

	Group			Parent Company		
	01/01-30/09/2020	01/01-30/09/2019	2019	01/01-30/09/2020	01/01-30/09/2019	2019
At the beginning of the period	**882,671**	**814,343**	**814,343**	**872,899**	**802,268**	**802,268**
Borrowings received	4,500	80,416	180,291	–	93,814	180,000
Borrowings repaid	(100,604)	(55,667)	(112,102)	(96,526)	(53,645)	(109,513)
Change in accrued interest on borrowings	(17)	641	183	(18)	635	188
Changes in outstanding value of issued debt securities (bonds)	(35,062)	(33)	(44)	(35,062)	(33)	(44)
At the end of the period	**751,488**	**839,700**	**882,671**	**741,293**	**843,039**	**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.

Fair value changes of interest rate swaps: EUR'000

	Group						Parent Company					
	01/01-30/09/2020		01/01-30/09/2019		2019		01/01-30/09/2020		01/01-30/09/2019		2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	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)	–	(673)	–	(5,700)	–	(1,841)	–	(673)	–	(5,700)	–	(1,841)
Outstanding fair value at the end of the period	**–**	**(9,889)**	**–**	**(13,075)**	**–**	**(9,216)**	**–**	**(9,889)**	**–**	**(13,075)**	**–**	**(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: EUR'000

	Group						Parent Company					
	01/01-30/09/2020		01/01-30/09/2019		2019		01/01-30/09/2020		01/01-30/09/2019		2019	
	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)	179	2,220	971	–	(105)	(2,221)	**179**	2,220	971	–	(105)	(2,221)
Included in Statement of Comprehensive Income (Note 13)	247	1,696	(13,683)	–	(15,748)	(1,695)	**247**	1,696	(13,683)	–	(15,748)	(1,695)
Outstanding fair value at the end of the period	**426**	**–**	**3,141**	**–**	**–**	**(3,916)**	**426**	**–**	**3,141**	**–**	**–**	**(3,916)**

III) Natural gas forwards

Fair value changes of natural gas forward contracts: EUR'000

	Group						Parent Company					
	01/01-30/09/2020		01/01-30/09/2019		2019		01/01-30/09/2020		01/01-30/09/2019		2019	
	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)	379	–	1,140	–	2,033	–	379	–	1,140	–	2,033	–
Included in Statement of Comprehensive Income (Note 13)	2,670	–	2,039	2,829	4,684	2,829	2,670	–	2,039	2,829	4,684	2,829
Outstanding fair value at the end of the period	**9,766**	**–**	**3,179**	**–**	**6,717**	**–**	**9,766**	**–**	**3,179**	**–**	**6,717**	**–**

15. Fair values and fair value measurement

In this Note are disclosed the fair value measurement hierarchy for the Group's and the Parent Company's financial and non–financial assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy for assets at the end of the year

EUR'000

Type of assets	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 30 September 2020								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,292,801	**2,292,801**	–	–	783,960	**783,960**
Non-current financial investments (Note 10)	–	–	40	**40**	–	–	39	**39**
Derivative financial instruments, including:								
– Electricity forwards and futures (Note 14 c)	–	*426*	–	***426***	–	*426*	–	***426***
– Natural gas forwards (Note 14 c)	–	*9,766*	–	***9,766***	–	*9,766*	–	***9,766***
Assets for which fair values are disclosed								
Investment properties	–	–	281	**281**	–	–	3,142	**3,142**
Other financial investments (Note 14 a)	–	16,848	–	**16,848**	–	16,848	–	**16,848**
Floating rate loans to related parties (Note 17 c)	–	–	–	**–**	–	139,592	–	**139,592**
Fixed rate loans to related parties (Note 17 c)	–	86,620	–	**86,620**	–	620,592	–	**620,592**
Non-current non-financial receivables (Note 11 c)	–	–	433	**433**	–	–	421	**421**
Current financial receivables (Note 11 a, b)	–	–	182,855	**182,855**	–	–	80,452	**80,452**
Cash and cash equivalents (Note 12)	–	80,605	–	**80,605**	–	77,730	–	**77,730**
As of 31 December 2019								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,807,065	**2,807,065**	–	–	782,977	**782,977**
Non-current financial investments (Note 10)	–	–	39	**39**	–	–	39	**39**
Derivative financial instruments, including:								
– Natural gas forwards (Note 14 c)	–	*6,717*	–	***6,717***	–	*6,717*	–	***6,717***
Assets for which fair values are disclosed								
Investment properties	–	–	301	**301**	–	–	39,435	**39,435**
Other financial investments (Note 14 a)	–	16,885	–	**16,885**	–	16,885	–	**16,885**
Floating rate loans to related parties (Note 17 c)	–	–	–	**–**	–	151,289	–	**151,289**
Fixed rate loans to related parties (Note 17 c)	–	–	–	**–**	–	642,967	–	**642,967**
Non-current non-financial receivables (Note 11 c)	–	–	433	**433**	–	–	421	**421**
Current financial receivables (Note 11 a, b)	–	–	188,421	**188,421**	–	–	96,194	**96,194**
Cash and cash equivalents (Note 12)	–	122,422	–	**122,422**	–	121,261	–	**121,261**

There have been no transfers for assets between Level 1, Level 2 and Level 3 during the reporting period.

Quantitative disclosures of fair value measurement hierarchy for liabilities at the end of the year

EUR'000

Type of liability	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 30 September 2020								
Liabilities measured at fair value								
Derivative financial instruments, including:								
– Interest rate swaps (Note 14 c)	–	*9,889*	–	***9,889***	–	*9,889*	–	***9,889***
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14 b)	–	100,801	–	**100,801**	–	100,801	–	**100,801**
Borrowings (Note 14 c)	–	650,687	–	**650,687**	–	640,492	–	**640,492**
Trade and other financial current payables	–	–	85,038	**85,038**	–	–	61,938	**61,938**
As of 31 December 2019								
Liabilities measured at fair value								
Derivative financial instruments, including:								
– Interest rate swaps (Note 14 c)	–	*9,216*	–	***9,216***	–	*9,216*	–	***9,216***
– Electricity forwards and futures (Note 14 c)	–	*3,916*	–	***3,916***	–	*3,916*	–	***3,916***
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14 b)	–	136,956	–	**136,956**	–	136,956	–	**136,956**
Borrowings (Note 14 c)	–	745,715	–	**745,715**	–	735,943	–	**735,943**
Trade and other financial current payables	–	–	91,410	**91,410**	–	–	68,249	**68,249**

There have been no transfers for liabilities between Level 1, Level 2 and Level 3 during the reporting period.
The fair value hierarchy for the Group's and the Parent Company's financial instruments that are measured at fair value, by using specific valuation methods, is disclosed above.

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's and the Parent Company's financial instruments, other than those with carrying amounts which approximates their fair values:

EUR'000

	Group				Parent Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Financial assets								
Fixed rate loans to related parties	86,672	–	90,126	–	621,029	642,967	656,812	673,987
Other financial investments	16,848	16,885	18,155	18,916	16,848	16,885	18,155	18,916
Financial liabilities								
Interest–bearing liabilities, including:								
– issued debt securities (bonds)	100,801	136,956	103,116	140,471	100,801	136,956	103,116	140,471

Management assessed that cash and short–term deposits, receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short–term maturities of these instruments.

16. Deferred income

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
I) Non–current deferred income				
a) contracts with customers				
From connection fees	139,515	142,453	–	–
Other deferred income	867	877	867	877
	140,382	**143,330**	**867**	**877**
b) operating lease				
Other deferred income	366	383	366	383
	366	**383**	**366**	**383**
c) other				
On grant for the installed electrical capacity of CHPPs	167,437	185,429	167,437	185,429
On financing from European Union funds	8,194	7,889	1,142	256
Other deferred income	159	332	76	229
	175,790	**193,650**	**168,655**	**185,914**
Total non–current deferred income	**316,538**	**337,363**	**169,888**	**187,174**
II) Current deferred income				
a) contracts with customers				
From connection fees	14,021	13,629	–	–
Other deferred income	99	135	65	63
	14,120	**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	785	787	10	12
Other deferred income	711	60	600	9
	25,486	**24,837**	**24,600**	**24,011**
TOTAL current deferred income	**39,626**	**38,621**	**24,685**	**24,094**
TOTAL deferred income	**356,164**	**375,984**	**194,573**	**211,268**

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

EUR'000

	Group			Parent Company		
	01/01-30/09/2020	01/01-30/09/2019	2019	01/01-30/09/2020	01/01-30/09/2019	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)	1,224	26,834	46,337	1,224	234	259
Received advance payments for contracts with customers	40	–	940	40	–	940
Received connection fees for connection to distribution system	7,838	8,507	12,902	–	–	–
Received connection fees for connection to transmission system	–	2,316	1,795	–	–	–
Compensation for the installed electrical capacity of CHPPs credited to	(17,992)	(17,992)	(23,990)	(17,992)	(17,992)	(23,990)
Transferred to deferred income of discontinued operation	–	–	(132,507)	–	–	–
Credited to the Statement of Profit or Loss	(10,930)	(12,678)	(16,215)	33	(175)	(68)
At the end of the period	**356,164**	**493,709**	**375,984**	**194,573**	**216,194**	**211,268**

17. 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 and since 10 June 2020 also Latvijas elektriskie tīkli AS that until that date was within Latvenergo Group and transactions with this company was disclosed as transactions with subsidiaries in the financial statements.

a) Income and expenses from transactions with related parties

EUR'000

	Group		Parent Company	
	01/01-30/09/2020	01/01-30/09/2019	01/01-30/09/2020	01/01-30/09/2019
Income:				
– subsidiaries	–	–	55,288	55 642
– government related entities	23,237	37,381	7,090	8 505
	23 237	**37,381**	**59,747**	**62,378**
Expenses:				
– subsidiaries	–	–	198,484	229 422
– government related entities	58,648	58,617	4,981	5 437
	58 648	**58,617**	**202,042**	**203,465**
including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:				
– Sadales tīkls AS	–	–	*196,818*	*210 747*
	–	***–***	***196,818***	***210,747***

b) Balances at the end of the period arising from sales / purchases of goods and services

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	10,802	15,277
– government related and other related parties	3,957	39,924	2,631	1,213
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(8)	(11)
– loss allowances for expected credit loss from receivables of government related and other related parties	(7)	(54)	(5)	(2)
	3,950	**39,870**	**13,420**	**16,447**
Payables to related parties:				
– subsidiaries	–	–	22,406	26,182
– government related and other related parties	6,785	10,753	613	722
	6,785	**10,753**	**23,019**	**26,904**

c) Accrued income raised from transactions with related parties:

EUR'000

	Group		Parent Company	
	30/09/2020	**31/12/2019**	**30/09/2020**	**31/12/2019**
– for goods sold/services provided for subsidiaries (Note 11 a, b)	–	–	702	1,842
– for interest received from related parties	–	–	1,874	1,622
	–	**–**	**2,576**	**3,464**

d) Accrued expenses raised from transactions with related parties:

EUR'000

	Group		Parent Company	
	30/09/2020	**31/12/2019**	**30/09/2020**	**31/12/2019**
– for purchased goods/received services from subsidiaries	–	–	649	1,335
– for purchased goods/received services from government related entities	648	1 460	648	–
	648	**1 460**	**1,297**	**1,335**

In the 9–month period ending on 30 September 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 2,030.2 thousand (01/01 – 30/09/2019: EUR 2,102.0 thousand).

In the 9–month period ending on 30 September 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 791.0 thousand (01/01 – 30/09/2019: EUR 746.8 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)

Along with the distribution of transmission system assets on 10 June 2020, all Latvijas elektriskie tīkli AS liabilities were transferred to Augstsprieguma tīkls AS, including the Latvenergo AS loan to Latvijas elektriskie tīkli AS in amount of EUR 225,232 thousand, of which EUR 138,560 thousand were repaid on 19 June 2020.

Non–current and current loans to related parties:

EUR'000

	Group		Parent Company	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
Non–current loans to subsidiaries				
Sadales tīkls AS	–	–	491,201	427,351
Latvijas elektriskie tīkli AS	–	–	–	161,460
Impairment for expected credit loss	–	–	(354)	(377)
Non-current loans to other related parties				
Latvijas elektriskie tīkli AS	86,672	–	86,672	–
Impairment for expected credit loss	(52)	–	(52)	–
TOTAL non–current loans	**86,620**	**–**	**577,467**	**588,434**
Current portion of non–current loans				
Sadales tīkls AS	–	–	76,965	75,377
Latvijas elektriskie tīkli AS	–	–	–	27,259
Impairment for expected credit loss	–	–	(56)	(66)
Current loans to subsidiaries				
Latvijas elektriskie tīkli AS*	–	–	–	7,228
Sadales tīkls AS	–	–	10,000	15,182
Elektrum Eesti, OÜ	–	–	6,976	7,052
Elektrum Lietuva, UAB	–	–	8,145	3,967
Enerģijas publiskais tirgotājs AS	–	–	80,763	69,889
Impairment for expected credit loss	–	–	(76)	(66)
TOTAL current loans	**–**	**–**	**182,717**	**205,822**
TOTAL loans to subsidiaries	**86,620**	**–**	**760,184**	**794,256**

Movement in loans:

EUR'000

	Parent Company		
	01/01-30/09/2020	01/01-30/09/2019	2019
At the beginning of the period	**794,256**	**765,815**	**765,815**
Change in current loans in cash (net)	223,344	190,215	272,103
Change in current loans by non–cash offsetting of operating receivables and payables (net)	(63,225)	(177,457)	(219,388)
Repayment of loan in cash	(138,560)	–	–
Issued non-current loans by non–cash offset for dividends	–	33,743	33,743
Reduction of non–current loans by non–cash offsetting of operating receivables and payables	(55,602)	(41,982)	(58,029)
Impairment for expected credit loss	(29)	28	12
At the end of the period	**760,184**	**770,362**	**794,256**

18. Discontinued operations

Statement of Profit or Loss:

EUR'000

	Group	
	01/01-30/09/2020	01/01-30/09/2019
Revenue	15,967	28,564
Other income	1,104	1,133
Raw materials and consumables used	(1)	(20)
Personnel expenses	(271)	(367)
Other operating expenses	(245)	(341)
EBITDA	**16,554**	**28,969**
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right–of–use assets	(11,602)	(18,525)
Operating profit	**4,952**	**10,444**
Finance costs	(8)	(15)
Profit before tax	**4,944**	**10,429**
Income tax	(102)	(1,786)
Profit from distribution of discontinued operations	5,001	–
Profit for the period from discontinued operations	**9,843**	**8,643**

Assets, reserves and liabilities classified as held for distribution:

EUR'000

	Group	
	30/09/2020	31/12/2019
ASSETS		
Assets	–	640,393
TOTAL assets held for distribution	**–**	**640,393**
EQUITY AND LIABILITIES		
Reserves	–	28,936
Liabilities	–	179,576
TOTAL equity and liabilities directly associated with assets held for distribution	**–**	**208,512**

Net cash flows from discontinued operations:

EUR'000

	Group	
	01/01-30/09/2020	01/01-30/09/2019
Net cash flows from operating activities	27,449	56,096
Net cash flows used in investing activities	(27,573)	(56,076)
Net cash flows used in financing activities	(15)	(20)
Net changes in cash and cash equivalents	**(139)**	**–**

19. Events after the reporting period

There have been no other significant events other than those mentioned in the management report, 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 9-month period ending 30 September 2020.