



LATVENERGO CONSOLIDATED UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR 2019

28.02.2020, Riga

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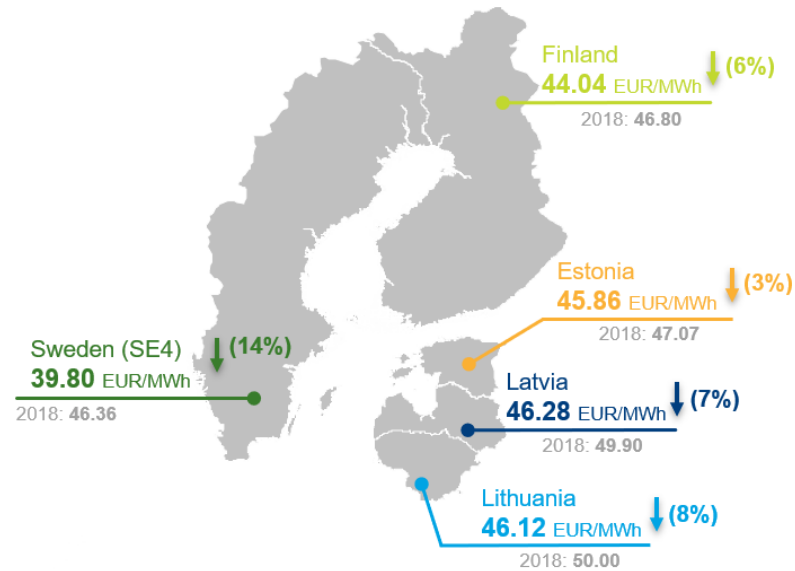
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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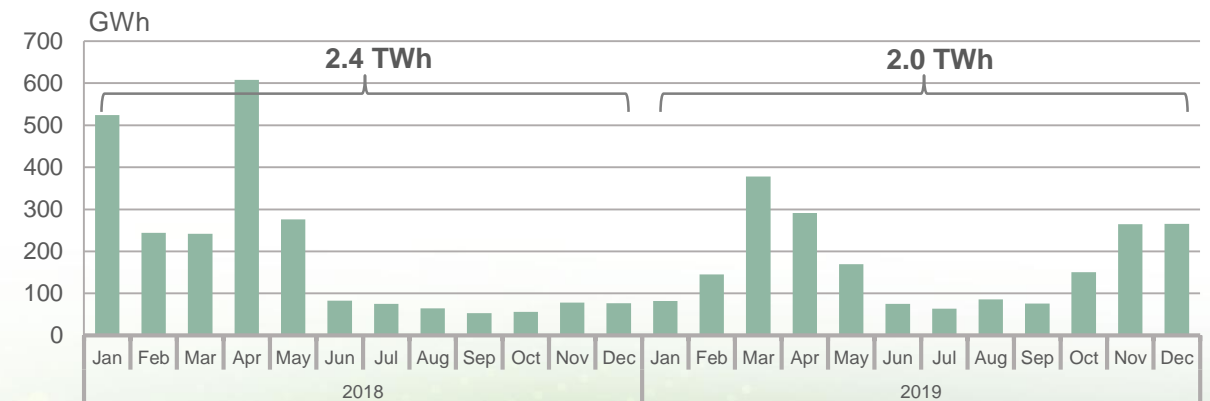
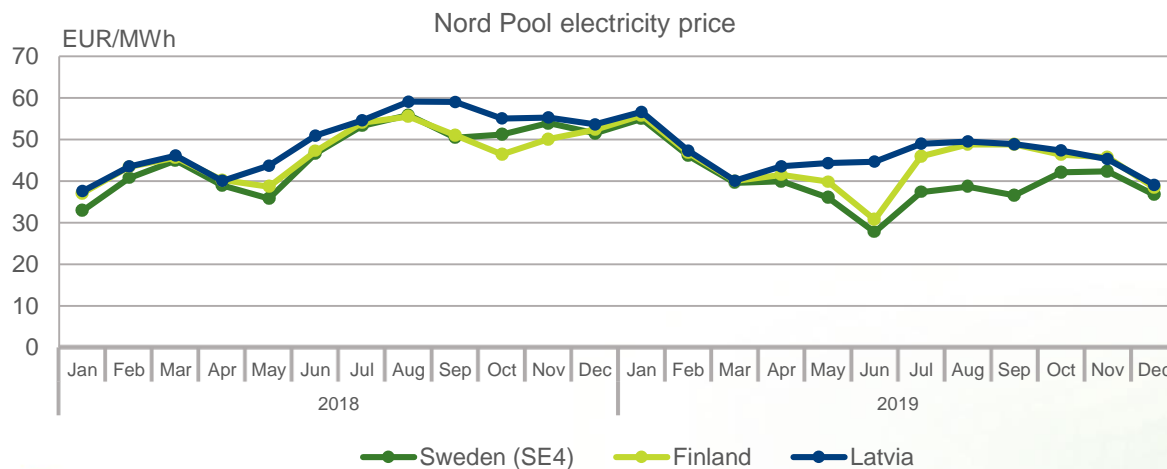
Lower electricity prices



Main facts – 2019

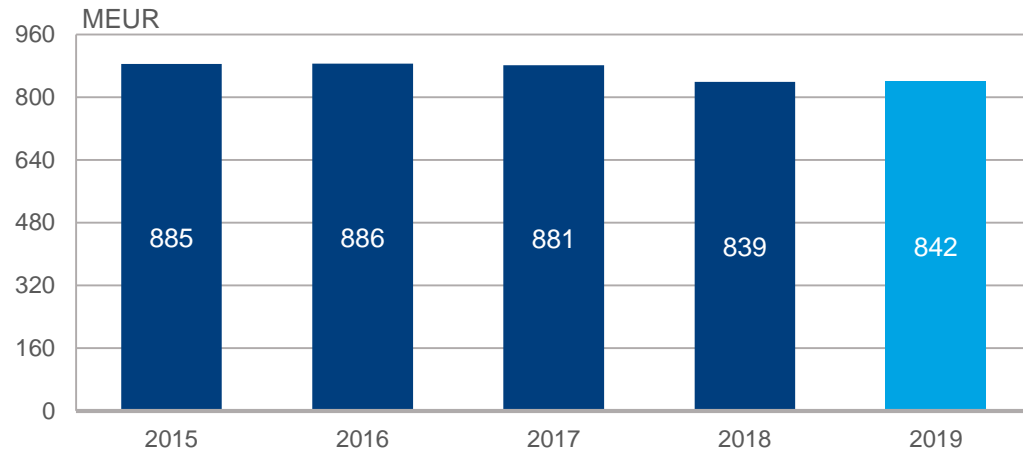
- Electricity prices were influenced by:
 - improvement of the Nordic hydrobalance
 - lower energy raw material prices
 - higher prices of CO2 emission allowance
 - lower electricity generation in the Baltics, especially in Estonia
- The average natural gas price (Front Month) decreased by 34%, reaching 14.8 EUR/MWh at GASPOOL trading zone and 14.7 EUR/MWh at TTF trading zone
- CO2 emission allowance price reached 25.2 EUR/t which is almost 2 times more than in 2018

14 % lower electricity output at Daugava HPPs

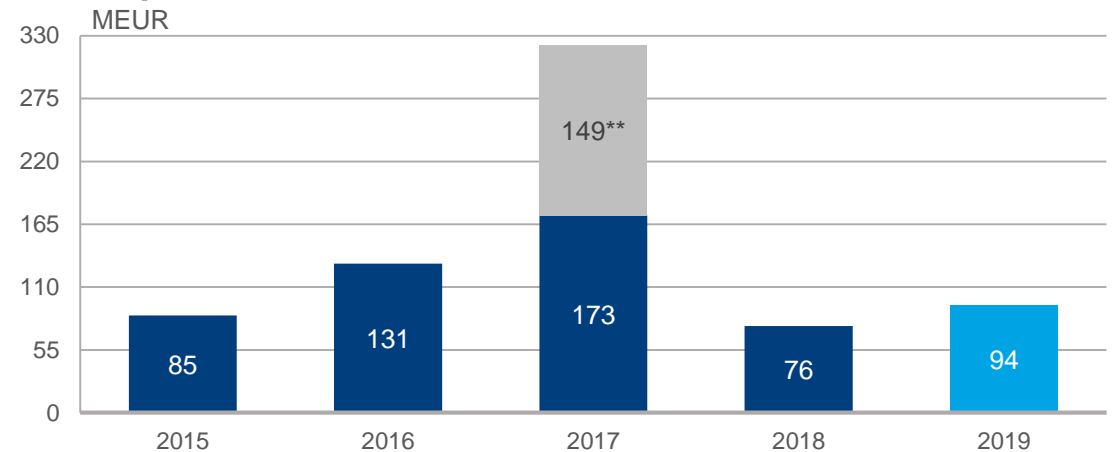


Key financial figures

Revenue*

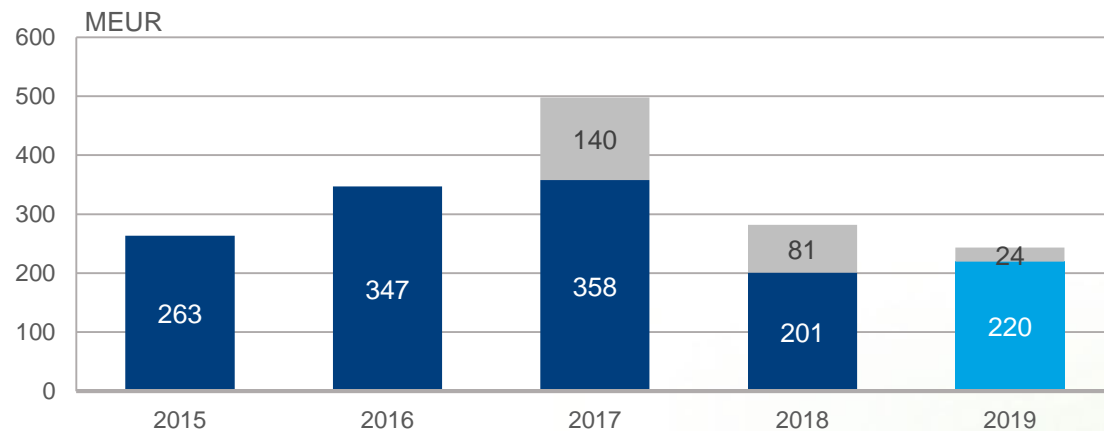


Net profit



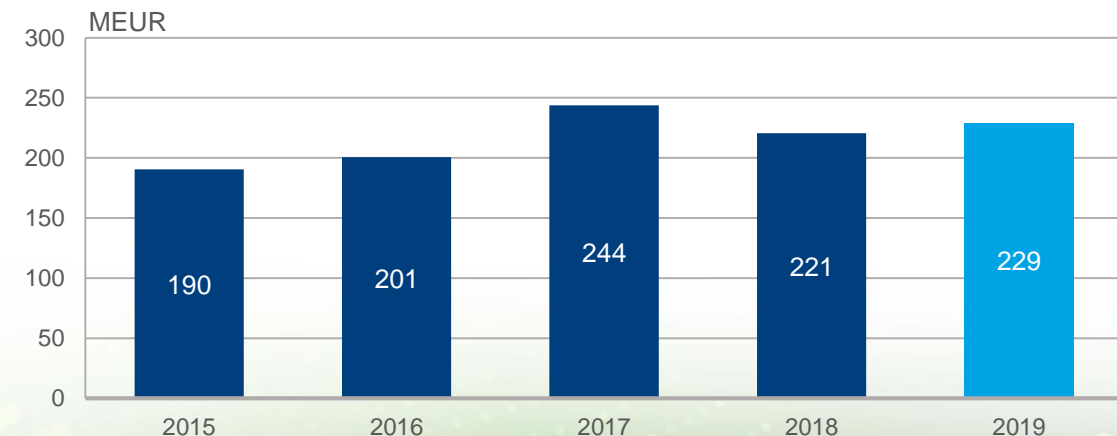
**In 2017, the net profit includes a deferred tax reversal in the amount of EUR 149.1 million as a result of the corporate income tax reform

EBITDA*



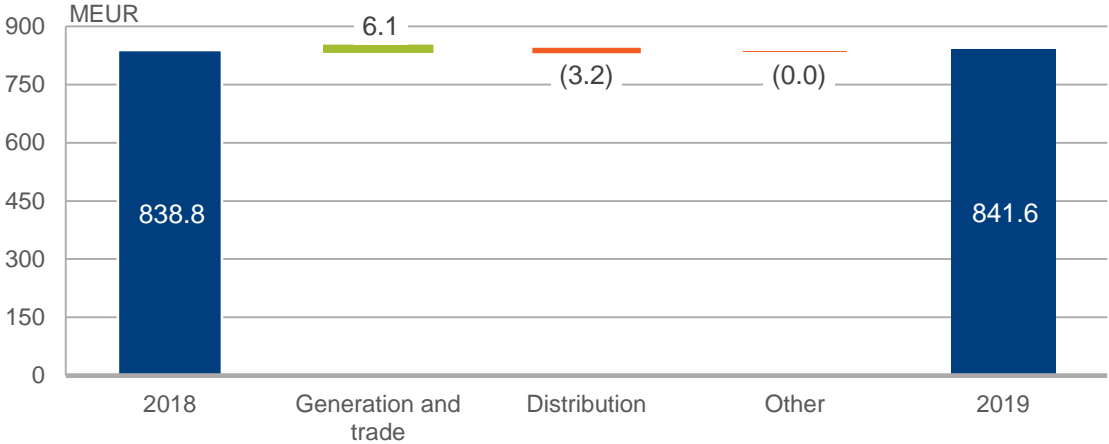
■ EBITDA without CHPPs' compensation ■ CHPPs' compensation recognized in P&L

Investments

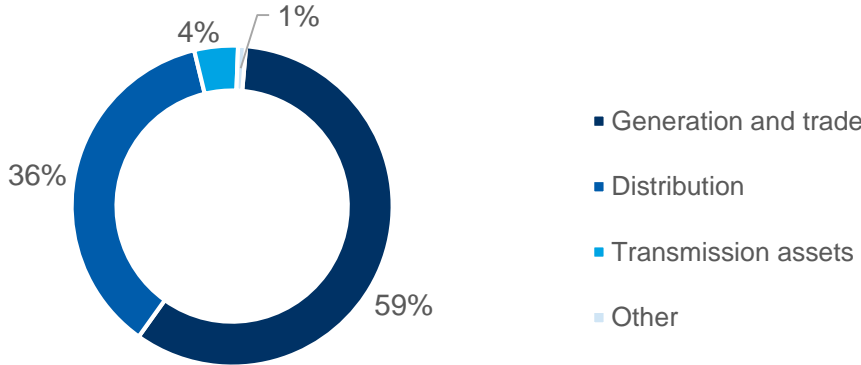


The results were impacted by lower electrical capacity payments for the Riga CHPPs

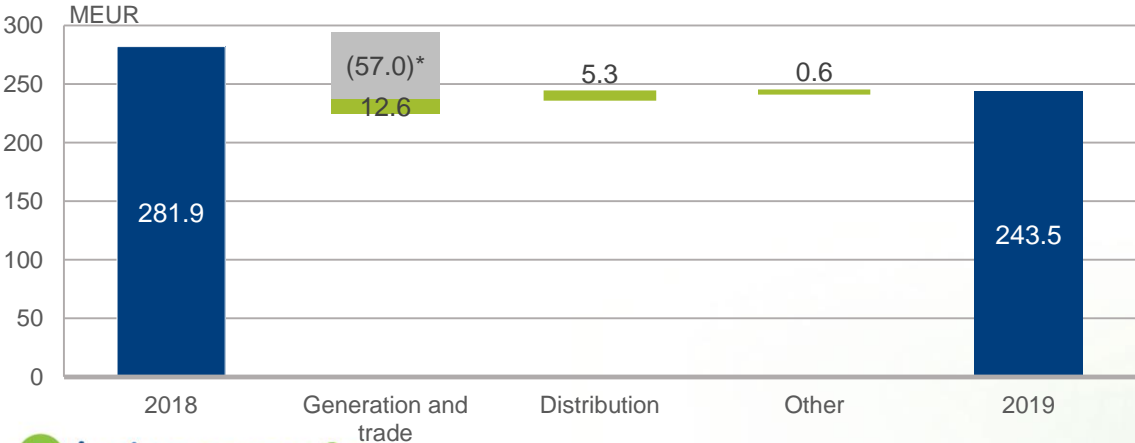
Revenue dynamics by segments



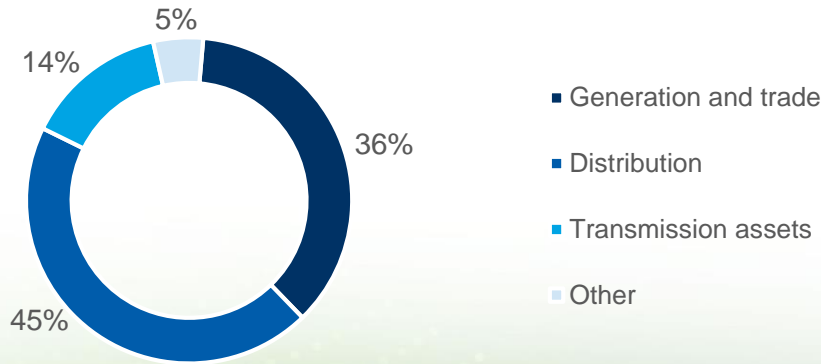
Revenue weight by segments



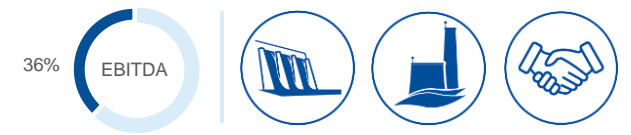
EBITDA dynamics by segments



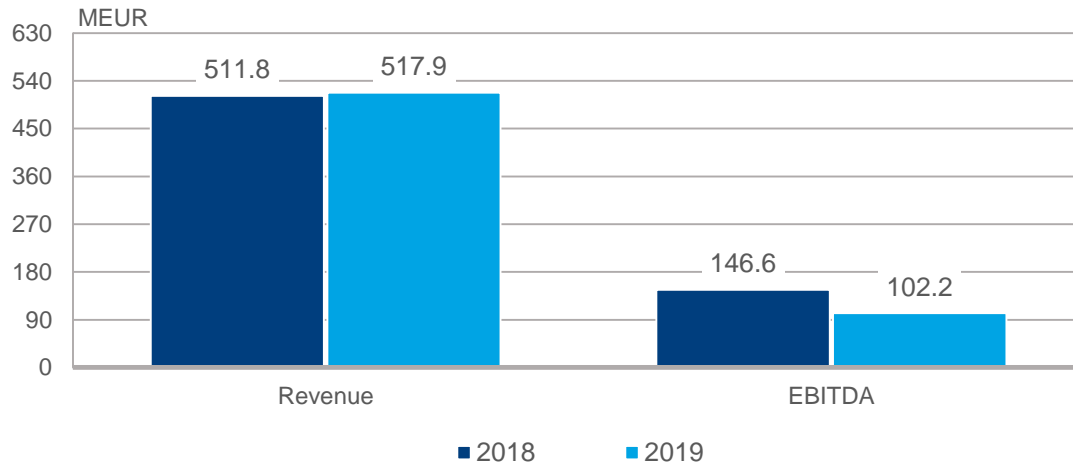
EBITDA weight by segments



Generation and trade



Segment revenue and EBITDA



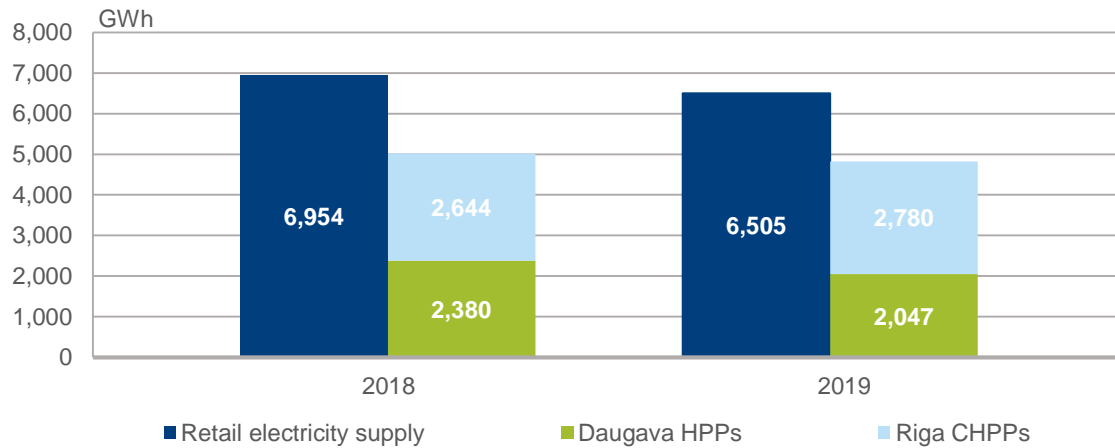
Main facts – 2019

- Results of the segment were negatively impacted by:
 - EUR 57.0 million lower compensation for the Latvenergo AS CHPPs' capacity payments recognised in the profit and loss statement
 - lower electricity output at the Daugava HPPs
- Results of the segment were positively impacted by:
 - higher sales price of electricity
- Latvenergo Group – energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia.
- In the reporting year the PSO fee was 2.268 euro cents/kWh

Energy generation



4,880 GWh of electricity generated



Main facts – 2019

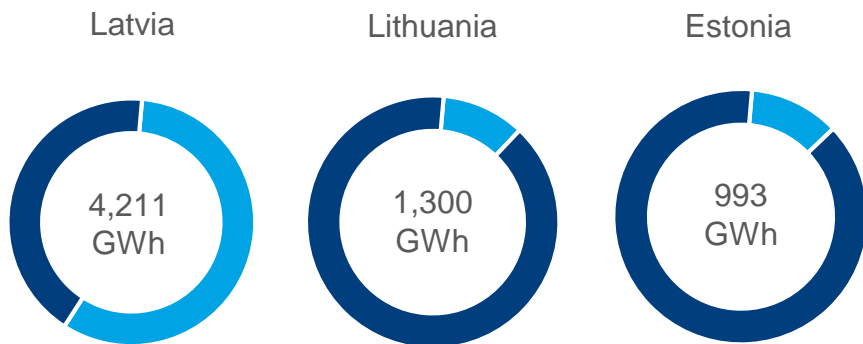
- Power generated at the Daugavas HPPs decreased by 14% due to lower water inflow in the river Daugava
- Power generated at the Latvenergo AS CHPPs increased by 5%
- Higher power generation at the Latvenergo AS CHPPs was influenced by higher electricity demand, since power output at oil shale plants in Estonia fell significantly
- Total amount of electricity generated at Latvenergo power plants corresponds to 75% of the amount of electricity sold to retail customers (2018: 73%)
- The amount of thermal energy generated decreased by 19% due to warmer weather conditions and competition, reaching 1,842 GWh



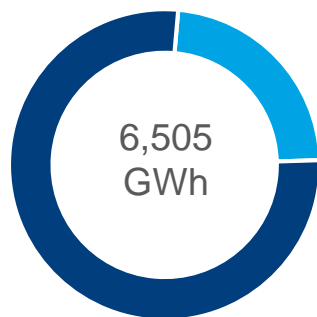


Trade of electricity and natural gas

Retail electricity supply*



The Baltics



■ Latvenergo Group ■ other suppliers

* including operational consumption

Main facts – 2019



6.5 TWh of electricity sold to Baltic retail customers



The amount of natural gas used for both operating consumption and trade reached 7.1 TWh.



Solar panels installed for 273 customers in the Baltics with a total capacity of 2.1 MW

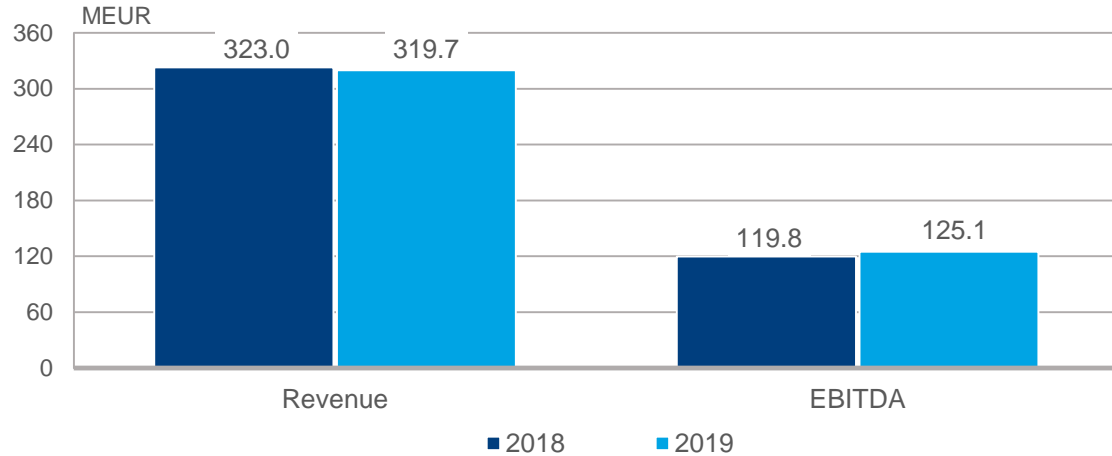


At the end of the reporting period, the total number of *Elektrum Insured* customers reached 65,900



More than 2,200 units sold in *Elektrum* e-shop

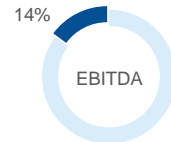
Segment revenue and EBITDA



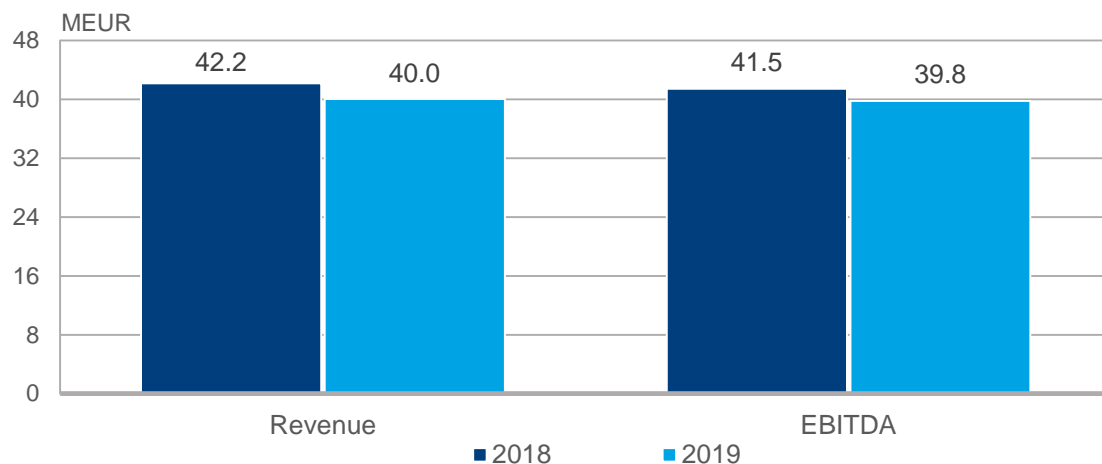
Main facts – 2019

- Electricity distributed: 6,532 GWh (2018: 6,600 GWh)
- Results of the segment were positively impacted by:
 - lower costs associated with the efficiency programme
 - 18% lower distribution losses
- Results negatively impacted by 1% decrease in distributed electricity
- Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS has been reduced by 500
- Smart electricity meters installed in the company reaches 706.8 thousand, which is approximately 60% of the total electricity meters
- Investments in distribution assets: 95.1 MEUR (2018: 95.1 MEUR)
- The value of distribution assets increased to 1,697.8 MEUR
- As of January 1, 2020, the average distribution service tariff is reduced by 5.5%

Transmission system asset leasing



Segment revenue and EBITDA

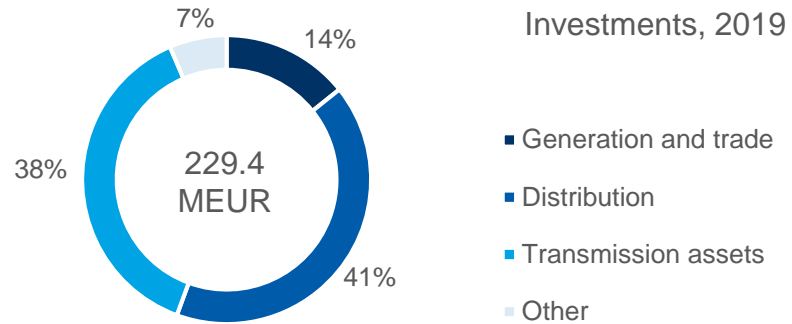


Main facts – 2019

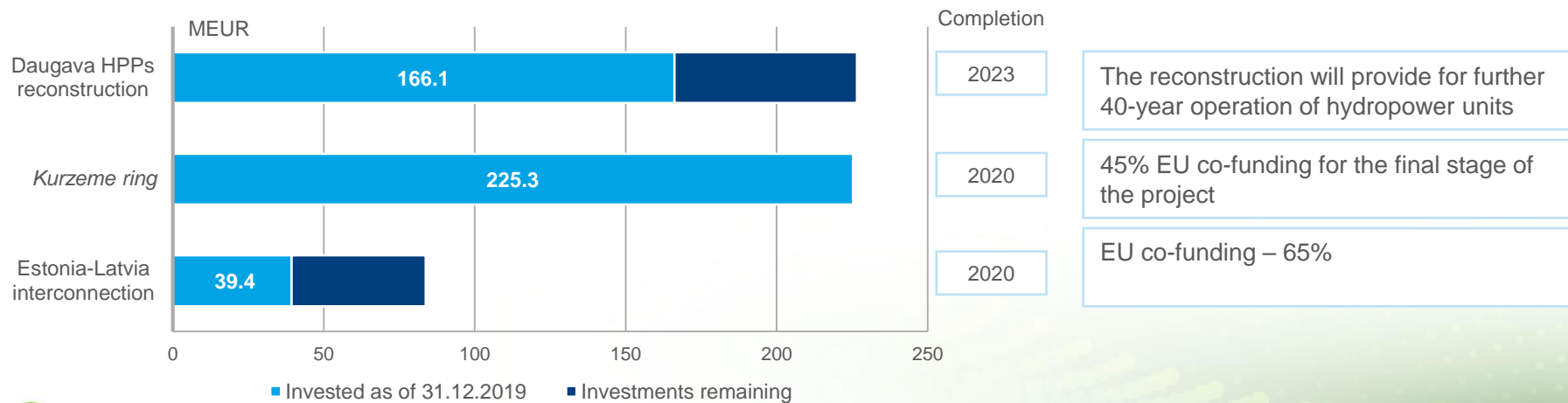
- In accordance with the CM decision of 8 October 2019 on the unbundling of transmission assets from Latvenergo Group until 1 July 2020, the operations of the transmission segment are reported as discontinuing operations
 - Reduction of the share capital of Latvenergo AS is planned by withdrawing the capital shares of LET from the base of assets of Latvenergo AS
 - The share capital of Latvenergo AS will be increased by investing retained earnings from previous years
- Segment's revenue is calculated in accordance with the methodology approved by the Public Utilities Commission
- Investments in transmission system assets: 87.4 MEUR (2018: 87.1 MEUR)
- Major investment projects in the reporting period:
 - *Kurzeme Ring* (completed in 2019 and in the reporting year invested 26.1 MEUR)
 - The third power transmission interconnection between Estonia and Latvia (33.5 MEUR)
- The value of transmission assets reached 664.3 MEUR (31.12.2018: 579.3 MEUR)

Investments

Investment in network assets – 79% of the total



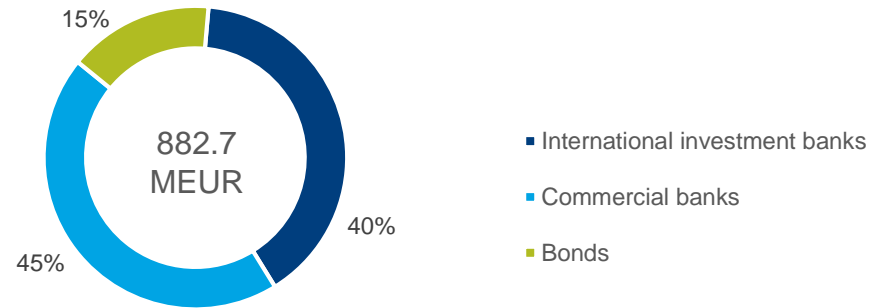
Major investment projects



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

Funding and Liquidity

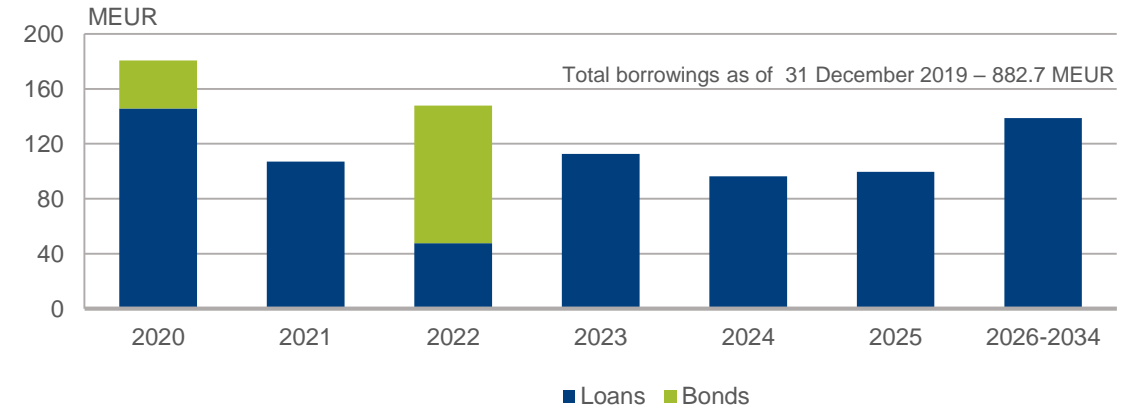
Diversified sources of funding



Main facts – 2019

- At the end of the reporting period, the outstanding amount of bonds reached 135 MEUR, incl. 100 MEUR *green* bonds
- On 15 October 2019, the international credit rating agency Moody's reconfirmed the credit rating for Latvenergo AS: Baa2 (stable)
- Capital ratio: 59% (31.12.2018: 61%)

Debt repayment schedule



Main figures

	31.12.2019
Share of fixed interest rate*	50%
Duration	2 years
Effective weighted average interest rate*	1.5%

* with interest rate swaps

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Abbreviations

Daugava HPPs – Daugava hydropower plants

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

EU – European Union

IFRS – International Financial Reporting Standards

MEUR – Million euros

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

PSO fee – Public service obligation fee

CHPPs – AS Latvenergo combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

Consolidated Statement of Profit or Loss*

	EUR'000	
	2019	2018
Revenue	841,636	838,805
Other income	25,863	91,098
Raw materials and consumables used	(477,660)	(497,148)
Personnel expenses	(101,349)	(103,359)
Other operating expenses	(44,964)	(47,449)
EBITDA	243,526	281,947
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(143,161)	(199,964)
Operating profit	100,365	81,983
Finance income	1,187	1,157
Finance costs	(9,480)	(8,406)
Profit before tax	92,072	74,734
Income tax	(7,945)	(9,209)
Profit for the year from continuing operations	84,127	65,525
Profit for the year from discontinued operation	10,232	10,430
Profit for the year	94,359	75,955
Profit attributable to:		
- <i>Equity holder of the Parent Company</i>	92,660	73,423
- <i>Non-controlling interests</i>	1,699	2,532

* The Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Financial Statements for 2019 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Financial Position*

	EUR'000	
	31/12/2019	31/12/2018
ASSETS		
Non-current assets		
Intangible assets and property, plant and equipment	2,775,531	3,316,172
Right-of-use assets	5,522	–
Investment property	301	467
Non-current financial investments	39	40
Investments in other financial assets	16,885	16,935
Other non-current receivables	434	30,920
Total non-current assets	2,798,712	3,364,534
Current assets		
Inventories	104,781	71,975
Receivables from contracts with customers	111,677	117,955
Other current receivables	76,938	84,830
Prepayment for income tax	140	11,619
Non-current assets held for sale	146	–
Deferred expenses	3,015	2,598
Derivative financial instruments	6,717	15,853
Cash and cash equivalents	122,422	129,455
Current assets excluding discontinued operation	425,836	434,285
Assets of discontinued operation	640,393	–
Total current assets	1,066,229	434,285
TOTAL ASSETS	3,864,941	3,798,819
EQUITY AND LIABILITIES		
Equity		
Share capital	834,883	834,791
Reserves	1,075,235	1,125,466
Retained earnings	318,555	351,350
Reserves of discontinued operation	28,936	–
Equity attributable to equity holder of the Parent Company	2,257,609	2,311,607
Non-controlling interests	7,878	8,458
Total equity	2,265,487	2,320,065
Liabilities		
Non-current liabilities		
Borrowings	702,129	700,028
Non-current lease liabilities	4,349	–
Provisions	18,491	20,178
Deferred income tax liabilities	8,327	12,297
Deferred income on contracts with customers	6,149	3,923
Other deferred income	142,453	143,494
Derivative financial instruments	194,910	303,519
Total non-current liabilities	1,076,808	1,183,439
Current liabilities		
Borrowings	180,542	114,315
Current lease liabilities	1,216	–
Trade and other payables	115,706	135,008
Income tax payable	2	2
Deferred income on contracts with customers	13,701	13,271
Other deferred income	24,920	26,438
Derivative financial instruments	6,983	6,281
Current liabilities excluding discontinued operation	343,070	295,315
Liabilities of discontinued operation	179,576	–
Total current liabilities	522,646	295,315
Total liabilities	1,599,454	1,478,754
TOTAL EQUITY AND LIABILITIES	3,864,941	3,798,819

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Consolidated Statement of Cash Flows*

	EUR'000	
	2019	2018
Cash flows from operating activities		
Profit before tax from continuing operations	92,072	74,734
Profit before tax from discontinued operation	12,668	13,778
Adjustments:		
– Amortisation, depreciation and impairment of non-current assets	194,898	243,458
– Net financial adjustments	8,605	7,571
– Other adjustments	(3,746)	(1,293)
Operating profit before working capital adjustments	304,497	338,248
Decrease in current assets	8,093	102,478
Increase / (decrease) in trade and other payables	11,757	(90,344)
Cash generated from operating activities	324,347	350,382
Interest paid	(9,537)	(9,066)
Interest received	1,084	1,113
Paid corporate income tax	(461)	(39,560)
Net cash flows from operating activities	315,433	302,869
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(254,947)	(238,501)
Proceeds from redemption of other financial investments	49	49
Net cash flows used in investing activities	(254,898)	(238,452)
Cash flows from financing activities		
Proceeds on borrowings from financial institutions	180,291	93,500
Repayment of borrowings	(112,102)	(105,931)
Received financing from European Union	579	–
Lease payments	(821)	–
Dividends paid to non-controlling interests	(2,279)	(2,116)
Dividends paid to equity holder of the Parent Company	(132,936)	(156,418)
Net cash flows used in financing activities	(67,268)	(170,965)
Net decrease in cash and cash equivalents	(6,733)	(106,548)
Cash and cash equivalents at the beginning of the year	129,455	236,003
Cash and cash equivalents at the end of the year	122,722	129,455

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