



LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 3-MONTH PERIOD
ENDING 31 MARCH 2020

29.05.2020, Riga

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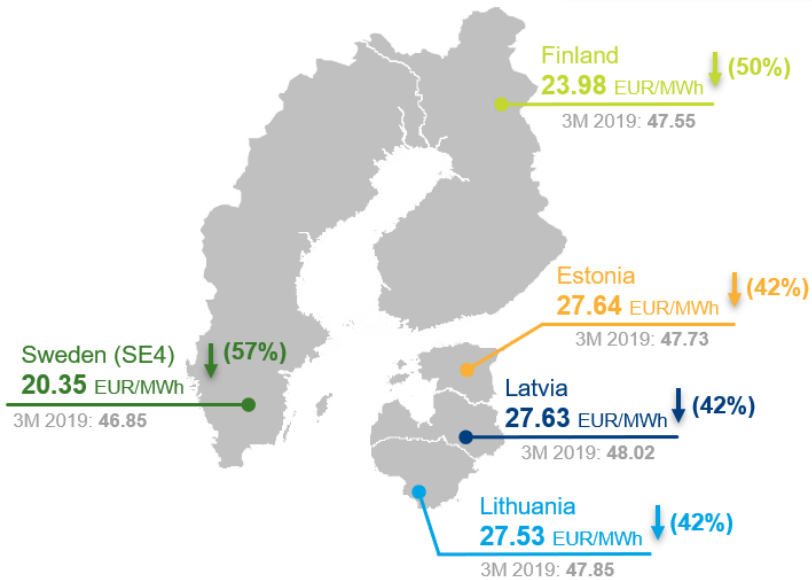
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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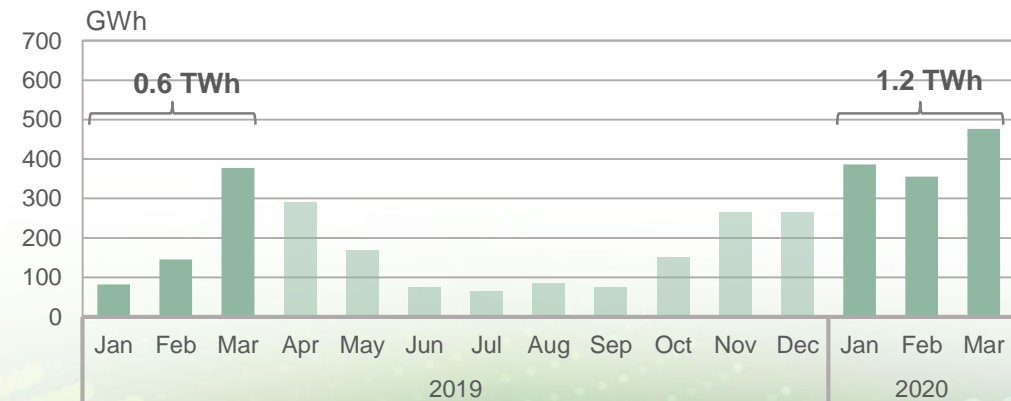
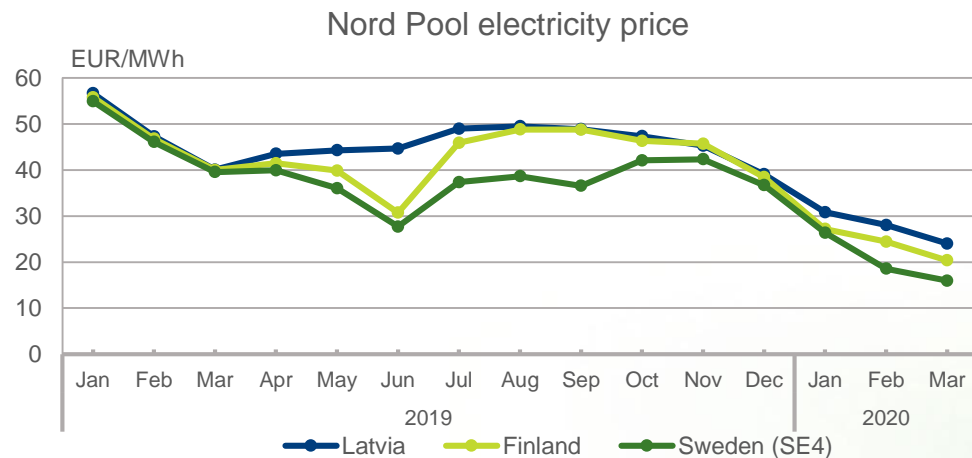
Significantly lower electricity prices



Main facts – 3M 2020

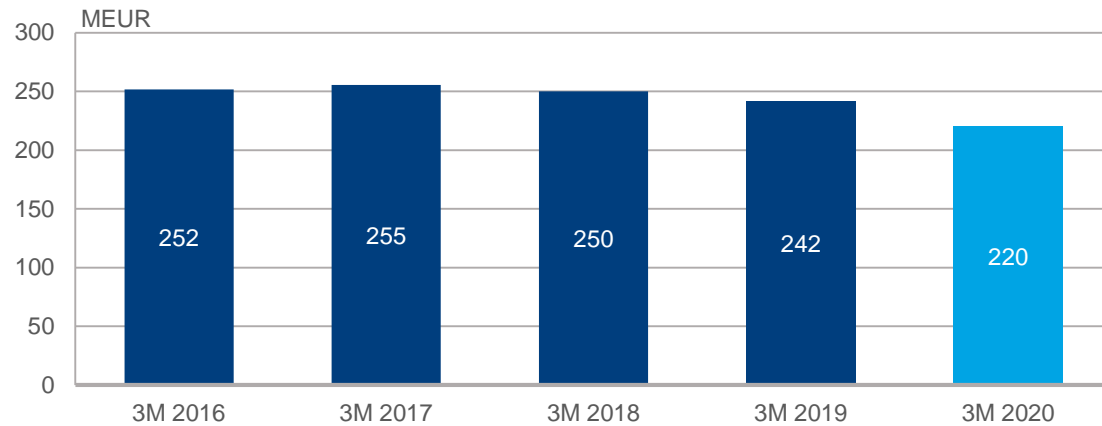
- Electricity prices were influenced by:
 - improvement of the Nordic hydrobalance
 - lower electricity demand due to warmer weather and COVID-19
- The average natural gas price (Front Month) decreased by 48%, reaching 10.0 EUR/MWh at GASPOOL trading zone and 9.6 EUR/MWh at the TTF trading zone

2x higher electricity output at Daugava HPPs

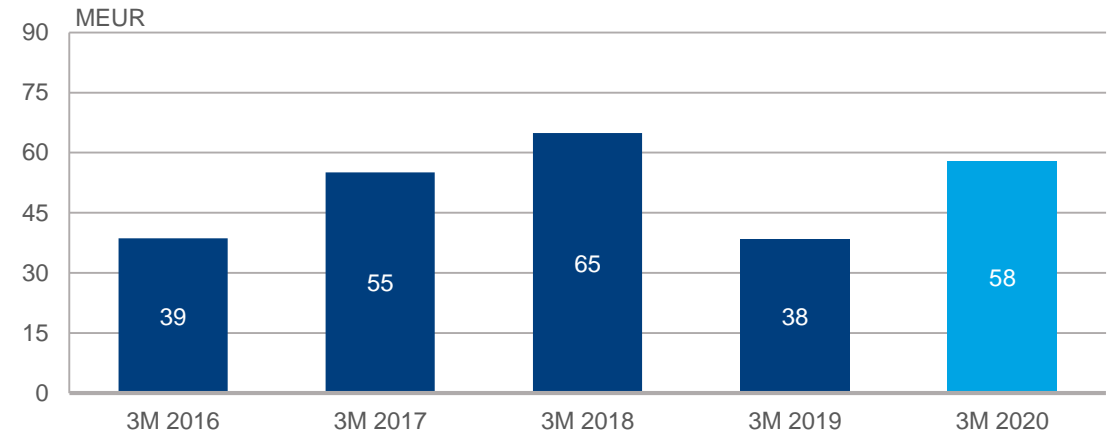


Key financial figures

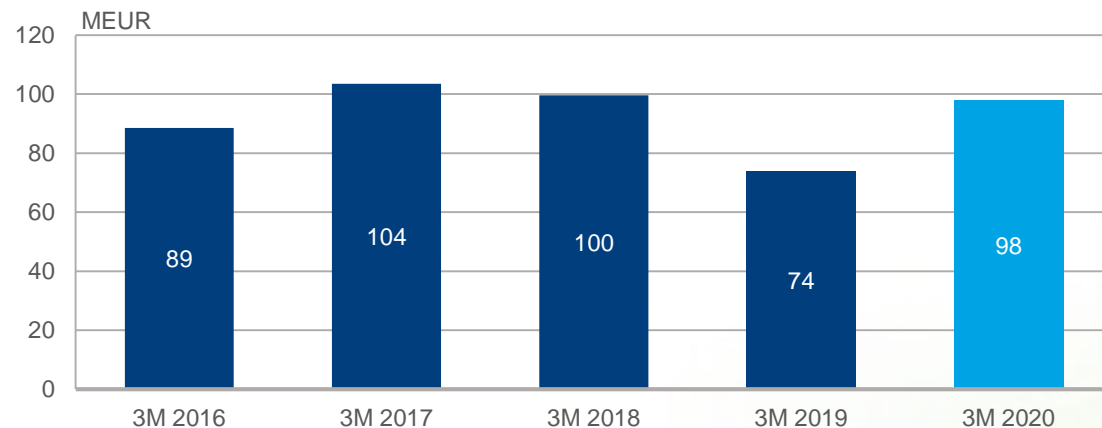
Revenue*



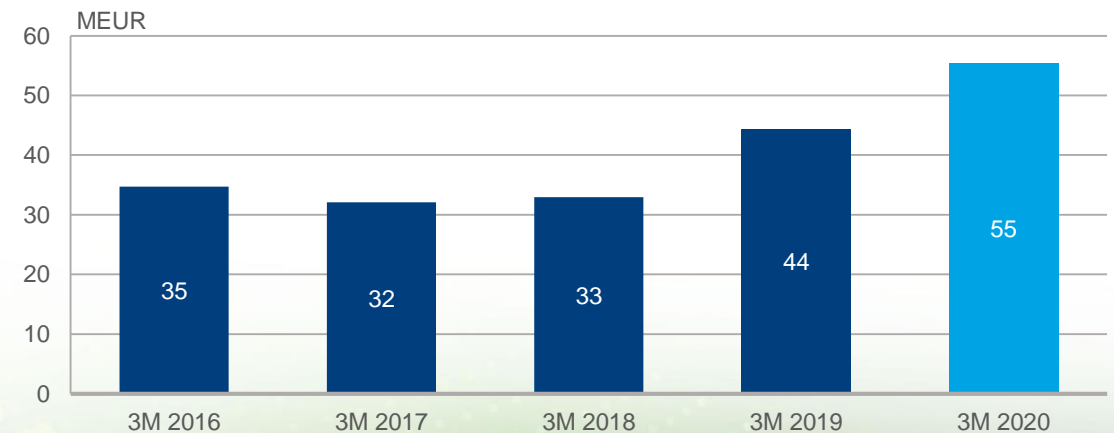
Net profit



EBITDA*

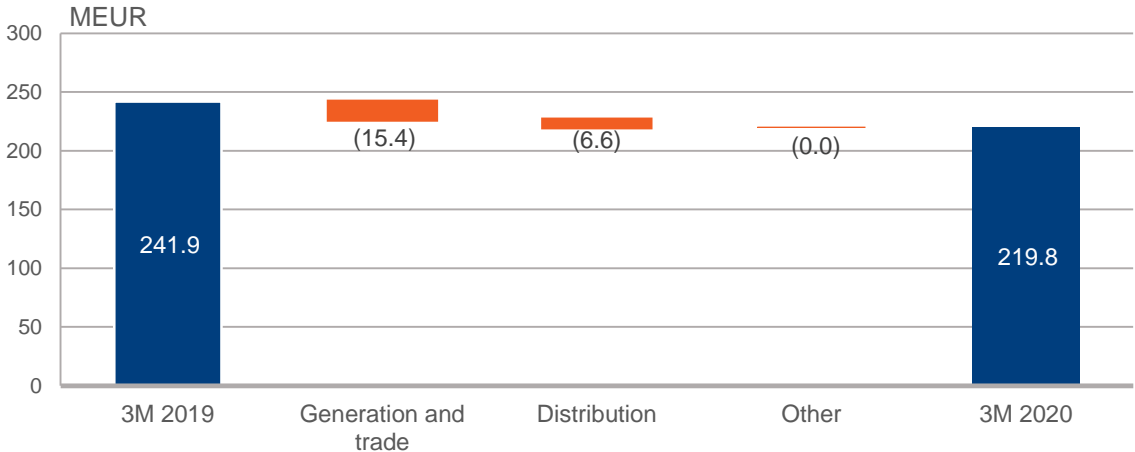


Investments

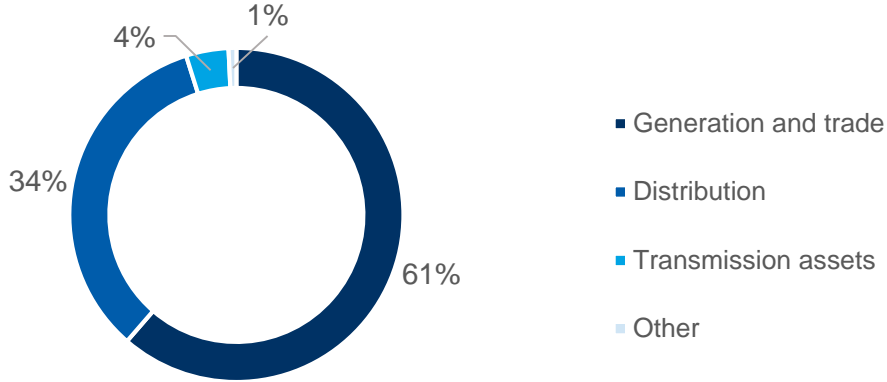


Latvenergo Group's EBITDA increased by 33%

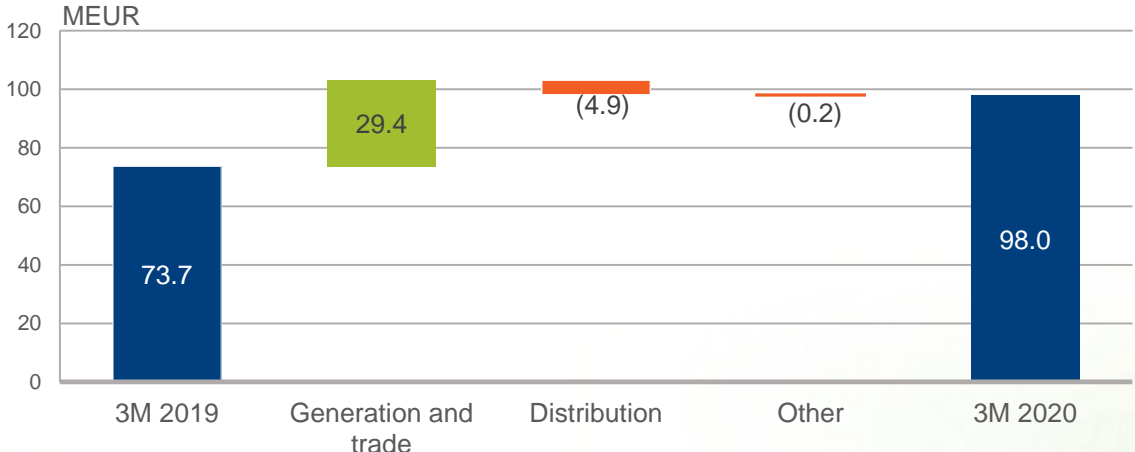
Revenue dynamics by segments



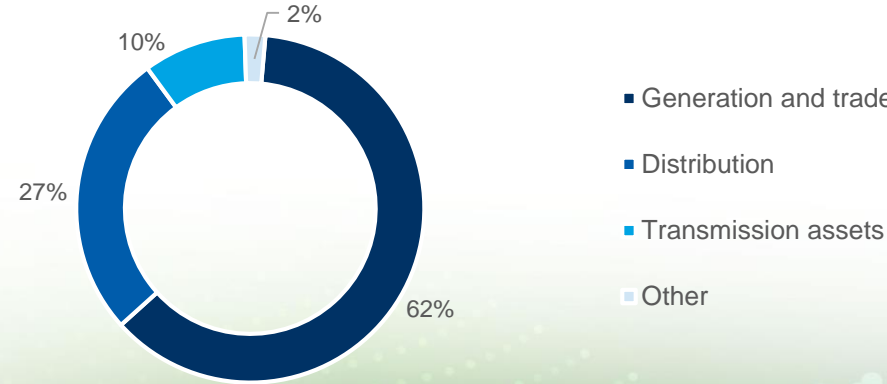
Revenue weight by segments



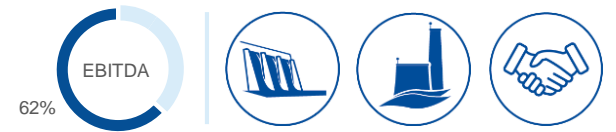
EBITDA dynamics by segments



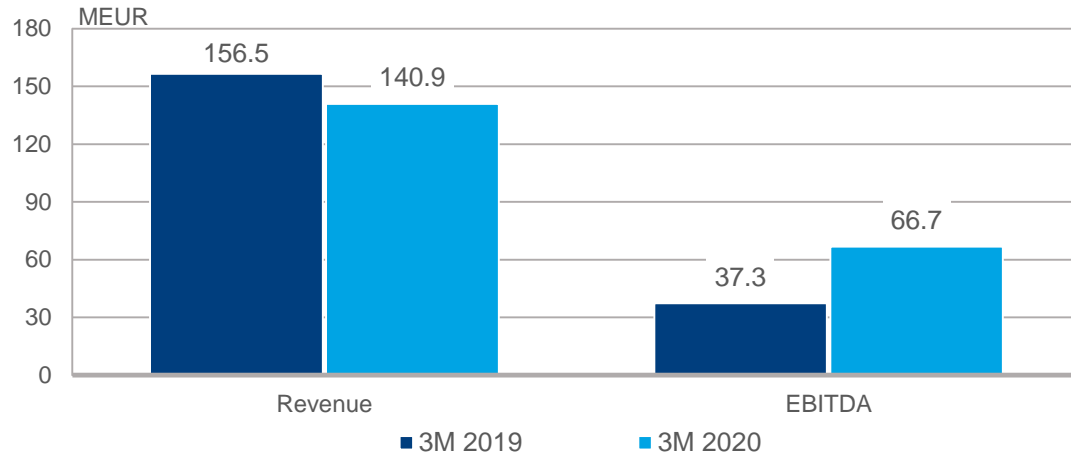
EBITDA weight by segments



Generation and trade



Segment revenue and EBITDA



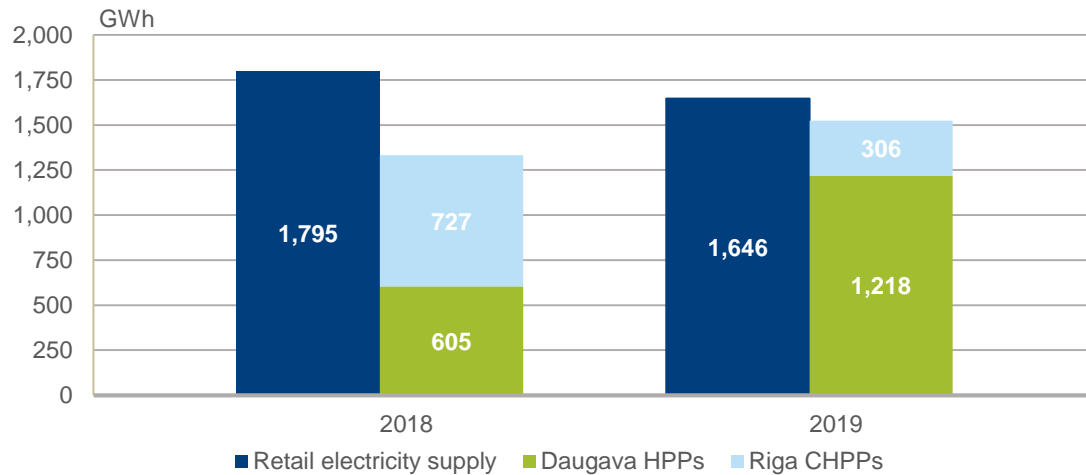
Main facts – 3M 2020

- The segment's revenue was negatively impacted by:
 - lower heat sales due to warmer weather conditions
- The segment's EBITDA was positively impacted by:
 - 2x higher electricity output at the Daugava HPPs
 - lower electricity purchase prices
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia.
- In 2020, the average PSO fee has remained unchanged: 2.268 euro cents/kWh

Energy generation



1,538 GWh of electricity generated



Main facts – 3M 2020

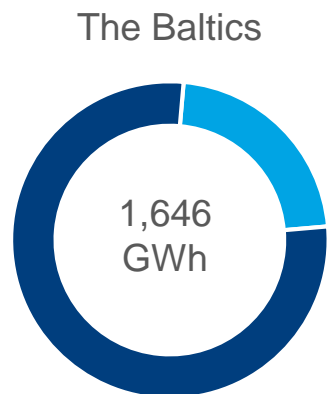
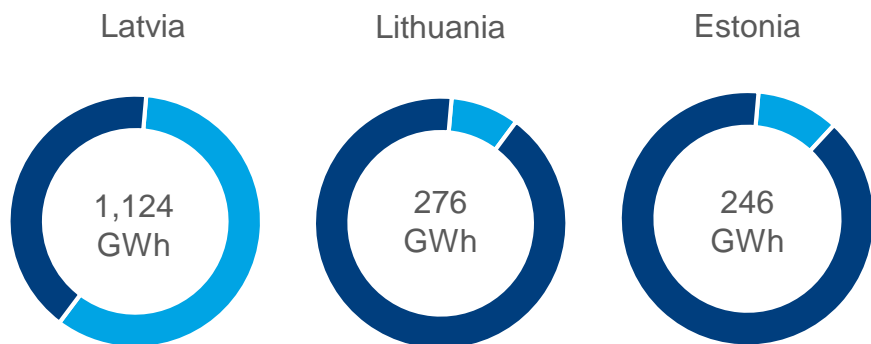
- Power generation at the Daugavas HPPs was 2x higher due to atypically warm winter and high water inflow in the Daugava River
- Total amount of electricity generated at Latvenergo power plants corresponds to 93% of the amount of electricity sold to retail customers (3M 2019: 75%)
- Power generation at the Latvenergo AS CHPPs decreased by 58%, adjusting their operation to the conditions of the electricity market and heat demand
- The amount of thermal energy generated decreased by 21% due to warmer weather conditions, reaching 740 GWh





Trade of electricity and natural gas

Retail electricity supply*



■ Latvenergo Group ■ other suppliers

* including operational consumption

Main facts – 3M 2020



1.6 TWh of electricity sold to Baltic retail customers.



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



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

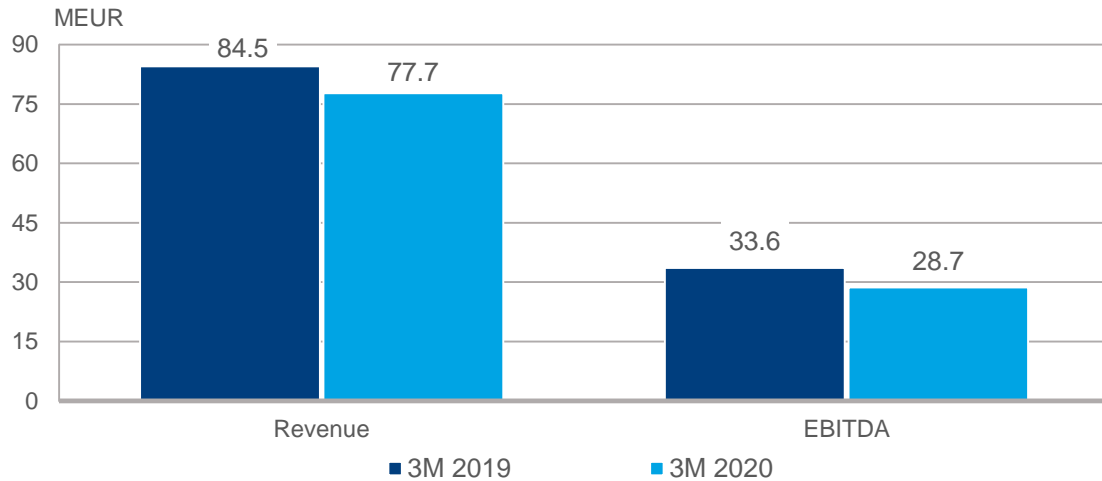


At the end of March, the total number of *Elektrum* Insured customers exceeded 74,300.



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

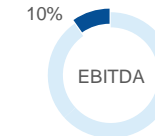
Segment revenue and EBITDA



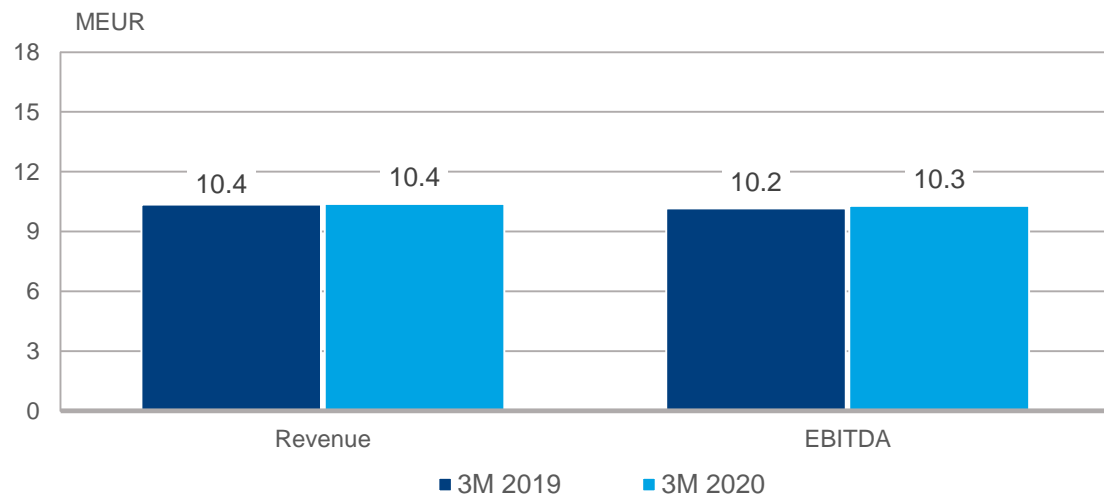
Main facts – 3M 2020

- The efficiency programme contributes to a 5.5% reduction in the average distribution system service tariff as of 1 January 2020:
 - Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS will be reduced by around 800 (31.03.2020: ~600)
 - Smart electricity meters installed in the company reaches 753.9 thousand, which is approximately 67% of the total electricity meters
- Electricity distributed: 1,690 GWh (3M 2019: 1,762 GWh)
- Results of the segment were impacted by:
 - 4% lower amount of distributed electricity due to warmer weather conditions
 - reduction of the average electricity distribution service tariff
- Investments in distribution assets: 20.1 MEUR (3M 2019: 18.9 MEUR)
- The value of distribution assets increased to 1,684.3 MEUR (31.03.2019: 1,666.0 MEUR)

Transmission system asset leasing



Segment revenue and EBITDA

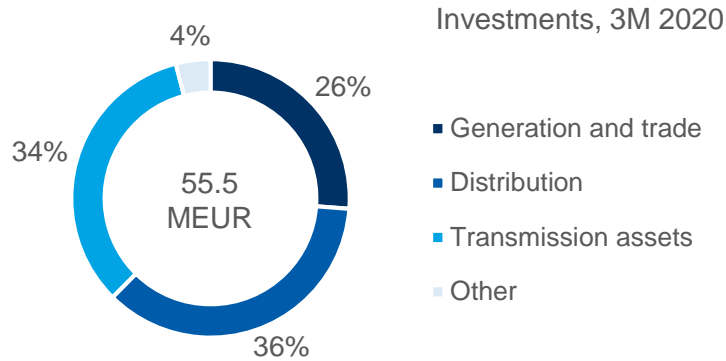


Main facts – 3M 2020

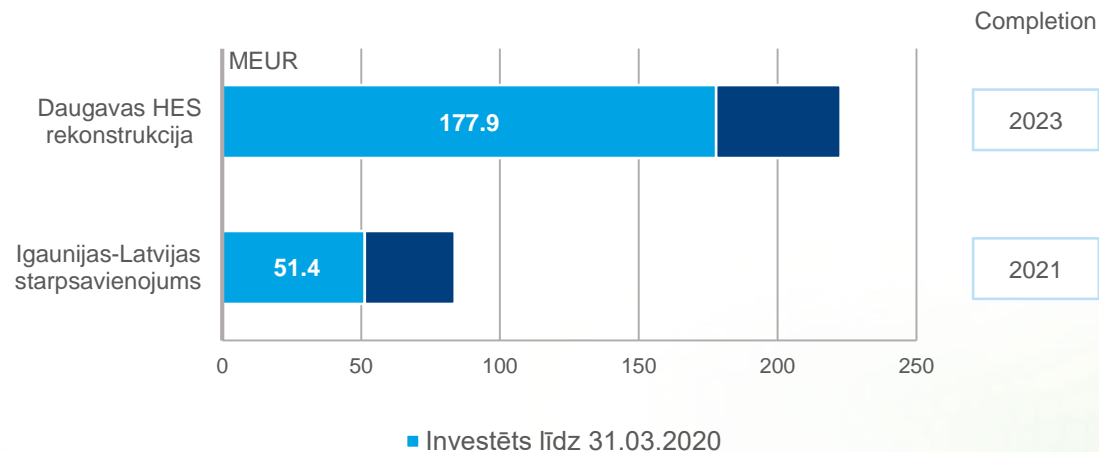
- Unbundling of transmission assets from Latvenergo Group is planned until July 1, 2020:
 - Reduction of the share capital of Latvenergo AS is performed by withdrawing the capital shares of LET from the base of assets of Latvenergo AS.
 - On 24 April 2020, the Shareholder Meeting was held, at which it was decided to reduce the share capital of Latvenergo AS by 222.7 MEUR.
 - The capital shares of LET will be invested in the share capital of Augstsprieguma tīkls AS.
 - The share capital of Latvenergo AS will be increased by investing retained earnings from previous years.
 - The operations of the transmission segment are reported as discontinuing operations.
- Segment's revenue is calculated in accordance with the methodology approved by the Public Utilities Commission
- Investments in transmission system assets: 18.6 MEUR (3M 2019: 19.6 MEUR)
- The value of transmission assets reached 663.4 MEUR (31.03.2019: 604.8 MEUR)

Investments

Investment in network assets – 70% of the total



Major investment projects



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

Completion

2023

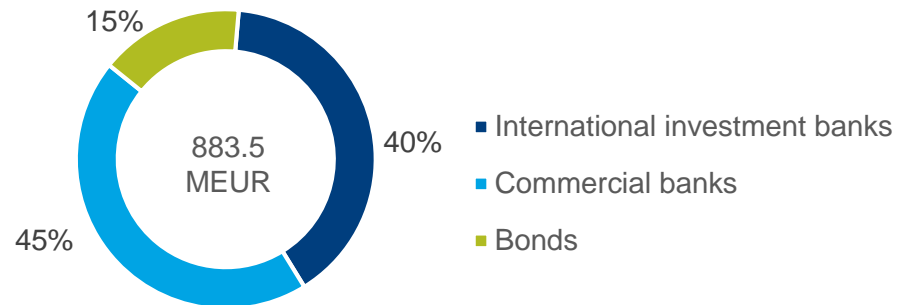
The reconstruction will provide for further 40-year operation of hydropower units

2021

EU co-funding – 65%

Funding and Liquidity

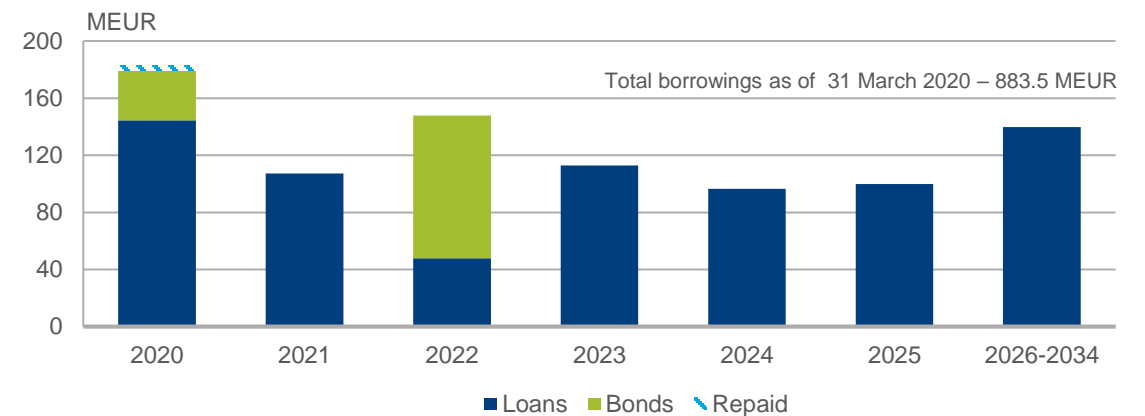
Diversified sources of funding



Main facts – 3M 2020

- Latvenergo AS will issue *green* bonds up to 200 MEUR
- At the end of the reporting period, the outstanding amount of bonds reached 135 MEUR, incl. 100 MEUR *green* bonds
- On 10 March 2020, Moody's performed its annual assessment and maintained the credit rating of Latvenergo AS at Baa2: (stable)

Debt repayment schedule



Main figures

31.03.2020

Share of fixed interest rate* 45%

Duration 1.7 years

Effective weighted average interest rate* 1.4%

* 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	
	3M 2020	3M 2019
Revenue	219,768	241,856
Other income	7,104	7,534
Raw materials and consumables used	(87,782)	(137,740)
Personnel expenses	(28,141)	(26,848)
Other operating expenses	(12,991)	(11,139)
EBITDA	97,958	73,663
Depreciation, amortisation and impairment of intangible assets, and property, plant and equipment and right-of-use assets	(38,900)	(36,467)
Operating profit	59,058	37,196
Finance income	295	284
Finance costs	(2,941)	(2,363)
Profit before tax	56,412	35,117
Income tax	(1,276)	(14)
Profit for the period from continuing operations	55,136	35,103
Profit for the period from discontinued operation	2,763	3,264
Profit for the period	57,899	38,367
Profit attributable to:		
- Equity holder of the Parent Company	56,648	36,601
- Non-controlling interests	1,251	1,766

* The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Financial Position*

	EUR'000	
	31/03/2020	31/12/2019
ASSETS		
Non-current assets		
Intangible assets and property, plant and equipment	2,770,735	2,775,532
Right-of-use assets	5,241	5,522
Investment property	300	301
Non-current financial investments	39	39
Other non-current receivables	433	433
Other financial investments	16,873	16,885
Total non-current assets	2,793,621	2,798,712
Current assets		
Inventories	82,340	104,927
Receivables from contracts with customers	107,975	111,530
Other current receivables	102,640	77,085
Deferred expenses	1,982	3,015
Prepayment for income tax	140	140
Derivative financial instruments	12,590	6,717
Cash and cash equivalents	170,604	122,422
Current assets excluding assets held for distribution	478,271	425,836
Assets held for distribution	661,778	640,393
Total current assets	1,140,049	1,066,229
TOTAL ASSETS	3,933,670	3,864,941
EQUITY AND LIABILITIES		
EQUITY		
Share capital	834,883	834,883
Reserves	1,076,325	1,075,235
Retained earnings	376,031	318,555
Reserves of disposal group classified as held for distribution	28,804	28,936
Equity attributable to equity holder of the Parent Company	2,316,043	2,257,609
Non-controlling interests	9,129	7,878
Total equity	2,325,172	2,265,487
LIABILITIES		
Non-current liabilities		
Borrowings	703,156	702,129
Lease liabilities	4,037	4,349
Deferred income tax liabilities	2,194	8,327
Provisions	18,734	18,491
Derivative financial instruments	6,593	6,149
Deferred income from contracts with customers	142,503	143,330
Other deferred income	188,022	194,033
Total non-current liabilities	1,065,239	1,076,808
Current liabilities		
Borrowings	180,390	180,542
Lease liabilities	1,252	1,216
Trade and other payables	111,058	115,708
Income tax payable	7,395	
Deferred income from contracts with customers	13,854	13,764
Other deferred income	24,873	24,857
Derivative financial instruments	14,687	6,983
Current liabilities excluding liabilities held for distribution	353,509	343,070
Liabilities directly associated with the assets held for distribution	189,750	179,576
Total current liabilities	543,259	522,646
Total liabilities	1,608,498	1,599,454
TOTAL EQUITY AND LIABILITIES	3,933,670	3,864,941

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Consolidated Statement of Cash Flows*

	EUR'000	
	3M 2020	3M 2019
Cash flows from operating activities		
Profit before tax	56,412	35,117
Profit before tax from discontinued operations	2,865	3,264
Profit before tax, total	59,277	38,381
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	48,664	46,745
– Net financial adjustments	6,643	2,090
– Other adjustments	166	62
Operating profit before working capital adjustments	114,750	87,278
(Increase)/ decrease in inventories	(18,658)	69,075
Increase / (decrease) in trade and other liabilities	11,132	(44,340)
Cash generated from operating activities	107,224	112,013
Interest paid	(2,020)	(1,294)
Interest received	948	944
Paid corporate income tax	(2,452)	(6)
Net cash flows from operating activities	103,700	111,657
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(54,534)	(51,692)
Proceeds from redemption of other financial investments	12	12
Net cash flows used in investing activities	(54,522)	(51,680)
Cash flows from financing activities		
Proceeds on borrowings from financial institutions	2,000	–
Repayment of borrowings	(2,943)	(727)
Received financing from European Union	202	–
Lease payments	(256)	(208)
Net cash flows used in financing activities	(997)	(935)
Net increase in cash and cash equivalents	48,181	59,042
Cash and cash equivalents at the beginning of the period	122,723	129,455
Cash and cash equivalents at the end of the period	170,904	188,497

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