



# LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 9-MONTH PERIOD  
ENDING 30 SEPTEMBER 2020

27.11.2020, Riga

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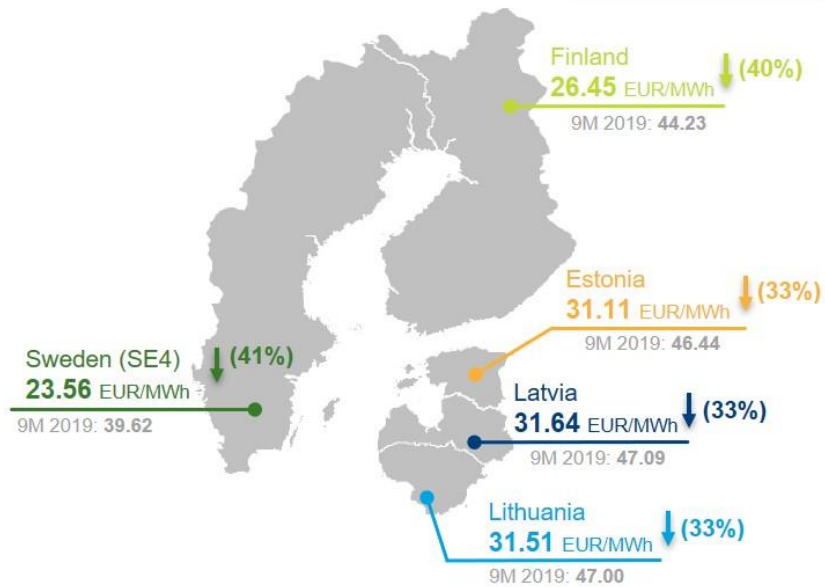
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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# Significantly lower electricity prices

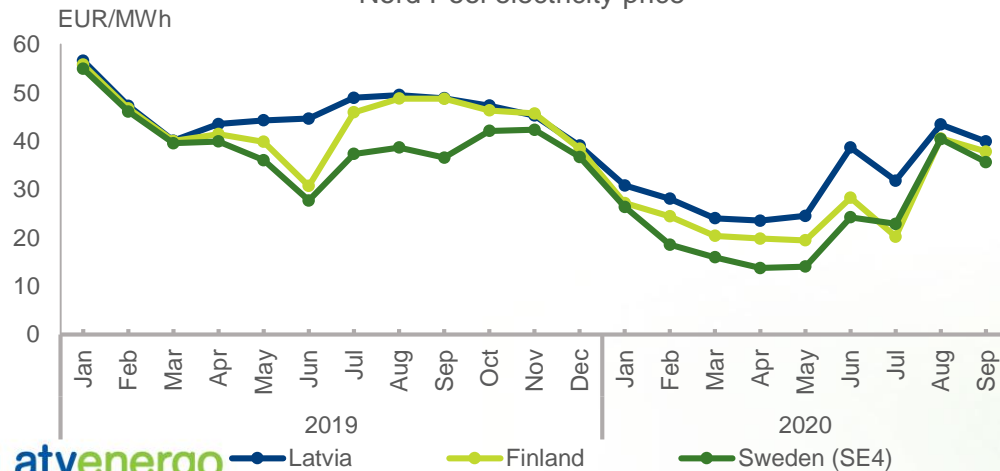


## Main facts – 9M 2020

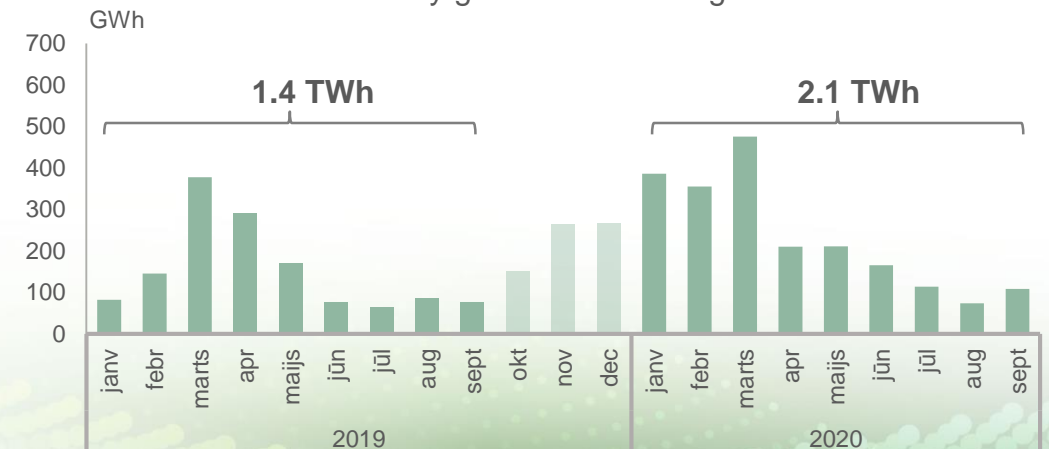
- Electricity prices were influenced by:
  - improvement of the Nordic hydrobalance
  - lower demand due to warmer weather and COVID-19
- The average natural gas price (Front Month) decreased by 46%, reaching 8.0 EUR/MWh at GASPOOL trading zone and 7.8 EUR/MWh at the TTF trading zone

## 54% higher electricity output at Daugava HPPs

Nord Pool electricity price

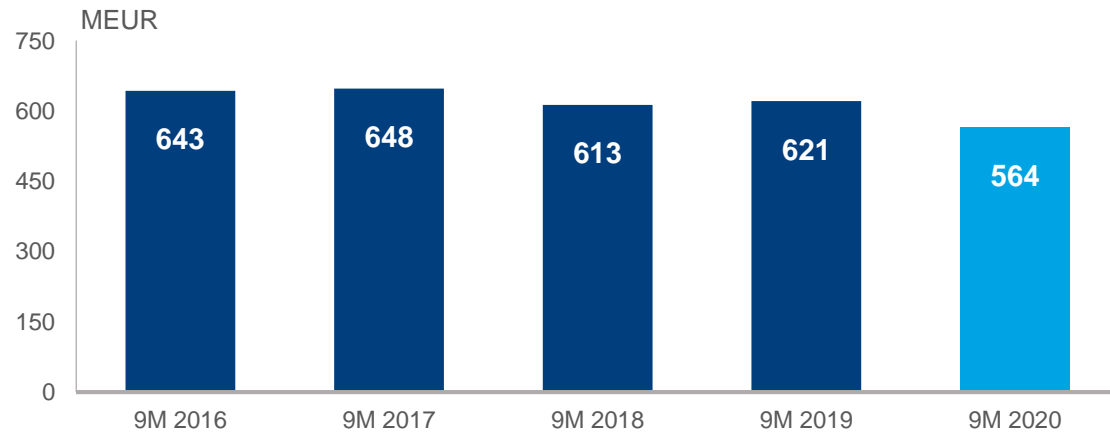


Electricity generation at Daugava HPPs

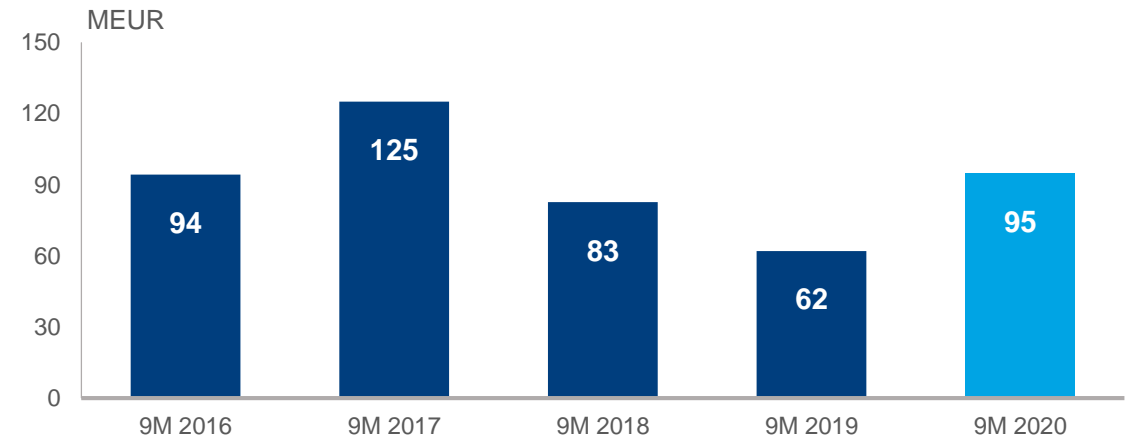


# Key financial figures

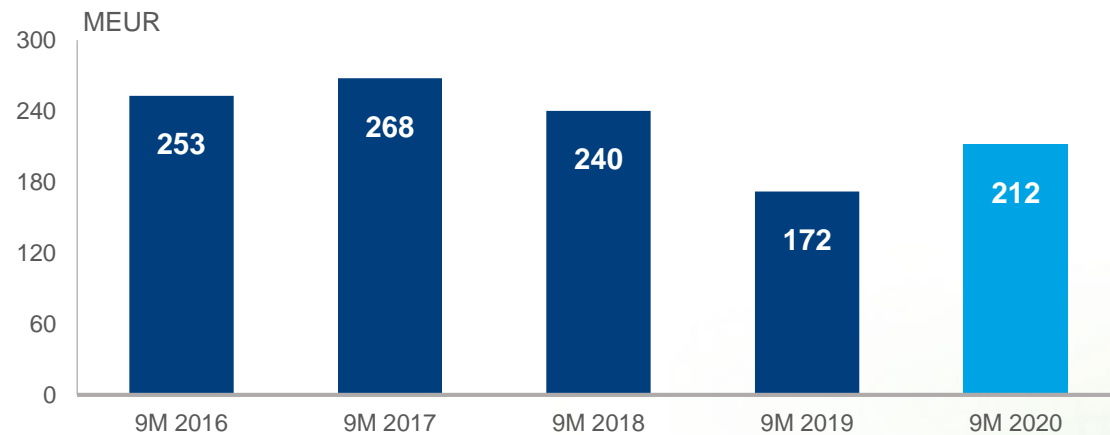
## Revenue\*



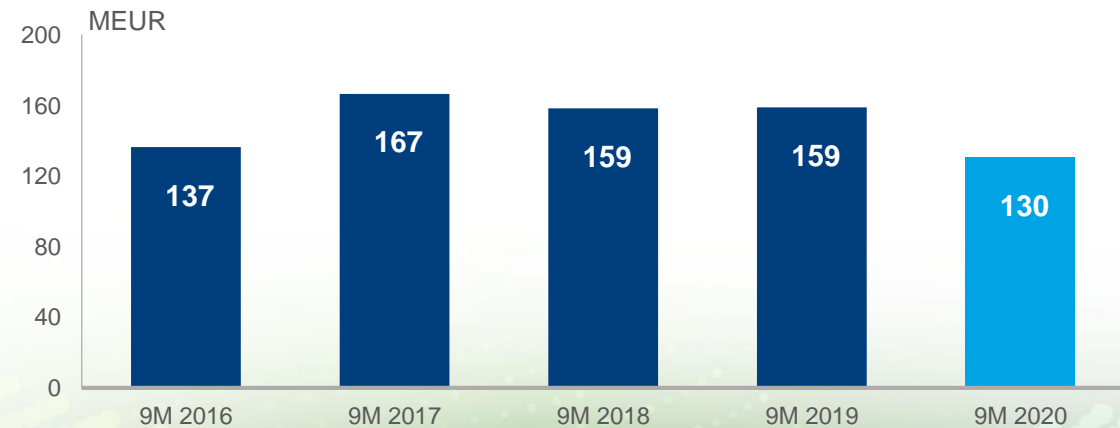
## Net profit



## EBITDA\*

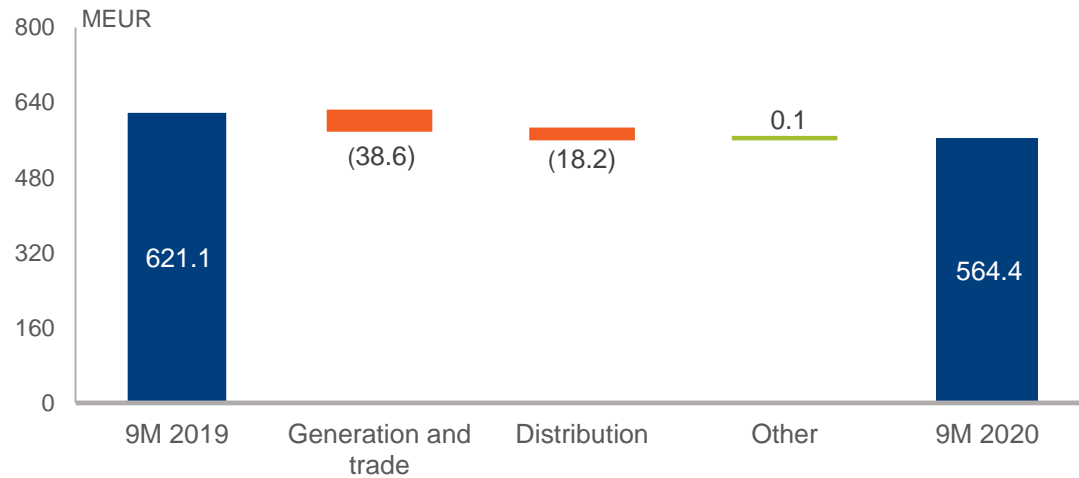


## Investments

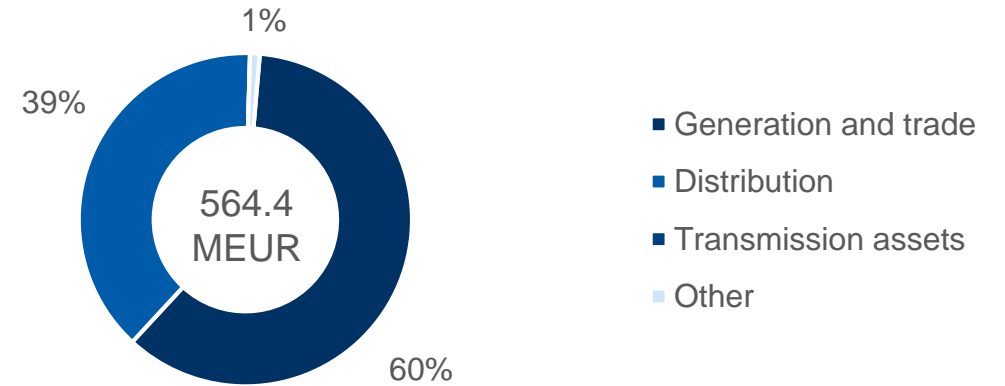


# Latvenergo Group's EBITDA increased by 23%

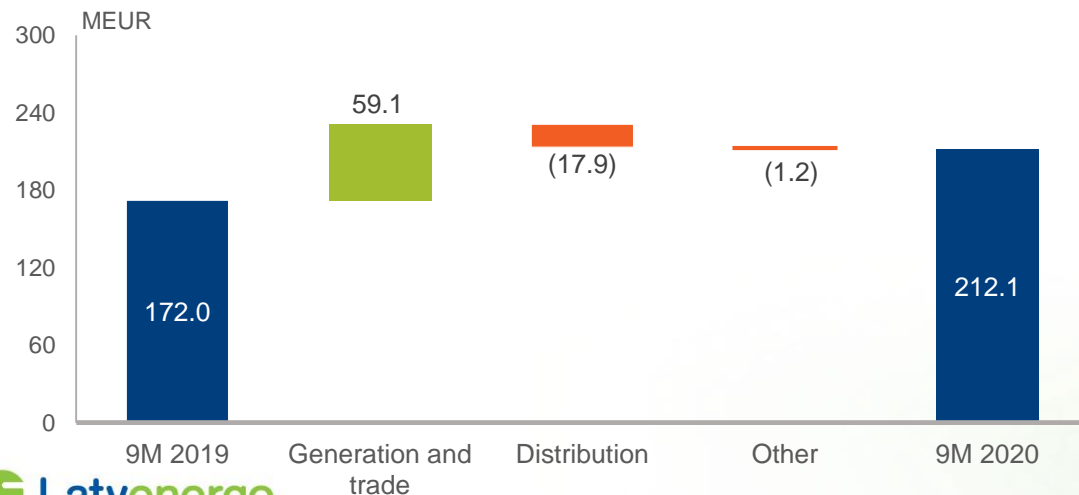
## Revenue dynamics by segments



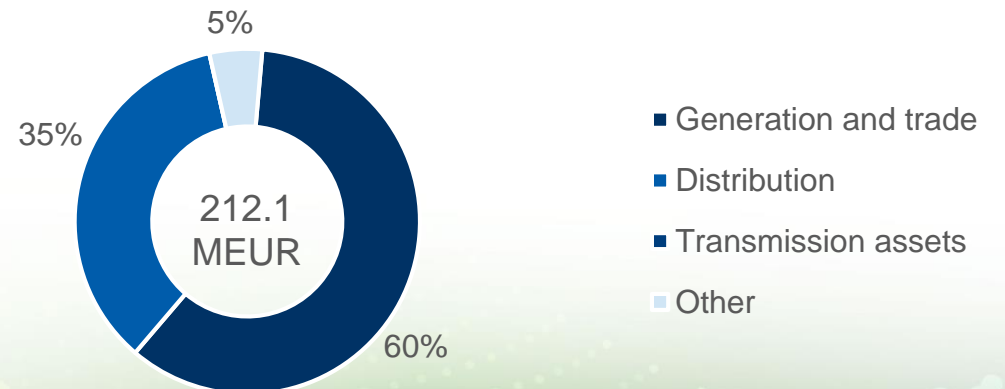
## Revenue weight by segments



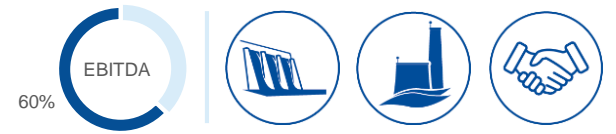
## EBITDA dynamics by segments



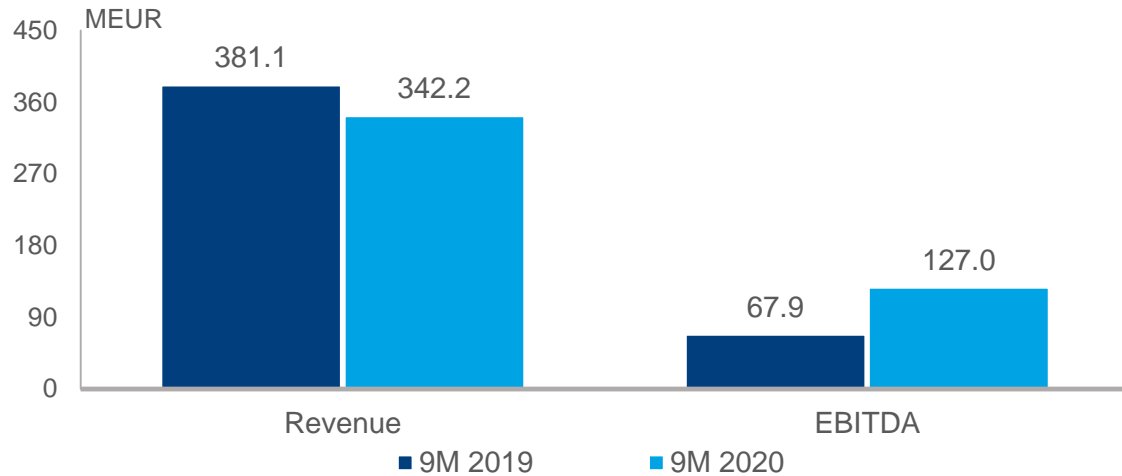
## EBITDA weight by segments



# Generation and trade



## Segment revenue and EBITDA



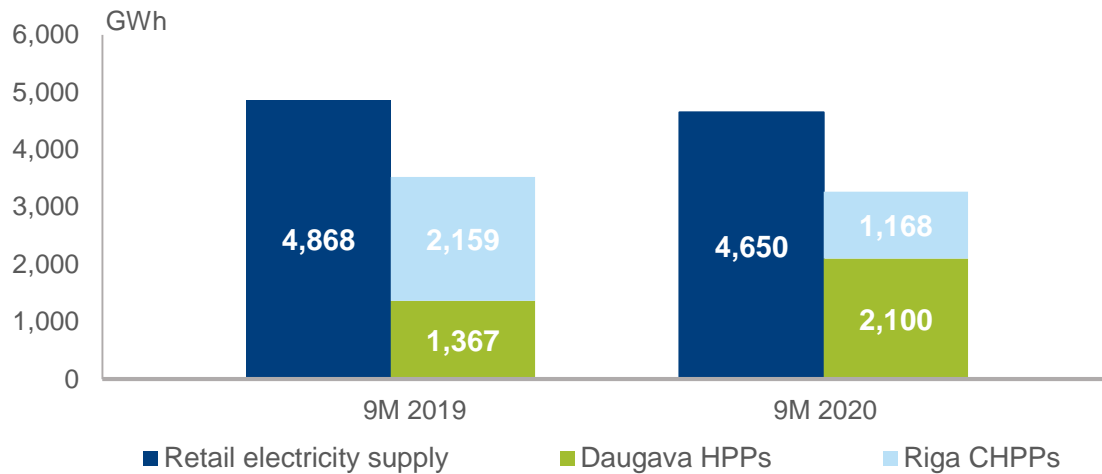
## Main facts – 9M 2020

- The segment's revenue was negatively impacted by:
  - Lower electricity market prices and 3.3% lower electricity consumption in the Baltics due to warmer weather and COVID-19
  - 9% lower heat output due to warmer weather
- The segment's EBITDA was positively impacted by:
  - 54% higher electricity output at the Daugava HPPs
  - lower electricity purchase prices
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia.
- The average PSO since 01.07.2018 is 2.268 euro cents/kWh

# Energy generation



3,298 GWh of electricity generated



## Main facts – 9M 2020

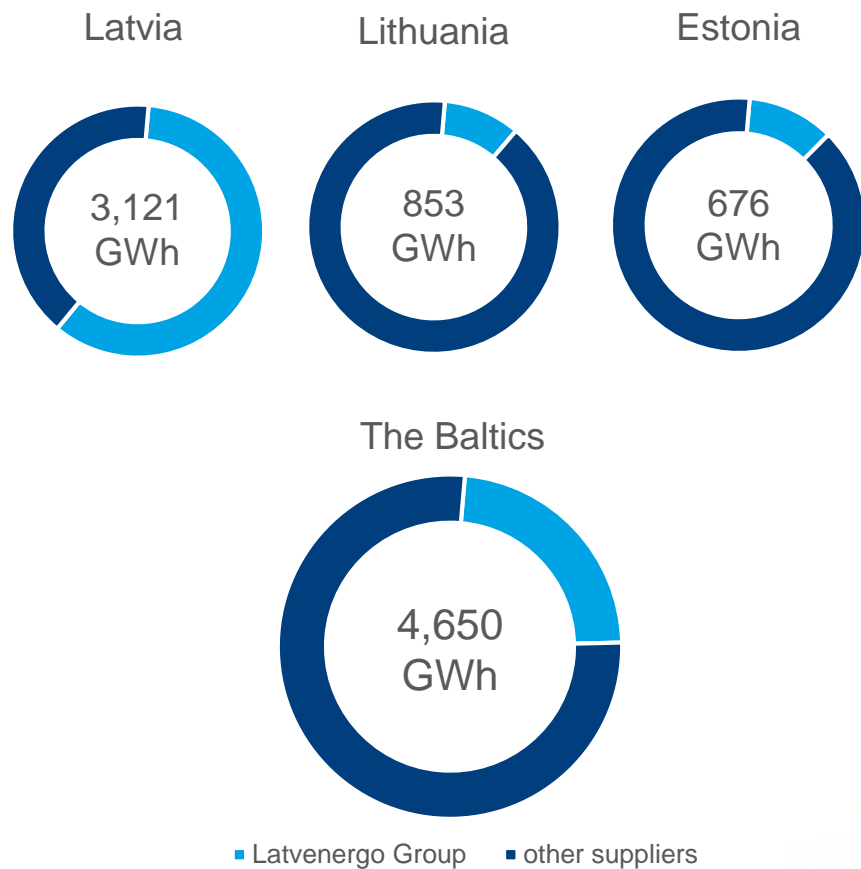
- Power generation at the Daugavas HPPs was 54% higher due to atypically low water inflow in 2019
- Total amount of electricity generated at Latvenergo power plants corresponds to 71% of the amount of electricity sold to retail customers (9M 2019: 73%)
- Power generation at the Latvenergo AS CHPPs decreased by 46%, adjusting their operation to the conditions of the electricity market and heat demand
- The amount of thermal energy generated decreased by 9% due to warmer weather conditions, reaching 1,101 GWh





# Trade of electricity and natural gas

## Retail electricity supply\*



\* including operational consumption

## Main facts – 9M 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.

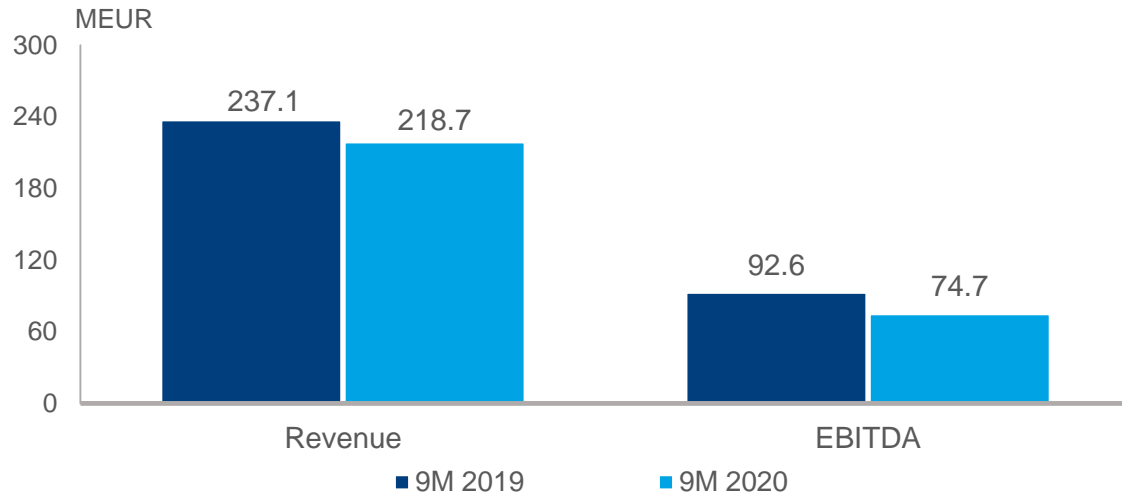


4,500 charges were made at the *Elektrum* electric vehicle charging stations, comprising 122 MWh.





## Segment revenue and EBITDA



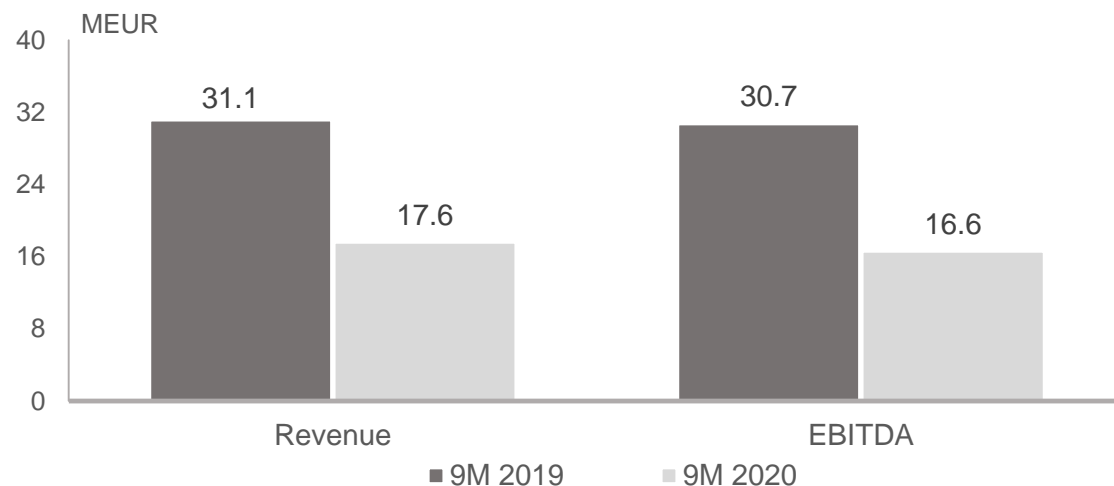
## Main facts – 9M 2020

- 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 (30.09.2020: ~600)
  - Smart electricity meters installed in the company reached more than 830 thousand, which is approximately 74% of the total electricity meters
- Electricity distributed: 4,624 GWh (9M 2019: 4,838 GWh)
- Results of the segment were impacted by:
  - 4% lower amount of distributed electricity due to warmer weather conditions and COVID-19
  - reduction of the average electricity distribution service tariff
- Investments in distribution assets: 62.0 MEUR (9M 2019: 69.6 MEUR)
- The value of distribution assets increased to 1,680.2 MEUR (30.09.2019: 1,673.6 MEUR)



# Transmission system asset leasing

## Segment revenue and EBITDA

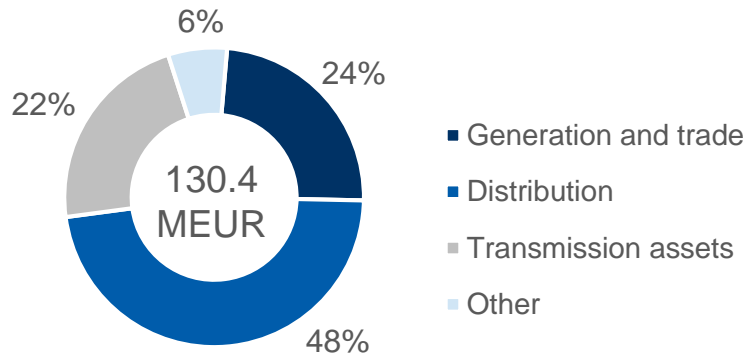


## Main facts – 9M 2020

- As of 10 June 2020, transmission system assets (694.3 MEUR) were separated from the Latvenergo Group:
  - All the shares of LET (222.7 MEUR) were transferred to the Ministry of Economics.
  - All LET liabilities were also transferred, incl. loans of 225 MEUR.
  - On 9 July 2020, it was decided to increase the share capital of Latvenergo AS by EUR 178.1 million by investing retained earnings from previous years.
  - The operations of the transmission segment are reported as discontinuing operations.
- Investments in transmission system assets: 28.9 MEUR (9M 2019: 61.1 MEUR)
- Segment's revenue was calculated in accordance with the methodology approved by the Public Utilities Commission

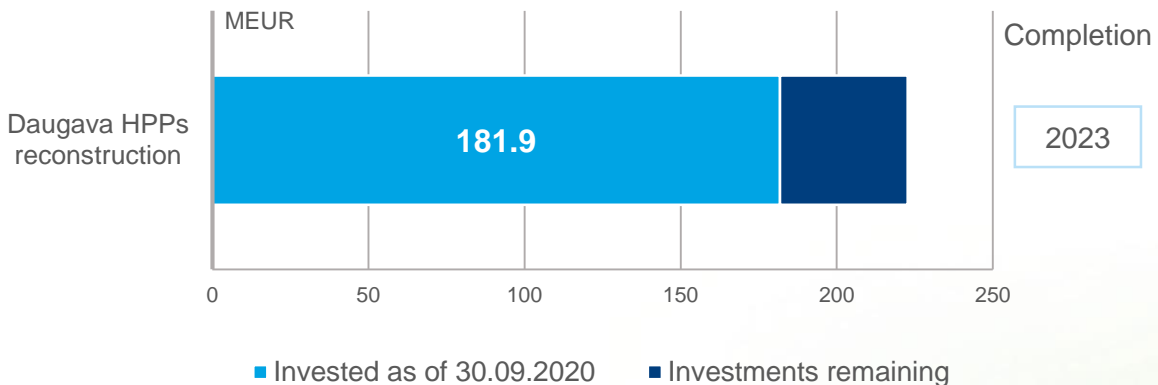
# Investments

## Investment in network assets – 70% of the total



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

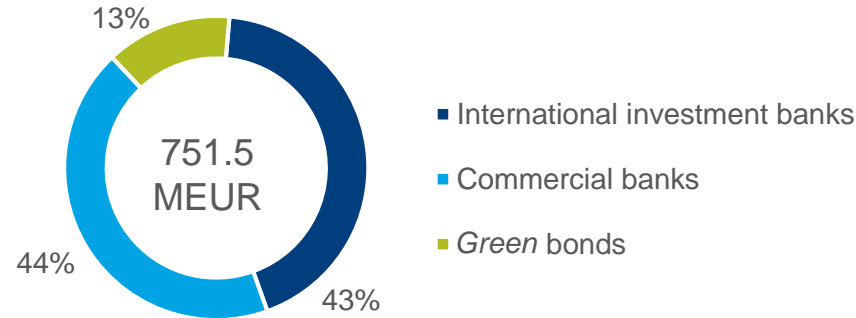
## Major investment project



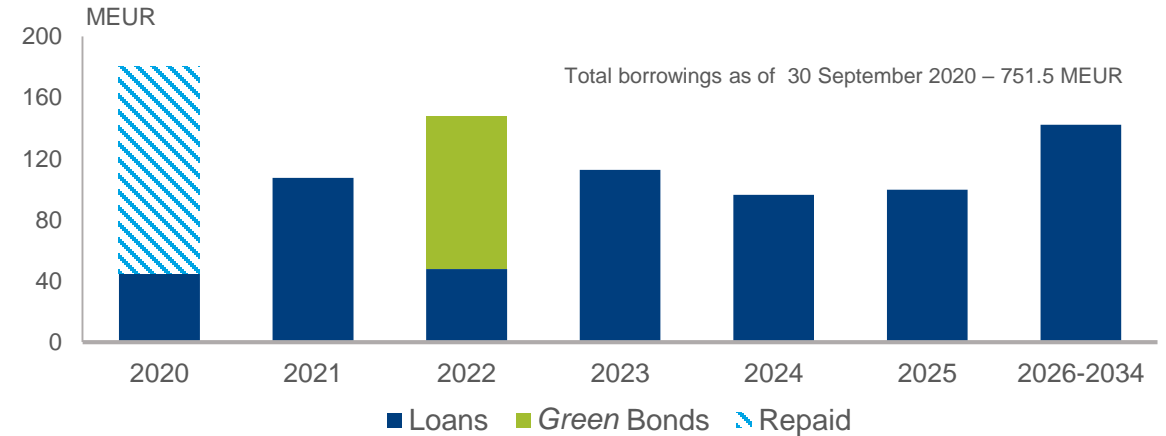
The reconstruction will provide for further 40-year operation of hydropower units

# Funding and Liquidity

## Diversified sources of funding



## Debt repayment schedule



## Main facts – 9M 2020

- On 7 August 2020, Moody's renewed Latvenergo AS credit analysis and maintained the credit rating at investment grade at Baa2: (stable)
- Latvenergo AS will issue *green* bonds up to 200 MEUR
- At the end of the reporting period, the outstanding amount of *green* bonds reached 100 MEUR

## Main figures

	30.09.2020
Share of fixed interest rate*	39%
Duration	1.6 years
Effective weighted average interest rate*	1.4%

\* with interest rate swaps

## Contact Information

 Latvenergo AS  
Pulkveža Brieža Street 12, Riga, LV-1230

 [www.latvenergo.lv](http://www.latvenergo.lv)

 [info@latvenergo.lv](mailto:info@latvenergo.lv)

 Phone: +37167728222

 Fax: +37167728880

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# Abbreviations

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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

LET – Latvijas elektriskie tīkli AS

MEUR – Million euros

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

PSO fee – Public service obligation fee

CHPPs – Latvenergo AS 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	
	01/01- 30/09/2020	01/01- 30/09/2019
Revenue	564,359	621,090
Other income	21,382	21,887
Raw materials and consumables used	(254,739)	(361,654)
Personnel expenses	(82,014)	(76,401)
Other operating expenses	(36,906)	(32,873)
<b>EBITDA</b>	<b>212,082</b>	<b>172,049</b>
Depreciation, amortisation and impairment of intangible assets, and property, plant and equipment and right-of-use assets	(79 206)	(119,103)
<b>Operating profit</b>	<b>92,979</b>	<b>64,461</b>
Finance income	1,453	885
Finance costs	(8,330)	(7,042)
<b>Profit before tax</b>	<b>86,102</b>	<b>58,304</b>
Income tax	(1,280)	(4,917)
<b>Profit for the period from continuing operations</b>	<b>84,822</b>	<b>53,387</b>
Profit for the period from discontinued operation	9,843	8,643
<b>Profit for the period</b>	<b>94,665</b>	<b>62,030</b>
<b>Profit attributable to:</b>		
- <i>Equity holder of the Parent Company</i>	93,416	60,626
- <i>Non-controlling interests</i>	1,249	1,404

\* The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 9-Month Period Ending 30 September 2020 are prepared in accordance with the IFRS as adopted by the European Union

# Consolidated Statement of Financial Position\*

	EUR'000	
	30/09/2020	31/12/2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment	2,789,772	2,775,532
Right-of-use assets	7,354	5,522
Investment property	281	301
Non-current financial investments	40	39
Non-current loans to related parties	86,620	–
Other non-current receivables	433	433
Other financial investments	2,697	16,885
<b>Total non-current assets</b>	<b>2,887,197</b>	<b>2,798,712</b>
<b>Current assets</b>		
Inventories	88,212	104,927
Receivables from contracts with customers	93,670	111,530
Other current receivables	89,513	77,085
Deferred expenses	1,741	3,015
Prepayment for income tax	140	140
Derivative financial instruments	10,192	6,717
Other non-current receivables	14,151	–
Cash and cash equivalents	80,605	122,422
<b>Current assets excluding assets held for distribution</b>	<b>378,224</b>	<b>425,836</b>
Assets held for distribution	–	640,393
<b>Total current assets</b>	<b>378,224</b>	<b>1,066,229</b>
<b>TOTAL ASSETS</b>	<b>3,265,421</b>	<b>3,864,941</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	790,348	834,883
Reserves	1,072,245	1,075,235
Retained earnings	142,623	318,555
Reserves of disposal group classified as held for distribution	–	28,936
<b>Equity attributable to equity holder of the Parent Company</b>	<b>2,005,216</b>	<b>2,257,609</b>
Non-controlling interests	7,308	7,878
<b>Total equity</b>	<b>2,012,524</b>	<b>2,265,487</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	662,380	702,129
Lease liabilities	6,180	4,349
Deferred income tax liabilities	1,408	8,327
Provisions	19,471	18,491
Derivative financial instruments	8,128	6,149
Deferred income from contracts with customers	140,382	143,330
Other deferred income	176,156	194,033
<b>Total non-current liabilities</b>	<b>1,014,105</b>	<b>1,076,808</b>
<b>Current liabilities</b>		
Borrowings	89,108	180,542
Lease liabilities	1,265	1,216
Trade and other payables	107,032	115,708
Deferred income from contracts with customers	14,120	13,764
Other deferred income	25,506	24,857
Derivative financial instruments	1,761	6,983
<b>Current liabilities excluding liabilities held for distribution</b>	<b>238,792</b>	<b>343,070</b>
Liabilities directly associated with the assets held for distribution	–	179,576
<b>Total current liabilities</b>	<b>238,792</b>	<b>522,646</b>
<b>Total liabilities</b>	<b>1,252,897</b>	<b>1,599,454</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,265,421</b>	<b>3,864,941</b>

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# Consolidated Statement of Cash Flows\*

	EUR'000	
	01/01- 30/09/2020	01/01- 30/09/2019
<b>Cash flows from operating activities</b>		
Profit before tax	86,102	58,304
Profit before tax from discontinued operations	9,945	10,429
<b>Profit before tax, total</b>	<b>96,047</b>	<b>68,733</b>
<b>Adjustments:</b>		
– 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
– Net financial adjustments	3,738	4,052
– Other adjustments	219	(1,410)
– Gain from distribution of assets / non-current financial investment of Parent Company	(5,001)	–
<b>Operating profit before working capital adjustments</b>	<b>240,173</b>	<b>218,250</b>
(Increase)/ decrease current assets	(5,760)	11,767
Increase decrease in trade and other liabilities	2,887	19,942
<b>Cash generated from operating activities</b>	<b>237,300</b>	<b>249,959</b>
Interest paid	(8,935)	(7,419)
Interest received	1,579	944
Paid corporate income tax	(10,744)	(458)
<b>Net cash flows from operating activities</b>	<b>219,200</b>	<b>243,026</b>
<b>Cash flows from investing activities</b>		
Repayment of loans to related parties	138,560	–
Purchase of intangible assets and property, plant and equipment	(140,118)	(177,344)
Proceeds from redemption of other financial investments	37	37
<b>Net cash flows generated from / (used in) investing activities</b>	<b>(1,521)</b>	<b>(177,307)</b>
<b>Cash flows from financing activities</b>		
Repayment of issued debt securities (bonds)	(35,000)	–
Proceeds on borrowings from financial institutions	4,500	80,416
Repayment of borrowings	(100,604)	(55,667)
Received financing from European Union	893	252
Lease payments	(695)	(656)
Dividends paid to non-controlling interests	(1,819)	(2,279)
Dividends paid to equity holder of the Parent Company	(127,071)	(132,936)
<b>Net cash flows used in financing activities</b>	<b>(259,796)</b>	<b>(110,870)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(42,117)</b>	<b>(45,151)</b>
Cash and cash equivalents at the beginning of the period	122,722	129,455
<b>Cash and cash equivalents at the end of the period</b>	<b>80,605</b>	<b>84,304</b>

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