MOODY'S
INVESTORS SERVICE

CREDIT OPINION
7 August 2020

Update

Rate this Research

RATINGS

Latvenergo AS

Domicile	Riga, Latvia
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Mark Remshardt +49.69.70730.808
VP-Senior Analyst
mark.remshardt@moodys.com

Nathaniel McNary +33.1.5330.1039
Associate Analyst
nathaniel.mcnary@moodys.com

Paul Marty +44.20.7772.1036
Senior Vice President/Manager
paul.marty@moodys.com

Latvenergo AS

Update to credit analysis

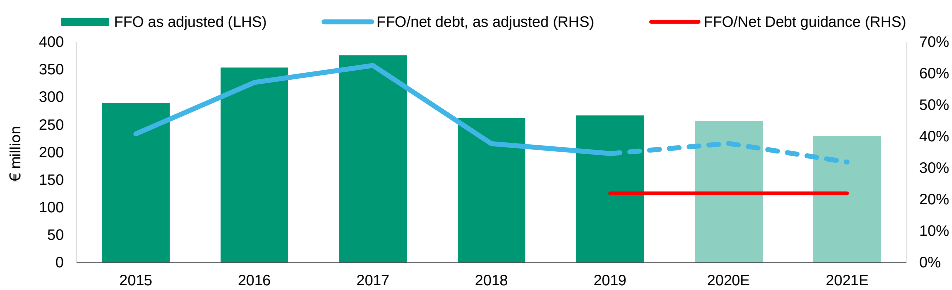
Summary

Latvenergo AS' (Latvenergo) credit profile is underpinned by the group's leading position as an integrated utility in its home market; its fairly low-cost and environmentally clean hydro generation asset base; the strong contribution of regulated distribution activities to its earnings; and its solid financial profile.

However, Latvenergo's credit strength is constrained by its small size; the group's substantial short generation position versus its supply requirements; the volatile hydro generation and variable profitability of its gas-fuelled heat and power plants, given their exposure to commodity prices; and the evolving nature of the electricity markets in which Latvenergo operates.

Latvenergo's Baa2 rating incorporates two notches of uplift for the potential extraordinary support from its 100% owner, the Government of Latvia (A3 stable), in case of financial distress. At the same time, the company remains exposed to political interference.

Exhibit 1
Latvenergo's leverage metrics will benefit from cash proceeds and lower investment spending, both related to the unbundling of its transmission assets



Sources: Company and Moody's Investors Service

Credit strengths

- » Dominant position in Latvia and status as the leading electricity supplier in the Baltics
- » Stable cash flow from regulated distribution grid activities, underpinned by a new regulatory framework modeled on Western peers
- » Solid financial profile
- » Government support, which provides two notches of rating uplift

Credit challenges

- » Relatively small size and short position in generation, which render the company vulnerable to changes in the regional electricity markets
- » Cash flow generation exposed to variable hydrology and commodity prices
- » Declining market share in the business customer supply segment in Latvia, mitigated by a large and stable market share in the household segment

Rating outlook

The outlook on Latvenergo's rating is stable. This reflects our expectation that, in the context of the risks and opportunities characterising the evolving Latvian market, and following the transmission assets unbundling, the company should nonetheless be able to maintain a financial profile in line with the current rating guidance of funds from operations (FFO)/net debt in the low-20s in percentage terms on a sustained basis.

Factors that could lead to an upgrade

Upward pressure on Latvenergo's rating is unlikely to materialise in the near term but could develop in the medium to long term through a combination of the following:

- » increased visibility into the effect of the ongoing market integration of Latvia with its neighbours and the Nordic countries on the company's business position and financial performance
- » the maintenance of good liquidity and a financial profile comfortably and sustainably in excess of the current guidance

Upward rating pressure could also develop if the credit quality of the Latvian government were to materially strengthen.

Factors that could lead to a downgrade

Latvenergo's rating could come under downward pressure if the company is not able to maintain a financial profile commensurate with the current guidance, that is, if its FFO/net debt were to decline below the low-20s in percentage terms on a sustained basis; the company's liquidity profile were to deteriorate; there were material adverse changes in the regulatory or legal frameworks in Latvia; or the credit quality of the Latvian government or the support assumptions currently incorporated into our assessment were to weaken.

Key indicators

Exhibit 2

Latvenergo's credit metrics will likely remain robust, supported by improved hydrology and positive effects on its cash flow from the transfer of its transmission grid assets

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	LTM Mar-20	12-18 month forward view
(CFO Pre-W/C + Interest) / Interest	16.1x	24.1x	30.5x	28.6x	28.4x	29.4x	19x - 24x
FFO / Debt	35.9%	44.1%	45.0%	32.0%	30.1%	32.9%	27% - 32%
FFO / Net Debt	40.9%	57.2%	62.6%	37.7%	34.6%	40.6%	31% - 36%
RCF / Net Debt	36.3%	44.5%	47.3%	14.9%	17.1%	21.7%	17% - 22%
FCF / Net Debt	3.5%	12.4%	2.2%	-13.6%	-9.8%	-12.0%	-8% - +4%

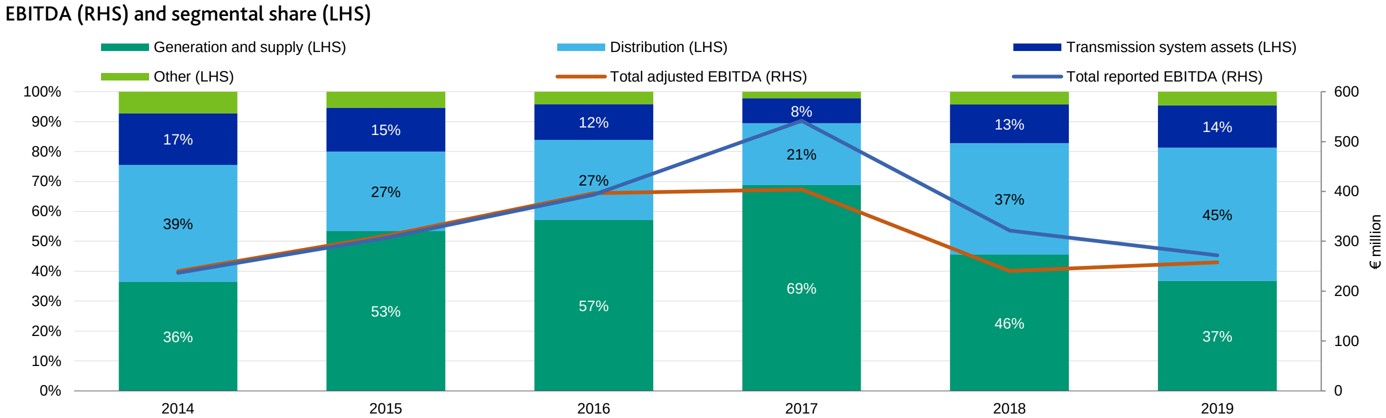
Ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. For definitions of Moody's most common ratio terms, please see the accompanying User's Guide.
Source: Moody's Financial Metrics™

Profile

Latvenergo AS (Latvenergo) is the dominant vertically integrated utility in Latvia, with a total installed capacity of around 2.6 gigawatts (GW), representing around 90% of the total Latvian electricity generation capacity. Latvenergo's main power plants comprise three hydropower plants (HPPs, 1.6 GW) on River Daugava, and two gas-fuelled combined heat and power plants (CHPPs, 1.0 GW) in Riga. The group also owns and operates the Latvian electricity distribution network. Until June 2020, Latvenergo also owned the Latvian electricity transmission grid assets, which were then transferred to Augstprieguma tīkls AS (AST) as the state-owned transmission system operator (TSO). Latvenergo is 100% owned by the Latvian government.

Exhibit 3

Latvenergo's earnings are driven by the volatile contribution from its generation business
EBITDA (RHS) and segmental share (LHS)



Adjusted EBITDA excludes accrued income of €140 million in 2017, €81 million in 2018 and €24 million in 2019 pursuant to capacity payment restructuring in 2017.
Sources: Company and Moody's Investors Service

Detailed credit considerations

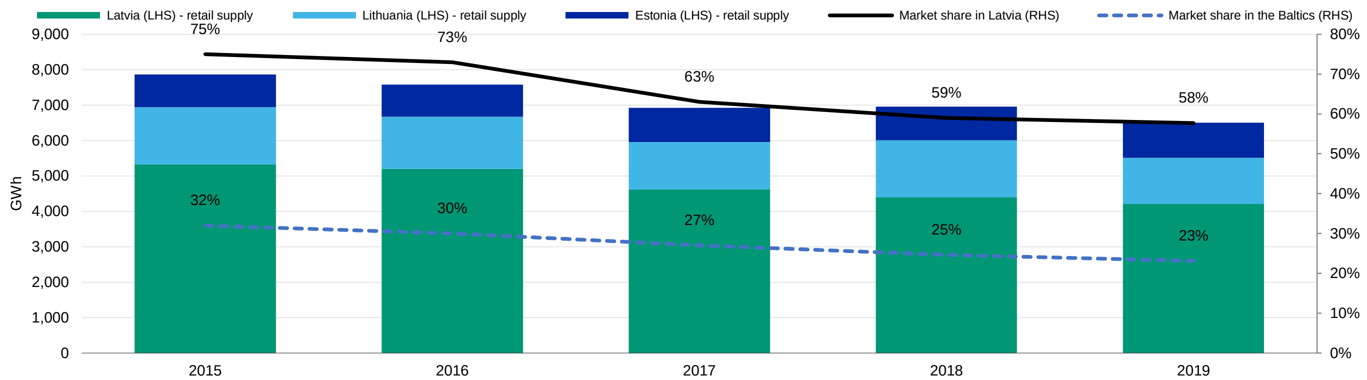
Leading supplier in Latvia and the Baltics, but its relatively small size renders the company vulnerable to changes in the broader regional electricity markets

Latvenergo is the dominant utility in Latvia and one of the leading electricity end-suppliers across the three Baltic countries, with aggregate sales of around 6.5 terawatt hours (TWh) and an overall market share of around 23% in 2019. Despite its strong position in the domestic market, Latvenergo's scale remains relatively small in the pan-European context, which leaves the company exposed to changes in the wider regional electricity markets.

The group's domestic market share and volumes sold have steadily decreased since 2015, when electricity supply to households in Latvia was liberalised. However, the decline is mitigated by Latvenergo's relatively stable market shares in Estonia and Lithuania of around 12% and a retention level of above 90% in the less volatile Latvian household segment.

Exhibit 4

Latvenergo's declining sales in Latvia have been partially offset by the volumes sold in Estonia and Lithuania
Retail sales and retail market shares in Latvia and the Baltics



Sources: Company and Moody's Investors Service

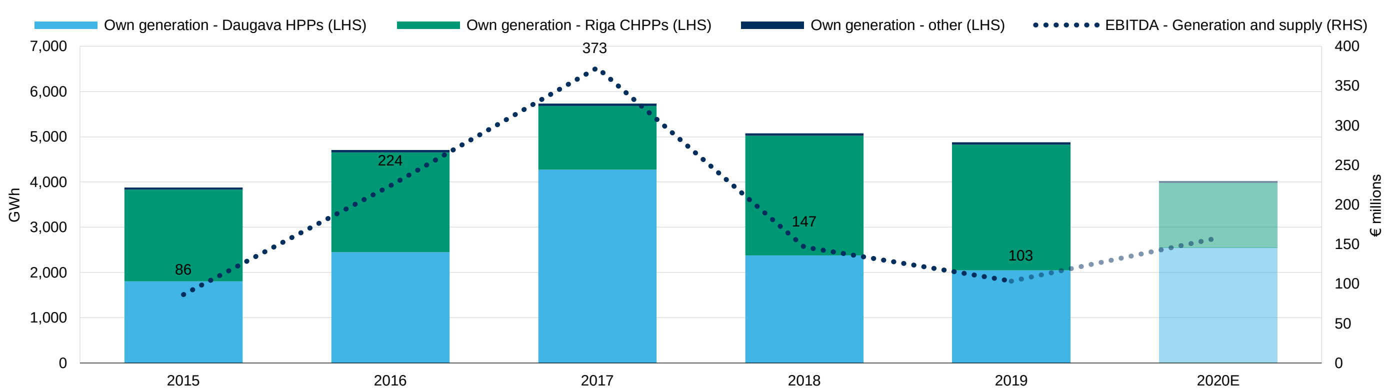
Latvenergo partly meets its end-supply obligations with generation from its own HPPs and CHPPs, whose total output varies considerably, with levels ranging from 3.9 TWh to 5.7 TWh between 2015 and 2019 (see Exhibit 5), because of the high reliance on hydropower and the variable utilisation of CHPPs with high seasonal correlation.

Hydro plant output is highly variable and results in significant volatility in earnings

The annual production of Latvenergo's HPPs ranges between 1.8 TWh and 4.3 TWh, depending on the hydrological conditions. During the spring flood period, which typically lasts two to three months, the generation output exceeds the domestic demand, thus supporting electricity exports. The variable nature of the hydro generation output, given its low fixed-cost nature, exposes Latvenergo to significant volatility in earnings. In Q1 2020, HPP output doubled to 1.2 TWh compared with the year-earlier period, which suggests a higher output in 2020 compared with the 2.0 TWh achieved in 2019. The positive volume effect on earnings will be dampened by the steep decrease in day-ahead power prices in the Latvian price bidding area. These prices fell by 38% over January-July 2020 from the year-earlier period, driven by a combination of strong hydrology in the Nordics and subdued demand mostly caused by the coronavirus outbreak. We do not expect a meaningful recovery of prices, if any, until the end of this year. For 2021, there is low transparency on price developments in the Nordics and the Baltics, given the dependence on unpredictable seasonal hydrology and uncertainty around the timing and scope of economic recovery from the coronavirus outbreak (see below).

Exhibit 5

Latvenergo's cash flow is exposed to variable hydro production, which is partly balanced by CHPPs
Generation output versus earnings from generation and supply



Sources: Company and Moody's Investors Service

Combination of lower power output and prices will reduce the CHPPs' earnings contribution in 2020, partly offset by capacity payments and heating income

Latvenergo's CHPPs run mainly in the cogeneration mode during the heating season from October through March. In 2019, the Riga CHPPs, with an installed thermal capacity of 1.6 GW, provided some 50% of the heat supplied to the district heating system of the city, generating regulated income.

In addition, Latvenergo receives annual capacity payments, which amount to €25 million for 2018-20 and €21 million for 2021-28, and offset the plants' fixed costs. The amounts were substantially reduced as a result of the restructuring of the capacity scheme in August 2017 (for details, see Latvenergo AS - Capacity payment restructuring mitigated by significant financial flexibility, 7 September 2017, and Latvenergo AS - Update to credit analysis, 19 March 2019).

The CHPPs' earnings are exposed to seasonal weather conditions, as well as volatile gas and elevated carbon prices. The mild winter in 2019-20 led to a drop in heat sales in Q1 2020 by 21% and to 58% lower electricity generation, compared with the same period last year. Given the expected lower electricity prices in 2020, the trading of carbon prices at 2019 levels after a brief slump in April and May, and the high output of HPPs, we expect CHPP generation to decrease significantly in 2020 from the 2019 output of around 2.8 TWh. These factors will reduce CHPP generation earnings in 2020, mitigated by lower fuel costs for gas; the capacity support covering fixed operating costs; the technical flexibility of the plants that allow load adaptation to market conditions on short notice; and the regulated nature of the district heating income.

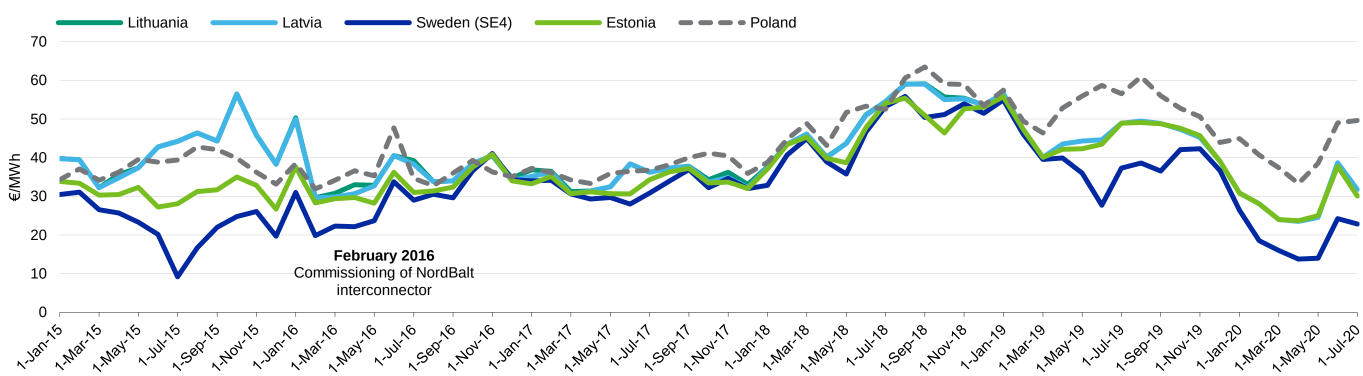
Latvenergo's short position in generation exposes its supply business to price volatility

Latvenergo covers its supply shortfall with imports from the NordPool (NP) electricity exchange where the company also sells any excess output from its HPPs during the spring flood period. Given the volatile own generation in combination with fixed-price tariff offers, and the increased interconnection capacities since 2015 between the Baltic and the much larger Nordic countries (and Poland), Latvenergo is exposed to Nordic power generation volatility, reflected in converging power prices that are significantly driven by Nordic hydrology. Baltic power prices tend to be positioned between the lower Nordic and the higher Polish prices in the day-ahead market. The ensuing risk of price volatility is mitigated by a positive correlation between rising electricity prices (often influenced by a low hydro output) and higher CHPP production; the use of derivative financial instruments; and the complementary hydrology seasons in Latvia and Southern Sweden, the last factor defining the lower end of the NP price range.

Exhibit 6

Prices in the Baltics and NP reflect close links, with Southern Sweden's hydro capacity acting as a price floor

Day-ahead electricity prices expressed in €/MWh



Note: Lithuanian and Latvian prices are nearly identical for most of the time, therefore the Lithuanian graph is barely visible.
Sources: NordPool, Polish Power Exchange and Moody's Investors Service

Coronavirus pandemic will reduce Latvenergo's retail earnings in 2020, wholesale earnings in 2021 could benefit from economic recovery

In 2020, we expect Latvia's gross domestic product to contract by 7.3% year on year as a result of the coronavirus pandemic, which will also be reflected in lower electricity consumption. In H1 2020, power demand dropped by 4% year on year. Lower demand will serve to reduce the short position, thus requiring lower wholesale procurement and, therefore, increase the relative share of low-cost hydro generation that underpins retail supply. As a result, we expect retail margins to improve, while retail earnings should evolve broadly in line with demand volume, which is the decisive driver.

At this time we expect real GDP in Latvia to grow at 4.7% in 2021 which matches our forecast for the European Union (Aaa stable) and is somewhat higher than our outlook for Estonia (A1 stable) at 3.2% and Lithuania (A3 positive) at 4.0%, which are key markets for Latvenergo. If such growth occurred, we expect a slight rise in power consumption, but demand effect on electricity prices is unclear, given the strong influence of unpredictable hydrology levels in the Nordics and Baltics. Given current Nordic forward prices of around €22-24/MWh, combined with our assumption of some volume growth in 2021, we expect Latvenergo's wholesale earnings to increase moderately next year.

Unbundling of transmission assets reduces earnings from regulated activities, but will lead to lower net leverage

On 8 October 2019, the Latvian government decided to support the introduction of a full electricity transmission ownership unbundling model in Latvia by 1 July 2020 (for details of the transaction structure, see Latvenergo - Update following rating affirmation at Baa2 with a stable outlook, 25 October 2019).

The transaction, which included a transfer of the shares of Latvenergo's grid-owning subsidiary Latvijas elektriskie tīkli AS (LET) to AST as an integrated TSO, was completed on 10 June 2020. AST also assumed debt of €225 million owed by LET to Latvenergo under intercompany loans that finance transmission grid investments. The loans are to be repaid to Latvenergo in three installments, of which €139 million were paid in June, while the rest are due in equal installments in 2022 and 2023. The amount of repayment matches the volume of Latvenergo's outstanding debt for the transmission segment at the parent company level, but the latter follows a long-term maturity schedule with due dates after 2023.

LET was the group's smallest business segment in terms of revenue and EBITDA (4% and 14%, respectively, in 2019), but accounted for a substantial share of capital spending (see below). While the transfer of this regulated and predictable business segment weakens the group's business risk profile, we view the reduction of net debt levels with the repayment proceeds, as well as the lower investment spending, as offsetting factors.

Regulated distribution network activities enhance cash flow predictability, underpinned by a more transparent new framework

Latvenergo also owns and operates the country's electricity distribution network through its 100% subsidiary Sadales tīkls AS (ST), which is regulated by the Public Utilities Commission (PUC). The segment was the group's largest EBITDA contributor in 2019, generating €125 million or 45% of the total EBITDA.

Since the beginning of 2020, ST operates under a new regulatory framework, which is based on a revenue cap approach with an efficiency factor, a regulatory account mechanism and a five-year regulatory period. The regulatory asset base (RAB) and the weighted average cost of capital (WACC) were reset by the PUC to around €1.5 billion (+35%) and 3.3% (pretax, real, or 4.6% nominal, from 5% post-tax nominal). Overall, we expect ST's returns on RAB to remain stable, given that the WACC rate will remain constant throughout the regulatory period and a planned revaluation of the RAB later this year should not lead to a material change in value. We view the introduction of the regulatory framework as positive, given the higher transparency of methodological details and the stability of return parameters over the medium term.

For 2020, we expect earnings of the segment to decline materially from that a year earlier on account of the coronavirus-driven lower distributed volumes, and an average 5.5% tariff decrease effective from 1 January 2020. Notably, the revenue reduction resulting from the lower tariff is to be compensated over time by an efficiency programme that aims to achieve €26 million in cost savings at ST by 2022, as well as by higher distributed volumes. The efficiency program, which mostly consists of controllable staff and overhead cost reductions, seems to be on track, judging by the achieved reduction in headcount (75% of target as of the end of March 2020) and the rollout of smart meters. Regarding distributed volumes, PUC's tariff calculation, which was done before the coronavirus outbreak, assumes an annual increase in volumes, but ST's exposure to volume risk is limited by in-period adjustments for revenue deviations of up to 3%, whereas larger differences would be booked to the regulatory account and considered in the next regulatory period.

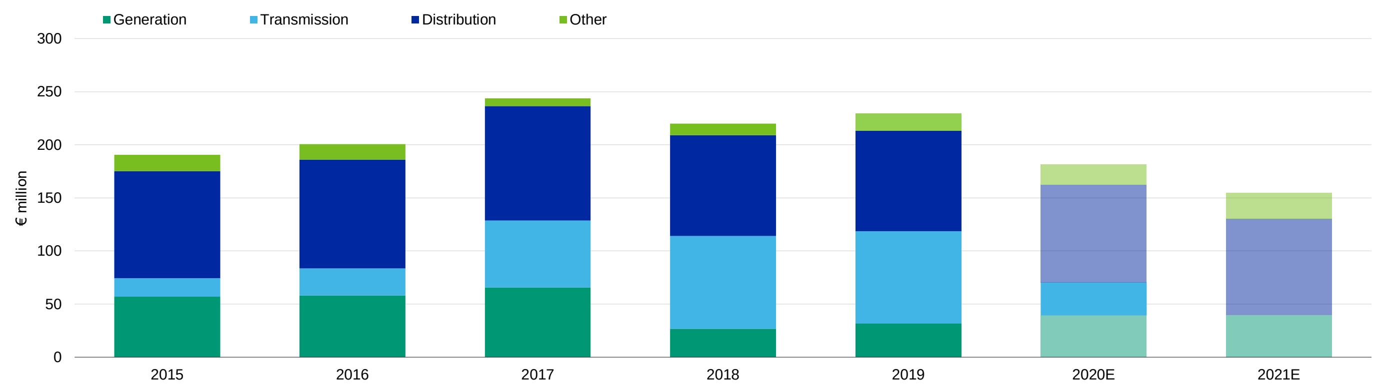
Lower capital spending programme after the unbundling of the transmission business is cash flow positive

Following the disposal of the transmission business in June, Latvenergo's investment volume for 2020-22 should reach an average annual amount of around €150 million (excluding transmission spending in 2020 until the unbundling).

The main area of investments is the distribution segment, which will be focused on the modernisation of grid assets (around 40% of investments in 2019), including connections of new customers. We assume annual expenditure in the range of €80 million-€90 million. Most generation-related capital spending is dedicated to the upgrade of Latvenergo's hydro plants (total project spending of some €200 million, of which nearly €180 million have been spent as of the end of March 2020) and should allow for a further 40 years of operations of the HPPs upon their full completion in 2023.

Exhibit 7

Latvenergo's capital investments are bound to decline considerably after the transmission business unbundling



Source: Company

Latvenergo's financial profile will remain solid, but is exposed to the volatility in generation earnings

Following good hydrology levels in this year's spring season, but also taking into account lower earnings because of the coronavirus outbreak, we expect FFO for 2020 to be around €250 million, 10%-15% below that in 2019. By 2022, we expect FFO to gradually reach around €240 million, provided that hydrology enables an annual output of around 2.7 TWh, which would be slightly below the average for the past eight years, and assuming a gradual economic recovery from 2021 and electricity prices remaining below €40/ MWh.

Latvenergo's operating cash flow should thus suffice to finance its investments of around €150 million per year, as well dividend payments, assuming that the government as a shareholder abides by a quota of around 80% of net income.

Over the next two to three years, we expect leverage metrics measured as FFO/net debt to remain above 30%, assuming that Latvenergo receives the due cash compensation for outstanding transmission-related borrowings, which will be used for debt reduction; and the investment spending for transmission ceases and the HPP reconstruction programme is completed by 2023. Thus, we expect the company to continue to comfortably meet the guidance for the current Baa2 rating of FFO/net debt in the low-20s in percentage terms over the medium term.

The company's financial profile may be challenged by the increasing convergence of power prices towards lower NP prices, tighter retail margins in the Baltics as a result of competitive pressure, or periods of low hydrology in Latvia, or a combination of these factors.

The company's financial policy includes a maximum leverage target of net debt/EBITDA of 3x. As of Q1 2020, net debt/reported EBITDA was 2.4x. We understand that the company's high dividend payout target of more than 80% of net profit is strictly conditional upon meeting the leverage hurdle.

Government support provides two notches of uplift

Latvenergo's Baa2 rating incorporates two notches of uplift for potential government support from its standalone credit quality, or Baseline Credit Assessment (BCA), of ba1. The uplift reflects the credit quality of the Latvian government, which owns 100% of Latvenergo's shares, as well as our assessment of a strong probability of government support for the group in the event of financial distress, and a high level of default dependence (that is, the degree of exposure to common drivers of credit quality). The Latvian government has currently no plans to divest its stake in Latvenergo in the near term, which underpins our support assumption incorporated into the final rating.

ESG considerations

Environment: Moderately well positioned for decarbonisation

The EU has committed to reduce greenhouse gas emissions by 40% from the 1990 levels and to increase the contribution of renewables to energy demand to 32% of the total by 2030. We believe that unregulated utilities, which account for 40% of the EU carbon emissions, will need to deliver a significant share of the reductions, and that this will create a variety of risks and opportunities for individual companies.

In Latvia, around 50% of the electricity consumption and 40% of total energy demand are covered by production from renewable assets. Overall, we believe that Latvenergo is moderately well positioned compared with its peers, given its reliance on hydro generation, as well as less carbon-intensive gas-fired power plants. As a result, the group's multiyear average CO_2 intensity of around 150 kilogram/MWh (taking into account all generation sources) is low compared with the average of European utilities, which we estimate to be about twice as high. We further note Latvenergo's potential for further diversification into the renewable segment, as stipulated in its corporate strategy.

The company's exposure to CO_2 prices is reduced by the free allocations it receives in relation to its thermal assets. However, the share of free allowances will drop to some 30% of the necessary amount by 2020, and the company will only retain some free allowances for heat generation in the fourth settlement period of the EU's Emission Trading Scheme from 2021.

Governance: Recent government actions have been credit negative

The Latvian government as the sole owner of Latvenergo has a track record of implementing measures that limit the company's profitability and reduce its equity base, such as regularly determining large dividend payouts; the restructuring of capacity payments, including capital release; the unbundling of transmission assets, again accompanied by a decrease in equity; and the reduction in distribution tariffs. While the reduction in tariffs was requested by the company from the PUC, it is notable that the Minister of Economics in June 2019 cited the failure to reduce distribution tariffs as one of the reasons for his dismissal of the supervisory board at the time.

All measures are driven by the government's aim to keep end-user prices of electricity low. We view the reduction in the capital buffer and high extraction of dividends as credit negative, but we understand that the government's actions are strictly subject to preserving Latvenergo's solid credit profile.

Liquidity analysis

As of 31 March 2020, the company reported nearly €170 million of unrestricted cash and cash equivalents and also disposed of two undrawn committed bilateral bank facilities in the amount of €75 million, available until December 2021 and January 2022. Furthermore, a €70-million undrawn portion under a €100-million long-term investment loan from the Nordic Investment Bank remains available for capital spending in the distribution grid business. The liquidity position is further supported by the €139-million AST loan repayment in July 2020.

Together with operating cash flows, measured as FFO, which we estimate at around €250 million each for this year and 2021, the company has sufficient liquidity to cover capital spending, dividends (around €130 million in 2020) and debt service over the next 12-18 months.

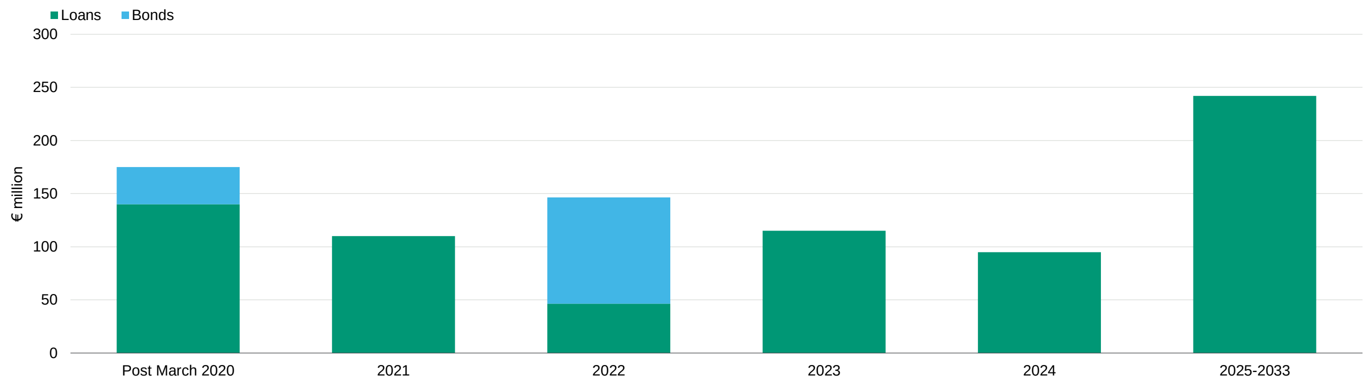
In June 2015 and April 2016, Latvenergo issued green bonds in a combined amount of €100 million due in 2022. This contributed to the diversification of its debt structure and improved its maturity profile. The company in April 2020 announced its plans to issue up to €200 million of green bonds under a certified notes programme registered with the financial regulator. A €35-million bond, which matured in May 2020, was repaid as scheduled.

Latvenergo also has a fairly diversified banking group, with a sizeable share of lending provided by supranational institutions, such as the European Investment Bank (Aaa stable) and the European Bank for Reconstruction and Development (Aaa stable).

Exhibit 8

Latvenergo has a well-spread debt maturity profile and sufficient liquidity

Debt repayment schedule (as of the end of March 2020)



Sources: Company and Moody's Investors Service

Structural considerations

The Baa2 senior unsecured rating of Latvenergo's outstanding green bonds is at the same level as the company's issuer rating and reflects the absence of structural and contractual subordination of the green bond creditors to the claims of other Latvenergo group lenders.

Methodology and scorecard

The principal methodologies used in rating Latvenergo are Unregulated Utilities and Unregulated Power Companies, published in May 2017, and Government-Related Issuers, published in February 2020.

Exhibit 9
Rating factors
Latvenergo AS

Unregulated Utilities and Unregulated Power Companies Industry Grid [1][2]	Current LTM - 03/31/2020 [1][2]		Moody's 12-18 Month Forward View As of August 2020 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	B	B	B	B
Factor 2 : Business Profile (40%)				
a) Market Diversification	Ba	Ba	Ba	Ba
b) Hedging and Integration Impact on Cash Flow Predictability	Ba	Ba	Ba	Ba
c) Market Framework & Positioning	Ba	Ba	Ba	Ba
d) Capital Requirements and Operational Performance	A	A	A	A
e) Business Mix Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	29.6x	Aaa	19x - 24x	Aaa
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	48.6%	A	31% - 36%	Baa
c) RCF / Net Debt (3 Year Avg)	28.0%	A	17% - 22%	Baa
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Baseline Credit Assessment Assigned				ba1
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	ba1			
b) Government Local Currency Rating	A3			
c) Default Dependence	High			
d) Support	Strong			
e) Final Rating Outcome	Baa2			

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2020. [3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Investors Service

Based on the company's forecast financial results, the scorecard-indicated outcome is Baa2, which is above the assigned BCA of ba1. The BCA also incorporates the exposure to market developments in the wider Nordic/Baltic electricity market; uncertainties related to the market transition in Latvia; and volatility in the company's hydro generation, limiting the visibility into its cash flow generation.

Ratings

Exhibit 10

Category	Moody's Rating
LATVENERGO AS	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured -Dom Curr	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 11

Peer comparison

Latvenergo AS

(in USD millions)	Latvenergo AS Baa2 Stable			Eesti Energia AS Baa3 Stable			CEZ, a.s. Baa1 Stable			PGE Polska Grupa Energetyczna S.A. Baa1 Stable			Hrvatska Elektroprivreda d.d. Ba2 Positive		
	FYE Dec-2017	FYE Dec-2018	FYE Dec-2019	FYE Dec-2017	FYE Dec-2018	FYE Dec-2019	FYE Dec-2017	FYE Dec-2018	FYE Dec-2019	FYE Dec-2017	FYE Dec-2018	FYE Dec-2019	FYE Dec-2017	FYE Dec-2018	FYE Dec-2019
Revenue	1,046	991	942	852	1,034	1,071	8,603	8,377	9,132	6,134	7,196	9,806	2,037	2,292	2,195
EBITDA	457	238	250	285	337	282	2,265	2,234	2,510	2,018	1,754	1,817	542	644	628
Total Debt	1,002	937	996	1,094	1,303	1,275	8,475	8,265	8,886	3,117	3,082	3,424	831	778	774
Net Debt	721	794	865	735	1,232	1,236	7,725	7,775	8,343	2,407	2,765	3,136	484	334	258
(CFO Pre-W/C + Int.) / Int.	30.5x	28.6x	28.4x	7.0x	6.1x	7.4x	8.0x	7.5x	8.7x	21.4x	19.1x	26.1x	13.5x	16.0x	16.9x
FFO / Net Debt	62.6%	37.7%	34.6%	34.5%	18.0%	19.9%	26.6%	24.3%	27.0%	79.7%	61.7%	72.6%	117.3%	179.0%	208.9%
RCF / Net Debt	47.3%	14.9%	17.1%	26.8%	16.6%	14.7%	15.7%	14.2%	20.1%	79.7%	61.3%	72.6%	90.8%	168.9%	196.4%
Net Debt / EBITDA	1.5x	3.4x	3.5x	2.4x	3.8x	4.4x	3.1x	3.6x	3.3x	1.1x	1.6x	1.7x	0.8x	0.5x	0.4x

All figures and ratios are calculated using Moody's estimates and standard adjustments for the consolidated group. FYE = Financial year-end.
Source: Moody's Financial Metrics™

Exhibit 12

Select historical adjusted financial data

Latvenergo AS

EUR Millions	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19
INCOME STATEMENT					
Revenue	929	932	926	839	842
EBITDA	311	396	404	202	223
EBIT	127	209	214	34	60
Interest Expense	19	15	13	10	10
Net Income	97	167	300	31	57
BALANCE SHEET					
Total Debt	808	802	834	820	887
Cash & Cash Equivalents	99	184	234	125	116
Net Debt	708	618	601	695	771
Net PP&E	3,088	3,368	3,317	3,304	2,753
Total Assets	3,530	3,913	4,424	3,806	3,865
CASH FLOW					
Funds from Operations (FFO)	290	354	376	262	267
Cash Flow from Operations (CFO)	247	341	338	303	315
Cash Dividends - Common	-33	-79	-92	-159	-135
Retained Cash Flow (RCF)	257	275	284	103	132
Capital Expenditure	-189	-186	-234	-239	-255
Free Cash Flow (FCF)	25	77	13	-94	-76
FFO / Debt	35.9%	44.1%	45.0%	32.0%	30.1%
FFO / Net Debt	40.9%	57.2%	62.6%	37.7%	34.6%
RCF / Net Debt	36.3%	44.5%	47.3%	14.9%	17.1%
FCF / Net Debt	3.5%	12.4%	2.2%	-13.6%	-9.8%
PROFITABILITY					
EBIT Margin %	14%	22%	23%	4%	7%
EBITDA Margin %	33%	43%	44%	24%	27%
INTEREST COVERAGE					
FFO Interest Coverage	16.1x	24.1x	30.5x	28.6x	28.4x
LEVERAGE					
Debt / EBITDA	2.6x	2.0x	2.1x	4.1x	4.0x
Net Debt / EBITDA	2.3x	1.6x	1.5x	3.4x	3.5x
Net Debt / Fixed Assets	23%	18%	18%	21%	28%
Debt / Book Capitalization	25%	23%	23%	26%	28%

All figures are calculated using Moody's estimates and standard adjustments for the consolidated group.
Source: Moody's Financial Metrics™

Exhibit 13
Moody's-adjusted debt breakdown
Latvenergo AS

(in EUR Millions)	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19
As Reported Debt	**797**	**792**	**827**	**814**	**888**
Operating Leases	12	13	10	8	0
Non-Standard Adjustments	-2	-2	-2	-2	-1
Moody's-Adjusted Debt	**808**	**802**	**834**	**820**	**887**

All figures are calculated using Moody's estimates and standard adjustments for the consolidated group.
Source: Moody's Financial Metrics™

Exhibit 14
Moody's-adjusted EBITDA breakdown
Latvenergo AS

(in EUR Millions)	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19
As Reported EBITDA	**310**	**396**	**543**	**283**	**245**
Operating Leases	1	1	2	1	0
Unusual	0	-1	-140	-83	-21
Non-Standard Adjustments	0	0	0	0	0
Moody's-Adjusted EBITDA	**311**	**396**	**404**	**202**	**223**

All figures are calculated using Moody's estimates and standard adjustments for the consolidated group.
Source: Moody's Financial Metrics™

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

REPORT NUMBER 1235903

MOODY'S
INVESTORS SERVICE