



# LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD ENDING 30 June 2019

30.08.2019, Riga

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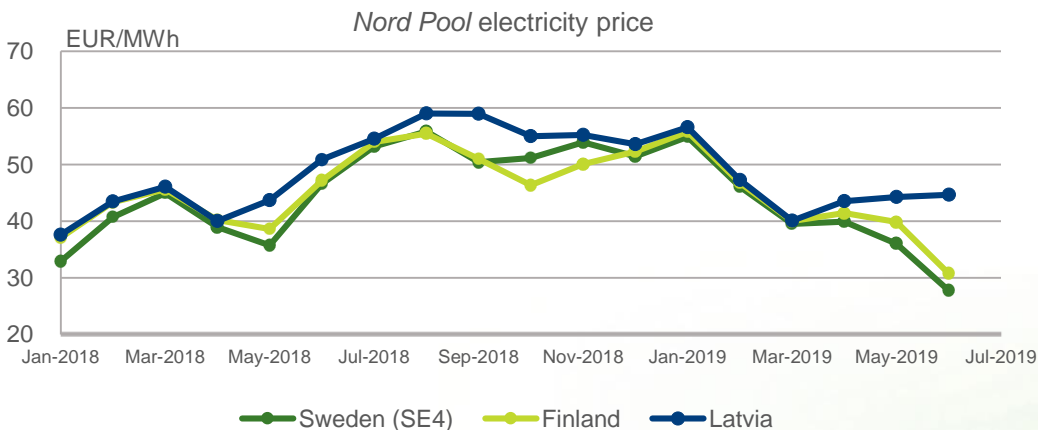
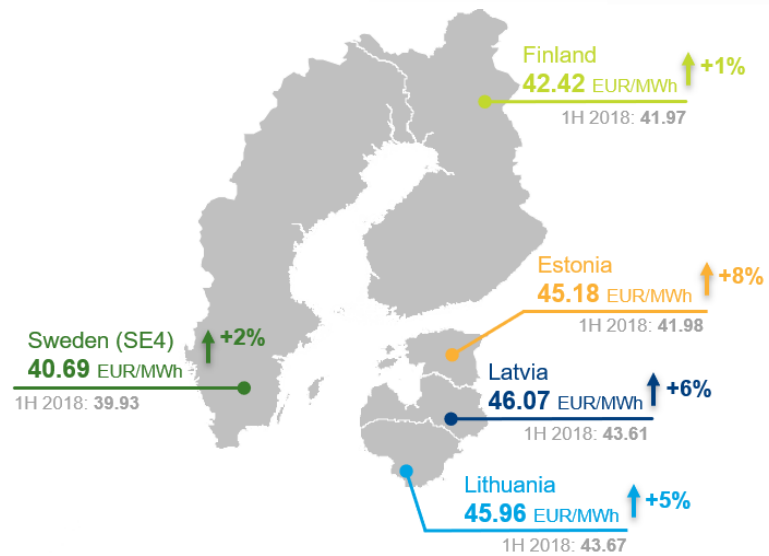
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Interim Financial statements, see the section “Formulas”.

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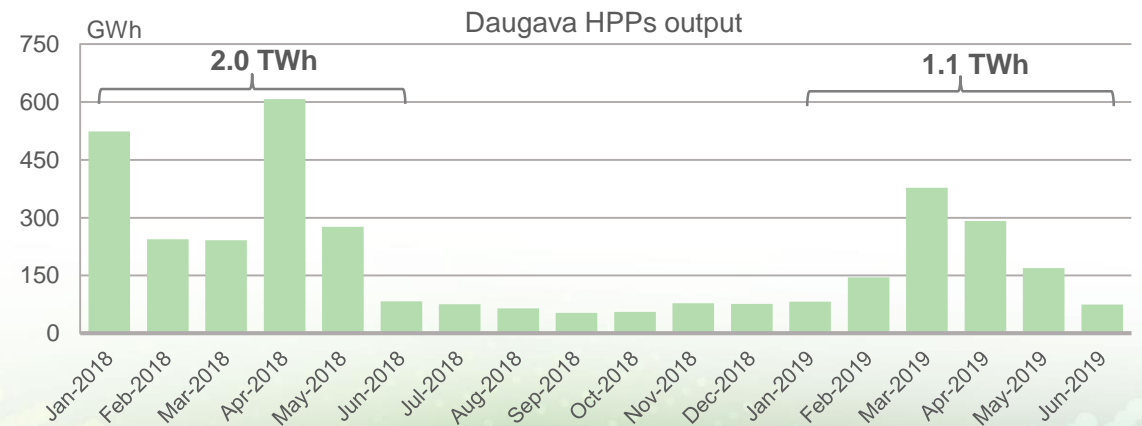
# Higher electricity prices



## Main facts – 1H 2019

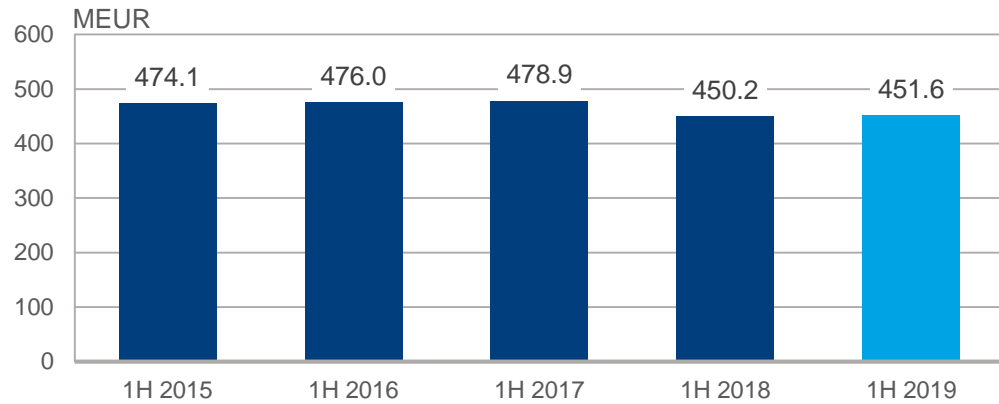
- Electricity prices increased due to:
  - dry weather
  - lower water levels at the Scandinavian hydropower reservoirs
  - lower electricity output at HPPs
  - higher prices of CO2 emission allowance
- The average natural gas price decreased by 19%, reaching 16.0 EUR/MWh at GASPOOL trading zone and 15.7 EUR/MWh at TTF
- CO2 emission allowance price reached 24.3 EUR/t which is almost 2 times more than a year ago

## 42 % lower electricity output at Daugava HPPs

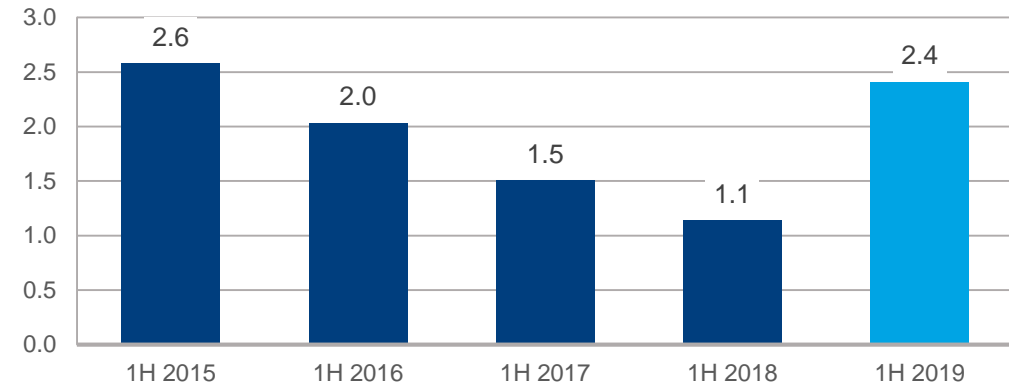


# Key financial figures

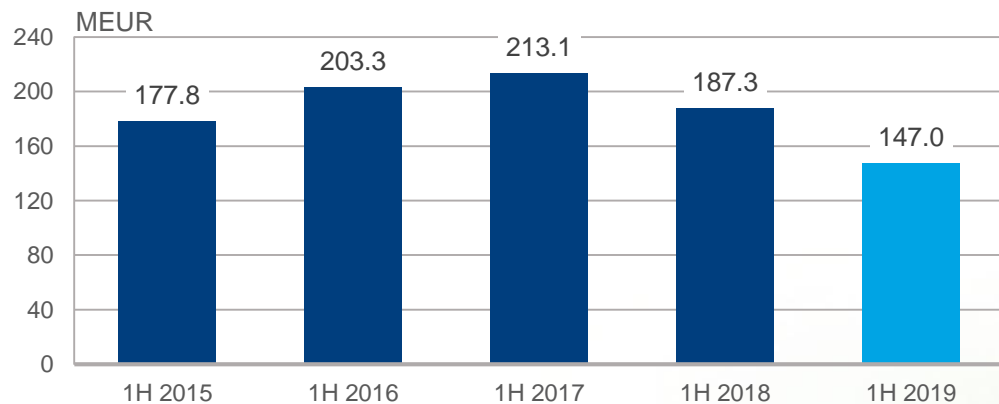
## Revenue



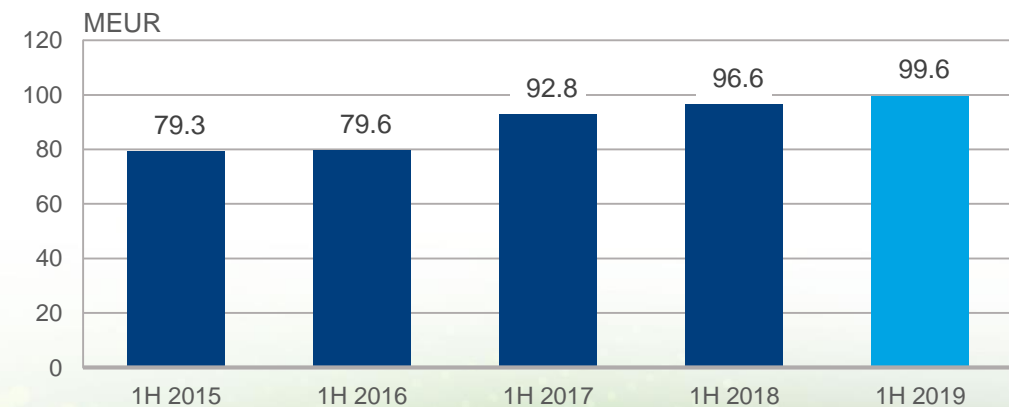
## Net debt / EBITDA



## EBITDA



## Investments



# Results were impacted by 42% lower Daugava HPPs' output

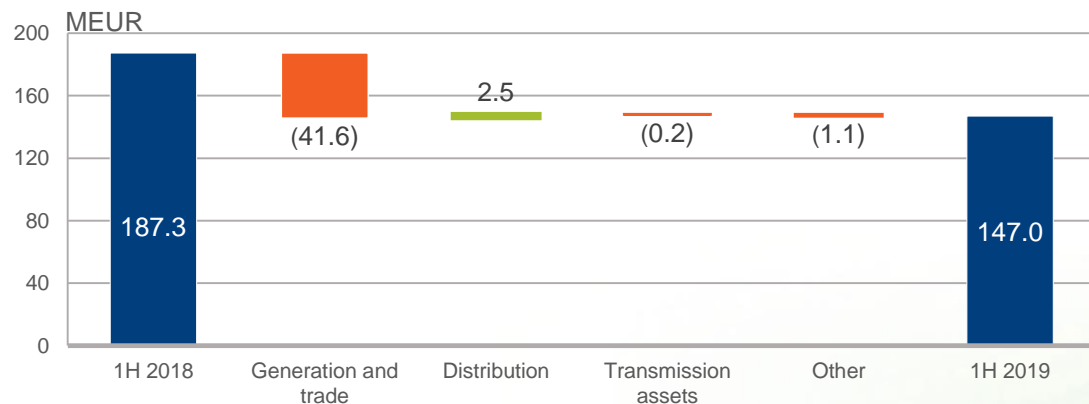
## Revenue dynamics by segments



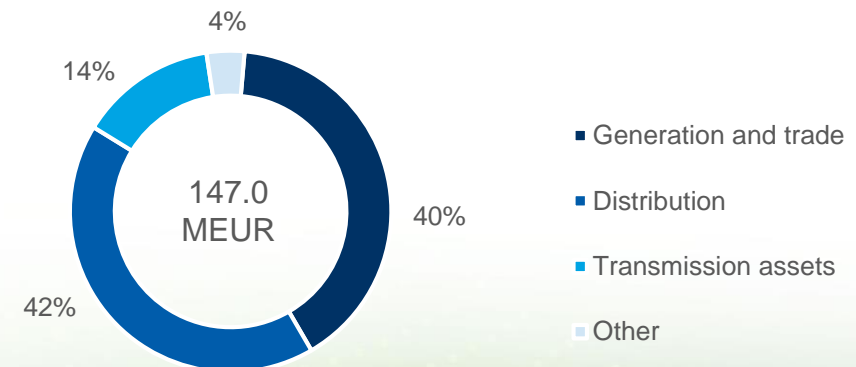
## Main facts – 1H 2018

- EBITDA margin was 32% (1H 2018: 58%)
- Profit: 54.0 MEUR (1H 2018: 97.2 MEUR)

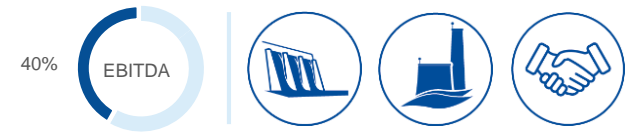
## EBITDA dynamics by segments



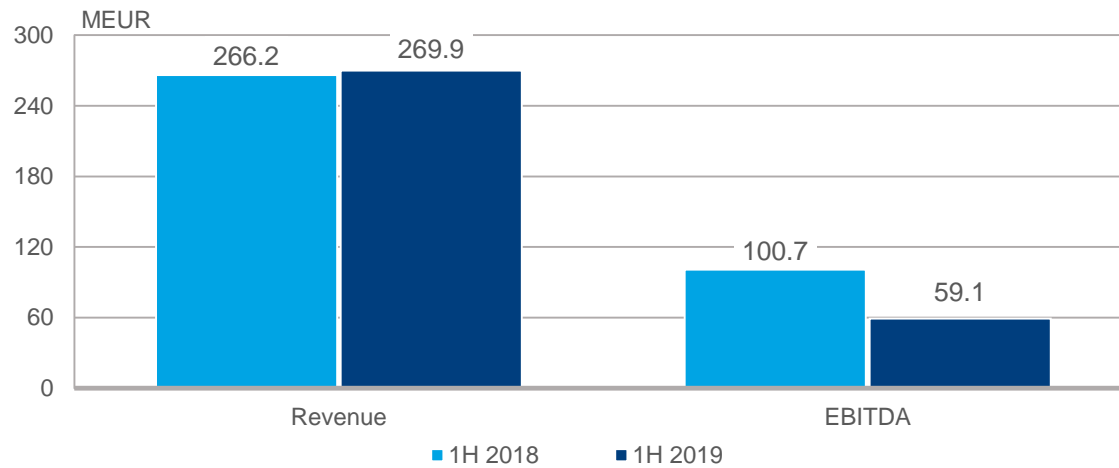
## EBITDA weight by segments



# Generation and trade



## Segment revenue and EBITDA



## Main facts – 1H 2019

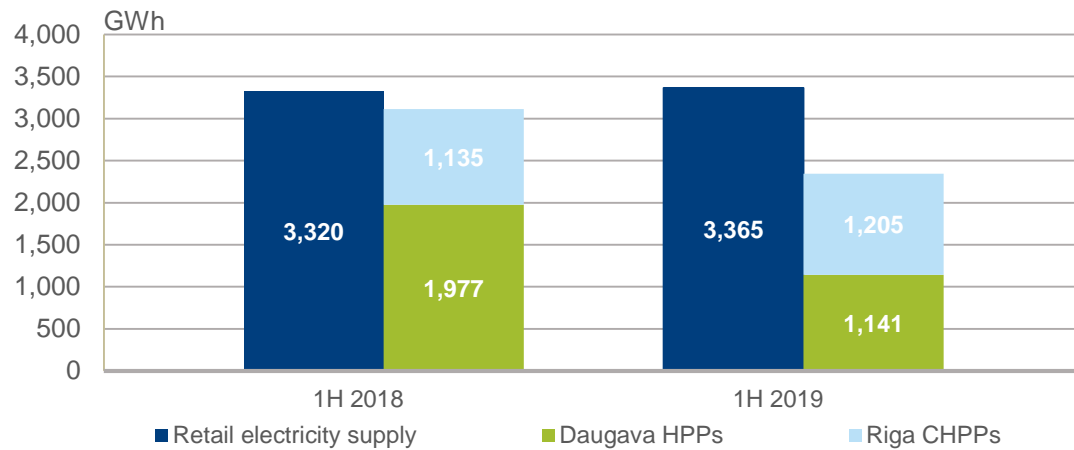
- Results of the segment were negatively impacted by lower electricity output at the Daugava HPPs
- Latvenergo Group – energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia.
- Starting from 1 January 2019, the PSO fee remained unchanged: 2.268 euro cents/kWh.



# Energy generation



## 2,373 GWh of electricity generated



## Main facts – 1H 2019

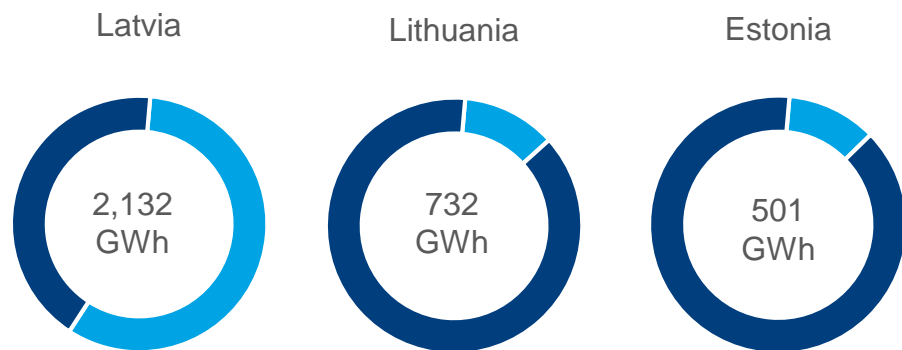
- Power generated at the Daugavas HPPs decreased by 42% due to lower water inflow in the river Daugava
- Power generated at the Latvenergo AS CHPPs increased by 6%
- CHPPs operated in market conjuncture efficiently planning operating modes and fuel consumption
- Total amount of electricity generated at Latvenergo power plants corresponds to 71% of the amount of electricity sold to retail customers( 1H 2018: 95%)
- The amount of thermal energy generated decreased by 21% due to competition and warmer weather conditions, reaching 1,139 GWh



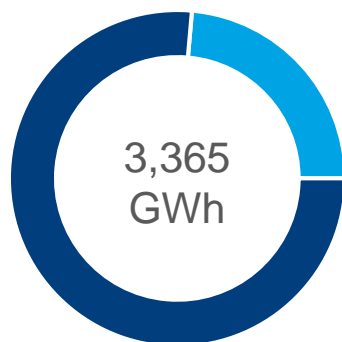


# Trade of electricity and natural gas

## Retail electricity supply\*



### The Baltics



■ Latvenergo Group ■ other suppliers

\* including operational consumption

## Main facts – 1H 2019



3.4 TWh of electricity sold to Baltic retail customers



The amount of natural gas used for both operating consumption and trade reached 3.3 TWh.



Solar panels installed for 66 customers in the Baltics with a total capacity of 530 kW



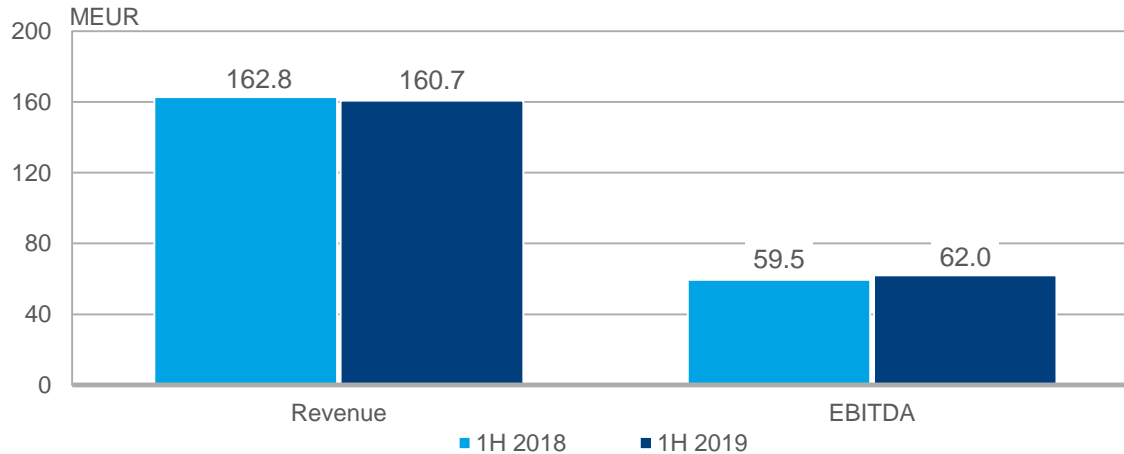
At the end of the reporting year, the total number of *Elektrum Insured* customers exceeded 53,000



171 *Smart House devices* installed in the Baltics



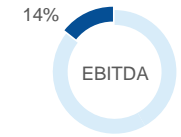
## Segment revenue and EBITDA



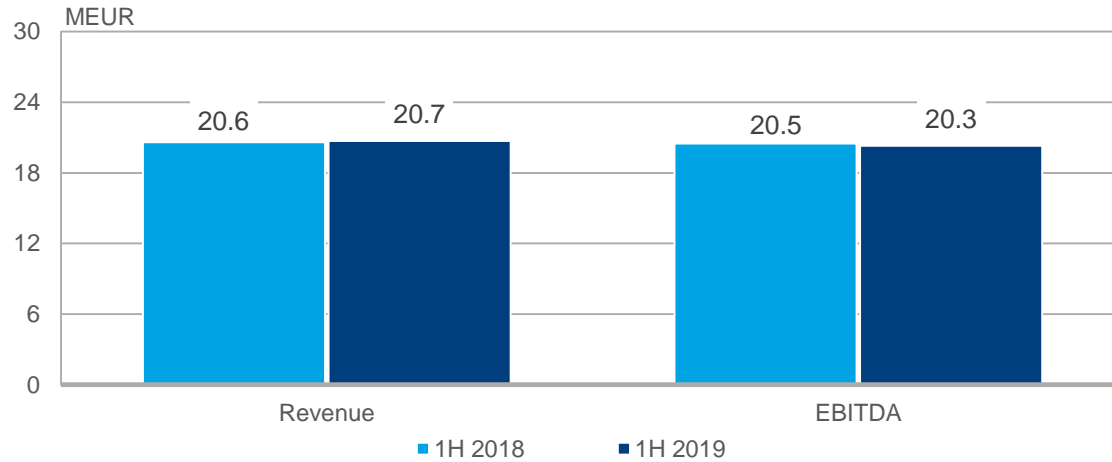
## Main facts – 1H 2019

- Electricity distributed: 3,304 GWh (1H 2018: 3,321 GWh)
- Results positively impacted by 4.3 MEUR lower personnel termination costs associated with the efficiency programme
- Results negatively impacted by slight decrease in distributed electricity
- Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS has been reduced by 500 or 20%
- Smart electricity meters installed in the company reaches 632.9 thousand or more than 1/2 of the total electricity meters
- Investments in distribution assets: 42.2 MEUR (1H 2018: 40.7 MEUR)
- The value of distribution assets increased to 1,671.2 MEUR

# Transmission system asset leasing



## Segment revenue and EBITDA



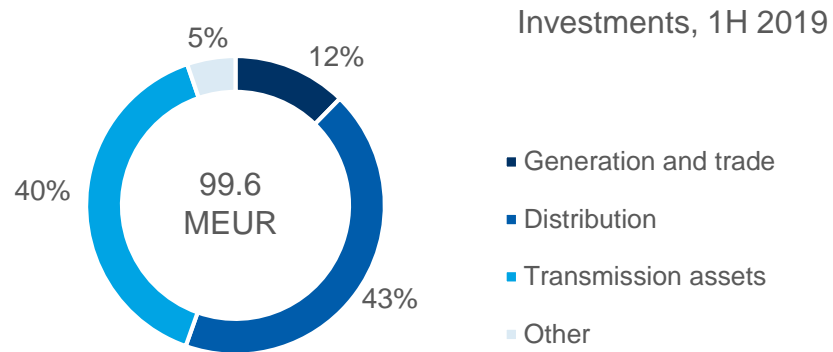
## Main facts – 1H 2019

- Segment's revenue is calculated in accordance with the methodology approved by the Public Utilities Commission
- Investments in transmission system assets: 38.5 MEUR (1H 2018: 37.9 MEUR)
- Major investment projects in the reporting period:
  - *Kurzeme Ring* ( in 1H 2019 invested 22.3 MEUR)
  - The third power transmission interconnection between Estonia and Latvia (11.6 MEUR)
- The value of transmission assets increased to 623.1 MEUR (30.06.2018: 538.0 MEUR)



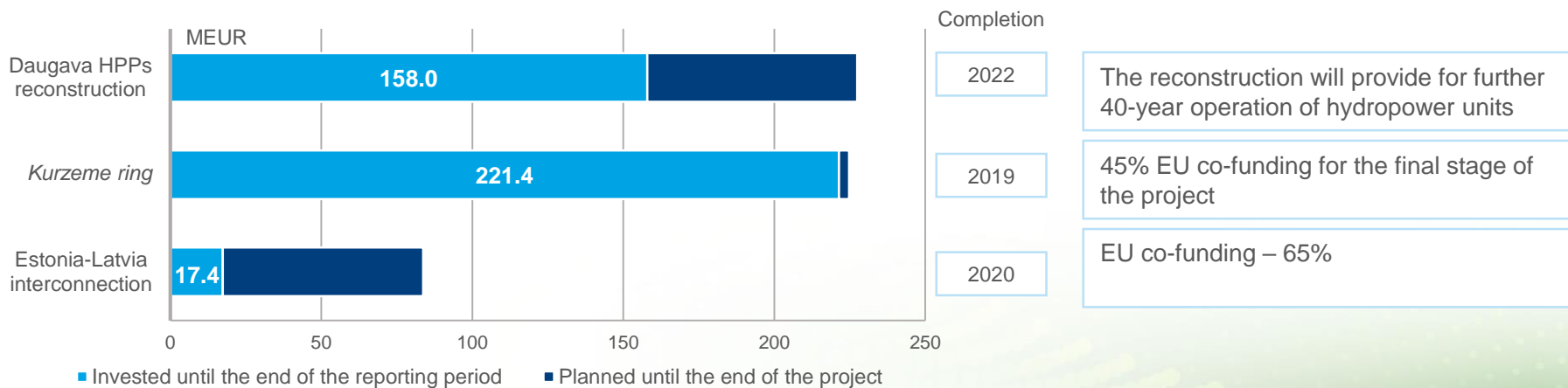
# Investments

Investment in network assets – 82% of the total



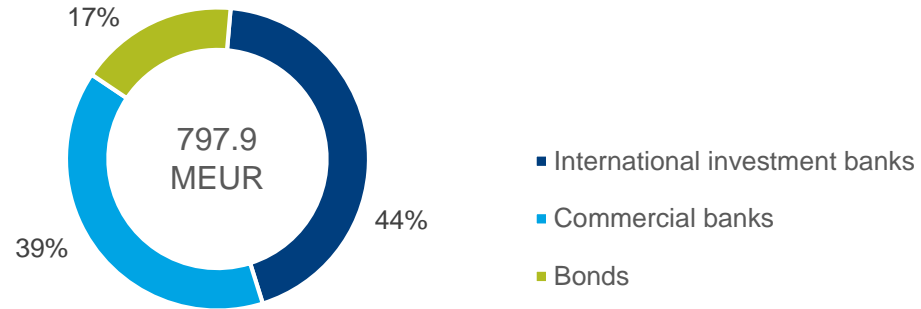
- Investments in network assets allows to improve the quality of the power network services and technical parameters

## Major investment projects



# Funding and Liquidity

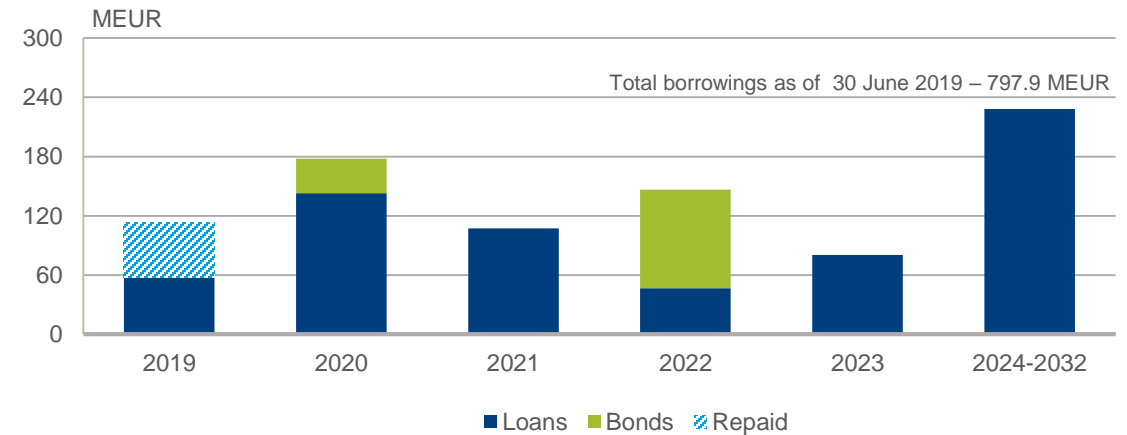
## Diversified sources of funding



## Main facts – 1H 2019

- At the end of the reporting period, the outstanding amount of bonds reached 135 MEUR, incl. 100 MEUR *green* bonds
- On 19 March 2019, the international credit rating agency Moody's reconfirmed the credit rating for Latvenergo AS: Baa2 (stable)
- Capital ratio: 59% ( 30.06.2018: 61% )

## Debt repayment schedule



## Main figures

	30.06.2019
Share of fixed interest rate*	55%
Duration	2.1 years
Effective weighted average interest rate*	1.5%

\* with interest rate swaps

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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

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	
	01/01– 30/06/2019	01/01– 30/06/2018
Revenue	451,592	450,235
Other income	15,183	22,911
Raw materials and consumables used	(243,679)	(203,397)
Personnel expenses	(53,333)	(56,579)
Other operating expenses	(22,228)	(26,436)
<b>EBITDA</b>	<b>146,985</b>	<b>187,275</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(85,289)	(86,139)
<b>Operating profit</b>	<b>61,696</b>	<b>101,136</b>
Finance income	563	576
Finance costs	(4,707)	(4,400)
<b>Profit before tax</b>	<b>57,552</b>	<b>97,312</b>
Income tax	(3,528)	(101)
<b>Profit for the period</b>	<b>54,024</b>	<b>97,211</b>
<b>Profit attributable to:</b>		
- Equity holder of the Parent Company	52,320	95,531
- Non-controlling interests	1,704	1,680

\* The Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-Month Period Ending 30 June 2019 are prepared in accordance with the IFRS as adopted by the European Union

# Consolidated Statement of Financial Position\*

	EUR'000	
	30/06/2019	31/12/2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment	3,322,272	3,316,172
Right-of-use assets	7,173	-
Investment property	340	467
Non-current financial investments	40	40
Other financial investments	16,910	16,935
Other non-current receivables	36,823	30,920
<b>Total non-current assets</b>	<b>3,383,558</b>	<b>3 364 534</b>
<b>Current assets</b>		
Inventories	80,578	71,975
Receivables from contracts with customers	97,037	117,955
Other current receivables	108,933	84,830
Prepayment for income tax	176	11,619
Deferred expenses	3,256	2,598
Derivative financial instruments	4,516	15,853
Cash and cash equivalents	53,619	129,455
<b>Total current assets</b>	<b>348,115</b>	<b>434,285</b>
<b>TOTAL ASSETS</b>	<b>3,731,673</b>	<b>3,798,819</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	834,883	834,791
Reserves	1,084,254	1,125,466
Retained earnings	275,572	351,350
<b>Equity attributable to equity holder of the Parent Company</b>	<b>2,194,709</b>	<b>2,311,607</b>
Non-controlling interests	7,883	8,458
<b>Total equity</b>	<b>2,202,592</b>	<b>2,320,065</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	605,420	700,028
Non-current lease liabilities	5,983	-
Provisions	20,389	20,178
Deferred income tax liabilities	3,942	12,297
Derivative financial instruments	7,648	3,923
Deferred income on contracts with customers	141,812	143,494
Other deferred income	308,305	303,519
<b>Total non-current liabilities</b>	<b>1,093,499</b>	<b>1,183,439</b>
<b>Current liabilities</b>		
Borrowings	192,504	114,315
Current lease liabilities	1,215	-
Trade and other payables	170,534	135,008
Income tax payable	1	2
Deferred income on contracts with customers	13,410	13,271
Other deferred income	26,691	26,438
Derivative financial instruments	31,227	6,281
<b>Total current liabilities</b>	<b>435,582</b>	<b>295,315</b>
<b>Total liabilities</b>	<b>1,529,081</b>	<b>1,478,754</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,731,673</b>	<b>3,798,819</b>

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# Consolidated Statement of Cash Flows\*

	EUR'000	
	01/01– 30/06/2019	01/01– 30/06/2018
<b>Cash flows from operating activities</b>		
Profit before tax	57,552	97,312
<b>Adjustments:</b>		
– Amortisation, depreciation and impairment of non-current assets	83,277	88,587
– Net financial adjustments	7,663	3,920
– Other adjustments	238	766
<b>Operating profit before working capital adjustments</b>	<b>148,730</b>	<b>190,585</b>
Decrease in current assets	28,427	106,982
Decrease in trade and other payables	(2,338)	(12,190)
<b>Cash generated from operating activities</b>	<b>174,819</b>	<b>285,377</b>
Interest paid	(6,192)	(6,274)
Interest received	944	957
Paid corporate income tax	(456)	(39,294)
<b>Net cash flows from operating activities</b>	<b>169,115</b>	<b>240,766</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets and property, plant and equipment	(94,821)	(104,553)
Proceeds from redemption of other financial investments	25	25
<b>Net cash flows used in investing activities</b>	<b>(94,796)</b>	<b>(104,528)</b>
<b>Cash flows from financing activities</b>		
Proceeds on borrowings from financial institutions	40,000	1,000
Repayment of borrowings	(54,940)	(27,413)
Dividends paid to non-controlling interests	(2,279)	(2,116)
Dividends paid to equity holder of the Parent Company	(132,936)	(156,418)
<b>Net cash flows used in financing activities</b>	<b>(150,155)</b>	<b>(184,947)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(75,836)</b>	<b>(48,709)</b>
Cash and cash equivalents at the beginning of the period	129,455	236,003
<b>Cash and cash equivalents at the end of the period</b>	<b>53,619</b>	<b>187,294</b>

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