



# LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD  
ENDING 30 JUNE 2020

28.08.2020, Riga

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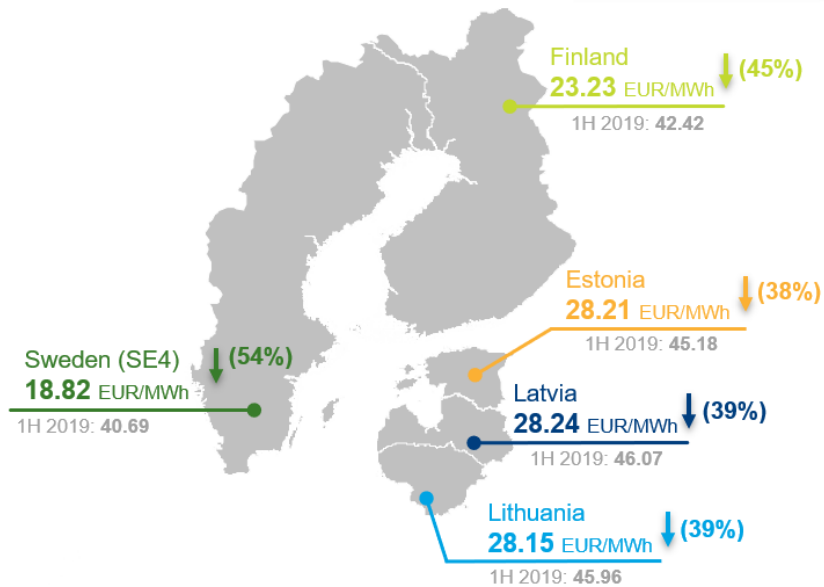
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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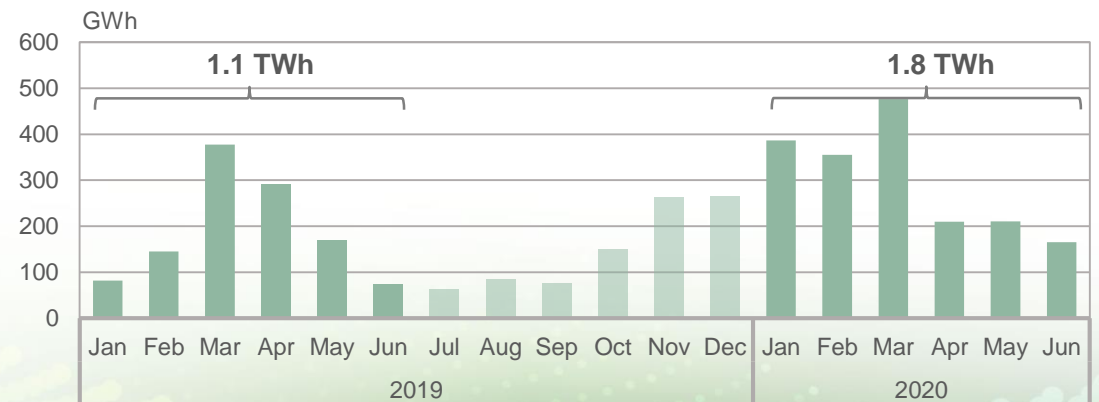
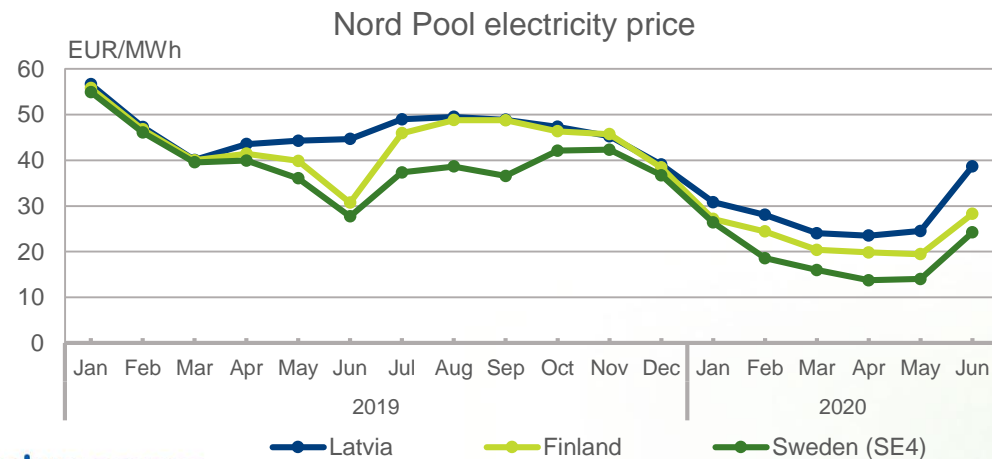
# Significantly lower electricity prices



## Main facts – 1H 2020

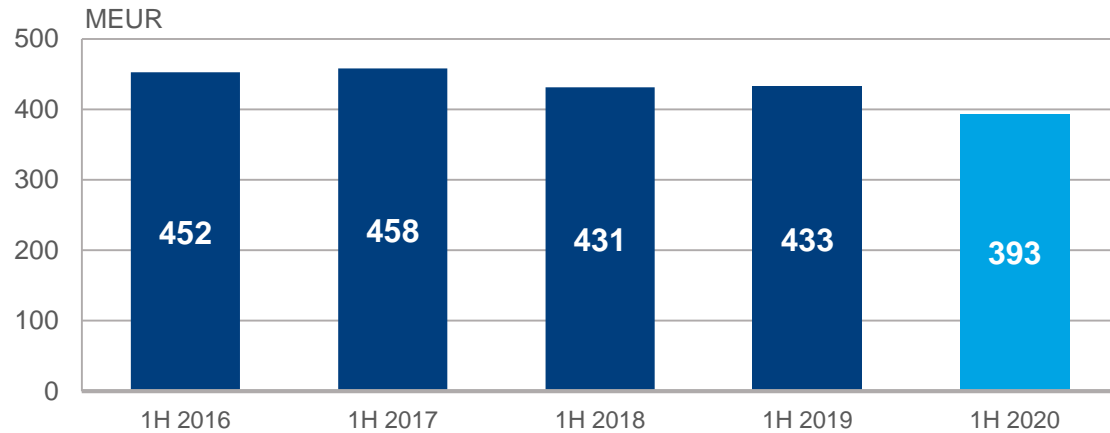
- Electricity prices were influenced by:
  - improvement of the Nordic hydrobalance
  - lower demand due to warmer weather and COVID-19
- The average natural gas price (Front Month) decreased by 52%, reaching 7.8 EUR/MWh at GASPOOL trading zone and 7.6 EUR/MWh at the TTF trading zone

## 58% higher electricity output at Daugava HPPs

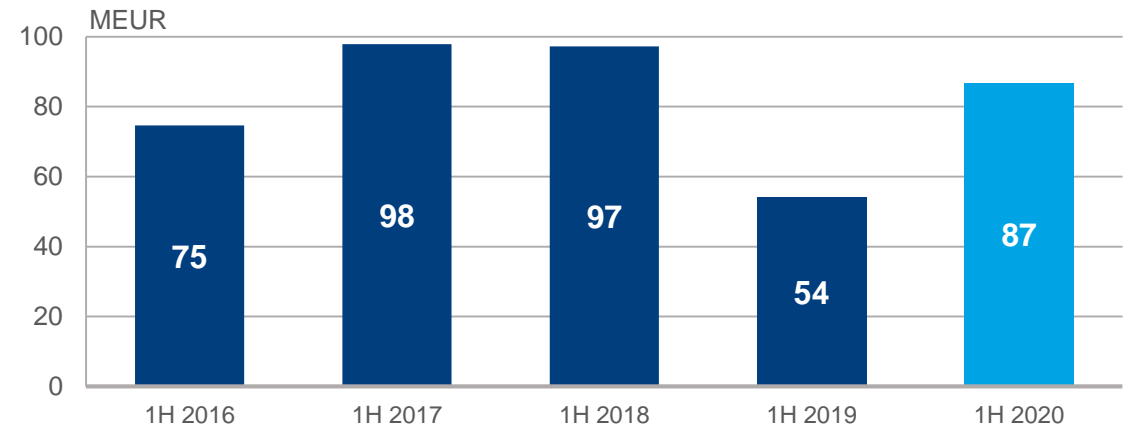


# Key financial figures

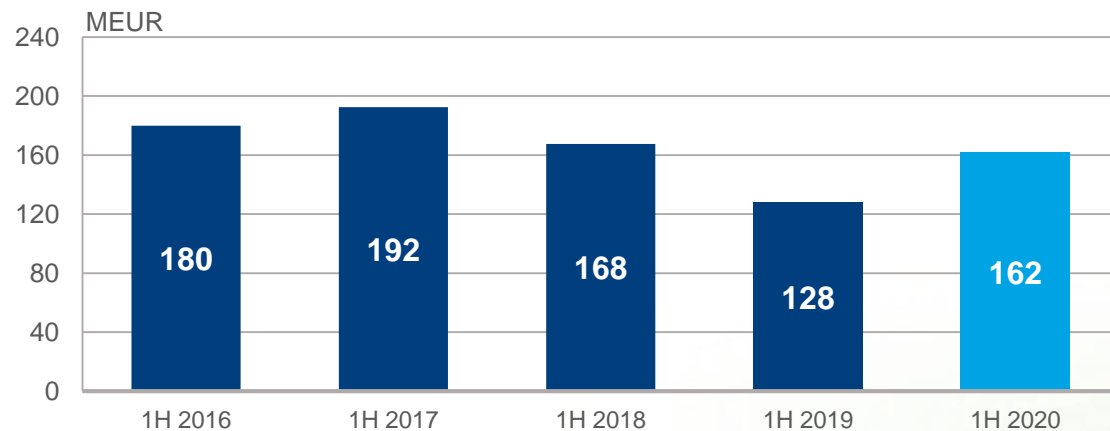
## Revenue\*



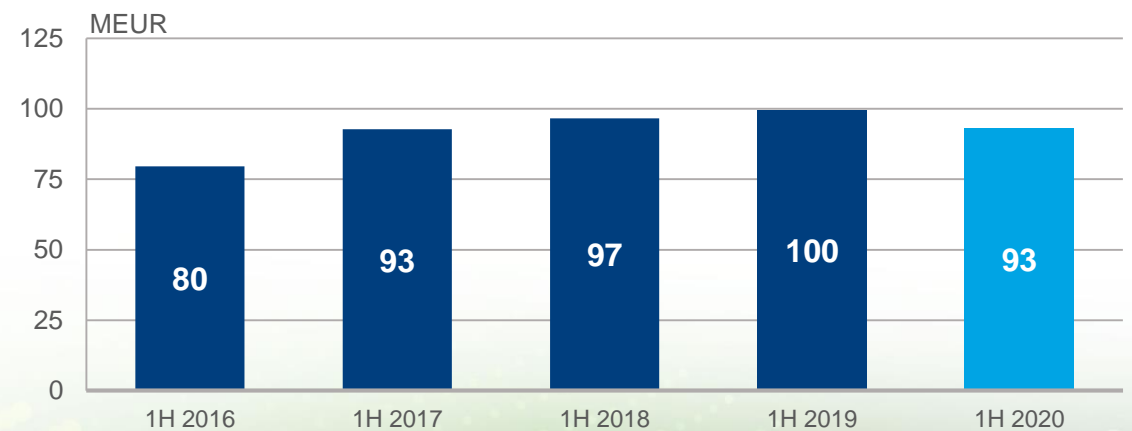
## Net profit



## EBITDA\*

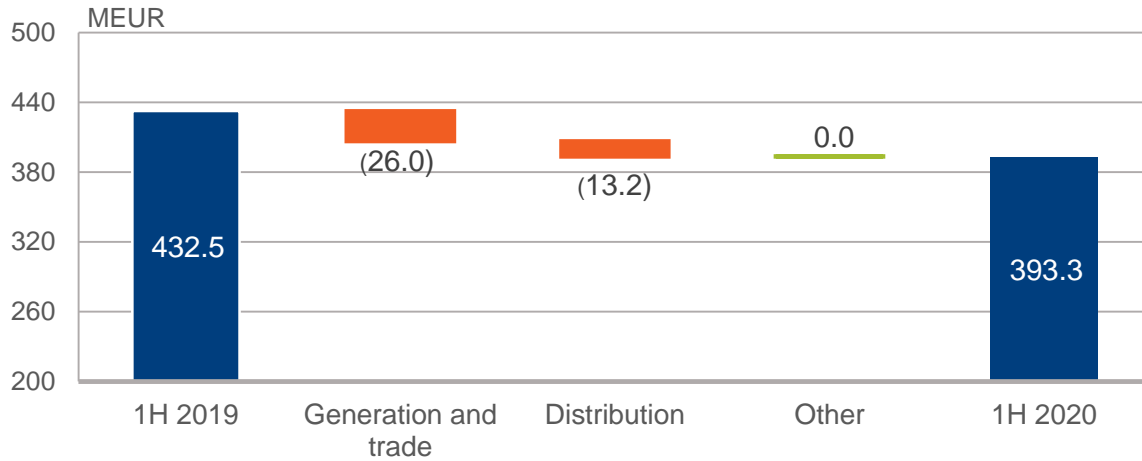


## Investments

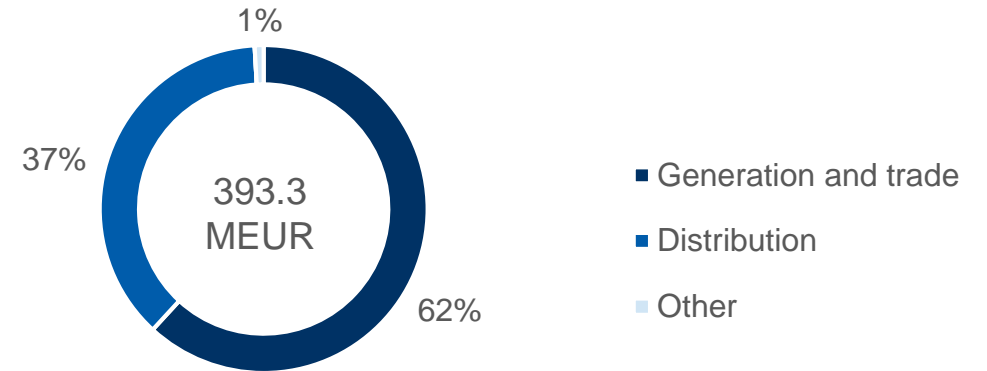


# Latvenergo Group's EBITDA increased by 27%

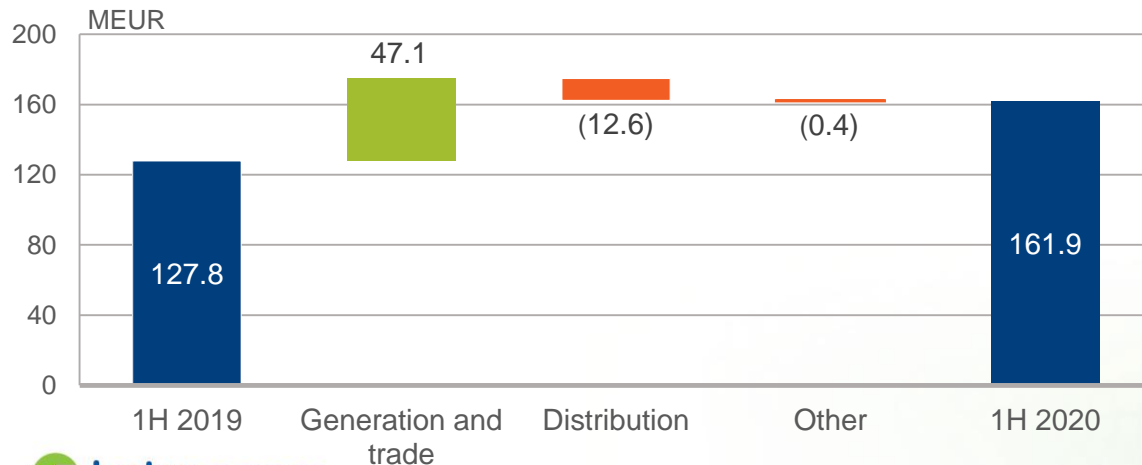
## Revenue dynamics by segments



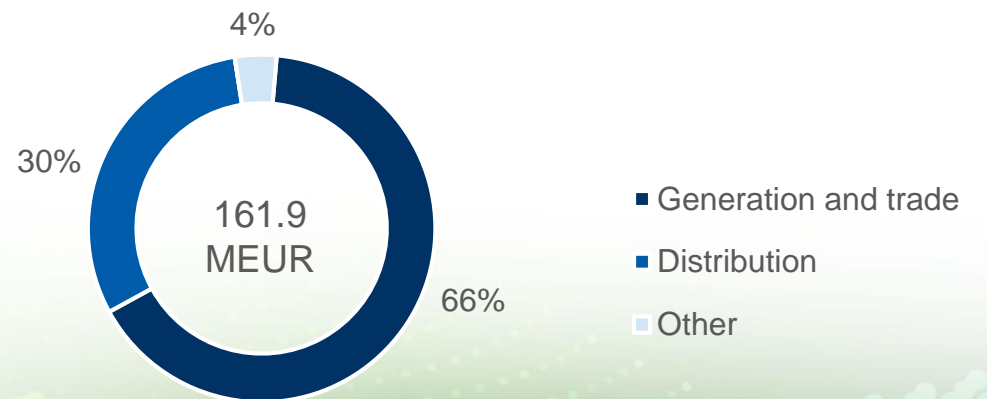
## Revenue weight by segments



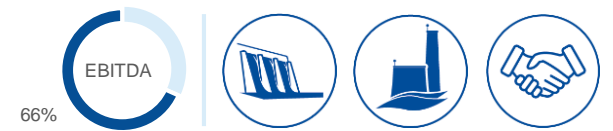
## EBITDA dynamics by segments



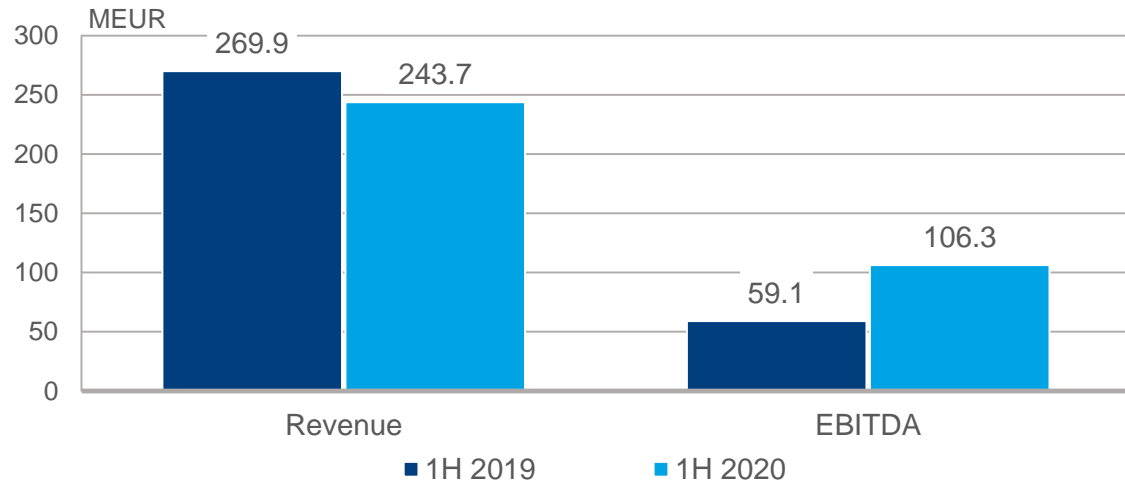
## EBITDA weight by segments



# Generation and trade



## Segment revenue and EBITDA



## Main facts – 1H 2020

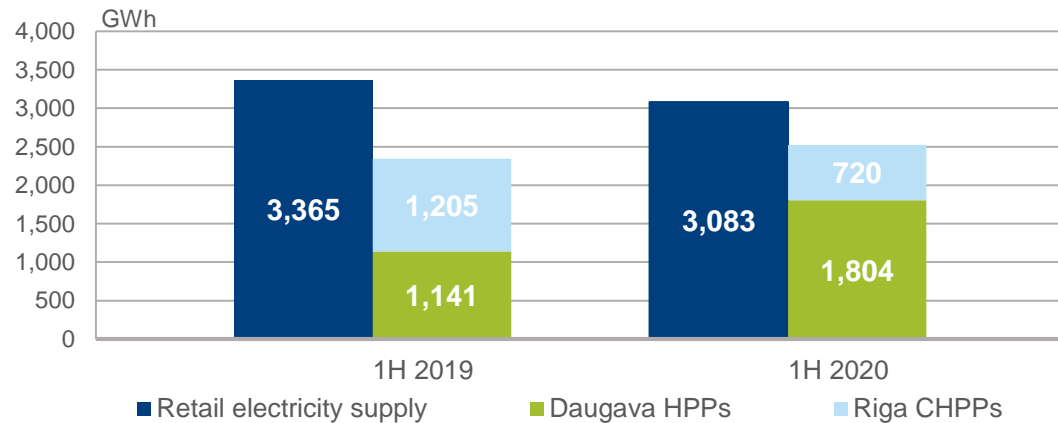
- The segment's revenue was negatively impacted by:
  - 14% lower heat output due to atypically warm winter
  - 4.3 % lower electricity consumption in the Baltics due to warmer weather and COVID-19
- The segment's EBITDA was positively impacted by:
  - 58% higher electricity output at the Daugava HPPs
  - 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



## 2,550 GWh of electricity generated



## Main facts – 1H 2020

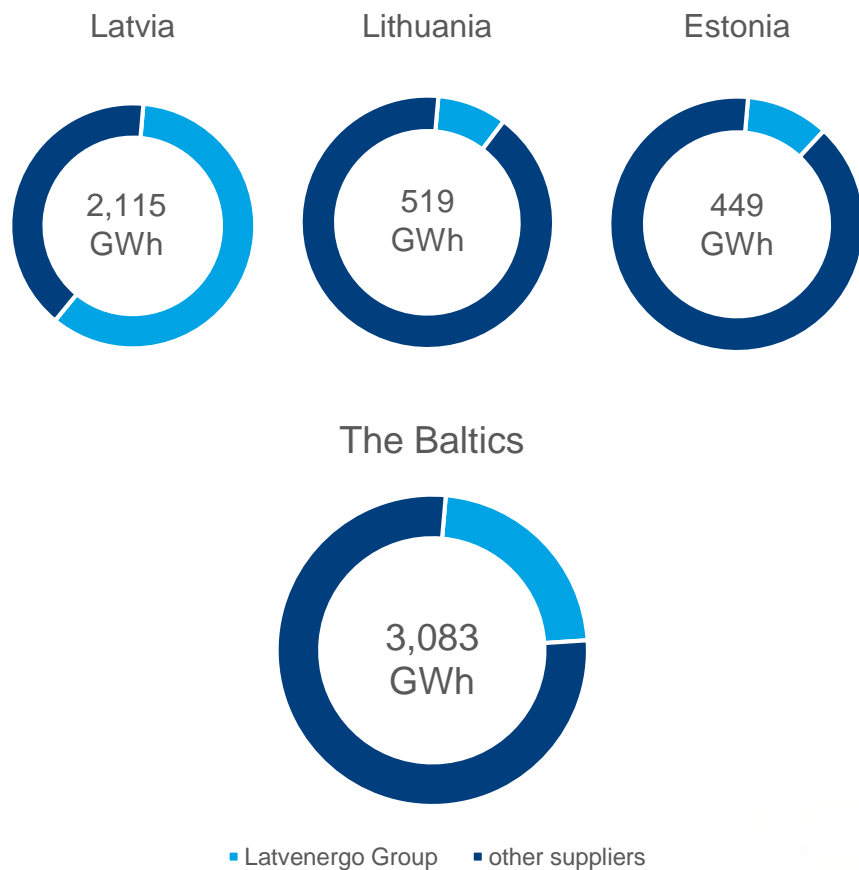
- Power generation at the Daugavas HPPs was 58% higher due to warm winter and atypically low water inflow in 2019
- Total amount of electricity generated at Latvenergo power plants corresponds to 83% of the amount of electricity sold to retail customers (1H 2019: 71%)
- Power generation at the Latvenergo AS CHPPs decreased by 40%, adjusting their operation to the conditions of the electricity market and heat demand
- The amount of thermal energy generated decreased by 14% due to warmer weather conditions, reaching 978 GWh










# Trade of electricity and natural gas

## Retail electricity supply\*



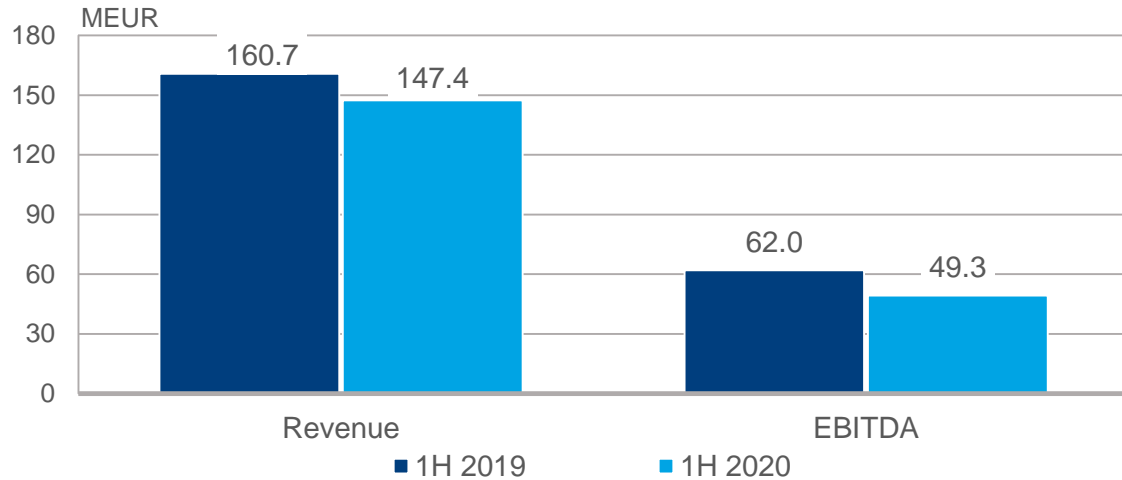
\* including operational consumption

## Main facts – 1H 2020

-  3.1 TWh of electricity sold to Baltic retail customers.
-  The amount of natural gas used for both operating consumption and trade reached 2.5 TWh.
-  238 new contracts were concluded for the installation of solar panels.
-  At the end of June, the total number of *Elektrum* Insured customers exceeded 79,800.
-  2,500 units sold in the *Elektrum* e-shop.



## Segment revenue and EBITDA



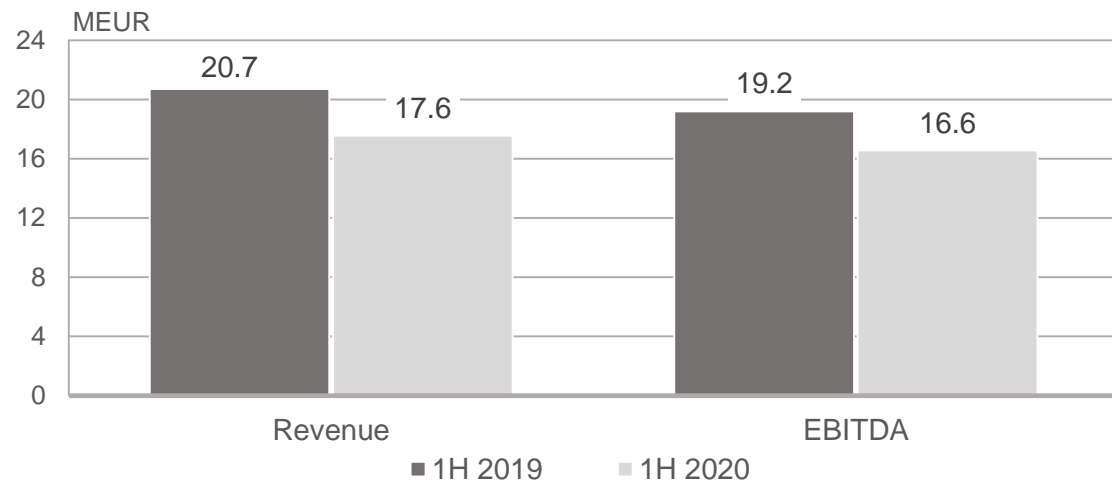
## Main facts – 1H 2020

- 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 (30.06.2020: ~600)
  - Smart electricity meters installed in the company reaches almost 800 thousand, which is approximately 70% of the total electricity meters
- Electricity distributed: 3,134 GWh (1H 2019: 3,304 GWh)
- Results of the segment were impacted by:
  - 5% 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: 42.2 MEUR (1H 2019: 42.2 MEUR)
- The value of distribution assets increased to 1,676.9 MEUR (30.06.2019: 1,671.2 MEUR)



# Transmission system asset leasing

## Segment revenue and EBITDA

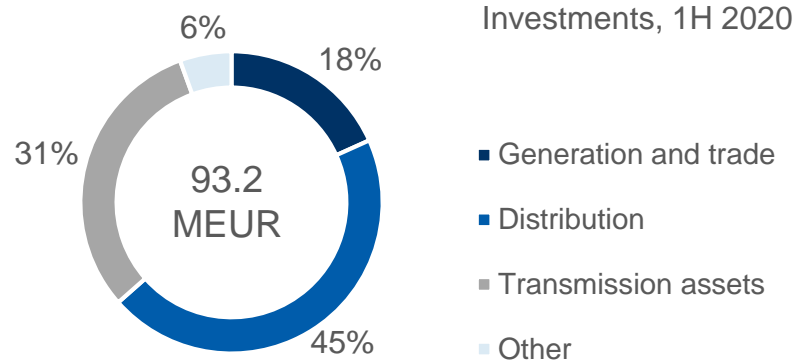


## Main facts – 1H 2020

- 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 (1H 2019: 38.5 MEUR)
- Segment's revenue is calculated in accordance with the methodology approved by the Public Utilities Commission

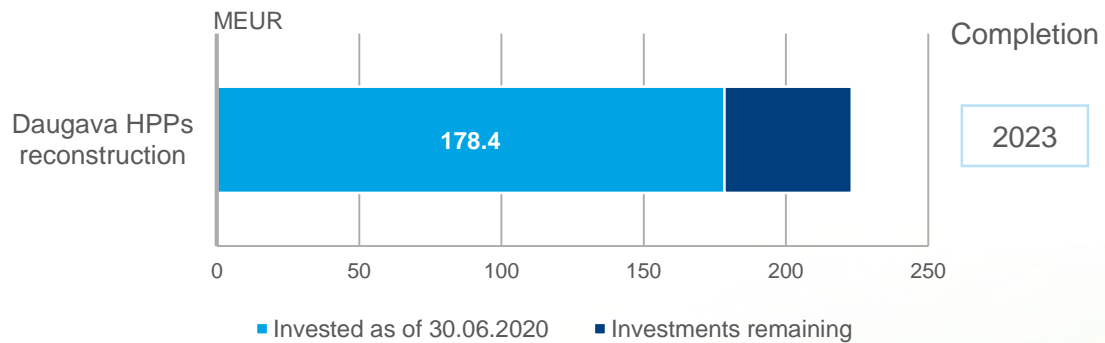
# Investments

## Investment in network assets – 76% of the total



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

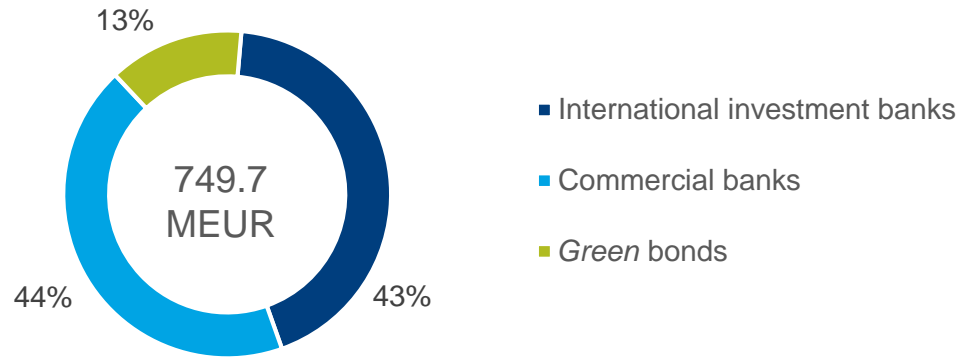
## Major investment project



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

# Funding and Liquidity

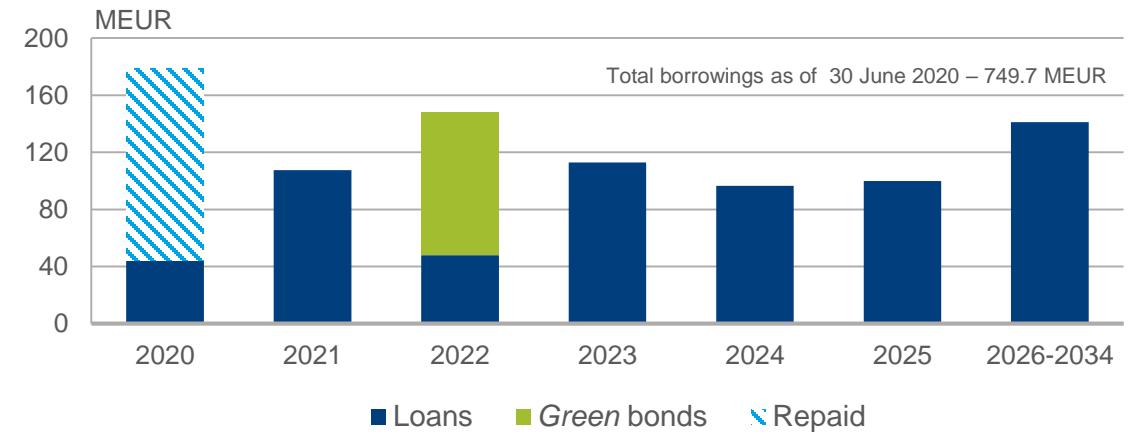
## Diversified sources of funding



## Main facts – 1H 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

## Debt repayment schedule



## Main figures

	30.06.2020
Share of fixed interest rate*	40%
Duration	1.7 years
Effective weighted average interest rate*	1.4%

\* 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

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	
	1H 2020	1H 2019
Revenue	393,338	432,549
Other income	14,071	14,583
Raw materials and consumables used	(163,309)	(243,659)
Personnel expenses	(56,373)	(53,116)
Other operating expenses	(25,862)	(22,582)
<b>EBITDA</b>	<b>161,865</b>	<b>127,775</b>
Depreciation, amortisation and impairment of intangible assets, and property, plant and equipment and right-of-use assets	(79,206)	(72,873)
<b>Operating profit</b>	<b>82,659</b>	<b>54,902</b>
Finance income	797	563
Finance costs	(5,672)	(4,697)
<b>Profit before tax</b>	<b>77,784</b>	<b>50,768</b>
Income tax	(800)	(2,661)
<b>Profit for the period from continuing operations</b>	<b>76,984</b>	<b>48,107</b>
Profit for the period from discontinued operation	9,843	5,917
<b>Profit for the period</b>	<b>86,827</b>	<b>54,024</b>
<b>Profit attributable to:</b>		
- <i>Equity holder of the Parent Company</i>	85,367	52,320
- <i>Non-controlling interests</i>	1,460	1,704

\* The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 6-Month Period Ending 30 June 2020 are prepared in accordance with the IFRS as adopted by the European Union

# Consolidated Statement of Financial Position\*

	EUR'000	
	30/06/2020	31/12/2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment	2,790,467	2,775,532
Right-of-use assets	5,065	5,522
Investment property	300	301
Non-current financial investments	40	39
Non-current loans to related parties	86,620	–
Other non-current receivables	433	433
Other financial investments	2,702	16,885
<b>Total non-current assets</b>	<b>2,885,627</b>	<b>2,798,712</b>
<b>Current assets</b>		
Inventories	81,220	104,927
Receivables from contracts with customers	90,549	111,530
Other current receivables	95,894	77,085
Deferred expenses	2,326	3,015
Prepayment for income tax	140	140
Derivative financial instruments	11,075	6,717
Other non-current receivables	14,159	–
Cash and cash equivalents	66,992	122,422
<b>Current assets excluding assets held for distribution</b>	<b>362,355</b>	<b>425,836</b>
Assets held for distribution	–	640,393
<b>Total current assets</b>	<b>362,355</b>	<b>1,066,229</b>
<b>TOTAL ASSETS</b>	<b>3,247,982</b>	<b>3,864,941</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	612,205	834,883
Reserves	1,073,137	1,075,235
Retained earnings	311,578	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>1,996,920</b>	<b>2,257,609</b>
Non-controlling interests	7,519	7,878
<b>Total equity</b>	<b>2,004,439</b>	<b>2,265,487</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	662,353	702,129
Lease liabilities	4,079	4,349
Deferred income tax liabilities	947	8,327
Provisions	19,255	18,491
Derivative financial instruments	7,493	6,149
Deferred income from contracts with customers	141,283	143,330
Other deferred income	182,048	194,033
<b>Total non-current liabilities</b>	<b>1,017,458</b>	<b>1,076,808</b>
<b>Current liabilities</b>		
Borrowings	87,355	180,542
Lease liabilities	1,054	1,216
Trade and other payables	92,947	115,708
Deferred income from contracts with customers	13,974	13,764
Other deferred income	25,153	24,857
Derivative financial instruments	5,602	6,983
<b>Current liabilities excluding liabilities held for distribution</b>	<b>226,085</b>	<b>343,070</b>
Liabilities directly associated with the assets held for distribution	–	179,576
<b>Total current liabilities</b>	<b>226,085</b>	<b>522,646</b>
<b>Total liabilities</b>	<b>1,243,543</b>	<b>1,599,454</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,247,982</b>	<b>3,864,941</b>

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# Consolidated Statement of Cash Flows\*

	EUR'000	
	1H 2020	1H 2019
<b>Cash flows from operating activities</b>		
Profit before tax	77,784	50,768
Profit before tax from discontinued operations	9,946	6,784
<b>Profit before tax, total</b>	<b>87,730</b>	<b>57,552</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	99,596	83,277
– Net financial adjustments	3,916	7,663
– Other adjustments	320	238
– Gain from distribution of assets / non-current financial investment of Parent Company	(5,001)	–
<b>Operating profit before working capital adjustments</b>	<b>186,561</b>	<b>148,730</b>
(Increase)/ decrease current assets	(3,068)	28,427
Increase / (decrease) in trade and other liabilities	3,310	(1,873)
<b>Cash generated from operating activities</b>	<b>186,803</b>	<b>175,284</b>
Interest paid	(7,064)	(6,226)
Interest received	1,183	944
Paid corporate income tax	(10,726)	(456)
<b>Net cash flows from operating activities</b>	<b>170,196</b>	<b>169,546</b>
<b>Cash flows from investing activities</b>		
Repayment of loans	138,560	–
Purchase of intangible assets and property, plant and equipment	(104,320)	(94,821)
Proceeds from redemption of other financial investments	25	25
<b>Net cash flows generated from / (used in) investing activities</b>	<b>34,265</b>	<b>(94,796)</b>
<b>Cash flows from financing activities</b>		
Repayment of issued debt securities (bonds)	(35,000)	–
Proceeds on borrowings from financial institutions	3,500	40,000
Repayment of borrowings	(99,877)	(54,940)
Received financing from European Union	570	–
Lease payments	(494)	(431)
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>(260,191)</b>	<b>(150,586)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(55,730)</b>	<b>(75,836)</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>66,992</b>	<b>53,619</b>

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