



LATVENERGO CONSOLIDATED
AND LATVENERGO AS
UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD
ENDING 30 JUNE 2020

 **Latvenergo**

Latvenergo Group is the most valuable energy company* and one of the largest power supply providers in the Baltics. Latvenergo operates in all energy trade segments in Latvia, Lithuania and Estonia.

CONTENTS

Management Report

3	Highlights
4	Latvenergo Group in Brief
6	Latvenergo Group Key Performance Indicators
7	Operating Environment
11	Financial Results
21	Latvenergo AS Key Performance Indicators
22	Statement of Management Responsibility
23	Formulas
24	List of Abbreviations

Unaudited Condensed Interim Financial Statements**

25	Statement of Profit or Loss
25	Statement of Comprehensive Income
26	Statement of Financial Position
27	Statement of Changes in Equity
28	Statement of Cash Flows
29	Notes to the Unaudited Condensed Interim Financial Statements

*According to the TOP10 most valuable Baltic companies: <https://www.top101.lv/en/top10/baltics-2019>

** Financial Statements include Latvenergo consolidated and Latvenergo AS financial information prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

FINANCIAL CALENDAR

27.11.2020

Condensed Consolidated Interim Financial Statements for the 9-Month Period Ending 30 September 2020 (unaudited)

CONTACT DETAILS FOR INVESTOR RELATIONS

E-mail: investor.relations@latvenergo.lv

Website: <http://www.latvenergo.lv>

DISCLAIMER

The financial report includes future projections that are subject to risks, uncertainties and other important factors beyond the control of Latvenergo Group; therefore, the actual results in the future may differ materially from those stated or implied in the future projections.

The report has been prepared in Latvian and in English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version shall prevail.

Highlights

Significantly lower electricity prices in the region.

In 1H 2020, electricity spot prices in the Nordics and the Baltics were significantly lower compared to the respective period a year ago due to the normalization of the Nordic hydrobalance and lower demand for electricity due to warmer weather and COVID-19. In 1H 2020, the electricity spot price in Latvia decreased by 39% compared to the respective period a year ago.

The amount of power generated at the Daugava HPPs was 58% higher compared to the respective period a year ago.

In the reporting period, Latvenergo Group generated 2,550 GWh of electricity at its plants, which is 7% more than in the respective period a year ago. Electricity output at the Daugava HPPs increased by 58% due to atypically low water inflow in 2019. Adapting to electricity market conditions and heat demand, the amount of electricity generated at the Latvenergo AS CHPPs reached 720 GWh, which was 40% less than in the respective period a year ago. In the reporting period, 978 GWh of thermal energy were produced. The decrease was impacted by warmer weather conditions during the heating season.

Latvenergo operates in all energy trade segments in Latvia, Lithuania and Estonia.



3.1 TWh of electricity sold to Baltic retail customers

740
thous.

Electricity customers



227 GWh of natural gas sold to Baltic retail customers

9,600

Natural gas customers



The overall amount of retail electricity trade outside Latvia accounted for 1/3 of the total. In the reporting period, operations were launched in the Lithuanian electricity household market. Sales of other retail products such as solar panels and *Elektrum Insured* continued to develop, as did the e-shop.

On 10 June 2020, transmission system assets were separated from Latvenergo Group.

In accordance with the Cabinet of Ministers of the Republic of Latvia decision of 8 October 2019, transmission system assets in the amount of EUR 694.3 million were separated from Latvenergo Group on 10 June 2020. All the shares of Latvijas elektriskie tīkli AS (LET) in the amount of EUR 222.7 million were transferred to the Ministry of Economics. Along with the unbundling of LET, all LET liabilities were also transferred.

EBITDA increased by 27%.

			MEUR
393.3	161.9	86.8	3,248.0
REVENUE	EBITDA	PROFIT	ASSETS

In the reporting period, Latvenergo Group's EBITDA increased by 27% or EUR 34.1 million compared to the respective period a year ago. This was positively affected by higher electricity output at the Daugava HPPs and lower electricity and natural gas purchase prices, but negatively affected by lower distribution revenue.

The Group's revenue was 9% or EUR 39.2 million less than in the respective period a year ago. In addition to lower revenue in the distribution segment, this was negatively affected by lower revenue from heat sales.

Latvenergo Group's investments contribute to high-quality and secure energy supply to customers.

In 1H 2020, the total amount of investment comprised EUR 93.2 million, of which 76% was made in power network assets. We are also continuing the implementation of the Daugava HPPs' hydropower unit reconstruction project, investing EUR 12.3 million during the reporting period.

The international credit rating agency Moody's maintained the credit rating of Latvenergo AS at investment grade Baa2.

After the reporting period, on 7 August 2020, the international credit rating agency Moody's Investors Service renewed the Latvenergo AS credit analysis. The rating of Latvenergo AS remained unchanged: Baa2 with a stable outlook.

Baa2

MOODY'S

Latvenergo Group in Brief

Latvenergo Group is one of the largest power supply providers in the Baltics operating in electricity and thermal energy generation and trade, natural gas trade, electricity distribution services and, until 10 June 2020, lease of transmission system assets.

Latvenergo Group is comprised of the parent company Latvenergo AS and seven subsidiaries. All shares of Latvenergo AS are owned by the state and held by the Ministry of Economics of the Republic of Latvia.

Until 9 June 2020, Latvenergo Group divided its operations into three operating segments: generation and trade, distribution and lease of transmission system assets. This division was made according to the internal organisational structure, which forms the basis for regular performance monitoring, decision-making on resources allocated to segments and their performance measurement. From a commercial point of view, each segment has been managed differently.

The generation and trade segment



- comprises electricity and thermal energy generation operations, electricity and natural gas trade in the Baltics and administration of mandatory procurement in Latvia.



The distribution segment



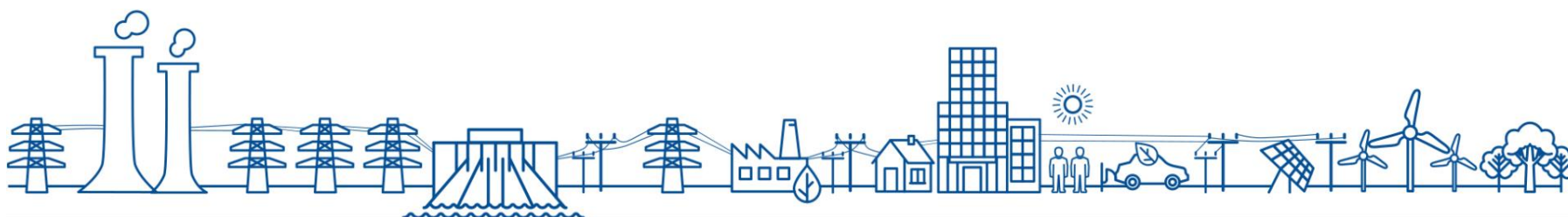
- provides electricity distribution services in Latvia. Sadales tīkls AS is the largest state distribution system operator, covering approximately 99% of the territory of Latvia. Distribution system tariffs are approved by the Public Utilities Commission (PUC).



The transmission system asset leasing segment



- conducts the lease of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points) to the transmission system operator. Payments for the lease of transmission system assets are calculated in accordance with the methodology approved by the PUC. In accordance with the Cabinet of Ministers of the Republic of Latvia (CM) decision of 8 October 2019, the transmission assets were separated from Latvenergo Group on 10 June 2020.



Latvenergo Group in Brief

Latvenergo Group's Strategy

Latvenergo Group's strategy for 2017–2022 provides for:

- strengthening of a sustainable and economically sound market position in core markets (in the Baltics) while considering geographic and / or product / service expansion;
- development of a generation portfolio that fosters synergy with trade and promotes an increase in value for the Group;
- development of a customer-driven, functional, safe and efficient power network.

Along with the strategy approval, Latvenergo Group's financial targets have been set. The targets are divided into three groups: profitability, capital structure and dividend policy.

The financial targets are set to ensure:

- ambitious, yet achievable profitability, which is consistent with the average ratios of benchmark companies in the European energy sector and provides for an adequate return on the business risk;
- an optimal and industry-relevant capital structure that limits potential financial risks;
- an adequate dividend policy that is consistent with the planned investment policy and capital structure targets.

Target group	Ratio	Year 2022
Profitability	Return on equity	> 6%
	Net debt to equity	< 50%
Capital structure	Net debt to EBITDA	< 3 times
	Dividend payout ratio	> 80%

Taking into consideration the development directions of the Group, Latvenergo AS approved the Strategic Development and Efficiency Programme in 2017. The strategic development section is designed with the aim to contribute to the growth of the Group by engaging in new business development directions. Meanwhile, the efficiency section provides for the revision, centralization and digitalization of the Group's processes in order to maintain the Group's profitability in the long term considering the increase in costs due to inflation. The estimated efficiency potential for the Group's EBITDA exceeds EUR 30 million. This is the Group's largest optimization plan in the last decade, and it will allow the Group to increase its value in the long run and to remain competitive in an open market and a changing energy industry.

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		1H 2020	1H 2019	1H 2018	1H 2017	1H 2016
Electricity supply, incl.	GWh	4,615	4,743	5,254	5,465	5,124
<i>Retail electricity</i> ²⁾	GWh	3,083	3,365	3,320	3,541	3,969
<i>Wholesale electricity</i> ³⁾	GWh	1,532	1,378	1,934	1,924	1,155
Retail natural gas	GWh	227	143	51	–	–
Electricity generation	GWh	2,550	2,373	3,139	3,147	2,431
Thermal energy generation	GWh	978	1,139	1,442	1,574	1,527
Number of employees		3,374	3,478	3,539	4,112	4,187
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo Group Financial Figures

		1H 2020	1H 2019	1H 2018	1H 2017	1H 2016
Revenue*	MEUR	393.3	432.5	431.0	458.0	452.5
EBITDA ¹⁾ *	MEUR	161.9	127.8	167.5	192.4	179.8
Profit	MEUR	86.8	54.0	97.2	97.9	74.6
Assets	MEUR	3,248.0	3,731.7	3,833.7	3,842.2	3,545.5
Equity	MEUR	2,004.4	2,202.6	2,341.9	2,425.9	2,091.5
Net debt (adjusted) ¹⁾ *	MEUR	596.1	574.9	450.3	490.3	557.7
Investments	MEUR	93.2	99.6	96.6	92.8	79.6

Latvenergo Group Financial Ratios

	1H 2020	1H 2019	1H 2018	1H 2017	1H 2016
Net debt / EBITDA (adjusted) ¹⁾	2.1	2.1	1.0	1.5	2.4
EBITDA margin ¹⁾	35%	29%	55%	40%	31%
Return on equity (ROE) ¹⁾	6.0%	1.4%	13.5%	6.8%	4.7%
Return on assets (ROA) ¹⁾	3.6%	0.9%	8.4%	4.2%	2.8%
Return on capital employed (ROCE) (adjusted) ¹⁾ *	4.7%	1.5%	6.5%	5.9%	3.3%
Net debt / equity (adjusted) ¹⁾	30%	26%	19%	20%	27%

* Financial figures and ratios are presented by excluding discontinuing operations (unbundling transmission system asset ownership) – see Note 18 to the Unaudited Condensed Financial Statements.

1) Formulas are available on page 23

2) Including operating consumption

3) Including sale of energy purchased within the mandatory procurement on the Nord Pool

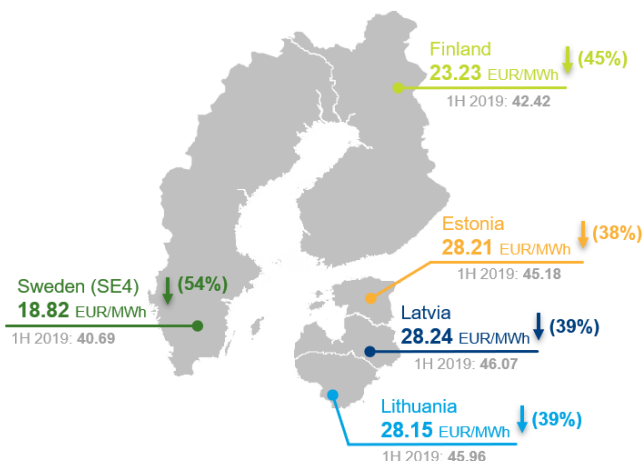
Operating Environment

Latvenergo Group's operations and performance are influenced by various global and regional factors, including electricity and natural gas prices. In 1H 2020, energy raw material prices were also significantly affected by the global COVID-19 pandemic:

- the Nord Pool system price decreased by 74% and the electricity spot price in Latvia decreased by 39% compared to the respective period a year ago;
- the price of natural gas at the GASPOOL and TTF trading platforms was on average 52% lower compared to the respective period a year ago.

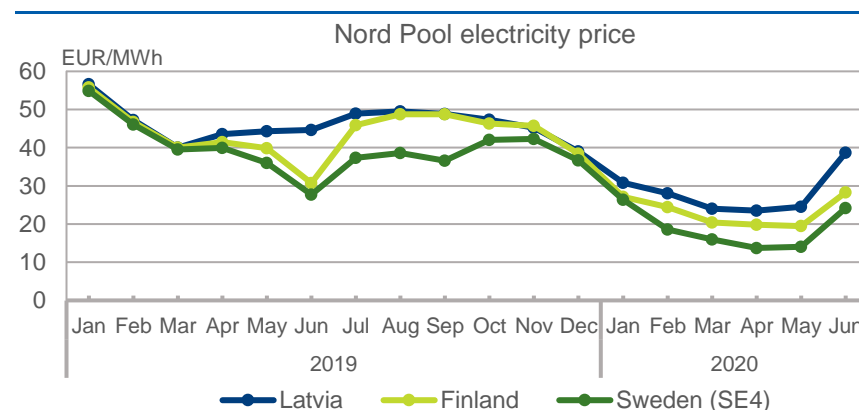
Significantly lower electricity prices

In 1H 2020, electricity prices in the Nordics and the Baltics were lower compared to the respective period a year ago due to the normalization of the Nordic hydrobalance and lower demand for electricity due to warmer weather and COVID-19.



In the Nord Pool region, prices continued to be affected by the favourable hydrological situation. During the reporting period, record-high amounts of snow in the Nordic countries increased the water inflow and water storage in reservoirs; as a result, the Nordic hydropower plants generated 12% more electricity than in the respective period last year. Meanwhile, the electricity output at wind farms was 34% greater than in 1H 2019.

In 1H 2020, the average Nord Pool system price was 10.53 EUR/MWh, which was 74% lower than in the respective period a year ago. Even though the price level decreased in the whole region, at the same time the price difference between Latvia and Sweden (SE4) and Finland increased to 9.42 EUR / MWh and 5.01 EUR / MWh respectively (1H 2019: 5.38 EUR / MWh and 3.65 EUR / MWh). Electricity prices in the Baltic countries did not differ significantly.



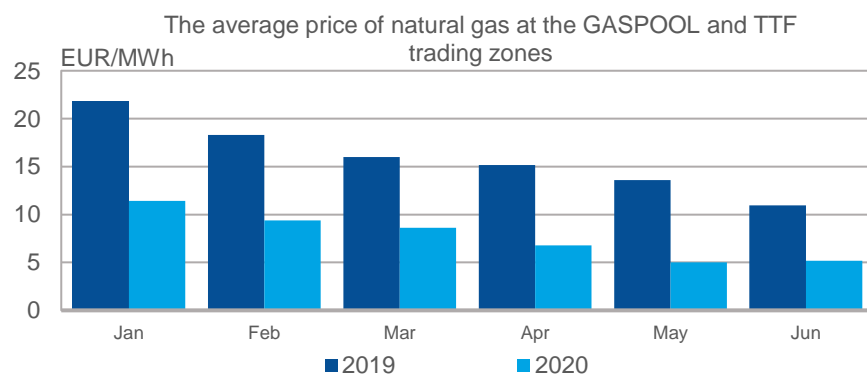
In 1H 2020, total electricity consumption in the Baltics decreased by 4.3% compared to 1H 2019 and reached 13.7 TWh. The decrease in consumption in the Baltic region was affected by warmer weather in Q1 2020, as well as the COVID-19 emergency restrictions announced in all three Baltic countries in Q2 2020.

The fall in electricity prices and demand reduced electricity generation in the Baltics by 14%; it amounted to 7.4 TWh, comprising 3.2 TWh in Latvia, 2.3 TWh in Lithuania and 1.9 TWh in Estonia. Electricity output in Latvia was 4% higher. In Lithuania it was 26% higher than in the respective period a year ago due to higher output at wind farms. However, electricity output in Estonia decreased by 48% since electricity output at oil shale plants in Estonia fell significantly on account of high emission allowance prices and lower electricity prices. Due to lower electricity generation in the Baltics, the electricity purchased from neighbouring countries increased by 10% and reached 6.0 TWh.

Operating Environment

The natural gas price has decreased

Natural gas is the main fuel resource in the Latvenergo AS CHPPs' operation. In 1H 2020, the price of natural gas was impacted by warmer weather conditions and the high share of renewable energy generation in Europe. Also, high deliveries of liquefied natural gas (LNG) continued. At the end of June, the natural gas reserve fill rate in Europe's gas storage facilities reached 80% (at the end of June 2019 it was 73%). In the reporting period, the average (Front Month) price of natural gas at GASPOOL (the German natural gas exchange) and the TTF (the Dutch natural gas exchange) was 52% lower than in the respective period a year ago. The average natural gas (Front Month) price was 7.8 EUR/MWh at the GASPOOL trading platform and 7.6 EUR/MWh at the TTF.



Natural gas prices are linked to oil prices; other energy resource prices also affect the natural gas market dynamics. During the reporting period, the global COVID-19 pandemic had a significant impact on the decline in demand for energy products, resulting in a downward trend in all energy resource markets.

- The average price of Brent crude oil in 1H 2020 was 42.1 USD/bbl, which was 36% lower than in the respective period a year ago. The low oil demand led OPEC+ to an agreement on record-high reductions in oil production, limiting further price declines.
- The average price of coal (API2 Rotterdam Coal Futures Cal 21) decreased by 24% compared to 1H 2019, reaching 56.6 USD/t. In Europe, the decline in coal demand was affected by lower natural gas prices and high renewable energy generation.
- The average price of CO2 emission allowances (EUA DEC.20) in the reporting period decreased by 9%, reaching 22.1 EUR/t. Prices decreased due to lower demand for carbon allowances and energy raw material prices, while the easing of COVID-19 restrictions, market speculation and the implementation of the European Commission's "Green Deal" follow-up affected the upward trend in CO2 prices at the end of the reporting period.

Operating Environment

Unbundling transmission system asset ownership

The most common transmission system management model in Europe is one in which the network assets are owned by the transmission system operator. Therefore, on 8 October 2019 the CM decided to support full unbundling of ownership of the electricity transmission system operator (TSO) until 1 July 2020, providing that transmission assets will be taken over from Latvenergo AS by Augstsprieguma tīkls AS.

The revenue of the transmission system asset leasing segment represented 4% of Latvenergo Group's revenue; EBITDA and asset value represented 14% and 17% respectively.

On 10 June 2020, transmission system assets in the amount of EUR 694.3 million were separated from Latvenergo Group, transferring all the shares of LET in the amount of EUR 222.7 million to the Ministry of Economics. Therefore, the share capital of Latvenergo AS was decreased to EUR 612.2 million. The market value of 100% LET shares was valued by KPMG Baltics AS.

After the end of the reporting period, on 9 July 2020, in accordance with the decision of the CM on unbundling of transmission assets, the shareholders' meeting of Latvenergo AS decided to increase the share capital of Latvenergo AS by EUR 178.1 million by investing in Latvenergo AS retained earnings from previous years and determining the share capital of Latvenergo AS in the amount of EUR 790.3 million.

Along with the unbundling of LET, all LET liabilities were transferred, including the Latvenergo AS loan to LET in the amount of EUR 225 million. The AST loans will be repaid to Latvenergo AS in three instalments, of which EUR 139 million were already repaid in June and the remaining amount will be repaid in equal parts in 2022 and 2023.

The investment financing required by the Group will also decrease – in the last 5 years the average amount of investments in the transmission assets was EUR 56 million per year.

After the reporting period, on 7 August 2020, the international credit rating agency Moody's Investors Service renewed the Latvenergo AS credit analysis, maintaining the investment grade Baa2 with a stable outlook, also taking into account the unbundling of transmission system asset ownership.

Amendments to the Electricity Market Law

On 27 February 2020, the Saeima included in the agenda the draft law "On Amendments to the Electricity Market Law", and on 5 March 2020, it was submitted to the Economic, Agricultural, Environmental and Regional Policy Committee for consideration. On July 21, 2020, the commission conceptually supported the amendments, forwarding them to the Saeima sitting for approval at the first reading. The draft law provides for the deletion of some stipulations of the Electricity Market Law, which defines payments of a guaranteed fee for electrical capacity installed at cogeneration power plants. Also, it provides for terminating the order that states that the electricity costs incurred by the public trader in carrying out the statutory functions are borne by the final consumers. The draft law may have an impact on Latvenergo Group's profits and asset value.

The Supervisory Board of Latvenergo AS has been elected

On 10 June, the Shareholder's Meeting of Latvenergo AS appointed a new Supervisory Board of Latvenergo AS, which will include Ivars Golsts, Toms Siliņš, Aigars Laizāns, Gundars Ruža and Kaspars Rokens. Ivars Golsts has been elected Chairman of the Supervisory Board, and Kaspars Rokens has been elected Deputy Chairman of the Supervisory Board.

Operating Environment

On the impact of COVID-19 on Latvenergo Group operations

At the beginning of 2020, a new coronavirus and the disease it causes, COVID-19 by it started to spread all over the world, including Latvia. Latvenergo Group continuously evaluates the impact of the spread of COVID-19, implements measures for customer and employee safety, and ensures appropriate shift arrangements in the facilities of strategic importance: the Daugava HPPs, the Latvenergo AS CHPPs and the facilities of Sadales tīkls AS. From 11 March to 9 June 2020, the Latvian government declared a state of emergency in order to limit the spread of COVID-19. The restrictions implemented reduced economic activity, including electricity consumption. In 1H 2020, electricity consumption in Latvia decreased by 3.7% compared to the respective period a year ago, and this was due to both the spread of COVID-19 and warmer weather at the beginning of the year.

In 1H 2020, Latvenergo Group services have not been significantly affected by the spread of the virus. The Group continues to ensure generation of electricity and thermal energy, as well as uninterrupted and accessible trade and distribution of electricity and natural gas to all its customers.

Financial Results

In 1H 2020, Latvenergo Group's revenue reached EUR 393.3 million, which was EUR 39.2 million or 9% less than in the respective period a year ago. This was mainly affected by EUR 13.4 million lower distribution segment revenue due to the lower amount of distributed electricity and by the reduced average electricity distribution service tariff; EUR 12.5 million lower heat sales due to warmer weather conditions and electricity sales revenues were also negatively affected by the 4.3% decrease in electricity consumption in the Baltics due to warmer weather and COVID-19.

Latvenergo Group's EBITDA increased by 27%

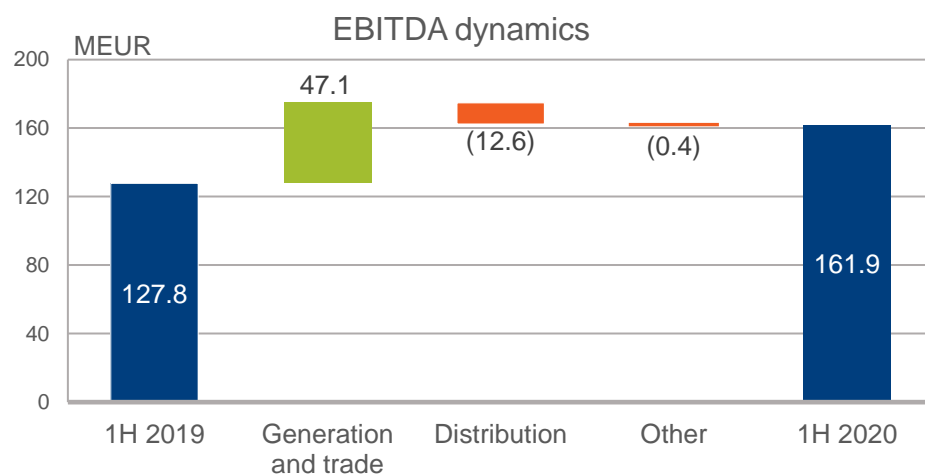
Latvenergo Group financial figures		1H 2020	1H 2019	Δ	Δ, %
Revenue	MEUR	393.3	432.5	(39.2)	(9%)
EBITDA	MEUR	161.9	127.8	34.1	27%
Net profit	MEUR	86.8	54.0	32.8	61%
Assets	MEUR	3,248.0	3,731.7	(483.7)	(13%)

Latvenergo Group's EBITDA increased by 27% compared to the respective period a year ago, reaching EUR 161.9 million. This was mainly affected by 58% or 663 GWh higher electricity output at the Daugava HPPs and lower electricity purchase prices. In 1H 2020, the electricity spot price in Latvia decreased by 39% compared to the respective period a year ago.

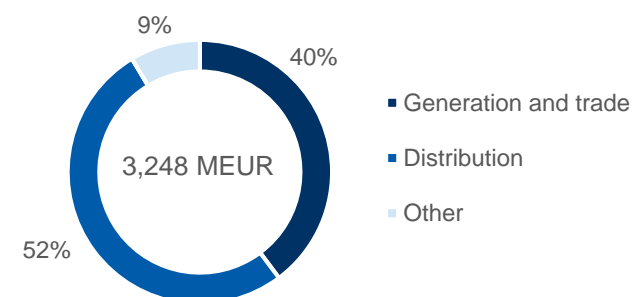
Meanwhile, the Group's profit increased by EUR 32.8 million compared to the respective period a year ago, reaching EUR 86.8 million.

As of 30 June 2020, the Group's net debt to equity was 30% (as of 30 June 2019, it was 26%) and its net debt to EBITDA ratio was 2.1 (2.1). The capital structure ratios of Latvenergo Group are better than the industry average.

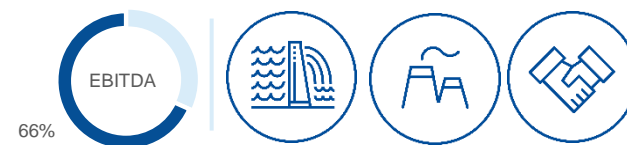
As the transmission assets were separated from Latvenergo Group on 10 June 2020, the comparative results were prepared in such a way that the operations of the transmission segment are reported as discontinuing operations. This therefore affects the profit and loss positions previously published; for more information, see Note 18 to the Unaudited Condensed Interim Financial Statements.



Total assets, 1H 2020



Generation and Trade



Revenue
62%

EBITDA
66%

Assets
40%

Employees
26%

Segment weight in Latvenergo Group

Generation and trade is Latvenergo Group's largest operating segment by revenue and EBITDA. The majority or 87% of the segment's revenue came from electricity and natural gas trade, while 13% came from thermal energy supply.

The segment's revenue was impacted by EUR 12.5 million lower heat sales due to warmer weather conditions, while electricity sales revenues were lower due to the 4.3% decrease in electricity consumption in the Baltics due to warmer weather and COVID-19. Meanwhile, the segment's EBITDA was positively impacted by 58% or 663 GWh higher electricity output at the Daugava HPPs and lower electricity purchase prices.

In the reporting period, the total volume of electricity generated at Latvenergo Group's plants amounted to 2,550 GWh, which corresponded to 83% of the amount of electricity sold to retail customers (in the respective period in 2019 it was 71%).

The volume of electricity sold to Latvenergo Group's customers can be made larger than its generation volumes. This is possible by including additional electricity financial instruments in the price risk management and making use of the flexibility of the Group's generation assets, switching strategically between electricity supply sources: the power exchange and the Group's own power plants. In this way, Latvenergo Group manages the profit potential of sales of electricity generated, utilizes possibilities to reduce the procurement costs of electricity necessary for customers, and reduces its exposure to market price fluctuation risks.

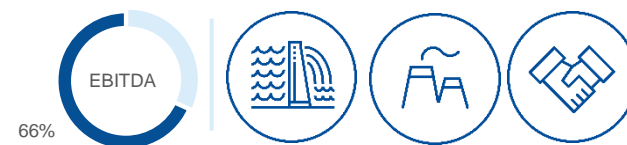
Operational figures		1H 2020	1H 2019	Δ	Δ, %
Electricity supply, incl.	GWh	4,615	4,743	(129)	(3%)
<i>Retail electricity*</i>	GWh	3,083	3,365	(282)	(8%)
<i>Wholesale electricity**</i>	GWh	1,532	1,378	153	11%
Retail natural gas	GWh	227	143	83	58%
Electricity generation	GWh	2,550	2,373	177	7%
<i>Daugava HPPs</i>	GWh	1,804	1,141	663	58%
<i>CHPPs</i>	GWh	720	1,205	(484)	(40%)
<i>Liepaja plants and small plants</i>	GWh	25	27	(2)	(7%)
Thermal energy generation	GWh	978	1,139	(161)	(14%)
<i>CHPPs</i>	GWh	847	999	(152)	(15%)
<i>Liepaja plants</i>	GWh	131	140	(9)	(7%)

Financial figures		1H 2020	1H 2019	Δ	Δ, %
Revenue	MEUR	243.7	269.9	(26.2)	(10%)
EBITDA	MEUR	106.3	59.1	47.1	80%
Assets	MEUR	1,292.3	1,317.8	(25.5)	(2%)
Investments	MEUR	17.0	12.1	5.0	41%
EBITDA margin		30.6	20.4	10.2 pp	50%

* Including operating consumption

** Including sale of energy purchased within the mandatory procurement on the Nord Pool

Generation and Trade



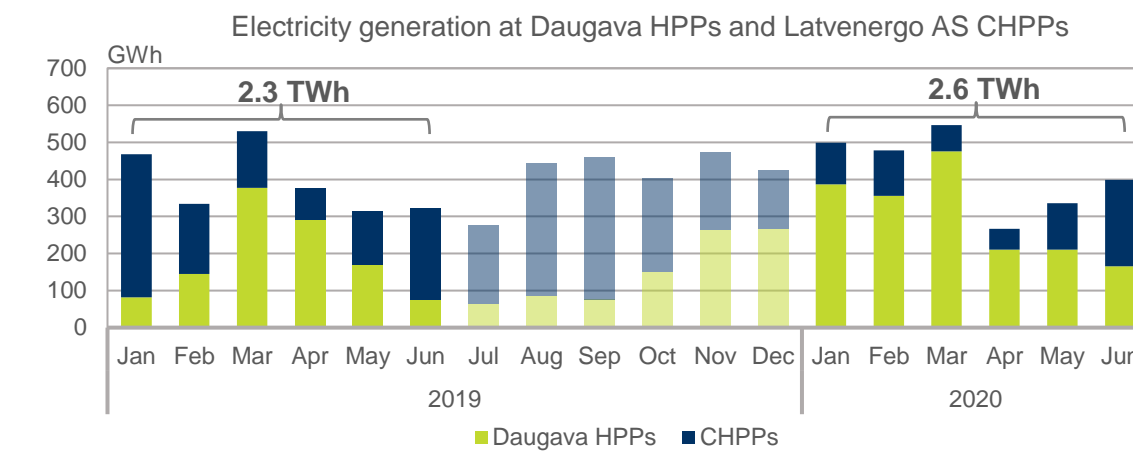
Generation

In 1H 2020, Latvenergo Group was the largest electricity producer in the Baltics, producing 35% of the total electricity generated in the Baltics. The total amount generated by Latvenergo Group's power plants comprised 2,550 GWh of electricity and 978 GWh of thermal energy.

The amount of power generated at the Daugava HPPs was 58% higher compared to the respective period a year ago, reaching 1,804 GWh. The amount of power generated at the Daugava HPPs was impacted by an atypically warm winter and higher water inflow in the Daugava River. In 1H 2020, the average water inflow in the Daugava River was 726 m3/s, while in the respective period a year ago it was 447 m3/s. The share of electricity generated from renewable energy sources at Latvenergo Group was 71% (in 1H 2019 it was 49%).

The share of electricity generated from renewable energy sources represented 71%

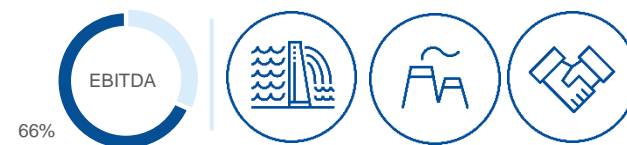
In the reporting period, the amount generated at the Latvenergo AS CHPPs reached 720 GWh, which was 40% less than in the respective period a year ago. The operation of the CHPPs is adjusted to the conditions of the electricity market and heat demand.



Due to the optimal combination of Latvenergo Group's generation at the Latvenergo AS CHPPs and Daugava HPPs and the import opportunities from other Nord Pool bidding areas, consumers in the Baltic states benefit from price convergence to the Nordic electricity market price level, which is historically the lowest price region in Europe.

In 1H 2020, the total amount of thermal energy generated by Latvenergo Group decreased by 14% compared to the respective period a year ago. The decrease was impacted by warmer weather conditions during the heating season. Data from the Central Statistical Bureau show that the average air temperature in Riga in the reporting period during the heating season was +4.5 C°, whereas in 1H 2019 it was +2.7 C°.

Generation and Trade



In 1H 2020, Latvenergo Group maintained a stable position in the Baltic electricity market, continuing to actively expand into new business segments and launching operations in the Lithuanian household electricity market.

Latvenergo – an energy company that operates in all energy trade segments in Latvia, Lithuania and Estonia

In 1H 2020, the Group supplied 3,083 GWh of electricity in the Baltics. The overall amount of retail electricity trade outside Latvia accounted for 1/3 of the total. The electricity trade volume in Latvia was 2,115 GWh, while in Lithuania it was 519 GWh and in Estonia it was 449 GWh.

Trade






The total number of electricity customers comprised more than 740 thousand, including 36 thousand foreign customers.

Latvenergo Group's natural gas sales to retail customers are 58% higher than in 1H 2019, reaching 227 GWh. The increase in natural gas sales can be observed in all three Baltic countries, due to the positive dynamics of the number of customers.

At the end of the reporting period, the natural gas portfolio consisted of 9.7 thousand customers, of which 8.7 thousand were households.

In the reporting period, the retail activities of other services in the Baltic states continued. 238 contracts were signed for the installation of solar panels in the Baltics, ensuring 82% growth compared to 1H 2019. By the end of the reporting period, the total installed solar panel capacity provided to Latvenergo Group's retail customers in the Baltics reached 4.1 MW; 76% of panels are installed for customers outside Latvia. The number of *Elektrum Insured* customers continued to increase, reaching 79.8 thousand. The development of the *Elektrum* e-shop continued, expanding the assortment with various smart home solutions and solar products. In 1H 2020, the *Elektrum* e-shop reached almost one thousand transactions.

Completed in the first half of 2020:

-  3.1 TWh of electricity sold to 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.

Generation and Trade

Mandatory procurement

According to the Electricity Market Law, the functions of public trader are performed by Energijas publiskais tirgotājs AS.

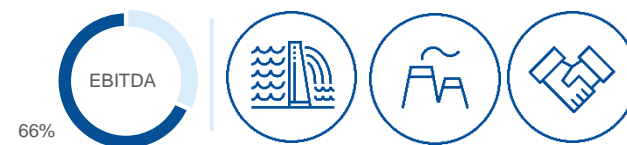
Mandatory procurement expenditures* are covered through a public service obligation fee (hereinafter – PSO fee) charged to end users in Latvia. The PSO fee is determined on the basis of the actual costs in the preceding year and approved by the PUC.

In 2020, the average PSO fee has remained unchanged

On 27 November 2019, the PUC approved the new PSO fee, and as of 1 January 2020 the average PSO fee is 2.268 euro cents/kWh. The average PSO fee has been at this level since 1 July 2018, when it was reduced by 12% on average.

In 1H 2020, MP expenditures reached EUR 84.4 million, which is at the same level as the respective period a year ago. Mandatory procurement expenditures for cogeneration plants decreased significantly, while for renewable energy sources they increased.

In 1H 2020, Energijas publiskais tirgotājs AS made payments from the state budget to energy-intensive manufacturing companies in the amount of EUR 0.1 million (in the respective period in 2019 – EUR 2.2 million), thus reducing their MP payments. The decision on reduction of MP expenditures for energy-intensive manufacturing companies was made by the Ministry of Economics of the Republic of Latvia.



Operating figures		1H 2020	1H 2019	Δ	Δ, %
Mandatory procurement PSO fee income	MEUR	73.9	76.1	(2.2)	(2.9%)
Mandatory procurement reduction – state support to energy-intensive manufacturing companies	MEUR	0.1	2.2	(2.1)	(95.5%)
Mandatory procurement expenditures*	MEUR	84.4	85.0	(0.6)	(0.7%)
<i>Incl. cogeneration</i>	MEUR	24.4	32.3	(7.9)	(24.5%)
<i>Incl. renewable energy resources</i>	MEUR	59.7	52.4	7.3	13.9%

* Mandatory procurement expenditures – costs of electricity purchased within the mandatory procurement and the guaranteed fee for electrical capacity installed at power plants minus revenues from the sale of electricity purchased on the Nord Pool exchange and plus income from support paid by producers and plus the costs of balancing mandatory procurement



Distribution

Revenue
37%

EBITDA
30%

Assets
52%

Employees
58%

Segment weight in Latvenergo Group

The distribution segment is Latvenergo Group's largest segment by asset value and the second largest segment by revenue and EBITDA. In 1H 2020, the segment's revenue decreased by 8% compared to the respective period a year ago, reaching EUR 147.4 million. The decrease was impacted by a 5% lower amount of distributed electricity due to warmer weather and COVID-19 and by the reduced average electricity distribution service tariff.

The efficiency programme contributes to a 5.5% reduction in the average distribution system service tariff

Since 2017, Sadales tīkls AS has been implementing an efficiency programme, which comprises process reviews, decreasing the number of employees and transportation units, and optimizing the number of technical and support real estate bases. Within the framework of this programme, we are planning to reduce the number of employees at Sadales tīkls AS by around 800 in total by 2022. As of 30 June 2020, the number of employees at Sadales tīkls AS has been reduced by approximately 600. At the end of the reporting period, the amount of smart electricity meters installed by the company comprised almost 800 thousand, which was approximately 70% of the total number of electricity meters of customers of Sadales tīkls AS. The measures taken by Sadales tīkls AS within the framework of the efficiency improvement programme contributed to a 5.5% reduction in the average distribution system service tariff as of 1 January 2020.

Operational figures		1H 2020	1H 2019	Δ	Δ, %
Electricity distributed	GWh	3,134	3,304	(170)	(5%)
Distribution losses	GWh	126	144	(18)	(13%)
Financial figures		1H 2020	1H 2019	Δ	Δ, %
Revenue	MEUR	147.4	160.7	(13.4)	(8%)
EBITDA	MEUR	49.3	62.0	(12.6)	(20%)
Assets	MEUR	1,676.9	1,671.2	5.6	0%
RAB	MEUR	1,463.8	1,452.5	11.3	1%
Investments	MEUR	42.2	42.2	(0.1)	(0%)
EBITDA margin		36.7	38.1	(1.4 pp)	(4%)

In the reporting period, the segment's EBITDA decreased by 20%, reaching EUR 49.3 million. Lower distribution system service revenue was partially offset by lower distribution loss costs, due to the lower price of electricity losses based on the decreasing electricity market price in the region.

In the reporting period, investments in distribution remained at the same level as a year earlier and comprised EUR 42.2 million. The value of distribution assets was EUR 1,676.9 million. The purpose of investments in the distribution segment is to promote the quality and security of the energy supply, reduce the frequency and duration of power supply disruptions caused by planned and unplanned maintenance, and ensure the appropriate voltage quality.

Completed in the first half of 2020:

- Renewed a total of 577 km of low and medium-voltage power lines
- Restored and constructed 179 transformer substations
- Installed 92,446 smart electricity meters
- Power line routes cleared from shrubs at a length of 2,521 km



Lease of Transmission System Assets

On 10 June 2020, transmission system assets were separated from Latvenergo Group

In accordance with the Cabinet of Ministers of the Republic of Latvia (CM) decision of 8 October 2019, the transmission assets were separated from Latvenergo Group on 10 June 2020 (for more information, see the section *Operating Environment*).

In the reporting period, the segment's revenue and EBITDA comprised EUR 17.6 million and EUR 16.6 million respectively. Leasing of transmission system assets is a regulated segment. Revenue in this segment is calculated in accordance with the methodology approved by the PUC.

Financial figures		1H 2020	1H 2019	Δ	Δ, %
Revenue	MEUR	17.6	20.7	(3.2)	(15%)
EBITDA	MEUR	16.6	19.2	(2.7)	(14%)
Investments	MEUR	28.9	38.5	(9.7)	(25%)

In the reporting period, investment in transmission system assets comprised EUR 28.9 million, which is 25% less than in the respective period a year ago. The largest investment was made in the project *The third Estonia–Latvia power transmission network interconnection*. In 1H 2020, EUR 17.9 million was invested in this project (in 1H 2019: EUR 11.6 million).

Investments

In 1H 2020, the total amount of investment comprised EUR 93.2 million, which was EUR 6.4 million or 6% less than in the respective period a year ago. The decrease in the amount of investments was determined by EUR 9.7 million lower investments in transmission system assets.

Contributing to environmentally friendly projects, in 1H 2020, EUR 12.3 million was invested in the Daugava HPPs' hydropower unit reconstruction.

To ensure high-quality power network service, technical parameters and operational safety, a significant amount is invested in the modernization of the power network. In the reporting period, the amount invested in power network assets represented 76% of total investment. EUR 28.9 million of this was invested in transmission system assets.

Investment in power network assets – 76% of the total

Investment projects:

Hydropower unit reconstruction programme for the Daugava HPPs (reconstruction of the Daugava HPPs)

The programme provides for the reconstruction of 11 hydropower units in order to ensure environmentally safe, sustainable and competitive operations and efficient water resource management. As of 30 June 2020, six reconstructed hydropower units have been put into operation within the programme. Latvenergo Group is proceeding with a gradual overhaul of five Daugava HPPs' hydropower units. The programme is scheduled for completion by 2023, with estimated total reconstruction costs exceeding EUR 200 million. As of 30 June 2020, work completed within the scope of the contract reached EUR 178.4 million. Reconstruction will ensure functionality of the hydropower units for another 40 years.



Funding and Liquidity

Latvenergo Group finances its investments from its own resources and external long-term borrowings, which are regularly sourced in financial and capital markets in a timely manner.

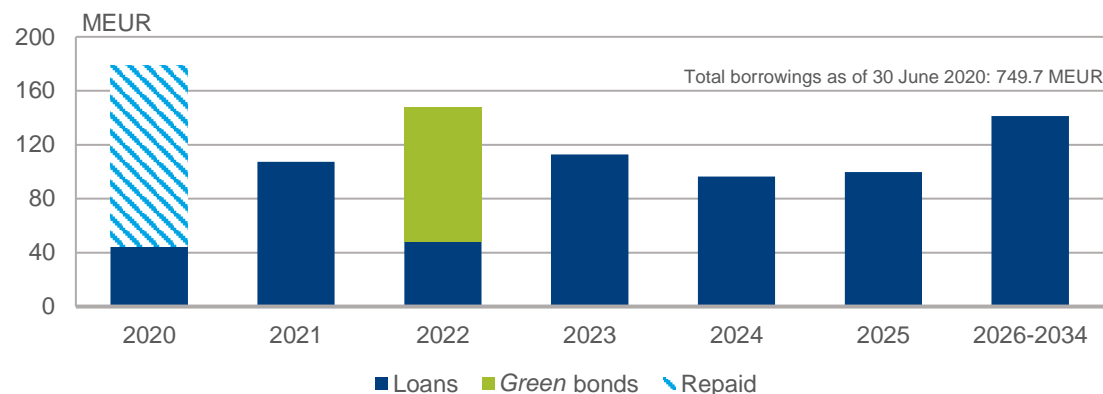
Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time.

The rating of Latvenergo AS remained unchanged Baa2

On 28 April 2020, the Financial and Capital Market Commission registered the base prospectus of the third bond programme of Latvenergo AS, allowing it to make a public offering of bonds. The total amount of the bond programme in nominal value is up to EUR 200 million and the maturity of the bonds is up to 10 years. The bonds will be issued in the format of green bonds, for which the Green Bond Framework of Latvenergo AS was developed. The independent research centre CICERO Shades of Green has rated the updated Latvenergo AS green bonds framework as Dark Green (the highest category), indicating the compliance of the planned projects with long-term environmental protection and climate change mitigation objectives, as well as good governance and transparency.

As of 30 June 2020, the Group's borrowings amount to EUR 749.7 million (30 June 2019: EUR 797.9 million), comprising loans from commercial banks, international investment banks, and EUR 100 million *green* bonds.

Latvenergo Group's debt repayment schedule



External funding sources are purposefully diversified in the long run, thus creating a balance between lender categories in the total loan portfolio.

As of 30 June 2020, all borrowings are denominated in euro currency. The weighted average long-term loan repayment period is 4.3 years (30 June 2019: 4.0 years). The effective weighted average interest rate (with interest rate swaps) is 1.4% (30 June 2019: 1.5%). Also, sufficient coverage of debt service requirements has been ensured (debt service coverage ratio: 1.5).

In 1H 2020, all the binding financial covenants set in Latvenergo Group's loan agreements were met.

After the reporting period, on 7 August 2020, the international credit rating agency Moody's Investors Service renewed the Latvenergo AS credit analysis. The rating of Latvenergo AS remained unchanged: Baa2 with a stable outlook. In setting the credit rating of Latvenergo AS, Moody's particularly appreciated Latvenergo's competitive position in the domestic electricity market, its cost-effective and environmentally friendly hydropower asset base, its share of regulated distribution revenues, and its strong financial profile. Moody's credit rating for Latvenergo AS has been stable for five years in a row, confirming the consistency of operations and financial soundness of Latvenergo Group.

Financial Risk Management

The activities of Latvenergo Group are exposed to a variety of financial risks: market risks, credit risk, and liquidity and cash flow risk. Latvenergo Group's Financial Risk Management Policy focuses on eliminating the potential adverse effects from such risks on financial performance. In the framework of financial risk management, Latvenergo Group uses various financial risk controls and hedging to reduce certain risk exposures.

a) Market risks

I) Price risk

Price risk might negatively affect the financial results of the Group due to falling revenue from generation and a mismatch between floating market prices and fixed retail prices.

The main sources of Latvenergo Group's exposure to price risk are the floating market prices of electricity on the Nord Pool power exchange in Baltic bidding areas and the fuel price for CHPPs. The financial results of the Group may be negatively affected by the volatility of the electricity market price, which depends on the weather conditions in the Nordic countries, global prices of resources, and the influence of local factors (water availability and ambient air temperature) on electricity generation opportunities. Due to supply-demand factors and seasonal fluctuations, natural gas price volatility may have a negative effect on the difference between fixed retail electricity prices in contracts with customers and variable generation costs at CHPPs.

In order to hedge the price risk, the Group enters into long-term fixed price customer contracts, uses electricity financial derivatives and enters into fixed price contracts for natural gas supply. The impact of price risk on generation is hedged gradually – 80%–90% of projected electricity output is sold prior to the upcoming year. Further hedging of risk

is limited by the seasonal generation pattern of the Daugava HPPs.

II) Interest rate risk

Latvenergo Group's interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to the risk that finance costs might increase significantly when the reference rate surges. Most of the borrowings from financial institutions have a variable interest rate, comprising 3, 6 or 12-month EURIBOR and a margin. The Group's Financial Risk Management Policy stipulates maintaining at least 35% of its borrowings as fixed interest rate borrowings (taking into account the effect of interest rate swaps and issued bonds) with a duration of 2–4 years. Taking into account the effect of interest rate swaps and bonds with a fixed interest rate, 40% of the borrowings had a fixed interest rate with an average period of 1.7 years as of 30 June 2020. During 2020, the necessary actions will be taken to bring the Group's actual average fixed interest rate period within the limits set by the Financial Risk Management Policy.

III) Currency risk

Foreign currency exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency other than the functional currency.

As of 30 June 2020, all borrowings of Latvenergo Group are denominated in euros, and during the reporting year, there was no substantial exposure to foreign currency risk as regards the Group's investments.

To manage the Group's foreign currency exchange risk, the Financial Risk Management Policy envisages use of foreign exchange forward contracts.

b) Credit risk

Credit risk is managed at the Latvenergo Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, and receivables. Credit risk exposure of receivables is limited due to the large number of Group customers as there is no significant concentration of credit risk with any single counterparty or group of counterparties with similar characteristics.

Credit risk related to cash and short-term deposits with banks is managed by balancing the placement of financial assets in order to simultaneously choose the best offers and reduce the probability of incurrence of loss. No credit limits were exceeded during the reporting year, and the Group's management does not expect any losses due to the occurrence of credit risk.

c) Liquidity risk and cash flow risk

Latvenergo Group's liquidity and cash flow risk management policy is to maintain a sufficient amount of cash and cash equivalents and the availability of long and short-term funding through an adequate amount of committed credit facilities in order to meet existing and expected commitments and compensate for fluctuations in cash flows due to the occurrence of a variety of financial risks. On 30 June 2020, Latvenergo Group's liquid assets (cash and short-term deposits up to 3 months) reached EUR 67.0 million (30 June 2019: EUR 53.6 million), while the current ratio was 1.6 (0.8).

The Group continuously monitors cash flow and liquidity forecasts, evaluating the total volume of undrawn borrowing facilities and cash and cash equivalents.

Latvenergo AS Key Performance Indicators

Latvenergo AS operational figures

		1H 2020	1H 2019	1H 2020
Electricity supply, incl.	GWh	2,916	2,709	3,346
<i>Retail electricity</i> ²⁾	GWh	2,115	2,132	2,236
<i>Wholesale electricity</i> ³⁾	GWh	801	577	1,110
Retail natural gas	GWh	198	138	51
Electricity generation	GWh	2,526	2,348	3,114
Thermal energy generation	GWh	847	999	1,281
Number of employees		1,275	1,343	1,375
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		1H 2020	1H 2019	1H 2020
Revenue	MEUR	204.2	224.0	236.2
EBITDA ¹⁾	MEUR	141.0	61.2	105.9
Profit	MEUR	142.8	81.9	247.7
Assets	MEUR	2,773.5	3,045.7	3,223.0
Equity	MEUR	1,746.0	1,906.5	2,030.0
Net debt (adjusted) ^{1)*}	MEUR	588.9	735.5	602.4
Investments	MEUR	21.9	17.4	20.1

Latvenergo AS financial ratios

	1H 2020	1H 2019	1H 2020
Return on equity (ROE) ¹⁾	8.9%	2.4%	15.1%
Net debt / equity (adjusted) ^{1)*}	34%	39%	30%
EBITDA margin ¹⁾	46%	27%	77%

* Excluding discontinuing operations (unbundling transmission system asset ownership) – see Note 18 to the Unaudited Condensed Financial Statements

1) Formulas are available on page 23

2) Including operating consumption

3) Including sale of energy purchased within the mandatory procurement on the Nord Pool

Statement of Management Responsibility

Based on the information available to the Management Board of Latvenergo AS, the *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-Month Period Ending 30 June 2020*, including the Management Report, have been prepared in accordance with the International Financial Reporting Standards and in all material aspects present a true and fair view of the assets, liabilities, financial position and profit and loss of Latvenergo Group and Latvenergo AS. Information provided in the Management Report is accurate.

The *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-Month Period Ending 30 June 2020* were approved by the Management Board of Latvenergo AS on 25 August 2020 and have been signed by Chairman of the Management Board Āris Žīgurs and Member of the Management Board Guntars Baļčūns as authorized persons.

This document is signed with a secure digital signature and contains a time stamp

Āris Žīgurs
Chairman of the Management Board

Guntars Baļčūns
Member of the Management Board

25 August 2020

Formulas

In order to ensure an objective and comparable presentation of the financial results, Latvenergo Group and Latvenergo AS use various financial figures and ratios that are derived from the financial statements.

Based on the most commonly used financial figures and ratios in the industry, the Latvenergo Group Strategy for 2017-2022, and the binding financial covenants set in the Group's loan agreements, Latvenergo Group has set and therefore uses the following financial figures and ratios:

- Profitability measures: EBITDA; EBITDA margin; return on assets (ROA); return on equity (ROE); return on capital employed (ROCE);
- Financial leverage measures: net debt; equity-to-asset ratio; net debt / EBITDA; net debt / equity; debt service coverage ratio;
- Liquidity measure: current ratio;
- Dividend policy measure: dividend pay-out ratio.

The financial ratios binding on loan agreements are: equity-to-asset ratio, net debt / EBITDA and debt service coverage ratio. Other ratios and financial figures, including net debt / EBITDA are the most commonly used ones in the industry.

The definitions and components of the financial figures and ratios are described below.

These financial figures and ratios have not changed since the previous period, excluding the Net debt calculation. With the separation of the transmission assets, starting from the results of 6 months of 2020, the LET loans included in the calculation are replaced by loans to AST (for more information, see Operating Environment).

Formulas

Net debt (until 9 June 2020)=
(borrowings at the end of the period – LET borrowings) – (cash and cash equivalents at the end of the period – LET cash)

Net debt (as of 10 June 2020)=
borrowings at the end of the period - loans to AST - cash and cash equivalents at the end of the period

Net debt/EBITDA =
$$\frac{(\text{net debt at the beginning of the 12-month period} + \text{net debt at the end of the 12-month period}) \times 0.5}{\text{EBITDA (12-month rolling)}}$$

EBITDA margin =
$$\frac{\text{EBITDA (12-month rolling)}}{\text{revenue (12-month rolling)}} \times 100\%$$

Net debt/equity =
$$\frac{\text{net debt at the end of the reporting period}}{\text{equity at the end of the reporting period}} \times 100\%$$

Return on assets =
$$\frac{\text{net profit (12-month rolling)}}{\text{average value of assets}} \times 100\%$$

Average value of assets =
$$\frac{\text{assets at the beginning of the 12-month period} + \text{assets at the end of the 12-month period}}{2}$$

Return on equity =
$$\frac{\text{net profit (12-month rolling)}}{\text{average value of equity}} \times 100\%$$

Average value of equity =
$$\frac{\text{equity at the beginning of the 12-month period} + \text{equity at the end of the 12-month period}}{2}$$

Return on capital employed =
$$\frac{\text{operating profit of the 12-month period}}{\text{average value of equity} + \text{average value of borrowings (without LET)}} \times 100\%$$

Average value of borrowings =
$$\frac{\text{borrowings from FI at the beginning of the 12-month period} + \text{borrowings from FI at the end of the 12-month period}}{2}$$

Debt service coverage ratio =
$$\frac{\text{net income +/- extraordinary items} + \text{depreciation} + \text{interest expense}}{\text{principal payments} + \text{interest payments}}$$

Current ratio =
$$\frac{\text{current assets at the end of the reporting period}}{\text{current liabilities at the end of the reporting period}}$$

Return on segment assets =
$$\frac{\text{operating profit of the segment (12-month rolling)}}{\text{average value of segment assets}} \times 100\%$$

Equity-to-asset ratio =
$$\frac{\text{total equity at the end of the reporting period}}{\text{total assets at the end of the reporting period}} \times 100\%$$

Dividend pay-out ratio =
$$\frac{\text{dividends paid in the reporting year}}{\text{profit of the parent company in the previous reporting year}} \times 100\%$$

List of Abbreviations

Abbreviations

bbl –	barrel of oil (158.99 litres)
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
CHPPs –	Latvenergo AS combined heat and power plants
kV –	kilovolt
LEGMC –	Latvian Environment, Geology and Meteorology Centre
LET –	Latvijas elektriskie tīkli AS
MEUR –	million euros
MW –	megawatt
MWh –	megawatt hour (1,000,000 MWh = 1,000 GWh = 1 TWh)
MP –	mandatory procurement
nm ³ –	normal cubic meter
OECD –	The Organisation for Economic Co-operation and Development
PSO –	public service obligation
PUC –	Public Utilities Commission
RAB –	Regulated asset base
SAIDI –	System Average Interruption Duration Index
SAIFI –	System Average Interruption Frequency Index
SET –	Subsidised Energy Tax
WACC –	Weighted average cost of capital
WPP –	Wind power plant

Unaudited Condensed Interim Financial Statements

Statement of Profit or Loss

EUR'000

	Notes	Group		Parent Company	
		01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019
Revenue	4	393,338	432,549	204,240	223,971
Other income		14,071	14,583	49,400	13,354
Raw materials and consumables used	5	(163,309)	(243,659)	(71,050)	(135,289)
Personnel expenses		(56,373)	(53,116)	(24,144)	(23,549)
Other operating expenses		(25,862)	(22,582)	(17,483)	(17,328)
EBITDA		161,865	127,775	140,963	61,159
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	7, 8	(79,206)	(72,873)	(40,536)	(34,742)
Operating profit		82,659	54,902	100,427	26,417
Finance income	6	797	563	6,677	6,388
Finance costs	6	(5,672)	(4,697)	(6,095)	(5,765)
Dividends from subsidiaries		–	–	41,743	54,858
Profit before tax		77,784	50,768	142,752	81,898
Income tax		(800)	(2,661)	–	–
Profit for the period from continuing operations		76,984	48,107	142,752	81,898
Profit for the period from discontinued operations	18	9,843	5,917	–	–
Profit for the period		86,827	54,024	142,752	81,898
Profit attributable to:					
– Equity holder of the Parent Company		85,367	52,320	142,752	81,898
– Non-controlling interests		1,460	1,704	–	–

Statement of Comprehensive Income

EUR'000

	Notes	Group		Parent Company	
		01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019
Profit for the period		86,827	54,024	142,752	81,898
<i>Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:</i>					
– gains / (losses) from change in hedge reserve	13	3,693	(36,374)	3,693	(36,374)
Net comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		3,693	(36,374)	3,693	(36,374)
Other comprehensive income / (loss) for the period		3,693	(36,374)	3,693	(36,374)
TOTAL comprehensive income for the period		90,520	17,650	146,445	45,524
Attributable to:					
– Equity holder of the Parent Company		89,060	15,946	146,445	45,524
– Non-controlling interests		1,460	1,704	–	–

Statement of Financial Position

EUR'000

	Notes	Group		Parent Company	
		30/06/2020	31/12/2019	30/06/2020	31/12/2019
ASSETS					
Non-current assets					
Intangible assets and property, plant and equipment	7	2,790,467	2,775,532	1,109,002	1,135,112
Right-of-use assets	8	5,065	5,522	4,166	3,476
Investment property		300	301	3,181	39,435
Non-current financial investments	10	40	39	645,218	831,350
Non-current loans to related parties	17 e	86,620	–	573,392	588,434
Other non-current receivables	11 b	433	433	421	421
Other financial investments	14 a	2,702	16,885	2,702	16,885
Total non-current assets		2,885,627	2,798,712	2,338,082	2,615,113
Current assets					
Inventories	9	81,220	104,927	65,206	89,522
Receivables from contracts with customers	11 a	90,549	111,530	69,512	82,973
Other current receivables	11 b, c	95,894	77,085	36,268	13,328
Deferred expenses		2,326	3,015	1,394	2,082
Current loans to related parties	17 e	–	–	173,355	205,822
Prepayment for income tax		140	140	140	140
Derivative financial instruments	14 c	11,075	6,717	11,075	6,717
Other non-current receivables	14 a	14,159	–	14,159	–
Cash and cash equivalents	12	66,992	122,422	64,278	121,261
Current assets excluding assets held for distribution		362,355	425,836	435,387	521,845
Assets held for distribution	18	–	640,393	–	–
Total current assets		362,355	1,066,229	435,387	521,845
TOTAL ASSETS		3,247,982	3,864,941	2,773,469	3,136,958
EQUITY AND LIABILITIES					
Equity					
Share capital		612,205	834,883	612,205	834,883
Reserves		1,073,137	1,075,235	777,759	778,162
Retained earnings		311,578	318,555	356,019	336,242
Reserves of disposal group classified as held for distribution		–	28,936	–	–
Equity attributable to equity holder of the Parent Company		1,996,920	2,257,609	1,745,983	1,949,287
Non-controlling interests		7,519	7,878	–	–
Total equity		2,004,439	2,265,487	1,745,983	1,949,287
Liabilities					
Non-current liabilities					
Borrowings	14 b	662,353	702,129	654,636	696,863
Lease liabilities	8	4,079	4,349	3,545	3,126
Deferred income tax liabilities		947	8,327	–	–
Provisions		19,255	18,491	8,648	8,489
Derivative financial instruments	14 c	7,493	6,149	7,493	6,149
Deferred income from contracts with customers	16 I, a	141,283	143,330	883	877
Other deferred income	16 I, b, c	182,048	194,033	174,707	186,297
Total non-current liabilities		1,017,458	1,076,808	849,912	901,801
Current liabilities					
Borrowings	14 b	87,355	180,542	85,143	176,036
Lease liabilities	8	1,054	1,216	674	376
Trade and other payables		92,947	115,708	61,800	78,381
Deferred income from contracts with customers	16 II, a	13,974	13,764	65	63
Other deferred income	16 II, b, c	25,153	24,857	24,290	24,031
Derivative financial instruments	14 c	5,602	6,983	5,602	6,983
Current liabilities excluding liabilities held for distribution		226,085	343,070	177,574	285,870
Liabilities directly associated with the assets held for distribution		–	179,576	–	–
Total current liabilities		226,085	522,646	177,574	285,870
Total liabilities		1,243,543	1,599,454	1,027,486	1,187,671
TOTAL EQUITY AND LIABILITIES		3,247,982	3,864,941	2,773,469	3,136,958

Statement of Changes in Equity

EUR'000

	Group							Parent Company			
	Attributable to equity holder of the Parent Company							Attributable to equity holder of the Parent Company			
	Share capital	Reserves	Retained earnings	Reserves classified as held for distribution	TOTAL	Non-controlling interests	TOTAL	Share capital	Reserves	Retained earnings	TOTAL
As of 31 December 2018	834,791	1,125,466	351,350	–	2,311,607	8,458	2,320,065	834,791	794,555	364,477	1,993,823
Increase of share capital (Note 7 a)	92	–	–	–	92	–	92	92	–	–	92
Dividends for 2018	–	–	(132,936)	–	(132,936)	(2,279)	(135,215)	–	–	(132,936)	(132,936)
Disposal of non-current assets revaluation reserve	–	(4,838)	4,838	–	–	–	–	–	(3,468)	3,468	–
Total transactions with owners and other changes in equity	92	(4,838)	(128,098)	–	(132,844)	(2,279)	(135,123)	92	(3,468)	(129,468)	(132,844)
Profit for the period	–	–	52,320	–	52,320	1,704	54,024	–	–	81,898	81,898
Other comprehensive loss for the period	–	(36,374)	–	–	(36,374)	–	(36,374)	–	(36,374)	–	(36,374)
Total comprehensive (loss) / income for the period	–	(36,374)	52,320	–	15,946	1,704	17,650	–	(36,374)	81,898	45,524
As of 30 June 2019	834,883	1,084,254	275,572	–	2,194,709	7,883	2,202,592	834,883	754,713	316,907	1,906,503
Disposal of non-current assets revaluation reserve	–	(2,643)	2,643	–	–	–	–	–	(6)	6	–
Discontinued operations (Note 18)	–	(28,936)	–	28,936	–	–	–	–	–	–	–
Total transactions with owners and other changes in equity	–	(31,579)	2,643	28,936	–	–	–	–	(6)	6	–
Profit / (loss) for the period	–	–	40,340	–	40,340	(5)	40,335	–	–	19,329	19,329
Other comprehensive income for the period	–	22,560	–	–	22,560	–	22,560	–	23,455	–	23,455
Total comprehensive income / (loss) for the period	–	22,560	40,340	–	62,900	(5)	62,895	–	23,455	19,329	42,784
As of 31 December 2019	834,883	1,075,235	318,555	28,936	2,257,609	7,878	2,265,487	834,883	778,162	336,242	1,949,287
Decrease of share capital	(222,678)	–	–	–	(222,678)	–	(222,678)	(222,678)	–	–	(222,678)
Dividends for 2019	–	–	(127,071)	–	(127,071)	(1,819)	(128,890)	–	–	(127,071)	(127,071)
Disposal of non-current assets revaluation reserve	–	(5,791)	5,791	–	–	–	–	–	(4,096)	4,096	–
Discontinuing operations (Note 18)	–	–	28,936	(28,936)	–	–	–	–	–	–	–
Total transactions with owners and other changes in equity	(222,678)	(5,791)	(92,344)	(28,936)	(349,749)	1,819	(351,568)	(222,678)	(4,096)	(122,975)	(349,749)
Profit for the period	–	–	85,367	–	85,367	1,460	86,827	–	–	142,752	142,752
Other comprehensive income for the period	–	3,693	–	–	3,693	–	3,693	–	3,693	–	3,693
Total comprehensive income for the period	–	3,693	85,367	–	89,060	1,460	90,520	–	3,693	142,752	146,445
As of 30 June 2020	612,205	1,073,137	311,578	–	1,996,920	7,519	2,004,439	612,205	777,759	356,019	1,745,983

* On 10 June 2020, transmission system assets were separated from the Latvenergo Group, transferring all the shares of Latvijas elektriskie tīkli AS to the Ministry of Economics and decreasing share capital of Latvenergo AS.

Statement of Cash Flows

EUR'000

	Notes	Group		Parent Company	
		01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019
Cash flows from operating activities					
Profit before tax		77,784	50,768	142,752	81,898
Profit before tax from discontinued operation		9,946	6,784	–	–
Profit before tax, total		87,730	57,552	142,752	81,898
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		99,596	83,277	47,438	30,696
- Net financial adjustments		3,916	7,663	(1,494)	2,902
- Other adjustments		320	238	34	(34)
- Dividends from subsidiaries		–	–	(41,743)	(54,858)
- Gain from distribution of assets / non-current financial investment of Parent Company		(5,001)	–	(36,246)	–
Operating profit before working capital adjustments		186,561	148,730	110,741	60,604
(Increase) / decrease in current assets		(3,068)	28,427	87,136	36,709
Increase / (decrease) in trade and other liabilities		3,310	(1,873)	(19,347)	(22,603)
Impact of non-cash offsetting of operating receivables and liabilities from subsidiaries, net		–	–	76,490	129,152
Cash generated from operating activities		186,803	175,284	255,020	203,862
Interest paid		(7,064)	(6,226)	(7,524)	(7,267)
Interest received		1,183	944	966	944
Paid corporate income tax		(10,726)	(456)	–	10,000
Net cash flows from operating activities		170,196	169,546	248,462	207,539
Cash flows from investing activities					
Loans issued to subsidiaries, net		–	–	(167,560)	(148,777)
Repayment of loans	17	138,560	–	138,560	–
Purchase of intangible assets and property, plant and equipment		(104,320)	(94,821)	(30,851)	(9,178)
Dividends received from subsidiaries		–	–	12,426	21,115
Proceeds from redemption of other financial investments		25	25	25	25
Net cash flows generated from / (used in) investing activities		34,265	(94,796)	(47,400)	(136,815)
Cash flows from financing activities					
Repayment of issued debt securities (bonds)		(35,000)	–	(35,000)	–
Proceeds on borrowings from financial institutions		3,500	40,000	–	40,000
Repayment of borrowings	14 b	(99,877)	(54,940)	(96,526)	(53,645)
Received financing from European Union		570	–	570	–
Lease payments		(494)	(431)	(18)	(15)
Dividends paid to non-controlling interests		(1,819)	(2,279)	–	–
Dividends paid to equity holder of the Parent Company		(127,071)	(132,936)	(127,071)	(132,936)
Net cash flows used in financing activities		(260,191)	(150,586)	(258,045)	(146,596)
Net decrease in cash and cash equivalents	12	(55,730)	(75,836)	(56,983)	(75,872)
Cash and cash equivalents at the beginning of the period	12	122,722	129,455	121,261	127,554
Cash and cash equivalents at the end of the period		66,992	53,619	64,278	51,682

Notes to the Financial Statements

1. Corporate information

All shares of public limited company Latvenergo, parent company of Latvenergo Group (hereinafter – Latvenergo AS or the Parent Company) are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia. The registered address of Latvenergo AS is 12 Pulkveža Brieža Street, Riga, Latvia, LV-1230. According to the Energy Law of the Republic of Latvia, Latvenergo AS is designated as a national economy object of State importance and, therefore, is not subject to privatisation.

Latvenergo AS is power supply utility engaged in electricity and thermal energy generation, as well as sales of electricity and natural gas. Latvenergo AS is one of the largest corporate entities in the Baltics.

Latvenergo AS heads the Latvenergo Group (hereinafter – the Group) that includes the following subsidiaries:

- Sadales tīkls AS (since 18 September 2006) with 100% interest held;
- Elektrum Eesti OÜ (since 27 June 2007) and its subsidiary Elektrum Latvija SIA (since 18 September 2012) with 100% interest held;
- Elektrum Lietuva, UAB (since 7 January 2008) with 100% interest held;
- Latvijas elektriskie tīkli AS (from 10 February 2011 till 10 June 2020) with 100% interest held;
- Enerģijas publiskais tirgotājs AS (since 25 February 2014) with 100% interest held;
- Liepājas enerģija SIA (since 6 July 2005) with 51% interest held.

Latvenergo AS and its subsidiaries Sadales tīkls AS, Latvijas elektriskie tīkli AS (till 10 June 2020) and Enerģijas publiskais tirgotājs AS are also shareholders with 48.15% interest held in company Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS holds 46.30% of interest) that manages a defined-contribution corporate pension plan in Latvia.

Latvenergo AS shareholding in subsidiaries and other non-current financial investments are disclosed in Note 10.

Since 25 September 2018 the Management Board of Latvenergo AS was comprised of the following members: Āris Žīgurs (Chairman of the Board), Uldis Bariss, Guntars Baļčūns and Kaspars Cikmačs.

Since 9 October 2019 until 10 June 2020 the Supervisory Board of Latvenergo AS was comprised of the following members: Edmunds Valantis (Chairman), Edijs Šaicāns (Deputy Chairman) and Irēna Bērziņa. Since 11 June 2020 the Supervisory Board of Latvenergo AS was comprised of the following members: Ivars Golsts (Chairman), Kaspars Rokens (Deputy Chairman), Toms Siliņš, Aigars Laizāns and Gundars Ruža.

The Supervisory body – Audit Committee since 9 October 2019 was comprised of the following members: Torben Pedersen, Svens Dinsdorfs, Marita Salgrāve and Irēna Bērziņa (till 10 June 2020) and since 11 June 2020 – Toms Siliņš un Gundars Ruža.

Latvenergo Group Consolidated and Latvenergo AS Annual Report 2019 has been approved on 8 May 2020 by the Latvenergo AS Shareholder's meeting (see on Latvenergo AS web page section "Investors" – <http://www.latvenergo.lv/eng/investors/reports/>).

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-month period ending on 30 June 2020 include the financial information in respect of the Latvenergo Group and Latvenergo AS for the period starting on 1 January 2020 and ending on 30 June 2020 and comparative information for the period of 2019 starting on 1 January 2019 and ending on 30 June 2019.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-month period ending on 30 June 2020 were authorised by the Latvenergo AS Management Board on 25 August 2020.

2. Significant accounting policies

These Latvenergo Consolidated and Latvenergo AS Condensed Interim Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union (IFRS) and principal accounting policies applied to these financial statements were identical to those used in the Latvenergo Group Consolidated and Latvenergo AS Financial Statements of 2019. These policies have been consistently applied to all reporting periods presented in financial statements, unless otherwise stated. Where it is necessary, comparatives are reclassified.

Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements are prepared under the historical cost convention, except for some financial assets and liabilities (including derivative financial instruments and non-current financial investments) measured at fair value and certain property, plant and equipment

carried at revalued amounts as disclosed in accounting policies presented in Latvenergo Group Consolidated and Latvenergo AS Annual Report 2019.

Unaudited Condensed Interim Financial Statements had been prepared in euros (EUR) currency and all amounts except non-monetary items shown in these Financial Statements are presented in thousands of EUR (EUR'000). All figures, unless stated otherwise are rounded to the nearest thousand.

Certain monetary amounts, percentages and other figures are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent.

3. Operating segment information

Operating segments of the Group and the Parent Company

For segment reporting purposes, the division into operating segments is based on internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the operating segment decision maker – management of the Group's company operating in each of segments. The Management Board of the Parent Company reviews financial results of operating segments.

The profit measure monitored by the chief operating decision maker primarily is EBITDA, but it also monitors operating profit. In separate financial statements operating profit excludes the dividend income and interest income from subsidiaries. The subsidiaries operate independently from the Parent Company under the requirements of EU and Latvian legislation and their businesses are different from that of the Parent Company. Therefore, the Parent Company's chief operating decision maker monitors the performance of the Parent Company and makes decisions regarding allocation of resources based on the operating results of the Parent Company.

The Group divides its operations into three main operating segments – generation and trade, distribution and lease of transmission system assets. The Parent Company divides its operations into one main operating segment – generation and trade.

In addition, corporate functions, that cover administration and other support services, are presented in the Group and the Parent Company as separate segment.

Corporate functions provide management services to subsidiaries as well as provides IT and telecommunication, rental services to external customers.

Generation and trade comprises the Group's electricity and thermal energy generation operations, which are organised into the legal entities: Latvenergo AS and Liepājas enerģija SIA; electricity and natural gas trade (including electricity and natural gas wholesale) in the Baltics carried out by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB, as well as administration of the mandatory procurement process provided by Enerģijas publiskais tirgotājs AS.

The operations of the **distribution** operating segment relate to the provision of electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia).

The operations of the **lease of transmission system** assets operating segment is managed by Latvijas elektriskie tīkli AS (till 10 June 2020) – the owner of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points), which provides financing of investments in these assets. In the financial statements this operating segment is classified as discontinued operation (Note 18).

The following table presents revenue, financial results and profit information and segment assets and liabilities of the Group's and the Parent Company's operating segments. Inter-segment revenue is eliminated on consolidation and reflected in the

'adjustments and eliminations' column. All transactions between segments are made based on the regulated tariffs, where applicable, or on an arm's length principle.

EUR'000

	Group							Parent Company				
	Generation and trade	Distribution	Lease of transmission system assets*	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Parent Company
Period: 01/01–30/06/2020												
Revenue												
External customers	243,217	146,651	15,967	3,470	409,305	–	409,305	188,293	15,947	204,240	–	204,240
Inter-segment	525	705	1,594	23,533	26,357	(26,357)	–	237	12,537	12,774	(12,774)	–
TOTAL revenue	243,742	147,356	17,561	27,003	435,662	(26,357)	409,305	188,530	28,484	217,014	(12,774)	204,240
Results												
EBITDA	106,251	49,345	16,554	6,269	178,419	–	178,419	98,467	42,496	140,963	–	140,963
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(36,348)	(37,326)	(11,602)	(5,532)	(90,808)	–	(90,808)	(34,655)	(5,881)	(40,536)	–	(40,536)
Segment profit / (loss) before tax	69,903	12,019	4,952	737	87,611	(4,883)	82,728	63,812	36,615	100,427	42,325	142,752
Capital expenditure	17,030	42,164	28,879	5,162	93,235	(75)	93,160	16,721	5,162	21,883	–	21,883
Period: 01/01–30/06/2019												
Revenue												
External customers	269,206	159,876	19,043	3,467	451,592	–	451,592	202,905	21,066	223,971	–	223,971
Inter-segment	716	831	1,674	23,623	26,844	(26,844)	–	392	12,062	12,454	(12,454)	–
TOTAL revenue	269,922	160,707	20,717	27,090	478,436	(26,844)	451,592	203,297	33,128	236,425	(12,454)	223,971
Results												
EBITDA	59,130	61,956	19,209	6,689	146,984	–	146,984	51,772	9,387	61,159	–	61,159
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(29,149)	(37,954)	(12,415)	(5,770)	(85,288)	–	(85,288)	(27,319)	(7,423)	(34,742)	–	(34,742)
Segment profit / (loss) before tax	29,981	24,002	6,794	919	61,696	(4,144)	57,552	24,453	1,964	26,417	55,481	81,898
Capital expenditure	12,074	42,223	38,549	5,143	97,989	1,641	99,630	11,634	5,804	17,438	–	17,438

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation (Note 18)

Segment assets

EUR'000

	Group							Parent Company				
	Generation and trade	Distribution	Lease of transmission system* assets	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Group	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Parent Company
As of 30 June 2020	1,292,327	1,676,869	–	97,057	3,066,254	181,728	3,247,982	1,162,587	126,563	1,289,150	1,484,319	2,773,469
As of 31 December 2019	1,346,937	1,681,422	642,151	87,966	3,758,476	106,465	3,864,941	1,197,434	168,915	1,366,349	1,770,609	3,136,958

* In the financial statements operating segment of lease of transmission system assets is classified as discontinued operation (Note 18)

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets, financial instruments and deferred taxes are not allocated to individual segments as the underlying instruments are managed on a group basis. Taxes and certain financial assets and liabilities, including loans and borrowings are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Reconciliation of profit before tax

EUR'000

	Group		Parent Company	
	01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019
EBITDA	178,419	146,984	140,963	61,159
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(90,808)	(85,288)	(40,536)	(34,742)
Segment profit before tax	87,611	61,696	100,427	26,417
Finance income	797	563	6,677	6,388
Finance costs	(5,680)	(4,707)	(6,095)	(5,765)
Dividends received from subsidiaries	–	–	41,743	54,858
Profit before tax	82,728	57,552	142,752	81,898

Reconciliation of assets

EUR'000

	Group		Parent Company	
	01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019
Segment operating assets	3,066,254	3,758,476	1,289,150	1,366,349
Connection usage rights	–	(39,739)	–	–
Non-current financial investments	40	39	645,218	831,350
Loans to related parties	86,620	–	746,747	794,256
Other financial investments	16,861	16,885	16,861	16,885
Derivative financial instruments	11,075	6,717	11,075	6,717
Prepayment for income and other taxes	140	141	140	140
Cash and cash equivalents	66,992	122,422	64,278	121,261
TOTAL assets	3,247,982	3,864,941	2,773,469	3,136,958

4. Revenue

		EUR'000			
IFRS or IAS applied	Group		Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019	
Revenue from contracts with customers recognised over time:					
Trade of electric energy and related supply services	15. SFPS	202,386	218,603	155,590	159,493
Trade of natural gas and related supply services	15. SFPS	6,367	4,906	5,747	4,732
Distribution system services	15. SFPS	137,099	150,626	–	–
Heat sales	15. SFPS	31,909	44,419	25,621	37,640
Other revenue	15. SFPS	14,681	13,102	15,228	17,134
Total revenue from contracts with customers		392,442	431,656	202,186	218,999
Other revenue:					
Lease of other assets	16. SFPS	896	893	2,054	4,972
Total other revenue		896	893	2,054	4,972
TOTAL revenue		393,338	432,549	204,240	223,971

Gross amounts invoiced to customers by applying agent accounting principle, recognised on net basis under trade of energy and related supply services:

		EUR'000			
	Group		Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019	
Mandatory procurement PSO fees	45,385	47,164	43,978	45,683	
Distribution system services	6,336	5,671	92,227	99,979	
Transmission system services	747	758	771	771	
TOTAL revenue recognised applying agent accounting principle	52,468	53,593	136,976	146,433	

Net effect in revenue from applying agent accounting principle is 0.

5. Raw materials and consumables used

		EUR'000			
	Group		Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019	
Electricity					
Purchased electricity	55,889	87,842	10,903	27,690	
Loss on fair value changes on electricity forwards and futures (Note 14 c, II)	(293)	3,634	(293)	3,634	
Electricity transmission services costs	35,253	35,832	442	517	
	90,849	127,308	11,052	31,841	
Natural gas and other energy resources costs					
Gains on fair value changes on natural gas forwards (Note 14 c, III)	58,254	101,488	54,476	97,282	
Raw materials, spare parts and maintenance costs	(409)	–	(409)	–	
	14,615	14,863	5,931	6,166	
TOTAL raw materials and consumables used	163,309	243,659	71,050	135,289	

6. Finance income and costs

EUR'000

	Group		Parent Company	
	01/01-30/06/2020	01/01-30/06/2019	01/01-30/06/2020	01/01-30/06/2019
Finance income:				
Interest income	766	541	547	541
Interest income on loans to subsidiaries	–	–	6,099	5,825
Net gain on issued debt securities (bonds)	31	22	31	22
TOTAL finance income	797	563	6,677	6,388
Finance costs:				
Interest expense on borrowings	(4,276)	(3,346)	(4,733)	(4,437)
Interest expense on issued debt securities (bonds)	(1,302)	(1,408)	(1,302)	(1,408)
Interest expense on assets lease	(42)	(46)	(33)	(29)
Net losses on redemption of other financial investments	(25)	(25)	(25)	(25)
Net income on currency exchange rate fluctuations	(17)	(27)	(17)	(27)
Capitalised borrowing costs	226	213	226	213
Other finance costs	(236)	(58)	(211)	(52)
TOTAL finance costs	(5,672)	(4,697)	(6,095)	(5,765)

7. Intangible assets and property, plant and equipment

a) Intangible assets

EUR'000

	Koncerns			Mātesabiedrība		
	01/01-30/06/2020	01/01-30/06/2019	2019	01/01-30/06/2020	01/01-30/06/2019	2019
Net book amount at the beginning of the period	22,587	19,079	19,079	26,111	22,813	22,813
Additions	2,327	2,505	27,955	1,855	2,497	27,840
Disposals	(6,980)	(8,018)	(21,319)	(6,965)	(8,243)	(21,764)
Amortisation charge	(1,163)	(1,691)	(3,128)	(1,025)	(1,509)	(2,778)
Usage rights after distribution of discontinued operation	38,322	–	–	–	–	–
Closing net book amount at the end of the period	55,093	11,875	22,587	19,976	15,558	26,111

b) Property, plant and equipment

EUR'000

	Group			Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	2019	01/01-30/06/2020	01/01-30/06/2019	2019
Net book amount at the beginning of the period	2,752,945	3,297,093	3,297,093	1,109,001	1,133,886	1,133,886
Additions	90,833	98,864	226,986	20,029	16,680	45,941
Invested in share capital	–	–	92	–	–	92
Reclassified (to) / from investment properties	(7)	(135)	(135)	2,874	(849)	(1,939)
Reclassified to non-current assets held for sale	(11)	–	(146)	(11)	–	–
Disposals	(2,441)	(2,453)	(6,241)	(3,878)	(171)	(6,976)
Reversed impairment charge	13	10,148	19,770	–	10,022	19,763
Depreciation	(88,696)	(93,120)	(183,299)	(38,989)	(41,905)	(81,766)
Assets attributable to the discontinuing operation	(17,262)	–	(601,175)	–	–	–
Closing net book amount at the end of the period	2,735,374	3,310,397	2,752,945	1,089,026	1,117,663	1,109,001

8. Leases

EUR'000

	Group			Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	2019	01/01-30/06/2020	01/01-30/06/2019	2019
Right-of-use assets						
Net book amount at the beginning of the period	5,522	–	–	3,476	–	–
Initial recognition value as of 1 January 2019	–	8,075	8,075	–	3,870	3,870
Recognised changes in lease agreements	217	–	(230)	1,038	–	3
Amortisation	(674)	(321)	(1,224)	(347)	(198)	(397)
Excluded right-of-use assets of discontinued operation	–	–	(1,099)	–	–	–
Closing net book amount at the end of the period	5,065	7,105	5,522	4,167	3,672	3,476
Lease liabilities						
Net book amount at the beginning of the period	5,565	–	–	3,502	–	–
Initial recognition value as of 1 January 2019	–	8,075	8,075	–	3,870	3,870
Recognised changes in lease agreements	217	–	(222)	1,038	–	3
Decrease of lease liabilities	(691)	(337)	(1,277)	(354)	(214)	(428)
Recognised interest liabilities (Note 6)	42	29	96	33	29	57
Excluded lease liabilities of discontinued operation	–	–	(1,107)	–	–	–
Closing net book amount at the end of the period	5,133	7,129	5,565	4,219	3,685	3,502
of which are:						
current lease liabilities	4,079	5,919	4,349	3,545	3,312	3,126
non-current lease liabilities	1,054	1,211	1,216	674	373	376

9. Inventories

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Raw materials and materials	15,986	15,114	937	762
Natural gas	56,195	80,907	56,196	80,907
Goods for sale	2,108	1,874	647	421
Other inventories	8,095	8,156	8,065	8,065
Prepayments for inventories	128	163	15	41
Allowance for raw materials and other inventories	(1,292)	(1,287)	(654)	(674)
TOTAL inventories	81,220	104,927	65,206	89,522

Movement on the allowance for inventories:

EUR'000

	Group			Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	2019	01/01-30/06/2020	01/01-30/06/2019	2019
At the beginning of the period	1,287	1,137	1,137	674	736	736
Charged to the Statement of Profit or Loss	5	274	150	(20)	27	(62)
At the end of the period	1,292	1,411	1,287	654	763	674

10. Non-current financial investments

The Parent Company's participating interest in subsidiaries and other non-current financial investments

Name of the company	Country of incorporation	Business activity held	30/06/2020		31/12/2019	
			Interest held, %	EUR'000	Interest held, %	EUR'000
Investments in subsidiaries						
Latvijas elektriskie tīkli AS	Latvia	Lease of transmission system assets	–	–	100%	186,432
Sadales tīkls AS	Latvia	Electricity distribution	100%	641,450	100%	641,150
Enerģijas publiskais tirgotājs AS	Latvia	Administration of mandatory electricity procurement process	100%	40	100%	40
<i>Elektrum Eesti, OÜ</i>	Estonia	Electricity and natural gas trade	100%	35	100%	35
<i>Elektrum Lietuva, UAB</i>	Lithuania	Electricity and natural gas trade	100%	98	100%	98
Liepājas enerģija SIA	Latvia	Thermal energy generation and trade, electricity generation	51%	3,556	51%	3,556
TOTAL				645,179		831 611
Other non-current financial investments						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	46.30%	36	46.30%	36
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				39		39

The Group's non-current financial investments

Name of the company	Country of incorporation	Business activity held	30/06/2020		31/12/2019	
			Interest held, %	EUR'000	Interest held, %	EUR'000
Other non-current financial investments (Group)						
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15%	37	48.15%	36
Rīgas siltums AS	Latvia	Thermal energy generation and trade, electricity generation	0.0051%	3	0.0051%	3
TOTAL				40		39

The Group owns 48.15% of the shares of the closed pension fund Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS – 46.30%). However, the Group and the Parent Company are only a nominal shareholder as all risks and benefits arising from associate's activities will accrue to the employees who are members of the pension plan. On 26 May 2020 Latvijas elektriskie tīkli AS sold 1/6 of presumed capital shares of Pirmais Slēgtais Pensiju Fonds AS to Sadales tīkls AS and Enerģijas publiskais tirgotājs AS.

In 2020, the Parent Company invested in the share capital of Sadales tīkls AS in the amount of EUR 300 thousand, by investing the Parent Company's real estate and property, plant and equipment related to distribution system in the amount of EUR 35,300 thousand and its related liabilities (borrowings) in the amount of EUR 35,000 thousand.

11. Receivables from contracts with customers and other receivables

Receivables from contracts with customers grouped by the expected credit loss (ECL) assessment model, net

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Individually assessed receivables with lifetime ECL assessment (counterparty model)	5,980	5,105	10,169	9,068
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	84,569	106,425	59,343	73,905
TOTAL receivables from contracts with customers	90,549	111,530	69,512	82,973

a) Receivables from contracts with customers, net

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	125,264	138,926	99,904	107,721
– Heating customers (portfolio model)	1,392	9,210	1,102	7,127
– Other receivables from contracts with customers (portfolio model)	4,963	5,019	1,638	2,571
– Other receivables from contracts with customers (counterparty model)	5,989	5,112	4,212	2,452
– Subsidiaries (counterparty model) (Note 17 b)	–	–	5,967	6,623
	137,608	158,267	112,823	126,494
Provisions for impaired receivables from contracts with customers:				
– Electricity, natural gas trade and related services customers (portfolio model)	(44,103)	(44,108)	(42,989)	(43,187)
– Heating customers (portfolio model)	(313)	(325)	(300)	(315)
– Other receivables from contracts with customers (portfolio model)	(2,634)	(2,297)	(12)	(12)
– Other receivables from contracts with customers (counterparty model)	(9)	(7)	(7)	(3)
– Subsidiaries (counterparty model) (Note 17 b)	–	–	(3)	(4)
	(47,059)	(46,737)	(43,311)	(43,521)
Receivables from contracts with customers, net:				
– Electricity, natural gas trade and related services customers (portfolio model)	81,161	94,818	56,915	64,534
– Heating customers (portfolio model)	1,079	8,885	802	6,812
– Other receivables from contracts with customers (portfolio model)	2,329	2,722	1,626	2,559
– Other receivables from contracts with customers (counterparty model)	5,980	5,105	4,205	2,449
– Subsidiaries (counterparty model) (Note 17 b)	–	–	5,964	6,619
	90,549	111,530	69,512	82,973

Movements in loss allowances for impaired receivables from contracts with customers

EUR'000

	Group			Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	2019	01/01-30/06/2020	01/01-30/06/2019	2019
At the beginning of the period	46,737	47,803	47,803	43,521	44,337	44,337
Receivables written off during the period as uncollectible	(1,167)	(1,082)	(1,935)	(965)	(1,059)	(1,422)
Allowance for impaired receivables	1,489	1,043	869	755	701	606
At the end of the period	47,059	47,764	46,737	43,311	43,979	43,521

b) Other current financial receivables

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Current financial receivables:				
Unsettled revenue on mandatory procurement PSO fee recognised as assets*	85,151	74,938	–	–
Receivables for lease	144	76	88	71
Receivables for lease from subsidiaries (Note 17 b)	–	–	485	615
Other financial receivables from subsidiaries (Note 17 b)	–	–	23,351	9,640
Other accrued income from subsidiaries (Note 17 c)	–	–	1,781	1,864
Other accrued income	714	872	714	872
Other current financial receivables	11,759	3,113	11,003	1,534
Receivables of dividends from subsidiaries	–	–	–	–
Loss allowances for expected credit loss on subsidiaries receivables (Note 17 b)	–	–	(17)	(7)
Loss allowances for expected credit loss	(2,123)	(2,108)	(1,336)	(1,368)
TOTAL other current financial receivables	95,645	76,891	36,069	13,221

* By applying agent principle unsettled revenue on mandatory procurement PSO fee is recognised as assets in net amount, as difference between revenue and costs recognised under the mandatory procurement.

c) Other non-financial receivables

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Non-current non-financial receivables	433	433	421	421
TOTAL non-current non-financial receivables	433	433	421	421
Current non-financial receivables:				
Pre-tax and overpaid taxes	56	69	46	58
Other current receivables	193	125	153	49
TOTAL current non-financial receivables	249	194	199	107
TOTAL non-financial receivables	682	627	620	528

12. Cash and cash equivalents

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Cash at bank	62,600	85,665	59,886	84,504
Short-term bank deposits	–	30,000	–	30,000
Restricted cash and cash equivalents*	4,392	6,757	4,392	6,757
Cash and cash equivalents	66,992	122,422	64,278	121,261
Cash attributable to discontinued operation	–	300	–	–
TOTAL cash and cash equivalents	66,992	122,722	64,278	121,261

* Restricted cash and cash equivalents consist of the financial security for participating in NASDAQ OMX Commodities Exchange. Financial security is fully recoverable after termination of participation without any penalties, therefore restricted cash considered as cash equivalent.

13. Reserves

EUR'000

	Group						Parent Company				
	Non-current assets revaluation reserve	Hedge reserve	Post-employment benefit plan revaluation reserve	Other reserves	TOTAL reserves of continuing operations	Reserves of disposal group classified as held for distribution	TOTAL	Non-current assets revaluation reserve	Hedge reserve	Post-employment benefit plan revaluation reserve	TOTAL
As of 31 December 2018	1,120,169	5,544	(357)	110	1,125,466	-	1,125,466	789,344	5,544	(333)	794,555
Disposal of non-current assets revaluation reserve	(4,838)	-	-	-	(4,838)	-	(4,838)	(3,468)	-	-	(3,468)
Losses from fair value changes of derivative financial instruments	-	(36,374)	-	-	(36,374)	-	(36,374)	-	(36,374)	-	(36,374)
As of 30 June 2019	1,115,331	(30,830)	(357)	110	1,084,254	-	1,084,254	785,876	(30,830)	(333)	754,713
Non-current assets revaluation reserve related to discontinued operation	(29,171)	-	-	-	(29,171)	29,171	-	-	-	-	-
Post-employment benefit plan revaluation reserve related to discontinued operation	-	-	(18)	-	(18)	18	-	-	-	-	-
Disposal of non-current assets revaluation reserve	(2,388)	-	-	-	(2,388)	(255)	(2,643)	(6)	-	-	(6)
(Losses) / gains on re-measurement of defined post-employment benefit plan	-	-	(2,045)	-	(2,045)	2	(2,043)	-	-	(1,148)	(1,148)
Gains from fair value changes of derivative financial instruments	-	24,603	-	-	24,603	-	24,603	-	24,603	-	24,603
As of 31 December 2019	1,083,772	(6,227)	(2,420)	110	1,075,235	28,936	1,104,171	785,870	(6,227)	(1,481)	778,162
Disposal of non-current assets revaluation reserve related to discontinued operation	-	-	-	-	-	(28,683)	(28,683)	-	-	-	-
Disposal of post-employment benefit plan revaluation reserve related to discontinued operation	-	-	-	-	-	(21)	(21)	-	-	-	-
Disposal of non-current assets revaluation reserve	(5,791)	-	-	-	(5,791)	(232)	(6,023)	(4,096)	-	-	(4,096)
Gains from fair value changes of derivative financial instruments	-	3,693	-	-	3,693	-	3,693	-	3,693	-	3,693
As of 30 June 2020	1,077,981	(2,534)	(2,420)	110	1,073,137	-	1,073,137	781,774	(2,534)	(1,481)	777,759

14. Financial assets and liabilities

a) Other financial investments

As of 30 June 2020 the entire Group's and the Parent Company's other financial investments were Latvian State Treasury bonds with 5-year and 10-year maturity, which were purchased with the purpose to invest liquidity reserve in the low risk financial instruments with higher yield.

All financial investments are denominated in euros. The maximum exposure to credit risk at the reporting date is the carrying amount of other financial investments.

Carrying (amortised cost) amount of other financial investments:

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Financial investments in Latvian State Treasury bonds – non-current	2,702	16,885	2,702	16,885
Financial investments in Latvian State Treasury bonds – current	14,159	–	14,159	–
TOTAL other financial investments	16,861	16,885	16,861	16,885

b) Borrowings

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Non-current borrowings from financial institutions	562,112	601,826	554,395	596,560
Issued debt securities (bonds)	100,241	100,303	100,241	100,303
Total non-current borrowings	662,353	702,129	654,636	696,863
Current portion of non-current borrowings from financial institutions	86,514	142,885	84,330	138,691
Issued debt securities (bonds)	–	34,969	–	34,969
Current borrowings	–	291	–	–
Accrued interest on non-current borrowings	735	713	707	692
Accrued coupon interest on issued debt securities (bonds)	106	1,684	106	1,684
Total current borrowings	87,355	180,542	85,143	176,036
TOTAL borrowings	749,708	882,671	739,779	872,899

Movement in borrowings

EUR'000

	Group			Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	2019	01/01-30/06/2020	01/01-30/06/2019	2019
At the beginning of the period	882,671	814,343	814,343	872,899	802,268	802,268
Borrowings received	3,500	40,000	180,291	–	40,000	180,000
Borrowings repaid	(99,877)	(54,940)	(112,102)	(96,526)	(53,645)	(109,513)
Change in accrued interest on borrowings	(1,555)	(1,457)	183	(1,563)	(1,459)	188
Changes in outstanding value of issued debt securities (bonds)	(35,031)	(22)	(44)	(35,031)	(22)	(44)
At the end of the period	749,708	797,924	882,671	739,779	787,142	872,899

c) Derivative financial instruments

I) Interest rate swaps

All contracts are designed as cash flow hedges. It was established that they are fully effective and therefore there is no ineffective portion to be recognised within profit or loss in the Group's and the Parent Company's Statement of Profit or Loss.

Fair value changes of interest rate swaps:

EUR'000

	Group						Parent Company					
	01/01-30/06/2020		01/01-30/06/2019		2019		01/01-30/06/2020		01/01-30/06/2019		2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	-	(9,216)	-	(7,375)	-	(7,375)	-	(9,216)	-	(7,375)	-	(7,375)
Included in Statement of Comprehensive Income (Note 13)	-	(884)	-	(3,754)	-	(1,841)	-	(884)	-	(3,754)	-	(1,841)
Outstanding fair value at the end of the period	-	(10,100)	-	(11,129)	-	(9,216)	-	(10,100)	-	(11,129)	-	(9,216)

II) Electricity forwards and futures

Latvenergo AS enters into electricity future contracts in the Nasdaq Commodities power exchange, as well as concludes electricity forward contracts with other counterparties. Electricity forward and future contracts are intended for hedging of the electricity price risk and are used for fixing the price of electricity purchased in

the Nord Pool AS power exchange. For the contracts which are fully effective contracts fair value gains or losses are included in other comprehensive income (Note 13).

Fair value changes of electricity forward and future contracts:

EUR'000

	Group						Parent Company					
	01/01-30/06/2020		01/01-30/06/2019		2019		01/01-30/06/2020		01/01-30/06/2019		2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	-	(3,916)	15,853	-	15,853	-	-	-	(3,916)	15,853	-	15,853
Included in Statement of Profit or Loss (Note 5)	-	293	(105)	(3,529)	(105)	(2,221)	-	293	(105)	(3,529)	(105)	(2,221)
Included in Statement of Comprehensive Income (Note 13)	-	628	(14,868)	-	(15,748)	(1,695)	-	628	(14,868)	-	(15,748)	(1,695)
Outstanding fair value at the end of the period	-	(2,995)	880	(3,529)	-	(3,916)	-	(2,995)	880	(3,529)	-	(3,916)

III) Natural gas forwards

Fair value changes of natural gas forward contracts:

EUR'000

	Group						Parent Company					
	01/01-30/06/2020		01/01-30/06/2019		2019		01/01-30/06/2020		01/01-30/06/2019		2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	6,717	-	-	(2,829)	-	(2,829)	6,717	-	-	(2,829)	-	(2,829)
Included in the Statement of Profit or Loss (Note 5)	409	-	-	-	2,033	-	409	-	-	-	2,033	-
Included in Statement of Comprehensive Income (Note 13)	3,949	-	3,636	(21,388)	4,684	2,829	3,949	-	3,636	(21,388)	4,684	2,829
Outstanding fair value at the end of the period	11,075	-	3,636	(24,217)	6,717	-	11,075	-	3,636	(24,217)	6,717	-

15. Fair values and fair value measurement

In this Note are disclosed the fair value measurement hierarchy for the Group's and the Parent Company's financial and non-financial assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy for assets at the end of the year

EUR'000

Type of assets	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 30 June 2020								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,293,173	2,293,173	–	–	789,732	789,732
Non-current financial investments (Note 10)	–	–	40	40	–	–	39	39
<i>Derivative financial instruments, including:</i>								
– Natural gas forwards (Note 14 c)	–	11,075	–	11,075	–	11,075	–	11,075
Assets for which fair values are disclosed								
Investment properties	–	–	300	300	–	–	3,181	3,181
Other financial investments (Note 14 a)	–	16,861	–	16,861	–	16,861	–	16,861
Floating rate loans to related parties (Note 17 c)	–	–	–	–	–	130,284	–	130,284
Fixed rate loans to related parties (Note 17 c)	–	86,620	–	86,620	–	616,463	–	616,463
Non-current non-financial receivables (Note 11 c)	–	–	433	433	–	–	421	421
Current financial receivables (Note 11 a, b)	–	–	186,194	186,194	–	–	105,581	105,581
Cash and cash equivalents (Note 12)	–	66,992	–	66,992	–	64,278	–	64,278
As of 31 December 2019								
Assets measured at fair value								
Revalued property, plant and equipment	–	–	2,807,065	2,807,065	–	–	782,977	782,977
Non-current financial investments (Note 10)	–	–	39	39	–	–	39	39
<i>Derivative financial instruments, including:</i>								
– Natural gas forwards (Note 14 c)	–	6,717	–	6,717	–	6,717	–	6,717
Assets for which fair values are disclosed								
Investment properties	–	–	301	301	–	–	39,435	39,435
Other financial investments (Note 14 a)	–	16,885	–	16,885	–	16,885	–	16,885
Floating rate loans to related parties (Note 17 c)	–	–	–	–	–	151,289	–	151,289
Fixed rate loans to related parties (Note 17 c)	–	–	–	–	–	642,967	–	642,967
Non-current non-financial receivables (Note 11 c)	–	–	433	433	–	–	421	421
Current financial receivables (Note 11 a, b)	–	–	188,421	188,421	–	–	96,194	96,194
Cash and cash equivalents (Note 12)	–	122,422	–	122,422	–	121,261	–	121,261

There have been no transfers for assets between Level 1, Level 2 and Level 3 during the reporting period.

Quantitative disclosures of fair value measurement hierarchy for liabilities at the end of the year

EUR'000

Type of liability	Group				Parent Company			
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
As of 30 June 2020								
Liabilities measured at fair value								
<i>Derivative financial instruments, including:</i>								
– Interest rate swaps (Note 14 c)	–	10,100	–	10,100	–	10,100	–	10,100
– Electricity forwards and futures (Note 14 c)	–	2,995	–	2,995	–	2,995	–	2,995
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14 b)	–	100,347	–	100,347	–	100,347	–	100,347
Borrowings (Note 14 c)	–	649,361	–	649,361	–	639,431	–	639,431
Trade and other financial current payables	–	–	70,441	70,441	–	–	50,018	50,018
As of 31 December 2019								
Liabilities measured at fair value								
<i>Derivative financial instruments, including:</i>								
– Interest rate swaps (Note 14 c)	–	9,216	–	9,216	–	9,216	–	9,216
– Electricity forwards and futures (Note 14 c)	–	3,916	–	3,916	–	3,916	–	3,916
Liabilities for which fair values are disclosed								
Issued debt securities (bonds) (Note 14 b)	–	136,956	–	136,956	–	136,956	–	136,956
Borrowings (Note 14 c)	–	745,715	–	745,715	–	735,943	–	735,943
Trade and other financial current payables	–	–	91,410	91,410	–	–	68,249	68,249

There have been no transfers for liabilities between Level 1, Level 2 and Level 3 during the reporting period.

The fair value hierarchy for the Group's and the Parent Company's financial instruments that are measured at fair value, by using specific valuation methods, is disclosed above.

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's and the Parent Company's financial instruments, other than those with carrying amounts which approximates their fair values:

EUR'000

	Group				Parent Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Financial assets								
Fixed rate loans to related parties	86,672	–	90,126	–	616,952	642,967	652,091	673,987
Other financial investments	16,861	16,885	18,145	18,916	16,861	16,885	18,145	18,916
Financial liabilities								
<i>Interest-bearing liabilities, including:</i>								
– issued debt securities (bonds)	100,347	136,956	102,622	140,471	100,347	136,956	102,622	140,471

Management assessed that cash and short-term deposits, receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

16. Deferred income

	EUR'000			
	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
I) Non-current deferred income				
<i>a) contracts with customers</i>				
From connection fees	140,400	142,453	–	–
Other deferred income	883	877	883	877
	141,283	143,330	883	877
<i>b) operating lease</i>				
Other deferred income	371	383	371	383
	371	383	371	383
<i>c) other</i>				
On grant for the installed electrical capacity of CHPPs	173,435	185,429	173,434	185,429
On financing from European Union funds	8,066	7,889	821	256
Other deferred income	177	332	81	229
	181,677	193,650	174,336	185,914
Total non-current deferred income	323,331	337,363	175,590	187,174
II) Current deferred income				
<i>a) contracts with customers</i>				
From connection fees	13,883	13,629	–	–
Other deferred income	91	135	65	63
	13,974	13,764	65	63
<i>b) operating lease</i>				
Other deferred income	20	20	20	20
	20	20	20	20
<i>c) other</i>				
On grant for the installed electrical capacity of CHPPs	23,990	23,990	23,990	23,990
On financing from European Union funds	787	787	12	12
Other deferred income	356	6	268	9
	25,133	24,837	24,270	24,011
TOTAL current deferred income	39,127	38,621	24,355	24,094
TOTAL deferred income	362,458	375,984	199,945	211,268

Movement in deferred income (non-current and current part):

	EUR'000					
	Group			Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	2019	01/01-30/06/2020	01/01-30/06/2019	2019
At the beginning of the period	375,984	486,722	486,722	211,268	234,127	234,127
Received deferred non-current income (financing)	570	17,034	46,337	570	234	259
Received advance payments for contracts with customers	40	–	940	40	–	940
Received connection fees for connection to distribution system	5,091	5,141	12,902	–	–	–
Received connection fees for connection to transmission system	–	1,251	1,795	–	–	–
Compensation for the installed electrical capacity of CHPPs credited to	(11,995)	(11,995)	(23,990)	(11,995)	(11,995)	(23,990)
Transferred to deferred income of discontinued operation	–	–	(132,507)	–	–	–
Credited to the Statement of Profit or Loss	(7,232)	(7,935)	(16,215)	62	(72)	(68)
At the end of the period	362,458	490,218	375,984	199,945	222,294	211,268

17. Related party transactions

The Parent Company and, indirectly, its subsidiaries are controlled by the Latvian state. Related parties of the Latvenergo Group and the Parent Company are Shareholder of the Parent Company who controls over the Parent Company in accepting operating business decisions, members of Latvenergo Group entities' management boards, members of the Supervisory board of the Parent Company, members of Supervisory body of the Parent Company – the Audit Committee and close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence.

Trading transactions taking place under normal business activities with the Latvian government including its departments and agencies and transactions between

state-controlled entities and providers of public utilities are excluded from the scope of related party disclosures.

Transactions with government related entities include sales of energy and related services and does not contain individually significant transactions and quantitative disclosure of transactions with those related parties is impossible due to broad range of the Latvenergo Group's and the Parent Company's customers, except for transactions with transmission system operator – Augstsprieguma tīkls AS and since 10 June 2020 also Latvijas elektriskie tīkli AS that until that date was within Latvenergo Group and transactions with this company was disclosed as transactions with subsidiaries in the financial statements.

a) Income and expenses from transactions with related parties

	EUR'000			
	Group		Parent Company	
	01/01- 30/06/2020	01/01- 30/06/2019	01/01- 30/06/2020	01/01- 30/06/2019
Income:				
– subsidiaries	–	–	41,111	37,118
– government related entities	20,577	25,368	4,459	6,021
	20 577	25,368	45,570	43,139
Expenses:				
– subsidiaries	–	–	134,283	154,176
– government related entities	38,838	38,963	3,558	3,266
	38 838	38,963	137,841	157,442
<i>including gross expenses from transactions with subsidiaries recognised in net amount through profit or loss:</i>				
– Sadales tīkls AS	–	–	132,971	142,993
	–	–	132,971	142,993

b) Balances at the end of the period arising from sales / purchases of goods and services

	EUR'000			
	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Receivables from related parties:				
– subsidiaries (Note 11 a, b)	–	–	28,174	15,277
– government related and other related parties	3,883	39,924	2,641	1,213
– loss allowances for expected credit loss from receivables of subsidiaries (Note 11 a, b)	–	–	(20)	(11)
– loss allowances for expected credit loss from receivables of government related and other related parties	(7)	(54)	(6)	(2)
	3,876	39,870	30,790	16,477
Payables to related parties:				
– subsidiaries	–	–	20,849	26,182
– government related and other related parties	7,938	10,753	1,949	722
	7 938	10,753	22,798	26,904

c) Accrued income raised from transactions with related parties:

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
– for goods sold/services provided for subsidiaries (Note 11 a, b)	–	–	2,167	1,842
– for interest received from related parties	42	–	1,288	1,622
	42	–	3,455	3,464

d) Accrued expenses raised from transactions with related parties:

EUR'000

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
– for purchased goods/received services from subsidiaries	–	–	449	1,335
– for purchased goods/received services from government related entities	11	1,460	–	–
	11	1,460	449	1,335

In the 6-month period ending on 30 June 2020 remuneration to the Latvenergo Group's management includes remuneration to the members of the Management Boards the Group entities, the Supervisory Board and the Supervisory body (Audit Committee) of the Parent Company, including salary, social insurance contributions and payments to pension plan and is amounted to EUR 1,540.2 thousand (01/01 – 30/06/2019: EUR 1,461.8 thousand).

In the 6-month period ending on 30 June 2020 remuneration to the Parent Company's management includes remuneration to the members of the Parent

Company's Management Board, the Supervisory Board and the Supervisory body (Audit Committee), including salary, social insurance contributions and payments to pension plan and is amounted to EUR 514.0 thousand (01/01 – 30/06/2019: EUR 526.1 thousand).

Remuneration to the Latvenergo Group's and the Parent Company's management is included in the Statement of Profit or Loss position 'Personnel expenses'.

e) Loans to related parties (Parent Company)

Along with the distribution of transmission system assets on 10 June 2020, all Latvijas elektriskie tīkli AS liabilities were transferred to Augstsprieguma tīkls AS, including the Latvenergo AS loan to Latvijas elektriskie tīkli AS in amount of EUR 225 232 thousand, of which EUR 138 560 thousand were repaid on 19 June 2020.

Non-current and current loans to related parties:

	Group		Parent Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Non-current loans to subsidiaries				
Sadales tīkls AS	–	–	487,123	427,351
Latvijas elektriskie tīkli AS	–	–	–	161,460
Impairment for expected credit loss	–	–	(351)	(377)
Non-current loans to other related parties				
Latvijas elektriskie tīkli AS	86,672	–	86,672	–
Impairment for expected credit loss	(52)	–	(52)	–
TOTAL non-current loans	86,620	–	573,392	588,434
Current portion of non-current loans				
Sadales tīkls AS	–	–	76,965	75,377
Latvijas elektriskie tīkli AS	–	–	–	27,259
Impairment for expected credit loss	–	–	(69)	(66)
Current loans to subsidiaries				
Latvijas elektriskie tīkli AS*	–	–	–	7,228
Sadales tīkls AS	–	–	5,419	15,182
Elektrum Eesti, OÜ	–	–	4,766	7,052
Elektrum Lietuva, UAB	–	–	3,948	3,967
Enerģijas publiskais tirgotājs AS	–	–	82,381	69,889
Impairment for expected credit loss	–	–	(55)	(66)
TOTAL current loans	–	–	173,355	205,822
TOTAL loans to subsidiaries	86,620	–	746,747	794,256

Movement in loans:

	Parent Company		
	01/01-30/06/2020	01/01-30/06/2019	2019
At the beginning of the period	794,256	765,815	765,815
Change in current loans in cash (net)	167,560	148,777	272,103
Change in current loans by non-cash offsetting of operating receivables and payables (net)	(47,888)	(133,881)	(219,388)
Repayment of loan in cash	(138,560)	–	–
Issued non-current loans by non-cash offset for dividends	–	33,743	33,743
Reduction of non-current loans by non-cash offsetting of operating receivables and payables	(28,603)	(29,014)	(58,029)
Impairment for expected credit loss	(18)	18	12
At the end of the period	746,747	785,458	794,256

18. Discontinued operations

Statement of Profit or Loss:

EUR'000

	Group	
	01/01-30/06/2020	01/01-30/06/2019
Revenue	15,967	19,043
Other income	1,104	702
Raw materials and consumables used	(1)	(20)
Personnel expenses	(271)	(217)
Other operating expenses	(245)	(299)
EBITDA	16,554	19,209
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(11,602)	(12,415)
Operating profit	4,952	6,794
Finance costs	(8)	(10)
Profit before tax	4,944	6,784
Income tax	(102)	(867)
Profit from distribution of discontinued operations	5,001	–
Profit for the period from discontinued operations	9,843	5,917

Assets, reserves and liabilities classified as held for distribution:

EUR'000

	Group	
	01/01-30/06/2020	01/01-30/06/2019
ASSETS		
Assets	–	640,393
TOTAL assets held for distribution	–	640,393
EQUITY AND LIABILITIES		
Reserves	–	28,936
Liabilities	–	179,576
TOTAL equity and liabilities directly associated with assets held for distribution	–	208,512

Net cash flows from discontinued operations:

EUR'000

	Group	
	01/01-30/06/2020	01/01-30/06/2019
Net cash flows from operating activities	27,449	37,397
Net cash flows used in investing activities	(27,573)	(37,377)
Net cash flows used in financing activities	(15)	(20)
Net changes in cash and cash equivalents	(139)	–

19. Events after the reporting period

On 9 July 2020, in accordance to the decision of the Cabinet of Ministers of the Republic of Latvia of unbundling of transmission assets, the shareholders' meeting of Latvenergo AS decided to increase the share capital of Latvenergo AS by EUR 178 142 thousand by investing in Latvenergo AS share capital retained earnings from previous years and determining the share capital of Latvenergo AS in the amount of EUR 790 348 thousand.

On 7 August 2020, the international credit rating agency Moody's Investors Service updated Latvenergo AS credit analysis, maintaining the investment grade Baa2 with a stable outlook.

There have been no other significant events subsequent to the end of the reporting period that might have a material effect on the Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 6-month period ending 30 June 2020.