LATVENERGO CONSOLIDATED AND LATVENERGO AS UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 3-MONTH PERIOD
ENDING 31 MARCH 2017

Latvenergo Group is the most valuable company in Latvia and among the most valuable companies in the Baltics. Latvenergo Group's asset value is almost EUR 4.0 billion.

CONTENTS

Management Report

Unaudited Condensed Interim Financial Statements*

** 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

31.08.2017.

Condensed Consolidated Interim Financial Statements for the 6-month period ending 30 June 2017 (unaudited)

30.11.2017.

Condensed Consolidated Interim Financial Statements for the 9-month period ending 30 September 2017 (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.

Summary

- **Lower electricity prices in Latvia**
  In Q1 2017, electricity spot price in Latvia and Lithuania decreased by 7% and 6% respectively. This decrease is mainly attributable to the opening of the *NordBalt* interconnection between Sweden and Lithuania, which has led to a convergence of electricity prices between the Baltic and the Nordic bidding areas. During Q1 2017, the average natural gas price dropped by 3% compared to last year.

- **Generation of electricity increased by 50%**
  The amount generated by Latvenergo Group's power plants in Q1 2017 was 1,855 GWh of electricity and 1,137 GWh of thermal energy. In comparison to the respective period last year, electricity output has increased by 91% at the Daugava HPPs and by 12% at the Riga CHPPs. The increase in output at the Daugava HPPs is related to the earlier start of the spring flood, while the Riga CHPPs' output increase is due to their ability to react effectively to the market situation in the region by offering competitively priced electricity.

- **Latvenergo – the leading electricity supplier in the Baltics**
  Latvenergo Group has maintained its position of leading electricity supplier in the Baltics. Retail electricity supply outside Latvia comprises approximately one third of the total retail electricity supply.

- **14% EBITDA growth**
  In Q1 2017, Latvenergo Group's revenue remained at the same level as a year ago; it amounts to EUR 265.8 million. At the same time, EBITDA increased by 14%, reaching EUR 113.8 million. The results were positively affected by higher electricity output at the Daugava HPPs as well as an increase in distribution service revenue. They were negatively impacted by lower electricity sales prices in the Baltics due to the downward trend of electricity prices in the market.

- **Investment in network assets – approximately 80% of the total**
  In Q1 2017, the overall amount of investment was EUR 32.1 million, 79% of which was invested in network assets. We are continuing the reconstruction of Daugava HPPs hydropower units. In Q1 2017, EUR 3.8 million was invested in this.

- **Moody's reconfirms the credit rating**
  On 16 February 2017, Moody's reconfirmed the credit rating for Latvenergo AS: Baa2 with a stable outlook.

- **Latvenergo receives Nasdaq Baltic exchange award for best investor relations**
  On 26 January 2017, Latvenergo AS was the first enterprise in the Baltics to receive the award "Best Investor Relations in Baltics among Bond Issuers".

- **Changes in the Audit Committee of Latvenergo AS**
  On 3 March 2017 the Shareholder's Meeting of Latvenergo AS decided on the enlargement of the Audit Committee to a total of 5 members. Three former members of the Committee (Torben Pedersen, Marita Salgrāve and Svens Dinsdorfs) are continuing their work in the Audit Committee, and two representatives of the Supervisory Board of Latvenergo AS – Andris Ozoliņš and Andris Liepiņš – have joined them. The Audit Committee is elected for a three-year term.

Latvenergo Group in Brief

Latvenergo Group is the largest pan-Baltic power supply utility operating in electricity and thermal energy generation and trade, electricity distribution services and 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.

Latvenergo AS is a shareholder in an associated company – Pirmais Slēgtais Pensiju Fonds AS (46.3%; Latvenergo Group – 48.15%) and has a shareholding in Rīgas siltums AS (0.005%).

Latvenergo Group divides its operations into three operating segments: generation and trade, distribution and lease of transmission system assets. This division into segments is made according to the needs of 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 is managed differently.

The generation and trade segment comprises electricity and thermal energy generation operations, conducted by Latvenergo AS and Liepājas enerģija SIA, as well as electricity trade (incl. electricity wholesale) in the Baltics carried out by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB. Mandatory procurement is administrated by Enerģijas publiskais tirgotājs AS.

	Country of operation	Type of operation	Participation share
Latvenergo AS	Latvia	Generation and trade of electricity and thermal energy	
Sadales tīkls AS	Latvia	Electricity distribution	100%
Latvijas elektriskie tīkli AS	Latvia	Lease of transmission system assets	100%
Enerģijas publiskais tirgotājs AS	Latvia	Administration of mandatory electricity procurement process	100%
Elektrum Eesti OÜ*	Estonia	Electricity trade	100%
Elektrum Lietuva UAB	Lithuania	Electricity trade	100%
Liepājas enerģija SIA	Latvia	Thermal energy generation and trade in Liepaja, electricity generation	51%

* Elektrum Eesti OÜ owns a subsidiary Elektrum Latvija SIA, which is not engaged in any business activities.

The distribution segment provides electricity distribution services in Latvia (approximately 99% of the territory). Services are provided by Sadales tīkls AS – the largest distribution system operator in Latvia (about 830 thousand customers). Distribution system tariffs are approved by the Public Utilities Commission (PUC).

The lease of transmission system assets segment is managed by Latvijas elektriskie tīkli AS – the company that owns the transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points) and conducts their lease to the transmission system operator Augstsprieguma tīkls AS. Payments for the lease of transmission system assets are calculated in accordance with the methodology approved by the PUC.

Latvenergo Group in Brief

Latvenergo Group's Strategy

On 19 October 2016, the Shareholder's Meeting approved Latvenergo Group's strategy for 2017–2022.

Taking into consideration the main challenges within the industry and business environment, three main operational objectives are defined in the strategy:

- 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 that promotes an increase in value for the Group;
- development of a customer-driven, functional, safe and efficient 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%
Capital structure	Net debt to equity	< 50%
	Net debt to EBITDA	< 3 times
Dividend policy	Dividend payout ratio	> 80%

Strategy development included a detailed analysis of the industry and operating environment, an evaluation of business opportunities, and discussions with industry experts and stakeholders.

During the strategy's preparation process, the requirements of the following were met: the OECD Guidelines on Corporate Governance of State-Owned Enterprises; the Law on Governance of Capital Shares of a Public Person and Capital Companies; and the Guidelines for Drawing Up a Medium-Term Operational Strategy for State-Owned Enterprises, approved by the Cross-Sectoral Coordination Centre.

Latvenergo Group Key Performance Indicators

Latvenergo Group Operational Figures

		Q1 2017	Q1 2016	Q1 2015	Q1 2014	Q1 2013
Retail electricity supply**	GWh	1,882	2,174	2,166	2,522	2,427
Electricity generation	GWh	1,855	1,236	1,027	1,192	1,385
Thermal energy generation	GWh	1,137	1,173	1,019	1,123	1,242
Number of employees		4,133	4,181	4,142	4,567	4,466
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)	Baa3 (stable)	Baa3 (stable)

Latvenergo Group Financial Figures

		Q1 2017	Q1 2016	Q1 2015	Q1 2014	Q1 2013
Revenue	MEUR	265.8	263.5	259.5	324.5	312.7
EBITDA*	MEUR	113.8	100.1	94.8	82.5	60.5
Profit	MEUR	55.1	38.6	39.3	30.8	7.1
Assets	MEUR	3,956.2	3,607.5	3,526.8	3,598.0	3,511.3
Equity	MEUR	2,471.6	2,133.4	2,059.4	2,050.1	2,016.7
Net debt*	MEUR	530.6	657.7	688.6	679.7	641.3
Investments	MEUR	32.1	34.7	24.8	27.5	36.1

Latvenergo Group Financial Ratios

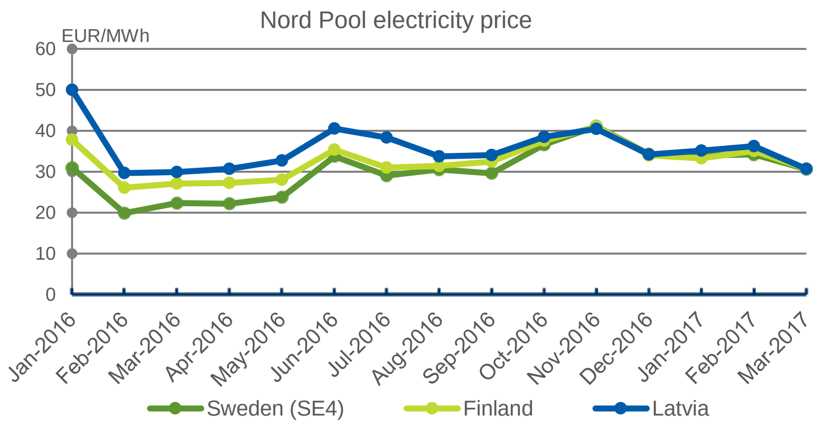
	Q1 2017	Q1 2016	Q1 2015	Q1 2014	Q1 2013
Net debt / EBITDA*	1.5	2.2	2.7	2.4	2.7
EBITDA margin*	44%	33%	26%	24%	21%
Return on equity*	6.4%	4.0%	1.9%	3.4%	1.5%
Return on assets*	3.9%	2.4%	1.1%	2.0%	0.9%
Return on capital employed*	5.8%	3.6%	2.1%	2.9%	1.7%
Net debt / equity*	21%	31%	33%	33%	32%

* Definitions of ratios and terms are available in the List of Abbreviations and Formulas on page 21
** Including operating consumption

Operating Environment

Operation of new interconnections contributes to electricity price convergence in the Baltics

Compared to the respective period a year ago, in Q1 2017, the average electricity spot price was higher in the Nordics and Estonia. The price increase was influenced by lower water levels at Scandinavian hydropower reservoirs. The average electricity spot price in the Finnish bidding area increased by 9%, reaching 33.0 EUR/MWh, while in the Estonian bidding area it rose by 4%, also reaching 33.0 EUR/MWh.



Electricity prices in Latvia and Lithuania decreased in Q1 2017. Compared to Q1 2016, the average electricity spot price in the Latvian and Lithuanian bidding areas decreased by 7% and 6% respectively, reaching 34.0 EUR/MWh and 34.9 EUR/MWh respectively. The decline in electricity prices in Latvia and Lithuania was mainly related to the full functionality of the electricity interconnections *NordBalt* (700 MW) and *LitPol* (500 MW) in Q1 2017. At the beginning of 2016, both of these interconnections were operating in test mode – with repeated interruptions.

The launch of electricity interconnections contribute to convergence of electricity spot prices between the Nordic countries and the Baltics. The average electricity price in the Latvian bidding area in Q1 2017 was on average 1.0 EUR/MWh higher than in Estonia (in Q1 2016: 4.74 EUR/MWh). Meanwhile, the electricity price difference between Latvia and Lithuania increased to 0.85 EUR/MWh in Q1 2017 (in Q1 2016: 0.42 EUR/MWh). This is due to the dependence of the Lithuanian energy system on the operation of transmission interconnections in order to meet domestic electricity demand.

In Q1 2017, the total amount of electricity generated in the Baltics increased by 26% compared to the respective period last year; it amounted to 6.0 TWh. This was driven by a significant increase in electricity generation in Latvia, where it grew to 2.3 TWh, which is 37% more than a year ago. This increase was fostered by the Daugava HPPs' output and the Riga CHPPs' ability to react effectively to the market situation in the region by offering competitively priced electricity.

Consumption of electricity in Q1 2017 did not change significantly compared to the respective period last year; it amounted to 7.0 TWh. Due to the higher level of power generation, the need to import electricity from other Nord Pool exchange trading areas in the Baltics decreased substantially. The amount of imported electricity declined by 57% to approximately 1.0 TWh (in Q1 2016: 2.3 TWh).

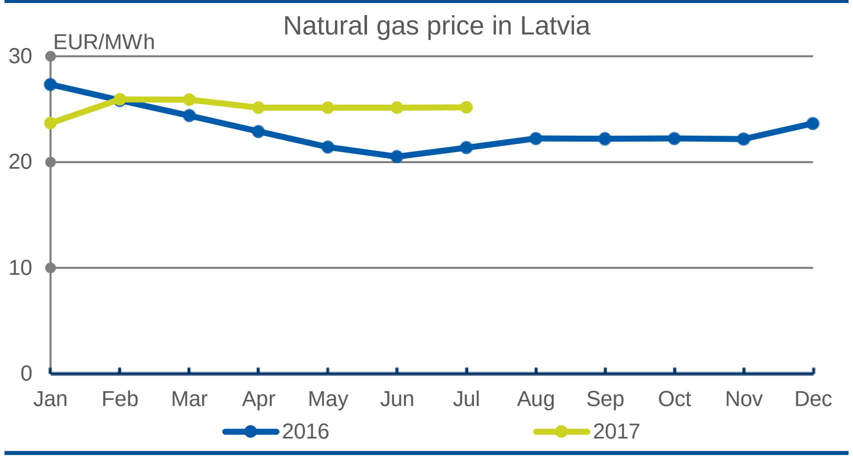
Operating Environment

As of 3 April 2017, Latvia's natural gas market is open

Until 3 April 2017 Latvian natural gas supply had been a fully regulated service and Latvijas Gāze AS was the only merchant in the territory of Latvia for natural gas supply service. The natural gas price offered by Latvijas Gāze AS in Latvia was linked to the crude oil product price (to the previous 9-month average heavy fuel oil and diesel quotations index). Due to the index change, in Q1 2017, the average price of natural gas (incl. the excise tax and transmission costs) in Latvia for the user group with consumption above 100,000 thousand nm^3 was 25.2 EUR/MWh, which is 3% lower than in Q1 2016 when it was 25.8 EUR/MWh.

In Q1 2017, the average price of *Brent* crude oil increased by 59% compared to the respective period in 2016 reaching 53.7 USD/bbl (in Q1 2016: 33.7 USD/bbl). The increase in oil prices at the end of 2016 and in Q1 2017 was due to an agreement among OPEC and other major oil-exporting countries on output cuts. Thus, it is expected that natural gas price will rise in 2017 compared to 2016. This is confirmed by the gas tariff published by Latvijas Gāze AS in April.

After the reporting period, on 3 April 2017, according to Energy Law stipulations, the natural gas market in Latvia was opened for all users.



Operating Environment

Changes in the Audit Committee of Latvenergo AS

On 1 March 2017, amendments to the Law on the Financial Instruments Market came into force stating that at least one of the members of a corporation's audit committee must also be a member of its supervisory board. Thus, on 3 March 2017, an extraordinary Latvenergo AS Shareholder's Meeting decided on amendments to the Regulations of the Audit Committee, its enlargement and appropriate amendments to the Latvenergo AS Articles of Association.

Hereinafter, there will be five members in the Audit Committee of Latvenergo AS. The three current members – Torben Pedersen, Marita Salgrāve and Svens Dinsdorfs – will continue their work in the Audit Committee, while Chairman of the Supervisory Board of Latvenergo AS – Andris Ozoliņš, and Deputy Chairman of the Supervisory Board – Andris Liepiņš will begin theirs. All members of the Audit Committee are elected for a three-year term, starting on 3 March 2017.

Project of the conceptual report "Complex Measures for the Development of the Electricity Market" prepared by the Ministry of Economics of the Republic of Latvia

After the reporting period, in May 2017, the Ministry of Economics of the Republic of Latvia has prepared a conceptual report project "Complex Measures for the Development of the Electricity Market". The conceptual report project contains several options to maintain the mandatory procurement components at the current amount, including prolongation of the subsidized electricity tax till 31 December 2020 and a partial future state contribution repurchase regarding cogeneration power plants with installed capacity above 4 MW.

According to an international independent third-party assessment, the Group's capital structure is better than in other companies in the industry in the region, and Group's financial situation is stable enough to consider the implementation of any measures included in the solutions proposed. The implementation of the proposed solution will depend on further decisions made by the Cabinet of Ministers of the Republic of Latvia.

Dividends

According to the law "On the medium-term budgetary framework for 2017, 2018 and 2019" Latvenergo AS in the coming years anticipate a dividend payout for the use of the state capital in the amount of EUR 121.7 million in 2018, and in 2019 – EUR 129.5 million. The actual amount of dividend payout is set at the Shareholder's Meeting of Latvenergo AS after the approval of the annual report, upon evaluation of the results of the previous year.

Latvenergo Group's capital structure ratios (net debt to equity on 31 March 2017 – 21%) are sufficient to proceed with the dividend payout. Latvenergo AS dividends, in addition to the Subsidised Energy Tax (SET) revenue, will be used as a source of funding for the State budget programme *Electricity user support*, thereby retaining the mandatory procurement public service obligation (PSO) fee at the current level during the following years.

Financial Results

In Q1 2017, Latvenergo Group's revenue has increased by 1% and comprises EUR 265.8 million.

Latvenergo Group Financial figures		Q1 2017	Q1 2016	Δ	Δ, %
Revenue	MEUR	265.8	263.5	2.3	1%
EBITDA	MEUR	113.8	100.1	13.6	14%
Net profit	MEUR	55.1	38.6	16.5	43%
Assets	MEUR	3,956.2	3,607.5	348.7	10%

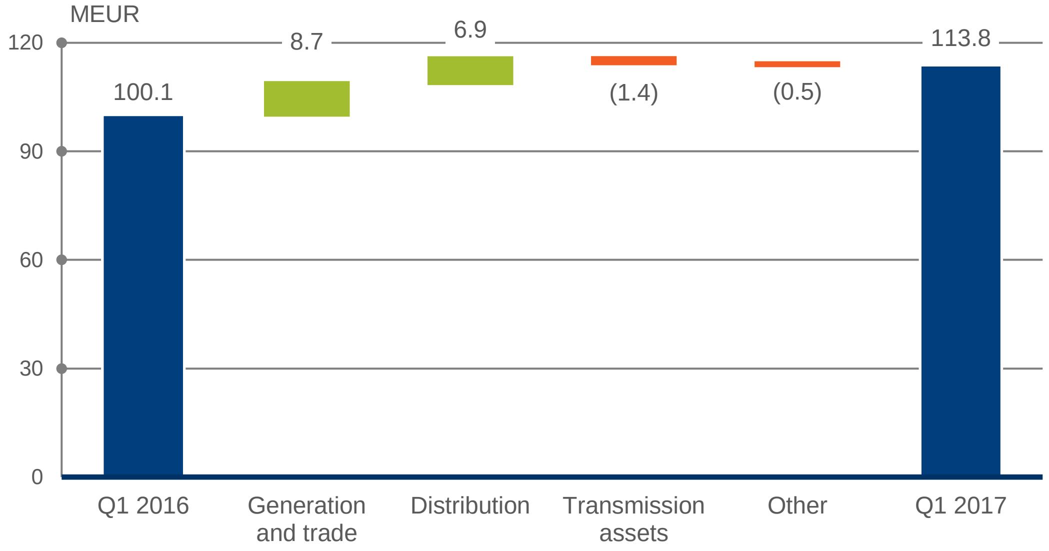
The Group's EBITDA and profit increased

During the reporting period, Latvenergo Group's EBITDA increased by 14% reaching EUR 113.8 million, while the Group's profit in Q1 2017 was EUR 55.1 million.

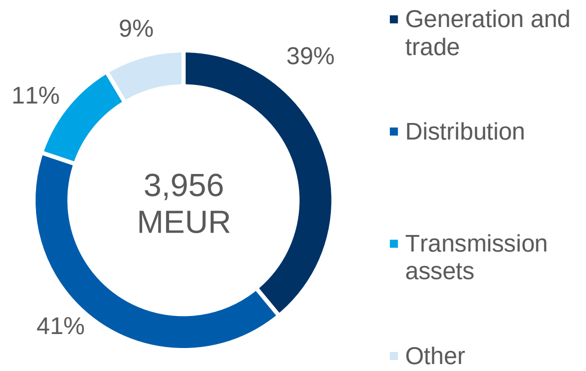
The Group's results were positively impacted by the 91% greater electricity output at the Daugava HPPs due to the earlier start of the spring flood as well as by the EUR 4.8 million increase in distribution service revenue. The results were negatively impacted by lower electricity sales prices in the Baltics due the downward trend of electricity prices in the market. In Q1 2017, electricity prices in Latvia were by 7% lower compared to Q1 2016. In 2016, in turn, average price of electricity in Latvia was 14% lower compared to 2015, when the *NordBalt* interconnection had not yet been launched.

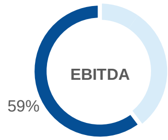
Furthermore, the EBITDA margin has improved, reaching 44% (in Q1 2016: 33%). Consequently, profit growth has raised the return on equity to 6.4%; in the corresponding period last year it was 4.0%.

EBITDA dynamics



Total assets, Q1 2017





Generation and Trade

Revenue 61%
EBITDA 59%
Assets 39%
Employees 24%
Segment weight in Latvenergo Group

Operational figures		Q1 2017	Q1 2016	Δ	Δ, %
Retail electricity supply*	GWh	1,882	2,174	(292)	(13%)
Electricity generation	GWh	1,855	1,236	619	50%
Thermal energy generation	GWh	1,137	1,173	(36)	(3%)

Financial figures		Q1 2017	Q1 2016	Δ	Δ, %
Revenue	MEUR	170.1	175.7	(5.6)	(3%)
EBITDA	MEUR	66.9	58.2	8.7	15%
Assets	MEUR	1,543.1	1,572.2	(29.1)	(2%)
Investments	MEUR	5.0	9.6	(4.6)	(48%)
EBITDA margin		40.3	27.5	12.8	47%

* Including operating consumption

Generation and trade is Latvenergo Group's largest operating segment by both revenue and EBITDA value. The majority or 79% of the segment's revenue comes from electricity and related services, while 21% comes from thermal energy supply.

The segment's results were positively impacted by higher electricity output at the Daugava HPPs due to the earlier start of the spring flood and negatively impacted by lower electricity sales prices in the Baltics.

In Q1 2017, Latvenergo Group generated 1,855 GWh of electricity at its plants. This corresponds to the amount of electricity sold to retail customers (in Q1 2016: 57% of the amount generated).

Latvenergo Group's electricity procurement process is targeted at cost optimisation and provides economic benefits to both the Group and its customers. Generation volumes of the Riga CHPPs and Daugava HPPs are linked to economically equivalent volumes of customer portfolios, thus achieving cost-effectiveness and while excluding internal price risks between sale and purchase transactions. Latvenergo Group's customer portfolio can be made larger than its generation volumes 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 realises the profit potential of sales of electricity generated, utilises possibilities to reduce the procurement costs of electricity necessary for customers, and reduces its exposure to market price fluctuation risks.

Generation

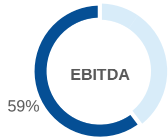
In Q1 2017, the total amount generated by Latvenergo Group's power plants comprised 1,855 GWh of electricity and 1,137 GWh of thermal energy.

Overall, the amount of electricity generated compared to Q1 2016 has increased by 50%.

In the first three months of 2017, the amount of power generated by the Daugava HPPs increased by 91% compared to the respective period a year ago, reaching 1,148 GWh (in Q1 2016: 601 GWh). This was influenced by the higher level of water inflow in the Daugava River due to the earlier start of the spring flood.

> Generation of electricity increased by 50%

The amount of power generated by the Riga CHPPs in Q1 2017 increased by 12%, reaching 692 GWh. The larger amount of power generation at the Riga CHPPs was fostered by interruptions in the operation of the *NordBalt* electricity interconnection in February 2017. The Riga CHPPs ensured effective and strategic electricity generation, thus precluding the risk of an electricity price increase in the region.



Generation and Trade

Due to the optimal mix of Latvenergo Group's generation at the Riga CHPPs and Daugava HPPs and the opportunities to import, consumers in the Baltic States benefit from both price convergence to the Nordic price level and price stability in the long-term.

In Q1 2017, the total amount of thermal energy generated by Latvenergo Group decreased by 3%. The decrease resulted from the relatively warm weather. According to data provided by the Central Statistical Bureau of the Republic of Latvia, during the first three months of 2017, the average temperature in Riga was –0.2 °C, while during Q1 2016 it was –0.6 °C.

Operational figures		**Q1 2017**	**Q1 2016**	**Δ**	**Δ, %**
Retail electricity supply*	GWh	1,882	2,174	(292)	(13%)
Electricity generation	GWh	1,855	1,236	619	50%
Daugava HPPs	GWh	1,148	601	547	91%
Riga CHPPs	GWh	692	620	72	12%
Liepaja plants and small plants	GWh	15	15	0	1%
Thermal energy generation		1,137	1,173	(36)	(3%)
Riga CHPPs	GWh	1,025	1,061	(36)	(3%)
Liepaja plants and small plants	GWh	112	112	(1)	(0%)

* Including operating consumption

Trade

In Q1 2017, Latvenergo Group has maintained the position of leading electricity supplier in the Baltics. Latvenergo Group has approximately 27% of the market share of the Baltic electricity retail market.

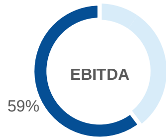
The overall amount of retail electricity trade outside Latvia accounts for 1/3 of the total, reaching 619 GWh.

In Q1 2017, the Group supplied 1,882 GWh of electricity to Baltic retail customers (in Q1 2016: 2,174 GWh). The decrease in the amount of electricity supplied is primarily related to intensified price competition in the business customers segment.

Latvenergo Group's electricity trade volume in Latvia was 1,263 GWh, while it was 360 GWh in Lithuania and 260 GWh in Estonia.

Latvenergo Group supplies electricity to the Baltic countries through the trade brand *Elektrum*. Its product range consists of a variety of electricity products tailored to different power consumption volumes and habits, allowing customers to choose the most suitable product for them.

Latvenergo Group has managed to maintain stable client portfolio in the Baltics. Its total number of foreign clients exceeds 34.6 thousand.



Generation and Trade

Mandatory procurement

As of 1 April 2014, according to the Electricity Market Law, the functions of public trader are performed by Enerģijas publiskais tirgotājs AS (until 1 April 2014 – they were performed by Latvenergo AS).

Public trader functions comprise the obligation to purchase electricity from generators, who have the right to supply the electricity generated for mandatory procurement according to electricity purchase tariffs set by legislation and to pay a guaranteed fee for electrical capacity installed at cogeneration power plants.

The mandatory procurement PSO fee remains at the previous level

Unsettled revenue from the mandatory procurement PSO fee recognized as assets		Q1 2017	Q1 2016	Δ	Δ, %
At the beginning of the period	MEUR	**142.1**	**141.1**	**1.1**	**1%**
Mandatory procurement PSO fee income	MEUR	47.9	48.4	(0.6)	(1%)
Received state grant	MEUR	19.7	0.0	19.7	
Mandatory procurement expenditures*	MEUR	68.8	65.8	3.0	5%
Incl. cogeneration	MEUR	38.6	39.2	(0.5)	(1%)
Incl. renewable energy resources	MEUR	30.0	26.5	3.5	13%
At the end of the period	MEUR	**143.3**	**158.4**	**(15.1)**	**(10%)**

* 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 purchased electricity on the Nord Pool exchange and plus the costs of balancing mandatory procurement

Mandatory procurement expenditures* are covered through a mandatory procurement PSO fee charged to end users in Latvia. The mandatory procurement PSO fee is determined on the basis of the actual costs in the preceding year and approved by the PUC. Mandatory procurement PSO fee changes enter into force on 1 April of the following year.

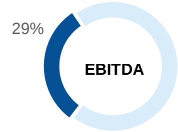
On 16 February 2017, the PUC approved the mandatory procurement PSO fee as of 1 April 2017 in the amount of 2.679 euro cents / kWh, which has remained at the same level since 1 April 2014. According to the mandatory procurement component calculation, the division between cogeneration and renewable energy components has changed. Since 1 April 2017 the PSO cogeneration component has decreased to 1.185 euro cents / kWh (previously it was 1.625 euro cents / kWh), while the renewable energy component rose to 1.494 euro cents / kWh (previously it was 1.054 euro cents / kWh). To prevent the mandatory procurement PSO fee from increasing, a state grant in the amount of EUR 62.9 million is expected in 2017.

Revenues from SET, which was introduced on 1 January 2014, as well as dividends of Latvenergo AS are used as a funding source for the above mentioned State Budget programme.

In the coming years, according to the law "On the medium-term budgetary framework for 2017, 2018 and 2019" Latvenergo AS dividends for the use of state capital are expected to be used as additional funding.

In Q1 2017, mandatory procurement expenditures have not changed significantly, comprising EUR 68.8 million (in Q1 2016: EUR 65.8 million).

In Q1 2017, assets recognized as unearned PSO fee revenue decreased by EUR 15.1 million, comprising EUR 143.3 million. In Q1 2017, a state grant in the amount of EUR 19.7 million was received.



Distribution

Segment weight in Latvenergo Group

Revenue	30%
EBITDA	29%
Assets	41%
Employees	61%

The distribution segment is Latvenergo Group's largest segment by assets and second largest by revenue. In Q1 2017, segment's revenue increased by 6% compared to last year, reaching EUR 84.4 million, while EBITDA increased by 26% reaching EUR 33.4 million.

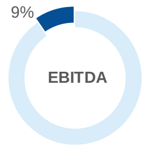
The value of distribution assets exceeds EUR 1.6 billion

In Q1 2017, segment's results were positively impacted by the increase in distribution service revenue (EUR 4.8 million) and decrease in the costs of distribution losses of EUR 1.3 million compared to the respective period a year ago. Growth resulted from the new rebalanced distribution system services tariff that came into force on 1 August 2016.

Investment in distribution assets during the reporting period increased by 19% compared to Q1 2016, reaching EUR 24.0 million.

Operational figures		**Q1 2017**	**Q1 2016**	**Δ**	**Δ, %**
Electricity distributed	GWh	1,739	1,761	(22)	(1%)
Distribution losses		5.5%	5.6%	(0.1)	(2%)
SAIFI	number	0.5	0.6	(0.1)	(19%)
SAIDI	minutes	49	59	(10)	(17%)
Financial figures		**Q1 2017**	**Q1 2016**	**Δ**	**Δ, %**
Revenue	MEUR	84.4	79.6	4.8	6%
EBITDA	MEUR	33.4	26.6	6.9	26%
Assets	MEUR	1,628.1	1,306.7	321.4	25%
Investments	MEUR	24.0	20.2	3.8	19%
EBITDA margin		35.9	28.7	7.2	25%

Due to the revaluation made in 2016 and investments, the value of distribution assets has increased by 25% and comprise EUR 1,628.1 million. Large-scale investments in modernisation of the network are also scheduled for the coming years in order to increase the safety and quality of network services, lower SAIFI and SAIDI indicators, and minimize the risk of network disruptions caused by severe weather conditions.



Lease of Transmission System Assets

Revenue **4%**

EBITDA **9%**

Assets **11%**

Employees **0.2%**

Segment weight in Latvenergo Group

The value of transmission system assets has reached 450 MEUR

The revenue of the transmission system asset lease segment represents 4% of Latvenergo Group's revenue. In Q1 2017, the segment's revenue was EUR 11.1 million, while EBITDA was EUR 10.6 million.

During the reporting period, investment in transmission system assets was EUR 3.2 million, which is EUR 0.5 million less than in the respective period last year.

Financial figures		Q1 2017	Q1 2016	Δ	Δ, %
Revenue	MEUR	11.1	12.4	(1.4)	(11%)
EBITDA	MEUR	10.6	12.0	(1.4)	(12%)
Total assets	MEUR	445.8	434.8	11.0	3%
Investments	MEUR	3.2	3.8	(0.5)	(14%)

Due to the revaluation made in 2016 and investments, the value of transmission assets has increased by 3% and comprise EUR 445.8 million.

The return on transmission system assets in Q1 2017 was 2.1% (in Q1 2016: 4.8%). The change in the ratio value is due to the revaluation of the transmission assets.

Investments

In Q1 2017, the total amount of investment has not changed significantly compared to the respective period last year; it amounts to EUR 32.1 million.

Investment in network assets – approximately 80% of the total

To ensure high quality network service, technical parameters and operational safety, a significant amount is invested in the modernisation of the power network. In Q1 2017, the amount invested in the networks represented 79% of total investment.

Contributing to environmentally friendly projects and environmental development projects, in Q1 2017, EUR 3.8 million was invested in Daugava HPPs hydropower unit reconstruction.

Investment projects:

Daugava HPPs hydropower unit reconstruction programme (Daugava HPPs reconstruction)

Deeming environmentally safe, sustainable and competitive operations and effective water resource management as highly important, Latvenergo Group is proceeding with a gradual overhaul of eleven Daugava HPPs hydropower units. The programme is scheduled for completion by 2022, with estimated total reconstruction costs exceeding EUR 200 million. Work completed within the scope of the contract reached EUR 90.5 million as of 31 March 2017. Reconstruction will ensure hydropower units' functionality for another 40 years.

Kurzeme Ring project

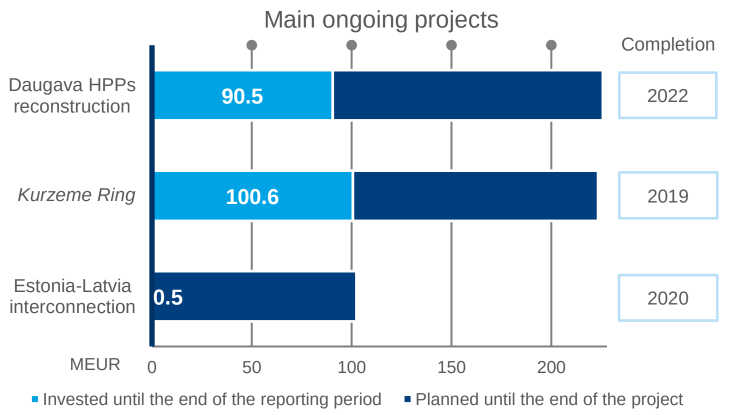
The implementation of the *Kurzeme Ring* project is fostering an increase in power supply safety in the Kurzeme region and Latvia as a whole, providing an opportunity for more effective use of the Lithuania-Sweden marine cable *NordBalt* and allowing further integration of the Baltics into the Nordic electricity market.

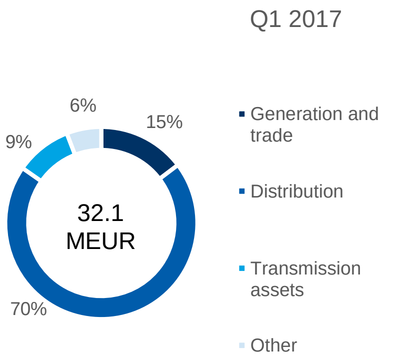
The *Kurzeme Ring* project is scheduled for completion in 2019, and the total project construction costs are expected to comprise approximately EUR 230 million. The project consists of three stages. Investment in the first and second stage of the project comprised a total of EUR 95 million, approximately half of which was covered by the European Commission. For the final stage of the project *Ventspils–Tume–Rīga* 45% European Union co-funding of the construction cost was attracted.

During the reporting period, 330 kV transmission line engineering and geological exploration of line foundations location was carried out.

The third Estonia–Latvia power transmission network interconnection

The project bears major significance for the future electricity transmission infrastructure of the whole Baltic region. The construction of the new 330 kV interconnection is scheduled for completion by the end of 2020 and the total construction costs of the project in Latvia are estimated to be approximately EUR 100 million. During the reporting period, a procurement procedure for projecting and constructing the 330 kV power line was arranged. The project is co-funded by the EU, which covers 65% of eligible costs.





Funding and Liquidity

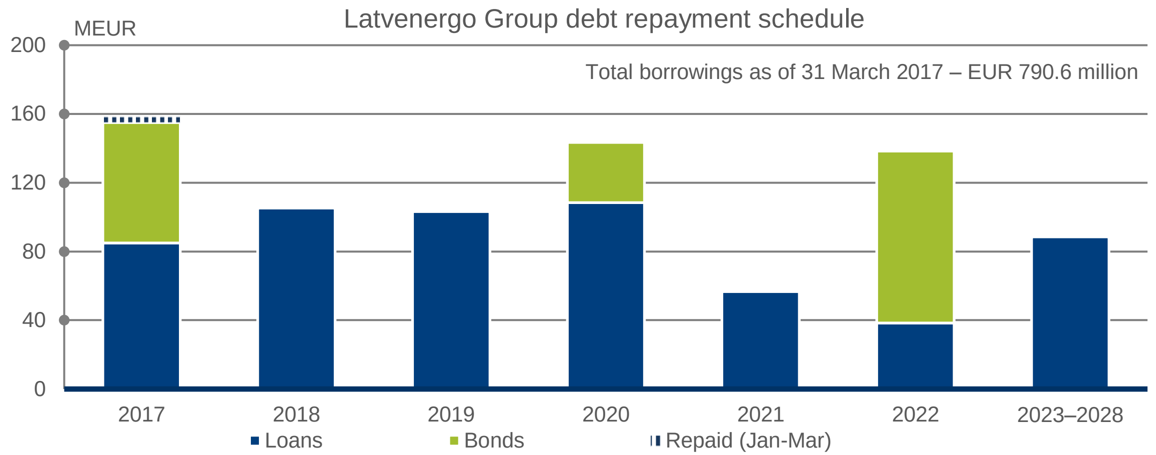
Latvenergo Group finances its investments from its own resources and external long-term borrowings, which are regularly sourced in financial and capital markets in a timely manner. Planning the sourcing of borrowings in a timely manner is also crucial in order to ensure loan refinancing risk management and debt repayment in due time. External borrowings are ensured to cover requirements for at least the following 12 months.

Diversified borrowing sources

As of 31 March 2017, the Group's borrowings amount to EUR 790.6 million (31 March 2016: EUR 833.7 million), comprising loans from commercial banks, international investment banks, and bonds amounting to EUR 205 million of which EUR 100 million are *green* bonds.

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

As of 31 March 2017, all borrowings are denominated in euro currency. The weighted average repayment period was 3.7 years (31 March 2016: 4.2 years).



The effective weighted average interest rate (with interest rate swaps) was 1.8% (31 March 2016: 2.0%). Also, sufficient coverage of debt service requirements has been ensured (interest coverage ratio – 26.7).

As of 31 March 2017, the net borrowings of Latvenergo Group are EUR 530.6 million (31 March 2016: EUR 657.7 million), while the net debt/EBITDA ratio is 1.5 (31 March 2016: 2.1). In Q1 2017, all the binding financial covenants set in Latvenergo Group loan agreements were met.

Latvenergo AS is the first company in the Baltics to receive the award "Best Investor Relations in the Baltics among Bond Issuers". The award was presented on 26 January 2017 during the annual *Baltic Market Awards* ceremony of the Nasdaq Baltic exchange, where, for the very first time, bond issuers were also recognised for their excellence.

On 16 February 2017, Moody's reconfirmed credit rating of Latvenergo AS: Baa2 with a stable outlook.

Financial Risk Management

The activities of Latvenergo Group and Latvenergo AS (hereinafter the Company) are exposed to a variety of financial risks: market risks, credit risk, and liquidity and cash flow risk. Latvenergo Group's risk management policy focuses on eliminating the potential adverse effects from such risks on the financial performance of the Latvenergo Group and the Company. To maintain financial stability, Latvenergo Group uses various financial risk controls and hedging to reduce certain risk exposures. Financial risks are managed in accordance with the principles of the 'Financial Risk Management Policy of Latvenergo Group'.

a) Market risks

I) Currency risk

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

As of 31 March 2017, all borrowings of Latvenergo Group are denominated in euros, and during the reporting period, there were no substantial exposure to foreign currency risk from Group's investment.

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

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. Borrowings from financial institutions mostly 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) with a duration of 2–4 years. Taking into account the effect of interest rate swaps and bonds with a fixed interest rate, 62% of the borrowings had a fixed interest rate with an average period of 2.0 years as of 31 March 2017.

III) Price risk

Price risk arises due to potential future fluctuations of the fair value and cash flows of financial instruments caused by reasons other than changes in the market prices resulting from interest rate risk or foreign exchange risk. The purchase and sale of goods produced and the services provided by Latvenergo Group under free market conditions as well as purchases of resources used in production are exposed to price risk.

Electricity price risk is the Group's most substantial price risk that might affect financial results of the Group and the Company. The risk refers to falling revenue from generation and a mismatch between floating market prices and fixed retail prices.

The Group hedges electricity price risk by entering into long-term fixed price customer contracts and by applying electricity financial derivatives. Production is hedged gradually 80%–90% of projected output is sold prior to the upcoming year. The ratio of the production hedge is limited by the seasonal production pattern of the Daugava HPPs', depending on weather conditions. Since retail portfolio volume exceeds the Group's production volume, the Group uses electricity derivatives for hedging purposes.

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 outstanding receivables. Credit risk exposure in connection with trade receivables is limited due to the Group's and the Company's large number of customers. Latvenergo Group has 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 period, 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 commitments according to the Group's strategic plans and compensate for fluctuations in cash flows due to the occurrence of a variety of financial risks. On 31 March 2017, Latvenergo Group's liquid assets (cash and short term deposits up to 3 months) reached EUR 260.0 million (EUR 176.0 million), while the current ratio was 1.9 (2.3).

The Group continuously monitors cash flow and liquidity forecasts, which comprise the undrawn borrowing facilities and cash and cash equivalents.

Latvenergo AS Key Performance Indicators

Latvenergo AS operational figures

		Q1 2017	Q1 2016	Q1 2015
Retail electricity supply in Latvia**	GWh	1,263	1,528	1,521
Electricity generation	GWh	1,842	1,223	1,013
Thermal energy generation	GWh	1,027	1,063	919
Number of employees		1,480	1,475	1,442
Moody's credit rating		Baa2 (stable)	Baa2 (stable)	Baa2 (stable)

Latvenergo AS financial figures

		Q1 2017	Q1 2016	Q1 2015
Revenue	MEUR	150.2	152.1	146.6
EBITDA*	MEUR	68.2	59.6	56.0
Profit	MEUR	46.1	31.7	26.7
Assets	MEUR	3,251.0	3,210.0	3,124.2
Equity	MEUR	2,221.0	2,144.6	2,073.7
Net debt*	MEUR	525.2	648.5	706.9
Investments	MEUR	7.5	11.9	5.6

Latvenergo AS financial ratios

	Q1 2017	Q1 2016	Q1 2015
Return on equity*	7.0%	4.7%	2.0%
Net debt / equity*	24%	30%	34%
EBITDA margin*	49%	35%	23%

* Definitions of ratios and terms are available in the List of Abbreviations and Formulas on page 21

** Including operating consumption

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 3-Month Period Ending 31 March 2017*, including the Management Report (have been prepared in accordance with the International Financial Reporting Standards) 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, and the Management Report provides clear and accurate information.

On 31 March 2017, the Management Board of Latvenergo AS approved the *Latvenergo Consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2017*, having authorized Chairman of the Management Board Āris Žīgurs and Member of the Management Board Guntars Baļčūns as the Statement's signatories on 30 March 2017.

Āris Žīgurs
Chairman of the Board

Guntars Baļčūns
Member of the Board

30 May 2017

List of Abbreviations and Formulas

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

kV – kilovolt

MEUR – million euros

MW – megawatt

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

nm^3 – normal cubic meter

OECD – The Organisation for Economic Co-operation and Development

PSO – public service obligation

PUC – Public Utilities Commission

Riga CHPPs – Riga combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

SET – Subsidised Energy Tax

Formulas

Net debt = borrowings at the end of the period - cash and cash equivalents at the end of the period

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

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

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

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

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

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

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

$$\text{Return on capital employed} = \frac{\text{operating profit of the 12-month period}}{\text{average value of equity} + \text{average value of borrowings}} \times 100\%$$

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

$$\text{Interest coverage ratio} = \frac{\text{net cash flow from operating activities (12-month rolling)} - \text{changes in working capital} + \text{interest expense (12-month rolling)}}{\text{interest expense (12-month rolling)}}$$

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

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

Unaudited Condensed Interim Financial Statements

Statement of Profit or Loss

	Notes	Group 01/01–31/03/2017	Group 01/01–31/03/2016	Company 01/01–31/03/2017	Company 01/01–31/03/2016
		EUR'000	EUR'000	EUR'000	EUR'000
Revenue	4	265,816	263,533	150,233	152,098
Other income		1,638	1,470	973	592
Raw materials and consumables used	5	(109,680)	(125,182)	(56,947)	(70,746)
Personnel expenses		(25,926)	(24,456)	(10,917)	(9,944)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	7	(47,012)	(52,459)	(22,140)	(22,345)
Other operating expenses		(18,061)	(15,219)	(15,142)	(12,355)
Operating profit		**66,775**	**47,687**	**46,060**	**37,300**
Finance income		310	654	2,878	3,453
Finance costs		(3,058)	(3,756)	(3,175)	(3,864)
Received dividends from subsidiaries		–	–	6,855	–
Profit before tax		**64,027**	**44,585**	**52,618**	**36,889**
Income tax	6	(8,940)	(5,996)	(6,564)	(5,233)
Profit for the period		**55,087**	**38,589**	**46,054**	**31,656**
Profit attributable to:					
– Equity holder of the Parent Company		*53,979*	*37,532*	–	–
– Non–controlling interests		*1,108*	*1,057*	–	–

Statement of Other Comprehensive Income

	Notes	Group 01/01–31/03/2017	Group 01/01–31/03/2016	Company 01/01–31/03/2017	Company 01/01–31/03/2016
		EUR'000	EUR'000	EUR'000	EUR'000
Profit for the period		**55,087**	**38,589**	**46,054**	**31,656**
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax):					
- losses from change in hedge reserve	12 c	(2,162)	(1,941)	(2,162)	(1,941)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**12 c**	**(2,162)**	**(1,941)**	**(2,162)**	**(1,941)**
TOTAL other comprehensive loss for the period, net of tax		**(2,162)**	**(1,941)**	**(2,162)**	**(1,941)**
TOTAL comprehensive income for the period		**52,925**	**36,648**	**43,892**	**29,715**
Other comprehensive income attributable to:					
– Equity holder of the Parent Company		*51,817*	*35,591*	–	–
– Non–controlling interests		*1,108*	*1,057*	–	–

Statement of Financial Position

	Notes	Group 31/03/2017 EUR'000	Group 31/12/2016 EUR'000	Company 31/03/2017 EUR'000	Company 31/12/2016 EUR'000
ASSETS					
Non–current assets					
Intangible assets and property, plant and equipment	7	3,354,762	3,370,331	1,326,563	1,341,287
Investment property		579	563	72,735	72,833
Non–current financial investments	9	41	41	817,049	817,049
Non–current loans to subsidiaries	13 e	–	–	367,489	377,380
Investments in held–to–maturity financial assets	12 a	17,022	17,034	17,022	17,034
Other non–current receivables		986	986	977	977
TOTAL non–current assets		**3,373,390**	**3,388,955**	**2,601,835**	**2,626,560**
Current assets					
Inventories	8	44,238	41,458	9,045	9,118
Prepayment for inventories	8	–	–	16,685	16,693
Trade receivables and other receivables	10	274,854	273,957	127,912	113,659
Deferred expenses		2,024	3,227	1,825	2,189
Current loans to subsidiaries	13 e	–	–	234,970	245,324
Derivative financial instruments	12 c	1,700	6,134	1,700	6,134
Investments in held–to–maturity financial assets	12 a	–	3,520	–	3,520
Cash and cash equivalents	11	260,020	183,980	257,055	181,197
TOTAL current assets		**582,836**	**512,276**	**649,192**	**577,834**
TOTAL ASSETS		**3,956,226**	**3,901,231**	**3,251,027**	**3,204,394**
EQUITY					
Share capital		1,288,715	1,288,715	1,288,715	1,288,715
Reserves		934,684	937,074	647,858	650,020
Retained earnings		240,047	185,840	284,388	238,334
Equity attributable to equity holder of the Parent Company		**2,463,446**	**2,411,629**	**2,220,961**	**2,177,069**
Non–controlling interests		8,192	7,084	–	–
TOTAL equity		**2,471,638**	**2,418,713**	**2,220,961**	**2,177,069**
LIABILITIES					
Non–current liabilities					
Borrowings	12 b	639,969	635,620	630,022	627,691
Deferred income tax liabilities		314,227	315,759	124,986	126,260
Provisions		18,901	18,643	8,043	7,924
Derivative financial instruments	12 c	7,838	7,946	7,838	7,946
Other liabilities and deferred income		194,076	195,407	1,040	1,055
Total non–current liabilities		**1,175,011**	**1,173,375**	**771,929**	**770,876**
Current liabilities					
Borrowings	12 b	150,613	155,946	152,210	150,632
Trade and other payables		114,023	117,817	78,514	85,569
Income tax payable		26,913	17,718	23,441	16,549
Deferred income		14,115	14,022	59	59
Derivative financial instruments	12 c	3,913	3,640	3,913	3,640
TOTAL current liabilities		**309,577**	**309,143**	**258,137**	**256,449**
TOTAL liabilities		**1,484,588**	**1,482,518**	**1,030,066**	**1,027,325**
TOTAL EQUITY AND LIABILITIES		**3,956,226**	**3,901,231**	**3,251,027**	**3,204,394**

Statement of Changes in Equity

	Group						Company			
	Attributable to equity holder of the Parent Company				Non–control–ling interests	TOTAL	Attributable to equity holder of the Company			TOTAL
	Share capital	Reserves	Retained earnings	Total			Share capital	Reserves	Retained earnings	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As of 31 December 2015	1,288,531	669,596	131,662	2,089,789	6,913	2,096,702	1,288,531	649,779	176,590	2,114,900
Increase in share capital	184	–	–	184	–	184	184	–	–	184
Dividends for 2015	–	–	(77,413)	(77,413)	(1,377)	(78,790)	–	–	(77,413)	(77,413)
Disposal of property, plant and equipment revaluation reserve net of deferred income tax	–	(4,854)	4,854	–	–	–	–	(2,606)	2,606	–
TOTAL contributions and profit distributions recognised directly in equity	184	(4,854)	(72,559)	(77,229)	(1,377)	(78,606)	184	(2,606)	(74,807)	(77,229)
Profit for the year	–	–	129,045	129,045	1,548	130,593	–	–	137,441	137,441
Other comprehensive income / (loss)	–	272,332	(2,308)	270,024	–	270,024	–	2,847	(890)	1,957
TOTAL comprehensive income	–	272,332	126,737	399,069	1,548	400,617	–	2,847	136,551	139,398
As of 31 December 2016	1,288,715	937,074	185,840	2,411,629	7,084	2,418,713	1,288,715	650,020	238,334	2,177,069
As of 31 December 2015	1,288,531	669,596	131,662	2,089,789	6,913	2,096,702	1,288,531	649,779	176,590	2,114,900
Disposal of property, plant and equipment revaluation reserve net of deferred income tax	–	(151)	151	–	–	–	–	–	–	–
TOTAL contributions and profit distributions recognised directly in equity	–	(151)	151	–	–	–	–	–	–	–
Profit for the period	–	–	37,532	37,532	1,057	38,589	–	–	31,656	31,656
Other comprehensive loss for the period (Note 12 c)	–	(1,941)	–	(1,941)	–	(1,941)	–	(1,941)	–	(1,941)
TOTAL comprehensive income / (loss) for the period	–	(1,941)	37,532	35,591	1,057	36,648	–	(1,941)	31,656	29,715
As of 31 March 2016	1,288,531	667,504	169,345	2,125,380	7,970	2,133,350	1,288,531	647,838	208,246	2,144,615
As of 31 December 2016	1,288,715	937,074	185,840	2,411,629	7,084	2,418,713	1,288,715	650,020	238,334	2,177,069
Disposal of property, plant and equipment revaluation reserve net of deferred income tax	–	(228)	228	–	–	–	–	–	–	–
TOTAL contributions and profit distributions recognised directly in equity	–	(228)	228	–	–	–	–	–	–	–
Profit for the period	–	–	53,979	53,979	1,108	55,087	–	–	46,054	46,054
Other comprehensive loss for the period (Note 12 c)	–	(2,162)	–	(2,162)	–	(2,162)	–	(2,162)	–	(2,162)
TOTAL comprehensive income / (loss) for the period	–	(2,162)	53,979	51,817	1,108	52,925	–	(2,162)	46,054	43,892
As of 31 March 2017	1,288,715	934,684	240,047	2,463,446	8,192	2,471,638	1,288,715	647,858	284,388	2,220,961

Statement of Cash Flows

	Notes	Group		Company	
		01/01–31/03/2017	**01/01–31/03/2016**	**01/01–31/03/2017**	**01/01–31/03/2016**
		EUR'000	EUR'000	EUR'000	EUR'000
Cash flows from operating activities					
Profit before tax		64,027	44,585	52,618	36,889
Adjustments:					
- Amortisation, depreciation and impairment of non–current assets		47,623	52,993	22,291	22,345
- Net financial adjustments		5,184	6,809	2,733	4,060
- Other adjustments		256	150	(6,738)	310
Operating profit before working capital adjustments		**117,090**	**104,537**	**70,904**	**63,604**
Increase in current assets		(1,169)	(37,353)	(15,284)	(27,490)
Increase in trade and other payables		4,155	4,157	6,789	6,705
Cash generated from operating activities		**120,076**	**71,341**	**62,409**	**42,819**
Interest paid		(180)	(850)	(316)	(986)
Interest received		1,129	1,171	4,357	4,731
Corporate income tax and real estate tax paid		(1,266)	(686)	(945)	–
Net cash flows from operating activities		**119,759**	**70,976**	**65,505**	**46,564**
Cash flows from investing activities					
Loans issued to subsidiaries		–	–	–	(11,221)
Repayment of loans issued to subsidiaries		–	–	23,902	9,891
Purchase of intangible assets and property, plant and equipment		(43,995)	(33,148)	(15,081)	(10,088)
Proceeds from redemption of held–to–maturity assets		3,532	19	3,532	19
Net cash flows (used in) / generated from investing activities		**(40,463)**	**(33,129)**	**12,353**	**(11,399)**
Cash flows from financing activities					
Proceeds on borrowings from financial institutions	12 b	–	40,000	–	40,000
Repayment of borrowings	12 b	(3,256)	(6,411)	(2,000)	(5,900)
Net cash flows (used in) / generated from financing activities		**(3,256)**	**33,589**	**(2,000)**	**34,100**
Net increase in cash and cash equivalents	**11**	**76,040**	**71,436**	**75,858**	**69,265**
Cash and cash equivalents at the beginning of the period	11	183,980	104,543	181,197	101,819
Cash and cash equivalents at the end of the period	**11**	**260,020**	**175,979**	**257,055**	**171,084**

Notes to the Financial Statements

1. General Information on the Group and the Company

All of shares of public limited company Latvenergo (hereinafter – Latvenergo AS or the 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 the Company is 12 Pulkveža Brieža Street, Riga, Latvia, LV–1230. According to the Energy Law of the Rupublic 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. 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 (since 10 February 2011) 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 and Enerģijas publiskais tirgotājs AS are also shareholders with 48.15% interest held in Pirmais Slēgtais Pensiju Fonds AS (Latvenergo AS helds 46.30% of interest) that manages a defined–contribution corporate pension plan in Latvia.

Latvenergo AS shareholding in its subsidiaries and other non–current financial investments of the Group are disclosed in Note 9 'Non–current Financial Investments'.

The Management Board of Latvenergo AS since 16 November 2015 until the date of approving of these Unaudited Interim Condensed Financial Statements of the Group and the Company was comprised of the following members: Āris Žīgurs (Chairman of the Board), Uldis Bariss, Māris Kuņickis, Guntars Baļčūns and Guntis Stafeckis.

On 16 December 2016 was established the Supervisory Board of Latvenergo AS and it was comprised of the following members: Andris Ozoliņš (Chairman of the Board), Andris Liepiņš (Deputy Chairman of the Board), Baiba Anda Rubesa, Mārtiņš Bičevskis and Martin Sedlacky.

The Supervisory body – Audit Committee since 4 December 2015 was comprised of the following members: Torben Pedersen (Chairman of the Committee), Svens Dinsdorfs and Marita Salgrāve

and since 3 March 2017 as well Andris Ozoliņš and Andris Liepiņš.

Latvenergo Consolidated Annual Report 2016 and Latvenergo AS Annual Report 2016 had been approved on 10 May 2017 by the Latvenergo AS Shareholder's meeting (see on Latvenergo AS web page section "Investors" – http://www.latvenergo.lv/eng/investors/reports/).

The Unaudited Interim Condensed Financial Statements of *Latvenergo* Group and Latvenergo AS for the 3-month period ending 31 March 2017 include the financial information in respect of the *Latvenergo* Group and Latvenergo AS for the period starting on 1 January 2017 and ending on 31 March 2017 and comparative information for the 3 month period ending 31 March 2016.

The Unaudited Interim Condensed Financial Statements of *Latvenergo* Group and Latvenergo AS for the 3-month period ending 31 March 2017 were authorised by the Latvenergo AS Management Board on 30 May 2017.

2. Summary of Most Significant Accounting Policies

These Interim Condensed Financial Statements of the *Latvenergo* Group and Latvenergo AS are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union and principal accounting policies applied to these financial statements were identical to those used in the Consolidated Financial Statements and Latvenergo AS Financial Statements for the 2016 financial year. These policies have been consistently applied to all reporting periods presented in financial statements, unless otherwise stated. Where it is necessary, comparatives are reclassified.

New or revised IFRS and amendments to standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became mandatory for the Group and the Company from 1 January 2017 did not have any impact to the significant Group's and Company's accounting policies and these Interim Condensed Financial Statements.

Interim Condensed Financial Statements of the *Latvenergo* Group and Latvenergo AS are prepared under the historical cost convention, except for some financial assets and liabilities (including derivative financial instruments) measured at fair value through profit or loss and for the revaluation of property, plant and equipment carried at revalued amounts through other comprehensive income as disclosed in accounting policies presented in *Latvenergo* Consolidated Annual Report 2016 and Latvenergo AS Annual Report 2016.

Interim Condensed Financial Statements of the *Latvenergo* Group and Latvenergo AS had been prepared in euros (EUR) currency and all amounts shown in these Interim Condensed Financial Statements are presented in thousands of EUR. All figures, unless stated otherwise are rounded to the nearest thousand.

3. Operating Segment Information

Operating segments of the Group and the Company

For segment reporting purposes, the division into operating segments is based on the *Latvenergo* Group's and the Company's internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the operating segment decision maker.

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

The 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 Company as separate segment.

In the *Latvenergo* Group ***generation and trade*** operating segment comprises the Group's electricity and thermal energy generation operations, which are organised into the two legal entities: Latvenergo AS and Liepājas enerģija SIA; electricity trade (including electricity 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. In the Company generation and trade segment comprises the Company's electricity and thermal energy generation operations, electricity sales (including electricity wholesale), customer services and credit control.

The operations of the ***distribution*** operating segment in the *Latvenergo* Group relate to the provision of electricity distribution services in Latvia and are managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia) and by Latvenergo AS – the owner of real estate assets related to distribution system assets.

The operations of the ***lease of transmission system assets*** operating segment are managed both by Latvijas elektriskie tīkli AS – 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, and Latvenergo AS – the owner of real estate assets related to the transmission system assets, providing the lease of these assets to the transmission system operator Augstsprieguma tīkls AS.

The operations of the **corporate functions** operating segment relate to the provision of administrative and support services (information technology & telecommunication services, assets lease and maintenance, corporate management, vehicle fleet management and other services) for Generation and trade segment, other Latvenergo Group entities and other entities in Latvia.

The following table presents revenue, profit information and segment assets of the Group's and the Company's operating segments.

Inter–segment revenue is eliminated on disclosure of the Group's and the Company's total revenue.

	Group							Company				
	Generation and trade	Distribution	Lease of transmission system assets	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Company
	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
Period 01/01–31/03/2017												
Revenue												
External customers	169,424	83,932	10,429	2,031	**265,816**	–	**265,816**	137,954	12,279	**150,233**	–	**150,233**
Inter–segment	686	501	634	13,073	**14,894**	(14,894)	**–**	86	7,472	**7,558**	(7,558)	**–**
TOTAL revenue	**170,110**	**84,433**	**11,063**	**15,104**	**280,710**	**(14,894)**	**265,816**	**138,040**	**19,751**	**157,791**	**(7,558)**	**150,233**
Results												
EBITDA	**66,903**	**33,415**	**10,556**	**2,913**	**113,787**	**–**	**113,787**	**62,289**	**(5,911)**	**68,200**	**–**	**68,200**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(18,398)	(19,447)	(6,191)	(2,976)	**(47,012)**	–	**(47,012)**	(17,606)	(4,534)	**(22,140)**	–	**(22,140)**
Segment profit / (loss)	**48,505**	**13,968**	**4,365**	**(63)**	**66,775**	**(2,748)**	**64,027**	**44,683**	**1,377**	**46,060**	**6,558**	**52,618**
Capital expenditure	5,025	23,957	3,237	2,001	**34,220**	**(2,129)**	**32,091**	4,991	2,497	**7,488**	–	**7,488**
Period 01/01–31/03/2016												
Revenue												
External customers	170,468	79,141	11,790	2,134	**263,533**	–	**263,533**	140,219	11,879	**152,098**	–	**152,098**
Inter–segment	5,247	457	623	11,376	**17,703**	(17,703)	**–**	87	5,830	**5,917**	(5,917)	**–**
TOTAL revenue	**175,715**	**79,598**	**12,413**	**13,510**	**281,236**	**(17,703)**	**263,533**	**140,306**	**17,709**	**158,015**	**(5,917)**	**152,098**
Results												
EBITDA	**58,188**	**26,551**	**11,960**	**3,447**	**100,146**	**–**	**100,146**	**53,634**	**6,011**	**59,645**	**–**	**59,645**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(18,782)	(24,394)	(6,124)	(3,159)	**(52,459)**	–	**(52,459)**	(18,000)	(4,345)	**(22,345)**	–	**(22,345)**
Segment profit	**39,406**	**2,157**	**5,836**	**288**	**47,687**	**(3,102)**	**44,585**	**35,634**	**1,666**	**37,300**	**(411)**	**36,889**
Capital expenditure	9,632	20,201	3,759	1,249	**34,841**	**(131)**	**34,710**	9,592	2,324	**11,916**	–	**11,916**

Assets of the Group's and the Company's operating segments

	Group							Company				
	Generation and trade	Distribution	Lease of transmission system assets	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated	Generation and trade	Corporate functions	TOTAL segments	Adjustments and eliminations	TOTAL Company
	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
As of 31 March 2017	1,543,121	1,628,111	445,759	87,114	**3,704,105**	252,121	**3,956,226**	1,350,157	198,721	**1,548,878**	1,702,149	**3,251,027**
As of 31 December 2016	1,557,032	1,629,107	448,707	88,431	**3,723,277**	177,954	**3,901,231**	1,372,835	183,921	**1,556,756**	1,647,638	**3,204,394**

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on the Company's basis. Taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on the Company's 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

	Group		Company	
	01/01–31/03/2017	01/01–31/03/2016	01/01–31/03/2017	01/01–31/03/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Profit of operating segments	**66,775**	**47,687**	**46,060**	**37,300**
Finance income	310	654	2,878	3,453
Finance costs	(3,058)	(3,756)	(3,175)	(3,864)
Received dividends from subsidiaries	–	–	6,855	–
Profit before corporate income tax	**64,027**	**44,585**	**52,618**	**36,889**

Reconciliation of assets

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Assets of operating segments	**3,704,105**	**3,723,277**	**1,548,878**	**1,556,756**
Connection usage rights	(26,707)	(32,791)	–	–
Non–current financial investments	41	41	817,049	817,049
Loans to subsidiaries	–	–	602,459	622,704
Held–to–maturity financial assets	17,022	20,554	17,022	20,554
Derivative financial instruments	1,700	6,134	1,700	6,134
Other assets and assets held for sale	45	36	6,864	–
Cash and cash equivalents	260,020	183,980	257,055	181,197
TOTAL assets	**3,956,226**	**3,901,231**	**3,251,027**	**3,204,394**

4. Revenue

	Group		Company	
	01/01–31/03/2017	01/01–31/03/2016	01/01–31/03/2017	01/01–31/03/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Electricity trade and electricity supply services	132,715	131,639	105,801	106,179
Distribution system services	79,840	75,140	–	–
Heat sales	35,737	37,801	30,401	32,490
Lease of transmission system assets	10,303	11,618	–	–
Lease and management of real estate	–	–	4,924	4,462
Other revenue	7,221	7,335	9,106	8,967
TOTAL revenue	**265,816**	**263,533**	**150,232**	**152,098**

5. Raw Materials and Consumables Used

	Group		Company	
	01/01–31/03/2017	01/01–31/03/2016	01/01–31/03/2017	01/01–31/03/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Electricity:				
Purchased electricity	31,596	41,364	3,382	13,232
Fair value loss on electricity forwards and futures (Note 12 c, II)	2,437	3,543	2,437	3,543
Electricity transmission services costs	18,621	18,840	221	308
	52,654	**63,747**	**6,040**	**17,083**
Energy resources costs	50,527	53,293	48,312	50,852
Raw materials, spare parts and maintenance costs	6,499	8,142	2,595	2,811
TOTAL raw materials and consumables used	**109,680**	**125,182**	**56,947**	**70,746**

6. Income Tax

	Group		Company	
	01/01–31/03/2017	01/01–31/03/2016	01/01–31/03/2017	01/01–31/03/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Current income tax expense	10,473	7,407	7,838	6,276
Deferred income tax expense relating to origination and reversal of temporary differences	(1,533)	(1,411)	(1,274)	(1,043)
TOTAL income tax	**8,940**	**5,996**	**6,564**	**5,233**

7. Intangible Assets and Property, Plant and Equipment

a) Intangible assets

	Group			Company		
	01/01–31/03/2017	**01/01–31/03/2016**	**2016**	**01/01–31/03/2017**	**01/01–31/03/2016**	**2016**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net book amount	**14,534**	**14,405**	**14,405**	**18,769**	**19,846**	**19,846**
Additions	167	407	3,703	167	406	2,692
Transfers to property, plant and equipment	–	–	–	–	(48)	(48)
Disposals	(53)	(53)	(211)	(164)	(206)	(698)
Amortisation charge	(808)	(888)	(3,363)	(730)	(804)	(3,023)
Closing net book amount	**13,840**	**13,871**	**14,534**	**18,042**	**19,194**	**18,769**

b) Property, plant and equipment

	Group			Company		
	01/01–31/03/2017	**01/01–31/03/2016**	**2016**	**01/01–31/03/2017**	**01/01–31/03/2016**	**2016**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net book amount	**3,355,797**	**3,076,256**	**3,076,256**	**1,322,518**	**1,344,670**	**1,344,670**
Additions	31,923	34,303	196,838	6,751	11,469	73,196
Invested in share capital	–	–	184	–	–	184
Increase due to property, plant and equipment revaluation	–	–	317,041	–	–	–
Impairment charge due to property, plant and equipment revaluation	–	–	(35,774)	–	–	–
Transfers from intangible assets	–	–	–	–	48	48
Reclassified to investment properties	(27)	(51)	(214)	(10)	(18)	(195)
Disposals	(567)	(475)	(5,045)	–	(38)	(412)
Impairment charge	(12)	(7,598)	(10,024)	9	24	(10,116)
Depreciation	(46,192)	(43,973)	(183,465)	(20,747)	(20,885)	(84,857)
Closing net book amount	**3,340,922**	**3,058,462**	**3,355,797**	**1,308,521**	**1,335,270**	**1,322,518**

8. Inventories

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Raw materials	20,229	17,438	1,251	1,267
Natural gas	17,504	17,506	817	817
Technological combustibles and other inventories	8,149	8,173	8,088	8,094
Prepayments for inventories (Note 13 b)	–	–	16,685	16,693
Allowance for raw materials and other inventories	(1,644)	(1,659)	(1,111)	(1,060)
TOTAL inventories	**44,238**	**41,458**	**25,730**	**25,811**

Movements on allowances for inventories:

	Group			Company		
	01/01–31/03/2017	01/01–31/03/2016	2016	01/01–31/03/2017	01/01–31/03/2016	2016
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At the beginning of the period	**1,659**	**1,614**	**1,614**	**1,060**	**1,027**	**1,027**
Inventories written off	(20)	(1)	(87)	–	–	–
Charged to the Statement of Profit or Loss	5	66	132	51	14	33
At the end of the period	**1,644**	**1,679**	**1,659**	**1,111**	**1,041**	**1,060**

9. Non-Current Financial Investments

The Company's participating interest in subsidiaries (%) and other non–current financial investments:

Companies	Country of incorporation	Business activity held	31/03/2017		31/12/2016	
			Interest held, %	EUR'000	Interest held, %	EUR'000
Subsidiaries						
Latvijas elektriskie tīkli AS	Latvia	Lease of transmission system assets	100%	185,624	100%	185,624
Sadales tīkls AS	Latvia	Electricity distribution	100%	627,656	100%	627,656
Enerģijas publiskais tirgotājs AS	Latvia	Management of the mandatory procurement process	100%	40	100%	40
Elektrum Eesti OÜ	Estonia	Electricity supply	100%	35	100%	35
Elektrum Lietuva, UAB	Lithuania	Electricity supply	100%	98	100%	98
Liepājas enerģija SIA	Latvia	Thermal energy generation and supply in Liepaja city, electricity generation	51%	3,556	51%	3,556
TOTAL				**817,009**		**817,009**
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 supply in Riga, electricity generation	0.0051%	4	0.0051%	4
TOTAL				**40**		**40**

The Company owns 46.30% of the shares of the closed pension fund Pirmais Slēgtais Pensiju Fonds AS. However, the Company is only a nominal shareholder as all risks and benefits arising from associate's activities will accrue to the Company's employees who are members of the pension fund. Therefore, investment in Pirmais Slēgtais Pensiju Fonds AS is valued at cost and equity method is not applied.

10. Trade Receivables and Other Current Receivables

a) Trade receivables, net

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Trade receivables:				
– Electricity trade and electricity services customers	145,560	147,808	117,728	120,500
– Heating customers	11,796	11,629	9,425	9,530
– Other trade receivables	12,163	11,027	4,004	3,086
– Subsidiaries (Note 13 b, c)	–	–	40,599	22,602
	169,519	**170,464**	**171,756**	**155,718**
Allowances for impaired trade receivables:				
– Electricity trade and electricity services customers	(45,191)	(44,801)	(44,050)	(43,674)
– Heating customers	(389)	(391)	(364)	(369)
– Other trade receivables	(2,525)	(2,440)	(140)	(134)
	(48,105)	**(47,632)**	**(44,554)**	**(44,177)**
Trade receivables, net:				
– Electricity trade and electricity services customers	100,369	103,007	73,678	76,826
– Heating customers	11,407	11,238	9,061	9,161
– Other trade receivables	9,638	8,587	3,864	2,952
– Subsidiaries (Note 13 b, c)	–	–	40,599	22,602
	121,414	**122,832**	**127,202**	**111,541**

Movements in allowances for impaired trade receivables:

	Group			Company		
	01/01–31/03/2017	01/01–31/03/2016	2016	01/01–31/03/2017	01/01–31/03/2016	2016
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At the beginning of the period	**47,632**	**46,089**	**46,089**	**44,177**	**43,422**	**43,422**
Receivables written off during the period as uncollectible	(354)	(491)	(1,511)	(277)	(460)	(1,294)
Allowance for impaired receivables	827	586	3,054	654	222	2,049
At the end of the period	**48,105**	**46,184**	**47,632**	**44,554**	**43,184**	**44,177**

b) Other current receivables

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Unsettled revenue on mandatory procurement public service obligation (PSO) fee recognised as assets*	143,329	142,132	–	–
Other accrued income	201	1,024	201	1,024
Pre–tax and overpaid taxes	4,973	4,008	40	17
Other current financial receivables	2,598	2,797	301	927
Other current receivables	2,339	1,164	168	150
TOTAL other current receivables	**153,440**	**151,125**	**710**	**2,118**

* unsettled revenue on mandatory procurement PSO fee is recognised as assets in net amount, by applying agent principle, as difference between revenue from sale of electricity in Nord Pool power exchange by market price, received mandatory procurement PSO fees, received government grant for compensating the increase of mandatory procurement costs and costs of purchased electricity under the mandatory procurement from electricity generators who generate electricity in efficient cogeneration process or using renewable energy sources, as well as guaranteed fees for installed electrical capacity in cogeneration plants (over 4 MW)

11. Cash and Cash Equivalents

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Cash at bank	248,285	176,626	245,320	173,843
Short–term bank deposits	8,000	7,000	8,000	7,000
Restricted cash and cash equivalents*	3,735	354	3,735	354
TOTAL cash and cash equivalents	**260,020**	**183,980**	**257,055**	**181,197**

* Restricted cash and cash equivalents consist of the financial security for participating in NASDAQ OMX Commodities Exchange

12. Financial Assets and Liabilities

a) Held–to–maturity financial assets

As of 31 March 2017 the entire Group's and the Company's held-to-maturity financial assets were 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 held-to-maturity financial assets are denominated in euros. The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity financial assets.

Carrying amount of held–to–maturity financial assets:

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Held–to–maturity financial assets:				
– current	–	3,520	–	3,520
– non–current	17,022	17,034	17,022	17,034
Total held–to–maturity financial assets	**17,022**	**20,554**	**17,022**	**20,554**

b) Borrowings

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	EUR'000	EUR'000	EUR'000	EUR'000
Non–current borrowings from financial institutions	504,614	500,215	494,667	492,286
Issued debt securities (bonds)	135,355	135,405	135,355	135,405
Total non–current borrowings	**639,969**	**635,620**	**630,022**	**627,691**
Current portion of non–current borrowings from financial institutions	75,851	82,762	73,841	78,222
Current portion of issued debt securities (bonds)	70,095	70,075	70,095	70,075
Current borrowings from financial institutions	–	744	–	–
Current borrowings from subsidiaries	–	–	3,657	–
Accrued interest on non–current borrowings	1,686	594	1,636	564
Accrued coupon interest on issued debt securities (bonds)	2,981	1,771	2,981	1,771
Total current borrowings	**150,613**	**155,946**	**152,210**	**150,632**
TOTAL borrowings	**790,582**	**791,566**	**782,232**	**778,323**

Movement in Borrowings:

	Group			Company		
	01/01–31/03/2017	01/01–31/03/2016	2016	01/01–31/03/2017	01/01–31/03/2016	2016
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At the beginning of the period	**791,566**	**797,483**	**797,483**	**778,323**	**782,965**	**782,965**
Borrowings received	–	40,000	55,744	3,657	40,000	55,000
Borrowing repaid	(3,256)	(6,411)	(87,452)	(2,000)	(5,900)	(85,441)
Change in accrued interest on borrowings	2,302	2,575	15	2,282	2,551	23
Issued debt securities (bonds)	–	–	25,776	–	–	25,776
Changes in outstanding value of issued debt securities (bonds)	(30)	4	–	(30)	4	–
At the end of the period	**790,582**	**833,651**	**791,566**	**782,232**	**819,620**	**778,323**

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 Company's Statement of Profit or Loss.

Fair value changes of the Latvenergo Group's and the Company's interest rate swaps:

	Group						Company					
	01/01–31/03/2017		01/01–31/03/2016		2016		01/01–31/03/2017		01/01–31/03/2016		2016	
	EUR'000		EUR'000		EUR'000		EUR'000		EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**–**	**11,563**	**–**	**13,016**	**–**	**13,016**	**–**	**11,563**	**–**	**13,016**	**–**	**13,016**
Included in Statement of Profit or Loss, net	–	–	–	(188)	–	(760)	–	–	–	(188)	–	(760)
Included in other comprehensive income	–	(1,320)	–	1,941	–	(693)	–	(1,320)	–	1,941	–	(693)
Outstanding fair value at the end of the period	**–**	**10,243**	**–**	**14,769**	**–**	**11,563**	**–**	**10,243**	**–**	**14,769**	**–**	**11,563**

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 ineffective fair value changes are recorded through profit or loss in the Statement of Profit or Loss (see Note 5), and for fully effective contracts fair value gains and losses are included in other comprehensive income.

Fair value changes of the Latvenergo Group's and the Company's electricity forward and future contracts:

	Group						Company					
	01/01–31/03/2017		01/01–31/03/2016		2016		01/01–31/03/2017		01/01–31/03/2016		2016	
	EUR'000		EUR'000		EUR'000		EUR'000		EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the period	**(6,134)**	**23**	**–**	**2,558**	**–**	**2,558**	**(6,134)**	**23**	**–**	**2,558**	**–**	**2,558**
Included in Statement of Profit or Loss (Note 5)	2,280	157	–	3,543	(3,980)	(2,535)	2,280	157	–	3,543	(3,980)	(2,535)
Included in other comprehensive income	2,154	1,328	–	–	(2,154)	–	2,154	1,328	–	–	(2,154)	–
Outstanding fair value at the end of the period	**(1,700)**	**1,508**	**–**	**6,101**	**(6,134)**	**23**	**(1,700)**	**1,508**	**–**	**6,101**	**(6,134)**	**23**

13. Related Party Transactions

The Company and, indirectly, its subsidiaries are controlled by the Latvian state. Related parties of the *Latvenergo* Group and the Company are Shareholder of the Company who controls or who has significant influence over the Company in accepting operating business decisions, members of *Latvenergo* Group entities' management boards, members of the Supervisory board of the Company, members of Supervisory body – 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, for which the *IAS 24* exemptions have been applied and which do not represent a significant portion of a type of transaction, are excluded from the scope of related party disclosures. Quantification of transactions with those related parties is impossible due to broad range of the *Latvenergo* Group's and the Company's customers.

a) Income and expenses from transactions with subsidiaries

	Company	
	01/01–31/03/2017	01/01–31/03/2016
	EUR'000	EUR'000
Income:		
– subsidiaries	40,078	46,406
	40,078	**46,406**
Expenses:		
– subsidiaries	91,516	96,996
	91,516	**96,996**
including expenses from transactions with subsidiaries recognised in net amount through profit or loss :		
– Sadales tīkls AS	*90,056*	*95,981*
– Enerģijas publiskais tirgotājs AS	*156*	*164*
	90,212	***96,145***

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	EUR'000	EUR'000	EUR'000	EUR'000
b) Balances at the end of the period arising from sales/purchases of goods and services:				
Prepayments for inventories:				
– subsidiaries (Note 8)*	–	–	16,682	16,682
	–	**–**	**16,682**	**16,682**
Trade receivables:				
– subsidiaries (Note 10 a)	–	–	35,040	14,851
	–	**–**	**35,040**	**14,851**
Trade payables:				
– subsidiaries	–	–	31,018	33,267
– other related parties**	212	236	92	98
	212	**236**	**31,110**	**33,365**

* prepayment to the subsidiary Elektrum Eesti OÜ
** Pirmais Slēgtais Pensiju fonds AS

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
c) Accrued income raised from transactions with related parties:				
– for goods sold / services received from subsidiaries (Note 10 a)	–	–	3,735	5,581
– for interest received from subsidiaries (Note 10 a)	–	–	1,824	2,170
	–	**–**	**5,559**	**7,751**
d) Accrued expenses raised from transactions with related parties:				
– for purchased goods / received services from subsidiaries	–	–	214	826
	–	**–**	**214**	**826**

In the 3 months period ended 31 March 2017 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 592.4 thousand (3 months period of 2016: EUR 480.1 thousand).

In the 3 months period ended 31 March 2017 remuneration to the Company's management includes remuneration to the members of the 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 256.4 thousand (3 months period of 2016: EUR 178.6 thousand).

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

e) Loans to related parties

The Company's non–current and current loans to subsidiaries:

	Company	
	31/03/2017	31/12/2016
	EUR'000	EUR'000
Non–current loans to subsidiaries		
Sadales tīkls AS	306,362	313,497
Latvijas elektriskie tīkli AS	61,127	63,883
Total non–current loans	**367,489**	**377,380**
Current portion of non–current loans		
Sadales tīkls AS	48,880	48,880
Latvijas elektriskie tīkli AS	11,345	11,345
Current loans to subsidiaries		
Latvijas elektriskie tīkli AS	–	3,678
Sadales tīkls AS	37,753	41,651
Elektrum Eesti OÜ	4,709	5,046
Elektrum Lietuva, UAB	1,746	4,788
Enerģijas publiskais tirgotājs AS	130,537	129,936
Total current loans	**234,970**	**245,324**
TOTAL loans to subsidiaries	**602,459**	**622,704**

Movement in loans issued by the Company:

	Company		
	01/01–31/03/2017	01/01–31/03/2016	2016
	EUR'000	EUR'000	EUR'000
At the beginning of the period	**622,704**	**624,577**	**624,577**
(Repaid) / issued current loans (net)	(10,354)	11,221	78,446
Repaid non–current loans	(9,891)	(9,891)	(80,319)
At the end of the period	**602,459**	**625,907**	**622,704**

14. Events After the Reporting Period

On 3 April 2017 according to the Shareholder's decision, dated 22 March 2017, Latvijas elektriskie tīkli AS paid out dividends to the Shareholder – Latvenergo AS for year 2016 in the amount of EUR 6,852 thousand.

On 19 April 2017 according to the Shareholder's decision, dated 29 March 2017, Sadales tīkls AS paid out dividends to the Shareholder – Latvenergo AS for year 2016 in the amount of EUR 2.5 thousand.

On 18 May 2017 according to the decision of Latvenergo AS Shareholder's meeting, dated 10 May 2017, the Company paid out dividends to the State in the amount of EUR 90,142 thousand, that consists from Latvenergo AS profit of 2016 in the amount of EUR 73,021 thousand and from Latvenergo AS retained profit of 2015 in the amount of EUR 17,121 thousand.

There have been no other significant events subsequent to the end of the reporting period that might have a material effect on the *Latvenergo* Group and Latvenergo AS Unaudited Interim Condensed Financial Statements for the 3-month period ending 31 March 2017.