

Unaudited Interim Condensed Consolidated Financial Statements

for the 3 months period ended
31 March 2015



Latvenergo Group is the most valuable company in Latvia and one among the most valuable companies in the Baltics. The asset value of Latvenergo Group exceeds EUR 3.5 billion.

CONTENTS

Management Report

3	Summary
4	Latvenergo Group in Brief
5	Key Performance Indicators
6	Operating Environment
9	Financial Results
17	Statement of Management Responsibility

Unaudited Interim Condensed Consolidated Financial Statements

18	Consolidated Income Statement
18	Consolidated Statement of Comprehensive Income
19	Consolidated Statement of Financial Position
20	Consolidated Statement of Changes in Equity
21	Consolidated Statement of Cash Flows
22	Notes to the Interim Condensed Consolidated Financial Statements

*Prepared in accordance with the International Financial Reporting
Standards as adopted by the European Union*

FINANCIAL CALENDAR

31. 08. 2015

Unaudited Interim Condensed Consolidated
Financial Statements for the 6 months period
ending 30 June 2015 (unaudited)

30. 11. 2015

Unaudited Interim Condensed Consolidated
Financial Statements for the 9 months period
ending 30 September 2015 (unaudited)

CONTACTS FOR INVESTOR RELATIONS

E-mail: investor.relations@latvenergo.lv

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

DISCLAIMER

The financial report includes forward-looking statements 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.

Summary

- ▶ In Q1 2015, electricity spot price decrease in the Nordics and in the Baltics was mainly determined by lower electricity consumption and decline in global market coal price. Though electricity price in Latvia and Lithuania bidding areas is still higher than in the Nordics due to cross-border capacity shortage.
- ▶ Latvenergo Group has successfully maintained the leading electricity supplier position in the Baltics. The number of customers in Lithuania and Estonia has increased by 10 % compared to the respective period last year. Market share is approximately 1/3 of the Baltic electricity consumption.
- ▶ Electricity market for household in Latvia is open since 1 January 2015. 99% of household customers have chosen to keep Latvenergo as their electricity supplier. Until the opening of electricity market, Latvenergo AS supplied electricity for households in Latvia at the regulated tariff, which was lower than the market price.
- ▶ Compared to Q1 last year, revenue of Latvenergo Group has decreased by 20% reaching EUR 259.5 million. Decline was mainly due to change in mandatory procurement accounting principles with the entrance into operation of Enerģijas publiskais tirgotājs AS as of 1 April 2014. While EBITDA has increased by EUR 12.3 million reaching EUR 94.8 million. Results were positively impacted by the opening of electricity market in Latvia.
- ▶ In Q1 2015, Latvenergo Group generated 1,027 GWh of electricity and 1,019 GWh of thermal energy. Electricity output at Daugava HPPs has increased by 5% compared to the respective period last year. While the electricity output at Riga CHPPs was determined by the decline of electricity price.
- ▶ As of 1 January 2015, the transmission system operator Augstsprieguma tīkls AS took over transmission system asset construction and maintenance functions from Latvijas elektriskie tīkli AS. The transition also implied transfer of 430 employees to Augstsprieguma tīkls AS.
- ▶ In Q1 2015, the amount of investments was EUR 24.8 million, 80% of which were invested in network assets. Likewise, a substantial part of investments has been invested in environmentally friendly and environmental development projects. A contract with the European Commission Innovation and Networks Executive Agency was concluded providing 45% EU co-funding for construction costs of the final stage *Ventspils–Tume–Rīga* of the *Kurzeme Ring* project. While within the framework of Daugava HPP hydropower unit reconstruction programme a contract was signed for reconstruction of six hydropower units at Riga HPP.
- ▶ Latvenergo AS is planning to carry out a new bond offering programme issuing bonds in the total amount up to EUR 100 million. The bonds are planned to be listed on the Nasdaq Riga Baltic Bond List.
- ▶ In early 2015, the international rating agency Moody's Investors Service has upgraded Latvenergo AS credit rating to Baa2 with a stable outlook.

Latvenergo Group in Brief

Latvenergo Group is a pan-Baltic power supply utility operating in electricity and thermal energy generation and supply, electricity distribution services and transmission system asset management.

Latvenergo Group comprises the parent company Latvenergo AS and seven subsidiaries. In order to improve the transparency of administration of electricity mandatory procurement process, new subsidiary. All shares of Latvenergo AS are owned by the State and they are 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%) along with a shareholding in Rīgas siltums AS (0.005%).

Latvenergo Group divides its operations into three operating segments: generation and supply, distribution and management of transmission system assets. This division in segments is made according to the needs of the internal organisational structure, which forms the basis for a regular performance monitoring, decision-making on resources allocated to segments and their performance measurement. Each segment is managed differently from a commercial point of view.

	Country of operations	Type of operation	Participation share
Latvenergo AS	Latvia	Generation and supply of electricity and thermal energy	
Sadales tīkls AS	Latvia	Electricity distribution	100%
Latvijas elektriskie tīkli AS	Latvia	Transmission system asset management	100%
Enerģijas publiskais tirgotājs AS	Latvia	Administration of electricity mandatory procurement process	100%
Elektrum Eesti OÜ	Estonia	Electricity supply	100%
Elektrum Latvija SIA	Latvia	Electricity supply	100%
Elektrum Lietuva UAB	Lithuania	Electricity supply	100%
Liepājas enerģija SIA	Latvia	Thermal energy generation and supply in Liepāja, electricity generation	51%

The generation and supply segment comprises electricity and thermal energy generation operations, conducted by Latvenergo AS and Liepājas enerģija SIA, as well as electricity supply (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.

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 840 thousand customers). Distribution tariffs are approved by the Public Utilities Commission (PUC).

The management 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 management and lease to the transmission system operator Augstsprieguma tīkls AS. The payments for the lease of transmission system assets are calculated in accordance with the methodology approved by the PUC.

Latvenergo Group Strategy represents a transparent and rational vision of pan-Baltic development during the opening of the Baltic electricity market and development of new electricity interconnections. Latvenergo Group has set the following strategic objectives to be reached until 2016:

- ▶ strengthening of the market position in the Baltics;
- ▶ diversification of electricity generation sources;
- ▶ balanced development of networks.

Key Performance Indicators

Operational Figures

		Q1 2015	Q1 2014	Q1 2013
Retail electricity supply	GWh	2,132	2,487	2,402
Electricity generation	GWh	1,027	1,192	1,385
Thermal energy supply	GWh	0,990	1,077	1,225
Number of employees		4,142	4,567	4,466
Moody's credit rating		Baa2 (stable)	Baa3 (stable)	Baa3 (stable)

Financial Figures

		Q1 2015	Q1 2014	Q1 2013
Revenue	MEUR	259.5	324.5	312.7
EBITDA ¹⁾	MEUR	94.8	82.5	60.5
Net profit	MEUR	39.3	30.8	7.1
Assets	MEUR	3,526.8	3,598.0	3,511.3
Equity	MEUR	2,059.4	2,050.1	2,016.7
Net debt ²⁾	MEUR	688.6	679.7	641.3
Investments	MEUR	24.8	27.5	36.1

Financial Ratios

	Q1 2015	Q1 2014	Q1 2013
Net debt / EBITDA ³⁾	2.8	2.5	2.8
EBITDA margin ⁴⁾	26%	24%	21%
Capital ratio ⁵⁾	58%	57%	57%

1) EBITDA: earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortisation, and impairment of intangible and fixed assets

2) Net debt: borrowings at the end of the period minus cash and cash equivalents at the end of the period

3) Net debt / EBITDA: net debt to EBITDA ratio (12-month rolling)

4) EBITDA margin: EBITDA / revenue (12-month rolling)

5) Capital ratio: total equity / total assets

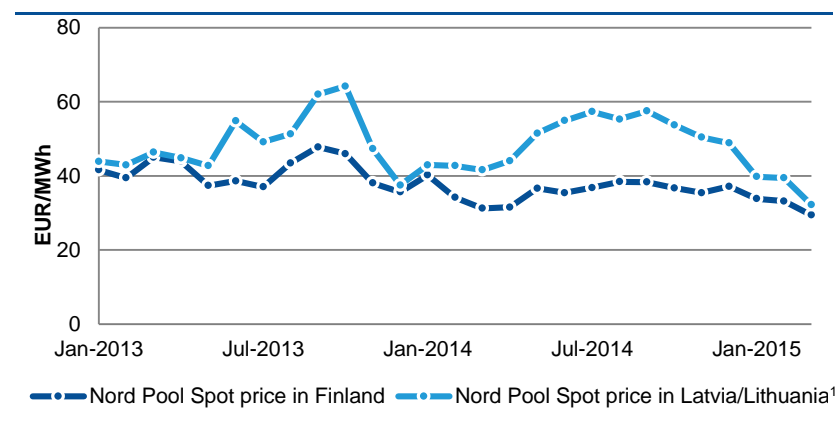
Operating Environment

Due to warmer weather conditions and decline in global market coal price the electricity price decrease in the Nordics and in the Baltics

In Q1 2015, Nord Pool Spot electricity prices in the Nordic countries and in the Baltics have been lower than a year before. The average electricity spot price in Latvia and Lithuania bidding areas¹ decreased by 12% to 37.1 EUR/MWh, while the average spot price in Finland and Estonia decreased by 9% to 32.1 EUR/MWh and 32.5 EUR/MWh respectively.

In Q1 2015, a decline in electricity price in the Nordics and the Baltics was determined by a lower electricity consumption due to warmer weather conditions as well as by 23% decline in global market coal price to 59.8 USD/t. While the decline of the price in the Baltics was also determined by stable performance of transmission power interconnections that allowed to import higher volume of cheaper electricity from the Nordics as well as by effective performance of Riga combined heat and power plants successfully balancing the floating volume of electricity import and limiting rapid price fluctuations in Latvia during the peak hours.

From the energy balance position, Latvia and Lithuania are deficit region countries. The shortage of interconnection capacity between power systems in Latvia and Estonia is still an important market price affecting factor that determines higher electricity prices in Latvia/Lithuania bidding areas. The average electricity price in Latvia/Lithuania bidding areas in Q1 2015 was on average by 4.6 EUR/MWh or 14% higher than in Estonia (Q1 2014: 6.6 EUR/MWh).



Successful and stable performance of power transmission interconnections *Estlink* foster price convergence between Estonia and Finland. In Q1 2015, the price of Finland and the Estonia bidding areas were equal 94% hours (Q1 2014: 89%).

Performance of transmission interconnections and decline of electricity price in the Nordics fostered lower electricity generation in the Baltics. In Q1 2015, total amount of electricity generated in the Baltics reached 4,795 GWh, which was 3.4% lower than in the respective period last year. While the import volume of electricity increased by 6.5% compared to the respective period last year.

¹ In Q1 2015, electricity prices in the Latvia and Lithuania bidding areas were equal 99.7% hours.

Operating Environment

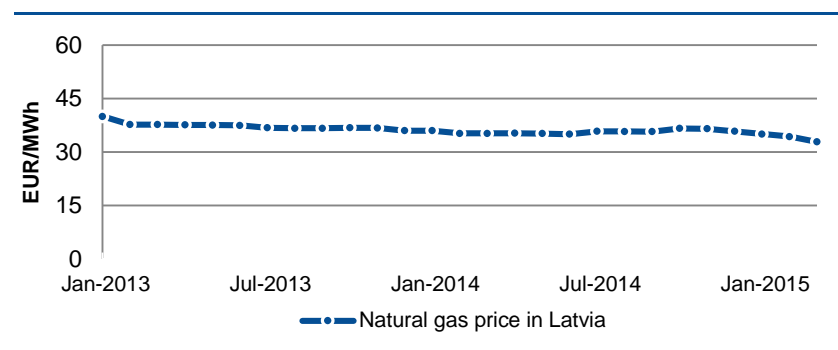
Still high natural gas price in Latvia – gradually starts to decline

The natural gas price in Latvia is linked to the crude oil product price (to the 9-month average heavy fuel oil and diesel quotations index). Due to its change, in Q1 2015, the average natural gas price (incl. the excise tax) in Latvia for the user group with consumption above 100,000 thousand nm³ was 34.0 EUR/MWh, which is 4% lower than in the Q1 last year when it was 35.5 EUR/MWh. The average price of *Brent* oil in Q1 2015 has decreased by half compared to Q1 2014 reaching 53.9 USD/bbl (Q1 2014: 108.2 USD/bbl). While an opposite effect was caused by the changes in EUR/USD exchange rate. According to the European Central bank the exchange rate in Q1 2015 was 1.13, while in Q1 2014 it was 1.37. In the following months it is expected that the natural gas price will decline.

Moderate economic growth in the Baltics

In Q1 2015, the overall economic growth in the Baltics was mainly driven by increase in production sector. According to the Statistical Office of the European Union (*Eurostat*) the GDP growth rate in Q1 2015 compared to the respective period previous year in Latvia was 2.1% (Q1 2014: 2.4%), in Lithuania – 1.5% (2.9%) and in Estonia 1.8% (- 1.5%). Economic growth could be further negatively affected by uncertainty in relation to geopolitical developments.

According to the *Eurostat*, in March 2015, the inflation in Latvia was 0.5%, in Estonia the average consumer price level remained unchanged, while in Lithuania there was deflation of 1.1%. In March 2015, deflation of 0.1% was also observed in the EU.



On 1 January 2015, Lithuania has joined the European Economic and Monetary Union (EMU). Estonia has joined the EMU on 1 January 2011 and Latvia – on 1 January 2014.

The economic growth in the Baltics is also recognised by credit rating agencies, including Moody's, who raised credit rating of Latvia from Baa1 to A3 with stable outlook on 13 February 2015. The credit ratings of Lithuania and Estonia remained unchanged – Baa1 with positive outlook and A1 with stable outlook respectively.

Operating Environment

As of 1 January 2015 the electricity market is open for household in Latvia

The electricity market in Latvia is open for households since 1 January 2015. 99% household customers have chosen to keep Latvenergo as their electricity supplier. Until opening of the electricity market Latvenergo AS supplied electricity to households at the regulated tariff, which was lower than the market price.

According to the Electricity Market Law, in 2015, Latvenergo AS has to supply electricity to vulnerable customers (poor or low-income persons, large families) at lower electricity price. While starting from 2016 the electricity supply to vulnerable customers will be co-financed by the state and the service provider will be selected in a public procurement process.

The integration of the Baltics in the common electricity market

The electricity market in the Baltics is gradually opening and aligning to the Nordic electricity market, comprising the establishment of Nord Pool Spot bidding areas in the Baltics and the construction of power transmission interconnections. In 2014, the interconnection between Estonia and Finland *EstLink-2* entered into operation and the interconnection between Lithuania and Sweden is scheduled for completion in 2016 thus further integrating the Baltics into the Nordic electricity market. However, in order to ensure efficient operation of the abovementioned interconnections, development of the inner Baltic electricity infrastructure that would ensure higher transmission capacity in the Baltics' transmission network is needed. To strengthen the reliability of electricity transmission network in Kurzeme region, the project *Kurzeme Ring* is being implemented.

A crucial project of the future electricity transmission infrastructure for the whole Baltics is the new electricity transmission interconnection between Estonia and Latvia. The construction of the new 330 kV interconnection is scheduled for completion until the end of 2020 and the total construction costs of the project are estimated at approximately EUR 100 million. The environmental impact assessment of the interconnection project is carried out. The project is co-funded by the EU covering 65% of eligible costs. After the environmental impact assessment of the interconnection project the implementation will be carried out by Augstsprieguma tīkls AS, while Latvijas elektriskie tīkli AS will provide the required funding.

Financial Results

In Q1 2015, Latvenergo Group revenue was EUR 259.5 million, which is by 20% lower compared to the respective period last year.

Since 1 January 2015 the electricity market is open for household in Latvia

Revenue decline was due to change in accounting principles along with entrance into operation of Energijas publiskais tirgotājs AS as of 1 April 2014. Mandatory procurement PSO fee revenues are no longer recognised in the revenue of the Group.

Financial figures		Q1 2015	Q12014	Δ	Δ, %
Revenue	MEUR	259.5	324.5	(65.0)	(20%)
EBITDA	MEUR	94.8	82.5	12.3	15%
Net profit	MEUR	39.3	30.8	8.5	28%
Assets	MEUR	3,526.8	3,598.0	(71.2)	(2%)

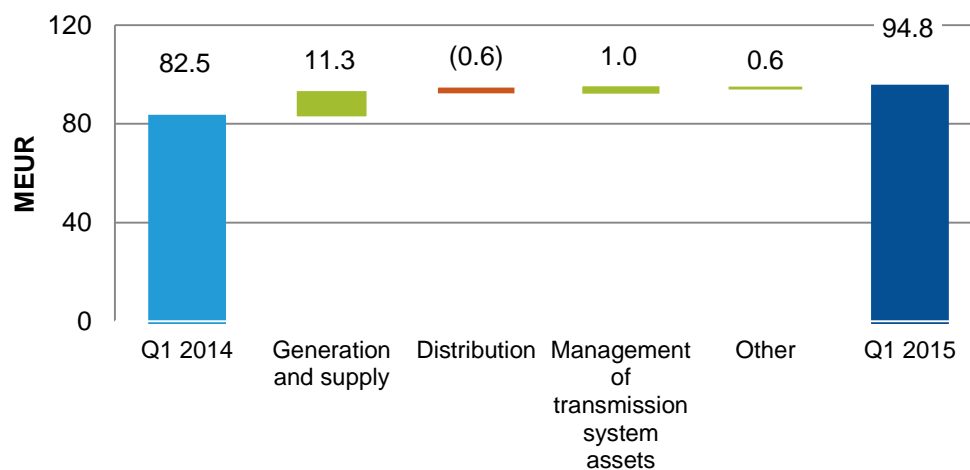
Latvenergo Group EBITDA increased by EUR 12.3 million reaching EUR 94.8 million. While Latvenergo Group profit in Q1 2015 was EUR 39.3 million.

The results of the Group were positively impacted by the opening of electricity market for households in Latvia as of 1 January 2015. Until that

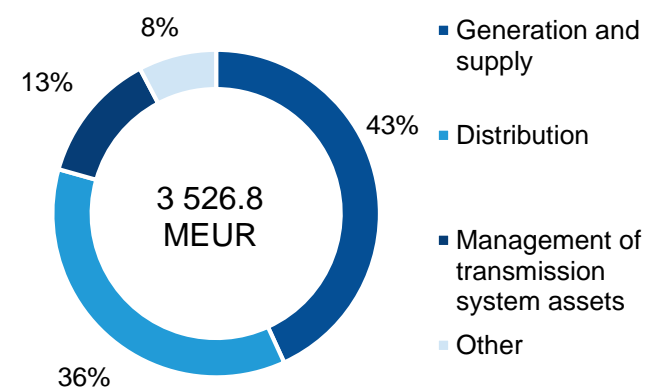
Latvenergo AS supplied electricity to households at the regulated tariff, which was lower than the market price. In Q1 2014, lost revenues due to electricity supply at the regulated tariff were EUR 5.3 million.

Also, EBITDA margin has increased to 26% (Q1 2014: 24%).

EBITDA dynamics



Total Assets, Q1 2015





Generation and Supply

Revenue	63 %
EBITDA	56 %
Assets	43 %
Employees	24 %

Segment weight in Latvenergo Group

The generation and supply is the largest operating segment of Latvenergo Group both by revenue and by assets. The major part or 76% of the segment revenue consists of revenues from electricity and related services, while 24% from thermal energy supply.

Latvenergo Group – the largest electricity supplier in the Baltics

The results of generation and supply segment were impacted by the opening of electricity market and by 5% higher generation at Daugava hydropower plants (Daugava HPPs).

Supply

In Q1 2015, Latvenergo Group has successfully maintained the leading electricity supplier position in the Baltics. Latvenergo Group has approximately 1/3 market share in the Baltic electricity retail market.

In Q1 2015, as a result of focused electricity trade activities, the number of Latvenergo Group customers in Estonia and Lithuania has increased by more than 10% compared to the respective period last year. In Q1 2015, the number of

Operational figures		Q1 2015	Q1 2014	Δ	Δ, %
Electricity supply	GWh	2,132	2,487	(355)	(14%)
Electricity generation	GWh	1,027	1,192	(165)	(14%)
Thermal energy generation	GWh	1,019	1,123	(104)	(9%)

Financial figures		Q1 2015	Q1 2014	Δ	Δ, %
Revenue	MEUR	172.5	238.8	(66.2)	(28%)
EBITDA	MEUR	53.4	42.2	11.3	27%
Assets	MEUR	1,523.0	1,527.7	(4.8)	0%
Investments	MEUR	3.3	5.2	(1.9)	(37%)

While the results of generation and supply segment were negatively impacted by warmer weather conditions and therefore lower consumption of thermal energy and electricity.

customers outside Latvia exceeded 34.1 thousands.

Overall, we have supplied 2,132 GWh of electricity to retail customers in the Baltics (Q1 2014: 2,487 GWh).

Decrease in supplied electricity is mainly due to separate large customer transition to other electricity suppliers due to increased price competition.

The total electricity supply volume in Lithuania and Estonia reached 645 GWh, which is approximately 60% more than the amount provided by competing electricity suppliers in Latvia.

Latvenergo Group electricity supply volume in Latvia was 1,487 GWh; in Lithuania – 398 GWh and in Estonia – 247 GWh.

Generation and Supply

Generation

In Q1 2015, the total amount generated by the power plants of Latvenergo Group comprised 1,027 GWh of electricity and 1,019 GWh of thermal energy.

Electricity generation decreased by 14% compared to Q1 2014. While the electricity generation at Daugava HPPs increased by 5% compared to the respective period last year.

While electricity generation at Riga combined heat and power plants (Riga CHPPs) decreased by 200 GWh compared to Q1 2014. Reduction of electricity output at Riga CHPPs was mainly determined by lower electricity price. Riga CHPPs operated in market conjuncture effectively planning operating modes and fuel consumption.

The total electricity generation volume represents 48% of retail electricity supply.

In Q1 2015, the total amount of thermal energy generated by Latvenergo Group decreased by 9%. The decrease was determined by a higher average ambient air temperature: according to the data provided by the Central Statistical Bureau of the Republic of Latvia, during the first 3 months of 2015, the average temperature in Riga was + 1.7 °C, while in the first 3 months of 2014 it was +0.2 °C.



Operational figures		Q1 2015	Q1 2014	Δ	Δ, %
Electricity supply	GWh	2,132	2,487	(355)	(14%)
Electricity generation	GWh	1,027	1,192	(165)	(14%)
<i>Daugava HPPs</i>	GWh	739	704	35	5%
<i>Riga CHPPs</i>	GWh	273	473	(200)	(42%)
<i>Liepaja plants and small plants</i>	GWh	15	14	1	8%
Thermal energy generation		19	123	(104)	(9%)
<i>Riga CHPPs</i>	GWh	916	1,007	(91)	(9%)
<i>Liepaja plants and small plants</i>	GWh	103	115	(13)	(11%)

Riga CHPPs is a guarantee of base load capacity in Latvia ensuring opportunity to stabilise electricity price in the region and limiting risk of electricity price increase.

In Q1 2015, the weight of Latvenergo AS power plants in the eligible costs of mandatory procurement, excluding SET costs, was 32 % (Q1 2014: 35%).

Generation and Supply



Mandatory procurement

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

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

Mandatory procurement PSO fee remains at the previous level

Mandatory procurement expenditures² are covered through a mandatory procurement public service obligation fee (PSO) charged to the 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 Public Utilities Commission (PUC). Changes enter into force on 1 April of the following year.

		Q1 2015	Q1 2014	Δ	Δ, %
Mandatory procurement PSO fee income	MEUR	46.1	48.1	(2.0)	(4%)
Mandatory procurement expenditures ²	MEUR	(74.8)	(68.0)	(6.8)	10%
<i>Incl. cogeneration after SET</i>	MEUR	(38.7)	(37.4)	(1.3)	4%
<i>Incl. renewable energy resources after SET</i>	MEUR	(27.5)	(22.8)	(4.7)	21%
<i>Incl. SET</i>	MEUR	(8.4)	(7.7)	(0.6)	8%
Difference	MEUR	28.7	19.9	8.8	44%

On 19 February 2015, the PUC approved the mandatory procurement PSO fee as of 1 April 2015 in the amount of EUR 2.679 cents/kWh, which remains at the level of the previous year. To limit the increase of mandatory procurement PSO fee, a state grant in the amount of EUR 20.3 million (2014: EUR 29.3 million) is taken into account upon calculation of the fee.

Revenues from Subsidised Energy Tax (SET), which was introduced on 1 April 2014, are used as a funding for the above mentioned State Budget programme.

In Q1 2015, mandatory procurement expenditures was EUR 74.8 million (Q1 2014: EUR 68.0 million), of which EUR 8.4 million (EUR 7.7 million) comprised SET payments from generators, thus the total support after SET received by generators under the mandatory procurement was EUR 66.2 million – EUR 6.0 million more than in Q1 2014.

Along with entrance into operation of Enerģijas publiskais tirgotājs AS as of 1 April 2014, the accounting principles have been changed recognising accrued mandatory procurement revenues in the assets (under receivables). In Q1 2015, the difference between PSO fee income and expenditures was EUR 28.7 million. While in Q1 2014 EUR 19.9 million accrued public service obligation fee revenues were recognised in the results.

² Mandatory procurement expenditures – costs of electricity purchased within the mandatory procurement and guaranteed fee for electrical capacity installed at power plants minus revenues from sale of purchased electricity on the Nord Pool Spot exchange



Distribution

Revenue	28 %
EBITDA	27 %
Assets	36 %
Employees	62 %

Segment weight in Latvenergo Group

The distribution segment is the second largest segment of Latvenergo Group both by revenue and assets. In Q1 2015, revenue decreased by 4% and EBITDA by 2%.

Increased investments in distribution assets

In Q1 2015, results of the segment were positively impacted by lower costs of distribution losses and lower electricity price. While the results were negatively impacted by lower revenue of distribution services, which was determined by changes in settlement methods due to opening of electricity market for households in Latvia as of 1 January 2015.

Operational figures		Q1 2015	Q1 2014	Δ	Δ, %
Electricity distributed	GWh	1,795	1,724	71	4%
Financial figures		Q1 2015	Q1 2014	Δ	Δ, %
Revenue	MEUR	75.3	78.1	(2.8)	(4%)
EBITDA	MEUR	25.5	26.1	(0.6)	(2%)
Assets	MEUR	1,276.2	1,251.5	24.7	2%
Investments	MEUR	18.3	12.0	6.3	52%

Investments in distribution assets were increased by more than half reaching EUR 18.3 million, compared to Q1 last year. Large-scale investments in modernisation of the network are scheduled also during the following years thus ensuring high quality of network services and improved technical parameters also minimizing the risk of severe weather caused network disorders.

Management of transmission system assets

Revenue	4 %
EBITDA	12 %
Assets	13 %
Employees	0.3 %

Segment weight in Latvenergo Group

Gradual inclusion of regulatory asset revaluation reserve into the rent ensures increase in profitability

Revenue of the transmission system asset management segment represents 4% of Latvenergo Group revenue. In Q1 2015, revenue of the segment decreased by EUR 3.1 million reaching EUR 11.9 million, while EBITDA increased by 10% reaching EUR 11.3 million.

Revenue decrease was influenced by system asset construction and maintenance function transfer to transmission system operator Augstsprieguma tīkls AS as of 1 January 2015. Transfer of the system asset construction and maintenance functions also comprised transfer of 430 employees to Augstsprieguma tīkls AS. Due to restructuring, in the beginning of 2015, the number of employees at Latvijas elektriskie tīkli AS decreased to 13. Also, the governance of the company has been restructured – the Management Board of Latvijas elektriskie tīkli AS further will be represented by one member (at the end of 2014: 5 members).

Financial figures		Q1 2015	Q1 2014	Δ	Δ, %
Revenue	MEUR	11.9	15.0	(3.1)	(21%)
EBITDA	MEUR	11.3	10.3	1.0	10%
Total assets	MEUR	455.8	434.5	21.3	5%
Investments	MEUR	1.5	8.0	(6.5)	(81%)

Though Latvijas elektriskie tīkli AS continue to conduct transmission system asset management functions – financing and lease of the transmission system assets to Augstsprieguma tīkls AS.

The increase in EBITDA is determined by inclusion of the value of regulatory asset revaluation reserve into the lease for Augstsprieguma tīkls AS.

Due to investments, in Q1 2015, the value of transmission system assets has increased by 5% compared to respective period last year reaching EUR 455.8 million.

In Q1 2015, the return on transmission system assets³ was 3.8% (Q1 2014: 3.6%).

³ Return on segment assets – operating profit of the segment (12-month rolling)/ average segment assets ((assets at the beginning of the period + assets at the end of the period) /2)

Investments

In Q1 2015, the total amount of investments was EUR 24.8 million, which is by 9% lower than in Q1 2014. EUR 3.3 million of total investments were made in generation assets, EUR 18.3 million – in distribution assets and EUR 1.5 million – in transmission system assets. Decrease of investments was mainly determined by lower investments in second stage of the project *Kurzeme Ring* due to its completion in August 2014.

Investments in network assets – 80% of total

To improve the quality of network services and technical parameters, a significant amount is invested in modernisation of power network. In Q1 2015, the amount invested in the networks represented more than 80% of the total investments. Also, we continuously invest in environmentally friendly and environmental development projects.

Investment projects:

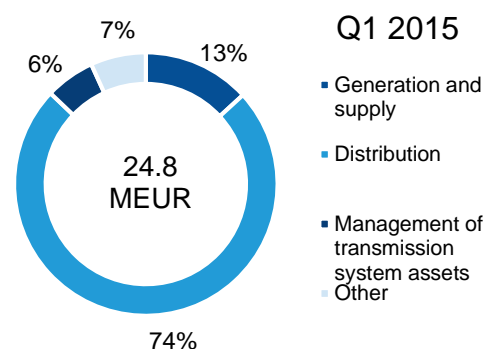
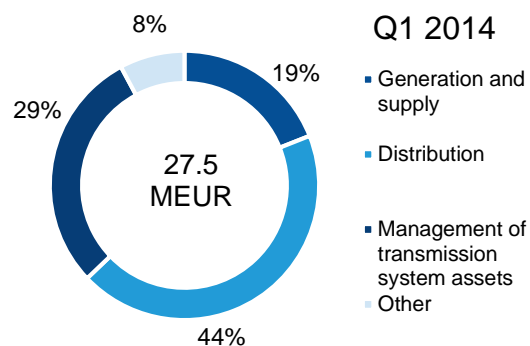
NORDBALT-02-330kV Kurzeme Ring

Implementation of the project is fostering increase of power supply safety in Kurzeme region and in Latvia as whole, enabling future opportunity to use the Lithuania-Sweden marine cable NordBalt 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 constitute approximately EUR 220 million. The project has three stages. In August 2014, the second stage of the project was completed. Investments in the first and second stage of the project comprised EUR 95 million, of which approximately half was provided by the European Commission as part of the European Energy Programme for Recovery in transport and energy network field. After the end of the reporting period, a contract with the European Commission Innovation and Networks Executive Agency was

concluded providing 45% EU co-funding of construction costs of the final stage *Ventspils–Tume–Rīga* of the project. As of 1 January 2015, implementation of the project is carried out by Augstsprieguma tīkls AS, while Latvijas elektriskie tīkli AS ensures financing of the project. In Q1 2015, according to the information provided by Augstsprieguma tīkls AS, EUR 1.5 million were invested in the project.

Daugava HPPs hydropower unit reconstruction programme

Caring for environmentally friendly, sustainable and competitive operation, Latvenergo Group proceeds with gradual overhaul of eleven Daugava HPP hydropower units that have not been overhauled yet. The programme is scheduled for completion until 2022, with the estimated total reconstruction costs exceeding EUR 200 million. The reconstruction programme is in its initial stage – the completed workload within the contract reached EUR 20 million as of 31 March 2015. In late 2013, within the framework of reconstruction, a contract for replacement of two Plavinas HPP hydropower units, in early 2014 – for reconstruction of three hydropower units at Kegums HPP, while in 2015 – for reconstruction of six hydropower units at Rīga HPP. The reconstruction will provide for further 40-year operation of hydropower units.



Funding and liquidity

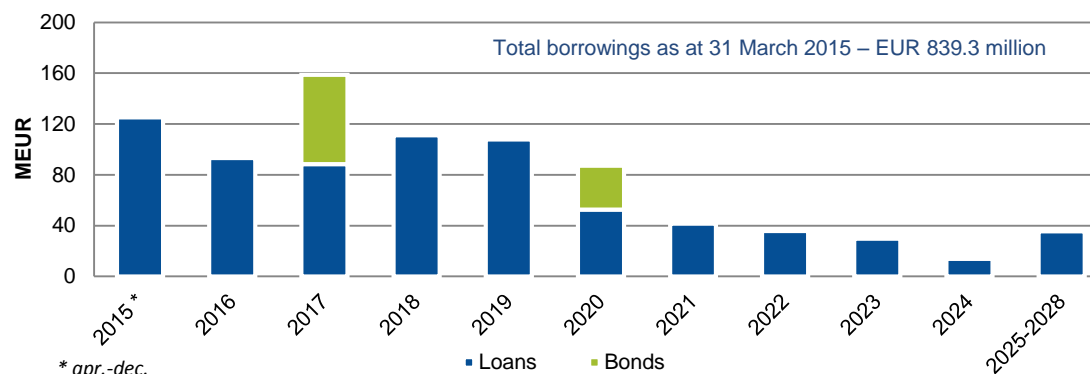
Latvenergo Group regularly sources borrowed capital to ensure the required funding for investment programme of following years. Timely planned funding attraction is also crucial in order to ensure loan refinancing risk management and debt repayment in due term. Within the borrowed capital sourcing plan and aimed at diversifying Latvenergo Group borrowing sources, Latvenergo AS is planning to carry out a new bond offering programme issuing bonds in the total amount up to EUR 100 million. The bonds are planned to be listed on the Nasdaq Riga Baltic Bond List.

We are planning to carry out a new bond offering programme in the amount of EUR 100 million

As at 31 March 2015, the Group borrowings have decreased to EUR 839.3 million (31 March 2015: EUR 926.7 million) due to debt repayment in the amount of EUR 139.5 million. EUR 105 million of the total borrowing amount is covered by bonds thus diversifying the borrowing sources.

All borrowings are denominated in the Euro currency. As of 31 March 2015, the weighted average repayment period was 4.2 years (31 March 2014: 4.4 years). Nearly all borrowings from financial institutions had a variable interest rate, comprising 3 to 6 month EURIBOR and margin rate. Taking into account the effect of interest rate swaps, 41% of the borrowings have a fixed interest rate with an average period of 2 years as at 31 March 2015. In Q1 2015, the effective weighted

Latvenergo Group debt repayment schedule



average interest rate (with interest rate swaps) was 2.5 % ensuring sufficient debt service ratios (interest coverage ratio⁴ – 8.4).

As at 31 March 2015, the net borrowings of Latvenergo Group have remained at the level of the previous year and was EUR 688.8 million (EUR 679.7 million), while the net debt/EBITDA ratio was 2.8 (2.5).

Latvenergo Group maintains sufficient liquidity reserves and good liquidity ratios in order to implement the investment programme and fulfil its commitments according to the debt repayment schedule. As at 31 March 2015, the liquid assets (cash and short term deposits up to 3 months) of Latvenergo Group reached EUR 150.5 million (EUR 247.0 million), while the current ratio⁵ was 1.7 (1.6). In 1Q 2015, all the binding financial

covenants set in Latvenergo Group loan agreements have been met.

In early 2015, the international rating agency Moody's Investors Service has upgraded Latvenergo AS credit rating to Baa2 with a stable outlook.

⁴ Interest coverage ratio: (net cash flow from operating activities (12-month rolling) – changes in working capital + interest expense (12-month rolling)) / interest expense (12-month rolling)

⁵ Current ratio: current assets / current liabilities

Statement of Management Responsibility

Based on the information available to the Management Board of Latvenergo AS the *Latvenergo Unaudited Condensed Consolidated Financial Statements for the 3 months period ended 31 March 2015*, including the Management Report, have been prepared in accordance with International Financial Reporting Standards that are approved by the European Union and in all material aspects give a true and fair view of assets, liabilities, financial position and profit and loss of Latvenergo Group.

Latvenergo Unaudited Condensed Consolidated Financial Statements for the 3 months period ended 31 March 2015 are approved by the Management Board of Latvenergo AS on 22 May 2015.

The Management Board of Latvenergo AS:

Āris Žīgurs
Chairman of the Board

Zane Kotāne
Member of the Board

Uldis Bariss
Member of the Board

Māris Kuņickis
Member of the Board

Arnis Kurgs
Member of the Board

Unaudited Interim Condensed Consolidated Financial Statements

Consolidated Statement of Profit or Loss

For the 3 months ended 31st of March 2015

	Notes	01/01–31/03/2015	01/01–31/03/2014
		EUR'000	EUR'000
Revenue	5	259,506	324,495
Other income		1,199	1,128
Raw materials and consumables used	6	(127,615)	(204,164)
Personnel expenses		(22,578)	(23,528)
Depreciation, amortisation and impairment of property, plant and equipment		(43,702)	(43,798)
Other operating expenses		(15,698)	(15,398)
Operating profit		51,112	38,735
Finance income		694	751
Finance costs		(4,959)	(5,132)
Share of profit / (loss) of associates		–	(329)
Profit before tax		46,847	34,025
Income tax	7	(7,591)	(3,251)
Profit for the period		39,256	30,774

Consolidated Statement of Comprehensive Income

For the 3 months ended 31st of March 2015

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Profit for the period	39,256	30,774
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
– Losses from change in hedge reserve	(648)	(2,387)
– Losses on currency translation differences	–	(16)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(648)	(2,403)
Total other comprehensive loss for the period, net of tax	(648)	(2,403)
Total comprehensive income for the period	38,608	28,371

Unaudited Interim Condensed Consolidated Financial Statements

Consolidated Statement of Financial Position

	Notes	31/03/2015	31/12/2014
		EUR'000	EUR'000
ASSETS			
<i>Non-current assets</i>			
Intangible assets and property, plant and equipment	8	3,059,314	3,079,327
Investment property		1,345	1,343
Non-current financial investments		41	41
Investments in held-to-maturity financial assets		28,513	28,528
Other non-current receivables		12	14
Total non-current assets		3,089,225	3,109,253
<i>Current assets</i>			
Inventories	9	25,032	22,560
Trade receivables and other receivables	10	261,890	233,752
Cash and cash equivalents	11	150,656	121,011
Total current assets		437,578	377,323
TOTAL ASSETS		3,526,803	3,486,576
EQUITY			
Share capital		1,288,446	1,288,446
Reserves		645,181	645,829
Retained earnings		118,174	79,995
Equity attributable to equity holders of the Parent Company		2,051,801	2,014,270
Non-controlling interests		7,608	6,531
Total equity		2,059,409	2,020,801
LIABILITIES			
<i>Non-current liabilities</i>			
Borrowings	12	709,719	688,297
Deferred income tax liabilities		273,884	268,026
Provisions		14,546	15,588
Derivative financial instruments		12,870	11,698
Other liabilities and deferred income		195,221	194,474
Total non-current liabilities		1,206,240	1,178,083
<i>Current liabilities</i>			
Trade and other payables		122,858	139,912
Borrowings	12	129,581	138,925
Derivative financial instruments		8,715	8,855
Total current liabilities		261,154	287,692
Total liabilities		1,467,394	1,465,775
TOTAL EQUITY AND LIABILITIES		3,526,803	3,486,576

Unaudited Interim Condensed Consolidated Financial Statements

Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the Parent Company			Total	Non-controlling interests	TOTAL
	Share capital	Reserves	Retained earnings			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31st of December 2013	1,288,011	652,418	74,832	2,015,261	6,453	2,021,714
Increase in share capital	435	–	–	435	–	435
Dividends for 2013	–	–	(23,605)	(23,605)	(1,197)	(24,802)
Total contributions by and distributions to equity shareholders of the Parent Company, recognised directly in equity	435	–	(23,605)	(23,170)	(1,197)	(24,367)
Profit for the year	–	–	28,515	28,515	1,275	29,790
Other comprehensive (loss) / income	–	(6,589)	253	(6,336)	–	(6,336)
Total comprehensive (loss) / income	–	(6,589)	28,768	22,179	1,275	23,454
As at 31st of December 2014	1,288,446	645,829	79,995	2,014,270	6,531	2,020,801
As at 31st of December 2013	1,288,011	652,418	74,832	2,015,261	6,453	2,021,714
Profit for the period	–	–	29,823	29,823	951	30,774
Other comprehensive loss for the period	–	(2,402)	(1)	(2,403)	–	(2,403)
Total comprehensive (loss) / income for the period	–	(2,402)	29,822	27,420	951	28,371
As at 31st of March 2014	1,288,011	650,016	104,654	2,042,681	7,404	2,050,085
As at 31st of December 2014	1,288,446	645,829	79,995	2,014,270	6,531	2,020,801
Profit for the period	–	–	38,179	38,179	1,077	39,256
Other comprehensive loss for the period	–	(648)	–	(648)	–	(648)
Total comprehensive (loss) / income for the period	–	(648)	38,179	37,531	1,077	38,608
As at 31st of March 2015	1,288,446	645,181	118,174	2,051,801	7,608	2,059,409

Unaudited Interim Condensed Consolidated Financial Statements

Consolidated Statement of Cash Flows

For the 3 months ended 31st of March 2015

	Notes	01/01–31/03/2015	01/01–31/03/2014
		EUR'000	EUR'000
Cash flows from operating activities			
Profit before tax		46,847	34,025
Adjustments:			
– Amortisation, depreciation and impairment of property, plant and equipment		43,702	43,798
– Net financial adjustments		5,679	4,548
– Other adjustments		(983)	183
Operating profit before working capital adjustments		95,245	82,554
Increase in current assets		(31,267)	(52,671)
(Decrease) / increase in trade and other payables		(12,529)	10,426
Cash generated from operating activities		51,449	40,309
Interest paid		(606)	(2,934)
Interest received		415	1,236
Income tax paid		(1,104)	(3,691)
Net cash flows from operating activities		50,154	34,920
Cash flows from investing activities			
Purchase of intangible assets and property, plant and equipment		(29,651)	(26,152)
Proceeds on financing from European Union funds and other financing		149	2,073
Proceeds from redemption of held-to-maturity assets		15	15
Net cash flows used in investing activities		(29,487)	(24,064)
Cash flows from financing activities			
Proceeds on borrowings from financial institutions	12	30,862	–
Repayment of borrowings	12	(21,884)	(21,208)
Dividends received from associates	13	–	1,924
Net cash flows generated from / (used in) financing activities		8,978	(19,284)
Net increase / (decrease) in cash and cash equivalents		29,645	(8,428)
Cash and cash equivalents at the beginning of the period	11	91,747	255,423
Cash and cash equivalents at the end of the period*	11	121,392	246,995

* received government grant for mandatory procurement public service obligation costs compensation in the amount of EUR 29,264 (31/03/2014 – nil) has not be included in cash and cash equivalents as at 31st of March 2015 because it is defined as restricted cash and cash equivalents (Note 11)

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

1. Corporate Information

All shares of public limited company Latvenergo or Latvenergo AS (hereinafter – 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 the Parent Company is 12 Pulkveža Brieža Street, Riga, LV–1230, Latvia. 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.

Public limited company Latvenergo is power supply utility engaged in electricity and thermal energy generation, as well as supply 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 following subsidiaries:

- Sadales tīkls AS (since 18th of September 2006) with 100 % interest held;
- Elektrum Eesti OÜ (since 27th of June 2007) and its subsidiary Elektrum Latvija SIA (since 18th of September 2012) with 100 % interest held;

- Elektrum Lietuva UAB (since 7th of January 2008) with 100 % interest held;
- Latvijas elektriskie tīkli AS (since 10th of February 2011) with 100 % interest held;
- Enerģijas publiskais tirgotājs AS (since 25th of February 2014) with 100 % interest held;
- Liepājas enerģija SIA (since 6th of 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 associated company Pirmais Slēgtais Pensiju Fonds AS that manages a defined–contribution corporate pension plan in Latvia.

On 12th of February 2014 the Cabinet of Ministers of the Republic of Latvia adopted decision No. 67 „On Latvenergo AS termination of partnership in Nordic Energy Link AS” and on 19th of March 2014 at the Nordic Energy Link AS Shareholders’ meeting was approved decision to liquidate Nordic Energy Link AS. In December 2014 Latvenergo AS terminated its shareholding in Nordic Energy Link AS with 25 % interest held.

Latvenergo Consolidated Annual Report 2014 has been approved on 20th of April 2015 by the Latvenergo AS Shareholders’ meeting (see on Latvenergo AS web page section “Investors” – <http://www.latvenergo.lv/eng/investors/reports/>).

The Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ending 31st of March 2015 include the financial information in respect of the Parent Company and its all subsidiaries for the 3 months ended 31st of March 2015 and comparative information for the 3 month period ending 31st of March 2014.

The Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ending 31st of March 2015 were authorised by the Latvenergo AS Management Board on 22nd of May 2015.

2. Summary of Most Significant Accounting Policies

Unaudited Interim Condensed Consolidated Financial Statements had been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union and accounting policies or principles applied to these financial statements were identical to those used in the Latvenergo Group Consolidated Financial Statements for the 2014 financial year. These policies have been consistently applied to all reporting periods presented, unless stated differently. Where it is necessary, comparatives are reclassified.

New or revised IFRS and amendments to International Financial Reporting Interpretations

Committee interpretations (IFRIC) that became mandatory for the Group from 1st of January 2015 did not have any impact to the Group's accounting policies and Interim Consolidated Financial Statements.

The Unaudited Interim Condensed Consolidated Financial Statements are prepared under the historical cost convention, as modified by the revaluation of non-current assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss as disclosed in accounting policies presented in the Latvenergo Group Consolidated Financial Statements of 2014.

Since 1st of April 2014 mandatory procurement public service obligation revenue and costs have been recognised as unsettled difference or uncollected revenue on mandatory procurement public service obligation as assets at 31st of March 2015 and disclosed in the Consolidated Statement of Financial position by applying agent accounting principle (see Note 10).

Unaudited Interim Condensed Consolidated Financial Statements had been prepared in Euro currency and all amounts shown in these Unaudited Interim Condensed Consolidated Financial Statements are presented in thousands of EUR.

3. Financial Risk Management

3.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk, pricing risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Parent Company (the Group Treasury) according to the Group's Financial Risk Management Policy. The Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units / subsidiaries. The Parent Company's Management Board by approving the

Group's Financial Risk Management Policy provides written principles for the Group's overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, liquidity risk and credit risk, and defines use of financial instruments and investment of excess liquidity.

a) Market Risk

1) Foreign Currency Exchange Risk

The introduction of Euro in Latvia at 1st of January 2014 prevented the Euro currency risk. As at 31st of March 2015 the Group had none of its borrowings and substantial liabilities denominated in any other currency except Euro, therefore, there is no significant foreign currency exchange risk.

On 1st of January 2015 Lithuania has joined the Euro zone, converting the Lithuanian Lits into the Euros at fixed exchange rate EUR 1 = LTL 3.4528, therefore operations of the Group's entity Elektrum Lietuva UAB are no longer exposed to foreign currency risks.

The Group's Financial Risk Management policy approved by the Parent Company's Management has set up principles how to manage the Group's foreign currencies exchange risk against functional currency. To manage the Group's foreign currencies exchange risk arising from the Group's future transactions and recognised assets and liabilities, the Group Treasury uses forward contracts. Foreign currencies exchange risk arises when future transactions or recognised assets or

liabilities are denominated in a currency that is not the Group's functional currency (Euro).

II) Cash Flow and Fair Value Interest Rate Risk

As the Group has significant floating interest-bearing assets and liabilities exposed to interest rate risk, the Group's financial income and operating cash flows are substantially dependent on changes in market interest rates.

The Group's cash flow interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to a risk that finance costs might increase significantly when interest rates rise up. The Group's policy is to maintain at least 35 % of its borrowings as fixed interest rates borrowings (taking into account the effect of interest rate swaps) with duration between 2–4 years.

The Group analyses its interest rate risk exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and hedging. Based on these scenarios, the Group calculates the impact on profit and loss as well as on cash flows of a defined interest rate shift. The Group's borrowings with floating rates do not impose fair value interest rate risk. Derivatives such as interest rate swaps are the only source of fair value interest rate risk.

III) Price Risk

Price risk is the risk that the fair value and cash flows of financial instruments will fluctuate in the future due to 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 the

Group under the free market conditions, as well as the purchases of resources used in production is impacted by the price risk.

The most significant price risk is related to purchase of electricity. To hedge the risk related to changes in the price of electricity the Parent Company has purchased electricity forward and future contracts.

b) Credit Risk

Credit risk is managed at the Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, outstanding receivables. Credit risk exposure in connection with trade receivables is limited due to broad range of the Group's customers. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Impairment loss has been deducted from gross accounts receivable (Note 10).

Credit risk related to cash and short-term deposits with banks is managed by balancing the placement of financial assets in order to maintain the possibility to choose the best offers and to reduce probability to incur losses.

No credit limits were exceeded during the reporting period, and the Group entities' management does not expect any losses from non-performance by these counterparties.

c) Liquidity Risk

The Group's policy of liquidity risk management is to maintain sufficient amount of cash and cash

equivalents, the availability of long and short term funding through an adequate amount of committed credit facilities to meet commitments according to the Group's strategic plans as well as to compensate the fluctuations in the cash flows due to occurrence of variety of financial risks.

The Group entities' management is monitoring rolling forecasts of the Group's liquidity reserve, which comprises of undrawn borrowing facilities, and cash and cash equivalents.

3.2. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern as well as to ensure necessary financing for investment program and to avoid breaches of covenants, which are linked to capital structure and are stipulated in the majority of loan agreements.

In order to maintain or adjust the capital structure, the Group may evaluate the amount and timing of raising new debt due to investment programs or initiate new investments in the share capital by shareholder. Also asset revaluation directly influences the capital structure. To comply with loan covenants, the Group monitors capital on the basis of the capital ratio.

This ratio is calculated by dividing the equity by the sum of total assets and nominal value of issued and outstanding financial guarantees.

According to the Group's strategy and defined loan covenants as per loan agreements the capital ratio shall be maintained at least at 30 % level.

4. Operating Segment Information

Operating Segments

For segment reporting purposes, the division into operating segments is based on the Group'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 supply, distribution and management of transmission system assets. In addition, Corporate Functions, that cover administration and other support services, are presented separately.

Generation and supply comprises the Group's electricity and heat generation operations, which are organised into the legal entities: Latvenergo AS

and Liepājas enerģija SIA; electricity sales operations, including wholesale, which are conducted Pan-Baltic by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB, as well as management of the mandatory procurement process provided by Enerģijas publiskais tirgotājs AS.

The operations of the distribution operating segment relates 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) and Latvenergo AS – the owner of the distribution system real estate assets.

The operations of the management of transmission system assets operating segment is 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

construction and maintenance as well as the lease of assets to the transmission system operator Augstsprieguma tīkls AS, and Latvenergo AS – the owner of the transmission system real estate assets. In accordance with European Union Directive 2009/72/EC and concerning common rules for the internal market of electricity and the Electricity Market Law of the Republic of Latvia, Latvijas elektriskie tīkli AS at 1st of January 2015 transferred to Augstsprieguma tīkls AS functions of the reconstruction or renewal, operation and routine maintenance of the existing transmission network system assets as well as development of the transmission system and construction of new networks.

The following table presents revenue, profit information and segment assets of the Group's operating segments. Inter-segment revenue is eliminated on consolidation.

	Generation and supply	Distribution	Management of transmission system assets	Corporate Functions	TOTAL segments	Adjustments and eliminations	Consolidated
Period 01/01–31/03/2015	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue							
External customers	171,271	74,836	11,331	2,068	259,506	–	259,506
Inter-segment	1,256	448	601	11,580	13,885	(13,885)	–
Total revenue	172,527	75,284	11,932	13,648	273,391	(13,885)	259,506
Results							
Segment profit	34,445	9,945	5,187	1,535	51,112	(4,265)	46,847
Capital expenditure	3,273	18,339	1,509	1,688	24,809	–	24,809
Period 01/01–31/03/2014							
Revenue							
External customers	231,381	77,531	14,314	1,269	324,495	–	324,495
Inter-segment	7,377	582	697	11,422	20,078	(20,078)	–
Total revenue	238,758	78,113	15,011	12,691	344,573	(20,078)	324,495
Results							
Segment profit	23,127	10,152	4,478	978	38,735	(4,710)	34,025
Capital expenditure	5,215	12,044	8,043	2,148	27,450	–	27,450

Segment Assets

	Generation and supply	Distribution	Management of transmission system assets	Corporate Functions	TOTAL segments	Adjustments and eliminations	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 31 st of March 2015	1,522,966	1,276,172	455,840	86,831	3,341,809	184,994	3,526,803
At 31 st of December 2014	1,514,218	1,272,355	456,723	87,283	3,330,579	155,997	3,486,576

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 a group basis.

Taxes and certain financial assets and liabilities 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

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Segment profit	51,112	38,735
Finance income	694	751
Finance costs	(4,959)	(5,132)
Share of profit / (loss) of associates	–	(329)
Profit before tax	46,847	34,025

Reconciliation of Assets

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Segment operating assets	3,341,809	3,330,579
Non-current financial investments	41	41
Held-to-maturity financial assets	28,513	28,528
Other assets and assets held for sale	5,784	6,417
Cash and cash equivalents	150,656	121,011
Group operating assets	3,526,803	3,486,576

5. Revenue

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Electricity and electricity services*	199,891	258,031
Heat sales	41,716	46,711
Lease and management of transmission system assets	11,188	14,156
Other revenue	6,711	5,597
Total revenue	259,506	324,495

* in period from 1st of January 2015 through 31st of March 2015 revenue from customers' payments for mandatory procurement public service obligation fee in the amount of EUR 46,124 thousand is recognised in the Consolidated Statement of Financial Position by applying agent accounting principle

6. Raw Materials and Consumables Used

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Electricity:		
Purchased electricity*	52,138	115,718
Fair value loss / (income) on electricity forwards and futures	692	(507)
Electricity transmission services costs	18,906	18,969
	71,736	134,180
Fuel expense	48,384	62,579
Raw materials, spare parts and maintenance costs	7,495	7,405
Total raw materials and consumables used	127,615	204,164

* in period from 1st of January 2015 through 31st of March 2015 costs of purchased electricity under the mandatory procurement from electricity generators who generate electricity in efficient cogeneration process or using renewable energy sources in the amount of EUR 59,959 thousand, as well as guaranteed fee for installed electrical capacity in cogeneration plants (over 4 MW) in the amount of EUR 3,284 thousand are recognised in the Consolidated Statement of Financial Position by applying agent accounting principle

7. Income Tax

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Current tax	1,734	4,018
Deferred tax	5,857	(767)
Total income tax	7,591	3,251

8. Intangible Assets and Property, Plant and Equipment

	Intangible assets	Land, buildings and facilities	Technology equipment and machinery	Other property, plant and equipment	Assets under construction	TOTAL
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31st of March 2015						
Cost or valuation	42,115	4,462,616	2,093,135	160,716	66,331	6,824,913
Accumulated amortisation, depreciation and impairment	(29,687)	(2,460,804)	(1,150,680)	(118,382)	(6,046)	(3,765,599)
Net book amount	12,428	2,001,812	942,455	42,334	60,285	3,059,314
As at 31st of December 2014						
Cost or valuation	41,483	4,458,341	2,091,623	158,262	61,037	6,810,746
Accumulated amortisation, depreciation and impairment	(28,800)	(2,445,607)	(1,134,781)	(116,184)	(6,047)	(3,731,419)
Net book amount	12,683	2,012,734	956,842	42,078	54,990	3,079,327

9. Inventories

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Raw materials and spare parts	18,108	15,510
Other inventories (fuel)	8,321	8,437
Allowance for raw materials, spare parts, technological fuel	(1,397)	(1,387)
Total inventories	25,032	22,560

10. Trade Receivables and Other Current Receivables

Trade Receivables, net

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Receivables		
– Electricity customers	122,417	103,756
– Heating customers	13,094	17,477
– Other trade receivables	29,463	30,877
	164,974	152,110
Allowances for impairment of receivables		
– Electricity customers	(41,375)	(41,080)
– Heating customers	(381)	(393)
– Other trade receivables	(2,742)	(2,530)
	(44,498)	(44,003)
Receivables, net		
– Electricity customers	81,042	62,676
– Heating customers	12,713	17,084
– Other trade receivables	26,721	28,347
	120,476	108,107
Compensated accrued revenue on mandatory procurement public service obligation fee *	–	15,887
Unsettled revenue on mandatory procurement public service obligation fee recognised as assets **	107,695	63,146
Other current receivables and accrued income	33,719	46,612
Total trade receivables and other current receivables	261,890	233,752

* Accrued revenue on mandatory procurement public service obligation fee is calculated as difference between procurement expenditure above electricity market price and collected payments from electricity end users for mandatory procurement public service obligation fees for period from 1st of January 2013 through 31st of March 2014. Since 1st of April 2014 according to the conditions included in the article No. 37 of transition terms of the Electricity Market Law of the Republic of Latvia, Public Supplier licence holder (established in 2014) was obliged to compensate the uncollected difference of mandatory procurement service obligation for period from 1st of January 2013 until transfer of Public Supplier licence;

** By applying agent principle unsettled revenue on mandatory procurement public service obligation fee is recognised as assets in net amount as difference between revenue from sale of electricity in Nord Pool Spot energy exchange by market price, received mandatory procurement public service obligation 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 fee for installed electrical capacity in cogeneration plants (over 4 MW).

Movements in Allowances for Impairment of Trade Receivables

	01/01–31/03/2015	01/01–31/03/2014	2014
	EUR'000	EUR'000	EUR'000
At the beginning of the period	44,003	43,494	43,494
Receivables written off during the period as uncollectible	(519)	(84)	(934)
Allowance for impaired receivables	1,014	535	1,443
At the end of the period	44,498	43,945	44,003

11. Cash and Cash Equivalents

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Cash at bank	91,438	38,141
Short-term bank deposits	28,000	52,000
Restricted cash and cash equivalents *	31,218	30,870
Total cash and cash equivalents	150,656	121,011

* restricted cash and cash equivalents consist of government grant for compensation of the increase of mandatory procurement public service obligation costs in the amount of EUR 29,264 thousand (31/12/2014 – EUR 29,264 thousand) that is restricted until acceptance from European Union and not included in the Consolidated Statement of Cash Flows and of the financial security for participating in NASDAQ OMX Commodities Exchange in the amount of EUR 1,954 thousand (31/12/2014 – EUR 1,606 thousand)

12. Borrowings

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Non-current borrowings from financial institutions	604,916	583,494
Issued debt securities (bonds)	104,803	104,803
Total non-current borrowings	709,719	688,297
Current portion of non-current borrowings from financial institutions	124,365	136,809
Accrued interest on non-current borrowings	3,787	1,422
Accrued coupon interest on issued debt securities (bonds)	1,429	694
Total current borrowings	129,581	138,925
Total borrowings	839,300	827,222

Movement in Borrowings

	01/01–31/03/2015	01/01–31/03/2014	2014
	EUR'000	EUR'000	EUR'000
At the beginning of the period	827,222	944,675	944,675
Borrowings received	30,862	–	22,600
Borrowing repaid	(21,884)	(21,208)	(139,695)
Change in accrued interest on borrowings	3,100	3,271	(358)
At the end of the period	839,300	926,738	827,222

13. Related Party Transactions

The Parent Company and, indirectly, the other Group entities are controlled by the Latvian state. Related parties of the Group are associates, Shareholder of the Parent Company who controls

or who has significant influence over the Group's entities in accepting operating business decisions, key management personnel of the Group's entities including members of Supervisory body – Audit

committee and close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence.

Transactions with Related Parties

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Finance income:		
– Received dividends from associates	–	1,924
Total finance income	–	1,924

Balances at the end of the period arising from sales / purchases of goods or services

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Trade payables to related parties:		
– Other related parties	296	354
Total payables	296	354

In the 3 month period ending 31st of March 2015 remuneration to the management includes remuneration to the members of the Management Boards and Supervisory body of the Group entities,

including salary, social insurance payments and payments to pension plan and is amounted to EUR 730.8 thousand (01/01 – 31/03/2014: EUR 386.2 thousand) and are included in the

Consolidated Income Statement position 'Personnel expenses'.

14. Events after the Reporting Period

In accordance with the Latvenergo AS Shareholders Meeting resolution rec. No. 4., 5§ on the distribution of net profit for the 2014, dated 20th of April 2015, Latvenergo AS is obliged to pay out dividends for state in the amount of EUR 31,478,891. Dividends are paid on 24th of April 2015.

Continuing its started operations on the securities market, Latvenergo AS will carry out a public bond issue for a total nominal value of up to EUR 100 million. The bonds are planned to be listed on the NASDAQ Riga Baltic Bond List.

There have been no other significant events subsequent to the end of the reporting period that might have a material effect on the Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ending 31st of March 2015.
