



# Unaudited Interim Condensed Consolidated Financial Statements

for the 9 month period ended  
30 September 2016

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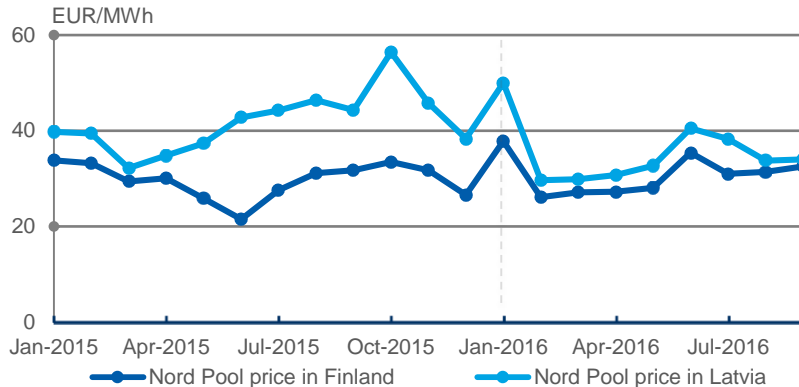
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# Lower electricity and gas prices in Latvia

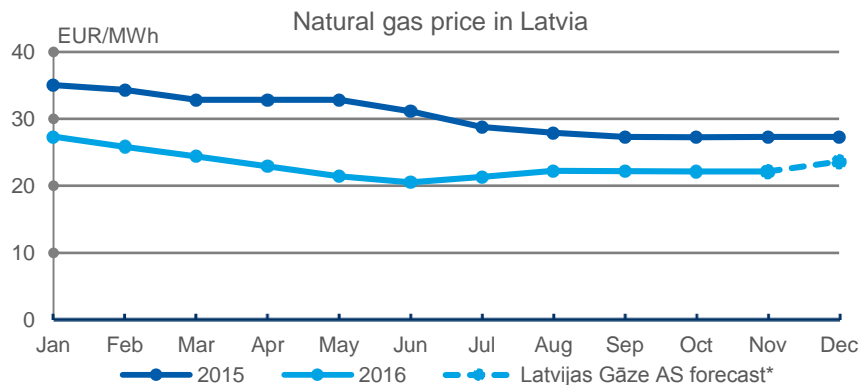
## Convergence of electricity price



## Main facts – 9M 2016

- Nord Pool price in Latvia and Lithuania decreased by 12% and 10% respectively (35.5 EUR/MWh and 36.0 EUR/MWh), while it increased in Estonia and Finland by 2% and 5% respectively (31.6 EUR/MWh and 30.7 EUR/MWh)
- Electricity price increase in the Nordic countries determined by colder weather conditions at the beginning of 2016 and repair works of power plants and transmission infrastructure in summer months
- New interconnections have contributed to electricity spot price convergence between Finland and the Baltics
- Natural gas price in Latvia decreased by 26% reaching 23.1 EUR/MWh

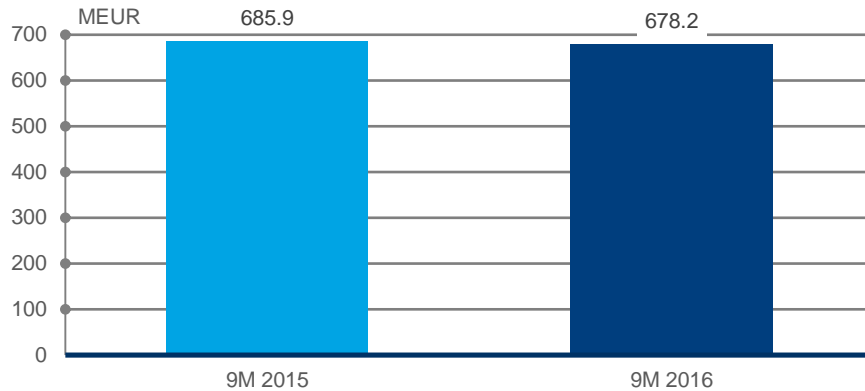
## Lower price of natural gas



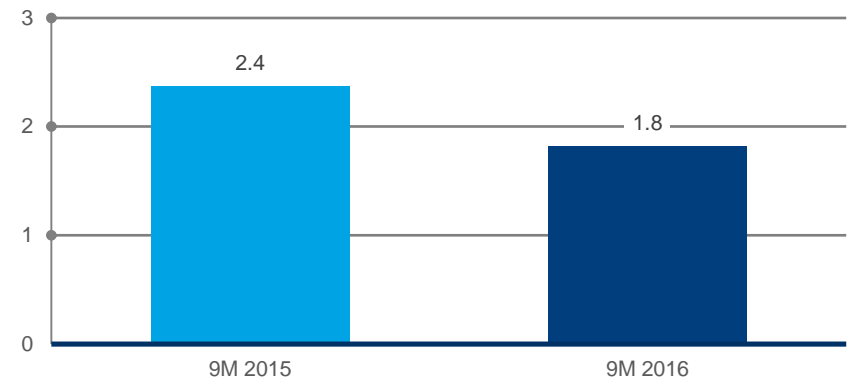
\* Tariff forecast of Latvijas Gāze AS in November 2016  
[http://www.lg.lv/uploads/filedir/File/Vestnesis/2016/2016.11.\\_Tarifi.pdf](http://www.lg.lv/uploads/filedir/File/Vestnesis/2016/2016.11._Tarifi.pdf)

# Key Financial Figures

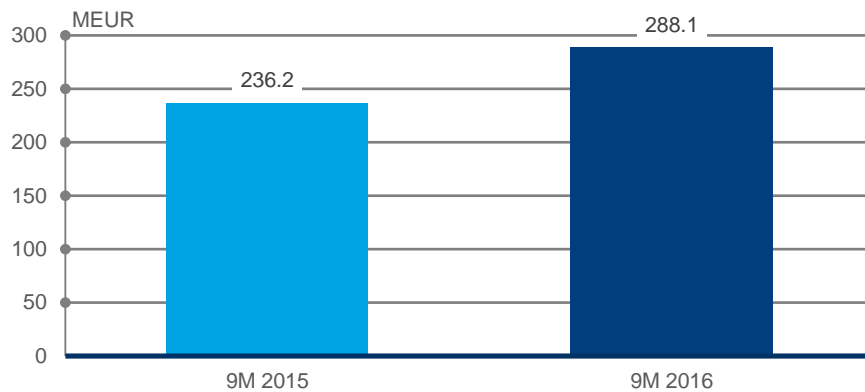
## Revenue



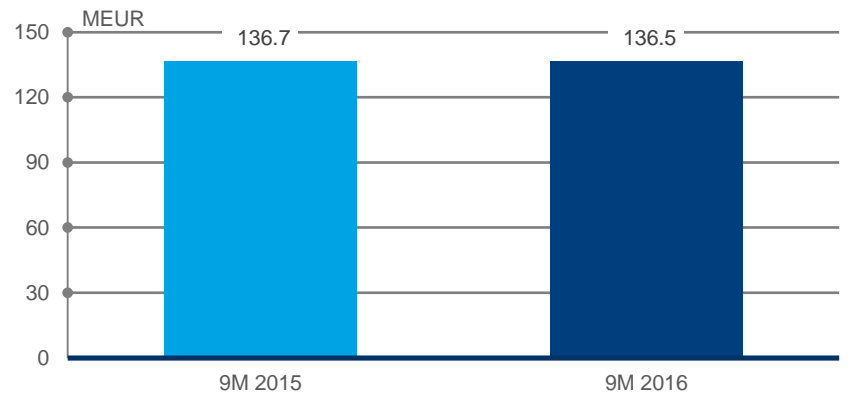
## Net debt/EBITDA



## EBITDA

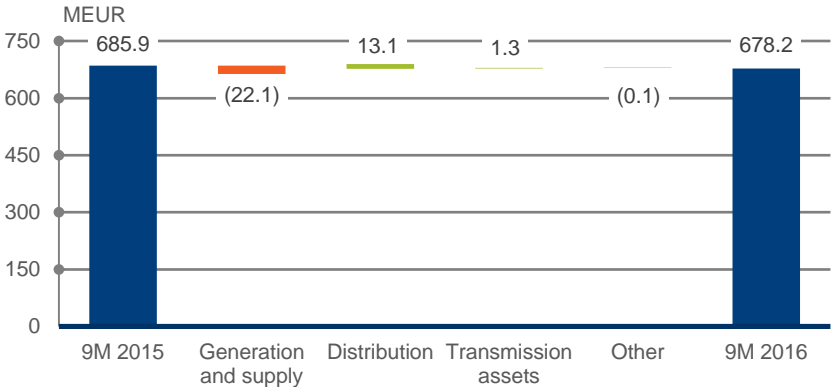


## Investments



# Group EBITDA increased

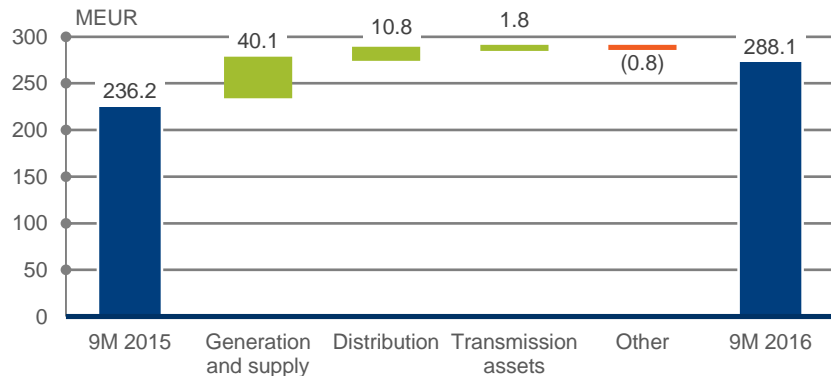
## Revenue dynamics by segments



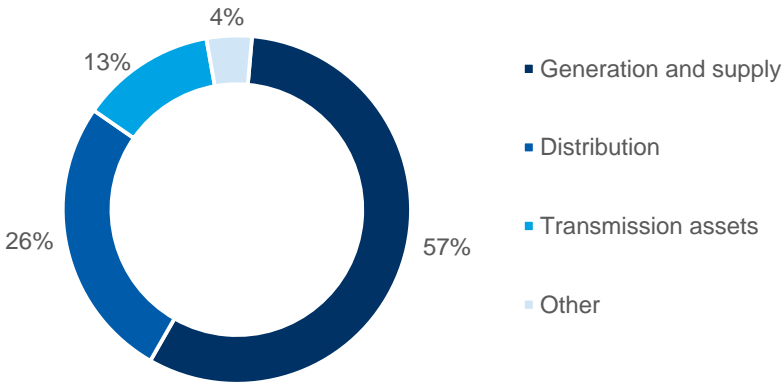
## EBITDA reached 288.1 MEUR

- The results were mainly positively impacted by lower prices of natural gas and electricity, and by 13% higher electricity output at Daugava HPPs
- EBITDA margin – 39% (9M 2015: 31%)
- ROE – 5.3% (9M 2015: 3.4%)

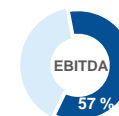
## EBITDA increased in all segments



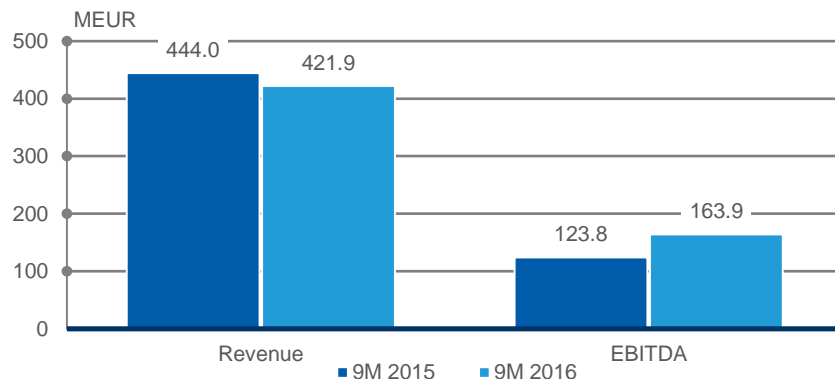
## EBITDA weight by segments



# Generation and supply



## Segment EBITDA increased



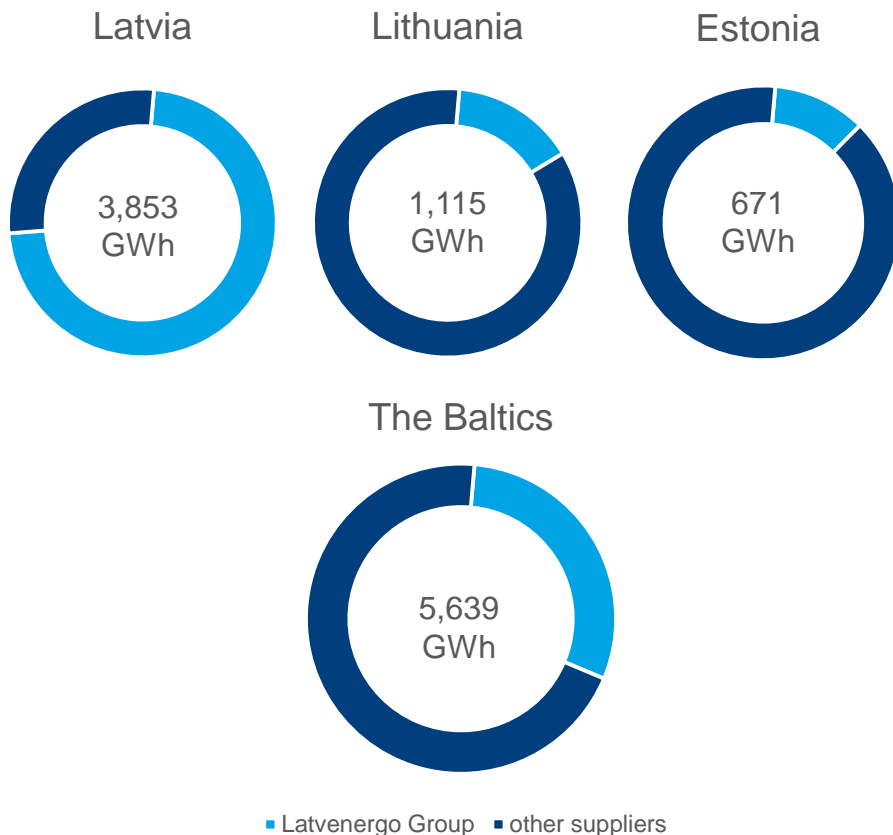
## The largest segment of the Group

- The results of the segment were positively impacted by lower prices of natural gas and electricity, and higher electricity output at Daugava HPPs
- Latvenergo Group maintains leading electricity supplier position in the Baltics
- Increased output of electricity and thermal energy
- As of 1 April 2016, PSO fee remains at the previous level (EUR 2.679 cents/kWh)
- In order to maintain the mandatory procurement PSO fee at the same level, a State grant in the amount of 78.9 MEUR has been taken into account upon the calculation of the fee, of which 59.2 MEUR were received in April 2016

# Elektrum electricity products – the most purchased in the Baltics



## Retail electricity supply



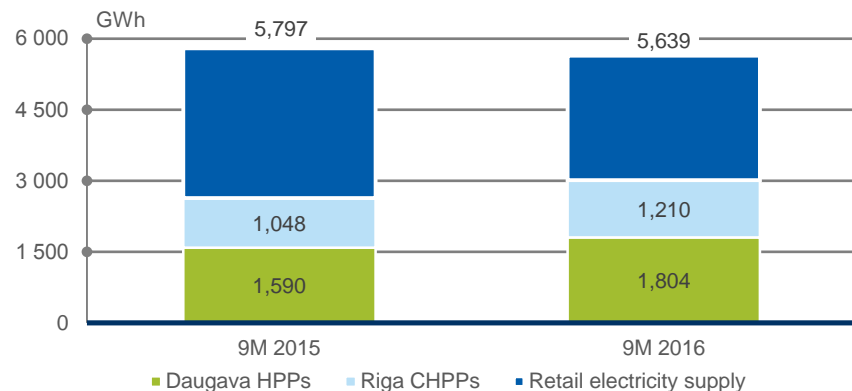
## Focused and successful operations in the market

- Retail electricity supply in neighbouring countries reached 1,786 GWh, which is more than 1.3 times higher than the amount provided by competing electricity suppliers in Latvia
- Latvenergo Group's electricity trading brand's *Elektrum* products tailored to customer needs
- The total number of foreign clients exceeds 34 thousand

# Effective and balanced generation sources



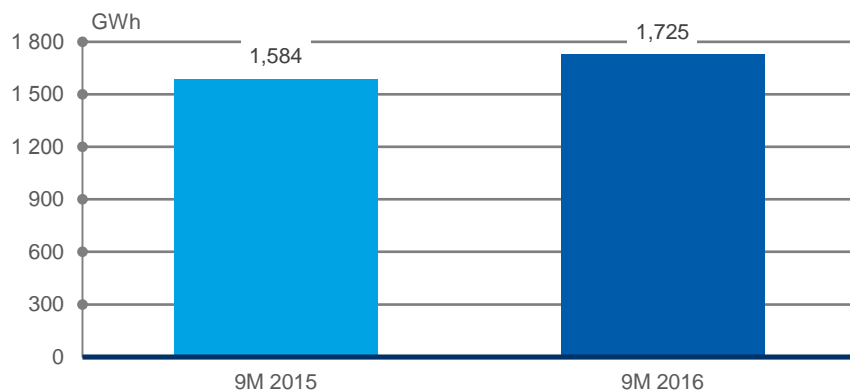
## 3,052 GWh of electricity generated



## Electricity generation increased by 14%

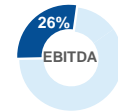
- Effective and operative operations of Riga CHPPs precluded the electricity price increase risk
- Total electricity generated represents 54% of retail electricity supply (9M 2015: 46%)
- Lower ambient air temperature determined higher consumption of thermal energy – generation increased by 9%

## 1,725 GWh of thermal energy generated

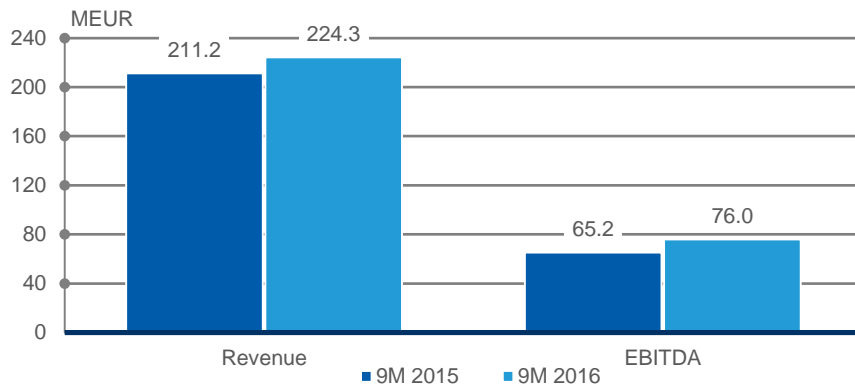




# Value of distribution assets exceeds 1/3 of the Group's assets



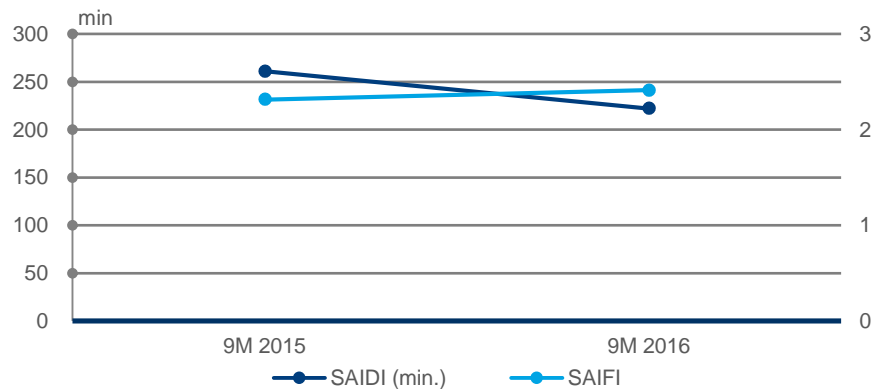
## Distribution revenue and EBITDA



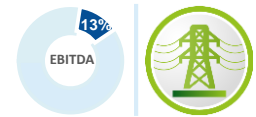
## Segment revenue and EBITDA increased

- Electricity distributed reached 4,770 GWh (9M 2015: 4,646 GWh)
- As of 1 August 2016, the new balanced electricity distribution system service tariffs come into force
- Positive impact on the results due to increased distribution services revenue (+12.5 MEUR), while negative impact – higher purchasing cost of distribution losses (–2.3 MEUR)
- Investments in distribution assets reached 73.8 MEUR (9M 2015: 70.9 MEUR)
- Value of segment assets exceeds EUR 1.3 billion

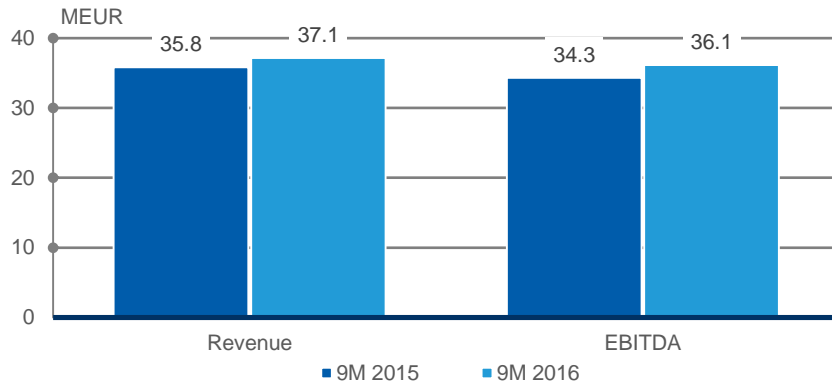
## Distribution service quality ratios



# Lease of transmission assets – gradually improving revenue



## Segment EBITDA and revenue

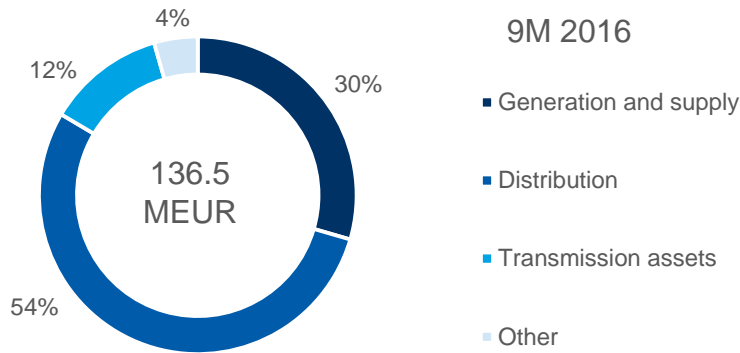


## Segment revenue and EBITDA increased

- Positive impact on profitability due to a gradual inclusion of the value of regulatory asset revaluation reserve into the lease
- Investment in transmission system assets 16.4 MEUR, which is by 11% more than in 9M last year

# Investments in network assets – 2/3 of the total

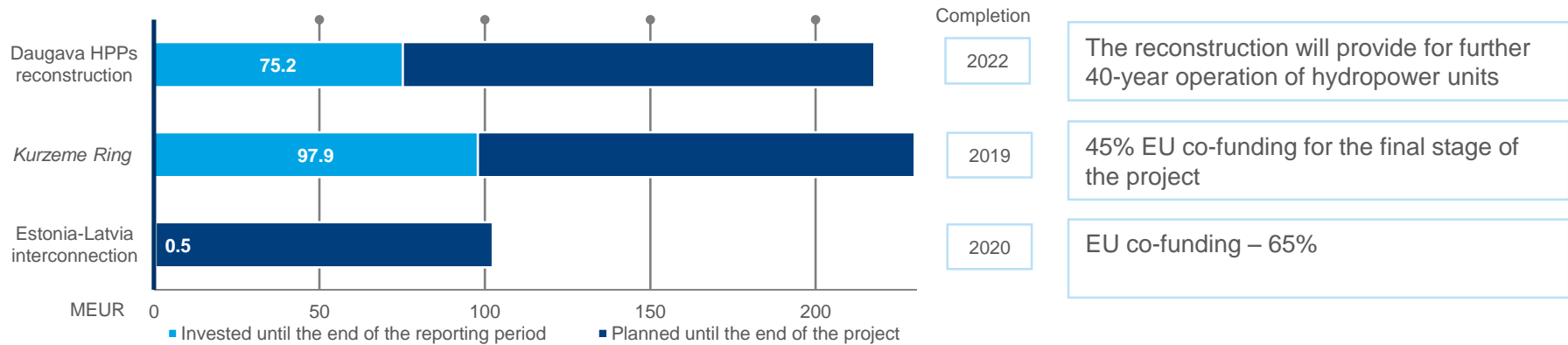
## Investment division by segments



## Investments in environmentally friendly projects

- Investments in Daugava HPPs hydropower unit reconstruction amounted to 23.7 MEUR
- Network service quality and technical parameters gradually improved by investments in networks assets

## Major investment projects

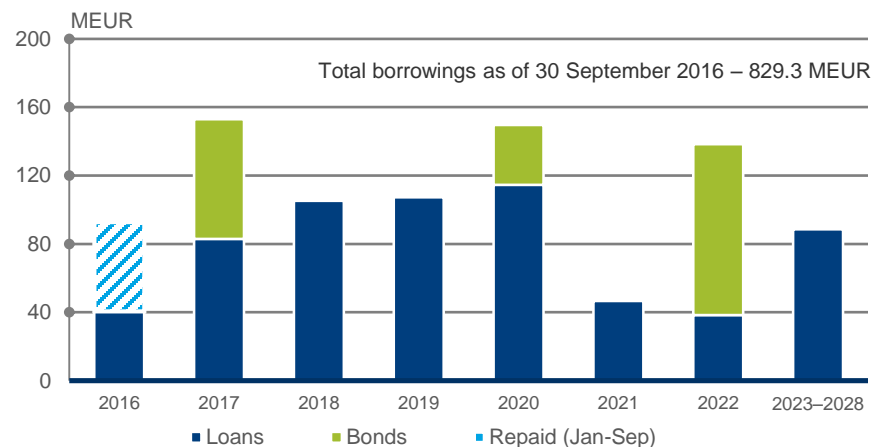


# Moody's assigned highest rating to green bonds

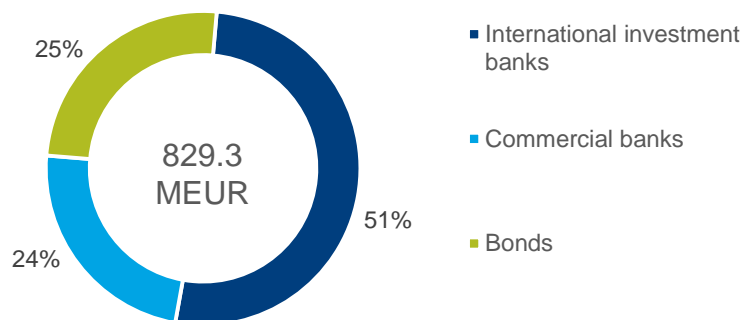
## Green bond issue programme successfully completed

- On 14 April 2016, green bonds in the amount of 25 MEUR were issued, thus completing the second bond offering programme of 100 MEUR
- Total amount of bonds issued reached 205 MEUR
- In October, *Moody's* assigned highest Green Bond Assessment grade – GB1 (excellent)
- *Moody's* credit rating – Baa2 (stable)
- Capital ratio – 59%

## Debt repayment schedule



## Bonds represent 1/4 of total borrowings



## Loan portfolio figures

30.09.2016

Share of fixed interest rate\* 60%

Duration 2.4 years

Effective weighted average interest rate\* 1.7%

\* with interest rate swaps

# Contacts

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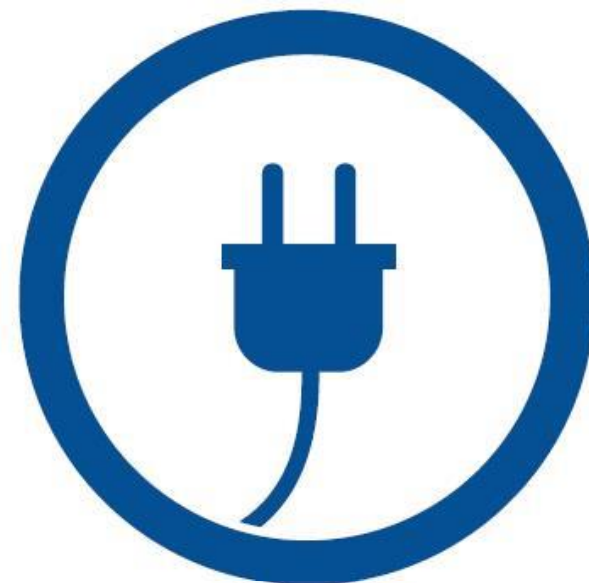
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# Abbreviations

Daugava HPPs – Daugava hydropower plants

EBITDA – Earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets

EU – European Union

IFRS – International Financial Reporting Standards

MEUR – Million euros

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

PSO fee – Public service obligation fee

PUC – Public Utilities Commission

Riga CHPPs – Riga combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

# Consolidated Statement of Profit or Loss\*

	01/01–30/09/2016	01/01–30/09/2015
	EUR'000	EUR'000
Revenue	678,203	685,945
Other income	4,904	3,630
Raw materials and consumables used	(274,874)	(336,343)
Personnel expenses	(72,754)	(71,151)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(171,370)	(149,040)
Other operating expenses	(47,338)	(45,873)
<b>Operating profit</b>	<b>116,771</b>	<b>87,168</b>
Finance income	1,788	2,192
Finance costs	(10,935)	(14,557)
<b>Profit before tax</b>	<b>107,624</b>	<b>74,803</b>
Income tax	(13,308)	(6,208)
<b>Profit for the period</b>	<b>94,316</b>	<b>68,595</b>

# Consolidated Statement of Financial Position\*

	30/09/2016	31/12/2015
	EUR'000	EUR'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment	3,052,743	3,090,661
Investment property	731	696
Non-current financial investments	41	41
Investments in held-to-maturity financial assets	17,046	20,609
Other non-current receivables	1,281	1,712
<b>Total non-current assets</b>	<b>3,071,842</b>	<b>3,113,719</b>
<b>Current assets</b>		
Inventories	32,264	24,791
Trade receivables and other receivables	245,550	266,460
Investments in held-to-maturity financial assets	3,521	7,859
Derivative financial instruments	5,123	–
Cash and cash equivalents	206,291	104,543
<b>Total current assets</b>	<b>492,749</b>	<b>403,653</b>
<b>TOTAL ASSETS</b>	<b>3,564,591</b>	<b>3,517,372</b>
<b>EQUITY</b>		
Share capital	1,288,531	1,288,531
Reserves	667,340	669,596
Retained earnings	148,393	131,662
<b>Equity attributable to equity holder of the Parent Company</b>	<b>2,104,264</b>	<b>2,089,789</b>
Non-controlling interests	6,248	6,913
<b>Total equity</b>	<b>2,110,512</b>	<b>2,096,702</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	752,549	714,291
Deferred income tax liabilities	268,937	273,987
Provisions	16,541	15,984
Derivative financial instruments	10,224	8,291
Other liabilities and deferred income	194,475	196,386
<b>Total non-current liabilities</b>	<b>1,242,726</b>	<b>1,208,939</b>
<b>Current liabilities</b>		
Trade and other payables	130,464	121,256
Borrowings	76,739	83,192
Derivative financial instruments	4,150	7,283
<b>Total current liabilities</b>	<b>211,353</b>	<b>211,731</b>
<b>Total liabilities</b>	<b>1,454,079</b>	<b>1,420,670</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,564,591</b>	<b>3,517,372</b>

\* Unaudited Interim Condensed Consolidated Financial Statements. Prepared in accordance with the IFRS as adopted by the EU



# Consolidated Statement of Cash Flows\*

	01/01–30/09/2016	01/01–30/09/2015
	EUR'000	EUR'000
<b>Cash flows from operating activities</b>		
Profit before tax	107,624	74,803
<b>Adjustments :</b>		
– Amortisation, depreciation and impairment of non-current assets	173,782	152,263
– Net financial adjustments	984	14,893
– Other adjustments	601	(579)
<b>Operating profit before working capital adjustments</b>	<b>282,991</b>	<b>241,380</b>
Decrease / (increase) in current assets	11,300	(35,677)
Decrease in trade and other payables	(12,317)	(26,748)
<b>Cash generated from operating activities</b>	<b>281,974</b>	<b>178,955</b>
Interest paid	(8,609)	(10,364)
Interest received	2,088	1,454
Corporate income tax and real estate tax (paid) / repaid	(4,459)	4,094
<b>Net cash flows generated from operating activities</b>	<b>270,994</b>	<b>174,139</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets and property, plant and equipment	(128,340)	(132,790)
Proceeds on financing from European Union funds and other financing	–	17,971
Proceeds from redemption of held-to-maturity assets	7,900	45
<b>Net cash flows used in investing activities</b>	<b>(120,440)</b>	<b>(114,774)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issued debt securities (bonds)	26,266	74,898
Proceeds on borrowings from financial institutions	56,055	30,000
Repayment of borrowings	(52,337)	(83,240)
Dividends paid to equity holder of the Parent Company	(77,413)	(31,479)
Dividends paid to non-controlling interests	(1,377)	(1,148)
<b>Net cash flows used in financing activities</b>	<b>(48,806)</b>	<b>(10,969)</b>
<b>Net increase in cash and cash equivalents</b>	<b>101,748</b>	<b>48,396</b>
Cash and cash equivalents at the beginning of the period	104,543	91,747
<b>Cash and cash equivalents at the end of the period</b>	<b>206,291</b>	<b>140,143 **</b>

\*\* Received government grant for mandatory procurement public service obligation costs compensation in the amount of EUR 29,264 thousand has not be included in cash and cash equivalents as of 30 September 2015 because it was defined as restricted cash and cash equivalents