Unaudited results of Latvenergo Group for the first six months of 2015

In the first half of 2015, Latvenergo Group revenue constitutes 474.1 million euros which is by 13% less than in the respective period of the previous year. The decrease of revenue is determined by discontinuation of recognising the mandatory procurement public service obligation fee income in the revenue of Latvenergo Group along with the entrance into operation of Enerģijas publiskais tirgotājs AS as of 1 April 2014. EBITDA[1] and profit of the Group have increased by 22% and 46% and constitute 177.8 and 61.7 million euros respectively. Investments amount to 79.3 million euros. In June, Latvenergo AS issued green bonds in the nominal amount of 75 million euros.

In the first half of 2015, Latvenergo Group retained its leadership in retail electricity supply in the Baltics. The market share of Latvenergo Group is approximately 1/3 of the total Baltic electricity retail market. The number of customers in Lithuania and Estonia compared to the respective period last year has increased by 9%. In total, retail electricity supply in the Baltics reached 3,934 GWh. The amount of electricity supplied in Lithuania and Estonia constitutes 1,250 GWh which is by 50% more than the competing electricity traders have supplied in Latvia.

In the first 6 months of 2015, Latvenergo Group power plants generated 1,931 GWh of electricity and 1,395 GWh of thermal energy. Compared to the respective period last year, the amount of electricity generated at Daugava hydroelectric power plants (HPP) has increased by 7% reaching 1,461 GWh. However, the output of electricity generated at Riga combined heat and power plants (CHPP) was by 271 GWh lower than in the first six months last year and constituted 443 GWh. The decrease in the electricity output was mainly determined by the decrease in electricity price. Riga CHPPs operated in the market conjuncture by efficiently planning operating modes and fuel consumption.

In the first half of 2015, Latvenergo Group revenue constituted 474.1 million euros and profit – 61.7 million euros (2014: 543.1 million euros and 42.3 million euros respectively). The decrease of Latvenergo Group revenue was determined by changes in the mandatory procurement accounting principles along with the entrance into operation of Enerģijas publiskais tirgotājs AS as of 1 April 2014, thereby, mandatory procurement payments are not recognized in the statement of profit or loss. Whereas, the improvement in the profitability was determined by the opening of electricity market to households in Latvia as of 1 January 2015. Until then, Latvenergo AS supplied electricity to households at regulated tariffs which were below the market price. In the first half of last year, the loss of revenue from supply of electricity at regulated tariffs in Latvia constituted 21.1 million euros.

The total investments in the first six months of 2015 are by 23% higher than in the respective period last year and constitute 79.3 million euros. Investments in the distribution and transmission system network assets accounted for 61% or 48.6 million euros of all investments, thereby, improving the quality of services, technical performance indicators and operational safety of the network. 18.3 million euros have been invested in the reconstruction of hydropower units of Daugava HPPs. Also, it is noteworthy to mention that in May 2015 an agreement with the European Commission Innovations and Networks Executive Agency was concluded on

construction of the final stage of the transmission network project *Kurzeme Ring, Ventspils–Tume–Riga,* stipulating 45% EU co-funding of eligible project costs.

Within the borrowed capital sourcing plans and for the purpose of diversification of Latvenergo Group borrowing sources, on 10 June 2015 Latvenergo AS issued *green* bonds in the nominal amount of 75 million euros. The issue was carried out under the second bond offering programme in the total amount of 100 million euros. The attracted capital is invested in environmentally friendly projects. On 3 August 2015, the international credit rating agency *Moody's Investors Service* assigned a credit rating Baa2 (stable) to the *green* bonds issued by Latvenergo AS. These are the first *green* bonds in Central and Eastern Europe that have been assigned a credit rating by an international credit rating agency. Along with assigning the rating to the *green* bonds *Moody's Investors Service* reconfirmed Latvenergo AS Baa2 credit rating with a stable outlook.

The interim report of Latvenergo Group for 9 months of 2015 will be published on 30 November.

[1] EBITDA – earnings before interest, corporate income tax, share of profit or loss of associated companies, depreciation and amortisation, and impairment of intangible and fixed assets.

Key Performance Indicators

Operational Figures

		1H 2015	**1H 2014**
Retail electricity supply	GWh	3,934	4,579
Electricity generation	GWh	1,931	2,111
Thermal energy supply	GWh	1,348	1,392
Number of employees		4,163	4,548
Moody's credit rating		Baa2 (stable)	Baa3 (stable)

Financial Figures

		1H 2015	**1H 2014**
Revenue	MEUR	474.1	543.1
EBITDA [1)]	MEUR	177.8	146.2
Net profit	MEUR	61.7	42.3
Assets	MEUR	3,527.5	3,528.3
Equity	MEUR	2,042.7	2,034.5
Net debt[2)]	MEUR	703.6	681.2
Investments	MEUR	79.3	64.7

Financial Ratios

	1H 2015	1H 2014
Net debt /EBITDA [3)]	2.6	2.5
EBITDA margin [4)]	29%	25%
Capital ratio [5)]	58%	58%

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

Consolidated Statement of Profit or Loss*

for the 6 months period ended 30 June 2015

	01/01-30/06/2015	01/01-30/06/2014
	EUR'000	EUR'000
Revenue	474 136	543 082
Other income	2 230	1 842
Raw materials and consumables used	(219 037)	(320 295)
Personnel expenses	(47 917)	(48 814)
Depreciation, amortisation and impairment of property, plant and equipment	(98 782)	(87 917)
Other operating expenses	(31 575)	(29 635)
Operating profit	**79 055**	**58 263**
Finance income	1 443	1 391
Finance costs	(9 853)	(10 159)
Share of profit / (loss) of associates	-	(395)
Profit before tax	**70 645**	**49 100**
Income tax	(8 947)	(6 751)
Profit for the period	**61 698**	**42 349**

Consolidated statement of financial position*

	30.06.2015	31.12.2014
	EUR'000	EUR'000
ASSETS		
Non-current assets		
Intangible assets and property, plant and equipment	3 057 895	3 079 327
Investment property	716	1 343
Non-current financial investments	41	41
Investments in held-to-maturity financial assets	28 498	28 528
Other non-current receivables	9	14
TOTAL non-current assets	**3 087 159**	**3 109 253**
Current assets		
Inventories	29 160	22 560
Trade receivables and other current receivables	259 076	233 752
Current financial investments	-	-
Derivative financial instruments	-	-
Cash and cash equivalents	152 116	121 011
TOTAL current assets	**440 352**	**377 323**
TOTAL ASSETS	**3 527 511**	**3 486 576**
EQUITY		
Share capital	1 288 446	1 288 446
Reserves	649 919	645 829
Retained earnings	109 128	79 995
Equity attributable to equity holders of the Parent Company	**2 047 493**	**2 014 270**
Non-controlling interests	6 482	6 531
TOTAL equity	**2 053 975**	**2 020 801**
LIABILITIES		
Non-current liabilities		
Borrowings	754 493	688 297
Deferred income tax liabilities	272 268	268 026
Provisions	14 758	15 588

Derivative financial instruments	8 616	11 698
Other liabilities and deferred income	194 922	194 474
Total non-current liabilities	**1 245 057**	**1 178 083**
Current liabilities		
Trade and other payables	117 952	139 912
Borrowings	101 268	138 925
Derivative financial instruments	9 259	8 855
TOTAL current liabilities	**228 479**	**287 692**

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

Additional information:
Jānis Irbe
Group Treasurer
Phone: +371 67 728 239
E-mail: investor.relations@latvenergo.lv
www.latvenergo.lv/investors/eng

About Latvenergo

Latvenergo Group is a pan-Baltic energy company, engaging in electricity and thermal energy generation and supply, electricity distribution services and management of transmission system assets. Latvenergo Group holds one-third of the entire Baltic electricity market, thus ensuring its leadership in the Baltic electricity supply. Latvenergo AS has been acknowledged as the most valuable company in Latvia for several years in a row. International credit rating agency Moody's has assigned Latvenergo AS an investment-grade credit rating of Baa2/stable.

Latvenergo Group includes the parent company Latvenergo AS (electricity and thermal energy generation and supply) and its subsidiaries Latvijas elektriskie tīkli AS (management of transmission system assets), Sadales tīkls AS (electricity distribution), Elektrum Eesti OÜ (electricity supply in Estonia), Elektrum Lietuva UAB (electricity supply in Lithuania), Enerģijas publiskais tirgotājs AS (administration of electricity mandatory procurement process) and Liepājas enerģija SIA (electricity and thermal energy generation and supply), as well as Elektrum Latvija SIA (electricity supply), a subsidiary of Elektrum Eesti OÜ.