Unaudited results of Latvenergo Group for the year 2015

In 2015, Latvenergo Group has successfully retained its position as leading retail electricity supplier in the Baltics. The amount of electricity supplied by the Group outside Latvia constitutes almost 1/3 of the total amount of electricity supplied on the retail market. In 2015, Latvenergo Group revenue constitutes 929.1 million euros, which is by 8% less than in 2014. The decrease in revenue is caused by not reflecting the revenue of the mandatory procurement component into the revenue of Latvenergo Group along with the entrance into operation of Enerģijas publiskais tirgotājs AS as of 1 April 2014. EBITDA[1] of the Group constitutes 306.9 milion euros, which is by 30% more than in 2014. The total amount of investments in 2015 constitutes 190.5 million euros, which is by 7% more than in the previous year.

In 2015, Latvenergo Group has continued targeted activities for strengthening the market position and has ensured 1/3 of the total electricity market in the Baltics. As a result of targeted sales activities outside Latvia the number of business customers in Lithuania and Estonia has increased by 1/3 compared to the previous year. The total number of customers in neighbouring countries has increased by 4%, exceeding 35 thousand. In total we have supplied to retail customers in the Baltics 7 880 GWh (gigawatt-hours) of electricity, one third or 2 539 GWh of which is supplied to customers in Lithuania and Estonia. The amount of electricity supplied to neighbouring markets is by more than 40% higher than the amount supplied in Latvia by the competing electricity suppliers.

In 2015, Latvenergo Group has generated 3 882 GWh of electricity and 2 408 GWh of thermal energy. The total amount of generated electricity is by 7% larger than in 2014. The amount of electricity generated by Riga combined heat and power plants (Riga CHPPs) has increased by 23%, reaching 2 025 GWh in 2015. Due to efficient operation of the Riga CHPPs the electricity price was stabilized in Latvian and Lithuanian bidding areas and the risk of increased electricity price was limited. Due to unusually low water inflow in Daugava River the amount of electricity generated in Daugava hydropower plants (Daugava HPPs) has decreased by 6%, generating 1 805 GWh in 2015.

Latvenergo Group revenue in 2015 constitutes 929.1 million euros, which is by 8% less than in 2014. The decrease of Latvenergo Group revenue was determined by changes in financial result accounting principles along with the entrance into operation of Enerģijas publiskais tirgotājs AS as of 1 April 2014, by which, mandatory procurement payments are not recognized in the statement of profit or loss. In turn EBITDA of the Group has increased by 30% reaching 306.9 million euros. The results were positively influenced mainly 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. The unaudited profit of the Group constitutes 85.0 million euros. According to the Law ”On the State Budget for 2016”, the estimated amount of dividends payable by Latvenergo AS for 2015 is 77.4 million euros (for 2014 – 31.5 million euros), which after the decision of the Shareholder will also be allocated for supporting provision of electricity service to poor and low-income inhabitants, large families, as well as to persons with group I disability and families with a disabled child, as well as for partial reimbursement of the mandatory procurement component costs, ensuring that the mandatory procurement component remains at the current level (26.79 EUR/MWh).

Latvenergo Group investments in 2015 constitute 190.5 million euros, which is by 7 % more than in 2014. We have invested 62% of total investments in network assets and their modernization, increasing the quality, technical indicators and safety of operation of network services. Whereas 31.9 million euros are invested in the ambitious reconstruction of Daugava HPPs, which provides overhaul of 11 yet unreconstructed hydropower units. Once the reconstruction of hydropower units is over, the amount of electricity generated in these units will increase and their operation will be ensured for another 40 years.

Latvenergo Group finances its investment projects from its own resources, as well as from externally borrowed long-term funds, which is regularly and timely sourced in financial and capital markets. In June 2015, Latvenergo Group issued *green* bonds in the amount of 75 million euros. By issuing bonds funding sources have been diversified. Bonds constitute more than 20% of the total borrowings of the Group.

The audited financial statements of Latvenergo Group for 2015 and the Corporate governance report for 2015 will be published on 20 April 2016.

[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

		2015	**2014**
Retail electricity supply	GWh	7,880	8,688
Electricity generation	GWh	3,882	3,625
Thermal energy supply	GWh	2,318	2,442
Number of employees		4,177	4,563
Moody's credit rating		Baa2 (stable)	Baa3 (stable)

Financial Figures

		2015	**2014**
Revenue	MEUR	929.1	1,010.8
EBITDA [1)]	MEUR	306.9	236.8
Net profit	MEUR	85.0	29.8
Assets	MEUR	3,517.3	3,486.6
Equity	MEUR	2,096.6	2,020.8
Net debt[2)]	MEUR	692.9	706.2
Investments	MEUR	190.5	177.6

Financial Ratios

	2015	2014
Net debt /EBITDA [3)]	2.3	3.0
EBITDA margin [4)]	33%	23%
Capital ratio [5)]	60%	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 year minus cash and cash equivalents at the end of the year

3) Net debt / EBITDA: net debt to EBITDA ratio

4) EBITDA margin: EBITDA / revenue

5) Capital ratio: total equity / total assets

Consolidated Statement of Profit or Loss*

	2015	2014
	EUR'000	EUR'000
Revenue	929,128	1,010,757
Other income	4,880	5,273
Raw materials and consumables used	(470,532)	(621,285)
Personnel expenses	(94,609)	(97,954)
Depreciation, amortisation and impairment of property, plant and equipment	(198,828)	(187,595)
Other operating expenses	(61,978)	(59,953)
Operating profit	**108,061**	**49,243**
Finance income	2,925	3,004
Finance costs	(18,579)	(20,380)
Share of profit / (loss) of associates	1	(357)
Profit before tax	**92,408**	**31,510**
Income tax	(7,443)	(1,720)
Profit for the period	**84,965**	**29,790**

Consolidated Statement of Financial Position*

	31/12/2015	31/12/2014
	EUR'000	EUR'000
ASSETS		
Non–current assets		
Intangible assets and property, plant and equipment	3,090,660	3,079,327
Investment property	696	1,343
Non–current financial investments	41	41
Investments in held–to–maturity financial assets	20,609	28,528
Other non–current receivables	6	14
Total non–current assets	**3,112,012**	**3,109,253**
Current assets		
Inventories	24,791	22,560
Trade receivables and other receivables	268,128	233,752
Investments in held–to–maturity financial assets	7,859	–
Cash and cash equivalents	104,543	121,011
Total current assets	**405,321**	**377,323**
TOTAL ASSETS	**3,517,333**	**3,486,576**
EQUITY		
Share capital	1,288,531	1,288,446
Reserves	669,596	645,829
Retained earnings	131,588	79,995
Equity attributable to equity holders of the Parent Company	**2,089,715**	**2,014,270**
Non–controlling interests	6,913	6,531
Total equity	**2,096,628**	**2,020,801**
LIABILITIES		
Non–current liabilities		
Borrowings	714,291	688,297
Deferred income tax liabilities	273,980	268,026
Provisions	15,984	15,588
Derivative financial instruments	8,291	11,698
Other liabilities and deferred income	196,386	194,474
Total non–current liabilities	**1,208,932**	**1,178,083**

Current liabilities		
Trade and other payables	121,211	139,912
Borrowings	83,192	138,925
Derivative financial instruments	7,370	8,855
Total current liabilities	**211,773**	**287,692**
TOTAL EQUITY AND LIABILITIES	**3,517,333**	**3,486,576**

* - unaudited condensed consolidated financial reports. Prepared in accordance with the International Financial Reporting Standards approved by the European Union.

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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.