Unaudited results of Latvenergo Group for the 9-month period of 2017

In 9 month of 2017, the revenue of Latvenergo Group has remained close to the level of the previous year and amounts to 679.2 million euros. The Group's EBITDA* has increased by 4% and amounts to 299.0 million euros. Compared to the respective period of the previous year, the amount of electricity generated by the Group has increased by 34%, reaching 4,088 GWh (gigawatt-hours). On 7 September 2017, Moody's has not revised the credit rating of Latvenergo AS at the Baa2 level with a stable future outlook. In October 2017, Latvenergo AS applied for a one-off compensation from the state, at the same time opting out of the receipt of 75% of the annual electrical capacity payments for Riga CHPPs cogeneration power plants. The application of Latvenergo AS for the compensation will have a positive impact on reduction of the average mandatory procurement PSO fee starting from 1 January 2018.

Riga, 2017-11-30 15:00 CET (GLOBE NEWSWIRE) -- In the 9-month period of 2017, Latvenergo Group has generated 4,088 GWh of electricity at its power plants, which is 34% more compared to the respective period of 2016. The increase in electricity output was affected mainly by a significantly higher hydropower generation output at the Daugava hydropower plants (Daugava HPPs). The electricity output generated at the Daugava HPPs has increased by 65% compared to the respective period a year ago and amounts to 2,970 GWh. The amount of electricity generated by Latvenergo corresponds to 79% of the total amount of electricity sold to retail customers. By optimally combining generation at the Riga CHPPs and the Daugava HPPs with the import opportunities from other Nord Pool bidding areas, consumers in the Baltics benefit from both price convergence to the Nordic price level and price stability in the long term. In April 2017, the opening of the natural gas market took place. As a result, natural gas for the Group’s generation needs is now supplied also from alternative sources, including Klaipeda natural gas terminal.

Latvenergo Group is the largest thermal energy producer in Latvia, providing 1,791 GWh of heat to consumers during the 9-month period of 2017, which is 4% more than in the previous year.

During the reporting period, the total amount of electricity supplied to customers in the Baltics is 5,189 GWh: in Latvia – 3,428 GWh, in Lithuania – 1,050 GWh and in Estonia – 712 GWh. In the 9-month period of 2017, Latvenergo Group has maintained its position as the leading electricity supplier in the Baltics, despite the increased competition in the business customer segment. In addition to selling electricity, in Q3 of 2017, Elektrum Eesti OÜ, the subsidiary of Latvenergo Group in Estonia, commenced natural gas trade to business customers in Estonia.

The revenue of Latvenergo Group in the 9-month period of 2017 amounts to 679.2 million euros and has not changed significantly compared to the respective period a year ago. During the reporting period, Latvenergo Group’s EBITDA has increased by 4%, reaching EUR 299.0 million. Also the EBITDA margin has improved, reaching 43% which is 4 per cent points above the result in the previous year. The profit of Latvenergo Group is 125.0 million euros. The results were positively affected mainly by the higher electricity output at the Daugava HPPs.

In the 9-month period of 2017, the total amount of investment has increased by EUR 30 million or 22% compared to the respective period last year and amounts to EUR 166.6 million. The

increase is due to greater investment in the generation segment and the transmission segment. Approximately 2/3 of investment were made in the network assets. Major investment projects of Latvenergo Group are: 1) reconstruction of hydropower units at the Daugava HPPs, which will ensure their functionality for the next 40 years; 2) the *Kurzeme Ring*, which will significantly increase power supply safety in the Kurzeme region and in Latvia as a whole, allowing further integration of the Baltics into the Nordic electricity market; 3) Third Estonia-Latvia power transmission network interconnection, which is of major significance for the future electricity transmission infrastructure of the whole Baltic region.

In September this year, the Cabinet of Ministers accepted the order that provides for a new mechanism for reduction of the mandatory procurement public service obligation (PSO) fee for electricity consumers. A mechanism has been created under which the state would reduce its future commitments to cogeneration plants with installed electrical capacity above 100 MW. Such producers are given the opportunity to apply for a one-off payment, agreeing to reduce support intensity in future. After the end of the reporting period, on 19 October 2017, Latvenergo AS applied for the one-off compensation from the state, at the same time opting out of the receipt of 75% of the annual electrical capacity payments for cogeneration power plants Riga CHPP-1 and Riga CHPP-2. The compensation will be financed by applying the rights of the state as the Shareholder to carry out a capital release of Latvenergo AS in the amount of EUR 454 million. The application of Latvenergo AS for the one-off compensation will contribute to reduction of the average PSO fee as of 1 January 2018.

On 7 September 2017, *Moody's* has not revised the credit rating of Latvenergo AS at the Baa2 level with a stable future outlook. In the assessment of the credit rating of Latvenergo AS, Moody's has taken into account the one-off compensation, further changes in the support intensity for Riga CHPPs, as well as the planned capital release of Latvenergo AS.

The consolidated unaudited condensed financial statements of Latvenergo Group will be published on 28 February 2018.

* 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

Latvenergo Group Key Performance Indicators

Operational Figures

		9M 2017	**9M 2016**
Total electricity supply, incl.	GWh	7,646	7,272
*Retail**	GWh	5,189	5,702
*Wholesale***	GWh	2,457	1,570
Electricity generation	GWh	4,088	3,052
Thermal energy generation	GWh	1,791	1,725

Number of employees	4,053	4,184
Moody's credit rating	Baa2 (stable)	Baa2 (stable)

* Including operating consumption

**Including sale of energy purchased within the mandatory procurement on the Nord Pool

Financial Figures

		9M 2017	9M 2016
Revenue	MEUR	679.2	678.2
EBITDA [1)]	MEUR	299.0	288.1
Profit	MEUR	125.0	94.3
Assets	MEUR	3,886.0	3,564.6
Equity	MEUR	2,455.1	2,110.5
Net debt [2)]	MEUR	620.6	623.0
Investments	MEUR	166.6	136.5

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

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

3) Net debt / EBITDA – average value of net debt / EBITDA (12-month rolling)

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

5) Return on equity – profit (12-month rolling) / average value of equity

6) Return on assets – profit (12-month rolling) / average value of assets

7) Return on capital employed – operating profit (12-month rolling) / average value of equity + average value of borrowings

8) Net debt / equity – net debt / equity

Consolidated Statement of Profit or Loss***

for the 9-month period ending 30 September 2017

	01/01–30/09/2017	01/01–30/09/2016
	EUR'000	EUR'000
Revenue	679,179	678,203
Other income	5,002	4,818
Raw materials and consumables used	(256,600)	(274,874)
Personnel expenses	(75,993)	(72,754)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(143,676)	(171,370)
Other operating expenses	(52,597)	(47,252)
Operating profit	**155,315**	**116,771**
Finance income	941	1,788
Finance costs	(8,646)	(10,935)
Received dividends from subsidiaries	–	–
Profit before tax	**147,610**	**107,624**
Income tax	(22,574)	(13,227)
Profit for the period	**125,036**	**94,397**
Profit attributable to:		
– Equity holder of the Parent Company	124,125	93,685
– Non–controlling interests	911	712

Consolidated Statement of Financial Position***

	30/09/2017	31/12/2016
	EUR'000	EUR'000
ASSETS		
Non–current assets		
Intangible assets and property, plant and equipment	3,389,896	3,370,331
Investment property	657	563
Non–current financial investments	41	41
Non–current loans to subsidiaries	–	–
Investments in held–to–maturity financial assets	16,997	17,034
Other non–current receivables	986	986
TOTAL non–current assets	**3,408,577**	**3,388,955**
Current assets		
Inventories	89,814	41,458
Prepayment for inventories	210	–
Trade receivables and other receivables	259,041	273,957
Deferred expenses	1,140	3,227
Current loans to subsidiaries	–	–
Derivative financial instruments	4,522	6,134
Investments in held–to–maturity financial assets	–	3,520
Cash and cash equivalents	122,710	183,980
TOTAL current assets	**477,437**	**512,276**
TOTAL ASSETS	**3,886,014**	**3,901,231**

EQUITY		
Share capital	1,288,715	1,288,715
Reserves	938,650	937,074
Retained earnings	221,156	185,840
Equity attributable to equity holder of the Parent Company	**2,448,521**	**2,411,629**
Non–controlling interests	6,602	7,084
TOTAL equity	**2,455,123**	**2,418,713**
LIABILITIES		
Non–current liabilities		
Borrowings	610,299	635,620
Deferred income tax liabilities	316,102	315,759
Provisions	19,416	18,643
Derivative financial instruments	5,454	7,946
Other liabilities and deferred income	200,901	195,407
Total non–current liabilities	**1,152,172**	**1,173,375**
Current liabilities		
Borrowings	133,030	155,946
Trade and other payables	119,884	117,817
Income tax payable	8,135	17,718
Deferred income	14,385	14,022
Derivative financial instruments	3,285	3,640
TOTAL current liabilities	278,719	**309,143**
TOTAL liabilities	**1,430,891**	**1,482,518**
TOTAL EQUITY AND LIABILITIES	**3,886,014**	**3,901,231**

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

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About Latvenergo

Latvenergo Group is the largest pan-Baltic power supply utility operating in electricity and thermal energy generation and trade, natural gas trade, electricity distribution services and lease of transmission system assets. Latvenergo AS has been acknowledged as the most valuable company in Latvia for several times. International credit rating agency Moody's has assigned Latvenergo AS an investment-grade credit rating of Baa2/stable.

Latvenergo Group is comprised of the parent company Latvenergo AS (generation and trade of electricity and thermal energy, trade of natural gas) and seven subsidiaries - Latvijas elektriskie tīkli AS (lease of transmission system assets), Sadales tīkls AS (electricity distribution), Elektrum Eesti OÜ (trade of electricity and natural gas in Estonia), Elektrum Lietuva UAB (trade of electricity and natural gas in Lithuania), Enerģijas publiskais tirgotājs AS (administration of mandatory electricity procurement process) and Liepājas enerģija SIA (generation and trade of thermal energy in Liepaja, electricity generation). All shares of Latvenergo AS are owned by the state and held by the Ministry of Economics of the Republic of Latvia.