**Today, on 29 May, the unaudited interim condensed consolidated financial statements of Latvenergo Group for the first three months of 2020 were published.**

**The performance results of Latvenergo Group in Q1 2020 were affected by various global and regional factors of the operational environment, including the price of electricity and energy sources. In Q1 2020, the price of electricity and energy sources was also significantly affected by the global COVID-19 pandemic, along with the unusually warm weather. Meanwhile, due to high water inflow in the Daugava River, Latvenergo Group became the largest electricity supplier in the Baltic States. In Q1 2020, the Group has generated 1.5 terawatt-hours (TWh) of electricity, which is 14% more than in the respective period a year ago.**

**Revenue of Latvenergo Group in Q1 2020 was EUR 219.8 million or 9% less than in the respective period a year ago because the demand for thermal energy has significantly decreased due to the warm weather. The Group's EBITDA* constitutes EUR 98 million, which is 33% more than in Q1 2019.**

The beginning of the year on the electricity market was characterised by rapid changes, mainly in response to the unusually warm winter, and the situation was further aggravated by the spread of COVID-19. In the first three months of 2020, both in the Nordic countries and in the Baltic States, the average electricity prices were significantly lower than in the respective period a year ago, which was related to filling of the water storage reservoirs in the Nordic countries, lower electricity demand due to warmer weather, as well as the impact of COVID-19. Therefore, Nord Pool average electricity price in Latvia in Q1 2020 was 27.63 EUR/MWh, which is 42% less than in the respective period a year ago. This is the historically lowest level of electricity market prices in Latvia since Latvenergo joined the Nord Pool power exchange in 2013.

During the emergency situation related to COVID-19, Latvenergo Group has operatively implemented all required measures to ensure safety of customers and employees, reducing direct contacts, ensuring the possibility to observe high hygiene requirements and regularly providing up-to-date information. A stable, uninterrupted and safe working mode for employees is maintained in the facilities of strategic national importance: the Daugava HPPs, the CHPPs of Latvenergo AS, and Sadales tīkls AS. Although the COVID-19 crisis, along with the warmer weather, has affected electricity consumption (in Q1 2020, it has decreased by 3.3% in Latvia, compared to the respective period a year ago), the spread of COVID-19 has not significantly affected the services provided by Latvenergo Group. The Group continues to ensure electricity and heat generation, as well as uninterrupted and accessible trade and distribution of electricity and natural gas to all its customers.

In Q1 2020, Latvenergo Group is the largest electricity generator in the Baltics, whose output accounts for 37% of the total electricity output in the Baltic States or 1,538 gigawatt-hours (GWh). It is 14% more than in the respective period a year ago. This increase was ensured by a larger electricity output at the Daugava HPPs, which has doubled compared to Q1 2019 and amounted to 1,218 GWh. The electricity generation at the Daugava HPPs was facilitated by the unusually warm winter and high water inflow in the Daugava River. For comparison – the average water inflow in the Daugava River in Q1 2020 was 979 $m^3$/s, whereas in the respective period a year ago it was only a half of that amount: 467 $m^3$/s. According to the conditions of the electricity market and the thermal energy demand, the electricity output at the CHPPs of Latvenergo AS comprised 306 GWh in the reporting period, which is 58% less than in the respective period a year ago. Thus, the electricity generated from renewable energy sources constituted 80%.

The thermal energy output has decreased by 21%, compared to Q1 2019, and constitutes 740 GWh; the decrease was due to the significantly warmer weather during the heating season. According to the data of the Central Statistical Bureau, the average air temperature during the heating season in Riga was +3.6 degrees Celsius in the reporting period, whereas in Q1 2019 it was −0.3 degrees Celsius.

In the reporting period, the volume of electricity supplied by Latvenergo Group in the Baltics is 1,646 GWh, and 1/3 of this volume is supplied to customers outside Latvia. The volume of natural gas supplied in the reporting period has increased by a half compared to Q1 2019 and constitutes 155 GWh. 136 contracts on installation of solar panels were concluded in the Baltics in the reporting period, which is four times more than in the respective period a year ago, making Latvenergo AS one of the leading providers of this service in the Baltics. In Q1, 1,300 charges were made at the Elektrum electric vehicle charging stations, and the volume of electricity charged at these stations is growing every month.

Revenue of Latvenergo Group in Q1 2020 is EUR 219.8 million, and it is 9% less than in the respective period a year ago. Whereas the Group's EBITDA has increased by 33% compared to Q1 2019 and constitutes EUR 98.0 million. This indicator was mainly affected by higher electricity generation at the Daugava HPPs and lower electricity

procurement price. The Group's profit has increased by EUR 19.5 million, compared to the respective period a year ago, reaching EUR 57.9 million.

The total investments of Latvenergo Group amounted to EUR 55.5 million in the first three months of 2020, which is EUR 11 million or 25% more than in the respective period a year ago. As part of the Group's investments in environmentally friendly projects, EUR 11.7 million have been invested in the reconstruction of hydropower units at the Daugava HPPs in Q1 2020. The investments in the network assets comprised 70% of the total investment amount or EUR 38.7 million.

After the reporting period, the Financial and Capital Market Commission registered the base prospectus of the third bond programme of Latvenergo AS for issuance of green bonds. The external expert, CICERO Shades of Green, has rated the Green Bond Framework of Latvenergo AS as Dark Green, which is its highest rating, indicating the compliance of the planned projects with long-term environmental protection and climate change mitigation goals, as well as good corporate governance and transparency.

The decision of the Cabinet of Ministers of the Republic of Latvia of 8 October 2019 provides for unbundling of transmission assets – Latvijas elektriskie tīkli AS (LET) – from Latvenergo Group by 1 July 2020, transferring them to the transmission system operator Augstsprieguma tīkls AS. Unbundling of transmission assets is done by reducing the share capital of Latvenergo AS, excluding capital shares in LET from the asset base of Latvenergo AS. At the Shareholder Meeting of Latvenergo AS, held on 24 April this year, it was decided to reduce the share capital of Latvenergo AS by EUR 222.7 million. According to the aforesaid Cabinet of Ministers decision, the share capital of Latvenergo AS will be increased this year by investing retained earnings from previous years into the share capital.

The next interim financial statements of Latvenergo Group for 2020 will be published on 28 August and 27 November.

* 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 FIGURES**

In accordance with the Cabinet of Ministers of the Republic of Latvia decision of 8 October 2019 on the unbundling of transmission assets from Latvenergo Group until 1 July 2020, the Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020 were prepared in such a way that the operations of the transmission segment are reported as discontinuing operations. This therefore affects the profit and loss positions previously published; for more information, see Note 17 to the Unaudited Condensed Interim Financial Statements.

**Operational figures**

| | | **3M 2020** | **3M 2019** |
|---|---|---|---|
| Electricity supply, incl.: | GWh | 2,581 | 2,555 |
| *Retail electricity** | GWh | *1,646* | *1,795* |
| *Wholesale electricity*** | GWh | *935* | *760* |
| Retail natural gas | GWh | 155 | 104 |
| Electricity generation | GWh | 1,538 | 1,347 |
| Thermal energy generation | GWh | 740 | 939 |
| Number of employees | | 3,394 | 3,490 |
| *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***

million
EUR

| | 3M 2020 | 3M 2019 |
|---|---|---|
| Revenue** | 219.8 | 241.9 |
| EBITDA[1)**] | 98.0 | 73.7 |
| Profit | 57.9 | 38.4 |
| Assets | 3,933.7 | 3,825.5 |
| Equity | 2,325.2 | 2,342.0 |
| Net debt (adjusted)[2)**] | 498.4 | 440.6 |
| Investments | 55.5 | 44.3 |

[1)] EBITDA – earnings before interest, income tax, share of result of associates, depreciation and amortisation, and impairment of intangible assets and property, plant and equipment

[2)] Net debt = borrowings at the end of the reporting period (without discontinuing operations) minus cash and cash equivalents at the end of the reporting period (without discontinuing operations)

* Information about the financial indicators and coefficients used by the Latvenergo Group is available in the Latvenergo Group's consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020 – see the section “Formulas”.

**Excluding discontinuing operations (unbundling transmission system asset ownership) – see Note 17 to the Latvenergo Group's consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020.

**Financial ratios***

| | 3M 2020 | 3M 2019 |
|---|---|---|
| EBITDA margin[3)] | 33% | 31% |
| Net debt / EBITDA (adjusted)[4)] | 1.8 | 1.7 |
| Net debt / equity (adjusted)[5)] | 21% | 19% |
| Return on assets (ROA)[6)] | 2.9% | 1.3% |
| Return on equity (ROE)[7)] | 4.9% | 2.1% |
| Return on capital employed (ROCE)[8)**] | 4.1% | 1.8% |

[3)] EBITDA margin = EBITDA / revenue

[4)] Net debt / EBITDA = (net debt at the beginning of the reporting period + net debt at the end of the reporting period) * 0.5 / EBITDA (12-months rolling)

[5)] Net debt / equity = net debt at the end of the reporting period / equity at the end of the reporting period

[6)] Return on assets (ROA) = profit / average value of assets ((assets at the beginning of the reporting period + assets at the end of the reporting period) / 2)

[7)] Return on equity (ROE) = profit / average value of equity ((equity at the beginning of the reporting period + equity at the end of the reporting period) / 2)

[8)] Return on capital employed (ROCE) = operating profit / (average value of equity ((equity at the beginning of the reporting period + equity at the end of the reporting period) / 2) + average value of borrowings ((borrowings at the beginning of the reporting period+ borrowings at the end of the reporting period) / 2))

* Information about the financial indicators and coefficients used by the Latvenergo Group is available in the Latvenergo Group's consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020 – see the section “Formulas”.

**Excluding discontinuing operations (unbundling transmission system asset ownership) – see Note 17 to the Latvenergo Group's consolidated and Latvenergo AS Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020.

**Consolidated Statement of Profit or Loss***

| | EUR'000 | |
|---|---|---|
| | **3M 2020** | **3M 2019** |
| Revenue | 219,768 | 241,856 |
| Other income | 7,104 | 7,534 |
| Raw materials and consumables used | (87,782) | (137,740) |
| Personnel expenses | (28,141) | (26,848) |
| Other operating expenses | (12,991) | (11,139) |
| **EBITDA** | **97,958** | **73,663** |
| Depreciation, amortisation and impairment of intangible assets, and property, plant and equipment and right-of-use assets | (38,900) | (36,467) |
| **Operating profit** | **59,058** | **37,196** |
| Finance income | 295 | 284 |
| Finance costs | (2,941) | (2,363) |
| **Profit before tax** | **56,412** | **35,117** |
| Income tax | (1,276) | (14) |
| **Profit for the period from continuing operations** | **55,136** | **35,103** |
| Profit for the period from discontinued operation | 2,763 | 3,264 |
| **Profit for the period** | **57,899** | **38,367** |
| **Profit attributable to:** | | |
| - Equity holder of the Parent Company | 56,648 | 36,601 |
| - Non–controlling interests | 1,251 | 1,766 |

* The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020 are prepared in accordance with the IFRS as adopted by the European Union

**Consolidated Statement of Financial Position***

EUR'000

| | 31/03/2020 | 31/12/2019 |
|---|---|---|
| **ASSETS** | | |
| **Non–current assets** | | |
| Intangible assets and property, plant and equipment | 2,770,735 | 2,775,532 |
| Right–of–use assets | 5,241 | 5,522 |
| Investment property | 300 | 301 |
| Non–current financial investments | 39 | 39 |
| Other non–current receivables | 433 | 433 |
| Other financial investments | 16,873 | 16,885 |
| **Total non–current assets** | **2,793,621** | **2,798,712** |
| **Current assets** | | |
| Inventories | 82,340 | 104,927 |
| Receivables from contracts with customers | 107,975 | 111,530 |
| Other current receivables | 102,640 | 77,085 |
| Deferred expenses | 1,982 | 3,015 |
| Prepayment for income tax | 140 | 140 |
| Derivative financial instruments | 12,590 | 6,717 |
| Cash and cash equivalents | 170,604 | 122,422 |
| **Current assets excluding assets held for distribution** | **478,271** | **425,836** |
| Assets held for distribution | 661,778 | 640,393 |
| **Total current assets** | **1,140,049** | **1,066,229** |
| **TOTAL ASSETS** | **3,933,670** | **3,864,941** |
| **EQUITY AND LIABILITIES** | | |
| **EQUITY** | | |
| Share capital | 834,883 | 834,883 |
| Reserves | 1,076,325 | 1,075,235 |
| Retained earnings | 376,031 | 318,555 |
| Reserves of disposal group classified as held for distribution | 28,804 | 28,936 |
| **Equity attributable to equity holder of the Parent Company** | **2,316,043** | **2,257,609** |
| Non–controlling interests | 9,129 | 7,878 |
| **Total equity** | **2,325,172** | **2,265,487** |
| **LIABILITIES** | | |
| **Non–current liabilities** | | |
| Borrowings | 703,156 | 702,129 |
| Lease liabilities | 4,037 | 4,349 |
| Deferred income tax liabilities | 2,194 | 8,327 |
| Provisions | 18,734 | 18,491 |
| Derivative financial instruments | 6,593 | 6,149 |
| Deferred income from contracts with customers | 142,503 | 143,330 |

| | | |
|---|---|---|
| Other deferred income | 188,022 | 194,033 |
| **Total non–current liabilities** | **1,065,239** | **1,076,808** |
| **Current liabilities** | | |
| Borrowings | 180,390 | 180,542 |
| Lease liabilities | 1,252 | 1,216 |
| Trade and other payables | 111,058 | 115,708 |
| Income tax payable | 7,395 | |
| Deferred income from contracts with customers | 13,854 | 13,764 |
| Other deferred income | 24,873 | 24,857 |
| Derivative financial instruments | 14,687 | 6,983 |
| **Current liabilities excluding liabilities held for distribution** | **353,509** | **343,070** |
| Liabilities directly associated with the assets held for distribution | 189,750 | 179,576 |
| **Total current liabilities** | **543,259** | **522,646** |
| **Total liabilities** | **1,608,498** | **1,599,454** |
| **TOTAL EQUITY AND LIABILITIES** | **3,933,670** | **3,864,941** |

* The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 3-Month Period Ending 31 March 2020 are prepared in accordance with the IFRS as adopted by the European Union

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**About Latvenergo**

Latvenergo Group is one of the leading energy suppliers in the Baltics 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 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.