Unaudited results of Latvenergo Group for the first nine months of 2016

Today, on 30 November, the unaudited interim condensed consolidated financial statements of Latvenergo Group for the first nine months of 2016 are published. In the first nine months of 2016, revenue of Latvenergo Group has remained at the level of the previous year and constitutes 678.2 million euros. Whereas EBITDA [1] of the Group has increased by 22% and constitutes 288.1 million euros. The Group's profit in the first nine months of this year is 94.3 million euros. The amount of generated electricity is 3,052 GWh (gigawatt-hours), which is by 14% more than in the previous year. The amount of investment is similar to the amount invested one year ago - 136.5 million euros.

The operation of *NordBalt* interconnection has great significance for the operation of Latvenergo Group in the electricity supply area in this period, reducing the price difference between the Baltic and the Nordic countries. Also, the operation of Riga CHPPs has a significant role for the Baltic electricity market, precluding electricity price increase risk in the region during interruption periods in interconnection operation, as well as, at times when there were fluctuations in generation supply and demand in the neighbouring countries.

In the first nine months of this year, Latvenergo Group has generated by 14% more electricity (3,053 GWh) and by 9% more thermal energy (1,725 GWh) than in the previous year. Electricity output generated at Riga CHPPs in the first nine months of 2016 has increased by 15% reaching 1,210 GWh. Increase of electricity output at Riga CHPPs was fostered by the decrease of the average price of natural gas by 26%, compared to the respective period in the previous year. Also, electricity generation in Daugava HPPs cascade has increased by 13%, constituting 1,804 GWh, which was facilitated by higher water inflow in the Daugava River.

Also in the first nine months of 2016, Latvenergo Group has maintained the leading electricity supplier position in the Baltics. The total amount of retail electricity supply in the Baltic States constitutes 5,639 GWh. Approximately 1/3 or 1,786 GWh of this amount is supplied to the neighbouring countries – Lithuania and Estonia. The customer portfolio of Latvenergo Group in the Baltic States has remained stable, the total number of foreign clients exceeds 34 thousand.

Latvenergo Group revenue in the first nine months of 2016 constitutes 678.2 million euros and profit – 94.3 million euros (in 2015: 685.9 million euros and 68.6 million euros respectively). The improvement of profit indicators was mainly influenced by lower natural gas and electricity market prices, as well as higher generation output at Daugava HPPs.

The total amount of investment in the first nine months of 2016 has not changed significantly, compared to the respective period in the previous year, constituting 136.5 million euros, the majority of which or 2/3 is invested in network assets. Modernisation of distribution system network assets, increasing their safety and quality, is significant for all users of electricity. Investment in network assets reaches 73.8 million euros in the first nine months of 2016. Also, the major investment projects are continued: *Kurzeme Ring*, Daugava HPPs hydropower unit reconstruction and the Estonia–Latvia third power transmission network interconnection.

Latvenergo Group external funding sources in the long run are purposefully diversified, thus creating a balanced portion of lender categories in the total loan portfolio. Approximately 1/4 of the loans of Latvenergo Group or 205 million euros are bonds, including *green* bonds in the amount of 100 million euros, which were issued in 2015 and 2016. After the end of the reporting period, on 12 October 2016, the international rating agency *Moody's* assigned the highest Green Bond Assessment grade of GB1 (excellent). This marks the first time when *Moody's* assesses *green* bonds and even assigns excellent grade for *green* bonds issued in Eastern Europe**.** Latvenergo AS credit rating is Baa2 with stable outlook.

After the end of the reporting period, on 19 October 2016, a medium-term strategy of Latvenergo Group for the period from year 2017 to 2022 was approved. Considering the expected challenges in the industry and business environment, three main operational goals are defined in the strategy: strengthening of sustainable and economically sound market position in local markets (in the Baltics), meanwhile considering a geographic and / or product / service expansion; development of generation portfolio that fosters synergy with trade and that promotes value increase of the Group; development of a customer-driven, functional, safe and efficient network.

The unaudited interim condensed financial statements of Latvenergo Group for 2016 will be published on 28 February 2017. Unaudited interim condensed consolidated financial statements of Latvenergo for the period of nine months, which ends on 30 September 2016, are available in www.latvenergo.lv section Investors/ Reports.

[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

		9M 2016	**9M 2015**
Retail electricity supply	GWh	5,639	5,797
Electricity generation	GWh	3,052	2,676
Thermal energy supply	GWh	1,646	1,525
Number of employees		4,184	4,180
Moody's credit rating		Baa2 (stable)	Baa2 (stable)

Financial Figures

		9M 2016	**9M 2015**
Revenue	MEUR	678.2	685.9
EBITDA [1)]	MEUR	288.1	236.2
Profit	MEUR	94.3	68.6
Assets	MEUR	3,564.6	3,530.5
Equity	MEUR	2,110.5	2,060.3

Net debt[2)]	MEUR	623.0	682.5
Investments	MEUR	136.5	136.7

Financial Ratios

	9M 2016	9M 2015
Net debt/EBITDA [3)]	1.8	2.4
EBITDA margin [4)]	39%	31%
Return on equity [5)]	5.3%	3.4%
Return on assets [6)]	3.1%	1.9%
Net debt/equity [7)]	30%	33%

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 minus cash and cash equivalents at the end of the period

3) Net debt/EBITDA: ((net debt at the beginning of 12 months period + net debt at the end of 12 months period) * 0.5) / EBITDA (12-months rolling)

4) EBITDA margin: EBITDA (12-months rolling) / revenue (12-months rolling) * 100%

5) Return on equity: net profit (12-months rolling) / average value of equity * 100%

6) Return on assets: net profit (12-months rolling) / average value of assets * 100%

7) Net debt/equity: net debt at the end of the reporting period / equity at the end of the reporting period * 100%

Consolidated Statement of Profit or Loss*

For the 9 months period ended 30 September 2016

	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)
Operating profit	**116,771**	**87,168**
Finance income	1,788	2,192

Finance costs	(10,935)	(14,557)
Profit before tax	**107,624**	**74,803**
Income tax	(13,308)	(6,208)
Profit for the period	**94,316**	**68,595**

Consolidated Statement of Financial Position*

	30/09/2016	**31/12/2015**
	EUR'000	EUR'000
ASSETS		
Non–current assets		
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
Total non–current assets	**3,071,842**	**3,113,719**
Current assets		
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
Total current assets	**492,749**	**403,653**
TOTAL ASSETS	**3,564,591**	**3,517,372**
EQUITY		
Share capital	1,288,531	1,288,531
Reserves	667,340	669,596
Retained earnings	148,393	131,662
Equity attributable to equity holder of the Parent Company	**2,104,264**	**2,089,789**
Non–controlling interests	6,248	6,913
Total equity	**2,110,512**	**2,096,702**
LIABILITIES		
Non–current liabilities		
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
Total non–current liabilities	**1,242,726**	**1,208,939**

Current liabilities		
Trade and other payables	130,464	121,256
Borrowings	76,739	83,192
Derivative financial instruments	4,150	7,283
Total current liabilities	**211,353**	**211,731**
Total liabilities	**1,454,079**	**1,420,670**
TOTAL EQUITY AND LIABILITIES	**3,564,591**	**3,517,372**

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

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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 lease 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 (lease 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).