

Latvenergo Group Unaudited Results 6 months of 2018

Investor Conference Webinar Presentation

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5 September 2018, Riga



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Agenda

Group Profile

Financials 1H 2018

- Market Overview
- Revenue and Profitability
- Segment Results
- Investments
- Funding

Current Issues

- Historically highest assessment in Sustainability Index of Latvia

Q&A

Group Profile

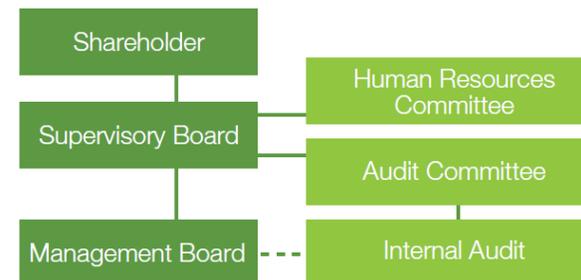
General

- Vertically integrated utility
- Wholly-owned by the Republic of Latvia
- Credit rating: Moody`s – Baa2/stable
- Installed generation capacities:
 - Riga CHPPs – 1,025 MWel; 1,617 MWth
 - Daugava HPPs – 1,536 MWel
 - Liepaja and small plants – 8 MWel; 225 MWth
- Length of power lines:
 - Distribution 93.5 thsd. km
 - Transmission 5.2 thsd. km
- Retail customers – 800 thsd.
- In 2017 Strategic development and efficiency programme initiated
- 3,539 employees

Segments and Group structure (1H 2018)

Segment	Revenues	EBITDA	Latvenergo Group
Generation and trade – electricity and thermal energy generation and trade – natural gas trade	56%	54%	Latvenergo AS
			Elektrum Eesti OÜ (EE) 100%
			Elektrum Lietuva UAB (LT) 100%
Electricity distribution	34%	32%	Enerģijas publiskais tirgotājs AS 100%
			Liepājas enerģija SIA 51%
Lease of transmission system assets	4%	11%	Sadales tīkls AS 100%
	MEUR 450,2	187,5	Latvijas elektriskie tīkli AS 100%

Governance structure of Latvenergo AS



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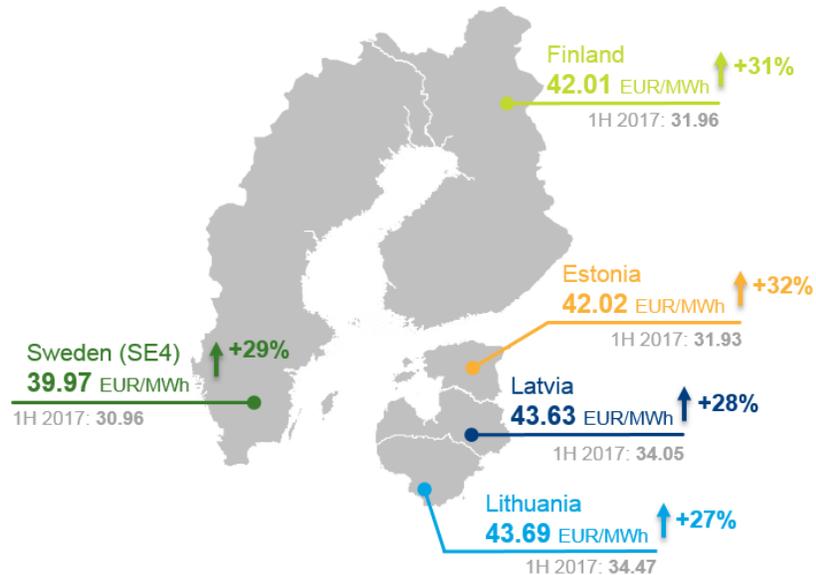
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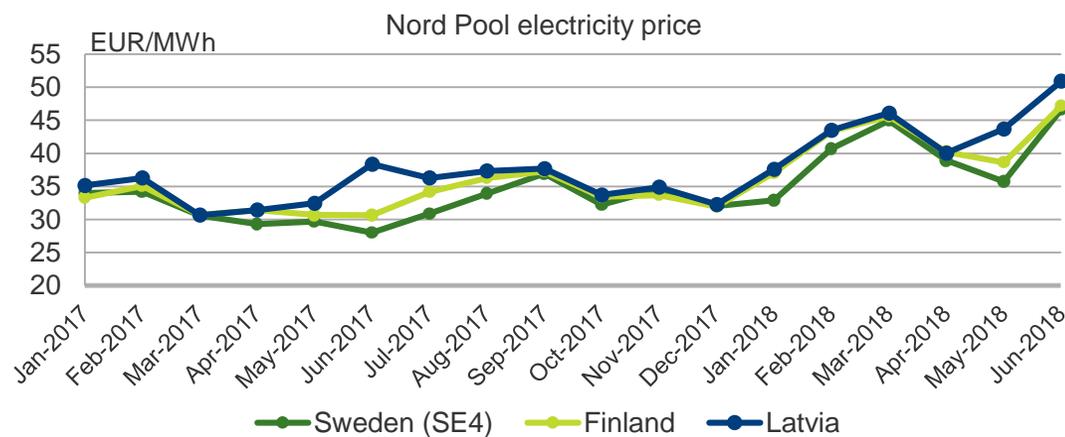
Market Overview



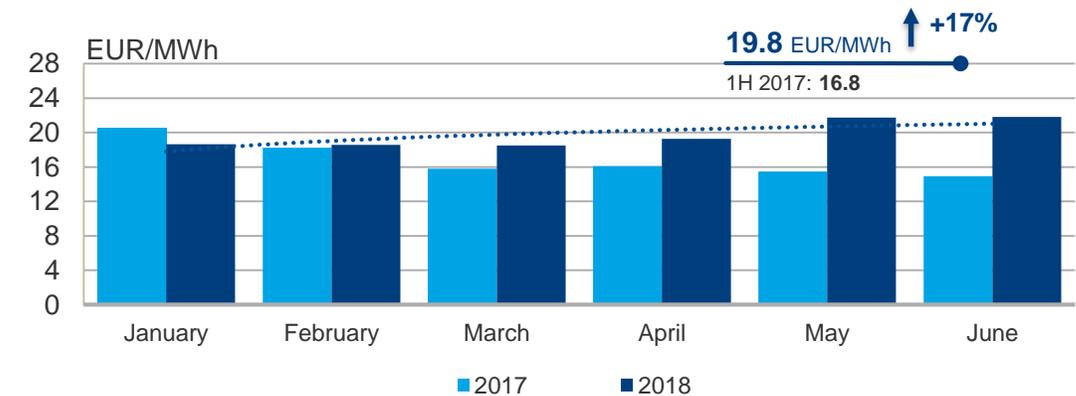
Key highlights – 1H 2018

- Electricity prices increased due to:
 - warm and dry weather
 - lower water levels at the Scandinavian hydropower reservoirs
 - lower electricity output at WPPs
- Responding to the market situation, we increased power generation at the Riga CHPPs by 29%

Electricity prices increase



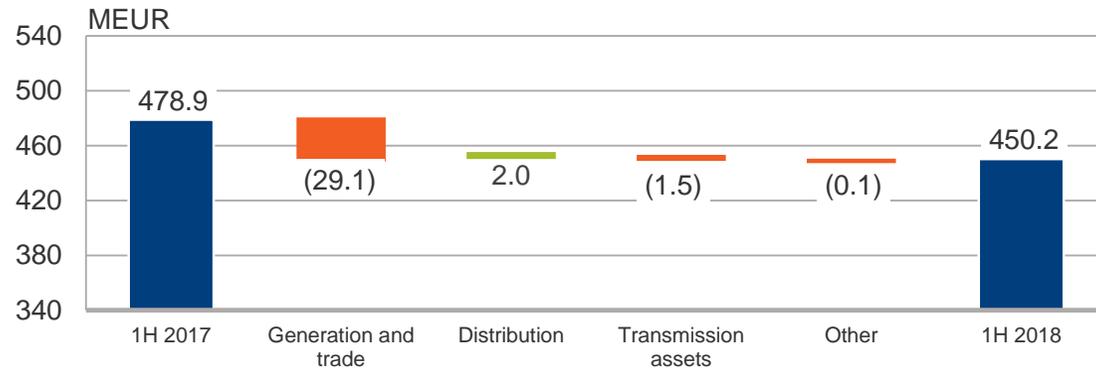
Natural gas price increases*



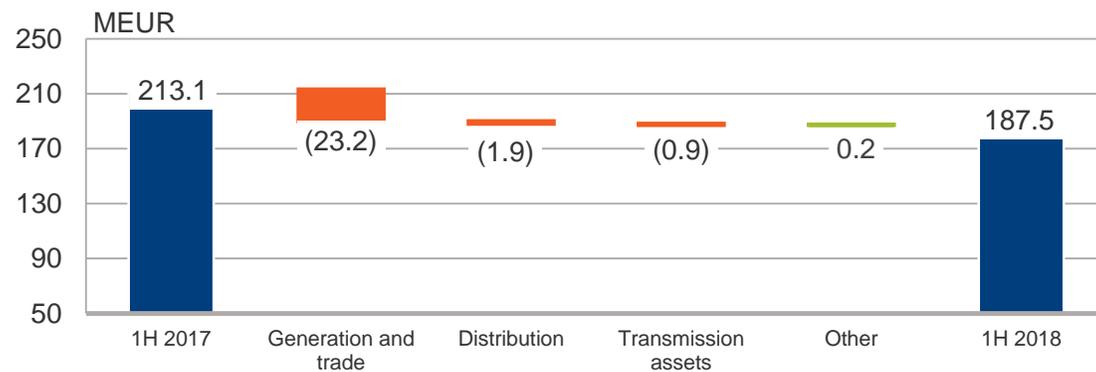
*average price of natural gas at the GASPOOL and TTF trading platforms

Revenue and Profitability

Revenue dynamics by segment



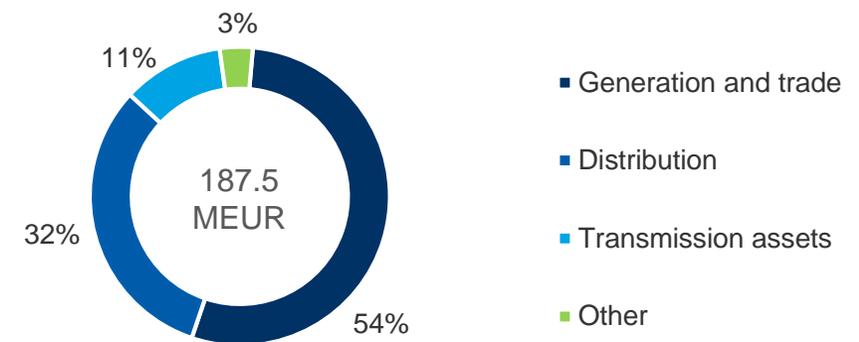
EBITDA dynamics by segment



Key highlights 1H 2018

- The results were impacted by :
 - 12% lower electricity output at the Daugava HPPs
 - Riga CHPP's support buy-back:
 - 75% lower revenue (-37 MEUR) from the installed electrical capacity at the Riga CHPPs
 - + amortized compensation for the Riga CHPPs' capacity payments (14.7 MEUR was recognized as other income of Latvenergo AS)
- Profit – 97.4 MEUR (1H 2017: 97.9 MEUR)

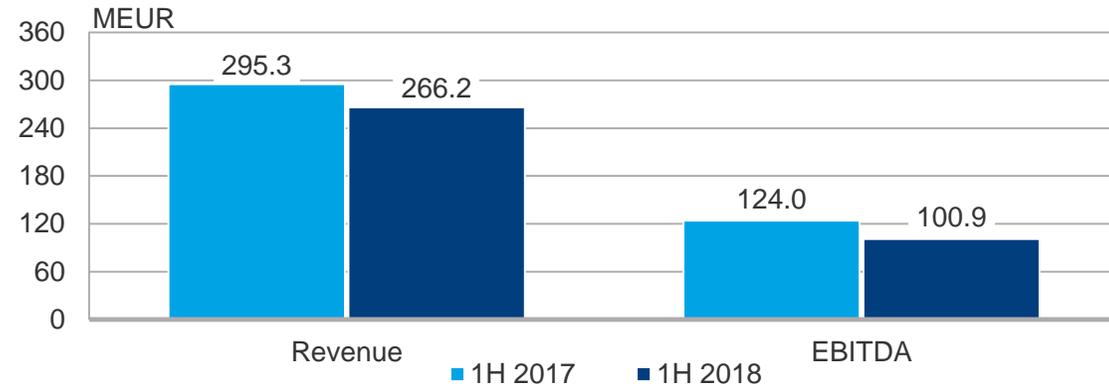
EBITDA weight by segment





Generation and Trade

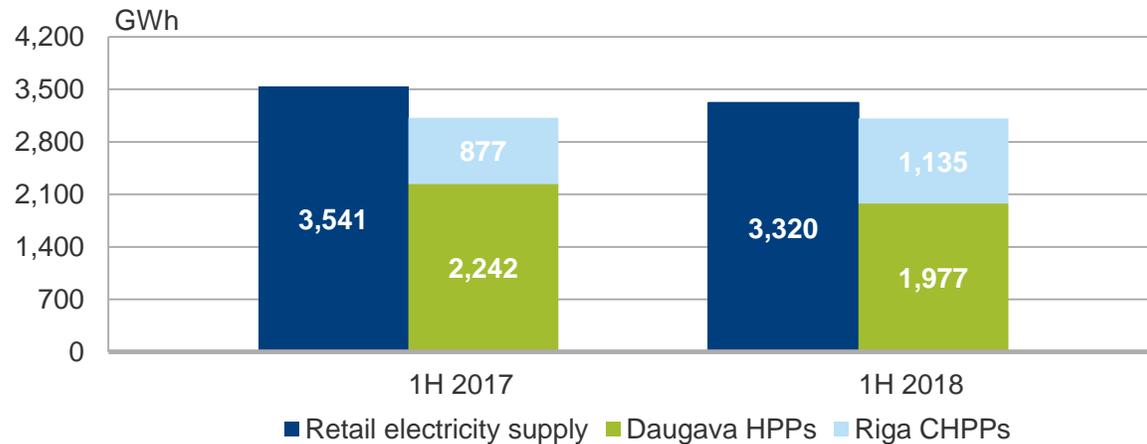
Segment revenue and EBITDA



Key highlights 1H 2018

- Total electricity generated – 3,139 GWh (1H 2017: 3,147 GWh)
- Total thermal energy generated – 1,442 GWh (1H 2017: 1,574 GWh)
- 29% higher electricity output at the Riga CHPPs
- Retail electricity supply in the Baltics reached 3,320 GWh, 1/3 of it supplied outside Latvia

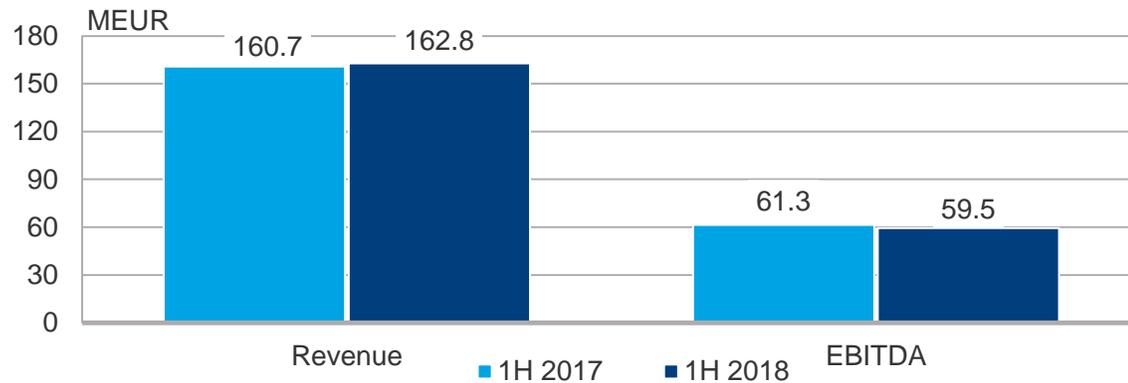
Retail sales and electricity generated





Distribution and Lease of Transmission Assets

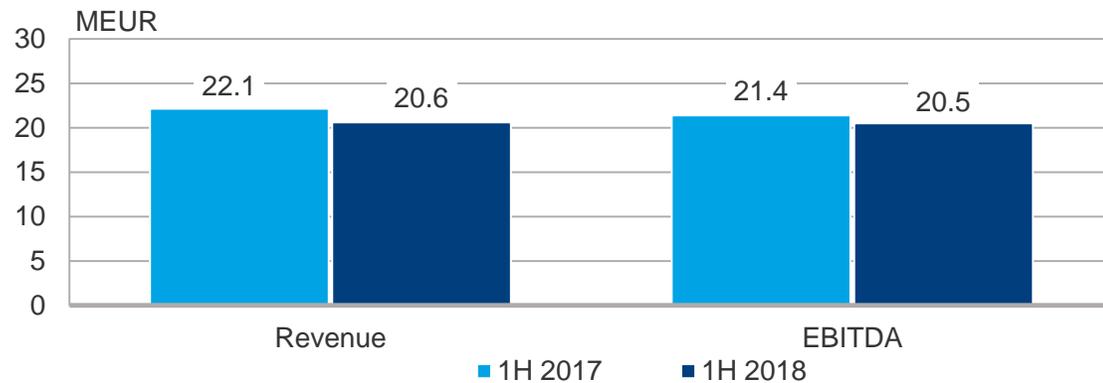
Distribution revenue and EBITDA



Key highlights 1H 2018

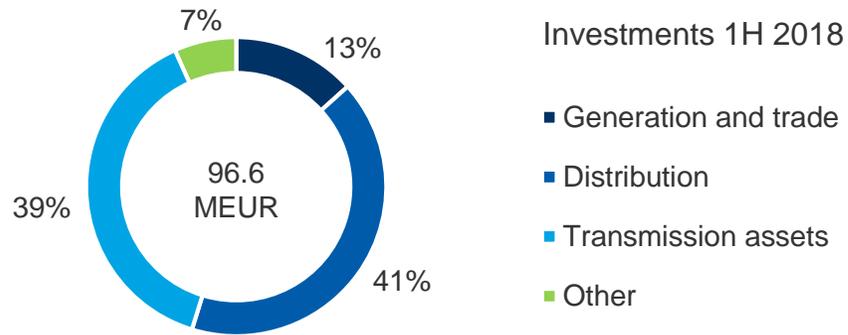
- Electricity distributed – 3,321 GWh (1H 2017: 3,250 GWh)
- 2% larger volume of distributed electricity
- The main activities within the efficiency program initiated in 2017:
 - digitalization
 - process review
 - installation of smart meters
 - decrease of transportation units
 - optimization of the number of real estate bases
 - reduction of the number of employees at the Sadales tīkls AS by 500

Transmission revenue and EBITDA



Investments

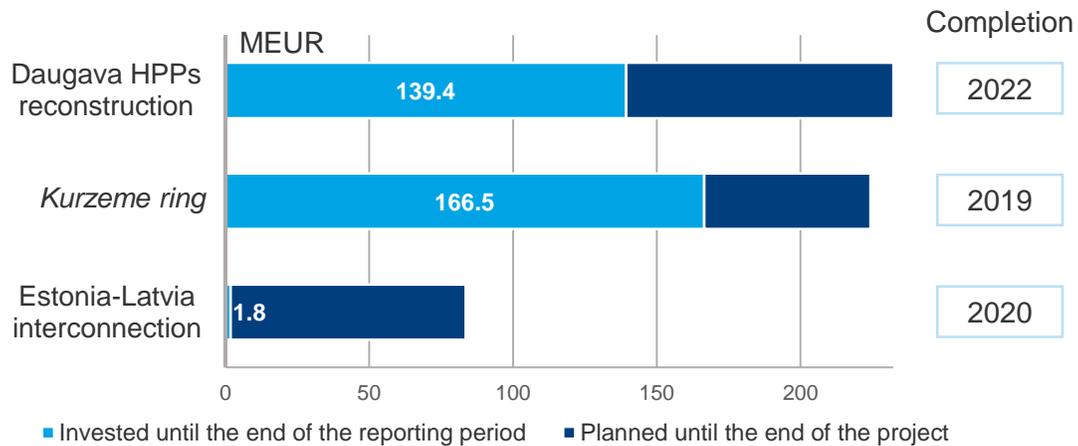
Investment in network assets – 80% of the total



Investments in environmentally friendly projects

- Total investments in 1H 2018 – 96.6 MEUR (1H 2017: 92.8 MEUR) from which:
 - 32 MEUR made in the *Kurzeme Ring* project
 - 11 MEUR made in the Daugava HPPs hydropower unit reconstruction
- Distribution service quality and technical parameters gradually improved by investments in power network assets

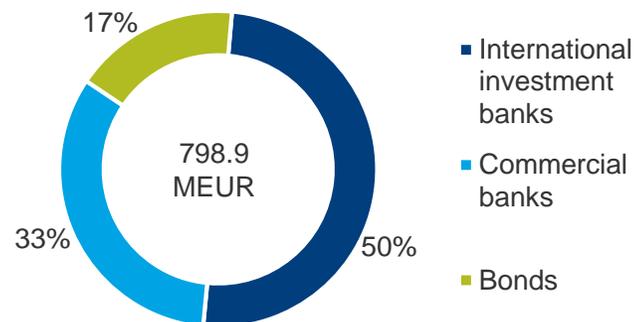
Major investment projects



- The reconstruction will provide for further 40-year operation of hydropower units
- 45% EU co-funding for the final stage of the project
- EU co-funding – 65%

Funding

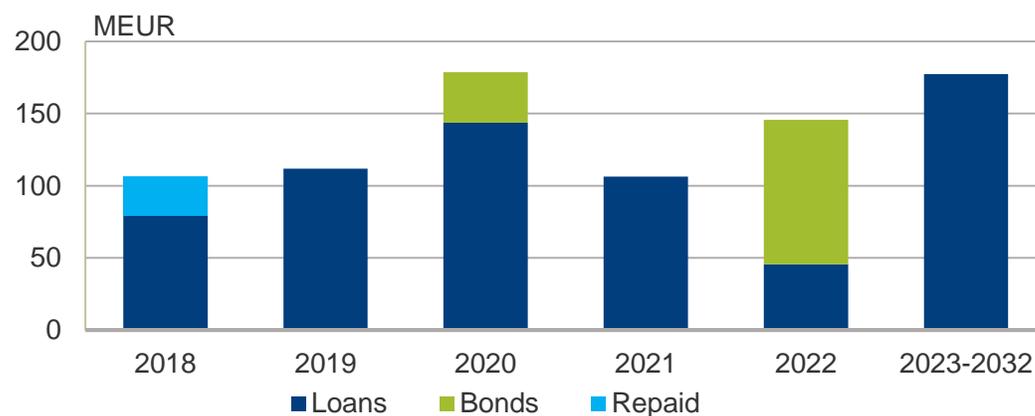
Debt by source of financing



Key highlights

- Total borrowings – 798.9 MEUR (1H 2017 – 747.4 MEUR)
 - incl., bonds – 135 MEUR, of which 100 MEUR *green* bonds
- Moody’s credit rating – Baa2 (stable)
- On 15 June 2018 Moody’s has affirmed the assessment of Latvenergo AS *green* bonds – GB1 (excellent)
- Capital ratio – 61%
- All financial covenants have been met

Debt repayment schedule



Liquidity

Cash and short term bank deposits with maturity up to 3M	187 MEUR
Short term bank deposits with maturity up to 6M	20 MEUR
Investment in liquid financial assets	17 MEUR
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	224 MEUR

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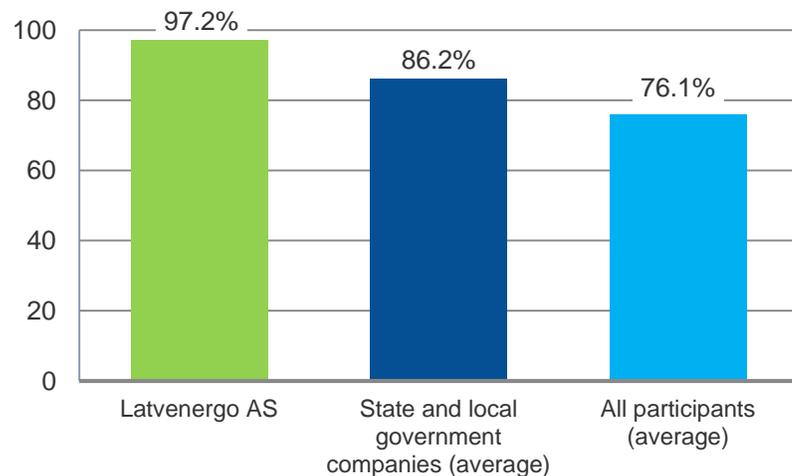
Q&A

Historically highest assessment in Sustainability Index of Latvia

Categories of Sustainability Index and Latvenergo AS performance



Sustainability Index 2018 in comparison



Key highlights

- Assessment of Latvian companies performed by Institute of Corporate Sustainability and Responsibility according to international standards and benchmark
- 80 companies participated in 2018
- 5 areas were evaluated, by resulting in the historically highest assessment of 97.2% for Latvenergo AS in 2018:
 - Strategy – 98.3%
 - Environment – 99.4%
 - Working environment – 93.3%
 - Market relations – 96.5%
 - Society (Local community) – 100%

Summary

Latvenergo Group's profit in 1H 2018 was EUR 97.4 million, which is approximately the same as in the respective period a year ago

Electricity output at the Riga CHPPs increased by 29% - increase is attributed to ability to respond to electricity price increase in region by producing the necessary amount of electricity

The implementation of efficiency programme has been more successful than initially expected

Q&A

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