BASE PROSPECTUS
25 May 2015

Latvenergo AS

Second programme for the issuance of Notes in the amount of EUR 100,000,000

The prospectus relating to a Series of Notes issued under the Programme consists of this Base Prospectus and the Final Terms

Arranger of the Programme
Issuing Agent

AS SEB banka

INFORMATION CONCERNING THE BASE PROSPECTUS

General

In this base prospectus (the "**Base Prospectus**"), any reference to the "**Company**" or the "**Issuer**" means Latvenergo AS and the "**Group**" means Latvenergo AS together with its consolidated subsidiaries. In this Base Prospectus the "**Arranger of the Programme**" and the "**Issuing Agent**" refers to AS SEB banka.

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**€**", "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant, and as defined in Article 2 of the Council Regulation (EC) No.974/98 of 3 May 1998 on the introduction of the euro, as amended, and references to "**LVL**", "**Ls**" or "**lats**" are to the currency of the Republic of Latvia through 31 December 2013. Pursuant to Council Regulation (EU) No 870/2013 of 9 July 2013 amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Latvia an irrevocably fixed conversion rate between EUR and LVL was set at LVL 0.702804 = EUR 1.00.

Items included in this Base Prospectus, as well as in the audited consolidated annual reports of the Group for the years ended 31 December 2013 and 2014 and in the unaudited consolidated interim reports of the Group for the three month period ended 31 March 2014 and 31 March 2015 are measured using the currency of the primary economic environment in which the Group's entity operates (the "**Functional Currency**"). Those items for consolidation purpose are presented in EUR, which is the Issuer's Functional Currency and the Group's presentation currency. All transactions denominated in foreign currencies are translated into the Functional Currency at the exchange rates set by the central bank of the respective primary economic environment in which the respective Group's entity operates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the Functional Currency using the exchange rate set by the central bank of the respective primary economic environment in which the respective Group's entity operates at the last day of the reporting period. The resulting gain or loss is charged to the Consolidated Income Statement. For consolidation purposes the results and financial position of all the Group's entities that had a Functional Currency different from EUR are translated into EUR as follows: (i) assets and liabilities for each financial position presented were translated at the closing rate at the date of that financial position; (ii) income and expenses for each income statement were translated at average exchange rates (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses were translated at the rate on the dates of transactions). With the introduction of EUR in Lithuania from 1 January 2015 the Functional Currency of all of the Group's entities is EUR.

This Base Prospectus has been prepared by the Issuer in accordance with the Financial Instruments Market Law of Latvia and Commission Regulation (EC) No. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses, as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements. The Issuer will, as deemed necessary, supplement the Base Prospectus with updated information pursuant to the Financial Instruments Market Law of Latvia.

This Base Prospectus has been registered with the Latvian Financial and Capital Market Commission and has been validly notified to the Bank of Lithuania (*Lietuvos Bankas*) and the Estonian Financial Supervision Authority (*Finantsinspektsioon*).

The Latvian Financial and Capital Market Commission has approved this Base Prospectus, but is not liable for the correctness of the information presented therein.

This Base Prospectus should be read and construed together with any supplement hereto and with any other documents attached herein and, in relation to any Tranche of Notes, with the Final Terms of the relevant Tranche.

No person has been authorised by the Issuer, the Arranger of the Programme or the Issuing Agent to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Arranger of the Programme or the Issuing Agent.

No representation or warranty, express or implied, is made by the Arranger of the Programme and the Issuing Agent as to the contents of this Base Prospectus, and nothing contained in this Base Prospectus is, or shall be relied upon as, a promise or representation by the Arranger of the Programme or the Issuing Agent in this respect, whether as to the past or the future. The Arranger of the Programme and the Issuing Agent assumes no responsibility for the accuracy or completeness of the information and, accordingly, disclaims to the fullest extent permitted by applicable law, any and all liability which it might otherwise be found to have in respect of this Base Prospectus or any such statement.

The information contained herein is current as of the date of this Base Prospectus. Neither the delivery of this Base Prospectus, nor the offer, sale or delivery of the Notes shall, under any circumstances, create any implication that there has been no adverse changes occurred or events have happened, which may or could result in an adverse effect on the Group's business, financial condition or results of operations and/or the market price of the Notes. Nothing contained in this Base Prospectus constitutes, or shall be relied upon as, a promise or representation by the Issuer, the Arranger of the Programme or the Issuing Agent as to the future.

Forward-Looking Statements

Some of the statements in this Base Prospectus, including statements under the sections "*Risks Related to Macroeconomic Conditions*", "*Risks Related to Business Operations*", and "*Financial Risks*" are based on the Company's Management Board's views and understanding of the Group and its operating environment and on the assumptions made based on the factors known to the Company's Management Board as of the date of this Base Prospectus and thus can be forward-looking statements. Statements which include such words as "believe", "anticipate", "predict", "expect", "will", "would", "could", "consider", "likely", "estimate" or "plan" and variations of such words or any other similar statements identify forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other important factors, as a result of which the Group's actual results, activities or achievements or the actual results, activities or achievements of a business segment of the Group may differ materially from the expressly or indirectly presented results, activities or achievements indicated in the forward-looking statements. Such risks, uncertainties and other important factors include, among others, general economic development, the Group's need for financing, the Group's indebtedness, the Group's liquidity, the development of demand in the Group's products and services, competition, as well as other matters described under the sections "*Risks Related to Macroeconomic Conditions*", "*Risks Related to Business Operations*", and "*Financial Risks*" and forward-looking statements described under the section "*Financial and Trend Information*".

The sections "*Risks Related to Macroeconomic Conditions*", "*Risks Related to Business Operations*" and "*Financial Risks*" include risks, uncertainties and other important factors, which may affect the Group's business operations, financial position and/or business result. The risk factors described in the Base Prospectus do not necessarily include all risks and new risks may surface. If one or more of the risk factors described in this Base Prospectus or any other risk factors or uncertainties would materialise or any of the assumptions made would turn out to be erroneous, the Group's actual business result and/or financial position may differ materially from that anticipated, believed, estimated or expected. It is not the Group's intention, and it will not accept responsibility for updating any forward-looking statements contained in this Base Prospectus, unless required by applicable legislation.

Figures Presented in the Base Prospectus

The figures set out in the financial statements and other figures presented in the Base Prospectus have mainly been rounded off. As a result, the sum of individual figures set out in the tables contained in this Base Prospectus may not always correspond accurately to the sums presented in these tables. In addition, certain percentages have been calculated based on exact figures and thus do not necessarily correspond to the percentages, which would have been the result, if the calculation would have been based on figures that have been rounded off.

Notice to Investors and Restrictions on Distribution

In making an investment decision, prospective investors must rely on their own analysis on the advantages and risks relating to the investment decision. No person has been authorised to provide any information or to make any representation other than as contained in this Base Prospectus. If given or made, such information or representation must not be relied upon as having been authorised by the Issuer. The delivery or display of this Base Prospectus shall not under any circumstances, create any implication that the information contained in the Base Prospectus is correct as of any time subsequent to the date hereof or that the operations of the Issuer have not since changed.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain countries is restricted by law. Any person residing outside the Republic of Latvia, Republic of Lithuania and Republic of Estonia may receive this Base Prospectus only within the limits of applicable special provisions or restrictions. The Issuer requires persons into whose possession this Base Prospectus or any Final Terms comes to inform themselves of and observe all such restrictions. This Base Prospectus and any Final Terms may not be distributed or published in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Latvian laws, including the United States of America, Australia, Canada, Hong Kong and Japan. Neither this Base Prospectus nor any Final Terms constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The Issuer, the Arranger of the Programme and the Issuing Agent or their representatives or advisers do not accept any legal responsibility whatsoever for any such violations, whether or not a prospective investor is aware of such restrictions.

The Notes have not been and will not be registered in accordance with the U.S. Securities Act of 1933 (the "**Securities Act**") or under the securities laws of any state of the United States of America and accordingly, they may not be offered, sold, resold, granted, delivered, allotted, taken up, transferred or renounced, directly or indirectly, in or into the United States of America, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any securities laws of any state of the United States of America.

Unless specifically otherwise stated in this Base Prospectus, the Notes may not be, directly or indirectly, offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Latvian laws including the United States of America, except for the exceptions to registration obligation allowed by the securities laws of the United States of America and its states, Australia, Canada, Hong Kong and Japan. The Issuer, the Arranger of the Programme and the Issuing Agent requires persons into whose possession this Base Prospectus or any Final Terms comes to inform them of and observe all such restrictions. The Issuer, the Arranger of the Programme and the Issuing Agent reserves the right to, respectively, at its sole discretion reject subscription to the Notes, which the Issuer, the Arranger of the Programme and/or the Issuing Agent believes would cause the violation or breach of any law, rule or regulation for the time being in force.

This Base Prospectus has been prepared on the basis that any offer of Notes (other than the offer of Notes in the Republic of Latvia, Republic of Lithuania and Republic of Estonia) will be made pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented in Member States of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer within the EEA of Notes which are the subject of an offering contemplated by the relevant Final Terms (other than the offer of Notes in the Republic of Latvia, Republic of Lithuania and Republic of Estonia) may only do so in circumstances in which no obligation arises for the Issuer or the Issuing Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Issuing Agent have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Issuing Agent to publish or supplement a prospectus for such offer.

In relation to each Member State of the EEA (other than the Republic of Latvia, Republic of Lithuania and Republic of Estonia) that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), an offer to the public of any Notes may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the Issuer or the Issuing Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measures in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

TABLE OF CONTENTS

SUMMARY

This summary is made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A-E (A.1-E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and the issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary together with a statement of that the Element is not applicable.

Section A - Introduction and warnings

A.1	**Warning**	This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including the documents attached to the Base Prospectus, and the Final Terms of the relevant Notes. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Consent to use the Base Prospectus**	Throughout the period of the validity of the Base Prospectus AS SEB banka (registration number: 40003151743, legal address: Meistaru 1, Valdlauči, Ķekava parish, Ķekava region, LV-1076, Latvia) and its sub-agents (as specified in the applicable Final Terms) subsequently reselling or finally placing the Notes issued under the Programme are entitled to use the Base Prospectus: - in the Republic of Latvia, Republic of Lithuania and Republic of Estonia where the public offering of the Notes to institutional and retail investors takes place; and - in Member States of the European Economic Area where the private placement of the Notes to institutional investor takes place pursuant to an exemption under Article 3 of the Prospectus Directive (Directive 2003/71/EC), as implemented by the respective Member States of the European Economic Area; for the subsequent resale or final placement of the relevant Notes during the respective offer period (as determined in the applicable Final Terms) during which subsequent resale or final placement of the relevant Notes can be made. The Issuer accepts responsibility for the information given in the Base Prospectus also with respect to such subsequent resale or final placement of the relevant Notes. ***Issue specific summary:*** Sub-agents of the Issuing Agent:[●] The Base Prospectus may only be delivered to potential investors together with all supplements (if any) published before such delivery. The Base Prospectus and any supplement to the Base Prospectus are available for viewing in electronic form on the website of the Issuer www.latvenergo.lv. When using the Base Prospectus, AS SEB banka and its sub-agents must make certain that they comply with all applicable laws and regulations in force in the respective jurisdictions.

In the event of an offer being made by AS SEB banka and/or its sub-agents, AS SEB banka and/or its sub-agents will provide information to investors on the terms and conditions of the Notes at the time of that offer.

Section B - Issuer

B.1	**Legal and commercial name**	The Issuer's legal and commercial name is Akciju sabiedrība Latvenergo.
B.2	**The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation**	The Issuer is a public limited company (*akciju sabiedrība*) incorporated pursuant to the laws of the Republic of Latvia on 8 October 1991. The Issuer is registered with the Commercial Register of the Republic of Latvia under the registration number 40003032949 and its registered address is Pulkveža Brieža 12, Riga, LV-1230, Latvia (telephone number +371 67 728 222). The Issuer operates according to the legislation of the Republic of Latvia. The main legal acts of the Republic of Latvia which regulate the operations of the Issuer are: - the Commercial Law (*Komerclikums*); - the Law on the Management of Public Persons' Capital Shares and Capital Companies (*Publiskas personas kapitāla daļu un kapitālsabiedrību pārvaldības likums*); - the Energy Law (*Enerģētikas likums*); and - the Electricity Market Law (*Elektroenerģijas tirgus likums*).
B.4b	**A description of any known trends affecting the issuer and the industries in which it operates**	At the date of this Base Prospectus there are no information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's or the Group's prospects and the industries in which the Issuer or the Group operates in the financial year of 2015.
B.5, B14	**If the issuer is part of a group, a description of the group and the issuer's position within the group If the issuer is dependent upon other entities within the group, this must be clearly stated**	The Issuer is a parent company of the Group. As at the date of the Base Prospectus the Group includes the Issuer and its seven subsidiaries: - five companies incorporated in Latvia: Latvijas elektriskie tīkli AS (100 per cent), Sadales tīkls AS (100 per cent), Enerģijas publiskais tirgotājs AS (100 per cent), Elektrum Latvija SIA (100 per cent subsidiary of Elektrum Eesti OÜ) and Liepājas enerģija SIA (51 per cent); - Elektrum Lietuva UAB (100 per cent) incorporated in Lithuania; and - Elektrum Eesti OÜ (100 per cent) incorporated in Estonia. The Issuer is a shareholder in one associated company Pirmais Slēgtais Pensiju Fonds AS (the Issuer's shareholding is 46.3 per cent and the Group's shareholding is 48.15 per cent). The Issuer has also a financial investment in Rīgas Siltums AS (0.005 per cent).
B.9	**Where a profit forecast or estimate is made, state the figure**	Not applicable. The Issuer has not made any profit forecast or profit estimate in this Base Prospectus.
B.10	**A description of the nature of any qualifications in the audit report on the historical financial information**	Not applicable. None of the audit reports on the Group's audited consolidated annual reports for the years ended 31 December 2013 and 2014 includes any qualifications.

B.12 **Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information**

The following summary of the Group's consolidated financial performance and key performance indicators for the two financial years ended 31 December 2013 and 2014 and two interim periods ended 31 March 2014 and 31 March 2015 respectively has been extracted, without any material adjustment, from the Group's consolidated financial statements in respect of those dates and periods.

		Year ended 31 December		**Three months ended 31 March**	
		2013	**2014**	**2014**	**2015**
		(Audited)		*(Unaudited)*	
Key Financial data (the Group)					
Revenue	€ million	1,100	1,011	324	260
EBITDA	€ million	249	237	83	95
Profit	€ million	46	30	31	39
Total assets	€ million	3,575	3,487	3,598	3,527
Total equity	€ million	2,022	2,021	2,050	2,059
Net Debt	€ million	689	706	680	689
Investments	€ million	225	178	27	25
Capital ratio	per cent	57	58	57	58
EBITDA margin	per cent	23	23	24	26
Net debt/EBITDA		2.8	3.0	2.5	2.8
Operating Figures (the Group)					
Retail electricity supply	GWh	7,954	8,688	2,488	2,132
Electricity generation	GWh	4,854	3,625	1,192	1,027
Thermal energy supply	GWh	2,517	2,442	1,077	990
Distributed electricity	GWh	6,447	6,421	1,724	1,795

A statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements or a description of any material adverse change

There has been no material adverse change in the prospects of the Issuer or the Group since the date of the audited consolidated annual report of the Group for 2014.

A description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information

There has been no material adverse change in the Issuer's or the Group's financial or trading position since 31 March 2015.

B.13 **A description of any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency**

Not applicable. There have not been any recent material events that would be relevant for assessing solvency of the Issuer and the Group.

B.15 **A description of the issuer's principal activities**

The operations of the Group are organised along three operating segments: generation and supply, distribution and management of transmission system assets.

The generation and supply segment includes generation of electricity and thermal energy, conducted by the Issuer and Liepājas enerģija SIA, as well as electricity wholesale and retail in the Baltics carried out by the Issuer and the Issuer's subsidiaries Elektrum Eesti OÜ and Elektrum Lietuva UAB. As of 1 April 2014, the functions of

		public trader are handled by the Issuer's subsidiary Enerģijas publiskais tirgotājs AS. *The distribution segment* provides electricity distribution services in Latvia. Services are provided by Sadales tīkls AS – the largest distribution system operator in Latvia. *The management of the transmission system assets segment* is ensured by Latvijas elektriskie tīkli AS. The Republic of Latvia has applied the second unbundling model under EU Directive 2009/72/EC, which provides that the electricity transmission system assets shall remain with a vertically integrated utility, while the activities of the transmission system operator are independently managed. The assets are leased out to the Latvian transmission system operator – Augstsprieguma tīkls AS.
B.16	**To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control**	The Issuer is incorporated as a public limited company (*akciju sabiedrība*) under the laws of the Republic of Latvia. The Republic of Latvia is the sole shareholder of the Issuer. The Ministry of Economics of the Republic of Latvia holds all the shares in the Issuer on behalf of the Republic of Latvia.
B.17	**Credit ratings assigned to the issuer or its debt securities at the request or with co-operation of the issuer in rating process**	The Issuer is rated Baa2 with a stable outlook by Moody's Investors Service. The rating and outlook was upgraded on 16 February 2015. The Series of Notes issued under the Programme may be rated or unrated. If rated, such ratings will not necessarily be the same as the rating assigned to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. ***Issue specific summary:*** The Notes to be issued [are not/have been/are expected to be] rated [by:[●]]

Section C - Securities

C.1	**A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number**	Unsecured Notes with an aggregate nominal value up to EUR 100,000,000. The Notes are dematerialized debt securities in bearer form. The Notes will be issued in Series. Each Series may comprise one or more Tranches. The Notes of each Series will all be subject to identical terms, except that the Issue Dates and the Issue Prices thereof may be different in respect of different Tranches. In order to identify each Series and Tranches, the Final Terms shall stipulate a serial number of a respective Series and a serial number of a respective Tranche. ***Issue specific summary:*** Series Number: [●] Tranche Number: [●] Before commencement of the offering of the Notes of the first Tranche of each Series, an ISIN code will be assigned to the respective Series. Where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the existing Tranche, the Notes of such further Tranche shall be assigned a temporary ISIN code which is different from the ISIN code assigned to the relevant Series until such time as the Tranches are consolidated and form a single Series.

		Issue specific summary: ISIN Code: [[●]]/[Temporary ISIN Code: [●]. Upon admission of the Notes to the regulated market the Notes will be consolidated and form a single series with [●] and will have a common ISIN code [●]]
C.2	**Currency of the securities issue**	EUR
C.5	**A description of any restrictions on the free transferability of the securities**	The Notes are freely transferable securities. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Latvian laws, including the United States of America, Australia, Canada, Hong Kong and Japan.
C.8, C.9	**A description of the rights attached to the securities including** • **ranking** • **limitations to those rights** • **the nominal interest rate** • **the date from which interest becomes payable and the due dates for interest** • **where the rate is not fixed, description of the underlying on which it is based** • **maturity date and arrangements for the amortisation of the loan, including the repayment procedures** • **an indication of yield** • **name of representative of debt security holders**	**Ranking** The Notes constitute direct, unsecured and unguaranteed obligations of the Issuer, ranking *pari passu* without any preference among each other and with all unsecured, unguaranteed and unsubordinated indebtednesses of the Issuer, save for such obligations as may be preferred by mandatory provisions of the law. **Issue Price** The Notes may be issued at their nominal amount or at a discount or a premium to their nominal amount. **Interest rate** The Notes shall bear interest at fixed Annual Interest Rate. The interest on the Notes will be paid annually on the dates specified in the Final Terms. Interest shall accrue for each interest period from and including the first day of the interest period to (but excluding) the last day of the interest period on the principal amount of the Notes outstanding from time to time. The first interest period commences on the Issue Date and ends on the first Interest Payment Date. Each consecutive interest period begins on the previous Interest Payment Date and ends on the following Interest Payment Date. The last interest period ends on the Maturity Date. Interest in respect of the Notes will be calculated on the basis of the actual number of days elapsed in the relevant interest period divided by 365 (or, in the case of a leap year, 366), i.e. a day count convention Act/Act (ICMA) will be used. ***Issue specific summary:*** Interest Payment Date: [●] each year **Indication of Yield** An expected Yield to Maturity Range for the Notes being offered will be specified in the Final Terms. However, during the Placement Period of the Notes the Issuer has a right to update the expected Yield to Maturity Range. **Determination of the Final Yield to Maturity, Interest Rate and Issue Price** The Final Yield to Maturity will be determined after the Placement Period on the basis of submitted Purchase Orders of the investors. The Final Yield to Maturity shall be the same for all investors acquiring the Notes of the respective Tranche during the offering. The established Final Yield to Maturity shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors. ***Issue specific summary:*** Final Yield to Maturity: [●] The Annual Interest Rate (the coupon) shall be set by rounding down the Final Yield to Maturity to the nearest tenth of the rounded digit (which itself is set in percentage terms). The established Annual Interest Rate shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

Issue specific summary:
Annual Interest Rate: [●]

The Issue Price of the Notes shall be established according to a formula provided in the Final Terms of the relevant Tranche and shall be rounded to the nearest thousandth of the rounded digit under arithmetic rounding rules. The established Issue Price shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

Issue specific summary:
Formula for calculation of the Issue Price: [●]

Issue specific summary:
Issue Price: [●]

Final Terms containing information about the established Annual Interest Rate, Issue Price, the aggregate principal amount of the respective Tranche and definitive amount of the Notes to be issued will be published on the Issuer's website www.latvenergo.lv and submitted to the Financial and Capital Market Commission after allotment of the Notes to the investors.

Maturities
Each Series of Notes may have a maturity between 1 (one) and 15 (fifteen) years or such other maturity as the Issuer decides, but in any case not shorter than 12 (twelve) months.

Issue specific summary:
Maturity Date: [●]

Redemption
The Notes shall be repaid in full at their nominal amount at the Maturity Date. The Issuer does not have a right to redeem the Notes prior to the Maturity Date, unless the Issuer has prepaid the Notes in case of Change of Control or an Event of Default or in case the Noteholders' Meeting, upon proposal of the Issuer, has decided that the Notes shall be redeemed prior to the Maturity Date.

Representative of debt security holders
The rights of the Noteholders to establish and/or authorize an organization/person to represent interests of all or a part of the Noteholders are not contemplated, but, on the other hand, these are not restricted. The Noteholders should cover all costs/fees of such representative(s) by themselves.

C.10	**If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident**	Not applicable. The Notes have no derivative component in the interest payment.
C.11	**Indication as to whether the**	The Issuer will submit an application regarding inclusion of each Tranche in the official list of AS NASDAQ OMX Riga. An application will be prepared according to the

	securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question	requirements of AS NASDAQ OMX Riga and will be submitted to AS NASDAQ OMX Riga within 3 (three) months after the Issue Date of the respective Tranche.

Section D - Risks

D.2	**Key information on the key risks that are specific to the issuer**	**Risks Related to Macroeconomic Conditions** • The Group's expansion into neighbouring energy markets and the Group's integration into international business processes creates growing exposures of the Group's business and financial results to regional and international macroeconomic developments. • An unexpected downturn in the economy as well as a slower than expected economic growth or political instability (e.g. due to potential Greece default or further Russian-Ukrainian crisis escalation) could have an impact on the Group's customers and may negatively affect the Group's growth and results of operations through reduced electricity consumption. **Risks Related to Business Operations** • The sole shareholder of the Issuer is the Republic of Latvia. Certain and substantial shareholder's decisions alternating the Group's strategy or decisions in respect of dividend policy, capital structure and other relevant decisions could have a material adverse effect on the Group. In addition, the reinstatement of the Supervisory Board of the Issuer may result in changes to the Group`s strategy and other key areas of the Group's operations. Considering that the term of office for all current members of the Issuer`s Management Board expires on 15 November 2015, the possible replacement of some or all current members of the Issuer's Management Board may negatively influence the Issuer's currently selected strategic direction, development plans, goals and policies, thus adversely affecting the Group. • The Group's revenues in regulated markets are highly dependable on tariffs approved by the Public Utilities Commission and/or regulated by legislative acts of the Republic of Latvia. There are risks that not all costs will be covered by such regulated tariffs. Besides, there is a risk of material adverse effect on the Group due to delayed regulatory decisions by respective state authorities or due to changes in local or EU legislative environment governing relevant regulatory matters. In addition, there is a risk that the approval of the state budget grant aimed at limiting an increase in the mandatory procurement public service obligation fee may be delayed or not approved by the European Commission, which could result in incurred mandatory procurement costs not being recoverable. A materialisation of any of these risks may have material adverse effect on the Group's financial position. • The electricity market liberalization in the Baltic countries is expected to be completed in the coming years. The market liberalization creates a more competitive environment with an increased number of market participants, which may reduce the Group's market share, as well as affect the pricing and

the Group’s business and financial position. There is also a risk of the Group incurring long-term losses due to incorrect market entry and expansion strategy.

- The market share in the Baltic countries indicates the Group’s current standing, but there is a risk that the market share may decrease or the Group may be unable to attain anticipated market share growth thus causing adverse effects on the Group’s business and financial position. Furthermore, the Company could exit any of its markets for economic, strategic or other reasons. This may affect the Group’s operations and financial position.

- The Group’s electricity generation portfolio does not fully cover the needs of the electricity supply portfolio, thus throughout the year approximately half of the Group’s annual electricity supply to the retail sector is subject to price volatility risk in the electricity wholesale market. The Group uses financial derivatives to mitigate electricity price risk for a part of its supply portfolio. Due to low liquidity in the current electricity derivatives’ market of the Baltic region, the availability of hedging instruments is limited and hedging costs are high. There is a risk that hedging will not provide the required efficiency. This may have material adverse effect on the Group`s financial position.

- The ability of the Group to attain short-term goals and long-term strategic targets is partially dependent on the legislative environment. Matters that may have a material effect on the Group’s business and financial position include, but are not limited to, supply of electricity to vulnerable customers (poor or low-income persons, large families); feed–in tariff policy for environment friendly generation sources; state or EU regulations on technical, market integrity and transparency, competition, safety and environmental protection issues; decisions of certain market supervising institutions (such as the Public Utility Commission, the Competition Council, the State Revenue Service etc.).

- The Group’s core business operations are partially influenced by weather conditions. Due to this, the Group’s overall financial position may be influenced by seasonality, weather fluctuations, as well as long-term shifts in climate.

- The Issuer is, as a potential investor, involved in the negotiations of a nuclear power plant project. Besides the nuclear power plant project, the Group may review its participation in other extensive investment projects that may increase the Group’s exposure to operational and/or financial risk levels or may negatively impact the Group’s value or reputation, thus creating adverse effect on the Group’s business and financial position.

- Due to the fact that the electricity transmission system assets in Latvia are owned by the Group, but operated by a third party – Latvian transmission system operator Augstsprieguma tīkls AS, there is a risk that the transmission system operator provides in its long-term plans insufficient investments to maintain the existing value of the assets, thus reducing their value and causing losses to the Group. In addition, if EU funds financing of these assets falls below expected levels, the Group may need to increase its financing share in the existing transmission system asset construction projects, which would reduce funds available for other projects or could result in increased debt levels.

- An expected new entrant in the heat market using biomass as fuel in the production process may reduce the workloads of the Issuer’s combined heat and power plants, and thus also reducing the heat supply by the Issuer. This could, particularly in light of the comparatively higher variable costs for gas fuelled plants, have a material adverse effect on general operations of the Group, as well as the Group’s business.

- In addition to the aforementioned risks, the Group's business and financial position may be negatively affected by counterparty risk, asset damage risk, litigation and dispute risk, resource risk, execution of investment projects risk, distribution system investment risk, sovereign debt crisis risk, environmental, health and safety risk, and tax risk.

Financial Risks

- The violation of the financial covenants or certain other obligations and representations under loan agreements and/or documentation in relation to outstanding bonds, may lead to an event of default and acceleration of the loans and/or redemption of the previously issued bonds. Due to the cross default clauses in loan agreements and bond documentation, the Issuer may need to refinance substantial parts of its outstanding debt.

- A downgrade of the Issuer's credit rating may increase its costs of funding and/or reduce its access to funding and may require the Issuer to provide additional security for contracts which may increase the cost of transactions.

- In addition to the aforementioned risks, the Group's business and financial position may be negatively affected by interest rate risk and liquidity risk.

D.3	**Key information on the key risks that are specific to the securities**	• The Notes may not be a suitable investment for all investors. Thus, each potential investor in the Notes must assess the suitability of that investment in light of its own circumstances, including the effects on the value of such Notes and the impact this investment will have on its overall investment portfolio. • The Notes, if issued to finance projects eligible under the Issuer`s Green Bond Framework, may not be a suitable investment for all investors seeking exposure to green assets. In connection with the issuance of the Notes which purpose is to finance projects eligible under the Issuer's Green Bond Framework, the Center for International Climate and Environmental Research - Oslo, a Norwegian independent institute for interdisciplinary climate research, is expected to issue a second-party opinion regarding the suitability of the Notes as an investment in connection with certain environmental and sustainability criteria and such second-party opinion is not incorporated into and does not form a part of the Base Prospectus. No representation is made as to the suitability of such opinion or the Notes to fulfil environmental and sustainability criteria. Such opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors and other factors that may affect the value of the Notes, it is not a recommendation to buy, sell or hold securities. It will not be an event of default under the General Terms and Conditions of the Notes if the Issuer fails to comply with certain reporting obligations and use of proceeds in connection with such opinion. A withdrawal of the opinion may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. • The investors may forfeit the interest and principle amount invested, in case the Issuer becomes insolvent or legal protection proceedings or out-of-court legal protection proceedings of the Issuer are initiated. • The Notes will be unsecured obligations of the Issuer, without any additional guarantees and securities; in case of the Issuer's insolvency the Noteholders will become unsecured creditors. • Due to the fact that in accordance with the Latvian laws certain key-assets of the Issuer can only be owned by the Issuer or its wholly-owned subsidiaries, claims will not be enforceable against such assets.

- Any adverse change in the financial condition or prospects of the Issuer may have a material adverse effect on the liquidity of the Notes, and may result in a material decline in their market price, and thus may affect prompt and full payment to the Noteholders.

- The Issuer's ability to successfully refinance its debts is dependent on the conditions of the debt capital markets and its financial condition at such time. Even if the debt capital markets improve, the Issuer's access to financing sources at a particular time may not be available on favourable terms, or at all. The Issuer´s inability to refinance its debt obligations on favourable terms, or at all, could have a negative impact on the Group's operations, financial condition, earnings and on the Noteholders' recovery under the Notes.

- The Notes constitute a new issue of securities by the Issuer, thus it is possible that an active market for the Notes may not develop or may not be maintained, as well as it may be affected by the changes in market and economic conditions, financial conditions and prospects of the Issuer, which accordingly may have an impact on the liquidity and market price of the Notes.

- The Notes will bear interest at a fixed interest rate, which accordingly exposes a risk that a price of such security may be affected by the changes in the market interest rate. Also inflation may result in a decline of the market price of the Notes, as it decreases the purchasing power of a currency unit and respectively the received interest.

- The payments on the Notes will be made in EUR, accordingly the fluctuations in exchange rates and interest rates may adversely affect the value of the Notes, if the investor's financial activities are denominated principally in another currency unit. The government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect the applicable exchange rate. In addition, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

- The Notes will be affiliated to the Latvian Central Depository's account-based system, and no physical notes will be issued. Clearing and settlement relating to the Notes will be carried out within the LCD's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of the LCD's account-based system.

- In case the Notes are rated by independent credit rating agencies, such ratings may not reflect the potential impact of all risks related to the Notes, as well as it may be revised or withdrawn by the rating agency at any time. In addition, any adverse change in an applicable credit rating of the Issuer could also adversely affect the trading price of the Notes.

- The Notes are governed by the laws of the Republic of Latvia, as in force from time to time, which may change during the life of the Notes, thus no assurance can be given as to the impact of any such possible change of laws or regulations. Hence, such changes may have a material adverse effect on the Issuer, as well as the Notes.

- The investment activities of certain investors are subject to legal investment laws and regulations, or reviews or regulations by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Notes are legal investment for the investor, use of the Notes as a collateral, as well as if there are no other restrictions applicable for the purchase or pledge of the Notes.

- The Notes do not contain covenants governing the Issuer's operations and do not limit its ability to merge, to sell the assets or otherwise effect significant transactions that may have a material adverse effect on the Notes and the Noteholders. Thus, in the event that the Issuer enters into such a transaction, Noteholders could be materially adversely affected. Furthermore, subject to the relevant amendments to the law, the current shareholder of the Issuer may dispose any or all of its shareholding.

- There is a risk that the market value of the Notes is higher than the early redemption amount following a Change of Control and that it may not be possible for Noteholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. It is further possible that the Issuer will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Notes.

- Only the shareholder of the Issuer has voting rights in the Shareholder' Meetings of the Issuer. The Notes carry no such voting rights. Consequently, the Noteholders cannot influence any decisions by the Issuer's shareholders concerning, for instance, the capital structure of the Issuer.

- The decisions of the Noteholders' Meeting (including amendments to the General Terms and Conditions of the Notes) will be binding to all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

- The Issuer is not prohibited from issuing further debt. This, accordingly, may increase the number of claims that would be entitled to share rateably with the Noteholders in any proceeds distributed in connection with an insolvency of the Issuer. Further, any provision which confers, purports to confer, or waives a right to create security interest in favour of third parties, such as a negative pledge, is ineffective against third parties, thus such security interest in favour of a third party, even if created in breach of the Issuer`s obligations and undertakings herein, would be a valid and enforceable security interest over the pledged asset.

- The Issuing Agent has engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Group in the ordinary course of business. In particular, it should be noted that the Issuing Agent may be a lender under certain credit facilities with a member of the Group as borrower. Therefore, conflicts of interest may exist or may arise as a result of the Issuing Agent having previously engaged, or will in the future engage, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

- The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Notes may not offer or sell the Notes in the United States. The Issuer has not undertaken to register the Notes under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered the Notes under any other country's securities laws, other than laws of the Republic of Latvia. Each potential investor should be aware of the transfer restrictions that apply to the Notes. It is the Noteholder's obligation to ensure that the offers and sales of the Notes comply with all applicable securities laws.

Section E - Offer

E.2b	**Reasons for the offer and use of proceeds when**	The net proceeds of the issue of Notes will be used by the Issuer for its general corporate purposes. If in respect of any particular Series of Notes, there is a

	different from making profit and/or hedging certain risks	particular identified use of proceeds, this will be stated in the relevant Final Terms. ***Issue specific summary*:** [The net proceeds of the issue of each Tranche will be used by the Issuer for its general corporate purposes] / [The net proceeds of the issue of each Tranche will be used by the Issuer for [●]].
E.3	**A description of the terms and conditions of the offer**	**The Arranger of the Programme and the Issuing Agent** The Arranger of the Programme and the Issuing Agent is AS SEB banka (registration number: 40003151743, legal address: Meistaru 1, Valdlauči, Ķekava parish, Ķekava region, LV-1076, Latvia). **Issue Date** The Issue Date will be specified in the Final Terms of the respective Tranche. ***Issue specific summary:*** Issue Date: [●] **Aggregate principal amount** The aggregate principal amount of each Tranche shall be initialy specified in the Final Terms. The Issuer may increase or decrease the aggregate principal amount of a Tranche as initially set out in the Final Terms during the Placement Period of that Tranche. ***Issue specific summary:*** Aggregate principal amount: [EUR [●] [in addition to [●]]] **Nominal amount of the Note** The nominal amount of each Note will be at least EUR 1,000. ***Issue specific summary:*** Nominal amount of the Note: [●] **Minimum Investment Amount** The Notes will be offered for subscription in a Minimum Investment Amount which will be specified in the Final Terms. ***Issue specific summary:*** Minimum Investment Amount: [●] **Placement Period** Placement Period for each Tranche will be specified in the Final Terms. ***Issue specific summary:*** Placement Period: [●] **Covenants** Change of Control, Negative Pledge, Cross Default and others. **Depository** The Notes will be book-entered within Latvian Central Depository (*Latvijas Centrālais depozitārijs AS*). **Governing law** Latvian Law.
E.4	**A description of any interest that is material to the issue/offer including conflicting**	Save for commissions to be paid to the Arranger of the Programme and the Issuing Agent, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue/offer, nor any conflicting interests.

	interests	
E.7	**Estimated expenses charged to the investor by the issuer or offeror**	No expenses or taxes will be charged to the investors by the Issuer in respect to the issue of the Notes. However, the investors may be obliged to cover expenses which are related to the opening of the securities accounts with credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the investor's purchase or selling orders of the Notes, the holding of the Notes or any other operations in relation to the Notes. Neither the Issuer, nor the Arranger of the Programme or the Issuing Agent will compensate the Noteholders for any such expenses.

KOPSAVILKUMS

Šis kopsavilkums ir sagatavots, pamatojoties uz informācijas prasībām, kas apzīmētas kā "**Elementi**". Šie Elementi ir sagrupēti sadaļās A-E (A.1 – E.7). Šis kopsavilkums ietver visus Elementus, kas jāiekļauj kopsavilkumā par šāda veida vērtspapīriem un emitentu. Tā kā atsevišķus Elementus nav nepieciešams ietvert kopsavilkumā, ir iespējamas atkāpes Elementu numerācijas kārtībā. Pat, ja kāda Elementa ietveršanu kopsavilkumā paredz vērtspapīru veids un emitents, pastāv iespēja, ka attiecīgo informāciju par konkrēto Elementu nav iespējams sniegt. Šādā gadījumā kopsavilkumā tiek ietverts īss Elementa apraksts kopā norādi, ka Elements nav piemērojams.

A daļa - Ievads un brīdinājumi

A.1	**Brīdinājums**	Šis kopsavilkums ir jāskata kā Pamatprospekta ievads un, pieņemot ikvienu lēmumu veikt ieguldījumu Obligācijās, ieguldītājam jāapsver Pamatprospekts kopumā, ieskaitot tam pievienotos dokumentus un konkrēto Obligāciju Galīgos Noteikumus. Gadījumā, ja kādas dalībvalsts tiesā tiek iesniegta prasība saistībā ar Pamatprospektā ietverto informāciju, prasītājam, atbilstoši attiecīgās dalībvalsts, kurā iesniegta prasība, tiesību aktiem, var tikt pieprasīts segt Pamatprospekta tulkošanas izmaksas pirms šādas tiesvedības uzsākšanas. Civiltiesiskā atbildība tiek piemērota tikai tām personām, kas iesniegušas kopsavilkumu kopā ar tā tulkojumu, bet tikai tādos gadījumos, kad kopsavilkums ir maldinošs, neprecīzs vai nekonsekvents, ja to skata kopā ar citām Pamatprospekta daļām, vai, ja to skatot kopā ar citām Pamatprospekta daļām, tas nesniedz būtiskāko informāciju, kas palīdzētu ieguldītājam pieņemt lēmumu veikt ieguldījumu šādos vērtspapīros.
A.2	**Piekrišana Pamatprospekta izmantošanai**	Visā Pamatprospekta derīguma termiņā AS „SEB banka" (reģistrācijas numurs: 40003151743, juridiskā adrese: Meistaru iela 1, Valdlauči, Ķekavas pagasts, Ķekavas novads, LV-1076, Latvija) un tās piesaistītie aģenti (kā norādīts attiecīgajos Galīgajos Noteikumos), kas veic Programmas ietvaros emitēto Obligāciju tālākpārdošanu vai galīgo izvietošanu, ir tiesīgi izmantot šo Pamatprospektu: - Latvijas Republikā, Lietuvas Republikā un Igaunijas Republikā, kur tiek veikts Obligāciju publiskais piedāvājums institucionālajiem un privātajiem ieguldītajiem; un - Eiropas Ekonomikas zonas (EEZ) dalībvalstīs, kurās tiek veikta Obligāciju privāta izvietošana institucionālajiem ieguldītājiem atbilstoši Prospektu direktīvas (2003/71/EK) 3.pantā paredzētajiem izņēmumiem, kā tos ir ieviesušas attiecīgās EEZ dalībvalstis; saistībā ar Obligāciju tālākpārdošanu vai galīgo izvietošanu attiecīgā piedāvājuma termiņā (kā noteikts attiecīgajos Galīgajos Noteikumos), kurā ir iespējama Obligāciju turpmākā tālākpārdošana vai galīgā izvietošana. Emitents uzņemas atbildību par Pamatprospektā ietverto informāciju arī attiecībā uz Obligāciju turpmāko tālākpārdošanu vai galīgo izvietošanu. ***Konkrētās emisijas kopsavilkums:*** Emisijas Aģenta piesaistītie aģenti [●] Pamatprospekts var tikt iesniegts potenciālajiem ieguldītājiem tikai kopā ar visiem Pamatprospekta papildinājumiem (ja piemērojams), kas ir publicēti pirms šādas iesniegšanas. Pamatprospekts un visi tā papildinājumi ir publicēti Emitenta interneta vietnē www.latvenergo.lv. Kad tiek izmantots Pamatprospekts, AS „SEB banka" un tās piesaistītiem aģentiem ir jāpārliecinās, ka to darbības atbilst visām attiecīgajā jurisdikcijā spēkā esošo piemērojamo tiesību aktu un noteikumu prasībām.

Ja piedāvājumu izsaka AS „SEB banka" un/vai tās piesaistītie aģenti, tad AS „SEB banka" un/vai tās piesaistītie aģenti piedāvājuma izdarīšanas brīdī iesniegs ieguldītājiem informāciju par Obligāciju piedāvājuma noteikumiem.

B daļa - Emitents

B.1	**Juridiskais nosaukums un komercnosaukums**	Emitenta juridiskais nosaukums un komercnosaukums ir Akciju sabiedrība „Latvenergo".
B.2	**Emitenta juridiskā adrese, juridiskā forma, tiesību akti, pēc kuriem emitents veic darbību, dibināšanas valsts**	Emitents ir akciju sabiedrība, kas dibināta saskaņā ar Latvijas Republikas tiesību aktiem 1991.gada 8.oktobrī. Emitents ir reģistrēts Latvijas Republikas Komercreģistrā ar reģistrācijas numuru 40003032949, juridiskā adrese: Pulkveža Brieža iela 12, Rīga, LV-1230, Latvija (telefona numurs +371 67 728 222). Emitents īsteno savu darbību atbilstoši Latvijas Republikas tiesību aktiem. Galvenie Latvijas Republikas tiesību akti, kas regulē Emitenta darbību ir: - Komerclikums; - Publiskas personas kapitāla daļu un kapitālsabiedrību pārvaldības likums; - Enerģētikas likums; un - Elektroenerģijas tirgus likums.
B.4 b	**Emitentu un nozaru, kurā tas darbojas, ietekmējošo identificēto tendenču apraksts**	Šī Pamatprospekta sagatavošanas dienā nav informācijas par jebkādām identificētām tendencēm, neskaidrībām, prasījumiem, saistībām vai notikumiem, kas 2015.finanšu gadā potenciāli varētu būtiski ietekmēt Emitenta vai Koncerna nākotnes perspektīvas vai arī nozares, kurās Emitents vai Koncerns īsteno darbību.
B.5, B14	**Gadījumā, ja emitents ir koncerna dalībnieks – koncerna apraksts un emitenta stāvoklis koncernā. Informācija par to vai emitents ir atkarīgs no juridiskām personām koncernā.**	Emitents ir Koncerna mātes sabiedrība. Šī Pamatprospekta sagatavošanas dienā Koncerns sastāv no Emitenta un tās septiņām meitas sabiedrībām: - piecām Latvijā reģistrētām meitas sabiedrībām: AS „Latvijas elektriskie tīkli" (100 procenti), AS „Sadales tīkls" (100 procenti), AS „Enerģijas publiskais tirgotājs" (100 procenti), SIA „Elektrum Latvija" („Elektrum Eesti" OÜ 100 procentu meitas sabiedrība) un SIA „Liepājas enerģija" (51 procents); - vienas Lietuvā reģistrētas meitas sabiedrības: „Elektrum Lietuva" UAB (100 procenti); un - vienas Igaunijā reģistrētas meitas sabiedrības: „Elektrum Eesti" OÜ (100 procenti). Emitents ir vienas saistītās sabiedrības – AS „Pirmais Slēgtais Pensiju Fonds" (Latvija) akcionārs (Emitenta līdzdalība - 46,3 procenti, Koncerna līdzdalība – 48,15 procenti). Emitents ir veicis arī finanšu ieguldījumu AS „Rīgas Siltums" (0,005 procenti).
B.9	**Gadījumā, ja ir ietvertas peļņas prognozes vai novērtējums, norādiet apjomu**	Nav piemērojams. Šajā Pamatprospektā Emitents nav ietvēris peļņas prognozi vai plānotās peļņas apmēru.
B.10	**Revidentu ziņojumā ietverto atrunu iepriekšējās finanšu informācijas sakarā apraksts**	Nav piemērojams. Nevienā no revidentu ziņojumiem par Koncerna auditētajiem konsolidētajiem gada pārskatiem par finanšu gadiem, kas noslēdzās 2013.gada 31.decembrī un 2014.gada 31.decembrī, nav ietvertas nekādas atrunas.
B.12	**Selektīva būtiska iepriekšējā**	Sekojošais Koncerna konsolidēto finanšu rādītāju un galveno darbības rezultātu

finanšu informācija par emitentu par katru iepriekšējās finanšu informācijas apskata periodā ietverto finanšu gadu un ikvienu sekojošo starpperiodu finanšu pārskatu, pievienojot salīdzinošos datus par to pašu periodu iepriekšējā finanšu gadā, izņemot gadījumus, kad salīdzinošās bilances informācijas prasība tikusi izpildīta, sniedzot gada noslēguma bilances informāciju	kopsavilkums par finanšu gadiem, kas noslēdzās 2013.gada 31.decembrī un 2014.gada 31.decembrī, kā arī par katru no trīs mēnešu periodiem, kas noslēdzās 2014.gada 31.martā un 2015.gada 31.martā, ir izvilkums no Koncerna konsolidētajiem finanšu pārskatiem, kas sagatavoti par minētajiem periodiem un uz konkrētajiem datumiem, neveicot jebkādas būtiskas korekcijas.

		Gads, kas noslēdzās 31.decembrī		**Trīs mēneši, kas noslēgušies 31. martā**	
		2013	**2014**	**2014**	**2015**
		(Revidēts)		*(Nerevidēts)*	
Finanšu rādītāji (Koncerna)					
Ieņēmumi	€ milj.	1 100	1 011	324	260
EBITDA	€ milj.	249	237	83	95
Peļņa	€ milj.	46	30	31	39
Aktīvi	€ milj.	3 575	3 487	3 598	3 527
Pašu kapitāls	€ milj.	2 022	2 021	2 050	2 059
Neto aizņēmumi	€ milj.	689	706	680	689
Ieguldījumi	€ milj.	225	178	27	25
Kapitāla attiecības rādītājs	Procenti	57	58	57	58
EBITDA rentabilitāte	Procenti	23	23	24	26
Neto aizņēmumi/EBITDA		2.8	3.0	2.5	2.8
Darbības rādītāji (Koncerna)					
Mazumtirdzniecībā pārdotā elektroenerģija	GWh	7 954	8 688	2 488	2 132
Elektroenerģijas izstrāde	GWh	4 854	3 625	1 192	1 027
Pārdotā siltumenerģija	GWh	2 517	2 442	1 077	990
Sadalītā elektroenerģija	GWh	6 447	6 421	1 724	1 795

	Apliecinājums, ka kopš pēdējā revidētā finanšu pārskata publikācijas datuma nav notikušas jebkādas būtiski nelabvēlīgas izmaiņas emitenta nākotnes perspektīvās, vai arī šādu būtiski nelabvēlīgu izmaiņu apraksts	Kopš Koncerna revidētā konsolidētā finanšu pārskata par 2014. gadu apstiprināšanas dienas nav notikušas būtiskas negatīvas izmaiņas Emitenta vai Koncerna nākotnes perspektīvās.
	Būtisku izmaiņu finanšu stāvoklī vai tirgus pozīcijā, kas notikušas pēc iepriekšējās finanšu informācijas aptvertā perioda, apraksts	Kopš 2015.gada 31.marta nav notikušas būtiskas negatīvas izmaiņas Emitenta vai Koncerna finanšu stāvoklī un tirgus pozīcijās.
B.13	**Aktuālu, emitentu ietekmējošu notikumu apraksts, kas ir būtiski emitenta maksātspējas novērtēšanai**	Nav piemērojams. Pēdējā laikā nav iestājušies nekādi būtiski apstākļi, kas varētu būt nozīmīgi Emitenta un Koncerna maksātspējas novērtēšanai.
B.15	**Emitenta galveno darbības jomu apraksts**	Koncerna darbība ir organizēta trīs darbības segmentos: ražošana un pārdošana, sadale un pārvades aktīvu pārvaldība. *Ražošanas un pārdošanas segments* aptver elektroenerģijas un siltumenerģijas ražošanu, ko nodrošina Emitents un SIA „Liepājas enerģija", kā arī elektroenerģijas mazumtirdzniecību un vairumtirdzniecību Baltijas valstīs, ko veic Emitents un tās meitas sabiedrības „Elektrum Eesti" OÜ un „Elektrum Lietuva" UAB. Kopš 2014.gada 1.aprīļa elektroenerģijas publiskā tirgotāja pienākumus veic Emitenta meitas sabiedrība AS „Enerģijas publiskais tirgotājs". *Sadales segments* nodrošina elektroenerģijas sadales pakalpojumus Latvijā, ko realizē AS „Sadales tīkls", kas ir lielākais sadales sistēmas operators Latvijā.

		Pārvades aktīvu pārvaldības segmenta darbību nodrošina AS „Latvijas elektriskie tīkli”. Latvijas Republika ir ieviesusi ES Direktīvā 2009/72/EK paredzēto otro nodalīšanas modeli, kas paredz, ka elektroenerģijas pārvades sistēmas aktīvi paliek vertikāli integrēta uzņēmuma īpašumā, savukārt pārvades sistēmas operatora darbības ir pakļautas neatkarīgai pārvaldei. Aktīvi tiek iznomāti Latvijas pārvades sistēmas operatoram – AS „Augstsprieguma tīkls”.
B.16	**Apmērā, kādā šāda informācija ir emitenta rīcībā, norādīt vai emitentu tieši vai netieši pārvalda vai kontrolē kāda persona (norādīt), sniegt šādas kontroles aprakstu**	Emitents ir reģistrēts atbilstoši Latvijas Republikas tiesību aktiem kā akciju sabiedrība. Emitenta vienīgais akcionārs ir Latvijas Republika. Latvijas Republikas Ekonomikas Ministrija ir Emitenta akciju turētājs Latvijas Republikas vārdā.
B.17	**Emitentam vai tā parāda vērtspapīriem, pēc emitenta pieprasījuma vai emitentam sadarbojoties vērtēšanas procesā, piešķirtais kredītreitings**	Moody’s Investors Service ir piešķīrusi Emitentam reitingu Baa2 ar stabilu attīstības prognozi. Emitenta reitings un prognoze tika paaugstināta 2015.gada 16.februārī. Programmas ietvaros emitēto Obligāciju Sērijām var tikt piešķirts kredītreitings, kā arī tās var būt bez reitinga. Ja tiktu piešķirts reitings, tad šāds reitings var atšķirties no Emitentam piešķirtā reitinga. Kredītreitings nav uzskatāms par rekomendāciju pirkt, pārdot vai turēt kādus vērtspapīrus un reitingu aģentūra, kas piešķīrusi konkrēto reitingu, var to apturēt, samazināt vai atcelt jebkurā brīdī. ***Konkrētās emisijas kopsavilkums:*** Reitings emitētajām Obligācijām [netiks piešķirts/ir piešķirts/paredzams, ka to piešķirs] aģentūra [●]].

C daļa - Vērtspapīri

C.1	**Piedāvāto un/vai tirgū iekļauto vērtspapīru veids un kategorija, ieskaitot vērtspapīru identifikācijas numurs**	Nenodrošinātas Obligācijas ar kopējo nominālvērtību līdz EUR 100 000 000. Obligācijas ir dematerializēti uzrādītāja parāda vērtspapīri. Obligācijas tiek emitētas Sērijās. Katra Obligāciju emisijas Sērija var sastāvēt no viena vai vairākiem Laidieniem. Vienas Sērijas Obligācijas ir pakļautas identiskiem noteikumiem, izņemot atšķirības dažādu Laidienu Emisijas datumos un Emisijas cenās. Katras Sērijas un Laidiena identifikācijas mērķim, Galīgajos Noteikumos tiek norādīts katras Sērijas un katra Laidiena kārtas numurs. ***Konkrētās emisijas kopsavilkums:*** Obligāciju Sērijas numurs: [●] Laidiena numurs: [●] Pirms katras Sērijas pirmā Laidiena piedāvājuma uzsākšanas, attiecīgajai Sērijai tiek piešķirts ISIN kods. Gadījumā, ja tiek emitēts vēl kāds Laidiens, kas kopā ar jau emitēto Laidienu noteiktā datumā pēc jau emitētā Laidiena Emisijas datuma veidos vienu Sēriju, tad šādām nākamā Laidiena Obligācijām tiek piešķirts pagaidu ISIN kods, kas atšķiras no attiecīgajai Sērijai piešķirtā ISIN koda, un tiek izmantots līdz brīdim, kad Laidieni tiek apvienoti vienā Sērijā. ***Konkrētās emisijas kopsavilkums:*** ISIN kods: [[●]/[Pagaidu ISIN kods: [●]. Pēc Obligāciju iekļaušanas regulētajā tirgū, Obligācijas tiek apvienotas vienā Sērijā ar [●], izmantojot vienotu ISIN kodu [●]].
C.2	**Vērtspapīru emisijas valūta**	EUR

C.5	**Vērtspapīru brīvas pārvedamības ierobežojumu apraksts**	Obligācijas ir brīvi pārvedami vērtspapīri. Tomēr Obligācijas nevar tikt piedāvātas, pārdotas, tālākpārdotas, pārvestas vai nodotas tādās valstīs vai jurisdikcijās vai citādi, tādos apstākļos, kur šādu pasākumu īstenošana ir pretlikumīga vai paredz tādu papildu pasākumu īstenošanu, kādi netiek paredzēti Latvijas Republikas tiesību aktos, ieskaitot ASV, Austrāliju, Kanādu, Honkongu un Japānu.
C.8, C.9	**No obligācijām izrietošo tiesību apraksts, ieskaitot** • **dalījumu kategorijās** • **tiesību ierobežojumus** • **nominālo procentu likmi** • **dienu, no kuras jāveic procentu maksājumi** • **procentu maksājumu datumus** • **ja likme nav fiksēta, pamata instrumenta, kas pamato likmi, apraksts** • **atmaksāšanas termiņu** • **aizņēmuma amortizācijas noteikumus, ieskaitot atmaksāšanas kārtību** • **ienesīguma prognozes** • **parāda vērtspapīru turētāju pārstāvja nosaukumu/ vārdu un uzvārdu**	**Dalījums kategorijās** Obligācijas veido tiešas, nenodrošinātas un bezgarantiju Emitenta saistības, kas kategorizējamas *pari passu* bez jebkādām priekšrocībām vienām pret otru, kā arī attiecībā pret visām Emitenta nenodrošinātām, bezgarantiju un nesubordinētām parādsaistībām, izņemot saistības, kas atbilstoši obligāto tiesību aktu prasībām uzskatāmas par prioritārām. **Emisijas Cena** Obligācijas var tikt emitētas to nominālvērtībā vai arī piemērojot emisijas atlaidi vai emisijas uzcenojumu. **Procentu likme** Obligācijām tiek noteikta fiksēta Gada Procentu Likme. Procentu maksājumi veicami reizi gadā Galīgajos Noteikumos noteiktajos procentu samaksas datumos. Procenti tiek uzkrāti par konkrētajā brīdī neatmaksāto Obligāciju pamatsummu par katru procentu periodu no procentu perioda pirmās dienas (ieskaitot) līdz procentu perioda pēdējai dienai (neieskaitot). Pirmais procentu periods sākas Emisijas Datumā un noslēdzas pirmajā Procentu Samaksas Datumā. Katrs nākamais procentu periods sākas iepriekšējā Procentu Samaksas Datumā un noslēdzas nākamajā Procentu Samaksas Datumā. Pēdējais procentu periods noslēdzas Dzēšanas Datumā. Procenti par Obligācijām tiek aprēķināti, konkrētajā procentu periodā pagājušo dienu skaitu dalot ar 365 (vai t.s. garā gada gadījumā – ar 366), t.i., tiks izmantots dienu aprēķina princips *Act/Act* (ICMA). ***Konkrētās emisijas kopsavilkums:*** Procentu Samaksas Datums: katra gada [●] **Ienesīguma norādīšana** Piedāvāto Obligāciju paredzamā Ienesīguma līdz Dzēšanai (*Yield to Maturity*) diapazons tiks norādīts Galīgajos Noteikumos. Tomēr Obligāciju Izvietošanas periodā Emitents ir tiesīgs mainīt paredzēto Ienesīguma līdz Dzēšanai diapazonu. **Galīgā Ienesīguma līdz Dzēšanai, Procentu Likmes un Emisijas Cenas noteikšana** Galīgais Ienesīgums līdz Dzēšanai tiks noteikts pēc Izvietošanas Perioda, balstoties uz ieguldītāju iesniegtajiem Pirkuma Pieteikumiem. Galīgais Ienesīgums līdz Dzēšanai būs vienāds visiem ieguldītājiem, kas attiecīgā piedāvājuma ietvaros iegādāsies attiecīgā Laidiena Obligācijas. Noteiktais Galīgais Ienesīgums līdz Dzēšanai tiks iekļauts Galīgajos Noteikumos, kas tiks publicēti pēc Obligāciju izvietošanas ieguldītājiem. ***Konkrētās emisijas kopsavilkums:*** Galīgais Ienesīgums līdz Dzēšanai: [●] Gada Procentu Likme (kupons) tiks noteikta, noapaļojot Galīgo Ienesīgumu līdz Dzēšanai uz leju līdz noapaļotā skaitļa tuvākajai desmitdaļai (kas ir procentos izteikts lielums). Noteiktā Gada Procentu Likme tiks iekļauta Galīgajos Noteikumos, kas tiks publicēti pēc Obligāciju izvietošanas ieguldītājiem. ***Konkrētās emisijas kopsavilkums:*** Gada Procentu Likme: [●]

		Obligāciju Emisijas Cena tiek noteikta saskaņā ar Galīgajos Noteikumos ietverto formulu attiecībā uz konkrētā Laidienu, noapaļojot summu līdz tuvākajai tūkstošdaļai atbilstoši aritmētikas likumiem par skaitļu noapaļošanu. Noteiktā Emisijas Cena tiks iekļauta Galīgajos Noteikumos, kas tiks publicēti pēc Obligāciju izvietošanas ieguldītājiem. ***Konkrētās emisijas kopsavilkums:*** Emisijas Cenas aprēķināšanas formula: [●] ***Konkrētās emisijas kopsavilkums:*** Emisijas Cena: [●] Galīgie Noteikumi, kas ietvers informāciju par apstiprināto Gada Procentu Likmi, Emisijas Cenu, konkrētā Laidiena kopējo pamatsummu un emitējamo Obligāciju skaitu tiks publicēti Emitenta interneta vietnē www.latvenergo.lv un pēc Obligāciju piešķiršanas ieguldītājiem tiks iesniegta Finanšu un kapitāla tirgus komisijai. **Dzēšanas termiņš** Katras Sērijas dzēšanas termiņš var būt robežās no 1 (viena) līdz 15 (piecpadsmit) gadiem vai arī cits Emitenta noteikts dzēšanas termiņš, ar nosacījumu, ka tas nav mazāks par 12 (divpadsmit) mēnešiem. ***Konkrētās emisijas kopsavilkums*** Dzēšanas Datums: [●] **Atpirkšana** Obligācijas tiek atmaksātas to nominālvērtības pilnā apmērā Dzēšanas Datumā. Emitentam nav tiesību atpirkt Obligācijas pirms Dzēšanas Datuma, izņemot gadījumus, kad Emitents ir veicis Obligāciju pirmstermiņa atmaksu Emitenta Akcionāru Maiņas gadījumā vai iestājoties kādam Saistību Neizpildes Gadījumam, vai arī gadījumā, ja Obligacionāru Sapulce, pamatojoties uz Emitenta ierosinājumu, pieņem lēmumu par Obligāciju atpirkšanu pirms noteiktā Dzēšanas Datuma. **Obligacionāru pārstāvis** Obligacionāru tiesības izveidot un/vai pilnvarot kādu fizisku vai juridisku personu pārstāvēt visu Obligacionāru vai kādas to daļas intereses netiek noteiktas, taču nav paredzēti arī šādu tiesību ierobežojumi. Obligacionāriem ir pienākums pašiem segt visas izmaksas/izdevumus, kas ir saistīti ar šādas pārstāvniecības nodrošināšanu.
C.10	**Ja procentu maksājums par vērtspapīru ir balstīts uz atvasinātu instrumentu, sniedziet skaidru un izsmeļošu skaidrojumu, lai palīdzētu ieguldītājiem izprast, kā to ieguldījumu vērtību ietekmē šāda (-u) instrumenta (-u) vērtība, jo īpaši izteikta riska apstākļos**	Nav piemērojams. Obligāciju procentu maksājumi nav balstīti uz atvasinātajiem instrumentiem.
C.11	**Informācija par to vai par piedāvātajiem vērtspapīriem ir/ tiks iesniegts pieprasījums par iekļaušanu tirgū to izplatīšanai regulētā tirgū vai kādā citā līdzvērtīgā tirgū, norādot attiecīgos tirgus**	Emitents iesniedz pieteikumu par katra Laidiena iekļaušanu AS „NASDAQ OMX Riga” oficiālajā sarakstā. Šāds pieteikums tiek sagatavots atbilstoši AS „NASDAQ OMX Riga” prasībām un tiek iesniegts AS „NASDAQ OMX Riga” 3 (trīs) mēnešu laikā pēc attiecīgā Laidiena Emisijas Datuma.

D daļa - Riski

D.2 **Būtiska informācija par emitentam raksturīgiem būtiskiem riskiem**

Ar makroekonomiskajiem apstākļiem saistītie riski

- Koncerna darbības izvēršana kaimiņvalstu elektroenerģijas tirgos un integrēšanās starptautiskajos biznesa procesos palielina riskus, kas ir saistīti ar Koncerna darbības un finanšu rādītāju atkarību no reģionālajiem un starptautiskajiem makroekonomiskajiem faktoriem.

- Neparedzēta ekonomiskā lejupslīde, kā arī ekonomiskās izaugsmes tempi, kas ir lēnāki nekā prognozēts, un politiskā nestabilitāte (piemēram, bažas par Grieķijas maksātspēju vai turpmāka Krievijas-Ukrainas krīzes eskalācija) var atstāt ietekmi uz Koncerna klientiem un, samazinoties elektroenerģijas patēriņam, negatīvi ietekmēt Koncerna izaugsmi un darbības rādītājus.

Ar komercdarbību saistītie riski

- Emitenta vienīgais akcionārs ir Latvijas Republika. Atsevišķi un būtiski akcionāra lēmumi, kas skar Koncerna darbības stratēģijas maiņu, vai lēmumi attiecībā uz dividenžu politiku, kapitāla struktūru un citi attiecīgi lēmumi var būtiski nelabvēlīgi ietekmēt Koncerna darbību. Papildus tam, Emitenta padomes atjaunošana var novest pie izmaiņām Koncerna darbības stratēģijā un ietekmēt citus nozīmīgus Koncerna darbības aspektus. Ievērojot, ka visu pašreizējo Emitenta valdes locekļu pilnvaru termiņš beidzas 2015.gada 15.novembrī, atsevišķu vai visu pašreizējo Emitenta valdes locekļu nomaiņa var nelabvēlīgi ietekmēt Emitenta izvēlēto stratēģiskās virzības ceļu, attīstības plānus, mērķus un politikas, kas var nelabvēlīgi ietekmēt Koncerna darbību.

- Koncerna ieņēmumi regulētajos tirgos lielā mērā ir atkarīgi no Sabiedrisko pakalpojumu regulēšanas komisijas apstiprinātajiem un/vai saskaņā ar Latvijas Republikas tiesību aktiem noteiktajiem tarifiem. Pastāv risks, ka šādi regulētie tarifi var neietvert visas saistītās izmaksas. Cita starpā pastāv risks, ka atbildīgo valsts iestāžu kavēšanās pieņemt nepieciešamos lēmumus nozares regulējuma jomā un izmaiņas valsts un ES tiesiskajā vidē, kas regulē attiecīgos jautājumus, rada riskus, var nelabvēlīgi ietekmēt Koncerna darbību. Turklāt pastāv risks, ka Eiropas Komisija atliks vai noraidīs valsts atbalsta mehānismu, kas paredzēts, lai ierobežotu obligātās iepirkumu komponentes pieaugumu, radot apstākļus, kādos radušās obligātā iepirkuma izmaksas nav atgūstamas. Jebkuru šo risku iestāšanās var atstāt būtiski nelabvēlīgu ietekmi uz Koncerna finanšu stāvokli.

- Paredzams, ka Baltijas valstu elektroenerģijas tirgus liberalizācija tiks pabeigta tuvākajos gados. Tirgus atvēršana rada konkurētspējīgāku vidi ar papildu tirgus dalībnieku piesaisti, kā rezultāta ir iespējama Koncerna tirgus daļas samazināšanās, radot noteiktu ietekmi uz izcenojumu un vispārīgi ietekmējot Koncerna darbību un finanšu stāvokli. Tāpat pastāv risks, ka Koncernam radīsies ilgtermiņa zaudējumi dēļ neatbilstošas tirgus apguves un darbības izvēršanas stratēģijas izvēles.

- Koncerna Baltijas valstu tirgus daļa atspoguļo Koncerna šī brīža tirgus pozīciju, tomēr pastāv risks, ka Koncerna tirgus daļa var samazināties vai Koncerns var nespēt sasniegt iecerēto tirgus daļas pieaugumu, tādējādi nelabvēlīgi ietekmējot Koncerna darbību un finanšu stāvokli. Papildus tam, noteiktu ekonomisko, stratēģisko vai citu apsvērumu ietekmē Koncerns varētu iziet no konkrētiem tirgiem. Tas var ietekmēt

Koncerna darbību un finanšu stāvokli.

- Koncerna elektroenerģijas ražošanas portfelis pilnībā nenodrošina elektroenerģijas pārdošanas portfeļa vajadzības, kā rezultātā gada griezumā aptuveni puse no Koncerna elektroenerģijas piegādēm privātajam sektoram ir pakļautas elektroenerģijas vairumtirdzniecības tirgus cenu svārstību riskam. Daļai pārdošanas portfeļa elektroenerģijas cenas riska ierobežošanai Koncerns pielieto finanšu derivatīvus. Dēļ ierobežotas likviditātes elektroenerģijas derivatīvu tirgū Baltijas reģionā, hedžēšanas instrumenti ir ierobežoti un to cenas ir augstas. Pastāv risks, ka hedžēšana nenodrošinās nepieciešamo efektivitāti. Tas var būtiski ietekmēt Koncerna finanšu stāvokli.

- Koncerna spēja izpildīt īstermiņa uzdevumus un sasniegt ilgtermiņa stratēģiskos mērķus ir daļēji atkarīga no pastāvošā tiesiskā regulējuma. Situācijas, kas var nelabvēlīgi ietekmēt Koncerna darbību un finanšu stāvokli ietver, bet neaprobežojas ar, atbalsta mehānismu elektroenerģijas piegādei aizsargātajiem klientiem (trūcīgas un maznodrošinātas personas, daudzbērnu ģimenes), obligātā iepirkuma atbalstu videi draudzīgiem ražošanas avotiem; valsts un ES regulējumu tehnoloģiska rakstura, tirgus integritātes un caurskatāmības, konkurences, drošības un vides aizsardzības jautājumiem un noteiktu tirgu uzraugošo iestāžu lēmumi (kā, piemēram, Sabiedrisko pakalpojumu regulēšanas komisija, Konkurences padome, Valsts ieņēmumu dienests u.c.).

- Koncerna pamatdarbību daļēji ietekmē meteoroloģiskie apstākļi. Līdz ar to, Koncerna kopējo finanšu stāvokli var ietekmēt sezonalitāte, izmaiņas laika apstākļos, kā arī ilgtermiņa klimata pārmaiņas.

- Emitents kā potenciālais investors piedalās atomelektrostacijas projekta apspriešanā. Papildu līdzdalībai atomelektrostacijas projektā, Koncerns potenciāli var apsvērt līdzdalības iespēju citos apjomīgos investīciju projektos, kas var palielināt Koncerna saimnieciskās darbības un/vai finanšu riskus, vai negatīvi ietekmēt Koncerna vērtību vai reputāciju, tādējādi radot nelabvēlīgu ietekmi uz Koncerna darbību un finanšu stāvokli.

- Tā kā elektroenerģijas pārvades sistēmas aktīvi Latvijā pieder Koncernam, bet tos ekspluatē trešā persona - Latvijas pārvades sistēmas operators AS „Augstsprieguma tīkls", pastāv risks, ka pārvades sistēmas operators savos ilgtermiņa darbības plānos nav paredzējis pietiekamus ieguldījumus esošās aktīvu vērtības uzturēšanai, tādejādi samazinot pārvades sistēmas aktīvu vērtību un radot Koncernam zaudējumus. Turklāt, ja ES fondu finansējums šādiem aktīviem būs zemāks nekā prognozēts, tad Koncernam var nākties palielināt savu finanšu līdzdalību uzsāktajos pārvades sistēmas aktīvu būvniecības projektos, attiecīgi samazinot citiem projektiem pieejamo finansējumu vai palielinot parādsaistību apmēru.

- Sagaidāmā jauna tirgus dalībnieka ienākšana siltumenerģijas tirgū, kas siltumenerģijas ražošanai izmanto biomasu, var novest pie Emitenta termoelektrostaciju slodzes un piegādātā siltumenerģijas apjoma samazinājuma. Tas, jo īpaši ņemot vērā, ka ar gāzi darbināmo staciju mainīgās izmaksas ir ievērojami augstākas, var atstāt būtiski nelabvēlīgu ietekmi uz Koncerna darbību un Koncerna komercdarbības rezultātiem.

- Papildus iepriekš minētajiem riskiem, Koncerna darbību un finanšu rezultātus var nelabvēlīgi ietekmēt darījumu partnera risks, aktīvu bojājuma risks, tiesvedības un strīdu risks, resursu risks, ar investīciju projektu realizēšanu saistītais risks, ar ieguldījumiem sadales sistēmā saistītais risks, valsts parāda krīzes risks, vides piesārņojuma, veselības un drošības risks un nodokļu risks.

Finanšu riski

- Aizdevuma līgumos un/vai iepriekš emitēto obligāciju dokumentācijāietverto finanšu rādītāju vai noteiktu citu saistību un apliecinājumu pārkāpšana var novest pie saistību neizpildes gadījuma iestāšanās un pienākuma veikt aizdevumu pirmstermiņa atmaksu un/vai iepriekš emitēto obligāciju atpirkšanu. Tā kā aizdevuma līgumi un iepriekš emitēto obligāciju dokumentācija ietver saistību neizpildes atzīšanu, iestājoties saistību neizpildei citu līgumu ietvaros (*Cross-default*), Emitentam var rasties nepieciešamība pārfinansēt būtisku tā parādsaistību daļu.

- Emitentam piešķirtā kredītreitinga pazemināšana var palielināt finansēšanas izmaksas un/vai samazināt finansējuma pieejamību un Emitentam var tikt pieprasīts papildu nodrošinājums līgumsaistībām, tādejādi palielinot darījumu izmaksas.

- Papildus augstāk minētajiem riskiem, Koncerna darbību un finanšu stāvokli var nelabvēlīgi ietekmēt procentu likmju risks un likviditātes risks.

D.3 **Nozīmīga informācija par būtiskākajiem riskiem, kas ir raksturīgi vērtspapīriem**

- Obligācijas var nebūt piemērots ieguldījuma objekts visiem ieguldītājiem. Ikvienam ieguldītājam ir jāizvērtē ieguldījumu atbilstība, balstoties uz paša ieguldītāja specifiskiem apstākļiem, ieskaitot ietekmi uz šādu Obligāciju vērtību un šādu ieguldījumu ietekmi uz ieguldītāja ieguldījumu portfeli kopumā.

- Obligācijas, ja emitētas tādu projektu finansēšanai, kas atbilst Emitenta Zaļo obligāciju satvaram (*Green Bond Framework*), var nebūt piemērots ieguldījuma objekts visiem ieguldītājiem, kas vēlas ieguldīt „zaļajos" aktīvos. Attiecībā uz Obligāciju emisiju, kas tiek veikta ar mērķi finansēt projektus, kas atbilst Emitenta Zaļo obligāciju satvaram (*Green Bond Framework*), ir paredzēts, ka Starptautiskais klimata un vides izpētes centrs – Oslo (*the Center for International Climate and Environmental Research – Oslo*), kas ir neatkarīgs norvēģu institūts starpdisciplīnu klimata izpētei, sagatavos neatkarīgu atzinumu par Obligāciju, kā ieguldījuma objekta atbilstību, noteiktiem vides un ilgtspējas kritērijiem. Šāds atzinums nav ietverts un nav uzskatāms par Pamatprospekta sastāvdaļu. Netiek sniegti nekādi apliecinājumi saistībā ar šāda atzinuma vai Obligāciju atbilstību noteiktiem vides un ilgtspējas kritērijiem. Šāds atzinums var neietvert visu iespējamo risku potenciālo ietekmi, kas var izrietēt no struktūras, tirgus, papildu riska faktoriem un citiem Obligāciju vērtību ietekmējošiem tirgus apstākļiem, un tas nav uzskatāms par rekomendāciju iegādāties, pārdot vai turēt vērtspapīrus. Iegūto līdzekļu izmantošana un noteiktu Emitenta ziņošanas saistību neizpilde šāda atzinuma sakarā netiks uzskatīta par saistību neizpildes gadījuma iestāšanos saskaņā ar Obligāciju Vispārīgajiem Noteikumiem. Šāda atzinuma anulēšana var ietekmēt Obligāciju vērtību un/vai radīt sekas konkrētiem ieguldītājiem, kas ir saņēmuši mandātus veikt ieguldījumus „zaļajos" aktīvos.

- Emitenta maksātnespējas iestāšanās gadījumā vai arī, ja tiek ierosināts Emitenta tiesiskās aizsardzības process vai ārpustiesas tiesiskās aizsardzības process, ieguldītāji var zaudēt procentus un ieguldīto pamatsummu.

- Obligācijas ir nenodrošinātas Emitenta saistības, bez jebkādām papildu garantijām un nodrošinājuma. Emitenta maksātnespējas gadījumā Obligacionāri kļūst par nenodrošinātiem kreditoriem.

- Tā kā atbilstoši Latvijas Republikas tiesību aktiem noteikti Emitenta pamata aktīvi var atrasties tikai Emitenta vai tam pilnībā piederošu meitas sabiedrību īpašumā, nav iespējama prasījumu vēršana pret minētajiem aktīviem.

- Jebkādas nelabvēlīgas izmaiņas Emitenta finanšu stāvoklī vai nākotnes prognozēs var būtiski nelabvēlīgi ietekmēt Obligāciju likviditāti un var novest pie būtiska to tirgus cenas krituma, tādejādi ietekmējot iespējas veikt laicīgu un pilnu samaksu Obligacionāriem.

- Emitenta veiksmīgas parādsaistību pārfinansēšanas iespēja ir atkarīga no konkrētajā brīdī pastāvošajiem aizņemtā kapitāla tirgus apstākļiem un Emitenta finanšu stāvokļa. Pat, ja vērojami tirgus stāvokļa uzlabojumi, Emitentam var nebūt pieejas finansējuma avotiem, kas izsniegtu finansējumu uz labvēlīgiem nosacījumiem, vai arī šāda piekļuves iespēja var nepastāvēt vispār. Emitenta nespēja pārfinansēt pastāvošās parādsaistības vai pārfinansēt tās uz labvēlīgiem nosacījumiem var nelabvēlīgi ietekmēt Koncerna darbību, tā finanšu stāvokli, peļņu un Obligacionāru iespēju atgūt veiktos ieguldījumus.

- Obligācijas veido jaunu Emitenta vērtspapīru emisiju, tādejādi pastāv risks, ka aktīvs Obligāciju tirgus var neizveidoties vai arī, ka šāda tirgus uzturēšana nebūs iespējama, tāpat to var ietekmēt gan izmaiņas tirgū, gan ekonomiskajos apstākļos, finanšu stāvoklī un Emitenta prognozēs, kas savukārt, var ietekmēt Obligāciju likviditāti un tirgus cenu.

- Obligāciju procentu likme ir fiksēta, kas attiecīgi rada risku, ka šādu vērtspapīru cenu var ietekmēt izmaiņas tirgus procentu likmēs. Turklāt arī inflācija var radīt Obligāciju tirgus cenas kritumu, tā kā tiek samazināta valūtas vienības pirktspēja un izrietoši – saņemto procentu apmērs.

- Maksājumi par Obligācijām tiek veikti EUR, kā rezultātā valūtas maiņas kursu svārstības un procentu likmju svārstības var nelabvēlīgi ietekmēt Obligāciju vērtību gadījumā, ja investora finanšu darbība galvenokārt tiek īstenota citā valūtā. Valsts un monetārās finanšu iestādes var ieviest (šāda prakse jau tikusi īstenota iepriekš) valūtas maiņas kontroles mehānismus, kas var nelabvēlīgi ietekmēt piemērojamo valūtas maiņas kursu. Papildus jau minētajam, ieguldījumi Obligācijās ietver risku, ka vēlākas izmaiņas tirgus procentu likmēs var nelabvēlīgi ietekmēt Obligāciju vērtību.

- Obligācijas tiks iegrāmatotas Latvijas Centrālā depozitārija (LCD) kontu sistēmā un netiek emitētas papīra formā. Norēķinu veikšana par Obligācijām, ieskaitot procenta maksājumu veikšana un pamatsummas atmaksāšana, tiek nodrošināta, izmantojot LCD sistēmu, kā rezultātā ieguldītāji ir atkarīgi no LCD kontu sistēmas darbības.

- Gadījumā, ja kredītreitingu Obligācijām ir piešķīrusi kāda no neatkarīgām kredītreitingu aģentūrām, tad šāds reitings var neatspoguļot visu ar Obligācijām saistīto risku potenciālo ietekmi, turklāt reitingu aģentūra var jebkurā brīdī pārskatīt vai atcelt piešķirto reitingu. Papildus tam, jebkādas nelabvēlīgas izmaiņas Emitentam piešķirtajā reitingā var nelabvēlīgi ietekmēt Obligāciju pārdošanas cenu.

- Obligācijām tiek piemēroti Latvijas Republikas tiesību akti, kas Obligāciju termiņa laikā var tikt grozīti vai mainīti. Izrietoši – nav iespējams sniegt jebkādas garantijas par šādu likumu vai noteikumu potenciālo grozījumu ietekmi, un šādas izmaiņas var būtiski nelabvēlīgi ietekmēt gan pašu Emitentu, gan Obligācijas.

- Noteiktu ieguldītāju ieguldījumu darbība ir pakļauta ieguldījumu darbību reglamentējošiem likumiem un noteikumiem, kā arī noteiktu iestāžu atzinumiem un noteikumiem. Katram potenciālajam ieguldītājam nepieciešams konsultēties ar savu juridisko padomnieku, lai noskaidrotu vai un kādā apmērā Obligācijas ir uzskatāmas par tiesisku ieguldījuma priekšmetu konkrētajam ieguldītājam, vai tās var izmantot kā nodrošinājumu, kā arī, lai pārliecinātos, vai nepastāv kādi citi ierobežojumi Obligāciju iegādei vai ieķīlāšanai.

- Obligācijas neietver apņemšanās, kas regulē Emitenta darbību, un neierobežo tā iespējas apvienoties, pārdot aktīvus vai slēgt citus nozīmīgus darījumus, kas var būtiski nelabvēlīgi ietekmēt Obligācijas un Obligacionārus. Šādu darījumu slēgšana no Emitenta puses var atstāt būtiski nelabvēlīgu ietekmi uz Obligacionāriem. Turklāt, ja tiek grozīti attiecīgi normatīvie akti, Emitenta akcionārs var būt tiesīgs pilnībā vai daļēji pārdot tā līdzdalību Emitentā.

- Pastāv risks, ka Obligāciju tirgus vērtība būs augstāka nekā Obligāciju pirmstermiņa izpirkšanas cena, iestājoties Akcionāru Maiņas gadījumam, un ka Obligacionāri nespēs reinvestēt iegūtos līdzekļus pie tādas efektīvās procentu likmes, kas būtu vienlīdz augsta kā Obligāciju procentu likme, īstenojot ieguldīšanas iespēju tikai pie ievērojami zemākas likmes. Pastāv iespējamība, ka obligātās Obligāciju atpirkšanas gadījumā Emitenta rīcībā var nebūt pietiekami līdzekļi, lai veiktu obligāto pirmstermiņa atpirkšanu.

- Tikai Emitenta akcionāram ir balsstiesības Emitenta akcionāru sapulcēs. Obligācijas nepiešķir to turētājiem šādas balsstiesības. Attiecīgi Obligacionāri nevar ietekmēt Emitenta akcionāra lēmumus, piemēram, attiecībā uz Emitenta kapitāla struktūru.

- Obligacionāru Sapulces lēmumi (ieskaitot grozījumus Obligāciju Vispārīgajos Noteikumos) ir saistoši visiem Obligacionāriem, ieskaitot tos, kas nepiedalījās un nebalsoja attiecīgajā sapulcē, kā arī tos Obligacionārus, kas balsoja pretēji vairākumam.

- Emitentam netiek noteikts aizliegums palielināt parādsaistības, kas attiecīgi var palielināt to prasījumu skaitu, kas Emitenta maksātnespējas gadījumā ir apmierināmi no izmaksātajiem līdzekļiem proporcionāli Obligacionāru prasījumiem. Turklāt attiecībā uz trešajām personām nav piemērojami noteikumi, kas regulē nodrošinājuma līdzdalības nodibināšanas tiesības trešo personu interesēs, kā, piemēram, Īpašuma ieķīlāšanas/apgrūtināšanas aizliegums (*Negative pledge*), kas nozīmē, ka gadījumā, ja šāds nodrošinājums ir nodibināts kādas trešās personas labā, pat ja tas ir nodibināts pārkāpjot Emitentam noteiktās saistības un pienākumus, tad šāds nodrošinājums ir spēkā un realizējams attiecībā uz ieķīlātajiem/apgrūtinātajiem aktīviem.

- Emisijas Aģents savas ierastās komercdarbības ietvaros ir sniedzis un potenciāli var sniegt Koncernam investīciju bankas un/vai komercbankas un citus pakalpojumus. Jo īpaši jānorāda, ka Emisijas Aģents varbūt aizdevējs kādam Koncerna dalībniekam. Izrietoši -

Emisijas Aģenta agrākā vai iespējamā līdzdalība darījumos ar citām līgumslēdzējām pusēm, pildot dažādas funkcijas vai slēdzot citus darījumus, kuros ir iesaistītas trešās puses ar konfliktējošām interesēm, var izraisīt interešu konfliktu.

- Obligācijas nav un netiks reģistrētas atbilstoši Amerikas Savienoto Valstu 1933. gada Vērtspapīru likumam (*U.S. Securities Act 1933*) ar grozījumiem, vai jebkura cita Amerikas Savienoto Valstu štata vērtspapīru likuma noteikumiem. Izņemot atsevišķus izņēmuma gadījumus, Obligācijas nevar tikt piedāvātas vai pārdotas Amerikas Savienotajās Valstīs. Emitents nav izteicis apņemšanos reģistrēt Obligācijas atbilstoši Amerikas Savienoto Valstu 1933. gada Vērtspapīru likumam vai kāda cita Amerikas Savienoto Valstu štata vērtspapīru likuma noteikumiem vai arī izteikt kādu Obligāciju apmaiņas piedāvājumu. Emitents nav reģistrējis Obligācijas atbilstoši kādas citas valsts vērtspapīru likumiem, izņemot Latvijas Republikas likumus. Ikvienam potenciālam ieguldītājam ir jāiepazīstas ar informāciju par Obligāciju nodošanas ierobežojumiem. Ikvienam Obligacionāram jānodrošina izteikto Obligāciju piedāvājumu un pārdošanas darījumu atbilstību piemērojamo vērtspapīru likumu noteikumu prasībām.

E daļa - Piedāvājums

E.2b	**Piedāvājuma iemesli un ieņēmumu izmantošana, ja tie nav peļņas gūšana un/vai nodrošināšanās pret dažādiem riska veidiem**	Emitents izmantos no Obligāciju emisijas gūtos ieņēmumus vispārējo komercdarbības mērķu nodrošināšanai. Gadījumā, ja kādai konkrētai Obligāciju Sērijai tiks paredzēts konkrēts ieņēmumu izmantošanas mērķis, tas tiks norādīts attiecīgajos Galīgajos Noteikumos. ***Konkrētās emisijas kopsavilkums:*** [Emitents izmantos no katra Laidiena iegūtos tīros ieņēmumus vispārējo komercdarbības mērķu nodrošināšanai] / [Emitents izmantos no katra Laidiena iegūtos tīros ieņēmumus [●]].
E.3	**Piedāvājuma nosacījumu apraksts**	**Programmas Organizators un Emisijas Aģents** Programmas Organizators un Emisijas Aģents ir AS „SEB banka" (reģistrācijas numurs: 40003151743, juridiskā adrese: Meistaru 1, Valdlauči, Ķekavas pagasts, Ķekavas novads, LV-1076, Latvija). **Emisijas Datums** Emisijas Datums tiks norādīts konkrētā Laidiena Galīgajos Noteikumos. ***Konkrētās emisijas kopsavilkums:*** Emisijas Datums: [●] **Kopējā pamatsumma** Katra Laidiena kopējā pamatsumma sākotnēji tiks noteikta Galīgajos Noteikumos. Emitentam ir tiesības Laidiena Izvietošanas Periodā palielināt vai samazināt Galīgajos Noteikumos sākotnēji noteikto Laidiena kopējo pamatsummu. ***Konkrētās emisijas kopsavilkums:*** Kopējā pamatsumma: [EUR[●] [papildus [●]]] **Obligācijas nominālvērtība:** Katras Obligācijas nominālvērtība būs vismaz EUR 1,000.

		Konkrētās emisijas kopsavilkums: Obligācijas nominālvērtība: [●] **Minimālā Ieguldījuma Summa** Minimālā Ieguldījuma Summa, par kādu varēs parakstīties uz Obligācijām, tiks noteikta Galīgajos Noteikumos. ***Konkrētās emisijas kopsavilkums:*** Minimālā Ieguldījuma Summa: [●] **Izvietošanas Periods** Katra Obligāciju Laidiena Izvietošanas Periods tiks noteikts Galīgajos Noteikumos. ***Konkrētās emisijas kopsavilkums:*** Izvietošanas Periods: [●] **Ierobežojošie noteikumi** Emitenta Akcionāru Maiņa (*Change of Control*), Īpašuma ieķīlāšanas/apgrūtināšanas aizliegums (*Negative pledge*), no kāda cita līguma izrietoša saistību neizpildes gadījuma iestāšanās (*Cross default*) un citi. **Depozitārijs** Obligācijas tiks reģistrētas AS „Latvijas Centrālais depozitārijs”. **Piemērojamie tiesību akti** Latvijas Republikas tiesību akti
E.4	**Intereses, kas ir būtiskas emisijai/ piedāvājumam, tostarp konfliktējošas intereses**	Atbilstoši Emitenta rīcībā esošajai informācijai, izņemot Programmas Organizatoram un Emisijas Aģentam maksājamās komisijas maksas, nevienai personai, kas iesaistīta Obligāciju piedāvājumā, nepastāv intereses, kas ir būtiskas emisijai/piedāvājumam, kā arī nepastāv interešu konflikts.
E.7	**No emitenta vai piedāvātāja puses noteiktie uz ieguldītāju attiecināmie izdevumi**	Emitents nepiemēro ieguldītājiem jebkādus maksājumus vai nodokļus Obligāciju emisijas sakarā. Tomēr ieguldītājiem var tikt pieprasīts segt izdevumus, kas ir saistīti ar vērtspapīru kontu atvēršanu kredītiestādēs vai pie ieguldījuma pakalpojumu sniedzējiem, kā arī veikt komisijas maksājumus kredītiestādēm vai ieguldījumu pakalpojumu sniedzējiem saistībā ar ieguldītāju Obligāciju pirkšanas vai pārdošanas pieteikumiem, Obligāciju turēšanu vai citām ar Obligācijām saistītām darbībām. Ne Emitents, ne Programmas Organizators vai Emisijas Aģents nekompensēs šādas Obligacionāru izmaksas.

SANTRAUKA

Ši santrauka sudaryta pagal informacijos atskleidimo reikalavimus, kurie yra įvardyti kaip **Punktai**. Šie Punktai yra sunumeruoti A–E skirsniuose (A.1–E.7). Šioje santraukoje pateikti visi Punktai, kurie turi būti įtraukti šio tipo vertybinių popierių ir emitento santraukoje. Kadangi kai kurie Punktai nėra reikalingi, Punktų numeravimo eilėje galimi tarpai. Net jeigu Punktas turi būti įtrauktas į santrauką pagal vertybinių popierių tipą ir emitentą, gali būti, kad jokia svarbi informacija negalės būti pateikta šiame Punkte. Tokiu atveju santraukoje pateikiamas trumpas Punkto apibūdinimas su nuoroda „netaikoma“.

A skirsnis – Įvadas ir įspėjimai

A.1	**Įspėjimas**	Ši santrauka turi būti suprantama kaip šio Bazinio prospekto įvadas ir visi sprendimai investuoti į Obligacijas turėtų būti priimami susipažinus su visu Baziniu prospektu, įskaitant dokumentus, kurie yra pridedami prie Bazinio prospekto, taip pat atitinkamų Obligacijų Galutinėmis sąlygomis. Jei dėl šiame Baziniame prospekte pateiktos informacijos ieškinys pateikiamas kurios nors Valstybės narės teismui, pagal valstybės narės, kurioje ieškinys buvo pateiktas, įstatymus, ieškovui gali tekti prieš teisminio proceso pradžią apmokėti Bazinio prospekto vertimo išlaidas. Civilinė atsakomybė asmenims už šioje santraukoje pateiktą informaciją, įskaitant jos vertimus, yra taikoma tiktai tada, kai joje pateikta informacija yra klaidinanti, netiksli ar prieštaringa, lyginant su kitomis šio Bazinio prospekto dalimis, arba joje nepateikta svarbi informacija, kuri kartu su kitomis Bazinio prospekto dalimis padėtų investuotojams priimti sprendimą dėl investavimo į šiuos vertybinius popierius.
A.2	**Sutikimas dėl Bazinio prospekto naudojimo**	Bazinio prospekto galiojimo laikotarpiu AS „SEB banka“ (registracijos numeris 40003151743, juridinis adresas Meistaru 1, Valdlauči, Ķekava sav., Ķekava r., LV-1076, Latvija) ir jo subagentai (kaip nurodyta taikytinose Galutinėse sąlygose), vėliau perparduodantys ar platinantys pagal Programą išleistas Obligacijas, turi teisę naudoti Bazinį prospektą: - Latvijos Respublikoje, Lietuvos Respublikoje ir Estijos Respublikoje, kur vykdomas viešasis Obligacijų platinimas instituciniams ir mažmeniniams investuotojams, ir - Europos ekonominės erdvės valstybėse narėse, kuriose, vadovaujantis išimtimi pagal Direktyvos dėl prospekto (Direktyva 2003/71/EB) 3 straipsnį, vykdomas privatus Obligacijų platinimas instituciniams investuotojams, kuris yra įgyvendinamas tam tikrose Europos ekonominės erdvės valstybėse narėse, vėlesniam atitinkamų Obligacijų perpardavimui ar platinimui per atitinkamą platinimo laikotarpį (kaip nustatyta taikytinose Galutinėse sąlygose), kurio metu gali būti atliekamas vėlesnis atitinkamų Obligacijų perpardavimas ar platinimas. Emitentas prisiima atsakomybę už Baziniame prospekte pateikiamą informaciją, taip pat ir informaciją, susijusią su tokiu vėlesniu atitinkamų Obligacijų perpardavimu ir platinimu. ***Atskiros emisijos santrauka:*** Agento (Platintojo) subagentai: [●] Bazinis prospektas potencialiems investuotojams gali būti pateikiamas tik kartu su visais iki pateikimo paskelbtais jo priedais (jei tokių yra). Bazinis prospektas ir visi Bazinio prospekto priedai skelbiami Emitento internetiniame puslapyje adresu www.latvenergo.lv. Naudodamiesi Baziniu prospektu, AS „SEB banka“ ir jo subagentai turi užtikrinti, kad būtų laikomasi atitinkamoje jurisdikcijoje taikytinų įstatymų ir teisės aktų. **Tuo atveju, jei AS „SEB banka“ ir (arba) jo subagentai pateikia siūlymą, AS „SEB banka“ ir (arba) jo subagentai investuotojams pateikia informaciją apie atitinkamo pasiūlymo teikimo metu galiojančias siūlomų Obligacijų sąlygas.**

B skirsnis – Emitentas

B.1	**Teisinis ir komercinis pavadinimas**	Emitento juridinis ir komercinis pavadinimas yra Akciju sabiedrība „Latvenergo“.
B.2	**Emitento buveinės vieta, teisinė forma, teisės aktai, pagal kuriuos emitentas veikia, ir įsteigimo šalis**	Emitentas yra ribotos atsakomybės bendrovė (*akciju sabiedrība*), įsteigta pagal Latvijos Respublikos įstatymus 1991 m. spalio 8 d. Emitentas yra įregistruotas Latvijos Respublikos Komerciniame registre, kuriame jo registracijos numeris yra 40003032949, o jo registruotas adresas yra Pulkveža Brieža 12, Ryga, LV-1230, Latvija (telefono numeris +371 67 728 222). Emitentas savo veiklą vykdo vadovaudamasis Latvijos Respublikos teisės aktais. Pagrindiniai Latvijos Respublikos teisės aktai, reglamentuojantys Emitento veiklą yra šie: – Prekybos įstatymas (*Komerclikums*); – Viešųjų asmenų kapitalo dalių ir kapitalo bendrovių valdymo įstatymas (*Publiskas personas kapitāla daļu un kapitālsabiedrību pārvaldības likums*); – Energetikos įstatymas (*Enerģētikas likums*); – Elektros energijos rinkos įstatymas (*Elektroenerģijas tirgus likums*).
B.4b	**Kitų žinomų tendencijų, turinčių įtakos emitentui ir sektoriams, kuriuose jis veikia, apibūdinimas**	Šio Bazinio prospekto sudarymo dieną nėra jokios informacijos apie visas žinomas tendencijas, neaiškumus, poreikius, įsipareigojimus ar įvykius, kurie pagrįstai gali turėti esminį poveikį Emitento ar Grupės perspektyvai ir pramonės šakoms, kuriose Emitentas ar Grupė vykdo savo veiklą 2015 metų finansiniais metais.
B.5, B.14	**Grupės ir emitento padėties toje grupėje apibūdinimas, jeigu emitentas priklauso tai grupei** **Jeigu emitentas yra priklausomas nuo kitų grupės subjektų, tai turi būti aiškiai nurodyta**	Emitentas yra patronuojančioji Grupės bendrovė. Bazinio prospekto sudarymo dieną Grupę sudaro Emitentas ir septynios jo dukterinės įmonės: - penkios įmonės įsteigtos Latvijoje: „Latvijas elektriskie tīkli“ AS (100 proc.), „Sadales tīkls“ AS (100 proc.), „Enerģijas publiskais tirgotājs“ AS (100 proc.), „Elektrum Latvija“ SIA („Elektrum Eesti“ OÜ 100 proc. patronuojamoji įmonė) ir „Liepājas enerģija“ SIA (51 proc.); - UAB „Elektrum Lietuva“ (100 proc.) įsteigta Lietuvoje; - „Elektrum Eesti“ OÜ (100 proc.) įsteigta Estijoje. Emitentas yra vienos asocijuotos bendrovės „Pirmais Slēgtais Pensiju Fonds“ AS (Emitentas turi 46,3 proc., o Grupė – 48,15 proc. akcijų) akcininkas. Emitentas taip pat turi finansinę investiciją į „Rīgas Siltums“ AS (0,005 proc.).
B.9	**Kai pateikiama pelno prognozė arba duomenys apie preliminarų pelną, nurodomi skaičiai**	Netaikoma. Šiame Baziniame prospekte Emitentas nepateikė pelno prognozės ar jo apskaičiavimo.
B.10	**Istorinės finansinės informacijos audito ataskaitoje nurodytų išlygų apibūdinimas**	Netaikoma. Grupės audituotose konsoliduotose metinėse ataskaitose už metus, pasibaigusius 2013 m. gruodžio 31 d. ir 2014 m. gruodžio 31 d. , nėra nurodyta jokių išlygų.
B.12	**Atrinkta istorinė pagrindinė finansinė informacija apie emitentą, pateikta apie kiekvienus istorinės**	Šie Grupės dvejų finansinių metų, pasibaigusių 2013 ir 2014 m. gruodžio 31 d., ir dviejų tarpinių laikotarpių, pasibaigusių 2014 m. kovo 31 d. ir 2015 m. kovo 31 d., suvestiniai konsoliduoti veiklos rezultatai ir pagrindiniai veiklos rodikliai, paimti iš Grupės konsoliduotų finansinių atskaitomybių pagal šias datas ir laikotarpius be jokių esminių pakeitimų.

finansinės informacijos laikotarpio finansinius metus ir apie bet kurį paskesnį tarpinį finansinį laikotarpį kartu su praėjusių finansinių metų to paties laikotarpio palyginamaisiais duomenimis, tačiau reikalavimas pateikti lyginamąją balanso informaciją įvykdomas pateikus metų pabaigos balanso informaciją

		Metai, pasibaigę gruodžio 31 d.		Trijų mėnesių laikotarpis, pasibaigęs kovo 31 d.	
		2013	**2014**	**2014**	**2015**
		(Audituota)		*(Neaudituota)*	
Pagrindiniai finansiniai rodikliai (Grupės)					
Pajamos	mln. EUR	1 100	1 011	324	260
EBITDA	mln. EUR	249	237	83	95
Pelnas	mln. EUR	46	30	31	39
Bendras turtas	mln. EUR	3 575	3 487	3 598	3 527
Bendras nuosavas kapitalas	mln. EUR	2 022	2 021	2 050	2 059
Grynoji skola	mln. EUR	689	706	680	689
Investicijos	mln. EUR	225	178	27	25
Kapitalo koeficientas	procentai	57	58	57	58
EBITDA pelningumo koeficientas	procentai	23	23	24	26
Grynosios skolos santykis su EBITDA		2,8	3,0	2,5	2,6
Veiklos rodikliai (Grupės)					
Mažmeninis elektros energijos tiekimas	GWh	7 954	8 688	2 488	2 132
Elektros energijos gamyba	GWh	4 854	3 625	1 192	1 027
Šilumos energijos tiekimas	GWh	2 517	2 442	1 077	990
Paskirstoma elektros energija	GWh	6 447	6 421	1 724	1 795

Pareiškimas, kad nuo paskutinių audituotų finansinių ataskaitų paskelbimo dienos neįvyko jokių esminių neigiamų emitento perspektyvos pokyčių, arba bet kokio esminio neigiamo pokyčio apibūdinimas

Nuo Grupės audituotos konsoliduotos metinės ataskaitos už 2014 metus datos neįvyko jokių esminių neigiamų Emitento ar Grupės perspektyvos pokyčių.

Reikšmingų finansinės ar verslo padėties pokyčių, įvykusių po istorinės finansinės informacijos laikotarpio, apibūdinimas

Nuo 2015 m. kovo 31 d. neįvyko jokių esminių neigiamų Emitento ar Grupės finansinės ar verslo padėties pokyčių.

B.13 **Bet kokių su emitentu susijusių pastarųjų įvykių, kurie turi esminės reikšmės vertinant emitento mokumą, apibūdinimas**

Netaikoma. Pastaruoju metu nėra įvykę jokių esminių įvykių, kurie būtų reikšmingi Emitento ir Grupės mokumui įvertinti.

B.15 **Emitento pagrindinių veiklų aprašymas**

Grupės veikla vykdoma trijuose pagrindiniuose segmentuose. Tai gamyba ir tiekimas, skirstymas bei perdavimo sistemos turto valdymas.

Gamybos ir tiekimo segmentas apima elektros ir šilumos energijos gamybą, kurią vykdo Emitentas ir „Liepājas enerģija“ SIA, o taip pat ir didmeninį bei mažmeninį elektros energijos tiekimą Baltijos šalyse, kurį vykdo Emitentas ir jos dukterinės bendrovės „Elektrum Eesti“ OÜ ir UAB „Elektrum Lietuva“. Nuo 2014 m. balandžio 1 d. visuomeninio pardavėjo funkcijas vykdo Emitento dukterinė bendrovė „Enerģijas publiskais tirgotājs“ AS.

Skirstymo segmentas apima elektros energijos skirstymo paslaugų teikimą Latvijoje. Paslaugas teikia įmonė „Sadales tīkls“ AS – didžiausias skirstymo sistemos operatorius

		Latvijoje. *Perdavimo sistemos turto segmento valdymą* užtikrina „Latvijas elektriskie tīkli“ AS. Latvijos Respublikoje taikomas antrasis atskyrimo modelis pagal ES direktyvą 2009/72/EB, kurioje numatoma, kad elektros energijos perdavimo sistemos turtas turi išlikti vertikalios integracijos įmonėje, o perdavimo sistemos operatoriaus veikla turi būti valdoma nepriklausomai. Turtas yra išnuomotas Latvijos perdavimo sistemos operatoriui „Augstsprieguma tīkls“ AS.
B.16	**Kiek tai žinoma emitentui, nurodoma, ar emitentas tiesiogiai arba netiesiogiai kam nors priklauso arba yra kieno nors kontroliuojamas, apibūdinamas tokios kontrolės pobūdis**	Emitentas yra pagal Latvijos Respublikos įstatymus įkurta ribotos atsakomybės bendrovė (*akciju sabiedrība*). Latvijos Respublika yra vienintelis Emitento akcininkas. Latvijos Respublikos Ekonomikos ministerija valdo visas Emitento akcijas Latvijos Respublikos vardu.
B.17	**Emitento arba jo skolos vertybinių popierių kredito reitingai, nustatyti emitento prašymu arba emitentui dalyvaujant reitingavimo procese**	„Moody’s Investors Service“ Emitentui yra nustačiusi kredito reitingą Baa2 su stabilia perspektyva. Reitingas ir perspektyva buvo atnaujinti 2015 m. vasario 16 d. Pagal Programą išleistų Obligacijų emisija gali būti reitinguojama arba nereitinguojama. Jeigu reitinguojama, tokiu atveju šie reitingai nebūtinai bus tokie patys kaip tie, kurie yra nustatyti Emitentui. Kredito reitingas nėra rekomendacija pirkti, parduoti ar išlaikyti vertybinius popierius ir gali būti reitingą nustatančios agentūros sustabdytas, sumažintas ar atšauktas. ***Atskiros emisijos santrauka:*** Išleidžiamos obligacijos [nėra/buvo/bus] reitinguojamos ir reitingą nustatys [[●]]

C skirsnis – Vertybiniai popieriai

C.1	**Siūlomų ir (arba) į prekybos sąrašą įtraukiamų vertybinių popierių tipo ir klasės apibūdinimas, įskaitant visus vertybinių popierių identifikavimo kodus**	Negarantuotos obligacijos, kurių bendra nominalioji vertė yra iki 100,000,000 EUR. Obligacijos yra pareikštinės formos nematerialūs skolos vertybiniai popieriai. Obligacijos bus išleidžiamos atskiromis Emisijomis. Kiekvieną Emisiją sudarys viena arba daugiau Dalių. Tos pačios Emisijos Obligacijoms bus taikomos identiškos sąlygos, išskyrus Emisijos įsigaliojimo dienas ir Emisijos kainas, kurios gali skirtis dėl skirtingų Dalių. Tam kad būtų galima identifikuoti atskiras Emisijas ir Dalis, Galutinėse sąlygose pateikiamas atitinkamos Emisijos serijos numeris ir atitinkamos Dalies serijos numeris. ***Atskiros emisijos santrauka:*** Obligacijų emisijos numeris: [●] Dalies numeris: [●] Prieš pradedant platinti kiekvienos Emisijos pirmos Dalies Obligacijas, tai atitinkamai Emisijai bus suteikiamas ISIN kodas. Kai išleidžiama paskesnė Dalis, kuri yra skirta suformuoti vieną Emisiją su esama Dalimi po esamos Dalies Emisijos įsigaliojimo dienos, tokioms paskesnės Dalies Obligacijoms suteikiamas laikinas ISIN kodas, kuris skiriasi nuo ISIN kodo, skiriamo atitinkamai Emisijai, iki tol, kol Dalys yra konsoliduojamos ir sudaro vieną Emisiją. ***Atskiros emisijos santrauka:*** ISIN kodas: [[●]] / Laikinas ISIN kodas: [●]. Po Obligacijų įtraukimo į prekybos sąrašą reguliuojamoje rinkoje Obligacijos bus konsoliduojamos ir sudarys vieną emisiją su [●] ir turės bendrą ISIN kodą [●].

C.2	**Vertybinių popierių emisijos valiuta**	EUR.
C.5	**Visų apribojimų laisvai perleisti vertybinius popierius apibūdinimas**	Obligacijos yra laisvai perleidžiami vertybiniai popieriai. Tačiau Obligacijos negali būti siūlomos, parduodamos, perparduodamos, perleidžiamos ar pateikiamos tose šalyse ar jurisdikcijose ar esant kitokioms aplinkybėmis, kur ir kai tai yra neteisėta ar reikalauja priemonių, kurių Latvijos įstatymai nenumato, įskaitant Jungtines Amerikos Valstijas, Australiją, Kanadą, Honkongą ir Japoniją.
C.8, C.9	**Vertybinių popierių suteikiamų teisių apibūdinimas, įskaitant** • **eiliškumą** • **šių teisių apribojimus** • **nominalią palūkanų normą** • **datą, nuo kurios skaičiuojamos palūkanos, ir palūkanų mokėjimo terminą** • **kai palūkanų norma nenustatyta, bazinių priemonių, kuriomis ji grindžiama, apibūdinimą** • **išpirkimo datą ir paskolos amortizavimo tvarką, įskaitant grąžinimo procedūras** • **informaciją apie pelningumą** • **skolos vertybinių popierių savininkų atstovo pavadinimą**	**Eiliškumas** Obligacijos yra tiesioginiai, neapdrausti ir negarantuoti Emitento įsipareigojimai ir bus lygiaverčiai (*pari passu*) su visais kitais Emitento neapdraustais, negarantuotais ir nesubordinuotais įsipareigojimais, neteikiant jiems jokios pirmenybės, išskyrus tuos atvejus, kai įsipareigojimams teikiama pirmenybė, nes to reikalauja imperatyviosios teisės normos. **Emisijos kaina** Obligacijos gali būti išleidžiamos (parduodamos) už nominaliąją vertę, su nuolaida arba su priemoka prie jų nominaliosios vertės. **Palūkanų norma** Už Obligacijas mokama fiksuota Metinė Palūkanų Norma. Palūkanos už Obligacijas bus mokamos kiekvienais metais tomis dienomis, kurios nurodytos Galutinėse sąlygose. Palūkanos kiekvienam palūkanų laikotarpiui pradedamos skaičiuoti nuo ir įskaitant pirmą palūkanų laikotarpio dieną iki (tačiau neįskaitant) paskutinės palūkanų laikotarpio dienos už tuo metu likusią pagrindinę (nominaliąją) Obligacijų vertę. Pirmas palūkanų laikotarpis prasideda Emisijos įsigaliojimo dieną ir baigiasi pirmą Palūkanų mokėjimo dieną. Visi po to einantys palūkanų laikotarpiai prasideda ankstesnę Palūkanų mokėjimo dieną ir baigiasi kitą Palūkanų mokėjimo dieną. Paskutinis palūkanų laikotarpis baigiasi Išpirkimo dieną. Palūkanos už obligacijas bus skaičiuojamos pagal faktinį atitinkamo palūkanų laikotarpio dienų skaičių, padalintą iš 365 (arba 366, keliamųjų metų atveju), t. y. bus vadovaujamasi dienų skaičiavimo principu „Act/Act (Tarptautinė kapitalo rinkų asociacija)“. ***Atskiros emisijos santrauka:*** Palūkanų mokėjimo data: [●] kiekvienais metais **Informacija apie pajamingumą** Numatomos siūlomų Obligacijų Pajamingumo iki Išpirkimo ribos (intervalas) bus nurodytos Galutinėse sąlygose. Tačiau Emitentas turi teisę numatomo Pajamingumo iki Išpirkimo ribas atnaujinti Obligacijų Platinimo laikotarpiu. **Galutinio pajamingumo iki išpirkimo, Metinės palūkanų normos ir Emisijos kainos nustatymas** Galutinis pajamingumas iki išpirkimo bus nustatomas po Platinimo laikotarpio pagal investuotojų pateiktus pirkimo pasiūlymus. Galutinis pajamingumas iki išpirkimo bus toks pats visiems investuotojams, platinimo metu įsigijusiems atitinkamos Dalies Obligacijų. Nustatytas Galutinis pajamingumas iki išpirkimo nurodomas Galutinėse sąlygose, kurios bus skelbiamos po Obligacijų paskirstymo investuotojams. ***Atskiros emisijos santrauka:*** Galutinis pajamingumas iki išpirkimo: [●] Metinė palūkanų norma (atkarpa) turi būti nustatyta, suapvalinant Galutinį pajamingumą iki išpirkimo iki artimiausios skaičiaus (kuris pateikiamas procentine išraiška) dešimtosios dalies po kablelio. Nustatyta Metinė palūkanų norma nurodoma Galutinėse sąlygose, kurios bus skelbiamos po Obligacijų paskirstymo investuotojams.

		Atskiros emisijos santrauka: Metinė palūkanų norma: [●] Obligacijų emisijos kaina nustatoma pagal formulę, pateiktą atitinkamos Dalies Galutinėse sąlygose ir yra suapvalinama iki artimiausios tūkstantosios apvalinamo skaičiaus dalies pagal aritmetines apvalinimo taisykles. Nustayta Emisijos kaina nurodoma Galutinėse sąlygose, kurios bus skelbiamos po Obligacijų paskirstymo investuotojams. ***Atskiros emisijos santrauka:*** Emisijos Kainos apskaičiavimo formulė: [●] ***Atskiros emisijos santrauka:*** Emisijos kaina: [●] Galutinės sąlygos, kuriose pateikiama informacija apie nustatytą Metinę palūkanų normą, Emisijos kainą, Bendrą atitinkamos Dalies vertę ir galutinį išleidžiamų Obligacijų kiekį, bus paskelbtos Emitento internetiniame puslapyje adresu www.latvenergo.lv ir taip pat pateiktos Finansų ir kapitalų rinkos komisijai po Obligacijų paskirstymo investuotojams. **Išpirkimo terminai** Kiekvienos Obligacijų emisijos trukmė gali būti nuo 1 (vienų) iki 15 (penkiolikos) metų arba tokį išpirkimo terminą, kokį pasirenka Emitentas, tačiau bet kokiu atveju ne trumpesnį nei 12 (dvylika) mėnesių. ***Atskiros emisijos santrauka:*** Išpirkimo terminas: [●] **Išpirkimas** Obligacijos turi būti visiškai išpirktos sumokant jų nominaliąją vertę suėjus Išpirkimo terminui. Emitentas neturi teisės išpirkti Obligacijų anksčiau nei Išpirkimo dieną, nebent Emitentas iš anksto sumokėjo už Obligacijas Kontrolės pasikeitimo *ar* Įsipareigojimų nevykdymo atveju, arba tuo atveju, kai Emitento siūlymu sušauktas Obligacijų savininkų susirinkimas priima sprendimą išpirkti Obligacijas nesuėjus Išpirkimo terminui. **Skolos vertybinių popierių savininkų atstovas** Obligacijų savininkų teisės nustatyti ir / ar įgalioti organizaciją / asmenį atstovauti visų ar dalies Obligacijų savininkų interesams nėra numatytos, tačiau, kita vertus, jos nėra apribotos. Obligacijų savininkai turi patys padengti visas su atstovu(-ais) susijusias(-ius) išlaidas/mokesčius.
C.10	**Kai vertybiniai popieriai turi palūkanų mokėjimo išvestinį komponentą, pateikiamas aiškus ir išsamus paaiškinimas, padedantis investuotojams suprasti, kaip jų investicijos vertė priklauso nuo bazinės (-ių) priemonės (-ių) vertės, visų pirma, kai rizika yra ypač akivaizdi**	Netaikoma. Obligacijos neturi palūkanų mokėjimo išvestinio komponento.
C.11	**Nurodykite, ar siūlomi vertybiniai**	Emitentas pateiks prašymą įtraukti kiekvieną Dalį į oficialų AS NASDAQ OMX Riga sąrašą. Prašymas bus parengtas pagal AS NASDAQ OMX Riga reikalavimus ir bus

popieriai yra įtraukti ar juos bus siekiama įtraukti į prekybos sąrašą, siekiant juos platinti reguliuojamoje rinkoje arba kitose lygiavertėse rinkose, konkrečiai nurodant tas rinkas	pateiktas AS NASDAQ OMX Riga per 3 (tris) mėnesius nuo atitinkamos Dalies Emisijos įsigaliojimo datos.

D skirsnis – Rizikos

D.2	**Pagrindinė informacija apie pagrindines rizikas, būdingas emitentui**	**Rizikos, susiję su makroekonominėmis sąlygomis** • Grupės plėtra į kaimynines energetikos rinkas ir Grupės integracija į tarptautinio verslo procesus prisideda prie vis didesnio regioninių ir tarptautinių makroekonominių pokyčių poveikio Grupės verslui ir finansiniams rezultatams. • Netikėtas ekonomikos nuosmukis bei lėtesnis nei tikėtasi ekonomikos augimas ar politinis nestabilumas (pvz., dėl galimo Graikijos įsipareigojimų nevykdymo ar stiprėjančios Rusijos ir Ukrainos krizės) galėtų turėti įtakos Grupės klientams ir gali neigiamai paveikti Grupės augimą ir operacijų rezultatus dėl mažesnio elektros energijos suvartojimo. **Rizikos, susijusios su verslo operacijomis** • Vienintelis Emitento akcininkas – Latvijos Respublika. Tam tikri esminiai akcininko sprendimai, kuriais keičiama Grupės strategija ar sprendimai dėl dividendų politikos, kapitalo struktūros ir kiti atitinkami sprendimai galėtų turėti esminės neigiamos įtakos Grupei. Be to, Emitento Stebėtojų tarybos grąžinimas gali lemti pokyčius Grupės strategijos ir kitų pagrindinių Grupės veiklos sričių atžvilgiu. Atsižvelgiant į tai, kad visų dabartinių Emitento Valdybos narių kadencija baigiasi 2015 m. lapkričio 15 d., dalies arba visų dabartinių Emitento Valdybos narių pakeitimas gali neigiamai paveikti Emitento dabartinę strateginę kryptį, plėtros planus, tikslus ir politikas, o tai galėtų turėti neigiamos įtakos Grupei. • Grupės pajamos reguliuojamose rinkose labai priklauso nuo tarifų, kuriuos tvirtina Viešųjų komunalinių paslaugų komisija ir (arba) kurie yra reguliuojami vadovaujantis Latvijos Respublikos teisės aktais. Esama rizikos, kad dėl šių reguliuojamų tarifų nebus padengtos visos išlaidos. Be to, egzistuoja rizika, kad vėluojami priimti valstybės institucijų su reguliavimu susiję sprendimai arba vietos ar ES teisinės aplinkos pokyčiai, nustatantys atitinkamus priežiūros klausimus, Grupei turės reikšmingos neigiamos įtakos. Be to, egzistuoja rizika, kad Europos Komisija gali atidėti valstybės biudžeto subsidijos, kuria siekiama riboti privalomo su viešąja paslauga susijusio įsipareigojimo įsigyti mokesčio didėjimą, patvirtinimą arba išvis jos nepatvirtinti, o dėl to privalomo įsigijimo išlaidos galėtų tapti neatlygintinomis. Bet kuri iš šių rizikų gali turėti reikšmingos neigiamos įtakos Grupės finansinei būklei. • Tikimasi, kad elektros energijos rinkos Baltijos šalyse liberalizavimas bus įgyvendintas per šiuos metus. Liberalizavus rinką, pavyktu sukurti konkurencingesnę aplinką, kurioje dalyvaus daugiau rinkos dalyvių, kurie gali sumažinti Grupės rinkos dalį ir turėti įtakos kainodarai ir Grupės verslui bei finansinei padėčiai. Taip pat egzistuoja rizika, kad dėl prisijungimo prie netinkamos rinkos ir netinkamos rinkos plėtros strategijos, Grupė patirs ilgalaikių nuostolių. • Rinkos dalis Baltijos šalyse rodo dabartinę Grupės padėtį, tačiau egzistuoja rizika, kad rinkos dalis gali sumažėti arba Grupė gali nesugebėti pasiekti tikimosi rinkos dalies augimo, kurie turėtų neigiamos įtakos Grupės verslui ir finansinei būklei. Be

to, Bendrovė dėl ekonominių, strateginių ar kitokių priežasčių gali pasitraukti iš dabartinių rinkų. Tai gali turėti įtakos Grupės veiklai ir finansinei būklei.

- Grupės elektros gamybos portfelis iš dalies patenkina elektros tiekimo portfelio poreikius, todėl metų eigoje apytiksliai pusė Grupės metinio elektros energijos tiekimo mažmeniniam sektoriui susiduria su kainos nepastovumo rizika elektros energijos didmeninėje rinkoje. Grupė taiko išvestines finansines priemones siekdama savo tiekimo portfelio dalies atžvilgiu sumažinti elektros kainos riziką. Dėl žemo Baltijos regiono elektros energijos išvestinių finansinių priemonių rinkos likvidumo, galimybė pasinaudoti apsidraudimo priemonėmis yra ribota, o apsidraudimo kaštai yra nemenki. . Esama rizikos, kad apsidraudimas bus nepakankamai efektyvus, o tai gali turėti reikšmingos neigiamos įtakos Grupės finansinei būklei.

- Grupės gebėjimas pasiekti trumpalaikius tikslus ir ilgalaikius strateginius tikslus iš dalies priklauso nuo įstatyminės aplinkos. Veiksniai, galintys turėti reikšmingą poveikį Grupės veiklai ir finansinei padėčiai apima, tačiau jais neapsiribojant, elektros energijos tiekimą pažeidžiamiems vartotojams (nepasiturintiems ar mažas pajamas gaunantiems asmenims, daugiavaikėms šeimoms), supirkimo tarifų politiką, taikomą ekologiškiems gamybos šaltiniams, nacionalinius ar ES teisės aktus dėl techninių, rinkos vientisumo ir skaidrumo, konkurencijos, saugos ir aplinkos apsaugos klausimų, tam tikrų rinkos priežiūros institucijų sprendimus (pavyzdžiui, Viešųjų komunalinių paslaugų komisijos, Konkurencijos tarybos, Valstybinės mokesčių inspekcijos ir t. t.)

- Pagrindinėms Grupės verslo operacijoms iš dalies turi įtakos oro sąlygos. Dėl šios priežasties Grupės finansinei padėčiai apskritai gali turėti įtakos sezoniškumas, oro svyravimai ir ilgalaikiai klimato pokyčiai.

- Emitentas, kaip potencialus investuotojas, yra įtrauktas į derybas dėl atominės elektrinės projekto. Be atominės elektrinės projekto, Grupė gali svarstyti dalyvauti kituose dideliuose investicijų projektuose, dėl kurių gali padidėti Grupės veiklos ir (arrba) finansinės rizikos lygis arba gali būti neigiamai paveikta Grupės vertė ar reputacija, taip sukurdama neigiamą poveikį Grupės verslui ir finansinei būklei.

- Kadangi Latvijoje esantis elektros perdavimo sistemos turtas priklauso Grupei, tačiau jį valdo trečiasis asmuo, Latvijos perdavimo sistemos operatorius „Augstsprieguma tīkls“ AS, kyla rizika, kad perdavimo sistemos operatorius ilgalaikėje perspektyvoje skirs nepakankamai investicijų, kad būtų išlaikyta esama turto vertė, ir tokiu būdu sumažins šio turto vertę ir sukels nuostolių Grupei. Be to, jeigu ES lėšų, kuriomis finansuojamas turtas, dalis sumažės labiau nei yra tikimasi, Grupei gali tekti padidinti savo finansavimo dalį esamos perdavimo sistemos turto statybos projektuose, o tai sumažintų kitiems projektams galimas skirti lėšas arba galėtų padidinti įsiskolinimus.

- Tikėtinas naujas šilumos energijos rinkos dalyvis, gamybos procesui kaip kurą naudojantis biomasę, gali sumažinti Emitento termofikacinių elektrinių darbo krūvį, taip sumažindamas ir Emitento tiekiamos šilumos energijos kiekį. Tai galėtų turėti reikšmingos neigiamos įtakos Grupės bendrajai veiklai, ypač atsižvelgiant į tai, kad jėgainių, kuriose naudojamos dujos, kintamos sąnaudos yra palyginti didesnės,

- Be anksčiau išvardintų rizikų, Grupės verslui ir finansinei padėčiai neigiamos įtakos gali turėti kitos sutarties šalies rizika, turto apgadinimo rizika, bylinėjimosi ir ginčų rizika, išteklių rizika, investicinių projektų vykdymo rizika, platinimo sistemos investicijų rizika, valstybės skolos krizės rizika, aplinkosai, sveikatios ir saugumo rizika bei mokesčių rizika.

Finansinės rizikos

- Pažeidus finansinius pasižadėjimus ar tam tikrus įsipareigojimus ir pareiškimus pagal paskolos sutartis ir (arba) dokumentus, susijusius su išleistomis obligacijomis, galimas įsipareigojimų nevykdymo atvejis ir paskolų grąžinimas prieš terminą ir (arba) pirmiau išleistų obligacijų išpirkimas. Dėl paskolos sutartyse ir obligacijų dokumentuose įrašytų kryžminių įsipareigojimų nevykdymo nuostatų, Emitentui gali tekti refinansuoti dideles savo likusios skolos dalis.

- Sumažėjus Emitento kredito reitingui, gali padidėti jo finansavimo išlaidos ir (arba) sumažėti jo galimybės pasinaudoti finansavimu; Emitentui taip pat gali tekti pateikti papildomą užtikrinimo priemonę pagal sutartis, o tai gali padidinti sandorių išlaidas.

- Be nurodytų rizikų, Grupės verslui ir finansinei padėčiai neigiamos įtakos gali turėti palūkanų normos rizika ir likvidumo rizika.

D.3 **Pagrindinė informacija apie pagrindinę riziką, būdingą vertybiniams popieriams**

- Obligacijos gali būti ne visiems investuotojams tinkama investicija. Todėl kiekvienas galimas investuotojas į Obligacijas privalo įvertinti šių investicijų tinkamumą pagal savo aplinkybes, įskaitant įtaką šių Obligacijų vertei ir šių investicijų poveikį jo bendram investicijų portfeliui.

- Obligacijos, išleidžiamos finansuoti projektus, kurie atitinka Emitento Aplinkai draugiškų obligacijų koncepcijos (*angl. Green Bond Framework*) reikalavimus, ne visiems investuotojams, kurie siekia investuoti į aplinkai draugišką turtą, gali būti tinkama investicija. Kai yra išleidžiamos Obligacijos, kuriomis siekiama finansuoti projektus, kurie atitinka Emitento Aplinkai draugiškų obligacijų koncepcijos reikalavimus, tikimasi, kad Tarptautinių klimato ir aplinkos mokslinių tyrimų centras – Oslo (*the Center for International Climate and Environmental Research – Oslo*), Norvegijos nepriklausomas tarpdisciplininių klimato mokslinių tyrimų institutas, pateikė antrosios šalies nuomonę dėl Obligacijų kaip investicijos, susijusios su tam tikru aplinkos ir tvarumo kriterijumi, tinkamumo ir tokia antrosios šalies nuomonė nėra įtraukta į Bazinį prospektą ir nėra jo dalimi. Nėra suteikiama jokių garantijų dėl tokios nuomonės tinkamumo ar kad Obligacijos atitiks aplinkos ir tvarumo kriterijų. Tokia nuomonė gali neatspindėti galimo rizikų, susijusių su struktūra, rinka, papildomais rizikos faktoriais ir kitais faktoriais, kurie gali turėti įtakos Obligacijų vertei, poveikio; tai nėra rekomendacija pirkti, parduoti ar turėti vertybinių popierių. Jei Emitentas nesilaiko tam tikrų įsipareigojimų pranešti informaciją ir naudoti pajamas remiantis tokia nuomone, tai nėra laikoma įsipareigojimų pagal Obligacijų bendrąsias sąlygas nevykdymu. Nuomonės panaikinimas gali turėti įtakos Obligacijų vertei ir (arba) gali turėti pasekmių tam tikrų investuotojų, turinčių teisę investuoti į aplinkai draugišką turtą, atžvilgiu.

- Investuotojai gali netekti palūkanų ir pagrindinės investuotos sumos, Emitentui tapus nemokiam arba jei yra inicijuojamos Emitento teisinės apsaugos procedūros arba neteisminės teisinės apsaugos procedūros.

- Obligacijos laikomos neapdraustais Emitento įsipareigojimais, be jokių papildomų garantijų ir apdraudimo priemonių; Emitentui tapus nemokiu, Obligacijų savininkai taps neapdraustais kreditoriais.

- Atsižvelgiant į tai, kad, pagal Latvijos teisę, tam tikras svarbiausias Emitento turtas nuosavybės teise gali priklausyti tik Emitentui ar jam priklausančioms dukterinėms įmonėms, išieškojimas nebus nukreiptas į šį turtą.

- Neigiamas Emitento finansinės būklės ar perspektyvų pokytis gali turėti esminę neigiamą įtaką Obligacijų likvidumui; jis gali sukelti esminį jų rinkos kainos sumažėjimą, vadinasi, paveikti greitą ir visišką atsiskaitymą su visais Obligacijų savininkais.

- Emitento gebėjimas sėkmingai refinansuoti savo skolas priklauso nuo skolos kapitalo rinkų sąlygų ir jo tuometinės finansinės būklės. Net jei skolos kapitalų rinkų padėtis pagerėja, Emitentas tam tikru metu gali neturėti prieigos prie finansavimo šaltinių palankiomis sąlygomis arba išvis neturėti prieigos. Emitento nesugebėjimas refinansuoti savo finansinių įsipareigojimų palankiomis sąlygomis arba visiškas nesugebėjimas refinansuoti, gali turėti neigiamos įtakos Grupės veiklai, finansinei padėčiai, pelnui ir Obligacijų savininkų galimybei atgauti už Obligacijas sumokėtus pinigus.

- Obligacijos sudaro naują Emitento vertybinių popierių emisiją, todėl aktyvi Obligacijų rinka gali nesusidaryti ar neišsilaikyti; šiai rinkai taip pat gali turėti įtakos rinkos ir ekonominių sąlygų, finansinių sąlygų ir Emitento perspektyvų pokyčiai, o tai savo ruožtu gali turėti atitinkamą poveikį Obligacijų likvidumui ir rinkos kainai.

- Už Obligacijas skaičiuojamos fiksuotos palūkanų normos palūkanos, todėl tai sukelia riziką, kad šių vertybinių popierių kainai gali turėti įtakos rinkos palūkanų normos pokyčiai. Be to, dėl infliacijos Obligacijų rinkos kaina gali sumažėti, nes infliacija mažina valiutos vieneto perkamąją galią ir, atitinkamai, gaunamas palūkanas.

- Už Obligacijas mokama eurais, todėl užsienio valiutos keitimo kursų ir palūkanų normų svyravimai gali turėti esminės neigiamos įtakos Obligacijų vertei, jei investuotojo finansinė veikla iš esmės susijusi su kitos valiutos vienetu. Valstybė ir pinigų institucijos gali įvesti (kaip jau buvo padaryta praeityje) keitimo kontrolę, kuri galėtų turėti neigiamos įtakos atitinkamam valiutos keitimo kursui. Be to, investuojant į Obligacijas kyla rizika, kad vėlesni rinkos palūkanų normų pokyčiai gali turėti esminės neigiamos įtakos Obligacijų vertei.

- Obligacijos bus susiejamos su Latvijos centrinio vertybinių popierių depozitoriumo sąskaitų sistema ir fizinės obligacijos nebus išduodamos. Tarpuskaita ir atsiskaitymai, susiję su Obligacijomis, taip pat ir palūkanų mokėjimas bei pagrindinės sumos išmokėjimas bus atliekami naudojantis Latvijos centrinio vertybinių popierių depozitoriumo apskaitos sistema. Dėl to investuotojai bus priklausomi nuo Latvijos centrinio vertybinių popierių depozitoriumo sąskaitų sistemos funkcionalumo.

- Jei nepriklausomos kredito reitingo agentūros nustato reitingus Obligacijoms, šie reitingai negali atspindėti visų su Obligacijomis susijusių rizikų galimo poveikio; be to, reitingo agentūra gali bet kada peržiūrėti ar panaikinti šiuos reitingus. Be to, bet koks neigiamas Emitento taikomo kredito reitingo pasikeitimas gali turėti neigiamos įtakos Obligacijų pardavimo ir pirkimo kainai.

- Obligacijoms taikomi galiojantys Latvijos Respublikos įstatymai; jie gali keistis Obligacijų galiojimo metu, todėl negalima suteikti jokių garantijų dėl šio galimo įstatymų ar kitų teisės aktų pakeitimų poveikio. Dėl šios priežasties tokie pakeitimai gali turėti esminės neigiamos įtakos Emitentui ir Obligacijoms.

- Tam tikrų investuotojų investicinei veiklai taikomi teisėtų investicijų įstatymai ir teisės aktai, ar tam tikrų institucijų peržiūra ar nuostatai. Kiekvienas galimas investuotojas turėtų pasitarti su savo teisiniais patarėjais, norėdamas nustatyti, ar ir kokia apimtimi Obligacijos yra teisėta investuotojo investicija, kokios galimybės pasinaudoti Obligacijomis kaip užstatu, ir ar nėra kitų Obligacijų pirkimui ar įkeitimui taikomų apribojimų.

- Obligacijos neapima jokių susitarimų dėl Emitento veiklos ir neriboja jo galimybės susijungti, parduoti turtą ar vykdyti kitus reikšmingus sandorius, kurie gali turėti reikšmingą neigiamą poveikį Obligacijoms ir Obligacijų savininkams. Todėl, Emitentui sudarius tokį sandorį, galima esminė neigiama įtaka Obligacijų savininkams. Be to, esant atitinkamiems įstatymo pakeitimams, dabartinis Emitento akcininkas gali perleisti visas turimas akcijas ar jų dalį.

- Egzistuoja rizika, kad Obligacijų rinkos vertė yra didesnė negu pirmalaikio išpirkimo dėl Kontrolės pasikeitimo suma ir kad Obligacijų savininkui gali būti neįmanoma pakartotinai investuoti už Obligacijas gautų pajamų taikant efektyvią palūkanų normą (tokio dydžio koks buvo taikomas Obligacijoms) ir tai gali būti padaryta tik taikant žymiai mažesnę palūkanų normą. Taip pat yra įmanoma ir tai, kad Emitentas neturės pakankamai lėšų privalomam išankstiniam apmokėjimui, kuris turi būti atliktas pareikalavus pirmalaikio Obligacijų išpirkimo.

- Tik Emitento akcininkas gali balsuoti per Emitento akcininkų susirinkimus. Obligacijos tokių balsavimo teisių nesuteikia. Todėl Obligacijų savininkai negali daryti jokios įtakos Emitentų akcininkų sprendimams dėl, pavyzdžiui, Emitento kapitalo struktūros.

- Obligacijų savininkų susirinkimo sprendimai (įskaitant Obligacijų Bendrųjų sąlygų pakeitimus) yra privalomi visiems Obligacijų savininkams, taip pat ir Obligacijų savininkams, kurie nedalyvavo ir/ar nebalsavo atitinkamame susirinkime, bei Obligacijų savininkams, balsavusiems kitaip nei dauguma.

- Emitentui nedraudžiama leisti papildomų skolos vertybinių popierių. Tai gali atitinkamai padidinti reikalavimų, turinčių teisę kartu su Obligacijų savininkais gauti pajamas, skaičių, Emitentui tapus nemokiu. Be to, nuostatos, kuriomis suteikiama, siekiama suteikti ar atsisakoma teisė sukurti užtikrinimo interesą trečiųjų asmenų naudai (pavyzdžiui, neigiamas įkeitimas) negalioja santykiuose su trečiaisiais asmenimis; dėl šios priežasties toks užtikrinimo interesas trečiojo asmens naudai, net jei sukurtas pažeidžiant šiame dokumente numatytus Emitento įsipareigojimus, būtų laikomas galiojančiu ir priverstinai vykdomu užtikrinimo interesu įkeisto turto atžvilgiu.

- Agentas (Platintojas), vykdydamas įprastinę verslo veiklą, Grupėje teikia ir gali teikti ateityje investicinės bankininkystės ir (arba) komercinės bankininkystės ar kitokias paslaugas. Visų pirma, reikia pažymėti, kad Agentas (Platintojas) gali, naudodamas tam tikrą kredito priemonę, veikti kaip skolintojas, Grupės nariui esant skolininku. Todėl gali egzistuoti arba atsirasti interesų konfliktų dėl to, kad Agentas (Platintojas) anksčiau buvo sudaręs arba ateityje sudarys sandorius su kitomis šalimis, atliekančiomis kelias funkcijas arba sudarančiomis sandorius trečiųjų šalių, keliančių interesų konfliktą, vardu.

- Obligacijos nėra ir nebus registruojamos pagal 1933 m. JAV Vertybinių popierių įstatymą su pakeitimais ar bet kurios JAV valstijos vertybinių popierių įstatymą. Dėl tam tikrų išimčių Obligacijų savininkas negali Obligacijų platinti ir parduoti Jungtinėse Valstijose. Emitentas nėra įsipareigojęs Obligacijas įregistruoti pagal JAV Vertybinių popierių įstatymą ar bet kurios JAV valstijos vertybinių popierių įstatymą ar ateityje Obligacijas platinti biržoje. Be to, Emitentas Obligacijų nėra užregistravęs pagal jokios kitos valstybės vertybinių popierių įstatymus, išskyrus Latvijos Respublikos įstatymus. Kiekvienas potencialus investuotojas turėtų žinoti apie Obligacijoms taikomus perdavimo apribojimus. Obligacijų turėtojas prisiima atsakomybę, kad Obligacijos būtų platinamos ir parduodamos laikantis taikytinų vertybinių popierių įstatymų.

E skirsnis – Siūlymas

E.2b	**Siūlymo priežastys ir pajamų naudojimas, kai siūlymas skelbiamas ne siekiant uždirbti pelno ir (arba) apsidraudžiant nuo tam tikros rizikos**	Grynąsias pajamas, gautas iš Obligacijų emisijos, Emitentas panaudos bendriesiems įmonės tikslams. Jei pajamoms, gautoms iš tam tikros Obligacijų emisijos, yra numatyta tam tikra panaudojimo paskirtis, tai bus nurodyta atitinkamose Galutinėse sąlygose. ***Atskiros emisijos santrauka:*** [Grynąsias pajamas už kiekvieną išleistą Dalį Emitentas panaudos bendriesiems įmonės tikslams] / [Grynąsias pajamas už kiekvieną išleistą Dalį Emitentas panaudos [●]].
E.3	**Siūlymo sąlygų apibūdinimas**	**Programos organizatorius ir Agentas (Platintojas)** Programos organizatorius ir Agentas yra AS „SEB banka“ (registracijos numeris: 40003151743, juridinis adresas: Meistaru 1, Valdlauči, Ķekava sav., Ķekava r., LV-

1076, Latvija).

Emisijos data
Emisijos data bus nurodyta atitinkamos Dalies Galutinėse sąlygose.

Atskiros emisijos santrauka:
Emisijos data: [●]

Bendra pagrindinė suma
Bendra kiekvienos Dalies pagrindinė vertė pirmiausiai nurodoma Galutinėse sąlygose. Per atitinkamos Dalies Platinimo laikotarpį Emitentas gali didinti arba mažinti Galutinėse salygose nurodytą bendrą tos Dalies pagrindinę vertę.

Atskiros emisijos santrauka:
Bendra nominalioji vertė: [[●] EUR[kaip priedas prie [●]]]

Nominalioji Obligacijos vertė
Nominalioji kiekvienos Obligacijos vertė bus ne mažesnė kaip 1,000 EUR.

Atskiros emisijos santrauka:
Nominalioji Obligacijos vertė: [●]

Minimali investavimo suma
Obligacijos bus platinamos už minimalią investavimo sumą, kuri bus nurodyta Galutinėse sąlygose.

Atskiros emisijos santrauka:
Minimali investavimo suma: [●]

Platinimo laikotarpis
Kiekvienos Dalies platinimo laikotarpis bus nurodytas Galutinėse sąlygose.

Atskiros emisijos santrauka:
Platinimo laikotarpis: [●]

Susitarimai
Kontrolės pasikeitimas, neigiamas įkeitimas, kryžminės netesybos ir kiti.

Depozitoriumas
Obligacijos bus užregistruotos depozitoriume Latvian Central Depository (*Latvijas Centrālais depozitārijs AS*).

Taikytina teisė
Latvijos teisė.

E.4	**Bet kokių interesų, įskaitant konfliktinio pobūdžio, kurie yra reikšmingi atsižvelgiant į emisiją (siūlymą), apibūdinimas**	Išskyrus komisinius, kurie yra mokami Programos organizatoriui ir Agentui, kiek Emitentui yra žinoma, nėra su šių Obligacijų siūlymu susijusių asmenų, turinčių emisijai / siūlymui reikšmingų interesų, o taip pat nėra konfliktinio pobūdžio interesų.
E.7	**Numatomos emitento arba siūlytojo išlaidos, kurias dengia investuotojas**	Emitentas neprašys investuotojų padengti jokių išlaidų ar mokesčių, susijusių su Obligacijų išleidimu. Tačiau investuotojams gali tekti padengti išlaidas, susijusias su vertybinių popierių sąskaitų atidarymu kredito institucijose ar finansų maklerio įmonėse, taip pat ir komisinius, kurie mokami kredito institucijoms ar finansų maklerio įmonėms už investuotojo vykdomas Obligacijų pirkimo ar pardavimo operacijas, Obligacijų saugojimą ar bet kurias kitas operacijas, susijusias su Obligacijomis. Nei Emitentas, nei Programos organizatorius ar Agentas tokių išlaidų Obligacijų savininkams nekompensuos.

KOKKUVÕTE

Käesolev kokkuvõte koosneb avalikustamisnõuetest, mida nimetatakse „**Elementideks**“. Need Elemendid on loetletud jagudes A-E (A.1-E.7). Käesolev kokkuvõte sisaldab kõiki Elemente, mis on nõutavad sellist liiki väärtpaberite ja emitendi kohta käivas kokkuvõttes. Kuna osasid Elemente pole vaja käsitleda, võib Elementide numeratsioonis olla vahelejätmisi. Isegi juhul, kui kokkuvõte peab väärtpaberite ja emitendi liigi tõttu sisaldama teatud Elementi, ei tarvitse kõnealust Elementi käsitlevat teavet olla võimalik anda. Sellisel juhul on kokkuvõttes esitatud Elemendi lühikirjeldus koos märkusega, et vastav Element „ei ole kohaldatav”.

A jagu – Sissejuhatus ja hoiatused

A.1 **Hoiatus**

Käesolevat kokkuvõtet tuleb käsitada käesoleva Põhiprospekti sissejuhatusena ning Võlakirjadesse investeerimise üle otsustamisel peab uurima Põhiprospekti tervikuna, sealhulgas Põhiprospektile lisatud dokumente ning asjakohaste Võlakirjade Lõplikke Tingimusi.

Kui Liikmesriigi kohtule esitatakse käesolevas Põhiprospektis sisalduva teabega seonduv nõue, võib hagejal Liikmesriigi siseriikliku õiguse alusel olla kohustus kanda Põhiprospekti tõlkimise kulud enne kohtumenetluse algatamist.

Tsiviilvastutust kohaldatakse üksnes selliste isikute suhtes, kes on käesoleva kokkuvõtte (kaasa arvatud selle tõlked) esitanud, kuid üksnes juhul, kui kokkuvõte on eksitav, ebatäpne või Põhiprospekti muude osadega vastuolus või ei anna koos Põhiprospekti teiste osadega lugedes põhiteavet, mis aitaks investoritel otsustada neisse väärtpaberitesse investeerimise üle.

A.2 **Luba kasutada Põhiprospekti**

Kogu Põhiprospekti kehtivusaja jooksul on AS SEB banka’l (registrikood: 40003151743, aadress Meistaru 1, Valdlauči, Ķekava küla, Ķekava piirkond, LV-1076, Läti Vabariik) ja tema all-agentidel (nagu nimetatud kohalduvates Lõplikes Tingimustes), kes tegelevad Programmi alusel emiteeritud võlakirjade järgneva edasimüügiga või lõpliku märkimisega, lubatud Põhiprospekti kasutada:

- Läti Vabariigis, Leedu Vabariigis ja Eesti Vabariigis, kus toimub Võlakirjade avalik pakkumine kutselistele- ja jaeinvestoritele; ja
- Euroopa Majanduspiirkonna liikmesriikides, kus toimub Võlakirjade kutselistele investoritele suunatud pakkumine, mida korraldatakse direktiivi 2003/71/EÜ artiklis 3 sätestatud erandi alusel;

emiteeritud Võlakirjade järgnevaks edasimüügiks või Võlakirjade lõplikuks märkimiseks konkreetse pakkumisperioodi jooksul (nagu märgitud Lõplikes Tingimustes), mille jooksul võlakirjade edasimüük või lõplik märkimine toimub. Emitent vastutab Võlakirjade edasimüügil või Võlakirjade lõplikul märkimisel Põhiprospektis antud informatsiooni eest.

Kõnealuse emissiooni kokkuvõte:

Emissiooniagendi all-agendid: [●]

Põhiprospekti võib üle anda võimalikele investoritele üksnes koos kõikide lisadega (kui neid on), mis on avaldatud enne Põhiprospekti üleandmist. Põhiprospekt ja selle võimalikud lisad on elektrooniliselt kättesaadavad Emitendi koduleheküljel www.latvenergo.lv.

Põhiprospekti kasutamisel peab AS SEB banka ja kõik tema all-agendid järgima kõiki vastavas jurisdiktsioonis kohalduvaid kehtivaid seadusi, määrusi ning regulatsioone.

Pakkumise tegemisel annavad AS SEB banka ja/või tema all-agendid investoritele informatsiooni Võlakirjade tingimuste kohta, mis kehtivad pakkumise tegemise hetkel.

B jagu - Emitent

B.1	**Ärinimi**	Emitendi ärinimi on aktsiaselts (*akciju sabiedrība*) Latvenergo.
B.2	**Emitendi alaline asukoht ja õiguslik vorm, emitendi tegevuse suhtes kohaldatav õigus ja tema asutamise riik**	Emitent on aktsiaselts (*akciju sabiedrība*), mis on asutatud 8. oktoobril 1991 vastavalt Läti Vabariigi õigusaktidele. Emitent on registreeritud Läti Vabariigi äriregistris registreerimisnumbri 40003032949 all ning selle registreeritud aadress on Pulkveža Brieža 12, Riia, LV-1230, Läti (telefon: +371 67 728 222). Emitent tegutseb kooskõlas Läti Vabariigi õigusaktidega. Põhilised Emitendi tegevuse suhtes kohaldatavad Läti Vabariigi õigusaktid: - äriseadus (*Komerclikums*); - avalik-õiguslike isikute kapitaliaktsiate ja kapitaliühingute haldamise seadus (*Publiskas personas kapitāla daļu un kapitālsabiedrību pārvaldības likums*); - energiaseadus (*Enerģētikas likums*); ja - elektrituruseadus (*Elektroenerģijas tirgus likums*).
B.4b	**Emitenti ja tema tegevusharu mõjutavate mis tahes teadaolevate suundumuste kirjeldus**	Käesoleva Põhiprospekti kuupäeva seisuga puudub teave mistahes teadaolevate suundumuste, ebakindlate asjaolude, nõuete, kohustuste või sündmuste kohta, mis mõistlikult eeldades võivad omada olulist mõju Emitendi või Grupi väljavaadetele ja tegevusharudele, milles Emitent või Grupp 2015. majandusaastal tegutsevad.
B.5, B14	**Juhul kui emitent on osa grupist, grupi kirjeldus ja emitendi positsioon grupis** **Kui emitent on sõltuv teistest grupi äriühingutest, siis see peab olema selgelt väljendatud**	Emitent on Grupi emaettevõtja. Põhiprospekti kuupäeva seisuga hõlmab Grupp Emitenti ja tema seitset tütarettevõtjat: - viis Lätis asutatud äriühingut: Latvijas elektriskie tīkli AS (100 protsenti), Sadales tīkls AS (100 protsenti), Enerģijas publiskais tirgotājs AS (100 protsenti), Elektrum Latvija SIA (100 protsendiline osalus Elektrum Eesti OÜ-l) ja Liepājas enerģija SIA (51 protsenti); - Elektrum Lietuva UAB (100 protsenti), mis on asutatud Leedus; ja - Elektrum Eesti OÜ (100 protsenti), mis on asutatud Eestis. Emitent on osanik ühes sidusühingus, milleks on Pirmais Slēgtais Pensiju Fonds AS (Emitendile kuulub 46,3 protsenti ning kogu Grupile kuulub 48,15 protsenti). Lisaks omab Emitent 0,005-protsendilist osalust Läti äriühingus AS Rīgas Siltums.
B.9	**Kui on tehtud kasumiprognoos või -hinnang, näidata ära vastav tulemus**	Ei ole kohaldatav. Emitent ei ole käesolevas Põhiprospektis andnud kasumiprognoosi või -hinnangut.
B.10	**Eelnevate perioodide finantsteavet käsitlevas auditiaruandes esinevate mis tahes märkuste olemuse kirjeldus**	Ei ole kohaldatav. Grupi auditeeritud konsolideeritud aastaaruanded, mis kajastavad 31. detsembril 2013 ja 2014 lõppenud majandusaastaid, ei sisalda ühtegi märkust.

B.12	**Emitenti puudutav valitud finantsteave, mis on esitatud iga majandusaasta kohta finantsteabega hõlmatud perioodil ja mis tahes järgneva vaheperioodi kohta, koos võrdlusandmetega sama ajavahemiku kohta eelneval majandusaastal; võrdleva bilansiteabe nõue on rahuldatud aastalõpu bilansiteabe esitamisega** **Avaldus selle kohta, et emitendi väljavaadetes ei ole olnud mingeid olulisi kahjulikke muudatusi alates tema viimaste avaldatud auditeeritud raamatupidamisaruannete kuupäevast, või mis tahes toimunud olulise kahjuliku muudatuse kirjeldus** **Finants- või kauplemispositsioonis pärast finantsteabega hõlmatud perioodi lõppu aset leidnud märkimisväärsete muutuste kirjeldus**	Järgnevalt on oluliste muudatusteta välja toodud Grupi konsolideeritud finantsaruannetest pärinevad konsolideeritud finantstulemused ja peamised tegevusnäitajad kahe majandusaasta kohta, mis lõppesid 31. detsembril 2013 ja 2014 ning kahe vaheperioodi koha, mis lõppesid vastavalt 31. märtsil 2014 ja 2015.

		Majandusaasa lõppes 31. detsembril		**Vaheperiood lõppes 31. märtsil**	
		2013	**2014**	**2014**	**2015**
		(Auditeeritud)		*(Auditeerimata)*	
Grupi olulised finantsnäitajad					
Käive	€ miljon	1,100	1,011	324	260
EBITDA	€ miljon	249	237	83	95
Kasum	€ miljon	46	30	31	39
Koguvara	€ miljon	3,575	3,487	3,598	3,527
Kogu omakapital	€ miljon	2,022	2,021	2,050	2,059
Puhasvõlg	€ miljon	689	706	680	689
Investeeringud	€ miljon	225	178	27	25
Põhikapitali suhtarv	protsenti	57	58	57	58
EBITDA marginaal	protsenti	23	23	24	26
Puhasvõla/ EBITDA suhe		2,8	3,0	2,5	2,8
Grupi olulisemad tegevusnäitajad					
Elektri jaemüük	GWh	7,954	8,688	2,488	2,132
Toodetud elekter	GWh	4,854	3,625	1,192	1,027
Soojusenergia müük	GWh	2,517	2,442	1,077	990
Jaotatud elekter	GWh	6,447	6,421	1,724	1,795

Alates Grupi auditeeritud konsolideeritud 2014. majandusaasta aruannete kuupäevast pole toimunud olulisi kahjulikke muutusi Emitendi või Grupi väljavaadetes.

Alates 31. märtsist 2015 ei ole Emitendi ega Grupi finants- ja kauplemispositsioonis toimunud olulisi kahjulikke muutusi.

B.13	**Mis tahes hiljutised emitenti puudutavad sündmused, mis on olulised emitendi maksevõimelisuse hindamiseks**	Ei ole kohaldatav. Ei ole toimunud hiljutisi olulisi sündmusi, mis võiksid olla asjakohased hindamaks Emitendi või Grupi maksejõulisust.
B.15	**Emitendi põhitegevuste lühikirjeldus**	Grupi tegevused on jagatud kolme tegutsemissegmenti – tootmine ja tarnimine, jaotamine ning põhivõrguga seotud varade haldamine. *Tootmise ja tarnimise segment* hõlmab elektri- ja soojusenergia tootmist, mida teostavad kaks Grupi äriühingut: Emitent ja Liepājas enerģija SIA, ning elektrienergia hulgi- ja jaemüüki, mida teostatakse kõigis kolmes Balti riigis Emitendi ja tema tütarettevõtjate Elektrum Eesti OÜ ja Elektrum Lietuva UAB poolt. Avaliku kauplemisega tegeleb alates 1. aprillist 2014 Emitendi tütarühing Enerģijas publiskais tirgotājs AS. *Jaotamise segment* pakub elektrienergia jaotusteenuseid Läti territooriumil ning neid teenuseid pakub Sadales tīkls AS, Läti suurim jaotussüsteemi operaator. *Põhivõrgu varade segmendi* haldamisega tegeleb Latvijas elektriskie tīkli AS. Läti

kohaldab direktiivis 2009/72/EL sätestatud teist elektrijaotusvõrgu omandisuhete eraldamise mudelit, mille kohaselt põhivõrgu varad jäävad vertikaalselt integreeritud ettevõtjale, kuid põhivõrguettevõtja tegevust viiakse läbi sõltumatult. Varad on üüritud Läti põhivõrguettevõtjale Augstsprieguma tīkls AS-le.

B.16	**Emitendile teadaolevas ulatuses avaldada, kas emitent on kellegi omandis või teda kontrollib keegi otseselt või kaudselt, ning kes seda teeb, ja kirjeldada selle kontrolli olemust.**	Emitent on aktsiaselts (*akciju sabiedrība*), mis on asutatud vastavalt Läti Vabariigi õigusaktidele. Läti Vabariik on Emitendi ainuaktsionär. Emitendi aktsiaid hoiab Läti Vabariigi eest ja nimel Läti Vabariigi Majandusministeerium.
B.17	**Emitendile või tema võlaväärtpaberitele emitendi taotlusel või temaga koostöös reitinguprotsessis määratud krediidireitingud**	Moody's Investors Service hindas Emitenti krediidireitinguga Baa2 koos stabiilse väljavaatega. Krediidireitingut ja väljavaadet tõsteti 16. veebruaril 2015. Programmi alusel emiteeritud Võlakirjade Seeriad võivad olla reitinguga või reitinguta. Kui Võlakirjadele antakse reiting, siis vastav reiting ei pruugi ühtida Emitendile antud reitinguga. Krediidireiting ei ole soovitus väärtpabereid osta, müüa või hoida ja selle andnud reitinguagentuur võib vastava reitingu mistahes hetkel peatada, seda alandada või selle tagasi võtta. ***Kõnealuse emissiooni kokkuvõte:*** Emiteeritavatel Võlakirjadel [puudub/on/eeldatavalt antakse] [●]] poolt reiting.

C jagu - Väärtpaberid

C.1	**Pakutavate ja/või kauplemisele lubatud väärtpaberite liigi ja klassi kirjeldus, sealhulgas mis tahes identifitseerimisnumber**	Tagamata võlakirjad, mille nimiväärtuste kogusumma on kuni EUR 100,000,000. Võlakirjad on dematerialiseeritud esitajavõlainstrumendid. Võlakirjad emiteeritakse Seeriatena. Iga Seeria võib koosneda ühest või mitmest Tranšeest. Iga Seeria kõikidele võlakirjadele kohaldatakse täpselt ühesuguseid tingimusi. Erinevate Tranšeede korral võivad Emissiooni Kuupäevad ja Emissiooni Hinnad erineda. Lõplikes Tingimustes antakse iga Seeria ja Tranšee eristamiseks neist igaühele eraldi seerianumber. ***Kõnealuse emissiooni kokkuvõte:*** Seeria number: [●] Tranšee number: [●] Enne vastava Seeria esimese Tranšee pakkumisega alustamist määratakse igale Seeriale ISIN number. Kui emiteeritakse uus Tranšee, mis kavandatavalt moodustab hiljem juba varasemalt emiteeritud Tranšeega ühe Seeria, määratakse selle Tranšee Võlakirjadele ajutine ISIN kood, mis erineb vastava Seeria koodist kuni Tranšeed konsolideeritakse ja need moodustavad ühtse Seeria. ***Kõnealuse emissiooni kokkuvõte:*** ISIN kood: [[●]]/Ajutine ISIN kood: [●]. Pärast reguleeritud turul Võlakirjadega kauplemise lubamist Võlakirjad konsolideeritakse ja nad moodustavad ühe seeria koos [●]-ga ja neil on ühine ISIN kood [●]]
C.2	**Väärtpaberite emiteerimise valuuta**	EUR.
C.5	**Väärtpaberite vabalt võõrandatavuse mis tahes**	Võlakirjad on vabalt võõrandatavad väärtpaberid. Vaatamata eeltoodule ei saa Võlakirju pakkuda, müüa, edasi müüa, üle kanda või üle anda sellistes riikides ja

	piirangute kirjeldus	jurisdiktsioonides või muudes taolistes oludes, kus see oleks ebaseaduslik või kus nõutakse muid meetmeid kui neid, mis on nõutavad Läti õigusaktidega, sealhulgas Ameerika Ühendriikides, Austraalias, Kanadas, Hongkongis ja Jaapanis.
C.8, C.9	**Väärtpaberitega seotud õiguste kirjeldus, sealhulgas** • **järjekoht** • **nende õiguste suhtes kehtivad piirangud** • **nominaalne intressimäär** • **päev, millest hakatakse intressi arvestama, ja intressimaksete tähtpäevad** • **kui intressimäär ei ole fikseeritud, siis intressi määramise põhimõtete kirjeldus** • **laenu lõpptähtaeg ja amortiseerimise kord, sealhulgas tagasimakseviis** • **märge tulukuse kohta** • **võlaväärtpaberi omanike esindaja nimi**	**Järjekoht** Võlakirjad on Emitendi otsesed, tagamata ja garanteerimata kohustused, olles omavahel ning kõigi Emitendi tagamata, garanteerimata ja allutamata kohustustega samaväärsed ilma mistahes eelistuseta, v.a. need kohustused, mida võidakse eelistada kooskõlas seaduse kohustuslike sätetega. **Emiteerimishind** Võlakirjad emiteeritakse kas nende nimiväärtuses, alla nimiväärtuse või üle nimiväärtuse. **Intressimäär** Võlakirjade intressimääraks on fikseeritud Aastane Intressimäär. Võlakirjade intressi makstakse iga-aastaselt Lõplikes Tingimustes määratud kuupäevadel. Intressi arvutatakse lunastamata Võlakirjadelt intressiperioodi põhiselt intressiperioodi esimesest päevast (kaasa arvatud) kuni intressiperioodi viimase päevani (välja arvatud). Esimene intressiperiood algab Emiteerimispäeval ning lõpeb esimesel Intressi Makse Kuupäeval. Iga järgmine intressiperiood algab eelmisel Intressi Makse Kuupäeval ning lõpeb järgmisel Intressi Makse Kuupäeval. Viimane intressiperiood lõpeb Tagasimaksekuupäeval. Võlakirjade intressi arvestatakse konkreetse intressiperioodi möödunud päevade ja 365 (või liigaasta puhul 366) päeva jagatisena, st lähtutakse nn Act/Act päevade lugemise reeglist (ICMA). ***Kõnealuse emissiooni kokkuvõte:*** Intressi Makse Kuupäev: [●] iga aasta **Märge Tulukuse kohta** Pakutavate Võlakirjade oodatav Lõpptulukuse Vahemik määratakse kindlaks Lõplikes Tingimustes. Vaatamata sellele, iga vastava Võlakirjade Märkimisperioodi jooksul on Emitendil õigus uuendada prognoositavat Lõpptulukuse Vahemikku. **Lõpptulukuse, Intressimäära ja Emiteerimishinna määramine** Lõpptulukus määratakse kindlaks investorite Ostuorderite alusel pärast Märkimisperioodi. Lõpptulukus on sama kõikidele investoritele, kes omandavad pakkumise ajal vastava Tranšee. Lõpptulukus sätestatakse Lõplikes Tingimustes, mis avaldatakse pärast Võlakirjade jaotamist investoritele. ***Kõnealuse emissiooni kokkuvõte:*** Lõpptulukus: [●] Aastane Intressimäär (perioodiliselt makstav intress) saadakse Lõpptulukuse allapoole ümardamisega lähima kümnendikuni (kusjuures Lõpptulukus määratakse protsentides). Aastane Intressimäär sätestatakse Lõplikes Tingimustes, mis avaldatakse pärast Võlakirjade jaotamist investoritele. ***Kõnealuse emissiooni kokkuvõte:*** Aastane Intressimäär: [●] Võlakirjade Emiteerimishind määratakse Emitendi poolt vastava Tranšee Lõplikest Tingimustest tuleneva valemi alusel ning ümardatakse lähima tuhandikuni aritmeetiliste ümardamisreeglite alusel. Võlakirjade Emiteerimishind sätestatakse Lõplikes Tingimustes, mis avaldatakse pärast Võlakirjade jaotamist investoritele. ***Kõnealuse emissiooni kokkuvõte:*** Emiteerimishinna määramise valem: [●]

Kõnealuse emissiooni kokkuvõte:
Emiteerimishind: [●]

Lõplikud Tingimused, mis sisaldavad teavet Aastase Intressimäära, Emiteerimishinna, vastava Tranšee põhiosa kogusumma ning emiteeritavate Võlakirjade kogusumma kohta, avaldatakse Emitendi kodulehel www.latvenergo.lv, samuti esitatakse see Finants- ja Kapitaliturgude Komisjonile (*Financial and Capital Market Commission*) pärast Võlakirjade investorite vahel jaotamist.

Tagasimaksetähtajad
Igal Võlakirjade Seerial võib tagasimaksetähtaeg olla 1 (ühe) ja 15 (viieteistkümne) aasta vahel või muu Emitendi poolt määratud tagasimaksetähtaeg, mis igal juhul ei ole lühem kui 12 (kaksteist) kuud.

Kõnealuse emissiooni kokkuvõte:
Tagasimaksetähtpäev: [●]

Lunastamine
Võlakirjad lunastatakse täielikult nende nimiväärtuses Tagasimaksetähtpäeval. Emitendil ei ole õigust Võlakirju lunastada enne Tagasimaksetähtpäeva, välja arvatud siis, kui Emitent on Võlakirjad lunastanud Kontrolli Muutuse või Kohustuse Rikkumise korral või kui Võlakirjaomanike Koosolek on Emitendi ettepanekul otsustanud Võlakirjad lunastada enne Tagasimaksetähtpäeva.

Võlaväärtpaberi omanike esindaja
Võlakirjaomanike õigust asutada ja/või volitada mõnda organisatsiooni/isikut esindama kõigi või osade Võlakirjaomanike huve ei ole kaalutud, kuid samas ei ole seda ka piiratud. Võlakirjaomanikud peavad kandma kõik nimetatud esindaja(te)ga seotud kulud ja tasud.

C.10	**Kui väärtpaberil on intressimaksel tuletiskomponent, anda selge ja terviklik selgitus abistamaks investoritel mõista seda, kuidas nende investeeringute väärtust mõjutab alusvara instrumendi või instrumentide väärtus, eelkõige asjaoludel, mille puhul riskid on kõige ilmsemad**	Ei ole kohaldatav. Võlakirjade intressimaksetel ei ole tuletiskomponenti.
C.11	**Märge selle kohta, kas pakutavad väärtpaberid on hetkel või tulevikus kauplemisele lubamise taotluse objektiks, pidades silmas nende turustamist reguleeritud turul või muudel samaväärsetel turgudel ja märkides ära kõnealused turud**	Emitent esitab avalduse iga Tranšee noteerimiseks NASDAQ OMX Riia põhinimekirjas. Avaldus peab vastama AS NASDAQ OMX Riia poolt kehtestatud nõuetele ja esitatakse NASDAQ OMX Riiale mitte hiljem kui 3 (kolme) kuu jooksul pärast vastava Tranšee Emiteerimiskuupäeva.

D jagu - Riskid

D.2	**Põhiteave peamiste emitendiga seotud spetsiifiliste riskide kohta**	**Makromajanduslike tingimustega seotud riskid** • <u>Grupi naaberriikide energiaturgudele laienemise ja rahvusvahelistesse</u>

äriprotsessidesse integreerumise tõttu omavad regionaalsed ja rahvusvahelised makromajanduslikud arengud üha kasvavat mõju Grupi äri- ja finantstulemustele.

- Majanduse ootamatu langus, oodatust aeglasem majanduskasv või poliitiline ebastabiilsus (nt Kreeka võimaliku maksejõuetuse või Venemaa-Ukraina kriisi eskaleerumise tõttu) võib mõjutada Grupi kliente ning võib seetõttu avaldada Grupi kasvule ja tegevuse tulemustele vähenenud energiatarbimise kaudu negatiivset mõju.

Äritegevusega seotud riskid

- Läti Vabariik on Emitendi ainuaktsionär. Teatud olulised aktsionäri otsused, mis muudavad Grupi strateegiat, või dividendipoliitikat, kapitalistruktuuri ja muid olulisi küsimusi puudutavad otsused võivad omada Grupile olulist negatiivset mõju. Nõukogu taastamine võib muuta Grupi strateegiat ning muid Grupi tegevuse jaoks olulisi valdkondi. Võttes arvesse, et Emitendi juhatuse liikmete ametiaeg lõpeb 15. novembril 2015, siis mõne või kõigi praeguste juhatuse liikmete võimalik asendamine võib negatiivselt mõjutada Emitendi seni valitud strateegilist suunda, arenguplaane, eesmärke ja poliitikat, millel võib olla Grupi jaoks negatiivne tähendus.

- Grupi reguleeritud turgudel saadud tulud sõltuvad olulisel määral turgude korraldaja poolt kinnitatud tariifidest, samuti tariifide määramise metodoloogiat reguleerivatest õigusaktidest. Eelnimetatud kinnitatud tariifid ei pruugi katta kõiki kulusid. Samuti võivad omada negatiivset mõju riigiasutuste poolt regulatiivse iseloomuga otsuste vastuvõtmisega viivitamine või muudatused asjakohastes kohalikes või Euroopa Liidu õigusaktides. Lisaks on risk, et riigieelarvelise toetuse, mille eesmärgiks on hüvitada hankekohustusega avalike teenuste pakkumise kohustuse täitmise kulud, heakskiitmine Euroopa Komisjoni poolt hilineb või seda ei võeta üleüldse vastu. Seega on piiratud juba kantud kohustuslike avalike teenuste pakkumisega seonduvate kulude tagasinõudmine. See võib negatiivselt mõjutada Grupi finantspositsiooni.

- Baltikumi elektrituru avanemine peaks lähitulevikus lõpule jõudma. Elektrituru avanemine loob konkurentsitihedama keskkonna koos suurenenud arvu turuosalistega ja võimaldab turule siseneda uutel teenuseosutajatel, mis võib omakorda vähendada Grupi turuosa, samuti mõjutada hinnastamist ja Grupi äri- ja finantspositsiooni. Samuti on risk, et ebaõige turule sisenemise ja laienemise strateegia tõttu võib Grupil tekkida pikaajaline kahju.

- Grupi turuosa Balti riikides peegeldab Grupi praegust positsiooni, kuid eksisteerib risk, et Grupi turuosa väheneb või et Grupp ei suuda saavutada eeldatavat turuosa kasvu, mis mõjutab negatiivselt Grupi äri- ja finantspositsiooni. Grupi lahkumine mõnelt praeguselt turult majanduslikel, strateegilistel või muudel põhjustel võib mõjutada Grupi tegevust ja finantspositsiooni.

- Grupi elektrienergia tootmisportfell ei pruugi täielikult täita elektrienergia tarneportfelli vajadusi, mistõttu umbes pool Grupi poolt jaetarbijale aastas tarnitud elektrienergiast on mõjutatav elektrienergia hulgimüügituru hinna kõikumise riskidest. Elektrienergia hulgimüügituru hinna kõikumise riskide maandamiseks sisaldab Grupi tarneportfell osaliselt tuletisinstrumente. Balti regiooni elektrienergia tuletisinstrumentide turu vähese likviidsuse tõttu võib riskide maandamise instrumentide saadavus olla piiratud ning riskide maandamise kulud on kõrged. Lisaks ei tarvitse riskide maandamine tagada vajalikku efektiivsust, mis võib halvendada Grupi finantspositsiooni.

- Grupi võimekus saavutada lühiajalisi ja pikaajalisi strateegilisi eesmärke on osaliselt sõltuv õiguskeskkonnast. Teemad, millel võib olla oluline mõju Grupi äri- ja finantspositsioonile, on muuhulgas: elektrienergia tarne haavatavatele tarbijatele (vaesed või madala sissetulekuga inimesed, paljulapselised pered); keskkonnasõbralike tootmisallikate soodustariifisüsteem; riigi või Euroopa Liidu õigusaktid, mis reguleerivad tehnilisi eeskirju, energiaturu terviklikkust ja läbipaistvust, konkurentsi, turvalisust ja keskkonnakaitse küsimusi; teatud järelevalvet teostavate ametite (nagu näiteks riikide konkurentsiametite, maksuametite jne) otsused.

- Grupi peamist äritegevust mõjutavad osaliselt ilmastikuolud. Seetõttu võib Grupi üldine finantspositsioon olla mõjutatav hooajalisusest, ilmastiku muutustest, samuti pikaajalistest kliimamuutustest.

- Emitent osaleb ühe võimaliku investorina läbirääkimisprotsessis seoses tuumaenergiajaama projektiga. Lisaks tuumaenergiajaama projektile võib Grupp otsustada, et osaleb ka teistes suurtes investeerimisprojektides, mis võivad suurendada Grupi tegevus – ja/või finantsriske, vähendada Grupi väärtust või halvendada Grupi mainet ja seeläbi negatiivselt mõjutada Grupi äri- ja finantspositsiooni.

- Arvestades, et Lätis asuvad elektrienergia põhivõrguga seotud varad kuuluvad Grupile, kuid on AS-i Augstsprieguma tīkls kui kolmanda isiku opereerida, esineb risk, et põhivõrguettevõtja arvestab olemasolevatesse varadesse pikaajaliselt vähem investeeringuid kui on nende varade väärtuse säilitamiseks vajalik, vähendades sellega varade väärtust ning tekitades Grupile kahju. Lisaks, kui EL-i poolt pakutav rahaline toetus põhivõrguga seotud varade finantseerimiseks väheneb alla eeldatava taseme, siis peab Grupp suurendama enda poolt finantseeritavat osa olemasolevates põhivõrguga seotud varade ehitamisprojektides, mis vastavalt vähendaks vabu rahalisi vahendeid teistes projektides või suurendaks võlakoormust.

- Soojusenergia tootmiseks biomassi kasutava ettevõtja soojusenergia turule sisenemine võib kaasa tuua olukorra, kus Emitendi koostootmisjaama töömaht, seeläbi ka soojusenergia tarne, väheneb oluliselt. Võttes arvesse, et gaasikütusel töötavate jõujaamade muutuvkulud on tunduvalt suuremad, võib sellise ettevõtja turule sisenemine mõjutada negatiivselt kogu Grupi tegevust ja äri.

- Lisaks eelnimetatud riskidele võib Grupi äri- ning finantspositsiooni negatiivselt mõjutada vastaspoolerisk, varade kahjustumise risk, vaidluste risk (sh kohtuvaidlused), ressursside risk, investeerimisprojektide teostamise risk, jaotussüsteemidesse investeerimise risk, riikliku võlakriisi risk, keskkonnakahju, tervise ja ohutuse risk ja maksurisk.

Finantsriskid

- Laenulepingutest ja/või lunastamata võlakirjade dokumentatsioonist tulenevate finantskokkulepete või muude kohustuste ja kinnituste rikkumisega võib kaasneda lepingu rikkumise olukord ning laenude ennetähtaegse tagasimaksmise ja/või varasemalt emiteeritud võlakirjade lunastamise kohustus. Tulenevalt laenulepingutes ja võlakirjade dokumentatsioonis ettenähtud ristrikkumise sätetest võib juhtuda, et Emitent on sunnitud refinantseerima olulise osa oma olemasolevatest võlakohustustest.

- Emitendi krediidireitingu alandamine võib suurendada Emitendi rahastamise kulusid ja/või vähendada Emitendi võimalusi kaasata täiendavaid rahalisi vahendeid ning võib kohustada Emitenti andma täiendavaid tagatisi lepingute osas, mis võib suurendada tehingukulusid.

- Lisaks eeltoodud riskidele võib Grupi äri- ja finantspositsiooni negatiivselt mõjutada intressimäära- ja likviidsusrisk.

D.3	**Põhiteave peamiste väärtpaberitega seotud spetsiifiliste riskide kohta**	• Võlakirjad ei pruugi olla kõikidele investoritele sobivaks investeeringuks. Seega, iga potentsiaalne Võlakirjadesse investeerija peab hindama vastava investeeringu sobilikkust investorist endast tulenevate asjaolude valguses, sealhulgas mõju vastavate Võlakirjade väärtusele ja mõju, mida antud investeering omaks vastava investeerija investeerimisportfellile tervikuna. • Võlakirjad, juhul kui emiteeritud finantseerimaks projekte Emitendi Roheliste Võlakirjade Raamistiku alusel, ei pruugi olla sobilikuks investeeringuks kõikidele investoritele, kes soovivad investeerida keskkonnasõbralikesse varadesse. Emitendi Roheliste Võlakirjade Raamistiku alusel sobilike projektide finantseerimiseks emiteeritavate Võlakirjadega seonduvalt andis Norra sõltumatu multidistiplinaarine kliimauuringute asutus - Oslo (*the Center for International Climate and Environmental Research – Oslo*) välise hinnangu, kas Võlakirjad sobivad investeeringuks teatud keskkonna- ja säästlikkuse kriteeriumite alusel. See hinnang ei ole käesoleva Põhiprospekti osa. Mingeid kinnitusi ei anta selle arvamuse sobilikkuse või Võlakirjade vastavuse kohta keskkonna- ja säästlikkuse kriteeriumitele. See arvamus ei pruugi kajastada kõikide struktuuri- ja tururiskide, lisariskifaktorite ja muude Võlakirjade väärtust mõjutavate faktorite kogumõju. See arvamus ei ole soovitus väärtpaberite ostmiseks, müümiseks või hoidmiseks. Kui Emitent ei täida teatud raporteerimiskohustust või saadud vahendite kasutamise kohustust seoses selle arvamusega, ei ole see Võlakirjade Üldtingimuste kohaselt kohustuse täitmatajätmine. Arvamuse tagasivõtmine võib mõjutada Võlakirjade väärtust ja/või tuua kaasa teatud tagajärgi investoritele, kelle portfoolio mandaat kohustab neid keskkonnasõbralikesse varadesse investeerima. • Investorid võivad jääda ilma intressist ja investeeritud põhiosast juhul, kui Emitent muutub maksejõuetuks või Emitendi suhtes alustatakse saneerimismenetlust. • Võlakirjad on Emitendi tagamata kohustused ilma täiendava garantiita ning tagatiseta; Emitendi maksejõuetuse korral on Võlakirjaomanikud tagamata võlausaldajad. • Võttes arvesse, et Läti seaduse kohaselt võivad Emitendi teatud põhilised varad kuuluda vaid Emitendile või Emitendi täieliku kontrolli all olevale tütarettevõtjale, siis ei ole vastavate varade suhtes nõudeid võimalik täita. • Iga Emitendi finantsseisu või väljavaate suhtes esinev negatiivne muutus võib omada olulist negatiivset mõju Võlakirjade likviidsusele ning oluliselt alandada nende turuhinda, mistõttu võib see mõjutada kohest ning täielikku maksmist Võlakirjaomanikele. • Emitendi suutlikkus edukalt oma võlgu refinantseerida sõltub laenukapitalituru tingimustest ja Emitendi enda finantsolukorrast vastaval ajal. Isegi kui laenukapitaliturg paraneb, ei pruugi Emitendil olla juurdepääsu rahastamisallikatele sobivatel tingimustel konkreetsel ajal või üleüldse. Emitendi suutmatus oma võlakohustusi sobivatel tingimustel või üleüldse refinantseerida võib mõjutada negatiivselt Grupi tegevust, majanduslikku seisu, tulusid ja Võlakirjaomanike Võlakirjadest tulenevaid nõudeid. • Võlakirjad on Emitendi-poolne uus väärtpaberite emissioon, mistõttu võib juhtuda, et Võlakirjade suhtes ei pruugi tekkida või säilida aktiivne turg, samuti võivad seda mõjutada turumuutused ning muutused Emitendi majandus- ja finantsseisus ja Emitendi väljavaadetes, mis omakorda võivad mõjutada Võlakirjade likviidsust ja turuhinda.

- Võlakirjade intressimääraks on fikseeritud intressimäär, mis tähendab, et Võlakirjade hind võib omakorda olla mõjutatav turul kehtiva intressimäära muutumisest. Võlakirjade turuhind võib langeda ka inflatsiooni tõttu, kuna see alandab valuuta ostujõudu ning vastavalt ka Võlakirjadest saadavat intressi.

- Võlakirjadelt tehtavad maksed tehakse eurodes, mistõttu valuutakursside ning intressimäärade kõikumised võivad Võlakirjade väärtust mõjutada negatiivselt juhul, kui investori finantstegevus on peamiselt nomineeritud teises valuutas. Riiklikud ja rahandusasutused võivad kohaldada (nagu seda on tehtud minevikus) valuutade vahetuse üle kontrolli, mis võib negatiivselt mõjutada kohaldatavat valuutakurssi. Lisaks hõlmavad investeeringud Võlakirjadesse riski, et edaspidised muutused turu intressimäärades mõjutavad negatiivselt Võlakirjade väärtust.

- Võlakirjad on seotud Läti Keskdepositooriumi kontopõhise süsteemiga ning füüsilisi võlakirju välja ei anta. Võlakirjadega seonduvad maksed ja arveldused, intressimaksed ja põhisumma tagasimaksed toimuvad Läti Keskdepositooriumi süsteemis. Seega on investorid sõltuvad Läti Keskdepositooriumi kontopõhisest süsteemist.

- Juhul kui sõltumatud krediidireitinguagentuurid hindavad Võlakirju, siis vastavad reitingud ei pruugi kajastada kõiki võimalikke Võlakirjadega seotud riskide mõjusid, lisaks võivad reitinguagentuurid mistahes hetkel reitinguid muuta või tagasi võtta. Iga negatiivne muutus kohaldatava krediidireitingu osas võib negatiivselt mõjutada Võlakirjade kauplemishinda.

- Võlakirjadele kohaldatakse Läti Vabariigis kehtivat õigust, mis võib muutuda Võlakirjade eluea perioodil, seega ei ole võimalik tagada, et kohaldatava seaduse muudatused ei mõjuta Võlakirjasid. Vastavad seadusemuudatused võivad omada olulist ebasoodsat mõju nii Emitendile kui ka Võlakirjadele.

- Teatud investorite investeerimistegevus on allutatud lubatavaid investeeringuid puudutavatele seadustele ja regulatsioonidele või teatud asutuste järelevalvele või regulatsioonidele. Iga potentsiaalne investor peaks konsulteerima oma õigusnõustajatega, et teha kindlaks, kas ja mis määral Võlakirjad on vastavale investorile õiguslikult lubatavad investeeringud, kas Võlakirjasid on võimalik kasutada tagatisena ning kas on muid Võlakirjade ostmisele või pantimisele kohalduvaid piiranguid.

- Võlakirjade tingimused ei sisalda kohustusi, mis reguleeriksid Emitendi tegevust ja piiraks selle õigust ühineda, vara müüa või muul viisil läbi viia olulisi tehinguid, millel võib olla oluline ebasoodne mõju Võlakirjadele ja Võlakirjaomanikele. Seega, kui Emitent sõlmib nimetatud tehingu, siis võib sellega Võlakirjaomanikele kaasneda oluline negatiivne mõju. Täiendavalt, kooskõlas asjakohaste seaduse muudatustega, võib Emitendi aktsionär osaliselt või täielikult võõrandada oma osaluse Emitendis.

- Eksisteerib risk, et Kontrolli Üleminekul võib Võlakirjade turuhind olla kõrgem kui ennetähtaegse tagasiostu summa ja Võlakirjaomanikel ei pruugi olla võimalik sellist tulu taasinvesteerida efektiivse intressimääraga, mis on sama kõrge kui Võlakirjadel ning see on võimalik üksnes märkimisväärselt madalama määraga. Lisaks ei pruugi Emitendil olla kohustusliku ennetähtaegse makse ajal piisavalt rahalisi vahendeid Võlakirjade lunastamiseks.

- Üksnes Emitendi aktsionäril on Emitendi Aktsionäride Koosolekul hääleõigus. Võlakirjadest ei tulene nimetatud hääleõigust. Seetõttu ei ole Võlakirjaomanikel võimalik mõjutada mistahes Emitendi aktsionäride otsust, sh mistahes Emitendi kapitalistruktuuri puudutavat otsust.

- Võlakirjaomanike Koosolekute otsused (kaasaarvatud Võlakirjade Üldtingimuste muutmised) on kõikidele Võlakirjaomanikele siduvad, sealhulgas Võlakirjaomanikele, kes ei osalenud ega hääletanud vastaval koosolekul ning Võlakirjaomanikele, kes hääletasid enamusseisukoha vastu.

- Emitendi õigust võtta täiendavaid võlakohustusi ei ole piiratud. See võib omakorda suurendada nõuete arvu, mida Emitendi maksejõuetuse korral tuleb rahuldada proportsionaalselt Võlakirjaomanike nõuetega Emitendi pankrotist tehtavate väljamaksete arvelt. Täiendavalt, mis tahes säte, mis annab või mille eesmärgiks on anda või mis loobub õigusest seada tagatist kolmanda isiku kasuks (nt pandikeeld) pole kolmanda isiku suhtes kohaldatav. Seega selline kolmanda isiku kasuks seatud tagatis on kehtiv ja tagatise eseme suhtes täidetav vaatamata sellele, et vastava tagatise seadmine on vastuolus käesolevast kokkuvõttest tulenevate Emitendi kohustustega.

- Emissiooniagent on osutanud, ja võib osutada tulevikus, Grupile investeerimispangandus- ja/või kommertspangandusteenuseid või muid teenuseid igapäevase majandustegevuse raames. Eelkõige tuleb tähele panne, et Emissiooniagent võib olla laenuandja teatud laenusuhetes, milles Grupi liige on laenusaajaks. Huvide konflikt võib seetõttu esineda või tulevikus tõusetuda tulenevalt sellest, et Emissiooniagent on osalenud või osaleb tulevikus tehingutes teiste isikutega, omades erinevaid rolle või tehes tehinguid kolmandate isikutega, kellel on vastanduvad huvid.

- Võlakirju ei ole registreeritud ja neid ei ole kavas registreerida Ameerika Ühendriikide 1933. aasta väärtpaberiseaduse (sh selle muudatused) ega ühegi USA osariigi väärtpaberiseaduse alusel. Võlakirju ei tohi Ameerika Ühendriikides pakkuda ega müüa, välja arvatud teatud erandjuhtudel. Emitent ei ole Võlakirju registreerinud ka mitte ühegi teise riigi väärtpaberiseaduste alusel, välja arvatud Läti Vabariigi seaduste alusel. Iga potentsiaalne investor peab olema teadlik Võlakirjadele kohalduvatest võõrandamispiirangutest. Võlakirjaomanikul on kohustus tagada, et Võlakirjade pakkumine ja müümine vastab kõikidele kohaldatavatele väärtpaberiseadustele.

E jagu - Pakkumine

E.2b	**Pakkumise põhjused ja võlakirjade emissioonist saadavate vahendite kasutamine juhul, kui nendeks pole kasumi teenimine ja/ või teatavate riskide maandamine**	Võlakirjade emissioonist saadud netovahendeid kasutab Emitent üldistel ärilistel eesmärkidel. Kui mõnel konkreetsel Võlakirjade Seerial on konkreetne eesmärk, milleks saadud vahendeid kasutatakse, sätestatakse see vastavates Lõplikes Tingimustes. ***Kõnealuse emissiooni kokkuvõte:*** [Iga Tranšee emiteerimisest saadavaid vahendeid kasutab Emitent oma üldistel ärilistel eesmärkidel] / [Iga Tranšee emiteerimisest saadavaid vahendeid kasutab Emitent [●]-ks]
E.3	**Pakkumise tingimuste kirjeldus**	**Programmi Korraldaja ja Emissiooniagent** Programmi Korraldaja ja Emissiooniagent on AS SEB banka (registrinumber 40003151743, juriidiline aadress: Meistaru 1, Valdlauči, Ķekava vald, Ķekava, LV-1076, Läti). **Emiteerimiskuupäev** Emiteerimiskuupäev määratakse kindlaks vastava Tranšee Lõplike Tingimustega. ***Kõnealuse emissiooni kokkuvõte:*** Emiteerimiskuupäev: [●] **Põhiosa kogusumma** Iga Tranšee põhiosa kogusumma suurus määratakse algselt kindlaks Lõplikes Tingimustes. Emitent võib Tranšee põhiosa kogusummat suurendada või

vähendada võrreldes algselt Lõplikes Tingimustes kindlaksmääratuga selle Tranšee Märkimisperioodi jooksul.

Kõnealuse emissiooni kokkuvõte:
Põhiosa kogusumma: [EUR [●] [lisaks [●]]]

Võlakirjade nimiväärtus
Iga Võlakirja nimiväärtus on vähemalt EUR 1,000.

Kõnealuse emissiooni kokkuvõte:
Võlakirja nimiväärtus: [●]

Minimaalne Investeerimissumma
Võlakirju pakutakse märkimiseks Minimaalse Investeerimissumma eest, mis määratletakse Lõplikes Tingimustes.

Kõnealuse emissiooni kokkuvõte:
Minimaalne Investeerimissumma: [●]

Märkimisperiood
Iga Võlakirjade Tranšee Märkimisperiood määratakse kindlaks Lõplikes Tingimustes.

Kõnealuse emissiooni kokkuvõte:
Märkimisperiood: [●]

Kohustused
Kontrolli Muutus, Pandikeeld, Ristrikkumine ning muud.

Hoidmine
Võlakirjad registreeritakse Läti Keskdepositooriumis (Läti keeles: *Latvijas Centrālais depozitārijs AS*).

Kohaldatav õigus
Läti õigus.

E.4	**Emissiooni/pakkumise suhtes mis tahes oluliste huvide kirjeldus, sealhulgas huvide konfliktid**	Emitendile teadaolevalt ei ole peale Programmi Korraldajale ja Emissiooniagendile makstavate tasude ühelgi Võlakirjade pakkumisega seotud isikul huve, mis on oluline emissiooni/pakkumise suhtes, ega huvide konflikti.
E.7	**Hinnangulised kulud, mille hüvitamist emitent või pakkuja nõuab investorilt**	Emitent ei palu investoritel hüvitada mistahes Võlakirjade emiteerimisega seotud kulusid ega makse. Vaatamata sellele võivad investorid olla kohustatud kandma kulusid seoses väärtpaberikontode avamisega krediidiasutustes või investeerimisvahendusühingutes, samuti maksma tasusid, mida nõuavad krediidiasutused või investeerimisvahendusühingud seoses investorite poolsete Võlakirjade ostu- või müügiorderite täitmisega, Võlakirjade hoidmise või muude Võlakirjadega seotud toimingutega. Emitent, Programmi Korraldaja ega Emissiooniagent ei hüvita Võlakirjaomanikele selliseid kulutusi.

RISK FACTORS

Prospective investors are advised to carefully consider the risk factors and other information provided in this Base Prospectus. Investing in the Notes involves certain risks including but not limited to the following risks described herein.

The Issuer believes that if one or more of the risk factors described herein realises, it may have a negative effect on the Issuer's business operations, financial position and/or business results and, thereby, the Issuer's ability to fulfil its obligations under the Notes, as well as the market price and value of the Notes. If these risks were to lead to a decline in the market price of the Notes, prospective investors may lose all or part of their investment.

The risks and uncertainties described hereafter are the risks which the Issuer has deemed material, however, they are not the only factors affecting the Issuer's activities, therefore the Issuer does not represent that the statements below regarding the risks of acquiring and/or holding any Notes are exhaustive. Also other factors and uncertainties than those mentioned herein, which are currently unknown or deemed immaterial, may negatively affect the Issuer's business operations, financial position and/or business results and, thereby, the Issuer's ability to fulfil its obligations under the Notes, as well as the market price and value of the Notes.

The below description of the risk factors does not reflect the probability of the respective risk's realisation or their order of importance. Most of these risk factors are contingencies which may or may not occur and the Issuer is not in a position to assess or express a view on the likelihood of any such contingency occurring.

All investors should make their own evaluations of the risks associated with an investment in the Notes and should consult with their own professional advisers if they consider it necessary.

Risks Related to Macroeconomic Conditions

Exposures of business results to macroeconomic developments

The results of the Group operations are dependent on Latvia's macroeconomic situation. In particular, the Group's operations are affected by such factors as the level of Latvia's GDP, the level of industrial production, the rate of inflation, fuel prices, the unemployment rate, changes in consumer affluence levels, and the fiscal policy of the Republic of Latvia.

The Group's expansion into neighbouring energy markets and the Group`s integration into international business processes creates growing exposures of the Group's business and financial results to regional and international macroeconomic developments. The Group's business is influenced by electricity price trends in local and Nordic markets, commodities prices (including, but not limited to, natural gas, oil), consumer behaviour and electricity demand in the Baltic countries, and other indices that may reflect local and global macroeconomic trends and have a material adverse effect on the Group's business and financial position.

The Group has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, an unexpected downturn in the economy as well as a slower than expected economic growth or political instability (e.g. due to potential Greece default or further Russian-Ukrainian crisis escalation) could have an impact on the Group's customers and may negatively affect the Group's growth and results of operations through reduced electricity consumption.

Risks Related to Business Operations

Corporate Governance risks

Shareholder

The sole shareholder of the Company is the Republic of Latvia and the rights and duties of the shareholder are awarded to the Ministry of Economics of the Republic of Latvia. Certain and substantial shareholder's decisions alternating the Group's strategy or decisions in respect of dividend policy, capital structure and other relevant decisions could have a material adverse effect on the Group.

Supervisory Board

In October 2014, the Saeima (the Parliament of the Republic of Latvia) adopted the Law on the Management of Public Persons' Capital Shares and Capital Companies, effective from 1 January 2015, replacing the former Law on State and Municipality Capital Shares and Capital Companies. In addition to other requirements, the new law stipulates reinstatement of the Supervisory Board as a supervisory body as of 2016 in a large state owned companies. The Company, Sadales tīkls AS and Latvijas elektriskie tīkli AS all qualify in this category. The new governance body may have material influence on the Group's strategy and other key areas of the Group`s operations.

Management Board

The strategic management of the Group is ensured by the Company's Management Board, whose main duties include defining the Group`s strategic direction, its development plans, goals and policies. The term of office for all current members of the Company's Management Board expires on 15 November 2015. Replacement of some or all of current members of the Company's Management Board may negatively influence the Company's currently selected strategic direction, development plans, goals and policies, thus adversely affecting the Group.

Regulated market

Approximately two thirds of the Group revenues and assets are related to regulated business activities. The Group`s revenues from regulated market activities are highly dependable on tariffs approved by the Public Utilities Commission (the "**PUC**") and/or regulated by legislative acts of the Republic of Latvia. Electricity distribution and heat tariffs as well as mandatory procurement public service obligation fee (the "**PSO Fee**") are reviewed or approved by the PUC based on the Group's proposals, developed in accordance with the approved methodology. There is a risk that not all costs will be covered by such regulated tariffs. Besides, there is a risk of material adverse effect on the Group due to delayed regulatory decisions by state authorities in the markets where the Group operates or due to changes in local or EU legislative environment governing relevant regulatory matters.

Mandatory procurement

Legislative acts of the Republic of Latvia currently allow the Company's subsidiary Enerģijas publiskais tirgotājs AS to act as an agent in the mandatory procurement administration process. The agent does not take any substantial risks within the payment flow and thus it has no financial impact on results of the Group. Amendments in the regulation of the mandatory procurement resulting in changes of the mandatory procurement administration process or in incurred mandatory procurement costs not being recoverable to their full amount may have material adverse effect on the Group's financial position.

In order to limit the effects of an increase of the PSO Fee, the Group receives a state budget grant that compensates for expenditures incurred in the performance of the public trader functions. In 2014, the Group received a state budget grant in the amount of EUR 29 million, while a grant in the amount of EUR 28 million is budgeted in the state budget for 2015 for this purpose. The support scheme currently is under review by the European Commission and there is a risk that approval of the state budget grant aimed at limiting an increase of the PSO fee may be delayed or not approved by the European Commission. This could result in incurred mandatory procurement costs not being recoverable. This may have material adverse effect on the Group`s financial position.

Distribution assets

Subsequent to the approval of the current distribution system tariff in 2011, the Company invested its revalued distribution system assets in Sadales tīkls AS, thus increasing the regulatory asset base of distribution assets. Current distribution service tariffs do not fully cover Sadales tīkls AS required return on revalued assets. There is a risk that the PUC would not approve the necessary tariff increase to cover all costs, thus resulting in an impairment of value of the distribution assets. This may have a material adverse effect on the Group's business and financial position.

Electricity market opening

The Group supplies electricity in all three Baltic countries. While the Latvian and Estonian electricity markets are fully liberalized, the household segment of the Lithuanian electricity market is expected to be fully deregulated only in the coming years. The electricity market liberalization creates a more competitive environment with an increased number of market participants, which may reduce the Group`s market share, as well as affect the pricing and the Group`s business and financial position. There is also a risk of the Group incurring long-term losses due to incorrect market entry and expansion strategy.

Foreign expansion

Simultaneously with the opening of electricity markets in neighbouring countries Estonia and Lithuania, the Group commenced its operations in these new markets. In 2014, the Group obtained a 17 per cent market share in Estonia and a 18 per cent market share in Lithuania.

Reflecting the fact that these markets were only recently de-regulated, there are risks and opportunities inherent to the further developments of these markets such as an expected increase in the number of clients switching between electricity suppliers, and possible changes in the legal environment which could influence the Group's operations.

The market share in the Baltic countries indicates the Group's current standing, but there is a risk that the market share may decrease or that the Group may be unable to attain the anticipated market share growth, and thus causing adverse effects on the Group's business and financial position. Furthermore, there is also a risk of exiting any of current markets subject to various reasons, including economic and strategic. This may affect the Group's operations and financial position.

Counterparty risk

Counterparty risk is inherent to all business activities the Group is engaged in. Counterparty risk may result in financial losses (including, but not limited to, revenues not being received from customers, funds deposited at banks, money not being received under the Group's hedging agreements, partners in long term projects failing to perform their obligations etc.) to the Group. Default of a Group counterparty may affect the completion of the Group`s commenced investment projects, the quality of services provided by the Group or harm the Group's reputation. Although, the Group monitors and manages its counterparty risk, the occurrence of any of the mentioned counterparty risks may have an adverse impact on the Group's business and financial position.

Electricity market price risk

The Group`s electricity generation portfolio does not fully cover the needs of the electricity supply portfolio, thus throughout the year approximately half of the Group`s annual electricity supply to the retail sector is subject to price volatility risk in the electricity wholesale market. The Group uses financial derivative contracts to mitigate electricity price risk for part of its supply portfolio. If effective, hedging is the best way to protect the Group against unfavourable changes in the electricity market prices. Due to low liquidity in the electricity derivatives' market currently in the Baltic region, the availability of hedging instruments is limited and hedging costs are high. Therefore, the Group partly uses Nordic electricity derivatives for hedging purposes in the Baltic region (proxy hedge). Because of strong positive correlation between Finnish and Estonian electricity market prices, proxy hedge closes effectively the market price risk of the Group's Estonian retail portfolio.

On average one sixth of the electricity sales portfolio remains open to market price fluctuations after the hedging. Nevertheless, it is expected that in 2016 liquidity in the Baltic financial markets will increase with decreased hedging costs as a result and usage of Nordic electricity derivatives for hedging will become more efficient due to new transmission capacities between Lithuania and Sweden and Lithuania and Poland. Notwithstanding this, there is a risk that hedging will not provide the required efficiency. This may have material adverse effect on the Group`s financial position.

Political and regulatory risks

The ability of the Group to attain short-term goals and long-term strategic targets is partially dependent on the legislative environment in the markets where the Group operates, and on political and social decisions in these markets as well as in the EU. Matters that may have a material effect on the Group's business and financial position include, but are not limited to, electricity supply to vulnerable customers (poor or low-income persons, large families); feed–in tariff policy for environment friendly generation sources; state or EU regulations on technical, market integrity and transparency, competition, safety and environmental protection issues; decisions of certain market supervising institutions (such as the PUC, the Competition Council, the State Revenue Service etc.).

Although, the Group is managing these risks by representing its interests in a wide range of professional organizations and monitoring relevant regulatory environments, adverse political and regulatory decisions may increase operating costs of the business and thus may have a negative impact on the Group's business and financial position.

Electricity supply to vulnerable customers

According to the Electricity Market Law, throughout year 2015 the Group has to supply electricity to vulnerable customers (poor or low-income persons, large families) at a price set below the market price. For the period after 2015, the Latvian State will announce procurement to electricity traders for the opportunity of providing state defined aid to vulnerable custumers. There is a risk that the Group's obligation to provide support to vulnerable customers might be prolonged or the customer groups qualifying as vulnerable might be widened which could adversely impact the Group's business and financial position.

State-aid notification risk

The Issuer receives capacity payments for the operation of the Riga 1st combined heat and power plant ("**Riga TEC-1**") and the Riga 2nd combined heat and power plant ("**Riga TEC-2**") under the support scheme for cogeneration power plants meeting the criteria of Directive 2004/8/EC and Directive 2012/27/EU. The revenues from capacity payments to Riga TEC-1 and Riga TEC-2 are around EUR 85 million per year after tax.

When introducing the abovementioned support scheme it was a common understanding of involved state authorities that implemented support for the production of electricity from renewable energy sources and in efficient cogeneration are not considered to be state aid. Based on this judgement, the support scheme has not been notified as state aid to the European Commission. However, in 2013 representatives of Latvia and European Commission concluded that the implemented aid policy in the energy sector should be notified to the European Commission. At the end of 2013 Latvian State authorities started the pre-notification procedure with the European Commission, by explaining the existing support scheme for the production of electricity from renewable energy sources and in efficient cogeneration, including the support to the cogeneration plants Riga TEC-1 and Riga TEC-2.

In the process of notification on the support to the cogeneration plants Riga TEC-1 and Riga TEC-2, there is a risk that the current support mechanism will be recognized inappropriate and could be abolished with or without the requirement for repayment of the received revenues from the capacity payments or changed in a way, that the scheme will generate insufficient revenues for the operation of Riga TEC-1 and Riga TEC-2. This could potentially lead to a material adverse effect on the financial position of the Group.

Disposal of Latvijas elektriskie tīkli AS assets

In the process of unbundling of energy suppliers from network operators in Latvia, all transmission system operator unbundling models were evaluated. The Republic of Latvia has applied the second unbundling model under EU Directive 2009/72/EC, which provides that the electricity transmission system assets shall remain with a vertically integrated utility, while the activities of the transmission system operator are independently managed. The assets are owned by Latvijas elektriskie tīkli AS and are leased out to the Latvian transmission system operator Augstsprieguma tīkls AS. The legal documentation for the unbundling includes a provision under which the Ministry of Economics in 2015 may reconsider the possibility of introducing full ownership unbundling following an evaluation of the impact of the existing unbundling model on the development of the Baltic electricity market and the Company's financial situation. A disposal of Latvijas elektriskie tīkli AS assets following a decision on a full ownership unbundling, if not made at fair value, may potentially lead to a material adverse effect on the financial position and business of the Group.

Risks in relation to the implementation of the EU energy efficiency directive

The Group will be obliged to participate in an EU energy efficiency obligation scheme that on the one hand will create new costs, while on the other hand it may provide some opportunities in the development of new products. While there are still uncertainties as to what form these obligations will be applied to the Group, there is a risk that the costs incurred under this scheme may not be possible to recover.

EU energy policy changes

Significant changes are expected with respect to the EU energy policy. Currently a design of new documents of "Energy Union" has been started that will result into new regulations for the energy sector in the coming years. The expected, revised electricity market regulations and the potential harmonization of capacity markets or the capacity remuneration mechanisms may have a material adverse effect on general operations of the Group, as well as the Group's business and financial position.

Seasonality and climate changes

The Group's core business operations, particularly, electricity generation in hydro power plants ("**HPPs**") and combined heat and power plants ("**CHPPs**"), are partially influenced by weather conditions. HPPs ability to generate electricity is dependent on the water inflow in the River Daugava, thus the total electricity generation volumes fluctuate annually.

CHPPs are generally working in cogeneration mode, thus electricity generation in the CHPPs is largely dependent on thermal energy consumption which is affected by weather conditions, i.e. external air temperature and duration of the heating season.

Due to this, the Group's overall financial position may be influenced by seasonality, weather fluctuations, as well as long-term shifts in climate affecting electricity generated in the HPPs and/or number of working hours of CHPPs operated in effective cogeneration mode. A decrease of the annual flow volume in the River Daugava below long-term average flow level and/or untypically mild weather conditions during autumn and winter months may result in a reduced volume of annual electricity generation by the Group's power plants, exposing the Group to electricity procurement price risk and lower profitability margins. Long-term shifts in climate conditions may result in more permanent changes to the generation patterns and thus creating adverse effect on the Group's business and financial position.

Asset damage risks

The Group's main assets include generation assets (including HPPs and CHPPs), electricity transmission system assets, distribution system assets, and other assets necessary for the Group's operations. The Group manages asset-related risks through implementation of maintenance, investment and prevention programmes, as well as by transferring risks to the insurance market, where such insurance is commercially available. In certain circumstances adequate insurance cover may not be available, either as a result of the lack of relevant insurance or excessive costs. In addition, insurance proceeds received may be inadequate to fully cover replacement costs for damaged assets, sequential financial losses due to business interruption, liabilities to third parties incurred, and similar costs and expenses associated with such asset damages. The assets of the Group are exposed to the risks of loss or damage due to malicious damages (including acts of terrorism); natural disasters (such as storms, fire, flooding, etc.); breakdown of equipment; structural damages and other risks of loss or damage of assets. If materialised, these asset damage risks could have a material adverse effect on the Group's business and financial position.

Litigation and disputes

The Group may become a party to legal proceedings and disputes, including claims in relation to actions of regulatory and supervisory institutions.

Notwithstanding all detective and prevention activities implemented within the Group with the aim to prevent any corruptive, fraudulent, coercive or collusive practices performed by the Group's employees, directors, representatives and with respect to any transaction the Group is involved in, there is still a risk of a prohibited practice performed by the Group's employees, directors, representatives or with respect to any transaction the Group is involved in. This may adversely affect the Group's reputation, business and financial position as well as involve the Group into legal proceedings and disputes, including claims in relation to actions by regulatory and supervisory institutions.

There can be no assurance that the Group will not be a party to court and administrative proceedings in the future or that, with respect to its current proceedings, it will not be subject to fines, damages, penalties or other costs which could have a material adverse effect on the Group's business and financial position.

Resource risks

The Group's operations depend on consistent and commercially adequate resource supplies of natural gas needed for the operation of CHPPs, supplies of electricity from power producers in Latvia and neighbouring countries etc. Risk factors associated to resource availability include non-availability of supplies due to technological and/or other errors and accidents (including, but not limited to, accidents in natural gas supply networks, accidents in high voltage transmission system networks interconnecting Latvia with neighbouring countries) and limitations on resource availability due to commercial, technological or other reasons. The risk that required supplies may not be available, or may only be available on commercially unfavourable terms would affect the Group's profitability, which could adversely affect the Group's business and financial position.

Since natural gas is the main fuel source for electricity and heat generation in CHPPs and the incumbent gas supplier Latvijas Gāze AS currently has the exclusive rights of sale of natural gas and gas prices are subject to monthly revision, the Group is exposed to single supplier risk and gas price risk. The materialization of any of the abovementioned risks could weaken the Group's competitive position, expose the Group to additional electricity import risk and thus adversely impact the Group's profitability and financial position.

The recently built liquefied natural gas floating storage and regasification unit terminal in the port of Klaipeda (Lithuania) technically mitigates the single supplier risk in the natural gas market. Nevertheless, the regulatory framework in Latvia for natural gas availability is uncertain, and currently excludes the possibility to obtain natural gas from any other supplier than Latvijas Gāze AS.

Risks associated with the execution of investment projects

During recent years the Group has commenced an extensive capital investment programme, aimed at upgrading of the Group's generating facilities, as well as the Group's transmission and distribution system assets. Following a successful completion of the recent investment projects, including the reconstruction of Riga TEC-2 first unit (commissioned in 2008), Riga TEC-2 second unit (commissioned in 2013), the Group has commenced the upgrade of the Daugava HPPs. An upgrade of two hydro units of Plavinas HPP was commenced in 2014 and is scheduled to be completed in 2017, an upgrade of three hydro units of Kegums HPP was commenced in 2014 and is scheduled to be completed in 2017 and an upgrade of six hydro units of Riga HPP is planned to commence in 2015 and to be completed in 2022.

The Group has no information that indicates any material risks associated with potential delays or cost overruns in relation to the current investment projects. Nevertheless, there is still a risk, that cost overruns and project delays or similar aspects related to the execution of current or future investment projects could have material adverse effect on the Group's business and financial position.

Risks from potential participation in capital intensive projects

The Company is, as a potential investor, involved in the negotiations of a nuclear power plant construction project. The Company has not thus far undertaken any financial commitments regarding participation in this or any other nuclear project. Before any significant commitment in the project is undertaken, the Company would need to agree on several matters, including, but not limited to, the business plan of the project, legal environment, sharing of open risks and provision of other guarantees to the project. Such a project would be capital intensive and, if undertaken, additional solutions would need to be considered for meeting the Group's funding needs for this project.

If the Group participates in the nuclear power plant project, it would likely to be exposed to a number of risks which could have a material adverse effect on the Group's business and financial position. Whilst the Group will not have a day-to-day responsibility for the principal operations of the nuclear power plant, the Group may, nonetheless, still be exposed to risks in relation to the operation and decommissioning of nuclear facilities, the manipulation, treatment, disposal and storage of radioactive materials and the potential harmful effects on human health of such materials. In addition, changes to the regulatory regime in the EU and/or in the respective EU country could have a material impact on the Group's ability to participate in, or raise finance for, the project.

Besides the nuclear power plant project, the Group may review its participation in other extensive investment projects that may increase the Group's exposure to operational and/or financial risk levels or may negatively impact the Group's value or reputation, thus creating adverse effect on the Group's business and financial position.

Electricity distribution system investment risks

The Group's electricity distribution system network is aged due to a prolonged lack of investments in respect of these assets. There is a risk that the quality of provided distribution services in some locations may not correspond to the safety and service level requirements set out in legal acts. This in turn may lead to additional service interruptions, losses and damages causing the Group additional unplanned repair and maintenance costs, legal disputes, as well as reallocation of resources from other investments projects. This could potentially lead to a material adverse effect on the financial position of the Group.

Transmission system investments and EU financing risks

The Company's subsidiary Latvijas elektriskie tīkli AS is the owner and manager of the transmission system assets in Latvia. Nevertheless, operations and strategic decision making on asset maintenance and development is not within the control of the Group. The investment plans are prepared and approved by Latvian transmission system operator Augstsprieguma tīkls AS, which shares are held by the Ministry of Finance of the Republic of Latvia. Part of the transmission system asset investment projects are co-financed with the EU funds, where the Group has contingency liability and financial commitments towards the project implementation, without having any control over the implementation of particular projects.

There is a risk that the transmission system operator provides in its long-term plan insufficient investments to maintain the existing value of the assets, thus reducing their value and causing losses to the Group.

In addition, if the EU would have objections in relation to their co-financed project execution, there is a risk that the Group would need to increase its financing share in the existing transmission system asset construction projects. This would reduce funds available for other projects or could result in increased debt levels for the Group.

Sovereign debt crisis

The current global crisis and sovereign debt crisis in Europe has had a significant impact on the world`s banking systems and financial markets. If the global economic situation worsens, this could lead to systemic and structural changes in the Eurozone, including but not limited to, the reintroduction of national currencies in one or more Eurozone countries or, in extreme circumstances, unprecedented rates of inflation and collapse of the euro entirely. The occurrence of such risks could have a negative effect on the Group's existing contractual relations, including financing obligations to its banks and other third parties, all of which could have a significant negative impact on the Group's business and financial position.

Environmental, health and safety risks

The Group's core business activities such as electricity generation and distribution, and the management of the electricity transmission assets include operations with certain assets, mixtures, substances and processes that inherently have increased levels of riskiness, thus exposing the Group's personnel, third parties and the environment to potential damages or harm due to operational accidents or other sudden and unforeseen occurrences. Certain technology processes, including, but not limited to, the operation of CHPPs and HPPs, the operation of electricity transmission and distribution system assets and other processes, involve materials, mixtures or substances that are potentially dangerous in uncontrolled chemical processes, such as fires, explosions, emissions, major accidents or failures of equipment or structures. The consequences of an uncontrolled release of dangerous substances or other environmental risks, such as subsequent loss mitigation activities and clean-up costs, environment pollution risks, fines, penalties and similar costs imposed in accordance with relevant legislation, third party claims and other losses could adversely affect the Group's business and financial position.

The Group has made substantial investments into technologies and processes and takes risk mitigation measures, aimed at minimising the Group's actual impact on environment and environmental accidents. Furthermore, the introduction of new legislative initiatives aimed at minimising the environmental impact could impose additional costs on the Group.

The Group's personnel, as well as personnel of the Group's subcontractors are exposed to increased health and safety risks by operating certain assets of the Group. Notwithstanding that the Group has implemented a wide array of activities and procedures aimed at mitigation of occupational health and safety risks, third party or claims by the Group's personnel in relation to personal damages or harm caused at workplace may incur substantial costs to the Group, as well as negative publicity, causing material adverse effect on the Group.

Tax risk

Some of the tax laws applicable to the Group are complicated or subject to changing interpretations by the tax authorities. The Group is exposed to changes in tax laws, treaties and regulations. The possible imposition of penalties due to misinterpretation of the tax application or other sanctions may result in additional amounts payable by the Group. The misinterpretation of the tax application may also lead to disputes and litigation between the Group, its clients and counterparties. The occurrence of the abovementioned risk could have an adverse effect on the Group`s business, results of operations and financial condition. In addition, the Group companies transact with related parties. During the execution and rendering the mutual services and transactions within the Group's entities, the Group has set different price methodologies. However, the Group cannot exclude that the adopted price methodologies may be questioned and possible tax penalties being imposed as a result, thus having an adverse effect on the Group's operations and financial results.

Redistribution of heat market risk

The legal framework for heat supply ensures that several independent producers may supply heat to certain centralized heating systems and the system operator is obliged to buy the supplied heat or refuse the purchase gradually following economic principles stated in the legislation.

An expected new entrant in the heat market using biomass as fuel in the production process may reduce the workloads of the Company's CHPPs, thus also reducing the heat supply by the Company. This could, particularly in light of the comparatively higher variable costs for gas fuelled plants, have a material adverse effect on general operations of the Group, as well as the Group's business.

Financial Risks

Risk of breaching financial covenants and other obligations under loan agreements and bond documentation

The existing Group's long term loan agreements generally have certain financial covenant clauses. In addition, the loan agreements and documentation in relation to outstanding bonds provide for certain other obligations and representations the violation of which may lead to an event of default and acceleration of the loans and issued bonds. While the Group has not breached such provisions in the past, however, the Group's ability to comply with covenants and restrictions contained in the loan agreements and bond documentation may be affected by events beyond its control, including prevailing economic, financial, legal and industry conditions. In the event that these obligations were to be breached, the involved creditors would be able to declare an event of default pursuant to the relevant loan agreements and bond documentation and require prepayment of the entire outstanding loan amounts and redemption of the outstanding bonds. Due to the cross default clauses in the loan agreements and bond documentation, the Company may need to refinance substantial part of its outstanding debt. Ability to rise funding for refinancing of bank and market debt or negotiate other terms with the existing lenders might be limited, thus causing significant going concern risk for the Group.

Interest rate risk

The Group’s interest rate risk mainly arises from long-term borrowings at variable rates. This exposes the Group to the risk that borrowing costs might increase significantly in the event that the relevant benchmark market interest rates rise. The Group’s policy is to maintain at least 35 per cent of its borrowings as fixed interest rates borrowings (taking into account the effect of interest rate swaps) with duration between two to four years. Adverse interest rate fluctuations, if not hedged, may negatively impact the Group’s operations, prospects and financial results.

Liquidity risk

Liquidity risk is a risk that the Group is unable to maintain a sufficient reserve of cash and cash equivalents that can be used to meet its debt payments and to meet other payment obligations as they fall due or to fund the Group`s capital investments.

Sufficient liquidity for business activities and the ability to access long-term financing is necessary to enable the Group to implement its capital investment projects and to meet its debt refinancing needs. Although, the Group’ policy of liquidity risk management is to maintain a sufficient reserves of cash and cash equivalents, the availability of long and short term funding through an adequate amount of committed credit facilities to meet its payment commitments according to the Group’s strategic plans, as well as to balance the fluctuations in the cash flows is a matter of great importance, and a reduction in the Group’s liquidity position may have a material adverse effect on the Group’s business and financial position.

Downgrade of the Company’s credit rating

A downgrade of the Company’s credit rating may increase its costs of funding and/or reduce its access to funding and may require the Issuer to provide additional security for contracts which may increase the costs of the transactions. In addition to a deterioration in the Company's own credit quality, the Company`s credit rating may be downgraded if the credit rating of the Republic of Latvia is downgraded due to weak macroeconomic conditions or there is a change of the support assumptions provided by the Republic of Latvia.

Risks Related to the Notes

The following risk factors are, among other things, material in order to assess the risks associated with the Notes. Words and expressions in this section shall have the same meaning as defined in the General Terms and Conditions of the Notes.

The Notes may not be a suitable investment for all investors

The Notes may not be a suitable investment for all investors. Thus, each potential investor in the Notes must assess the suitability of that investment in light of its own circumstances. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the relevant support from a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio. In particular, each potential investor should:

(i) have a sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or referred to in this Base Prospectus, the Final Terms and documents attached to this Base Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate either alone or with the relevant support from a financial adviser possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risk.

The Notes may not be a suitable investment for all investors seeking exposure to green assets

In connection with the issuance of the Notes, which purpose is to finance projects eligible under the Issuer's Green Bond Framework, the Center for International Climate and Environmental Research - Oslo ("**Cicero**"), a Norwegian independent institute for interdisciplinary climate research, is expected to issue a second-party opinion regarding the suitability of the Notes as an investment in connection with certain environmental and sustainability criteria (the "**Cicero Opinion**"). The Cicero Opinion is not incorporated into and does not form a part of this Base Prospectus. Neither the Issuer nor the Arranger of the Programme or Issuing Agent makes any representation as to the suitability of the Cicero Opinion or the Notes to fulfil such environmental and sustainability criteria. The Cicero Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed in the Base Prospectus and other factors that may affect the value of the Notes. The Cicero Opinion is not a recommendation to buy, sell or hold securities and is only current as of the date that the Cicero Opinion is initially issued. In addition, although the Issuer has agreed to certain reporting and use of proceeds in connection with the Cicero Opinion, it will not be an event of default under the General Terms and Conditions of the Notes if the Issuer fails to comply with such obligations. A withdrawal of the Cicero Opinion may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

Possibility to forfeit interest and principle amount invested

Should the Issuer become insolvent, legal protection proceedings or out-of-court legal protection proceedings of the Issuer are initiated during the term of the Notes, an investor may forfeit interest payable on, and the principle amount of, the Notes in whole or in part. An investor is always solely responsible for the economic consequences of its investment decisions.

No guarantee or security

The Notes will not be obligations of anyone other than the Issuer and they will not be guaranteed. No one other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

The Notes are unsecured debt instruments and the Noteholders would be unsecured creditors in the event of the Issuer's insolvency.

Claims cannot be enforced against the Issuer's key assets

The Issuer holds a number of assets which under applicable laws of the Republic of Latvia can be owned only by the Issuer or its wholly-owned subsidiaries. As a consequence, such assets are not transferable to any other party except for the Issuer or its subsidiaries. Section 20.[1] (2) of the Energy Law (*Enerģētikas likums*) lists the following non-transferable assets: (i) Plavinas, Kegums and Riga HPPs on the River Daugava; (ii) Riga TEC-1 and Riga TEC-2; and (iii) electricity transmission grid and distribution grid, telecommunication grid and equipment owned by the Issuer. Because of their non-transferable nature, no claims, either on the ground of the Notes or otherwise, can be enforced against these assets. Furthermore, in case of the Issuer's insolvency these assets will not be used for settling the creditors' claims.

Adverse change in the financial condition or prospects of the Issuer

Any adverse change in the financial condition or prospects of the Issuer may have a material adverse effect on the liquidity of the Notes, and may result in a material decline in their market price, such adverse change may result in a reduced probability that the Noteholders will receive the prompt and full payment, when due, for principal and interest and/or any other amounts and items payable to the Noteholders pursuant to the General Terms and Conditions of the Notes from time to time.

Refinancing risk

The Issuer may be required to refinance certain or all of its outstanding debt, including the Notes. The Issuer's ability to successfully refinance its debt is dependent on the conditions of the debt capital markets and its financial condition at such time. Even if the debt capital markets improve, the Issuer's access to financing sources at a particular time may not be available on favourable terms, or at all. The Issuer´s inability to refinance its debt obligations on favourable terms, or at all, could have a negative impact on the Group's operations, financial condition, earnings and on the Noteholders' recovery under the Notes.

An active market for the Notes may not develop

The Notes constitute a new issue of securities by the Issuer. Prior to admission to trading on the regulated market, there is no public market for the Notes.

Although application(s) will be made for the Notes to be admitted to trading on NASDAQ Riga stock exchange, there is no assurance that such application(s) will be accepted and the Notes will be admitted to trading. In addition, admission to trading the Notes on a regulated market will not guarantee that a liquid public market for the Notes will develop or, if such market develops, that it will be maintained, and neither the Issuer, nor the Arranger of the Programme or the Issuing Agent is under any obligation to maintain such market. If an active market for the Notes does not develop or is not maintained, it may result in a material decline in the market price of the Notes, and the liquidity of the Notes may be adversely affected. In addition, the liquidity and the market price of the Notes can be expected to vary with changes in market and economic conditions, the financial condition and the prospects of the Issuer, as well as many other factors that generally influence the market price for securities. Accordingly, due to such factors the Notes may trade at a discount to the price at which the Noteholders purchased the Notes. Therefore, investors may not be able to sell their Notes at all or at a price that will provide them with a yield comparable to similar financial instruments that are traded on a developed and functioning secondary market. Further, if additional and competing financial instruments are introduced on the markets, this may also result in a material decline in the market price and value of the Notes.

Fixed interest rate and inflation

The Notes will bear interest on their outstanding principal at a fixed interest rate. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security could fall as a result of changes in the market interest rate. Market interest rates follow the changes in general economic conditions, and are affected by, among many other things, demand and supply for money, liquidity, inflation rate, economic growth, central banks' benchmark rates, implied future rates, and changes and expectations related thereto.

While the nominal compensation rate of a security with a fixed interest rate is fixed during the term of such security or during a certain period of time, current interest rates on capital markets (market interest rates) typically change continuously. In case market interest rates increase, the market price of such a security typically falls, until the yield of such security is approximately equal to the market interest rates. If market interest rates fall, the price of a security with a fixed interest rate typically increases, until the yield of such a security is approximately equal to market interest rates. Consequently, the Noteholders should be aware that movements of market interest rates may result in a material decline in the market price of the Notes and can result in losses for the Noteholders if they sell the Notes. Furthermore, the past performance of the Notes is not an indication of their future performance.

Also inflation may result in a decline of the market price of the Notes, as it decreases the purchasing power of a currency unit and respectively the received interest.

Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes

The Issuer will pay principal and interest on the Notes in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of EUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to EUR would decrease the Investor's Currency-equivalent: (i) yield on the Notes; (ii) value of the principal payable on the Notes; and (iii) market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect the applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all. In addition, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Risks relating to the clearing and settlement in the LCD's book-entry system

The Notes will be affiliated to the account-based system of the LCD, and no physical notes will be issued. Clearing and settlement relating to the Notes will be carried out within the LCD's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of the LCD's account-based system.

Credit ratings

One or more independent credit rating agencies may assign credit ratings to the Notes. In case the Notes are rated by the credit rating agencies, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, or other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating of the Issuer could adversely affect the trading price of the Notes.

No assurance on change of laws or practices

The Notes are governed by the laws of the Republic of Latvia, as in force from time to time. Latvian laws (including but not limited to tax laws) and regulations governing the Notes may change during the life of the Notes, and new judicial decisions can be given and administrative practices may take place. No assurance can be given as to the impact of any such possible change of laws or regulations, or new judicial decision or administrative practice taking place after the date of this Base Prospectus. Hence, such change may have a material adverse effect on the Issuer’s business, financial condition, results of operations and/or future prospects and, thereby, the Issuer’s ability to fulfil its obligations under the Notes, taxation of the Notes, as well as the market price and value of the Notes. Such event may also result in material financial losses or damage to the Noteholders.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or reviews or regulations by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for the investor; (ii) the Notes can be used as collateral for various types of borrowings; and (iii) other restrictions apply to its purchase or pledge of any Notes.

The Notes do not contain covenants governing the Issuer's operations and do not limit its ability to merge, effect asset sales or otherwise effect significant transactions that may have a material adverse effect on the Notes and the Noteholders

The Notes do not contain provisions designed to protect the Noteholders from a reduction in the creditworthiness of the Issuer. In particular, the General Terms and Conditions of the Notes do not, except for the Change of Control and Events of Default conditions (see Clause 16 and Clause 18 of the General Terms and Conditions of the Notes), restrict the Issuer’s ability to increase or decrease its share capital, to enter into a merger, asset sale or other significant transaction that could materially alter its existence, jurisdiction of organization or regulatory regime and/or its composition and business. In the event that the Issuer enters into such a transaction, Noteholders could be materially adversely affected. Furthermore, the Change of Control condition does not restrict the current shareholder of the Issuer from disposing any or all of their shareholdings, in case the law, which at the date of this Base Prospectus restricts privatisation or alienation of the shares of the Issuer, is changed.

Risks related to early redemption

There is a risk that the market value of the Notes is higher than the early redemption amount following a Change of Control and that it may not be possible for Noteholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. It is further possible that the Issuer will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Notes.

No voting rights

Only the shareholder of the Issuer has voting rights in the Shareholders Meetings of the Issuer. The Notes carry no such voting rights. Consequently, the Noteholders cannot influence any decisions by the Issuer's shareholders concerning, for instance, the capital structure of the Issuer.

Amendments to the Notes bind all Noteholders

The General Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. The decisions of the Noteholders' Meeting (including amendments to the General Terms and Conditions of the Notes), subject to defined majorities requirements will be binding to all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. This may incur financial losses, among other things, to all Noteholders, including such Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

No limitation on issuing additional debt

The Issuer is not prohibited from issuing further debt. If the Issuer incurs significant additional debt ranking equally with the Notes, it will increase the number of claims that would be entitled to share rateably with the Noteholders in any proceeds distributed in connection with an insolvency of the Issuer. Further, any provision which confers, purports to confer, or waives a right to create security interest in favour of third parties, such as a negative pledge, is ineffective against third parties since: (i) it is a question of a contractual arrangement only being binding upon the parties to such contractual arrangement; (ii) there is no specific legislation in Latvia providing beneficiaries of negative pledge undertakings or covenants with a preferred position vis-a-vis the claims of third parties; and (iii) no registry or public record exists in Latvia through which negative pledge undertakings or covenants could be filed to obtain a preferred position. Should the Issuer breach its obligations under such undertakings and covenants and create a security interest in favour of a third party, such third party would obtain a valid and enforceable security interest over the pledged asset.

Certain material interests

The Issuing Agent has engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Group in the ordinary course of business. In particular, it should be noted that the Issuing Agent may be a lender under certain credit facilities with a member of the Group as borrower. Therefore, conflicts of interest may exist or may arise as a result of the Issuing Agent having previously engaged, or will in the future engage, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

Restrictions on the transferability of the Notes

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Notes may not offer or sell the Notes in the United States. The Issuer has not undertaken to register the Notes under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered the Notes under any other country's securities laws, other than laws of the Republic of Latvia. Each potential investor should read the information under the heading "Notice to Investors and Restrictions on Distribution" for further information about the transfer restrictions that apply to the Notes. It is the Noteholder's obligation to ensure that the offers and sales of Notes comply with all applicable securities laws.

PARTY RESPONSIBLE FOR THE BASE PROSPECTUS

Party Responsible for the Base Prospectus

Latvenergo AS
Registration number: 40003032949
Legal address: Pulkveža Brieža 12, Riga, LV-1230, Latvia

Assurance of the Information Given in the Base Prospectus

The Company and its Management Board are responsible for the information contained in this Base Prospectus. The Company and its Management Board, having taken all reasonable care to ensure that such is the case, confirms that the information contained in the Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Riga, 25 May 2015

Management Board of Latvenergo AS:

____
Chairman of the Management Board (CEO)
Āris Žīgurs

____
Member of the Management Board (CFO)
Zane Kotāne

____
Member of the Management Board (CCO)
Uldis Bariss

____
Member of the Management Board (CAO)
Arnis Kurgs

____
Member of the Management Board (COO)
Māris Kuņickis

GENERAL INFORMATION

Management Board of the Company

Name	Position
Āris Žīgurs	Chairman of the Management Board (CEO)
Zane Kotāne	Member of the Management Board (CFO)
Uldis Bariss	Member of the Management Board (CCO)
Arnis Kurgs	Member of the Management Board (CAO)
Māris Kuņickis	Member of the Management Board (COO)

Company's Auditor

ERNST & YOUNG BALTIC SIA
Registration number: 40003593454
Legal address: Muitas 1A, Riga, LV-1010, Latvia
Auditor in charge: Diāna Krišjāne (number of certificate: 124)

Arranger of the Programme and Issuing Agent

The Issuer has appointed AS SEB banka (registration number: 40003151743, legal address: Meistaru 1, Valdlauči, Ķekava parish, Ķekava region, LV-1076, Latvia) as the Arranger of the Programme and as the Issuing Agent.

Legal Adviser to the Arranger of the Programme and to the Issuing Agent

Attorneys at Law BORENIUS
Legal Address: Lāčplēša 20A, Riga, LV-1011, Latvia

Interests of Natural and Legal Persons Involved in the Issue/Offer

Save for commissions to be paid to the Arranger of the Programme and the Issuing Agent, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue/offer, nor any conflicting interests.

Credit Ratings

The Issuer is rated Baa2 with a stable outlook by Moody's Investors Service. The rating and outlook was upgraded on 16 February 2015.

The Series of Notes issued under the Programme may be rated or unrated. If rated, such ratings will not necessarily be the same as the rating assigned to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Use of Proceeds

The net proceeds of the issue of Notes will be used by the Issuer for its general corporate purposes. If in respect of any particular Series of Notes, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

Availability of the Base Prospectus and Final Terms

The copies of the Base Prospectus and any Final Terms are available at the legal address of the Company at Pulkveža Brieža 12, Riga, LV-1230, Latvia and legal address of the Issuing Agent at Meistaru 1, Valdlauči, Ķekava parish, Ķekava region, LV-1076, Latvia on weekdays within the limits of normal business hours upon request, and in electronic format on the Company's website www.latvenergo.lv.

Third Party Information and Statement by Experts and Declarations of any Interest

The audited consolidated annual reports of the Group for the years ended 31 December 2013 and 2014 attached to the Base Prospectus contain auditor's reports. During the preparation of the Base Prospectus, information provided on the websites of European Commission and the Public Utilities Commission was used. This information has been accurately reproduced and as far as the Company is aware and was able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Other Information on the Website is not Part of the Base Prospectus

The Base Prospectus and the Final Terms, as well as documents attached to the Base Prospectus will be published on the Company's website www.latvenergo.lv. Other information presented on the above-mentioned website or on any other website does not, however, form part of the Base Prospectus or the Final Terms.

Issuing Agent's Right to Invest

The Issuer has agreed that the Issuing Agent and any legal entity within the SEB Group has a right to invest in the Notes.

Governing Law

The Base Prospectus and any Final Terms, as well as the issuance and/or offering of Notes in question at the time shall be governed by and construed in accordance with the laws of the Republic of Latvia. Any disputes relating to or arising from the above-mentioned will be settled solely by the courts of the Republic of Latvia of competent jurisdiction.

Consent to use the Base Prospectus

Throughout the period of the validity of this Base Prospectus AS SEB banka (registration number: 40003151743, legal address: Meistaru 1, Valdlauči, Ķekava parish, Ķekava region, LV-1076, Latvia) and its sub-agents (as specified in the applicable Final Terms) subsequently reselling or finally placing the Notes issued under the Programme are entitled to use the Base Prospectus:

- in the Republic of Latvia, Republic of Lithuania and Republic of Estonia where the public offering of the Notes to institutional and retail investors takes place; and

- in Member States of the European Economic Area where the private placement of the Notes to institutional investor takes place pursuant to an exemption under Article 3 of the Prospectus Directive (Directive 2003/71/EC), as implemented by the respective Member States of the European Economic Area;

for the subsequent resale or final placement of the relevant Notes during the respective offer period (as determined in the applicable Final Terms) during which subsequent resale or final placement of the relevant Notes can be made. The Issuer accepts responsibility for the information given in this Base Prospectus also with respect to such subsequent resale or final placement of the Notes.

The Base Prospectus may only be delivered to potential investors together with all supplements (if any) published before such delivery. The Base Prospectus and any supplement to the Base Prospectus are available for viewing in electronic form on the website of the Issuer www.latvenergo.lv.

When using the Base Prospectus, AS SEB banka and its sub-agents must make certain that they comply with all applicable laws and regulations in force in the respective jurisdictions.

In the event of an offer being made by AS SEB banka and/or its sub-agents, AS SEB banka and/or its sub-agents will provide information to the investors on the terms and conditions of the Notes at the time of that offer.

Resolutions of the Issuer

The shareholder of the Issuer has at its meeting on 12 May 2014 (Meeting minutes No. 6., 10.§) authorised the issue of the Notes and authorised the Management Board of the Issuer to approve the characteristics of the Notes, the Base Prospectus and any of the documents thereto, as well as any amendments and supplements thereof.

The Management Board of the Issuer has at its meeting on 25 May 2015 approved the Base Prospectus and the General Terms and Conditions of the Notes to be issued under the Programme.

GENERAL TERMS AND CONDITIONS OF THE NOTES

1. Principal Amount and Issuance of the Notes

Under this second programme for the issuance of notes (the "**Programme**") the Issuer may issue notes up to an aggregate principal amount of EUR 100,000,000 (one hundred million euro) (the "**Notes**").

The Notes shall be issued in series (the "**Series**").

Each Series may comprise one or more tranches of Notes (the "**Tranches**"). The Notes of each Series will all be subject to identical terms, except that the Issue Dates (as defined below) and the Issue Prices (as defined below) thereof may be different in respect of different Tranches.

In order to identify each Series and Tranches, the Final Terms (as defined below) shall stipulate a serial number of a respective Series and a serial number of a respective Tranche.

The terms and conditions of each Tranche shall consist of these general terms and conditions of the Notes (the "**General Terms and Conditions**") and the final terms (the "**Final Terms**"). The General Terms and Conditions shall apply to each Tranche.

The aggregate principal amount of a Tranche shall be initialy specified in the Final Terms. The Issuer may increase or decrease the aggregate principal amount of a Tranche as initially set out in the Final Terms during the Placement Period of that Tranche.

The nominal amount of each Note shall be specified in the Final Terms and shall be at least EUR 1,000.

The Notes will be offered for subscription for a minimum investment amount (the "**Minimum Investment Amount**"), which will be specified in the Final Terms.

The offering of Notes will consist of:

- public offering to institutional and retail investors in the Republic of Latvia, Republic of Lithuania and Republic of Estonia; and

- private placement to institutional investors in certain Member States of the European Economic Area (the "**EEA**") in each case pursuant to an exemption under Article 3 of the Prospectus Directive (Directive 2003/71/EC), as implemented by the respective Member States of EEA.

2. ISIN Code of the Notes

Each Series will be assigned a separate ISIN code, which will be different from the ISIN code of the other Series.

Before commencement of the offering of the Notes of the first Tranche of each Series, Latvian Central Depository ((*Latvijas Centrālais depozitārijs AS*) registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia) (the "**LCD**") upon request of the Issuer will assign to the respective Series an ISIN code. Where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the existing Tranche, the Notes of such further Tranche shall be assigned a temporary ISIN code, which is different from the ISIN code assigned to the relevant Series until such time as the Tranches are consolidated and form a single Series.

The ISIN code of respective Series and a temporary ISIN code of respective Tranche, if applicable, will be specified in the Final Terms.

3. Governing Law

The issue of the Notes is governed by the laws of the Republic of Latvia:
- The Law on the Management of Public Persons' Capital Shares and Capital Companies;
- Commercial Law;
- Financial Instruments Market Law;

as well as other applicable legal acts of the Republic of Latvia, including regulations of the LCD and NASDAQ Riga.

Any disputes relating to or arising in relation to the Notes shall be settled solely by the courts of the Republic of Latvia of competent jurisdiction.

4. Form of the Notes

The Notes are freely transferable debt securities, which contain payment obligations of the Issuer towards the holders of the Notes (the “**Noteholders**”).

The Notes are dematerialized debt securities in bearer form which are disposable without any restrictions. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Latvian laws, including the United States of America, Australia, Canada, Hong Kong and Japan.

According to the Financial Instruments Market Law the book-entry and accounting of the dematerialized securities in the Republic of Latvia, which will be admitted to trading in regulated market, shall be made by the LCD.

5. Status and Security

The Notes constitute direct, unsecured and unguaranteed obligations of the Issuer ranking *pari passu* without any preference among each other and with all other unsecured, unguaranteed and unsubordinated indebtedness of the Issuer, save for such obligations as may be preferred by mandatory provisions of law.

6. Currency of the Notes

The Notes will be issued in EUR.

7. Issue Price

The Notes may be issued at their nominal amount or at a discount or a premium to their nominal amount (the “**Issue Price**”). The Issue Price shall be determined by the Issuer according to the Section “*Placement of the Notes*” of this Base Prospectus and shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

8. Underwriting

None of the Tranches will be underwritten.

9. Issue Date

The issue date of each Tranche (the “**Issue Date**”) shall be specified in the Final Terms.

10. Interest

The Notes shall bear interest at fixed annual interest rate (the “**Annual Interest Rate**”) which shall be determined by the Issuer according to the Section “*Placement of the Notes*” of this Base Prospectus and shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

The interest on the Notes will be paid annually on the dates specified in the Final Terms (“**Interest Payment Date**”) until the Maturity Date (as defined below) and will be calculated on the aggregate outstanding principal amount of the Notes of the respective Series.

Interest shall accrue for each interest period from and including the first day of the interest period to (but excluding) the last day of the interest period on the principal amount of Notes of the respective Series outstanding from time to time. The first interest period commences on the Issue Date and ends on the first Interest Payment Date (the “**First Interest Period**”). Each consecutive interest period begins on the previous

Interest Payment Date and ends on the following Interest Payment Date. The last interest period ends on the Maturity Date (as defined below).

Interest in respect of the Notes will be calculated on the basis of the actual number of days elapsed in the relevant interest period divided by 365 (or, in the case of a leap year, 366), i.e. a day count convention Act/Act (ICMA) will be used.

When interest is required to be calculated in respect of a period of less than a full year other than in respect of the First Interest Period, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the ''**Accrual Date**'') to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

Interest on the Notes shall be paid in accordance with the LCD Rules No 8 "On payment of dividends, coupons, principal and other cash proceeds". The Issuer shall transfer all payable amounts to the LCD account on the Interest Payment Date until 2 p.m. (Riga time). The LCD shall transfer all payable amounts received from the Issuer to the account holders (credit institutions and investment brokerage firms, which are participants of the LCD) on the same day according to the number of Notes on the LCD's corresponding accounts of the account holders 8 (eight) Business Days prior to the Interest Payment Date. The account holders shall transfer the amounts payable to the Noteholders or the nominee holders, which shall further transfer the respective amounts to the Noteholders.

Should any Interest Payment Date fall on a date which is not a Business Day, the payment of the interest due will be postponed to the next Business Day. The postponement of the payment date shall not have an impact on the amount payable.

"**Business Day**" means a day on which banks in Riga are open for general business.

11. Maturity and Principal Payment

The Notes shall be repaid in full at their nominal amount on the date which will be specified in the Final Terms (the "**Maturity Date**"). The Issuer does not have a right to redeem the Notes prior to the Maturity Date, unless the Issuer has prepaid the Notes in accordance with Clause 16 *(Change of Control)* or 18 *(Events of Default)* below or in case the Noteholders' Meeting, upon proposal of the Issuer, has decided that the Notes shall be redeemed prior to the Maturity Date.

Each Series of Notes may have a maturity between 1 (one) and 15 (fifteen) years or such other maturity as the Issuer decides, but in any case not shorter than 12 (twelve) months.

The principal of the Notes shall be paid in accordance with the LCD Rules No 8 "On payment of dividends, coupons, principal and other cash proceeds". The Issuer shall transfer all payable amounts to the LCD account on the Maturity Date until 2 p.m. (Riga time). The LCD shall transfer all payable amounts received from the Issuer to the account holders (credit institutions and investment brokerage firms, which are participants of the LCD) on the same day. The account holders shall transfer the amounts payable to the Noteholders or the nominee holders, which shall further transfer the respective amounts to the Noteholders.

Should the Maturity Date fall on a date which is not a Business Day, the payment of the amount due will be postponed to the next Business Day. The postponement of the payment date shall not have an impact on the amount payable.

12. Taxation

All payments in respect of the Notes by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**"), unless the withholding or deduction of the Taxes is required by laws of the Republic of Latvia. In such case, the Issuer shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities in accordance with the applicable laws for the amount so required to be withheld or deducted. The Issuer shall not be obligated to make any additional compensation to the Noteholders in respect of such withholding or deduction.

13. Publication of the Final Terms

The intial Final Terms of each Tranche will be approved by the Management Board of the Issuer.

Before the offering of the respective Tranche commences, the Final Terms:
- will be submitted to the Financial and Capital Market Commission, who will forward them to the Bank of Lithuania (*Lietuvos Bankas*) and the Estonian Financial Supervision Authority (*Finantsinspektsioon*); and
- will be published on the Issuer's website www.latvenergo.lv.

Final Terms containing information about the established Annual Interest Rate, Issue Price, the aggregate principal amount of the respective Tranche and definitive amount of the Notes to be issued will be published on the Issuer's website www.latvenergo.lv and submitted to the Financial and Capital Market Commission after allotment of the Notes to the investors.

14. Estimated Expenses Charged to the Investors

No expenses or taxes will be charged to the investors by the Issuer in respect to the issue of the Notes. However, the investors may be obliged to cover expenses which are related to the opening of securities accounts with the credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the investor's purchase or selling orders of the Notes, the holding of the Notes or any other operations in relation to the Notes. Neither the Issuer, nor the Arranger of the Programme or the Issuing Agent shall compensate the Noteholders for any such expenses.

15. Admission to Trading

The Issuer shall submit an application regarding inclusion of each Tranche in the official list of AS NASDAQ OMX Riga, registration number: 40003167049, legal address: Vaļņu 1, Riga, LV-1050, Latvia (**"NASDAQ Riga"**). An application shall be prepared according to the requirements of NASDAQ Riga and shall be submitted to NASDAQ Riga within 3 (three) months after the Issue Date of the respective Tranche.

The Issuer shall use its best efforts to ensure that the Notes remain listed in the official list of NASDAQ Riga or, if such listing is not possible to obtain or maintain, listed or traded on another regulated market. The Issuer shall, following a listing or admission to trading, take all reasonable actions on its part required as a result of such listing or trading of the Notes.

The Issuer will cover all costs which are related to the admission of the Notes to the relevant regulated market.

16. Change of Control

If, after the Issue Date, at any time, the Republic of Latvia ceases to own, directly or indirectly, at least 51 (fifty one) per cent of the issued share capital of the Issuer or ceases to have the power, directly or indirectly, to cast, or control the casting of, at least 51 (fifty one) per cent of the maximum number of votes that might be casted at a Shareholders' Meeting of the Issuer (the "**Change of Control**"), the Issuer immediately and without any delay after it becomes aware of the Change of Control shall notify the Noteholders in accordance with Clause 19 (*Notices*) about the occurrence of the Change of Control. Accordingly, on the Prepayment Date (as defined below) the Issuer shall prepay all Noteholders the principal amount of and the interest accrued on the Notes, but without any premium or penalty. Interest on the Notes accrues until the Prepayment Date (excluding the Prepayment Date).

"**Prepayment Date**" means the date falling 45 (forty-five) Business Days after the Issuer becomes aware of the occurrence of the Change of Control.

17. Negative Pledge

So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Subsidiaries creates mortgage, pledge or any other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its undertaking or assets, present or future, to secure their obligations in respect of any present or future Relevant Indebtedness, unless prior to or simultaneously therewith the Issuer's obligations under the Notes are secured equally and rateably therewith.

"**Subsidiary**" means a company: (i) in which the Issuer holds a majority of the voting rights; or (ii) of which the Issuer is a shareholder or participant and has the right to appoint or remove a majority of the members of the Management Board; or (iii) of which the Issuer is a shareholder or participant and controls a majority of the voting rights, and includes any company which is a subsidiary of a Subsidiary of the Issuer.

"**Group**" means the Issuer and its Subsidiaries from time to time.

"**Permitted Security Interest**" means any Security Interest created over any asset of any company which becomes a member of the Group after the issue of the Notes where such Security Interest is created: (i) prior to the date on which the company becomes a member of the Group, provided that such Security Interest was not created in contemplation of the acquisition of such company; or (ii) simultaneously with the acquisition of such company for the sole purpose of financing the acquisition of such company.

"**Relevant Indebtedness**" means any Indebtedness which is in the form of, or represented by, bonds, notes, debentures or other similar securities which are issued by the Issuer or any of its Subsidiaries and which are, or are capable of being, quoted, listed or ordinarily traded on any regulated market or market place or other established securities, but shall not include any Project Finance Indebtedness.

"**Indebtedness**" means any indebtedness (whether principal, premium, interest or other amounts) in respect of any borrowed money of the Issuer or any of its Subsidiaries (other than from the Issuer to any of its wholly-owned Subsidiaries and from any of the Issuer's wholly-owned Subsidiaries to the Issuer or to another wholly-owned Subsidiary).

"**Project Finance Indebtedness**" means any Indebtedness of the Project Company incurred to finance the ownership, acquisition, construction, development and/or operation of any specific assets within the energy sector or any Indebtedness of such Project Company incurred to refinance any of such aforementioned Indebtedness, where neither persons to whom such Indebtedness is owed nor any other persons shall have any recourse whatsoever to the Issuer or any of its Subsidiaries (other than the Project Company) for the repayment or payment of any sum relating to such Indebtedness.

"**Project Company**" means a company established or acquired by the Issuer or any of its Subsidiaries for the purpose of owning, constructing, developing, operating and/or financing of any specific assets within energy sector, provided that the respective purpose of the Project Company is specifically approved/designated by the Issuer.

18. Events of Default

If an Event of Default (as defined below) occurs, the Issuer immediately and without any delay shall notify the Noteholders in accordance with Clause 19 (*Notices*) about the occurrence of an Event of Default. Accordingly, on the 10^{th} (tenth) Business Day after the occurrence of an Event of Default the Issuer shall prepay all Noteholders the outstanding principal amount of the Notes and the interest accrued on the Notes, but without any premium or penalty. Interest on the Notes accrues until the prepayment date (excluding the prepayment date).

Each of the following events shall constitute an event of default (an "**Event of Default**"):

(a) **Non-Payment:** Any amount of interest on or principal of the Notes has not been paid within 5 (five) Business Days from the relevant due date, unless the failure to pay is caused by a reason referred to in Clause 20 *(Force Majeure)*.

(b) **Breach of Other Obligations:** The Issuer fails to perform any its obligations pursuant to these General Terms and Conditions, or otherwise act in contravention of these General Terms and Conditions, except that the Issuer has rectified such situation within 20 (twenty) Business Days after the Issuer becomes or should have become aware of such failure to comply with these General Terms and Conditions.

(c) **Disposal of Assets:** The Issuer or any of its Subsidiaries enters into a single transaction or a series of transactions (whether related or not) to sell, transfer or otherwise dispose of any asset to the Project Company, unless such disposal is made for a fair market value.

(d) **Cross Default:** Any outstanding Indebtedness (including guarantees given by the Issuer) of the Issuer or any of its Material Subsidiaries (other than in respect of the Project Finance Indebtedness) in a minimum amount of EUR 10,000,000 (ten million euro) or its equivalent in any other currency, is accelerated prematurely because of default, howsoever described, or if any such Indebtedness is not paid or repaid on the due date thereof or within any applicable grace period after the due date, or if any security given by the Issuer for any such Indebtedness becomes enforceable by reason of default.

(e) **Negative Pledge:** the Issuer does not comply with its obligations under Clause 17 *(Negative Pledge).*

(f) **Cessation of Business:** The Issuer or/and any of its Material Subsidiaries cease to carry on its current business in its entirety or a substantial part thereof, other than: (i) pursuant to any sale, disposal, demerger, amalgamation, reorganization or restructuring or any cessation of business in each case on a solvent basis and within the Group, or (ii) for the purposes of, or pursuant to any terms approved by the Noteholders' Meeting, or (iii) in relation to a Material Subsidiary, if the cessation of the respective business (or substantial part thereof) of the Material Subsidiary is required by any specific EU regulations or laws of the Republic of Latvia or decisions of any regulatory authority in relation to the operation of the electricity markets and it does not materially affect the Issuer's ability to fulfil its obligations with regard to the Notes.

(g) **Liquidation**: An effective resolution is passed for the liquidation of the Issuer or any of its Material Subsidiaries other than, in case of a Material Subsidiary: (i) pursuant to an amalgamation, reorganization or restructuring in each case within the Group, or (ii) as a result of the cessation of the respective business required by any specific EU regulations or laws of the Republic of Latvia or decisions of any regulatory authority in relation to the operation of the electricity markets and it does not materially affect the Issuer's ability to fulfil its obligations with regard to the Notes, or (iii) for the purposes of, or pursuant to any terms approved by the Noteholders' Meeting.

(h) **Insolvency:** (i) the Issuer or any of its Material Subsidiaries is declared insolvent or bankrupt by a court of competent jurisdictions or admits inability to pay its debts; (ii) the Issuer or any of its Material Subsidiaries enters into any arrangement with majority of its creditors by value in relation to restructuring of its debts or any meeting is convened to consider a proposal for such arrangement; or (iii) an application to initiate insolvency, restructuring (including procedures such as legal protection process and out of court legal protection process) or administration of the Issuer or any of its Material Subsidiaries or any other proceedings for the settlement of the debt of the Issuer or of any of its Material Subsidiaries is submitted to the court by the Issuer or any of its Material Subsidiaries.

In case of the Issuer's liquidation or insolvency the Noteholders shall have a right to receive payment of the outstanding principal amount of the Notes and the interest accrued on the Notes according to the relevant laws governing liquidation or insolvency of the Issuer.

"**Material Subsidiary**" means at any time any Subsidiary:

(i) whose sales or total assets represent not less than ten 10 (ten) per cent of the consolidated sales or the consolidated total assets of the Group taken as a whole, all as calculated by reference to the most recent audited financial statements of the Group; or

(ii) to which is transferred the whole or substantially the whole of the sales or assets and undertakings of the Subsidiary which, immediately prior to such transfer, is a Material Subsidiary.

19. Notices

Noteholders shall be advised of matters relating to the Notes by a notice published in English and Latvian in the Central Storage of Regulated Information (www.oricgs.lv), on the Issuer's website www.latvenergo.lv and, after the Notes are admitted to the regulated market, also on NASDAQ Riga website. Any such notice shall be deemed to have been received by the Noteholders when published in the manner specified in this Clause 19.

20. Force Majeure

The Issuer, the Arranger of the Programme and the Issuing Agent shall be entitled to postpone the fulfilment of their obligations hereunder, in case the performance is not possible due to continuous existence of any of the following circumstances:

(a) action of any authorities, war or threat of war, rebellion or civil unrest;

(b) disturbances in postal, telephone or electronic communications which are due to circumstances beyond the reasonable control of the Issuer, the Arranger of the Programme or the Issuing Agent and that materially affect operations of any of them;

(c) any interruption of or delay in any functions or measures of the Issuer, the Arranger of the Programme or the Issuing Agent as a result of fire or other similar disaster;

(d) any industrial action, such as strike, lockout, boycott or blockade affecting materially the activities of the Issuer, the Arranger of the Programme or the Issuing Agent even if it only affects part of the employees of any of them and whether any of them is involved therein or not; or

(e) any other similar force majeure or hindrance which makes it unreasonably difficult to carry on the activities of the Issuer, the Arranger of the Programme or the Issuing Agent.

In such case the fulfilment of the obligations may be postponed for the period of the existence of the respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that the Issuer, the Arranger of the Programme and the Issuing Agent shall put all best efforts to limit the effect of the above referred circumstances and to resume the fulfilment of their obligations, as soon as possible.

21. Further Issues

The Issuer may from time to time, without the consent of and notice to the Noteholders, create and issue further Notes whether such further Notes form a single Series with already issued Notes or not. For the avoidance of doubt, this Clause 21 shall not limit the Issuer's right to issue any other notes.

22. Purchases

The Issuer or any of its Subsidiaries may at any time purchase the Notes in any manner and at any price in the secondary market. Such Notes may be held, resold or surrendered by the purchaser through the Issuer for cancellation. Notes held by or for the account of the Issuer or any of its Subsidiaries for their own account will not carry the right to vote at the Noteholders’ Meetings and will not be taken into account in determining how many Notes are outstanding for the purposes of these General Terms and Conditions.

23. Time Bar

In case any payment under the Notes has not been claimed by the respective Noteholder entitled to this payment within 10 (ten) years from the original due date thereof, the right to such payment shall be forfeited by the Noteholder and the Issuer shall be permanently released from such payment.

24. Representation of the Noteholders

Within the Programme described herewith, rights of the Noteholders to establish and/or authorize an organization/person to represent interests of all or a part of the Noteholders are not contemplated, but on the other hand these are not restricted. The Noteholders should cover all costs/fees of such representative(s) by themselves.

25. Noteholders’ Meeting

(a) The Issuer shall have a right to convene a meeting of the Noteholders or the Noteholders of the relevant Series (as applicable) (the “**Noteholders’ Meeting**”) or shall do so following a written request from the Noteholders who, on the day of the request, represent not less than one-tenth of the principal amount of the Notes outstanding or the principal amount of the Notes of the relevant Series outstanding (as applicable) (excluding the Issuer and its Subsidiaries), to decide on amendments of these General Terms and Conditions, the Final Terms of the Tranches of the relevant Series or other matters that may significantly affect the interests of the Noteholders.

(b) All expenses in relation to the convening and holding the Noteholders' Meeting shall be covered by the Issuer.

(c) In case convening of the Noteholders' Meeting is initiated by the Noteholders, the Issuer shall be obliged to convene the Noteholders' Meeting within 3 (three) months after receipt of the respective Noteholders' written request.

(d) Notice of the Noteholders' Meeting shall be published in accordance with Clause 19 *(Notices)* no later than 10 (ten) Business Days prior to the meeting. Furthermore, the notice shall specify the time, place and agenda of the meeting, as well as any action required on the part of the Noteholder that will attend the meeting. No matters other than those referred to in the notice may be resolved at the Noteholders' Meeting.

(e) Only those who, according to the register kept by the LCD in respect of the Notes, were registered as the Noteholders on the 6^{th} (sixth) Business Day prior to the Noteholders' Meeting or proxies authorised by such Noteholders, shall be entitled to vote at the meeting and shall be recorded in the list of Noteholders in the Noteholders' Meeting.

(f) The Noteholders' Meeting shall be held in Riga, Latvia, and its chairman shall be the Issuer's representative appointed by the Issuer.

(g) The Noteholders' Meeting shall constitute a quorum only if one or more Noteholders holding 50 (fifty) per cent in aggregate or more of the principal amount of the Notes outstanding or the principal amount of the Notes of relevant Series outstanding (as applicable) are present in the meeting. If the Issuer and/or any of its Subsidiaries are the Noteholders, their principal amount of the Notes will be excluded when a quorum of the Noteholders' Meeting is calculated.

(h) If, within 30 (thirty) minutes after the time specified for the start of the Noteholders' Meeting, a quorum is not present, any consideration of the matters to be dealt with at the meeting shall be adjourned for consideration at a meeting to be convened on a date not earlier than 14 (fourteen) calendar days and no later than 28 (twenty-eight) calendar days after the original meeting at a place to be determined by the Issuer. The adjourned Noteholders' Meeting shall constitute a quorum if one or more Noteholders holding 25 (twenty-five) per cent in aggregate or more of the principal amount of the Notes outstanding or the principal amount of the Notes of the relevant Series outstanding (as applicable) are present. Only those who, according to the register kept by the LCD in respect of the Notes, were registered as the Noteholders on the 6^{th} (sixth) Business Day prior to the adjourned Noteholders' Meeting or proxies authorised by such Noteholders, shall be entitled to vote at the adjourned Noteholders' Meeting and shall be recorded in the list of the Noteholders in the adjourned Noteholders' Meeting.

(i) Notice of the adjourned Noteholders' Meeting shall be given in the same manner as notice of the original Noteholder's Meeting. The notice shall also state the requirements for the constitution of a quorum.

(j) Voting rights of the Noteholders shall be determined according to the principal amount of the Notes held. The Issuer and any Subsidiary shall not hold voting rights at the Noteholders' Meeting.

(k) The Noteholders' Meeting shall be held in English with translation into Latvian, unless the Noteholders present in the respective Noteholders' Meeting unanimously decide that the respective Noteholders' Meeting shall be held only in Latvian or English.

(l) A representative of the Issuer and a person authorised to act for the Issuer may attend and speak at the Noteholders' Meeting.

(m) Minutes of the Noteholders’ Meeting shall be kept, recording the day and time of the meeting, attendees, their votes represented, matters discussed, results of voting, and resolutions which were adopted. The minutes shall be signed by the keeper of the minutes, which shall be appointed by the Noteholders’ Meeting. The minutes shall be attested by the chairman of the Noteholders’ Meeting, if the chairman is not the keeper of the minutes, as well as by one of the persons appointed by the Noteholders’ Meeting to attest the minutes. The minutes shall be published in accordance with Clause 19 *(Notices)* after the Noteholders’ Meeting as soon as possible and without any delay. If applicable, new or amended General Terms and Conditions or Final Terms of the Tranches of the relevant Series (as applicable) shall be appended to the minutes. The minutes shall be stored in a secure manner by the Issuer.

(n) The Noteholders’ Meeting shall be organised by the chairman of the Noteholders’ Meeting.

(o) The Noteholders’ Meeting is entitled to make the decisions that are binding on all Noteholders as follows:

consent of simple majority of the Noteholders present at the Noteholders’ Meeting (subject to quorum requirements) is required to the following decisions:

(i) agreement with the Issuer to change the terms and conditions of the Notes;

(ii) granting of consent to the Issuer which is required according to this Base Prospectus;

however, consent of at least 75 (seventy-five) per cent of the aggregate principal amount of the outstanding Notes is required for the following decisions:

(iii) agreement with the Issuer to change the law governing the Notes or jurisdiction;

(iv) agreement with the Issuer to amend Clause 5 (*Status and Security*), Clause 15 (*Admission to Trading*), Clause 16 (*Change of Control*), Clause 17 (*Negative Pledge*) and Clause 18 (*Events of Default*);

(v) agreement with the Issuer to amend the requirements for the constitution of a quorum at a Noteholders’ Meeting;

(vi) agreement with the Issuer to amend the majority requirements of the Noteholders' Meeting;

(vii) agreement with the Issuer to amend this sub-clause (o);

and consent of at least 75 (seventy-five) per cent of the aggregate principal amount of the outstanding Notes of the respective Series is required for the following decisions:

(viii) agreement with the Issuer to change the date, or the method of determining the date, for the payment of principal, interest or any other amount in respect of the relevant Series, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the relevant Series or to change the method of calculating the amount of interest or any other amount payable on any date in respect of the relevant Series;

(ix) agreement with the Issuer to change the currency of the relevant Series;

(x) agreement with the Issuer on any exchange or substitution of the Notes of relevant Series for, or the conversion of the Notes of relevant Series into, any other obligations or securities of the Issuer or any other person;

(xi) in connection with any exchange, substitution or conversion of the type referred to in paragraph (x) agreement with the Issuer to amend any of the provisions of the relevant Series describing circumstances in which the relevant Series may be redeemed or declared due and payable prior to their scheduled maturity.

(p) Resolutions passed at the Noteholders’ Meeting shall be binding on all Noteholders irrespective of whether they have been present at the Noteholders' Meeting.

(q) The Issuer shall have a right to increase the aggregate principal amount of the Notes to be issued under the Programme without the consent of the Noteholders or the Noteholders’ Meeting.

(r) The Issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders or the Noteholders’ Meeting, if such amendments are not prejudicial to the interests of the Noteholders.

PLACEMENT OF THE NOTES

1. Placement Account

Initially the Notes of the respective Tranche will be book-entered in the placement account of the Issuing Agent with the LCD.

2. Placement Period

The placement period for each Tranche (the "**Placement Period**") will be specified in the Final Terms.

3. Submission of Purchase Orders

The investors wishing to purchase the Notes shall submit their orders to acquire the Notes (the "**Purchase Orders**") at any time during the Placement Period to the Issuing Agent and its sub-agents, which will be specified in the Final Terms. The procedure of submission of the Purchase Orders will be specified in the Final Terms.

4. Purchase Orders

Total amount of the Notes to be acquired and indicated in each Purchase Order shall be for at least Minimum Investment Amount.

The Purchase Order shall also indicate the lowest acceptable yield to maturity of the Notes (the "**Yield to Maturity**") within the established Yield to Maturity Range (as defined below) (the "**Competitive Purchase Orders**") or an acceptance to acquire the Notes at any Yield to Maturity within the established Yield to Maturity Range that shall be established by the Issuer in the manner provided in this Base Prospectus (the "**Non-competitive Purchase Orders**"). Yield to Maturity is the percentage rate of return paid if the Note is held to its Maturity Date, assuming that interest paid over the life of the Note is reinvested at the same rate.

Only valid Non-competitive Purchase Orders and Competitive Purchase Orders indicating Yield to Maturity that is less or equal to the Final Yield to Maturity (to be established as described below) shall be treated as qualifying Purchase Orders (the "**Qualifying Purchase Orders**").

Purchase Orders by the same legal entity or person will be aggregated into one if all order parameters (except the purchase amount) are the same.

All Purchase Orders are binding and irrevocable commitment to acquire the allotted Notes, with the exceptions stated below.

5. Range of Yield to Maturity

An expected yield to maturity range (the "**Yield to Maturity Range**") for the Notes being offered will be specified in the Final Terms. The Issuer has a right to amend the Yield to Maturity Range during the Placement Period and announce updated Yield to Maturity Range (the "**Updated Yield to Maturity Range**").

The Updated Yield to Maturity Range will be published on the Issuer's website www.latvenergo.lv.

Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Yield to Maturity Range has been updated, provided that such modification or cancellation of the Purchase Order is received by the Issuing Agent before the end of the Placement Period.

6. Invalid Purchase Orders

The Purchase Order shall not be considered valid and shall not be processed in case the purchase amount indicated in the Purchase Order is less than the Minimum Investment Amount, the Purchase Order was received after the Placement Period or the Yield to Maturity indicated in the Purchase Order is higher than the maximum value of the Yield to Maturity Range or the Updated Yield to Maturity Range, as the case may be, applicable at the end of the Placement Period. Neither the Issuer, nor the Issuing Agent has any obligation to inform investors about the fact that their Purchase Orders are invalid.

7. Allotment

On the next Business Day following the Placement Period the Issuer will decide whether to proceed with the offering of the Notes of a Tranche or cancel the offering.

In case the offering of the Notes of a Tranche is cancelled, the Issuer will publish an announcement on the Issuer's website www.latvenergo.lv, as well as submit this information to the Financial and Capital Market Commission.

In case the Issuer decides to proceed with the offering of the Notes of a Tranche the following actions shall be taken on the next Business Day following the Placement Period:

(a) Establishment of the Final Yield to Maturity and Qualifying Purchase Orders

The Issuer together with the Issuing Agent, on the basis of the submitted valid Purchase Orders and indicated Yield to Maturity shall establish the final Yield to Maturity (the "**Final Yield to Maturity**") payable to the investors.

The Final Yield to Maturity shall be established according to the following procedure: the Purchase Orders with the lowest Yield to Maturity shall be fulfilled as first. Afterwards, the Purchase Orders with the next highest Yield to Maturity shall be fulfilled in ascending order. The procedure continues until the amount of the Purchase Orders fulfilled, including the Non-competitive Purchase Orders, reaches the aggregate principal amount of the respective Tranche. The Yield to Maturity at which the amount of the Purchase Orders fulfilled reached the actual amount of the respective Tranche shall be considered as the Final Yield to Maturity. The established Final Yield to Maturity shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

The Final Yield to Maturity shall be the same for all investors acquiring the Notes of the respective Tranche during the offering.

Based on the established Final Yield to Maturity the Issuer together with the Issuing Agent shall determine which Purchase Orders can be treated as Qualifying Purchase Orders, and the extent of their satisfaction.

(b) Determination of Annual Interest Rate and Issue Price

The Annual Interest Rate shall be set by rounding down Final Yield to Maturity to the nearest tenth of the rounded digit (which itself is set in percentage terms). The established Annual Interest Rate shall be specified in the Final Terms to be published after allotment of the Notes to the investors.

The Issue Price of the Notes shall be established according to a formula provided in the Final Terms and shall be rounded to the nearest thousandth of the rounded digit under arithmetic rounding rules. The established Issue Price shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

(c) Allotment of the Notes to the Investors

Upon determination of the Annual Interest Rate and the Issue Price, the Issuer together with the Issuing Agent will establish the exact amount of the Notes to be allotted with respect to each Qualifying Purchase Order. The procedure of allotment of the Notes will be specified in the Final Terms for the offering of the relevant Tranche.

(d) Announcement

Final Terms containing the information about the established Annual Interest Rate, Issue Price, the aggregate principal amount of the respective Tranche and definitive amount of the Notes to be issued will be published on the Issuer's website www.latvenergo.lv, as well as submitted to the Financial and Capital Market Commission.

(e) Confirmations

After completion of the allotment with respect to each Qualifying Purchase Order the Issuing Agent shall submit a trade confirmation (the "**Confirmation**") to each investor by way of fax or by e-mailing an electronic copy of the Confirmation. The Confirmation will evidence the extent of satisfaction or rejection of the Purchase Order submitted by the investor, the number of Notes allotted to the investor, the Issue Price and the amount (price) payable for the Notes, as well as Annual Interest Rate.

8. Settlement

The settlement for the Notes will be carried out in accordance with the DVP (*Delivery vs Payment*) principle pursuant to the LCD Rules No 5 "On DVP Settlement for OTC Transactions".

The settlement will take place on the Issue Date. After the Issuing Agent submits a corresponding DVP instruction via LCD system, an investor, acting through its credit institution or investment brokerage firm with which the investor has opened a securities account, must confirm that instruction immediately (by sending a relevant instruction) but not later that by 4 p.m. (Riga time) on the same day. All paid up Notes shall be treated as issued. The Notes which are not paid up shall be cancelled.

9. Information About the Results of the Placement

Information about the results of the placement of each Tranche (amount of the Notes issued and aggregate principal amount of the respective Tranche) shall be published on the Issuer's website www.latvenergo.lv within 3 (three) Business Days after the Issue Date.

FORM OF THE FINAL TERMS

Final Terms dated [●]
Latvenergo AS
Issue of [●] Notes due [●]
under the Second programme for the issuance of Notes
in the amount of EUR 100,000,000
[to be consolidated and form a single series with [●]]

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions set forth in the Base Prospectus of the Second programme for the issuance of Notes in the amount of EUR 100,000,000 of Latvenergo AS dated 25 May 2015 [as supplemented by supplement(s) to it dated [●] [and [●]] (the "**Base Prospectus**"), which constitutes a base prospectus for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area (the "**Prospectus Directive**")).

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms.

The Base Prospectus has been published on the Issuer's website www.latvenergo.lv.

1.	Issuer:	Latvenergo AS
2.	Series Number:	[●]
3.	Tranche Number:	[●]
4.	ISIN Code:	[[●]]/[Temporary ISIN Code: [●]. Upon admission of the Notes to the regulated market the Notes will be consolidated and form a single series with [●] and will have a common ISIN code [●]]
5.	Aggregate principal amount:	[EUR [●][1] [in addition to [●]]]
6.	Nominal amount of the Note:	EUR [●]
7.	Issue Date:	[●]
8.	Annual Interest Rate	[●][2]
9.	Interest Payment Date:	[●] each year
10.	Maturity Date:	[●]
11.	Minimum Investment Amount:	[●]

[1] The Issuer may increase or decrease the aggregate principal amount of the Tranche during the Placement Period of the Tranche. The final aggregate principal amount of the Tranche will be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

[2] Annual Interest Rate shall be determined by the Issuer according to the Section "*Placement of the Notes*" of the Base Prospectus. Annual Interest Rate will be specified in the Final Terms, which will be published after allotment of the Notes to the investors .

12.	Yield to Maturity Range[3]:	from [●] to [●][4]
13.	Final Yield to Maturity:	[●][5]
14.	Formula for calculation of the Issue Price:	The Issue Price of the Notes will be established by the Issuer according to the following formula: [●]
15.	Issue Price:	[●][6]
16.	Placement Period:	[●]
17.	Procedure for submission of the Purchase Orders:	[●]
18.	Procedure for allotment of the Notes:	[●]
19.	Indication of the material features of the agreement with the Issuing Agent, including quotas:	[●]
20.	Sub-agents of the Issuing Agent:	[●]
21.	Rating:	the Notes to be issued [are not/have been/are expected to be] rated [by:[●]]
22.	Use of Proceeds:	[The net proceeds of the issue of each Tranche will be used by the Issuer for its general corporate purposes] / [The net proceeds of the issue of each Tranche will be used by the Issuer for [●]].
23.	Information about the notes of the Issuer that are already admitted to trading on regulated markets:	[●]

These Final Terms have been approved by the Management Board of the Issuer at its meeting on [*date*] [*month*] [*year*] [and will be updated after allotment of the Notes to the investors, as well as published on the Issuer's website www.latvenergo.lv and submitted to the Financial and Capital Market Commission] / [and have been updated on [*date*] [*month]* [*year*] after allotment of the Notes to the investors].

Riga, [*date*] [*month*] [*year*]

[●]

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[3] The Issuer has a right to amend the Yield to Maturity Range during the Placement Period and announce the updated Yield to Maturity Range (the "Updated Yield to Maturity Range"). Updated Yield to Maturity Range will be published on the Issuer's website www.latvenergo.lv. Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Yield to Maturity Range has been updated, provided that such modification or cancellation of Purchase Order is received by the Issuing Agent before the end of the Placement Period.

[4] [●]

[5] Final Yield to Maturity shall be determined by the Issuer according to the Section "*Placement of the Notes*" of the Base Prospectus. Final Yield to Maturity will be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

[6] Issue Price shall be determined by the Issuer according to the Section "*Placement of the Notes*" of the Base Prospectus. Issue Price will be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

Annex - Issue Specific Summary

(Issuer to annex an issue specific summary and its translations to the Final Terms)

INFORMATION ABOUT THE GROUP

General information

The legal and commercial name of the Company is Latvenergo AS. The Company is a public limited company (*akciju sabiedrība*) incorporated pursuant to the laws of the Republic of Latvia on 8 October 1991. The Company is registered with the Commercial Register of the Republic of Latvia and operates according to the legislation of the Republic of Latvia. All the shares of the Company are owned by the Republic of Latvia and held by the Ministry of Economics of the Republic of Latvia.

Basic information

Registration number:	40003032949
Registered address:	Pulkveža Brieža 12, Riga, LV-1230, Latvia
Website:	www.latvenergo.lv
Telephone number:	+371 67 728 222

History and development of the Group

In October 1939, the first hydroelectric unit of Kegums hydropower plant - the first hydropower plant on the River Daugava, was launched.

On 22 December 1939, the National Electricity Company Kegums was founded, which is the historical starting point of the Group.

In 2nd half of the 20th century the power system in the territory of Latvia was developed and the electrification of Latvia was launched. The main power plants were constructed and gradually put into operation, including Plavinas hydropower plant (1965) and Riga hydropower plant (1974) on the River Daugava and Riga TEC-1 combined heat and power plant (1955) and Riga TEC-2 combined heat and power plant (1975). The transmission and distribution systems were established throughout the respective time period.

During 1990 – 2014, extensive reconstruction and renovation works of the power stations and transmission and distributions systems were made in order to improve the capacity, efficiency and safety.

In 1989, the production company Latvenergo was established.

In 1991, the production company Latvenergo was restructured into a state owned enterprise.

In 2001, the Company's wholly-owned subsidiary Augstsprieguma tīkls AS was established, which deals with the transmission of electric power. In 2005, Augstsprieguma tīkls AS started to function as a legally independent transmission system operator.

In 2005, the Company's subsidiary Liepājas Enerģija SIA was established, which deals with electricity and thermal energy generation, transmission and sales in Liepāja district (Latvia). The Company possess a 51 per cent controlling share in Liepājas Enerģija SIA.

In 2006, the Company's wholly-owned subsidiary Sadales tīkls AS was established, which deals with the distribution of electric power. In 2007, Sadales tīkls AS started to function as a legally independent distribution system operator.

In 2007-2008, the Group expanded its business abroad. The Company's wholly-owned subsidiaries Latvenergo Kaubandus OÜ (in Estonia) and Latvenergo Prekyba UAB (in Lithuania) were established with the main business area - electricity trade in each particular country. In 2012, the Estonian and Lithuanian subsidiaries acquired a new trade name – Elektrum – and were registered as Elektrum Eesti OÜ (in Estonia) and Elektrum Lietuva UAB (in Lithuania).

In 2011-2012, for the purpose of fulfilling the requirements of legal and functional unbundling of transmission system ownership from generation, distribution and supply activities, the Company's wholly-owned subsidiary Latvijas elektriskie tīkli AS was established to be the owner of the electricity transmission system assets and the transmission system operator Augstsprieguma tīkls AS was sold to the Republic of Latvia in person of the Ministry of Finance.

In 2014, a new wholly-owned subsidiary to the Company – Enerģijas publiskais tirgotājs AS – was established. The subsidiary has taken over the mandatory procurement administration functions from the Company.

At the date of this Base Prospectus the Company is the parent company of the Group. The Group includes seven subsidiaries, of which six are wholly-owned by the Company.

Key consolidated figures

The following table summarizes key consolidated financial data and the volume of electricity sales and generation as of, and for each of the years ended, 31 December 2010, 2011, 2012, 2013 and 2014 and as of, and for each of the three-month periods ended 31 March 2014 and 2015 respectively.

		Year ended 31 December					Three months ended 31 March	
		2010	2011	2012	2013	2014	2014	2015
				(Audited)			*(Unaudited)*	
Key Financial data (the Group)								
Revenue	€ million	804	962	1,064	1,100	1,011	324	260
EBITDA [1)]	€ million	294	255	244	249	237	83	95
Profit	€ million	63	62	51	46	30	31	39
Total assets	€ million	3,243	3,256	3,518	3,575	3,487	3,598	3,527
Total equity	€ million	1,913	1,923	2,007	2,022	2,021	2,050	2,059
Net Debt [2)]	€ million	443	575	604	689	706	680	689
Investments	€ million	181	283	264	225	178	27	25
Capital ratio [3)]	per cent	59	59	57	57	58	57	58
EBITDA margin [4)]	per cent	37	26	23	23	23	24	26
Net debt/EBITDA		1.5	2.3	2.5	2.8	3.0	2.5	2.8
Operating Figures (the Group)								
Retail electricity supply	GWh	7,620	8,980	8,287	7,954	8,688	2,488	2,132
Electricity generation	GWh	5,869	5,285	5,077	4,854	3,625	1,192	1,027
Thermal energy supply	GWh	2,928	2,524	2,669	2,517	2,442	1,077	990
Distributed electricity	GWh	6,380	6,199	6,468	6,447	6,421	1,724	1,795

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 period minus cash and cash equivalents at the end of the period
3) Capital ratio: total equity / total assets
4) EBITDA margin: EBITDA / revenue

There have not been any recent material events that would be relevant for assessing solvency of the Company and the Group.

The Group's Strategy

The Group's strategy for the period 2012 - 2016 takes into account the following key challenges expected during this period: complete liberalization of the electricity market in the Baltics, reduced electricity generation capacities in the region, necessity of significant improvements in the distribution infrastructure and quality of service and construction of transmission interconnections and continued integration into the Nordic market.

After evaluating challenges in the external environment in the next few years and the strong position of the Group, three strategic goals were identified:

- strengthening of the market position in the Baltics;
- diversification of electricity generation sources;
- balanced development of networks.

Electricity supply

The Group supplies electricity in all three Baltic countries. The Group expanded its operations to Estonia and Lithuania from the time of the market liberalization in these countries. Based on the experience from these de-regulated markets, the Group has adjusted internal processes and systems with a focus to continuously improve and extend the Group's customer services. The Group has managed to strengthen its position as the largest electricity supplier in the Baltics by wisely seizing opportunities and scaling up its trade activities outside Latvia. In 2014, the Group supplied 8.7 TWh of electricity in the retail market segment, thus covering more than one-third of the Baltic electricity retail market needs.

Strengthening of the position of the Group in the Baltic market is aimed at making the Group a fully-fledged and equally positioned electricity retail participant in all three Baltic countries, retaining an economically substantial market share and increasing the number of customers, focusing on small and medium sized enterprises and households. The target is particularly challenging as during the strategy implementation period the Baltic electricity market is transforming. Trading on the Nord Pool Spot exchange within the Lithuanian bidding area had started in June 2012; opening of the Latvian bidding area followed in June 2013, and since June 2014 the Group trades all of its generated electricity on the exchange. The launch of the Estlink-2 interconnection between Finland and Estonia significantly impacted the wholesale segment in the beginning of 2014, levelling out prices and further integrating the Baltics into the Nordic electricity market.

As the Baltic market continues its convergence with the Nordic electricity markets, strengthening of the Group's market position will continue to be the main challenge in coming years. This is expected to result in the appearance of new market participants and increasing competition, continued electricity price volatility and access to imports of cheaper electricity from the Nordic countries.

Electricity and Heat Generation

The Group's key strategic targets for the generation segment are related to the diversification of electricity generation sources in two directions – geographical expansion and underlying generation resource variations. It is achieved by restoring the existing capacities and investing in new facilities, with a focus on economically justified investments in low-emission sources. The programme to overhaul the Daugava HPP cascade continues and is scheduled for completion in 2022, and is expected to improve the efficiency, safety and competitiveness of the Daugava HPPs. Now when more than half of the hydropower units of the Daugava HPPs have been reconstructed and the second power unit of Riga TEC-2 has been commissioned, the Group has a balanced portfolio of efficient, environmentally friendly generation capacities – 976 MW at the CHPPs and 1,536 MW at the HPPs – allowing the Group to operate successfully in both base and peak regimes and providing flexibility in adjusting operations to electricity market processes.

In relation to geographical expansion of the operations, the Group considers various investments and acquisition projects, including also nuclear energy. Low emission rates and payback characteristics are the key selection criteria for the projects considered for development or acquisition.

Distribution

The balanced maintenance and further modernization of the distribution network in Latvia is another strategic target of the Group. In implementing the strategy, the greatest challenge in respect of electricity distribution infrastructure was the accelerated aging of this infrastructure with poor electricity availability and low quality indicators, which is a result of prolonged lack of investments in this field. Considering the extent of the distribution infrastructure and its complicated structure, improvement of quality indicators while maintaining distribution service tariffs at levels that are affordable to consumers, is a long-term endeavor.

The Sadales tīkls AS Development Plan 2014-2023 was drafted in 2013, specifying investment priorities for the coming decade, including replacement of overhead lines with cables, network automation, and development of smart technologies. Coherent implementation of the Development Plan in the coming years will be a major challenge in the electricity distribution segment. By implementing the strategy, the Group achieves increase in value and makes a major contribution in satisfaction of public necessities, at the same time applying sustainability principles.

INFORMATION ABOUT THE GROUP'S BUSINESS OPERATIONS

The operations of the Group are organised along three operating segments: generation and supply, distribution and management of transmission system assets.

The generation and supply segment includes generation of electricity and thermal energy, conducted by the Company and Liepājas enerģija SIA, as well as electricity wholesale and retail in the Baltics carried out by the Company and its subsidiaries Elektrum Eesti OÜ and Elektrum Lietuva UAB. As of 1 April 2014, the functions of public trader are handled by the subsidiary Enerģijas publiskais tirgotājs AS.

The distribution segment provides electricity distribution services in Latvia. Services are provided by Sadales tīkls AS – the largest distribution system operator in Latvia.

The management of transmission system assets segment is ensured by Latvijas elektriskie tīkli AS – the owner and manager of transmission system assets. The Republic of Latvia has applied the second unbundling model under EU Directive 2009/72/EC, which provides that the electricity transmission system assets shall remain with a vertically integrated utility, while the activities of the transmission system operator are independently managed. The assets are leased out to the Latvian transmission system operator – Augstsprieguma tīkls AS.

	Year ended 31 December				**Three months ended 31 March**	
	2011	**2012**	**2013**	**2014**	**2014**	**2015**
		(Audited)			*(Unaudited)*	
Key financial data divided in the operating segments:						
		(€ million)			*(€ million)*	
Revenue	**962**	**1,064**	**1,100**	**1,011**	**324**	**260**
Generation and supply	748	744	774	677	239	173
Distribution	270	291	293	297	78	75
Management of Transmission System Assets	54	55	58	61	15	12
Other*	(109)	(27)	(25)	(25)	(7)	0
EBITDA	**255**	**244**	**249**	**237**	**83**	**95**
Generation and supply	128	105	103	86	42	53
Distribution	78	86	91	93	26	25
Management of Transmission System Assets	33	35	38	41	10	11
Other*	15	18	17	17	4	5
Assets	**3,256**	**3,518**	**3,575**	**3,487**	**3,598**	**3,527**
Generation and supply	1,320	1,519	1,497	1,514	1,528	1 523
Distribution	1,227	1,241	1,252	1,272	1,252	1 276
Management of Transmission System Assets	371	384	431	457	435	456
Other*	338	374	395	243	384	272

** Including corporate functions, discontinued operations (in 2011), adjustments and eliminations*

The Group reports financial results in respect of each operating segment since 2011.

Generation and supply

Generation and supply is the largest business segment of the Group in terms of both revenue and asset value.

Activities within this segment include supply of generated and purchased electricity to retail customers in the Baltics as well as in wholesale – mostly on the Nord Pool Spot exchange – and production and supply of thermal energy for district heating purposes in Liepaja and Riga.

The major part of the generation and supply segment revenues are unregulated, while the tariff-regulated operational revenues comprise revenues from:

- supply of electricity to vulnerable customers (poor or low-income persons, large families);
- generation of electricity (payment for installed capacity) and thermal energy at Riga CHPPs;
- generation of electricity and thermal energy at Liepaja generation facilities and small plants.

Revenues of the operating segment also include revenues from supply of thermal energy generated at the Group's plants. The revenues from thermal energy supply amounted to EUR 109 million in 2014, accounting for approximately 11 per cent of the total Group revenues. Approximately 90 per cent of thermal energy generated by the Group is supplied to the Riga district heating company Rīgas Siltums AS at regulated tariffs.

The generation business is subdivided according to generation types – CHPPs, HPPs and other generation units. Total installed electrical capacity of the Group's plants is 2,569 MW, of which 40 per cent are installed at CHPPs and 60 percent – at HPPs. The total installed thermal energy capacity of the Group is 1,844 MW.

Market outlook

Since 2007, the Baltics have been undergoing gradual liberalisation of the electricity market. As of 1 January 2013, electricity market is open to all customers in Estonia and as of 1 January 2015 – also in Latvia. In Lithuania, the electricity market is open to business customers, while electricity market opening for households is expected to take place in the coming years.

Size of the market and competition

The size of Baltic electricity market was approximately 24.6 TWh in 2014. The largest market is Lithuania with 9.6 TWh, followed by the Estonian market with 7.9 TWh and the Latvian market with 7.1 TWh. The Lithuanian market is also the largest Baltic market in terms of number of customers – 1.6 million. The Estonian electricity market is the largest among the three Baltic countries measured by per capita electricity consumption. The relatively higher electricity consumption level in Estonia is explained by the country`s substantial level of industrialization and a relatively higher number of homes heated with electricity.

In the first quarter of 2015, the Group was the largest retail electricity supplier by its market share in the Baltics, supplying more than one third of the Baltic retail electricity supply to its customers. The Group is a market leader in Latvia, holding 80 per cent market share in the first quarter of 2015. The Group's market share in Lithuania and Estonia was 11 per cent and 16 per cent in the first quarter of 2015, respectively. The Group's main competitor in the Baltic market is Eesti Energia AS, holding approximately 26 per cent of the overall Baltic market, and being the market leader in Estonia. The market is more fragmented in Lithuania, where the Group is among the four largest market players. A significant competitor in all three Baltic countries is also the Russian electricity supplier Inter Rao with its subsidiaries in Lithuania, Latvia and Estonia.

Unregulated electricity market retail

The amount of electricity supplied by the Group in the Baltics was 8,688 GWh in 2014 and 2,132 GWh in the first quarter of 2015. The amount of electricity supplied outside Latvia represents more than one third of the total retail electricity supply, reaching 3,053 GWh in 2014 and 645 GWh in the first quarter of 2015, which is approximately 80 per cent more than the supply volume of competing electricity suppliers in Latvia.

Overall, the Group supplied electricity to approximately 867.8 thousand customers as of 31 March 2015, of which – approximately 833.7 thousand in Latvia, 5.6 thousand in Lithuania and 28.5 thousand in Estonia. More than 96 per cent of the customers are in the household segment, while the rest are legal entities.

Regulated electricity market retail

According to the Electricity Market Law in the transitional period (2015), the Company has an obligation to supply a certain amount of electricity to vulnerable customers (100 kWh per month to poor and low-income persons, 300 kWh per month to large families) at discounted electricity price of 0.0131 EUR per kWh (excluding VAT). From 1 January 2016 the supply to vulnerable customers will be co-financed from the State, and the supplier will be determined in a public tender.

Mandatory Procurement

The electricity public supplier licence provides an obligation for the Group to purchase electricity from supported generation types under the feed-in tariff scheme (a policy mechanism designed to accelerate investments in renewable energy technologies). In accordance with the Electricity Market Law, as of 1 April 2014, the functions of public trader were transferred to the Company's newly-established subsidiary Enerģijas publiskais tirgotājs AS. Until 1 April 2014, these functions were performed by the Company.

Mandatory procurement net expenditures[7] are compensated for the public trader through the PSO Fee paid by the end-users in Latvia and a state budget grant. The amount of the PSO Fee is determined based on actual expenditures in the preceding year as approved by the PUC, and the changes take effect on 1 April in the following year. As of 1 April 2015, the PSO Fee is EUR 2.679 cents/kWh.

The Subsidised Electricity Tax (the "**SET**") was introduced on 1 January 2014 for a four-year period. The tax applies to state support for generators within mandatory procurement, i.e. to income from electricity supplied within the mandatory procurement and guaranteed capacity payments for installed capacity at the CHPPs. The SET is aimed at financing the state budget grant for limiting an increase in the PSO Fee. In 2014, a grant for compensation of mandatory procurement expenditures in the amount of EUR 29 million was credited to the account of Enerģijas publiskais tirgotājs AS. The grant is restricted with respect to its use until the European Commission concludes the conformation process. A EUR 28 million grant is provided in the state budget for 2015.

Wholesale

Since mid-2014, the Group trades all of the generated electricity on the Nord Pool Spot exchange and at the same time procures electricity for supply of customer consumption, increasing electricity supply and turnover in the Latvian bidding area. The generation capacity of the Group also ensures electricity supply support services, such as provision of emergency back-up capacity and supply of regulating electricity to transmission system operators, as well as supply of balancing electricity.

In addition, the Group's electricity wholesale unit is responsible for managing electricity price fluctuation risks including the use of electricity price hedging transactions for this purpose.

Generation

The Group has a balanced energy production portfolio, consisting of efficient power stations and renewable energy sources. The Group is the leading electricity and thermal energy generator in Latvia – its power plants provide approximately 70 per cent of all electricity generated in the country, satisfying more than half of the electricity demand in Latvia. The Group also accounts for approximately 70 per cent of the overall thermal energy output in Riga.

[7] Mandatory procurement net expenditures – costs of electricity procured within the mandatory procurement process and guaranteed payments for installed capacity at power plants minus revenues from trade of procured electricity on Nord Pool Spot exchange, minus Subsidised Energy Tax

The total electric capacity of generators installed at the Group's production facilities as of 31 March 2015 was 2,569 MW_{el}, whereas the total heat generation capacity of installed thermal generation facilities was 1,844 MW_{th}.

The Group's installed electrical capacity as per 31 March 2015:

	31 March 2015
	(MW_{el})
Daugava HPPs	1,536
Riga CHPPs*	1,025
Liepaja plants	6
Small plants	2
Total	**2,569**

*installed capacity in the condensation mode

The Group's thermal energy capacity of installed generation facilities as per 31 March 2015:

	31 March 2015
	(MW_{th})
Riga CHPPs*	1,617
Liepaja plants	223
Small plants	4
Total	**1,844**

Generation at HPPs

The Group's three largest HPPs – *Plavinas, Kegums* and *Riga* plants - are located on the River Daugava. In 2014, the respective HPPs produced 53 per cent of the total electricity generated by the Group. Although, the HPPs have a large installed capacity, their ability to generate electricity is dependent on the water inflow. HPPs usually operate at full capacity only during spring flooding, which typically lasts for about two months. Peak electricity production typically occurs in April.

The Plavinas HPP is the largest HPP in the Baltics in terms of installed capacity. It started operations in 1968 with ten hydropower units with a total capacity of 825 MW_{el} at that time. Following a reconstruction of six of the hydropower units during 1991 to 2001 the plant's installed capacity was increased to 869 MW_{el}. From 1991 to 2010, nine of ten hydropower units were reconstructed, resulting in a total capacity of 894 MW_{el} for the plant. The reconstruction of the hydropower units has not only resulted in increased capacities and efficiency ratios but also in increased share of energy produced from renewable sources.

The Kegums HPP is the oldest on the River Daugava, built in 1936-1939 and restored in 1945-1947. The installed capacity of the plant reaches 240 MW_{el}.

The Riga HPP entered into service in 1974 and has six hydropower units with a total capacity of 402 MW_{el}.

Generation at CHPPs

Riga CHPPs owned by the Group are mostly used to cover the requested thermal load operated in the highly efficient cogeneration mode, simultaneously generating both electricity and thermal energy.

According to the change in support mechanism for CHPPs with installed capacity above 4 MW, Riga CHPPs no longer receive compensation for natural gas and other variable costs. Riga CHPPs receive only capacity payments and the amount of this support has been decreased by introducing the SET as of 1 January 2014. Riga CHPPs operate efficiently and flexibly, operating modes of Riga CHPPs are adjusted to the market conditions.

Riga TEC-1 was built in 1954 -1958 and fully reconstructed in 2005. The installed electric capacity and thermal capacity at Riga TEC-1 is 144 MW_{el} and 493 MW_{th} respectively.

Riga TEC-2 is the largest combined heat and power plant in Latvia. It was launched in 1973. The reconstruction of the Riga TEC-2 was commenced in 2006. The construction of the first power unit was completed in 2008, and the second unit was commissioned at the end of 2013. Riga TEC-2 is currently the most efficient CHPP in the Baltics. With the commissioning of the second power unit, the electrical capacity of Riga TEC-2 in cogeneration mode reached 832 MW_{el}, and the total thermal energy capacity of the two power units is 544 MW_{th}. The total thermal energy capacity of Riga TEC-2, including water boilers, is 1,124 MW_{th}. Riga CHPPs are the guarantee of the electricity base-load capacity and almost fully can cover entire Latvian electricity consumption in circumstances where due to some factors electricity import from foreign countries is limited.

Other generation units

The Company holds 51 per cent of the equity in Liepājas enerģija SIA. This company primary ensures generation and supply of thermal energy to the Latvia's city of Liepaja. The total installed thermal energy capacity of the Liepaja plants as of 31 March 2015 was 223 MW_{th}, including 40 MW_{th} from a renewable resource (wood chips). Installed electric capacity totals 6 MW_{el}.

Generation facilities within the energy system of the Group also include two small power plants – the Ainazi wind power plant (WPP) with a capacity of 1.0 MW_{el}, and the Aiviekste HPP with a capacity of 0.8 MW_{el}.

Distribution

Distribution is the second largest operating segment within the Group in terms of both revenue and asset value. Its operations involve provision of distribution services to approximately 840 thousand customers in Latvia at regulated tariffs.

The distribution system service is provided by the Company's subsidiary Sadales tīkls AS, the largest distribution system operator in Latvia. The distribution system operator ensures equal access to electricity distribution networks, which is one of the prerequisites for facilitating competition on the electricity market in Latvia. The electricity distribution network ensures the flow of electricity from the electricity transmission network and electricity generators to electricity consumers. The total length of low and medium-voltage cable and overhead lines at the end of 2014 was 94,609 km, with 29,711 transformers and 26,764 transformer substations with a total installed capacity of 5,869 MVA. The total volume of distributed electricity in 2014 was 6,421 GWh, and during the period from 2010 to 2014 electricity losses were reduced by 25 per cent reaching 4.8 per cent in 2014.

The PUC develops methodology for and approves tariffs for distribution system operators. Distribution system assets of the Group have been revalued, thus increasing the regulatory asset base. The current distribution service tariffs do not cover the required return in the full amount. Last amendments to distribution tariffs were approved in April 2011.

Management of transmission system assets

Transmission system asset management functions are performed by Latvijas elektriskie tīkli AS. Operation of the segment in 2014 included construction, maintenance and lease of transmission assets in Latvia (330 kV and 110 kV electricity transmission lines, substations and distribution points) to the transmission system operator – Augstsprieguma tīkls AS.

As of 1 January 2015, the transmission system operator Augstsprieguma tīkls AS has taken over the construction and maintenance functions of the transmission system assets. Latvijas elektriskie tīkli AS continues to conduct the transmission asset management, i.e. financing and lease of transmission system assets.

At the end of 2014, the total length of electricity transmission lines was 5,273 km, of which 74 per cent relate to 110 kV lines and 26 per cent to 330 kV lines. Sixteen 330 kV substations with a total automatic transformer capacity of 3,825 MVA and one hundred twenty-one 110 kV substations with a total installed transformer capacity of 5,075 MVA are maintained in order to ensure the operation of the transmission network.

Investments

Operations of the Group are capital intensive and require significant investments. The following table summarises the total investments of the Group for the period 2010 – 2014 and for two interim periods ended 31 March 2014 and 31 March 2015.

	2010	2011	2012	2013	2014	3 months 2014	3 months 2015
	(Audited)					*(Unaudited)*	
	(€ million)					*(€ million)*	
Investments	181	2,837	264	225	178	27	25

On-going investments (committed capital expenditures) as at 31 March 2015

The table below provides information as at 31 March 2015 on contractually committed capital investments of the Group for the period 2015 - 2022.

	2015	2016	2017	2018-2022
	(€ million)			
Generation	42.3	41.1	22.4	4.8
Daugava HPPs reconstruction	*32.7*	*27.3*	*16.0*	*4.8*
Distribution	37.9	0.4	0.2	0.0
Other	13.5	0.1	0.0	0.0
Total committed	**93.7**	**41.6**	**22.6**	**4.8**

According to the Electricity Market Law, the Company's subsidiary Latvijas elektriskie tīkli AS is obliged to finance investments in transmission system assets. Transmission system operator Augstsprieguma tīkls AS sets and the PUC approves the amount of investments for the next 10 years. The Company's subsidiary Latvijas elektriskie tīkli AS assesses financing options and finances the investments implemented by Augstsprieguma tīkls AS. Latvijas elektriskie tīkli AS has a right to refuse providing financing, which means that Augstsprieguma tīkls AS may decide upon other financing options. The ten year investment plan is annually revised by Augstsprieguma tīkls AS. According to the transmission system development plan, the contingent liabilities of the Group are EUR 21.3 million, EUR 42.1 million and EUR 76.7 million for 2015, 2016 and 2017 respectively. Total financing needs for transmission system assets amounts to EUR 452 million according to the latest 10 year investment plan approved by the PUC.

The Group has one major on-going committed investment project - the reconstruction project of Daugava HPPs, and two on-going contingent investment projects - the NORDBALT-02-330kV *Kurzeme Ring* final stage and Estonia – Latvia third interconnection. Other commitments represent regular maintenance and replacements.

Daugava HPPs hydropower unit reconstruction programme

The Group pursues gradual reconstruction of 11 Daugava HPPs hydropower units. The programme is scheduled for completion in 2022, with estimated total reconstruction costs of around EUR 200 million.

Until the end of 2014, contracts were signed for the replacement of two Plavinas HPP hydropower units and three hydropower units at Kegums HPP, with total committed capital investments amounting to EUR 81 million. In April 2015, a contract for the reconstruction of Riga HPP hydropower units was signed, increasing committed capital expenditure by EUR 105 million.

NORDBALT -02 - 330kV Kurzeme Ring

The project implementation will increase safety in Kurzeme region and in Latvia as a whole and enable the use of the Lithuania-Sweden marine cable NordBalt (commissioning expected until 2016), and thus further integrating the Baltics into the Nordic electricity market. In 2013, the *Riga Ring* was commissioned and in August 2014, a 330 kV electricity transmission line connection *Grobiņa-Ventspils* was commissioned. Investments in the first and second stage of the project totalled EUR 95 million. The final stage of the project *Ventpils-Tume-Rīga* is expected for completion in 2019. Total construction costs are estimated at approximately EUR 220 million. In May 2015, a contract with the European Commission Innovation and Networks Executive Agency was concluded providing 45 per cent EU co-funding of all eligible costs of the project. It is estimated that the total investments for the Group related to the third phase of the project will amount to EUR 127 million.

Estonia-Latvia third interconnection

Implementation of this project is a part of the 10-year electricity transmission network development plan devised by Augstsprieguma tīkls AS. The new 330 kV interconnection will increase the available throughput between the Latvian and Estonian energy systems, decreasing the price difference between Estonian and Latvian/Lithuanian bidding areas. Three parties are involved in the implementation of the project: the Estonian transmission system operator Elering OÜ, Latvian transmission system operator Augstsprieguma tīkls AS and the Company's subsidiary Latvijas elektriskie tīkli AS as the owner of transmission system assets in Latvia. The planned length of the new 330 kV interconnection line will be about 190 km in Latvia, and it is scheduled for completion by late 2020. The construction costs of the project on Latvian side are expected to total about EUR 100 million. In May 2015, a contract with the European Commission Innovation and Networks Executive Agency was concluded providing 65 per cent EU co-funding of all eligible costs of the project.

Financing

In order to finance committed capital investments the Group uses cash flow from operating activities and borrowed funds. External funding consists of bilateral bank loans and bonds issued. The Group has established long-standing funding cooperation with supranational financial institutions and commercial banks. The Group has diversified the borrowing sources by issuing bonds during the preceding years – the total principal amount of bonds issued is EUR 105 million, accounting for 13 per cent of the total debt as at 31 March 2015.

The Group's gross debt as at 31 March 2015 was EUR 839 million with the following debt maturity schedule:

	2015 (9 months)	**2016**	**2017-2019**	**2020-2028**	**Total**
			(€ million)		
Debt repayment	**125**	**93**	**377**	**244**	**839**

The table below provides information about the Group's borrowings by lender category as at 31 March 2015.

	31 March 2015
	(€ million)
International investment banks	508
Commercial banks	225
Issued bonds	106
Total	**839**

Borrowings outstanding were used for funding the Group's investment program including the modernisation of power generation, transmission and distribution facilities.

In late 2014, the Group took up loans from commercial banks in the amount of EUR 150 million and from the European Investment bank in the amount of EUR 100 million. Thus, together with undisbursed amount of EUR 40 million under the loan agreement concluded with European Reconstruction and Development Bank in 2010, as at 31 March 2015 total long term committed credit lines available for the Group amounted to EUR 290 million.

All borrowings are denominated in the euro currency. As at 31 March 2015, the weighted average repayment period was 4.2 years. Nearly all borrowings from financial institutions have a variable interest rate, comprising 3 to 6 month EURIBOR and a margin rate. Taking into account the effect of interest rate swaps, as at 31 March 2015, 41 per cent of the borrowings had a fixed interest rate with a weighted average interest fixing period of 2 years. The effective weighted average interest rate (with interest rate swaps) of the Group`s outstanding borrowings was 2.5 per cent for the first quarter of 2015.

ORGANISATIONAL STRUCTURE

As at the date of this Base Prospectus the Group comprises the parent company Latvenergo AS and its seven subsidiaries:

Company Name	Country of incorporation	Business activity	Proportion of ownership
Subsidiaries:			
Sadales tīkls AS	Latvia	Electricity distribution	100 per cent
Latvijas elektriskie tīkli AS	Latvia	Transmission system asset management	100 per cent
Enerģijas publiskais tirgotājs AS	Latvia	Administration of electricity mandatory procurement process	100 per cent
Elektrum Eesti OÜ	Estonia	Electricity supply	100 per cent
Elektrum Latvija SIA (subsidiary of Elektrum Eesti OÜ)	Latvia	Electricity supply	100 per cent
Elektrum Lietuva UAB	Lithuania	Electricity supply	100 per cent
Liepājas Enerģija SIA	Latvia	Electricity and thermal energy generation and supply (in Liepaja city)	51 per cent

On 25 February 2014, a new subsidiary Enerģijas publiskais tirgotājs AS of the Company was established. The subsidiary has taken over the mandatory procurement administration functions from the Company.

The Company is a shareholder in an associated company Pirmais Slēgtais Pensiju Fonds AS (Latvia), engaged in the management of pension plans (the Company's and the Group's shareholding is 46.3 per cent and 48.15 per cent respectively). In addition, the Group has a financial investment in Rīgas siltums AS (0.005 per cent), which is engaged in supply of thermal energy in Riga.

In late 2013, according to the requirements of Directive 2009/72/EC of the European Parliament and the Council of 13 July 2009, the transmission assets of Nordic Energy Link AS were sold to Estonian and Finnish transmission operators. In 2014, the company was liquidated and the Company's participation (25 per cent) in this company has been fully terminated.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

In accordance with the Commercial Law, the Law on the Management of Public Persons' Capital Shares and Capital Companies and the Financial Instruments Market Law, the Company has the following management and supervisory bodies:

- *Shareholders' Meeting*, which represents shareholder interests, rights and obligations. The State Secretary of the Ministry of Economics of the Republic of Latvia or his authorised representative is the sole shareholder representative in the Shareholders' Meetings;

- *Supervisory board*: the Law on the Management of Public Persons' Capital Shares and Capital Companies (*Publiskas personas kapitāla daļu un kapitālsabiedrību pārvaldības likums*), effective from 1 January 2015, provides that from 2016 supervisory boards shall be reinstalled for large and very large state owned entities, including the Company. Until 2016, supervisory board is not allowed for the Company and its wholly owned Latvian subsidiaries, thus functions of the Supervisory board in these entities are performed by the Shareholders' Meeting, according to provisions established in the Electricity Market Law. Supervisory boards are established only for the foreign subsidiaries of the Company - Elektrum Eesti OÜ and Elektrum Lietuva UAB. Supervisory functions of these subsidiaries are ensured by three Management Board members of the Company. The Latvian subsidiary Liepājas enerģija SIA is supervised by the Supervisory Board consisting of six members;

- *Audit Committee* was established in August 2012 according to the requirements of the Financial Instruments Market Law (*Finanšu instrumentu tirgus likums*) and started its operation on 4 December 2012. All members are independent and are not involved in the operations of the Group;

- *Management Board* of the Company consists of five management board members.

The Company's Management Board

The Company's Management Board consists of five members elected by the Shareholders' Meeting for a term of three years based on an evaluation of necessary competences, experience and expected sphere of responsibility. The Shareholders' Meeting also appoints one of the members of the Management Board as Chairman of the Management Board.

All Management Board members are executive directors of the Company, and are involved in the daily operations of the Company.

At the date of this Base Prospectus the members of the Management Board of the Company are:

Mr. Āris Žīgurs - Chief Executive Officer and Chairman of the Management Board, responsible for management of corporate strategy, international affairs and strategy, communication, human resource management, security and transport services. Mr. Žīgurs is a member of the Board of Directors at the Union of the Electricity Industry of Europe ("**EURELECTRIC**"), as well as the vice-president of the Latvian National Committee of the World Energy Council.

Mrs. Zane Kotāne - Chief Financial Officer, responsible for business planning and controlling, treasury, accounting, risk management and insurance. Mrs. Kotāne is a member of the supervisory boards of the Company's subsidiaries Elektrum Eesti OÜ and Elektrum Lietuva UAB.

Mr. Uldis Bariss - Chief Commercial Officer, responsible for management of electricity supply, wholesale activities, marketing and customer service, customer settlements, IT&T and regulatory affairs. Mr. Bariss is a representative of the Company in the Latvian Chamber of Commerce and Industry and a member of the supervisory boards of the Company's subsidiaries Elektrum Eesti OÜ and Elektrum Lietuva UAB.

Mr. Māris Kuņickis - Chief Operating Officer, responsible for generation planning, technical management of HPPs and CHPPs, generation project management, project maintenance, technical inspection, research and development, environment and safety at work. Mr. Kuņickis is a representative of the Company in Latvian Association of Power Engineers & Energy Constructors and a substitute member of the Board of Directors at the EURELECTRIC.

Mr. Arnis Kurgs – Chief Administrative Officer, responsible for managing legal affairs, document registration and management, procurement and logistics, real estate management and operational support. Mr. Kurgs is a member of the supervisory boards of the Company's subsidiaries Elektrum Eesti OÜ and Elektrum Lietuva UAB.

All members of the Management Board of the Company were appointed on 16 November 2012. The business address of each Member of the Management Board is Pulkveža Brieža 12, Riga, LV-1230, Latvia.

Conflict of interest

In accordance with the Law on Prevention of Conflict of Interest in Activities of Public Officials, all members of the management boards of state owned companies have the status of state officials. As such, all Management Board members of the Company and its fully owned subsidiaries in Latvia are state officials, and subject to detailed requirements of this law. The abovementioned law permits to combine their office of public official only with activities which are indicated by the law as compatible (e.g., offices in a trade union, an association or similar organisation, the work of teacher, scientist and creative work) in order to prevent personal or material interest in the activity of the state official. In accordance with the abovementioned law, all state officials are obliged to submit an annual declaration of interest.

The Company confirms that the members of the Management Board of the Company do not have conflict of interest between their duties performed in the Company and their private interests and/or their other duties.

Development of Supervision Principles

Supervision of the Company is performed in accordance with the Commercial Law and the Law on the Management of Public Persons' Capital Shares and Capital Companies. In October 2014, the Saeima (the Parliament of the Republic of Latvia) passed the Law on the Management of Public Persons' Capital Shares and Capital Companies, effective from 1 January 2015, and replacing the former Law on State and Municipality Capital Shares and Capital Companies. The new law stipulates the procedures for the establishment, operation, liquidation and management of capital shares in state owned and municipal companies, as well as stipulates the requirements for definition of goals, assessment of performance, disclosure of information, and obliges state-owned companies to establish medium-term strategies.

Employees

The Group had 4,142 employees as at 31 March 2015 of whom 72 per cent were men and 28 per cent women. The average age of the employees was 44.4 years. The Group's staff turnover was less than 6 per cent in 2014.

Effective from 1 January 2015, the transmission system operator Augstsprieguma tīkls AS took over transmission system asset construction and maintenance functions including the transfer of 430 employees from Latvijas elektriskie tīkli AS to Augstsprieguma tīkls AS.

The opinions of all Group's employees on issues of the Collective Bargaining Agreement are represented by "Enerģija" Trade Union in Latvia. About 70 per cent of the Group's employees are members of this union. The Group notifies "Enerģija" Trade Union on, among other things, planned changes in the organisation of the Group and its subsidiaries or remuneration, and reports on the execution of the Collective Bargaining Agreement and on the fulfilment of occupational health and safety requirements, as well as agrees terminations of employment of members of "Enerģija" Trade Union, if any.

BOARD PRACTICES

In October 2014, the Saeima (the Parliament of the Republic of Latvia) adopted the Law on the Management of Public Persons' Capital Shares and Capital companies, effective from 1 January 2015, and replacing the former Law on State and Municipality Capital Shares and Capital Companies. The new law stipulates the procedures for the establishment, operation, liquidation and management of capital shares in state owned and municipal companies, as well as stipulates requirements for definition of goals, assessment of performance, disclosure of information and obliges state owned companies to create medium-term strategies.

In addition to other requirements, the new law stipulates reinstatement of the Supervisory Board as a supervisory body as of 2016 in large state owned companies. The Company, Sadales tīkls AS and Latvijas elektriskie tīkli AS all qualify in this category. The number of Supervisory Board members will be determined by the Cabinet of Ministers of the Republic of Latvia.

To the best of the Company's knowledge it complies with current Latvian corporate governance regime for the state owned entities.

Audit Committee

An independent Audit Committee was established in August 2012 and started its operation on 4 December 2012. It is accountable on its operation and performance to the Shareholders' Meeting of the Company. Having evaluated the necessary competencies and professional experience, the Shareholders' Meeting elected three members to form the Audit Committee. All members of the Audit Committee are independent specialists who are not involved in the operational activities of the Group, and they are authorised for a three-year term. As at 31 December 2014, the members of the Audit Committee are Mr. Torben Pedersen, Mr. Svens Dinsdorfs and Mrs. Inita Hāne.

The Audit Committee operates on the basis of the Commercial Law (*Komerclikums*), the Financial Instruments Market Law (*Finanšu instrumentu tirgus likums*) and the Regulation of the Audit Committee as approved by the Shareholders' Meeting of the Company.

In addition to the standard responsibilities of the audit committees, such as supervision of financial reporting processes, internal control assessments, oversight of the internal audit function and the external auditor, the Audit Committee also has a responsibility for the supervision of implementation of the fraud risk management plan.

The Audit Committee reports its assessments and findings to the Shareholders' Meeting at least once a year.

SHAREHOLDERS

All shares of the Company are owned by the Republic of Latvia. The holder of the Company's shares is the Ministry of Economics of the Republic of Latvia, whose representative - the State Secretary of the Ministry of Economics or other authorised person appointed by the State Secretary of the Ministry of Economics, represents the Shareholder's interests at Shareholders' Meetings.

Pursuant to the current Energy Law (*Enerģētikas likums*), the Company's business is designated as of national importance and, therefore, the Company's shares are not subject to privatisation or alienation.

The Law on the Management of Public Persons' Capital Shares and Capital Companies provides that the Cabinet of Ministers has the right to appoint specially established institution as holder of the shares in the state owned entities.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table is a summary of the Group's consolidated financial performance and key performance indicators for the two financial years ended 31 December 2013 and 2014 and the two interim periods ended 31 March 2014 and 31 March 2015. The information set out in the table below has been extracted (without any material adjustment) from, and is qualified by reference to and should be read in conjunction with the audited consolidated annual reports of the Group for the years ended 31 December 2013 and 2014 and the unaudited consolidated interim reports of the Group for the three month period ended 31 March 2014 and 31 March 2015, each of which is attached to this Base Prospectus and forms an integral part of this Base Prospectus. Annual reports and interim reports of the Group are prepared according to International Financial Reporting Standards (**IFRS**).

		Year ended 31 December		**Three months ended 31 March**	
		2013	**2014**	**2014**	**2015**
		(Audited)		*(Unaudited)*	
Key Financial data (the Group)					
Revenue	€ million	1,100	1,011	324	260
EBITDA [1)]	€ million	249	237	83	95
Profit	€ million	46	30	31	39
Total assets	€ million	3,575	3,487	3,598	3,527
Total equity	€ million	2,022	2,021	2,050	2,059
Net Debt [2)]	€ million	689	706	680	689
Investments	€ million	225	178	27	25
Capital ratio [3)]	per cent	57	58	57	58
EBITDA margin [4)]	per cent	23	23	24	26
Net debt/EBITDA		2.8	3.0	2.5	2.8
Operating Figures (the Group)					
Retail electricity supply	GWh	7,954	8,688	2,488	2,132
Electricity generation	GWh	4,854	3,625	1,192	1,027
Thermal energy supply	GWh	2,517	2,442	1,077	990
Distributed electricity	GWh	6,447	6,421	1,724	1,795

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 period minus cash and cash equivalents at the end of the period
3) Capital ratio: total equity / total assets
4) EBITDA margin: EBITDA / revenue

FINANCIAL AND TREND INFORMATION

Historical Financial Information

The Group's consolidated audited annual reports as of and for the financial years ended 31 December 2013 and 2014 and the unaudited consolidated interim reports of the Group for the three month periods ended 31 March 2014 and 31 March 2015 (prepared according to IFRS) are attached to this Base Prospectus and forms an integral part of this Base Prospectus.

Legal and Arbitration Proceedings

Except as described below, the Group is not engaged in any governmental, legal or arbitration proceedings, or is aware of any such proceedings pending or threatened against it during the 12 month-period prior to the date of this Base Prospectus that may have, or have had in the recent past, significant effect on the Company and/or the Group's financial position or profitability.

Claims in relation to price for mandatory procurement

Producers of electricity in WPP, who are entitled to mandatory procurement have submitted claims against the Company and its subsidiary Enerģijas publiskais tirgotājs AS in its capacity as the public trader and the Ministry of Economics arguing that the Company and its subsidiary Enerģijas publiskais tirgotājs AS have applied incorrect feed-in tariff. In 2014 the Administrative District Court dismissed the claims on grounds that the public trader had applied correct feed-in tariff and there was no breach of law. However, these electricity producers have submitted appeals and cases will be heard in 2015 before the Administrative Regional Court. As the actions are brought under the Administrative Procedure Law, the obligation to compensate damages (if any) would be attributable to the State and thus the proceedings will not have significant effect on the Company's and/or the Group's financial position.

Claim in relation to public service obligation fee

The decision No.44 of the PUC dated 20 February 2013 on approving the public service obligation fee for the period 1 April 2013 to 31 March 2014 and the decision No.23 of the PUC dated 19 February 2013 on approving the public service obligation fee for the period 1 April 2014 to 31 March 2015 have been challenged in the Administrative District Court. The public service obligation fee is a payment made by each electricity end-user in Latvia to compensate for expenses of the public trader accrued due to the purchase of electricity at regulated prices in a framework of feed-in tariff scheme. The applicants of the claim have challenged the interpretation of the existing methodology and thus the justification of the costs to be included in the public service obligation fee. The matter has not been resolved yet by the court and litigation proceedings continue. The Group maintains the position that the claims should be dismissed. The claims, if approved by the court in full amount, have the potential financial impact of EUR 27.2 million.

Criminal proceedings in relation to power supply disruptions

The extensive power supply disruptions due to extreme weather conditions (heavy snowfall and icing causing damage to electricity distribution system) during December 2010 – January 2011 were considered as grounds for initiating criminal proceedings on alleged negligence (lack of adequate diligence) of officials of the Company's subsidiary and electricity distribution system operator Sadales tīkls AS. Considering the fact that electricity supply disruptions were observed in a large geographical area of Latvia, there were initiated four separate criminal proceedings. Investigations under the aforementioned proceedings are performed by regional offices of Latvia police (i.e. Kurzeme Police Department, Zemgale Police Department, Latgale Police Department and Jēkabpils Police Department). In accordance with the legal acts of the Republic of Latvia only individuals can be held criminally liable, not legal entities, and thus these adjudications in criminal proceedings will not be applicable to the company Sadales tīkls AS. With regards to any damages or losses sentenced within these proceedings, the Company does not envisage a high possibility of such being binding to Sadales tīkls AS, but if otherwise stipulated by the final adjudication of the court, all risks are insured and all mentioned cases have already been disclosed to the corresponding insurers.

Incident of corruption

In June 2010 criminal proceedings were initiated against a number of executives of the Group suspected in corruption and money laundering. Neither the Company, nor the subsidiaries of the Company are involved in the ongoing investigation.

The Group has reviewed internal processes for the purpose of bringing the Group’s internal control procedures in line with best practice, thus further reducing the risks of corruption, illegal activity or fraud within the Group.

Significant Changes in Financial or Trading Position

There has been no material adverse change in the Company’s or the Group’s financial or trading position since 31 March 2015.

Trend Information

There has been no material adverse change in the prospects of the Company or the Group since the date of the audited consolidated annual report of the Group for 2014.

At the date of this Base Prospectus there are no information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company’s or the Group’s prospects and the industries in which the Company or the Group operates.

Future Outlook

The Issuer has not made any profit forecast or profit estimate in this Base Prospectus.

ADDITIONAL INFORMATION

Share Capital

The amount of the share capital of the Company is EUR 1,288,446,357 and it is composed of 1,288,446,357 shares. All shares are paid up. All shares are registered shares and they are dematerialised. The nominal value of a share is EUR 1.

In accordance with the Energy Law (*Enerģētikas likums*) all shares of the Company are the property of the Republic of Latvia and they are not a subject to privatisation or alienation.

Articles of Association

The Company is registered with the Commercial Register of the Republic of Latvia under registration number 40003032949.

The objects and purposes of the Company are stated in Clause 2 of the Articles of Association of the Company of which the main objects are to generate electricity and heat, to sell electricity and to provide telecommunication services.

Material Contracts

Except as described below, the Group has not entered into any material contracts outside the ordinary course of business, which could result in the Group coming under an obligation or entitlement that is material to the Company's ability to meet its obligations to the Noteholders in respect of the Notes.

In order to operate the Group's hydropower units, the Group pursues a gradual reconstruction of 11 unreconstructed Daugava HPPs hydropower units. The programme is scheduled for completion until 2022, and includes the following contracts:

- Until the end of 2014, contracts for replacement of two Plavinas HPP hydropower units and three hydropower units at Kegums HPP were signed, respectively:
    - on 13 December 2013 a contract for upgrading of the Plavinas HPP hydro units No.1 and 3 was signed with OJSC Power Machines. The project includes replacement of turbine runner, generator stator and modernization of unit auxiliary systems. Completion of the project is scheduled for 2017;
    - on 21 February 2014 a contract for upgrading of the Kegums-2 HPP hydro units No.5, 6 and 7 was signed with OJSC Power Machines. The project includes replacement of the turbine runner and unit control, protection systems and the rehabilitation of generator equipment. Completion of the project is scheduled for 2018;
- On 17 April 2015 a contract for upgrading of the Riga HPP hydro units No. 1, 2, 3, 4, 5, 6 was signed with Alstom Hydro France. The project includes replacement of the turbine runner and unit control, protection systems and rehabilitation of generator equipment. Completion of the project is scheduled for 2022.

THE LATVIAN ECONOMY

General

Latvia is a small, open economy with exports contributing notably to its GDP. Export growth has been the main driver of the economic recovery after the crisis. Still the bulk of the country's economic activity is in the services' sector. Owing to its geographical location, transit services are well developed.

In 2014 the Latvian economy grew by 2.4 per cent, which is the slowest pace of the post-crisis period. The biggest fall was observed in the manufacturing and real estate sectors, while the construction sector expanded the most. Positive trends were also observed in the retail trade and service sectors. Despite concerns that the latter sector may suffer from decreasing Russian transit, the positive trend lasted in transport and storage activities, though the outlook for this year remains uncertain. Consequently, the main source of GDP growth was private consumption, which accounted for the lion's share of the total growth.

Within the coming two years private consumption is expected to remain the primary economic driver. While there are necessary prerequisites for the private demand to keep growing (e.g. raising wages, decreasing unemployment, etc.), the pace of growth will be determined by the consumers' sentiment. Most of the uncertainty and growth potential is related to capital spending activity. Current surveys confirm that businesses stay cautious about the expansion of operations. Therefore, the availability of EU funds and smoothness of procedures will play a major role. Due to brighter euro zone prospects, there is some potential for growth of exports of goods, which could slightly push up the investment activity, whereas export of services is likely to remain in a more complex situation.

GDP, per cent	**2011**	**2012**	**2013**	**2014**
Latvia	5.0	4.8	4.2	2.4
EU (28) average	1.7	-0.5	0.0	1.4

Source: European Commission

Inflation

Falling prices of energy and food have had the greatest impact on the price level and kept inflation low. Food prices are expected to stay subdued and not pick up until food exports rebound; therefore low inflation environment is expected to continue to dominate in 2015. However, prices are expected to gradually pick up starting next year. The initiatives to raise utility tariffs as well as the expected oil price development should help inflation rebound. Furthermore, a growing wage pressure should also be reflected in inflation developments.

Inflation, HICP, average, per cent	**2011**	**2012**	**2013**	**2014**
Latvia	4.2	2.3	0.0	0.7
EU (28) average	3.1	2.6	1.5	0.6

Source: European Commission

Unemployment

In 2014 the unemployment rate fell to 10.8 per cent, which is 1.1 ppt. less than in 2013. In 2015 unemployment is expected to keep shrinking, partly due to continued emigration and negative demographic trend. The latter effect is visible in the fact that in 2014 employment increased by 0.9 ppt., but the number of employees fell by 9.2 thousand. Last year the number of employees mainly increased in sectors such as transport and storage as well as construction. Meanwhile, the number of employees declined in agriculture, forestry and fisheries, education and manufacturing sectors. Latvia is gradually approaching the natural rate of unemployment at 9-10 per cent, which implies an inflation risk in the medium term. At the same time, the growing demand for specialists will remain one of the biggest concerns. Unemployment might become an even more acute regional problem, compounded by the Russian crisis; therefore, in certain areas unemployment is expected to increase.

Unemployment, per cent	2011	2012	2013	2014
Latvia	16.2	15.0	11.9	10.8
EU (28) average	9.7	10.5	10.9	10.2

Source: European Commission

Public Finances

The general government consolidated budget closed 2014 with a deficit of 1.4 per cent of GDP. In 2014 government budget deficit, compared to 2013, was 0.7 ppt. higher. This was primarily driven by a single capital transfer to comply with the obligations towards the European Bank for Reconstruction and Development, as well as the rise of expenditure for remuneration and social benefits. Although the Latvian government is expected to keep its grip on public finances, the slowing growth and rising demand for higher expenditures may prolong the way towards a balanced budget. The table below shows the government surplus or deficit as a percentage of GDP in Latvia for 2011 to 2014, compared to the average of the 28 EU Member States, as calculated by European Commission.

General government balance, as a per cent of GDP	2011	2012	2013	2014
Latvia	-3.3	-0.8	-0.7	-1.4
EU (28) average	-4.5	-4.2	-3.2	-2.9

Source: European Commission

In 2014, general government consolidated gross debt, compared to 2013, increased by 757.3 million euro or 1.8 ppt. The increased debt level in 2014 was due to two Eurobond issues, which were placed to create a financial buffer to repay borrowings from the European Commission carried out within the framework of an international borrowing program. Within the coming years, the public sector debt is expected to shrink. The table below shows the public debt as a percentage of GDP in Latvia, compared to the average of the 28 EU Member States, as calculated by Europian Commission.

General government gross debt, as a per cent of GDP	2011	2012	2013	2014
Latvia	42.7	40.9	38.2	40.0
EU (28) average	81.4	85.1	87.3	88.6

Source: European Commission

Foreign Trade

Latvia's geographical position favours foreign trade, with the availability of ice-free ports as well as a well-developed railway and road transport infrastructure. Despite the challenging conditions, which include Russian sanctions and Russia's deepening economic recession, falling ruble and its side-effects to neighbouring markets, as well sluggish recovery in the euro zone, Latvian exports in 2014 climbed by 2.2 per cent. By contrast, the volume of imports fell by 0.4 per cent. Total exports are likely to grow barely in 2015. A large part of the business, particularly those focusing on Russia and related markets, will continue to evaluate risks and decrease exposure, as well as keep looking for new markets. There has been good progress in penetrating Asian and the Middle Eastern markets, which allows for keeping a cautiously optimistic view on export prospects. Historically, the impact of the Russian factor has always been significant, but not overly critical. Positive flashes in the euro zone should help partially offset this negative impact.

Balance of Payments

The current account showed a deficit of 2.9 per cent of GDP in 2014. A gradual pick-up in exports in combination with modest upturn in the capital spending and higher consumption growth will facilitate imbalance, but within the coming two years the current account is expected to stay relatively balanced.

Current account balance, as a per cent of GDP	2011	2012	2013	2014
Latvia	-3.1	-3.5	-2.0	-2.9
EU (28) average	0.2	1.0	1.5	1.6

Source: European Commission

TAXATION

The following is a general summary of certain tax consideration in the Republic of Latvia, the Republic of Estonia and the Republic of Lithuania in relation to the Notes. It is not exhaustive and does not purport to be a complete analysis of all tax consequences relating to the Notes, as well as does not take into account or discuss the tax implications of any country other than the Republic of Latvia, the Republic of Estonia and the Republic of Lithuania. The information provided in this section shall not be treated as legal or tax advice; and prospective investors are advised to consult their own tax advisors as to the tax consequences of the subscription, ownership and disposal of the Notes applicable to their particular circumstances.

This summary is based on the laws of Latvia, Estonia and Lithuania as in force on the date of this Base Prospectus and is subject to any change in law that may take effect after such date, provided that such changes could apply also retroactively.

The Republic of Latvia

Latvia has entered into number of tax conventions on elimination of the double taxation, which may provide more favourable taxation regime. Therefore if there is a valid tax treaty with the country of a non-resident prospective investor, it should be also examined. The procedures for application of tax conventions are provided in the Republic of Latvia Cabinet of Ministers Regulations No. 178 Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion.

Taxation of the Noteholders Individuals

Resident Individuals

An individual will be considered as a resident of Latvia for taxation purposes:

- if the individual`s permanent place of residence is in the Republic of Latvia, or
- if the individual stays in the Republic of Latvia 183 days or more within any 12-month period, starting or ending in the taxation year; or
- if the individual is a citizen of the Republic of Latvia employed abroad by the government of the Republic of Latvia.

In accordance with the Law on Personal Income Tax the interest income from the Notes for resident individuals will be subject to 10 per cent withholding tax, deductable by the Issuer before the payment. Also the income from the alienation of the Notes will be subject to 10 per cent tax, but the tax would be payable by the individual him/herself.

Non-Resident Individuals

In accordance with the Law on Personal Income Tax the interest income from the Notes being circulated publicly as well as income from the alienation of the publicly circulated Notes will not be subject to tax in Latvia.

Taxation of the Noteholders Entities

Resident Entities

An entity will be considered as a resident of Latvia for tax purposes if it is or should have been established and registered in the Republic of Latvia in accordance with the legislative acts of the Republic of Latvia legal acts. This may also include permanent establishments of foreign entities in Latvia.

In accordance with the Law on Corporate Income Tax, if the Notes are listed on a regulated market of the EU or the European Economic Area, the income from the Notes (interest payments, as well as gains) for the resident entities, will not be subject to corporate income tax in Latvia. If the Notes are not listed on a regulated market of the EU or the European Economic Area, income from such notes (interest payments and gains) should be included in taxable income of the respective Noteholder and should be subject to corporate income tax at the rate of 15 per cent.

Non-Resident Entities

In accordance with the Law on Corporate Income Tax the interest income from the Notes for non-resident entities will not be taxable in Latvia, except if the receiver is located in tax haven country or territory, as determined by the Republic of Latvia Cabinet of Ministers Regulations No. 276 Regulations on Low Tax or Zero Tax Countries and Territories, in which case 15 per cent withholding tax would apply, deductable by the Issuer upon the payment, unless an exemption relief is received from the State Revenue Service.

The income from the alienation of the Notes will not be subject to tax in Latvia.

The Republic of Estonia

Taxation of the Noteholders Individuals

Resident Individuals

In accordance with the Estonian Income Tax Act an individual will be considered as a resident of Estonia for taxation purposes:
- if the individual's place of residence is in Estonia, or
- if the individual stays in Estonia for at least 183 days over a period of 12 consecutive calendar months, or
- if the individual is a citizen of Estonia employed abroad by the Estonian government.

If the residency determined on the basis of an international agreement to which Estonia is a party differs from the residency determined pursuant to the Estonian Income Tax Act, the provisions of the international agreement apply.

In accordance with the Estonian Income Tax Act the interest income from the Notes received by a resident individual is subject to income tax at the rate of 20 per cent. Income tax which has been withheld on interest income received from abroad is deducted from the income tax to be paid in Estonia, in accordance with the conditions specified in the Estonian Income Tax Act.

The income from the transfer of the Notes is also subject to income tax at the rate of 20 per cent. Income tax is charged on the gain derived from the transfer of the Notes, i.e. on the difference between the acquisition cost and the selling price of the Notes. Resident individual has a right to deduct documented expenses directly related to the transfer of the Notes from the gain. Resident individual also has a right to deduct any loss suffered upon the transfer of other securities from the gain derived from the transfer of the Notes, in accordance with the conditions specified in the Estonian Income Tax Act.

Different taxation rules apply for the transfer of the Notes if the resident individual uses an investment account as specified in the Estonian Income Tax Act. It is possible for individuals to postpone the tax liability created on income derived from the transfer of financial assets as specified in the Estonian Income Tax Act (including publicly offered securities and securities traded in a securities market) until the gain is withdrawn from the investment account to be used for other purposes (i.e. not to be reinvested into other financial assets).

Non-Resident Individuals

Income of the non-resident individual from the Notes (i.e. interest income and income from the transfer of the Notes) is not subject to tax in Estonia.

Taxation of the Noteholders Entities

Resident Entities

An entity will be considered as a resident of Estonia for tax purposes if it is established or registered in Estonia.

If the residency determined on the basis of an international agreement to which Estonia is a party differs from the residency determined pursuant to the Estonian Income Tax Act, the provisions of the international agreement apply.

According to the Estonian corporate income tax system the moment of taxation of corporate income (including income from the Notes, e.g. interest income, as well as gains) is postponed until the distribution of the profits. The system applies to resident entities and also permanent establishments of non-resident entities in Estonia.

All profit distributions (including dividends) are taxed at a rate of 20/80 of the distributed net amount which is 25 per cent. This is the corporate income tax which is paid by the resident entity making the distribution.

Non-Resident Entities

Income of the non-resident entity from the Notes (i.e. interest income and income from the transfer of the Notes) is not subject to tax in Estonia.

The Republic of Lithuania

In accordance with the Law on Tax Administration of the Republic of Lithuania where any international treaties to which Lithuania is a party provide for the rules on taxation different from those of the relevant taxation legislation, and provided the international treaties have been ratified, enacted and enforceable in the Republic of Lithuania, the rules of such international treaties shall prevail. Lithuania and Latvia have entered into a tax convention on elimination of the double taxation, which provides more favourable taxation regime (effective from 1 January 1995). The rules for application of tax conventions are provided in the Law on Tax Administration of the Republic of Lithuania and in the Order No. 159 of the Head of State Tax Inspectorate under the Ministry of Finance dated 27 June 2001.

Taxation of the Noteholders Individuals

Resident Individuals

Only permanent residents of Lithuania have an obligation to declare and to pay personal income tax from the foreign source income (if such income, eliminating the double taxation, is not exempt from the income tax).

An individual will be considered as a resident of Lithuania during the calendar year for taxation purposes if he/she meets at least one of the criteria laid out in paragraph 1 of Article 4 of the Law On Personal Income Tax of the Republic of Lithuania, i.e.:

- if the individual’s permanent place of residence is in Lithuania during the calendar year;

- if the individual’s place of personal, social or economic interests is in Lithuania rather than in a foreign country during the calendar year;

- if the individual is present in Lithuania for a period or periods in the aggregate of 183 days or more during the calendar year;

- if the individual is present in Lithuania for a period or periods in the aggregate of 280 days or more during successive calendar years and who stayed in Lithuania for a period or periods in the aggregate of 90 days or more in any of such periods (in such case a person is deemed to be a resident of Lithuania for both years of presence in Lithuania).

In accordance with the Law on Personal Income Tax of the Republic of Lithuania any interest generated by a resident of Lithuania from Notes shall be taxed by a 15 per cent rate personal income tax, except EUR 3,000 non-taxable minimum applicable to interest from the Notes.

The resident of Lithuania shall be taxed at a rate of 15 per cent on gains from disposal of the Notes, except EUR 3,000 non-taxable minimum applicable to gains from disposal of the Notes.

Non-Resident Individuals

Since the Issuer is a non-resident entity for Lithuanian taxation purposes, the income of the non-resident individual from the Notes (i.e. interest income and income from the transfer of the Notes) will not be subject to tax in Lithuania.

Taxation of the Noteholders Entities

Resident Entities

An entity will be considered as a resident of Lithuania for tax purposes if it is established and registered in the Republic of Lithuania. This may also include permanent establishments of foreign entities in Lithuania.

In accordance with provisions of the Law on Corporate Income Tax of the Republic of Lithuania any income of a Lithuanian entity (legal person) from the Notes, including an interest, shall be considered as the taxable income of the entity. Having disposed of the Notes a Lithuanian entity shall recognize the gain (the difference between the Notes purchase and sale price). The income from the Notes interest and the gain from the disposal of the Notes shall be included into the overall taxable result of the Lithuanian entity that shall be subject to taxation in the manner set forth in the Law on Corporate Income Tax of the Republic of Lithuania.

Non-Resident Entities

Since the Issuer is a non-resident entity for Lithuanian taxation purposes, the income of the non-resident entity from the Notes (i.e. interest income and income from the transfer of the Notes) will not be subject to tax in Lithuania.

EU Savings Directive

In accordance with the EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State.

On 24 March 2014, the Council of the EU adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also apply a “look through approach” to payments made via certain persons, entities or legal arrangements (including trusts and partnerships), where certain conditions are satisfied, where an individual resident in a Member State is regarded as the beneficial owner of the payment for the purposes of the Directive. This approach may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the EU.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), deducting tax at a rate of 35 per cent. Luxembourg, which before 1 January 2015 also operated a withholding tax under the transitional rules, has now replaced such withholding tax with the information reporting regime described above. Luxembourg has announced that it will no longer apply the withholding tax system as from 1

January 2015 and will provide details of payments of interest (or similar income) as from this date. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Investors who are in any doubt should consult their professional advisers.

DOCUMENTS ON DISPLAY

Copies of the following documents during validity of this Base Prospectus are available on the Company's website www.latvenergo.lv and at the legal address of the Company at Pulkveža Brieža 12, Riga, Latvia on weekdays within the limits of normal business hours:

(a) Articles of Association of the Company;
(b) Latvenergo Consolidated Annual Report for the financial year ended 31 December 2014 (prepared according to IFRS);
(c) Latvenergo Consolidated Annual Report for the financial year ended 31 December 2013 (prepared according to IFRS);
(d) Latvenergo Unaudited Interim Condensed Consolidated Financial Statements for the 3 months period ended 31 March 2015 (prepared according to IFRS); and
(e) Latvenergo Unaudited Interim Condensed Consolidated Financial Statements for the 3 months period ended 31 March 2014 (prepared according to IFRS).

DEFINITIONS

Accrual Date	shall have the meaning assigned to it in Clause 10 of the General Terms and Conditions
Annual Interest Rate	shall mean the fixed annual interest rate
Arranger of the Programme	shall mean AS SEB banka (registration number: 40003151743, legal address: Meistaru 1, Valdlauči, Ķekava parish, Ķekava region, LV-1076, Latvia)
Base Prospectus	shall mean this Base Prospectus
Business Day	shall mean a day on which banks in Riga are open for general business
Change of Control	shall have the meaning assigned to it in Clause 16 of the General Terms and Conditions
CHPPs	shall mean combined heat and power plants
Cicero	shall mean the Center for International Climate and Environmental Research - Oslo, a Norwegian independent institute for interdisciplinary climate research
Cicero Opinion	shall mean a second-party opinion issued by Cicero regarding the suitability of the Notes as an investment in connection with certain environmental and sustainability criteria
Company or Issuer	shall mean Latvenergo AS (registration number 40003032949 and its registered address is Pulkveža Brieža 12, Riga, LV-1230)
Competitive Purchase Orders	shall have the meaning assigned to in Clause 4 of the Section Placement of the Notes
Confirmation	shall have the meaning assigned to in Clause 7 of the Section Placement of the Notes
EEA	shall mean European Economic Area
Elements	shall mean disclosure requirements, as described in the Summary
EU	shall mean European Union
EUR, euro or €	shall mean the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant, and as defined in Article 2 of the Council Regulation (EC) No.974/98 of 3 May 1998 on the introduction of the euro, as amended
EURELECTRIC	shall mean the Union of the Electricity Industry of Europe
Event of Default	shall have the meaning assigned to in Clause 18 of the General Terms and Conditions
Final Terms	shall mean the final terms of the relevant Tranche of the Notes

Final Yield to Maturity	shall have the meaning assigned to in Clause 7 of the Section Placement of the Notes
First Interest Period	shall have the meaning assigned to it in Clause 10 of the General Terms and Conditions
Functional Currency	shall meen the currency of the primary economic environment in which the Group's entity operates
General Terms and Conditions	shall mean the general terms and conditions of the notes
Group	shall mean Latvenergo AS together with its consolidated subsidiaries or shall have the meaning assigned to in Clause 17 of the General Terms and Conditions, respectively
HPPs	shall mean the hydropower plants
IFRS	shall mean International Financial Reporting Standards
Indebtedness	shall have the meaning assigned to in Clause 17 of the General Terms and Conditions
Interest Payment Date	shall mean the interest payment date specified in the Final Terms
Investor`s Currency	shall have the meaning assigned to under in risk factor *"Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes"*
Issuing Agent	shall mean AS SEB banka (registration number: 40003151743, legal address: Meistaru 1, Valdlauči, Ķekava parish, Ķekava region, LV-1076, Latvia)
Issue Date	shall mean the issue date of each Tranche of the Notes
Issue Price	shall mean the issue price of the Notes
Issuer	shall mean Latvenergo AS (registration number 40003032949 and its registered address is Pulkveža Brieža 12, Riga, LV-1230)
LCD	shall mean Latvian Central Depository (Latvijas Centrālais depozitārijs AS, registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia)
LVL, lats or Ls	shall mean the lawful currency of the Republic of Latvia through 31 December 2013
Material Subsidiary	shall have the meaning assigned to in Clause 18 of the General Terms and Conditions
Maturity Date	shall mean the date specified in the Final Terms on which the Notes shall be repaid in full at their nominal amount
Member State	shall mean Member State of the European Economic Area
Minimum Investment Amount	shall mean the minimum investment amount for subscription of the Notes, as specified in the Final Terms

NASDAQ Riga	shall mean NASDAQ OMX Riga AS (registration number: 40003167049, legal address: Vaļņu 1, Riga, LV-1050, Latvia)
Non-competitive Purchase Orders	shall have the meaning assigned to in Clause 4 of the Section Placement of the Notes
Noteholders	shall mean the holders of the Notes
Noteholders' Meeting	shall mean the meeting of the Noteholders or meeting of the Noteholders of the relevant Series of Notes
Notes	shall mean the notes to be issued under the Programme
Placement Period	shall mean the placement period for each Tranche of the Notes, as specified in the Final Terms
Permitted Security Interest	shall have the meaning assigned to in Clause 17 of the General Terms and Conditions
Prepayment Date	shall have the meaning assigned to it in Clause 16 of the General Terms and Conditions
Project Company	shall have the meaning assigned to in Clause 17 of the General Terms and Conditions
Project Finance Indebtedness	shall have the meaning assigned to in Clause 17 of the General Terms and Conditions
Prospectus Directive	shall mean Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State)
PSO fee	shall mean mandatory procurement public service obligation fee
PUC	shall mean the Public Utilities Commission
Purchase Orders	shall mean orders of the investors to acquire the Notes
Qualifying Purchase Orders	shall have the meaning assigned to in Clause 4 of the Section Placement of the Notes
Relevant Indebtedness	shall have the meaning assigned to in Clause 17 of the General Terms and Conditions
Riga TEC-1	shall mean Riga 1st combined heat and power plant
Riga TEC-2	shall mean Riga 2nd combined heat and power plant
Securities Act	shall mean the U.S. Securities Act of 1933
Security Interest	shall have the meaning assigned to in Clause 17 of the General Terms and Conditions
Series of Notes	shall mean any series of notes

SET	shall mean Subsidised Electricity Tax
Subsidiary	shall have the meaning assigned to in Clause 17 of the General Terms and Conditions
Tranche	shall have the meaning assigned to in Clause 1 of the General Terms and Conditions
Updated Yield to Maturity Range	shall have the meaning assigned to in Clause 5 of the Section Placement of the Notes
Yield to Maturity	shall have the meaning assigned to in Clause 4 of the Section Placement of the Notes
Yield to Maturity Range	shall have the meaning assigned to in Clause 5 of the Section Placement of the Notes
Taxes	shall mean any present or future taxes, duties, assessments or governmental charges of whatever nature
2010 PD Amending Directive	shall mean Directive 2010/73/EU

GLOSSARY

“A”	Ampere, a unit for measuring allowed load, which is usually limited by the main fuse
“GW”	Gigawatts, a unit for measuring the capacity to produce electricity. One gigawatt equals 1,000,000,000 watts
“GWh”	Gigawatt hours, a unit for measuring the generation and consumption of electricity
“kV”	Kilovolts, a unit for measuring voltage or electrical tension. One kilovolt equals 1,000 volts
“kWh”	Kilowatt hours, a unit for measuring the generation and consumption of electricity. One thousand watts over the period of an hour
“MVA”	Megavolt ampere, a unit of measure of apparent power
“MW”	Megawatts, a unit for measuring the capacity to produce electricity. One megawatt equals 1,000,000 watts
“MWh”	Megawatt hours, a unit for measuring the generation and consumption of electricity. One million watts over the period of an hour
“TW”	Terawatts. A unit for measuring the capacity to produce electricity. One terawatt equals 100,000,000,000 watts
“TWh”	Terawatt hours, a unit for measuring the generation and consumption of electricity. One terawatt hour is equal to sustained electricity consumption of approximately 114 MW for a period of one year

CROSS-REFERENCE LIST

A cross-reference list below identifies the pages where each item of Annexes IV and V of the Commission Regulation (EC) No. 809/2004 can be found in the Base Prospectus.

	Items of Annexes IV of the Commission Regulation (EC) No. 809/2004	Page number
1.	**PERSONS RESPONSIBLE**	
1.1.	All persons responsible for the information given in the Registration Document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.	72
1.2.	A declaration by those responsible for the registration document that, having taken all reasonable care to ensure that such is the case the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	72
2.	**STATUTORY AUDITORS**	
2.1.	Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).	73
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.	N/A
3.	**SELECTED FINANCIAL INFORMATION**	
3.1.	Selected historical financial information regarding the issuer, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide key figures that summarise the financial condition of the issuer.	109
3.2.	If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet data is satisfied by presenting the year end balance sheet information.	109
4.	**RISK FACTORS** Prominent disclosure of risk factors that may affect the issuer's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors".	59-71
5.	**INFORMATION ABOUT THE ISSUER**	
5.1.	**History and development of the Issuer:**	
5.1.1.	the legal and commercial name of the issuer;	92
5.1.2.	the place of registration of the issuer and its registration number;	92
5.1.3.	the date of incorporation and the length of life of the issuer, except where indefinite;	92
5.1.4.	the domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office);	92
5.1.5.	any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.	N/A
5.2.	**Investments**	
5.2.1.	A description of the principal investments made since the date of the last published financial statements.	101-102
5.2.2.	Information concerning the issuer's principal future investments, on which its	101-102

	management bodies have already made firm commitments.	
5.2.3.	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2.	102-103
6.	**BUSINESS OVERVIEW**	
6.1.	**Principal activities:**	
6.1.1.	A description of the issuer's principal activities stating the main categories of products sold and/or services performed; and	96-100
6.1.2.	an indication of any significant new products and/or activities	96-100
6.2.	**Principal markets** A brief description of the principal markets in which the issuer competes	96-100
6.3.	The basis for any statements made by the issuer regarding its competitive position.	97
7.	**ORGANISATIONAL STRUCTURE**	
7.1.	If the issuer is part of a group, a brief description of the group and of the issuer's position within it.	104
7.2.	If the issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.	N/A
8.	**TREND INFORMATION**	
8.1.	Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements. In the event that the issuer is unable to make such a statement, provide details of this material adverse change.	111
8.2.	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.	111
9.	**PROFIT FORECASTS OR ESTIMATES** If an issuer chooses to include a profit forecast or a profit estimate, the registration document must contain the information items 9.1 and 9.2:	N/A
9.1.	A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate. There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions must be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the forecast.	N/A
9.2.	A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated, and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer. Where financial information relates to the previous financial year and only contains non-misleading figures substantially consistent with the final figures to be published in the next annual audited financial statements for the previous financial year, and the explanatory information necessary to assess the figures, a report shall not be required provided that the prospectus includes all of the following statements: (a) the person responsible for this financial information, if different from the one which is responsible for the prospectus in general, approves that information; (b) independent accountants or auditors have agreed that this information is substantially consistent with the final figures to be published in the next annual audited financial statements; (c) this financial information has not been audited.	N/A
9.3.	The profit forecast or estimate must be prepared on a basis comparable with the	N/A

	historical financial information.	
10.	**ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES**	
10.1.	Names, business addresses and functions in the issuer of the following persons, and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital.	105-106
10.2.	**<u>Administrative, Management, and Supervisory bodies conflicts of interests</u>** Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.	106
11.	**BOARD PRACTICES**	
11.1.	Details relating to the issuer's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.	107
11.2.	A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime(s). In the event that the issuer does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.	107
12.	**MAJOR SHAREHOLDERS**	
12.1.	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.	108
12.2.	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.	N/A
13.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**	
13.1.	Historical Financial Information Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member States national accounting standards for issuers from the Community. The most recent year's historical financial information must be presented and prepared in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements. If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least: (a) balance sheet; (b) income statement; (c) cash flow statement; and (d) accounting policies and explanatory notes. The historical annual financial information must have been independently audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.	110, Appendices
13.2.	**<u>Financial statements</u>** If the issuer prepares both own and consolidated financial statements, include at	110, Appendices

	least the consolidated financial statements in the registration document.	
13.3.	**Auditing of historical annual financial information**	
13.3.1.	A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.	110, Appendices
13.3.2.	An indication of other information in the registration document which has been audited by the auditors.	N/A
13.3.3.	Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is un-audited.	N/A
13.4.	**Age of latest financial information**	
13.4.1.	The last year of audited financial information may not be older than 18 months from the date of the registration document.	110, Appendices
13.5.	**Interim and other financial information**	
13.5.1.	If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is un-audited or has not been reviewed state that fact.	110, Appendices
13.5.2.	If the registration document is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is un-audited state that fact. The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet.	N/A
13.6.	**Legal and arbitration proceedings** Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.	110-111
13.7.	**Significant change in the issuer's financial or trading position** A description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.	111
14.	**ADDITIONAL INFORMATION**	
14.1.	**Share Capital**	
14.1.1.	The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.	112
14.2.	**Memorandum and Articles of Association.**	
14.2.1.	The register and the entry number therein, if applicable, and a description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association.	112
15.	**MATERIAL CONTRACTS** A brief summary of all material contracts that are not entered into in the ordinary course of the issuer's business, which could result in any group member being under an obligation or entitlement that is material to the issuer's ability to meet its obligation to security holders in respect of the securities being issued.	112

16.	**THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**	
16.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Registration Document.	74
16.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the issuer shall identify the source(s) of the information	74
17.	**DOCUMENTS ON DISPLAY** A statement that for the life of the registration document the following documents (or copies thereof), where applicable, may be inspected: - the memorandum and articles of association of the issuer; - all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document; - the historical financial information of the issuer or, in the case of a group, the historical financial information of the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the registration document. An indication of where the documents on display may be inspected, by physical or electronic means.	121

	Items of Annexes V of the Commission Regulation (EC) No. 809/2004	**Page number**
1.	**PERSONS RESPONSIBLE**	
1.1.	All persons responsible for the information given in the prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.	72
1.2.	A declaration by those responsible for the prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the prospectus that the information contained in the part of the prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	72
2.	**RISK FACTORS**	
2.1.	Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed “Risk Factors”.	59-71
3.	**KEY INFORMATION**	
3.1.	**Interest of natural and legal persons involved in the issue/offer** A description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest.	73
3.2.	**Reasons for the offer and use of proceeds** Reasons for the offer if different from making profit and/or hedging certain risks. Where applicable, disclosure of the estimated total expenses of the issue/offer and the estimated net amount of the proceeds. These expenses and proceeds shall be broken into each principal intended use and presented by order of priority of such uses. If the issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed.	73
4.	**INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING**	
4.1.	A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.	76-78
4.2.	Legislation under which the securities have been created.	76
4.3.	An indication of whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.	77
4.4.	Currency of the securities issue.	77
4.5.	Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer	77
4.6.	A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.	76-85

4.7.	The nominal interest rate and provisions relating to interest payable. - The date from which interest becomes payable and the due dates for interest - The time limit on the validity of claims to interest and repayment of principal Where the rate is not fixed, description of the underlying on which it is based and of the method used to relate the two and an indication where information about the past and the further performance of the underlying and its volatility can be obtained. - A description of any market disruption or settlement disruption events that affect the underlying - Adjustment rules with relation to events concerning the underlying - Name of the calculation agent If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.	77-78
4.8.	Maturity date and arrangements for the amortization of the loan, including the repayment procedures. Where advance amortization is contemplated, on the initiative of the issuer or of the holder, it shall be described, stipulating amortization terms and conditions	78
4.9.	An indication of yield. Describe the method whereby that yield is calculated in summary form	86-87
4.10.	Representation of debt security holders including an identification of the organisation representing the investors and provisions applying to such representation. Indication of where the public may have access to the contracts relating to these forms of representation	82
4.11.	In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.	N/A
4.12.	In the case of new issues, the expected issue date of the securities.	N/A
4.13.	A description of any restrictions on the free transferability of the securities.	77
4.14.	In respect of the country of registered office of the issuer and the country(ies) where the offer being made or admission to trading is being sought: - Information on taxes on the income from the securities withheld at source; - Indication as to whether the issuer assumes responsibility for the withholding of taxes at the source.	116-120
5.	**TERMS AND CONDITIONS OF THE OFFER**	
5.1.	**Conditions, offer statistics, expected timetable and action required to apply for the offer**	
5.1.1.	Conditions to which the offer is subject	N/A
5.1.2.	Total amount of the issue/offer; if the amount is not fixed, of the arrangements and time for announcing to the public the definitive amount of the offer.	76 and 87
5.1.3.	The time period, including any possible amendments, during which the offer will be open and description of the application process.	86
5.1.4.	A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	87
5.1.5.	Details of the minimum and/or maximum amount of application, (whether in number of securities or aggregate amount to invest).	76
5.1.6.	Method and time limits for paying up the securities and for delivery of the securities.	88
5.1.7.	A full description of the manner and date in which results of the offer are to be made public.	88
5.1.8.	The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.	N/A

5.2.	**Plan of distribution and allotment**	
5.2.1.	The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.	76
5.2.2.	Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made.	88
5.3.	**Pricing**	
5.3.1.	An indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser.	79 and 86-87
5.4.	**Placing and Underwriting**	
5.4.1.	Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extend known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.	76
5.4.2.	Name and address of any paying agents and depository agents in each country.	N/A
5.4.3.	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission.	77
5.4.4.	When the underwriting agreement has been or will be reached.	N/A
6.	**ADMISSION TO TRADING AND DEALING ARRANGEMENTS**	
6.1.	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, give the earliest dates on which the securities will be admitted to trading.	79
6.2.	All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Final Terms
6.3.	Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.	N/A
7.	**ADDITIONAL INFORMATION**	
7.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	73
7.2.	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.	N/A
7.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Securities Note.	74
7.4.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.	74

7.5.	Credit ratings assigned to an issuer or its debt securities at the request or with the cooperation of the issuer in the rating process. A brief explanation of the meaning of the ratings if this has previously been published by the rating provider.	74

APPENDICES

2014 Latvenergo Group Consolidated Annual Report

Financial Statements Prepared in Accordance
with International Financial Reporting Standards
as Adopted by the EU and Independent Auditor's Report

Content

Key Figures

	2014	2013	2012	2011	2010
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	1,010,757	1,099,893	1,063,691	962,453	804,246
EBITDA [1)]	236,838	248,694	244,103	254,670	294,334
Operating profit [2)]	49,243	61,091	70,234	74,053	87,639
Profit before tax [3)]	31,510	48,841	59,859	60,711	72,584
Profit	29,790	46,149	50,856	62,290	63,069
Dividends	31,479	23,605	40,618	56,773	49,801
Total assets	3,486,576	3,575,358	3,517,752	3,255,536	3,243,103
Non-current assets	3,109,253	3,128,064	3,102,019	2,883,583	2,763,546
Total equity	2,020,801	2,021,714	2,006,975	1,923,119	1,913,404
Borrowings	827,222	944,675	846,961	730,408	776,329
Net debt [4)]	706,211	689,252	604,468	575,492	443,000
Net cash flows from operating activities	135,329	146,540	214,526	256,685	228,461
Capital expenditure	177,607	224,868	264,260	282,757	181,472

		2014	2013	2012	2011	2010
Net debt / EBITDA ratio		3.0	2.8	2.5	2.3	1.5
EBITDA margin [5)]		23.4 %	22.6 %	22.9 %	26.5 %	36.6 %
Operating profit margin [6)]		4.9 %	5.6 %	6.6 %	7.7 %	10.9 %
Profit before tax margin [7)]		3.1 %	4.4 %	5.6 %	6.3 %	9.0 %
Profit margin [8)]		2.9 %	4.2 %	4.8 %	6.5 %	7.8 %
Capital ratio [9)]		58 %	57 %	57 %	59 %	59 %
Return on assets (ROA) [10)]		0.8 %	1.3 %	1.5 %	1.9 %	2.2 %
Return on equity (ROE) [11)]		1.5 %	2.3 %	2.6 %	3.2 %	4.0 %
Retail electricity supply	GWh	8,688	7,954	8,287	8,980	7,620
Electricity generated in power plants	GWh	3,625	4,854	5,077	5,285	5,869
Aggregate heat supply	GWh	2,442	2,517	2,669	2,524	2,928
Number of employees at the end of the year		4,563	4,512	4,457	4,490	4,517
Moody's credit rating of the Parent Company		Baa2 (stable)*	Baa3 (stable)	Baa3 (stable)	Baa3 (stable)	Baa3 (stable)

* Credit rating upgraded on 16th February 2015

[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)] Operating profit – earnings before income tax, finance income and costs
[3)] Profit before tax – earnings before income tax
[4)] Net debt – borrowings at the end of the year minus cash and cash equivalents at the end of the year
[5)] EBITDA margin – EBITDA / revenue
[6)] Operating profit margin – operating profit / revenue
[7)] Profit before tax margin – profit before tax / revenue
[8)] Profit margin – profit / revenue
[9)] Capital ratio – total equity / total assets
[10)] Return on assets (ROA) – profit / average value of assets (assets at the beginning of the year + assets at the end of the year / 2)
[11)] Return on equity (ROE) – profit / average value of equity (equity at the beginning of the year + equity at the end of the year / 2)

Management Report

Latvenergo Group is a pan-Baltic power supply utility operating in generation and supply of electricity and thermal energy, provision of electricity distribution services and management of transmission system assets.

In 2014, Latvenergo Group has successfully retained its leadership in electricity supply on the Baltic market, supplying 9 % more electricity to Baltic retail customers reaching a total volume of 8,688 GWh (2013: 7,954 GWh). Most significantly electricity supply increased outside Latvia – in Lithuania and Estonia, where it increased almost by a half compared to the previous year and reached 3,053 GWh. Also, the number of customers in neighbouring countries has increased by more than one-fifth reaching approximately 34 thousands as at the end of 2014.

More than 1/3 of retail electricity supply in Lithuania and Estonia

In 2014, the total amount of electricity generated by the power plants of Latvenergo Group was 3,625 GWh (2013: 4,854 GWh). Compared to 2013, electricity output at Daugava HPPs decreased by 32 % or 926 GWh due uncommonly low water inflow in the Daugava River – the lowest since the 1976. Likewise, electricity generation at Riga combined heat and power plants (Riga CHPPs) decreased by 309 GWh or 16 % compared to the previous year. Reduction of electricity output at Riga CHPPs was mainly determined by change in support mechanism for large cogeneration plants, not providing compensation for natural gas and other electricity generation variable costs, thus Riga CHPPs operated in market conjuncture effectively planning operating modes and fuel consumption.

In 2014, the total amount of thermal energy generated by Latvenergo Group was 2,488 GWh (2013: 2,566). The decrease was determined by warmer weather conditions during the heating season.

In 2014, Latvenergo Group revenue was EUR 1,010.8 million (2013: EUR 1,099.9 million).

The decrease in revenue was mainly due to change in mandatory procurement accounting principles as of 1st of April 2014 along with the establishment of Enerģijas publiskais tirgotājs AS, as the mandatory procurement public service obligation (PSO) fee revenues are no longer included in revenue of the Latvenergo Group.

Latvenergo Group EBITDA was EUR 236.8 million in 2014 (2013: EUR 248.7 million), but profit was EUR 29.8 million (2013: EUR 46.1 million). The results of the Group were negatively impacted by significantly lower output at Daugava HPPs. Besides, the lost revenues due to electricity supply at the regulated tariff in Latvia, which is below the market price, are estimated at EUR 48.2 million in 2014.

In 2014, the total amount of investments was EUR 177.6 million (2013: EUR 224.9 million). Decrease of investments was mainly due to completion of the Riga TEC–2 second power unit reconstruction project in late 2013 and lower investments in the final phase of the second stage of the *Kurzeme Ring* project transmission line construction.

The amount invested in networks represents 74 % of the total investments

Latvenergo Group has invested a significant amount in modernisation of the network to improve the quality of network services, technical parameters and safety. In 2014, the amount invested in the network represents 74 % of the total investments. As a result of these investments the losses in distribution network have decreased – during the period from 2010 to 2014 the electricity distribution losses have decreased by 25 %. Likewise, the Group continuously invests in environmentally friendly and environmental development projects – in 2014, almost EUR 10 million were invested in Daugava HPPs hydropower unit reconstruction.

In August 2014, 330 kV electricity transmission line connection *Grobiņa–Ventspils* of the *Kurzeme Ring* project was commissioned thus completing the second stage of the *Kurzeme Ring* project. The final stage of the project *Ventpils–Tume–Rīga* has been included in the indicative funding allocation list of the European Commission assigning 45 % co–funding. As a result of the project implementation safety in Kurzeme region and in Latvia as whole has significantly increased enabling future opportunity to use the Lithuania–Sweden marine cable *NordBalt* and access to the Nordic electricity market.

Second stage of the *Kurzeme Ring* project is completed

Latvenergo Group regularly sources borrowed capital to ensure the required funding for investment programme of following years and debt repayment. In late 2014, two activities were completed within the borrowed capital sourcing plan: procurement of bank loans was finalised in November 2014, attracting borrowed funds in the amount of EUR 150 million with maturity of 5 and 7 years and, in December 2014, a loan agreement for EUR 100 million was concluded with European Investment Bank.

The net borrowings of Latvenergo Group have increased due to investments in the reconstruction of network assets and reached EUR 706.2 million (2013: EUR 689.3 million) as at 31st of December 2014, while the net debt/ EBITDA ratio was 3.0 (2013: 2.8). Latvenergo Group maintains stable capital structure and in the end of 2014 the equity is 58 % of total assets (31/12/2013: 57 %), which is considered to be an appropriate rate within the industry.

Funding of EUR 250 million has been raised

In early 2015, the international rating agency Moody's Investors Service has raised Latvenergo AS credit rating to Baa2 with a stable outlook.

Activities of the Latvenergo Group are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. In order to maintain financial stability the Group used various financial risk control and limiting activities, as well the Group uses derivative financial instruments to hedge certain risk exposures (see Note 3).

2014 is the middle point of the period of Latvenergo Group's strategy. Accomplishments during this period – gained 1/3 market share in the Baltics, completion of Riga CHPPs reconstruction programme and reconstruction of HPPs hydropower units according to the plan, completion of the second stage of *Kurzeme Ring* and modernisation of the distribution network according to the distribution development plan indicate successful progress towards achieving Latvenergo Group's strategic goals for 2016 – strengthening of the market position in the Baltics, diversification of electricity generation sources and balanced development of networks. The accomplishment of the strategic goals will be continued also in the following two years of the strategic period.

Events after the reporting period

According to the Electricity Market Law, the electricity market for households in Latvia is open since 1st of January 2015. Until that, Latvenergo AS ensured electricity supply for households in Latvia according to the regulated tariff, which was lower than the market price.

Likewise, according to the Electricity Market Law, in 2015, Latvenergo AS has to supply electricity to protected users (poor or low–income persons, large families), compensating them electricity price increase due to the market opening.

Other significant events after the end of the reporting period that would materially affect the financial position of the Group are disclosed in Note 27 of the Consolidated Financial Statements.

Statement of management responsibility

Based on the information available to the Management Board of Latvenergo AS, in all material aspects Latvenergo Consolidated Annual Report 2014 has been prepared in accordance with applicable laws and regulations and gives a true and fair view of assets, liabilities, financial position, profit or loss, equity and cash flows of the Latvenergo Group. All information included in the Management report is true.

Profit distribution

Fulfilling the requirements of the Law on State and Municipality Owned Shares and Companies, the Law on the Management of State–Owned Capital Shares and Capital Companies (centered into force on 1st of January 2015), Regulations No. 1471 of 15 December 2009 on Procedure how to determine and transfer to the State Budget the share of the profit payable for use of State Capital, the Management Board of Latvenergo AS proposes to allocate profit for the year of Latvenergo AS in the amount of EUR 31.5 million to be paid out in dividends and the rest of the profit to be transferred to Latvenergo AS reserves.

The distribution of profit for 2014 is subject to a resolution of Latvenergo AS Shareholders' Meeting.

The Management Board of Latvenergo AS:

Āris Žīgurs	**Zane Kotāne**	**Uldis Bariss**	**Māris Kuņickis**	**Arnis Kurgs**
Chairman of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

14th of April 2015

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

	Notes	2014	2013
		EUR'000	EUR'000
Revenue	6	1,010,757	1,099,893
Other income	7	5,273	4,050
Raw materials and consumables used	8	(621,285)	(701,453)
Personnel expenses	9	(97,954)	(95,074)
Depreciation, amortisation and impairment of property, plant and equipment	13 a,14 a	(187,595)	(187,603)
Other operating expenses	10	(59,953)	(58,722)
Operating profit		**49,243**	**61,091**
Finance income	11 a	3,004	4,529
Finance costs	11 b	(20,380)	(17,840)
Share of profit / (loss) of associates	15	(357)	1,061
Profit before tax		**31,510**	**48,841**
Income tax	12	(1,720)	(2,692)
Profit for the year		**29,790**	**46,149**
Profit attributable to:			
- Equity holders of the Parent Company		28,515	44,305
- Non–controlling interests		1,275	1,844
Basic earnings per share (in euros)	20 c	0.023	0.049
Diluted earnings per share (in euros)	20 c	0.023	0.049

Consolidated Statement of Comprehensive Income

	Notes	2014	2013
		EUR'000	EUR'000
Profit for the year		**29,790**	**46,149**
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods (net of tax):			
(Losses) / gains from change in hedge reserve	20 a, 21 c	(6,495)	8,844
(Losses) / gains on currency translation differences	20 a	(14)	14
Net other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods		**(6,509)**	**8,858**
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods (net of tax):			
Gains on revaluation of property, plant and equipment	20 a	14	97
Gains / (losses) as a result of re–measurement on defined post-employment benefit plan	22 a	159	(307)
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		**173**	**(210)**
Other comprehensive (loss) / income for the year, net of tax		**(6,336)**	**8,648**
Total comprehensive income for the year		**23,454**	**54,797**
Attributable to:			
- Equity holders of the Parent Company		22,179	52,953
- Non–controlling interests		1,275	1,844

The notes on pages 10 to 61 are an integral part of these Consolidated Financial Statements.

The Management Board of Latvenergo AS:

Āris Žīgurs
Chairman of the Management Board

Zane Kotāne
Member of the Management Board

Uldis Bariss
Member of the Management Board

Māris Kuņickis
Member of the Management Board

Arnis Kurgs
Member of the Management Board

14th of April 2015

Consolidated Statement of Financial Position

	Notes	31/12/2014	31/12/2013
		EUR'000	EUR'000
ASSETS			
Non–current assets			
Intangible assets	13 a	13,011	11,130
Property, plant and equipment	14 a	3,066,316	3,086,775
Investment property	14 b	1,343	1,473
Non-current financial investments	15	41	41
Other non-current receivables		14	57
Investments in held–to–maturity financial assets	21 a	28,528	28,588
Total non-current assets		**3,109,253**	**3,128,064**
Current assets			
Inventories	16	22,560	21,634
Trade receivables and other receivables	17 a, b	233,752	161,560
Current financial investments	15	-	8,060
Derivative financial instruments	21 c	-	617
Cash and cash equivalents	18	121,011	255,423
Total current assets		**377,323**	**447,294**
TOTAL ASSETS		**3,486,576**	**3,575,358**

	Notes	31/12/2014	31/12/2013
		EUR'000	EUR'000
EQUITY			
Share capital	19	1,288,446	1,288,011
Reserves	20 a	645,829	652,418
Retained earnings		79,995	74,832
Equity attributable to equity holders of the Parent Company		2,014,270	2,015,261
Non–controlling interests		6,531	6,453
Total equity		**2,020,801**	**2,021,714**
LIABILITIES			
Non–current liabilities			
Borrowings	21 b	688,297	805,192
Deferred income tax liabilities	12	268,026	269,116
Provisions	22	15,588	15,597
Derivative financial instruments	21 c	11,698	6,238
Other liabilities and deferred income	23	194,474	170,152
Total non-current liabilities		**1,178,083**	**1,266,295**
Current liabilities			
Trade and other payables	24	**139,909**	**130,667**
Income tax payable		3	3
Borrowings	21 b	138,925	139,483
Derivative financial instruments	21 c	8,855	17,196
Total current liabilities		287,692	287,349
TOTAL EQUITY AND LIABILITIES		**3,486,576**	**3,575,358**

The notes on pages 10 to 61 are an integral part of these Consolidated Financial Statements.

The Management Board of Latvenergo AS:

Āris Žīgurs
Chairman of the Management Board

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Member of the Management Board

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Member of the Management Board

Māris Kuņickis
Member of the Management Board

Arnis Kurgs
Member of the Management Board

14th of April 2015

Consolidated Statement of Changes in Equity

	Notes	Attributable to equity shareholders of the Parent Company				Non–controlling interests	TOTAL
		Share capital	Reserves	Retained earnings	Total		
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
As at 31st of December 2012		**1,287,137**	**644,113**	**70,803**	**2,002,053**	**4,922**	**2,006,975**
Increase in share capital	19	874	-	-	874	-	**874**
Dividends for 2012	20 b	-	-	(40,619)	(40,619)	(313)	**(40,932)**
Total contributions by and distributions to equity holders of the Parent Company, recognised directly in equity		**874**	**-**	**(40,619)**	**(39,745)**	**(313)**	**(40,058)**
Profit for the year		-	-	44,305	44,305	1,844	**46,149**
Other comprehensive income	20 a	-	8,305	343	8,648	-	**8,648**
Total comprehensive income		**-**	**8,305**	**44,648**	**52,953**	**1,844**	**54,797**
As at 31st of December 2013		**1,288,011**	**652,418**	**74,832**	**2,015,261**	**6,453**	**2,021,714**
Increase in share capital	19	435	-	-	435	-	**435**
Dividends for 2013	20 b	-	-	(23,605)	(23,605)	(1,197)	**(24,802)**
Total contributions by and distributions to equity holders of the Parent Company, recognised directly in equity		**435**	**-**	**(23,605)**	**(23,170)**	**(1,197)**	**(24,367)**
Profit for the year		-	-	28,515	28,515	1,275	**29,790**
Other comprehensive (loss) / income	20 a	-	(6,589)	253	(6,336)	-	**(6,336)**
Total comprehensive (loss) / income		**-**	**(6,589)**	**28,768**	**22,179**	**1,275**	**23,454**
As at 31st of December 2014		**1,288,446**	**645,829**	**79,995**	**2,014,270**	**6,531**	**2,020,801**

The notes on pages 10 to 61 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Notes	2014	2013
		EUR'000	EUR'000
Cash flows from operating activities			
Profit before tax		31,510	48,841
Adjustments:			
– Amortisation, depreciation and impairment of property, plant and equipment	13 a, 14 a	187,595	187,603
– Loss from disposal of non–current assets		2,470	3,068
– Losses / (gains) on investments accounting at equity method	15	357	(1,061)
– Interest costs	11 b	20,351	21,500
– Interest income	11 a	(2,045)	(2,170)
– Fair value (gains) / losses on derivative financial instruments	8, 11	(8,759)	2,261
– Increase in provisions	22	150	339
– Unrealised losses / (gains) on currency translation differences	11 a, b	65	(122)
Operating profit before working capital adjustments		**231,694**	**260,259**
Decrease in inventories		2,468	1,322
Increase in trade and other receivables		(93,285)	(10,486)
Increase / (decrease) in trade and other payables		19,062	(64,800)
Cash generated from operating activities		**159,939**	**186,295**
Interest paid		(20,915)	(24,350)
Interest received		2,082	2,361
Income tax paid		(5,777)	(17,766)
Net cash flows from operating activities		**135,329**	**146,540**
Cash flows from investing activities			
Purchase of intangible assets and PPE		(177,988)	(209,812)
Proceeds from sales of investments	15	5,779	-
Proceeds on financing from EU funds and other financing		2,161	10,138
Proceeds from redemption of held–to–maturity assets		60	60
Net cash flows used in investing activities		**(169,988)**	**(199,614)**
Cash flows from financing activities			
Proceeds from issued debt securities (bonds)	21 b	-	84,835
Proceeds on borrowings from financial institutions	21 b	22,600	117,300
Repayment of borrowings	21 b	(139,695)	(105,174)
Dividends paid to non–controlling interests		(1,197)	(313)
Dividends received from associates		1,924	-
Dividends paid to equity holders of the Parent Company*		(12,649)	(30,644)
Net cash flows (used in) / generated from financing activities		**(129,017)**	**66,004**
Net (decrease) / increase in cash and cash equivalents		**(163,676)**	**12,930**
Cash and cash equivalents at the beginning of the year	18	255,423	242,493
Cash and cash equivalents at the end of the year**	**18**	**91,747**	**255,423**

* dividends declared for 2013 in the amount of EUR 23,605 thousand are settled partly by corporate income tax overpayment in the amount of EUR 10,956 thousand (dividends declared for 2012 – EUR 40,619 thousand are settled partly by corporate income tax overpayment in the amount of EUR 9,975 thousand);
** received government grant for mandatory procurement public service obligation costs compensation in the amount of EUR 29,264 has not be included in cash and cash equivalents at the end of the year because it is defined as restricted cash and cash equivalents (Note 18)

The notes on pages 10 to 61 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Corporate Information

All shares of public limited company Latvenergo or Latvenergo AS (hereinafter – the Parent Company) are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia. The registered address of the Company is 12 Pulkveža Brieža Street, Riga, LV–1230, Latvia. According to the Energy Law of the Republic of Latvia, Latvenergo AS is designated as a national economy object of State importance and, therefore, is not subject to privatisation.

Public limited company Latvenergo is power supply utility engaged in electricity and thermal energy generation, as well as supply of electricity. Latvenergo AS is one of the largest corporate entities in the Baltics.

Latvenergo AS heads the Latvenergo Group (hereinafter – the Group) that includes following subsidiaries:

- Sadales tīkls AS (since 18th of September 2006) with 100 % interest held;
- Elektrum Eesti OÜ (since 27th of June 2007) and its subsidiary Elektrum Latvija SIA (since 18th of September 2012) with 100 % interest held;
- Elektrum Lietuva UAB (since 7th of January 2008) with 100 % interest held;
- Latvijas elektriskie tīkli AS (since 10th of February 2011) with 100 % interest held;
- Liepājas enerģija SIA (since 6th of July 2005) with 51 % interest held;
- Enerģijas publiskais tirgotājs AS (since 25th of February 2014) with 100 % interest held.

Latvenergo AS and its subsidiaries Sadales tīkls AS, Latvijas elektriskie tīkli AS and Enerģijas publiskais tirgotājs AS are also shareholders with 48.15 % interest held in associated company Pirmais Slēgtais Pensiju Fonds AS that manages a defined-contribution corporate pension plan in Latvia.

On 26th of September 2013 Shareholder's Meeting of Latvenergo AS passed a decision outermination of Latvenergo AS participation in Nordic Energy Link AS. According to the Directive 2009/72/EC of the European Parliament and of the Council of 13th of July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, Latvenergo AS, as electricity generator and supplier, performed activities so that after 31st of December 2013 it would not be owner of the electricity transmission infrastructure. On 12th of February 2014 the Cabinet of Ministers of the Republic of Latvia adopted decision No. 67 „On Latvenergo AS termination of partnership in Nordic Energy Link AS" and on 19th of March 2014 at the Nordic Energy Link AS Shareholders' meeting was approved decision to liquidate Nordic Energy Link AS. In December 2014 Latvenergo AS terminated its shareholdering in Nordic Energy Link AS with 25 % interest held.

The Parent Company's shareholdering in subsidiaries, associates and other non-current financial investments is disclosed in Note 15.

Since 15th of August 2011 until the date of approving of the 2014 Annual Report, the Management Board of Latvenergo AS includes the following members: Āris Žīgurs (Chairman), Uldis Bariss, Māris Kuņickis, Arnis Kurgs and Zane Kotāne.

The Consolidated Financial Statements for year 2014 include the financial information in respect of the Parent Company and its subsidiaries for the year ending 31st of December 2014 and comparative information for year 2013. Financial Statements for year 2014 are prepared by comparability of financial results, and where it is necessary, comparatives for year 2013 are reclassified using the same principles applied for preparation of the 2014 Annual Report.

The Management Board of Latvenergo AS has approved the Consolidated Financial Statements on 14th of April 2015. The decision on approval of the Consolidated Financial Statements is made by Shareholder's Meeting.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where it is necessary comparatives are reclassified.

2.1. Basis of Preparation

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Due to the European Union's endorsement procedure, the standards and interpretations not approved for use in the European Union are presented in this note as they may have impact on the Consolidated Financial Statements in the following periods if endorsed.

The Consolidated Financial Statements are prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss as disclosed in accounting policies presented below.

All amounts shown in these Consolidated Financial Statements are presented in thousands of euros (EUR). Comparative figures for year 2013 are translated from Latvian lats (LVL) into euros using official currency rate of the Bank of Latvia 1 EUR = 0.702804 LVL, that conforms with the Latvian lats conversion rate to the euros determined by the European Central Bank in accordance with the ECOFIN decision passed by the European Union Council on 9th of July 2013.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Parent Company Management's best knowledge of current events and actions, actual results ultimately may differ from those. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 4.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The following new and/or amended International Financial Reporting Standards or interpretations published or revised during the reporting year, which became effective for the reporting period started from 1st of January 2014, have been adopted by the Group:

- Amendment to **IAS 27 "Separate Financial Statements"** – As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The implementation of this amendment had no impact on the financial statements of the Group.
- Amendment to **IAS 28 "Investments in Associates and Joint Ventures"** – As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment had no impact on the financial statements of the Group.
- Amendment to **IAS 32 "Financial Instruments: Presentation** – Offsetting Financial Assets and Financial Liabilities" – This amendment clarifies the meaning of "currently has a legally enforceable right to set–off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The implementation of this amendment had no impact on the financial statements of the Group.
- Amendment to **IAS 36 "Impairment of Assets"** – This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment did not have any impact on the financial position or performance of the Group.
- Amendment to **IAS 39 "Financial Instruments: Recognition and Measurement"** – The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment did not have any impact on the financial position or performance of the Group.
- **IFRS 10 "Consolidated Financial Statements"** – IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation – Special Purpose Entities. Management has assessed that the Group does not have entity controlled investments, except its subsidiaries owned by 51 % and above, that would be required to be consolidated by the Parent Company
- **IFRS 11 "Joint Arrangements"** – IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognise its relative share of assets, liabilities, revenues and expenses. The implementation of this amendment had no impact on the financial statements of the Group since it has no joint ventures.
- **IFRS 12 "Disclosures of Interests in Other Entities"** – IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures are also required such as disclosing the judgments made to determine control over another entity. The amendment did not have any impact on the financial position or performance of the Group, but certain additional disclosures added (see Note 15).
- Amendment to **IFRS 10, IFRS 12 and IAS 27 – Investment Entities** – The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment had no impact on the financial statements of the Group, as the parent of the Group is not an investment entity.

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which will become effective for the reporting periods started from 1st of January 2015 or later. At present the Management of the Group evaluates the impact or expected effect from adoption of these standards, but does not consider that any of these amendments will have significant effect to the Consolidated Financial Statements:

- Amendments to **IAS 1 "Presentation of financial statements: Disclosure Initiative"** (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU). The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Group has not yet evaluated the impact of the implementation of this standard, but considers that these amendments will have an effect to the Consolidated Financial Statements.
- Amendments to **IAS 16 "Property, Plant & Equipment" and IAS 38 "Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization"** (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU). The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue–based method is not considered to be an appropriate manifestation of consumption. Implementation of these amendments will not have an effect to the Consolidated Financial Statements as the Group does not use revenue based depreciation and amortisation methods.
- Amendments to **IAS 27 "Equity method in separate financial statements"** (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group has not yet evaluated the impact of the implementation of this standard, but considers that these amendments will not have an effect to the Consolidated Financial Statements.
- **IFRS 9 "Financial Instruments"** (effective for financial years beginning on or after 1st of January 2018, once endorsed by the EU). *IFRS 9* will replace *IAS 39* and will have effect on the classification and measurement framework for financial assets, impairment of financial assets and hedge accounting. The Group has not yet evaluated the impact of the implementation of this standard, but considers that this standard will have an effect to the Consolidated Financial Statements.
- Amendments to **IFRS 10** and **IAS 28** – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of this standard, but does not consider that any of these amendments will have significant effect to the Consolidated Financial Statements.
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for financial years beginning on or after 1st of January 2017, once endorsed by the EU). IFRS 15 establishes a five–step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management still evaluating whether adoption of this IFRS will have an impact on the presentation of revenue disclosures in the Consolidated Financial Statements and financial position or performance of the Group.

The Management of the Group plans to adopt the above mentioned standards and interpretations that were applicable for the Group on their effectiveness date.

Standards issued but not yet effective and not applicable for the Group

- **Amendments to IAS 19 "Employee Benefits"** (effective for financial years beginning on or after 1st of February 2015). The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group.
- **Amendments to IFRS 10, IFRS 12** and IAS 28 – "Investment Entities: Applying the consolidation exception" (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU). The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of these amendments will have no impact on the financial statements of the Group, as the parent of the Group is not an investment entity.
- **Amendment to IFRS 11 "Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations"** (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU). IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. Management has assessed that this amendment will have no impact on the financial statements of the Group, as the Group has not any interests in joint ventures and joint operations.
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU). IFRS 14 provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities. The implementation of this standard will not have any impact on the Group since the Group is not first–time adopter of IFRS.

The Management of the Group will not adopt these amendments because they will not be applicable for the Group.

Improvements to IFRSs

- In December 2013 the IASB issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to the following IFRSs (effective for financial years beginning on or after 1st of January 2015): IFRS 1 First-time adoption of IFRS, IFRS 3 Business Combinations, IFRS 13 Fair value Measurement and IAS 40 Investment Property; and to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1st of February 2015) – IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets.
- In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1st of January 2016, once endorsed by the EU): IFRS 5 Non-current Assets Held for Sale and Discontinued Operation, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

IFRIC Interpretation 21 Levies (effective for financial years beginning on or after 17th of June 2014). This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognised in the financial statements when the activity that triggers the payment of the levy occurs. The Group has not yet evaluated the impact of the implementation of this interpretation.

2.2. Consolidation

a) Subsidiaries

Subsidiaries, which are those entities where the Group has control over the financial and operating policies of the entity, financial reports are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).

Subsidiaries' financial reports are consolidated from the date on which control is transferred to the Parent Company and are no longer consolidated from the date when control ceases. General information about entities included in consolidation and its primary business activities are disclosed in Note 15.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed to the Consolidated Statement of Profit or Loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the Statement of Profit or Loss.

Intercompany transactions, balances and unrealised gains on transactions between the Group's entities are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group's Parent Company. For purchases from non–controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the Group's equity.

c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and

50 % of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and are initially recognised at cost. Under this method the Group's share of its associate's post–acquisition profits and losses is recognised in the Consolidated Statement of Profit or Loss, and its share of post–acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post–acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associate equals or exceeds its interest in associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3. Disclosures of Operating Segments

For segment reporting purposes the Group allocates division into operating segments based on the Group's internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the chief operating decision maker.

The Group allocates its operations into three main operating segments – generation and supply, distribution and management of transmission system assets. In addition Corporate Functions, that covers administration and other support services, are presented separately.

2.4. Foreign Currency Translation

a) Functional and presentation currency

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the Group's entity operates ("the functional currency"). The Consolidated Financial Statements have been prepared in euros (EUR), which is the Parent Company's functional currency.

b) Transactions and balances

All transactions denominated in foreign currencies are translated into functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate at the last day of the reporting year. The resulting gain or loss is charged to the Consolidated Statement of Profit or Loss.

c) Consolidation of the Group's foreign companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper–inflationary economy) that have functional currency different from the presentation currency are translated into the presentation currency as follows:

1) Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
2) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions).

2.5. Intangible Assets

a) Licenses and software

Licenses and software are shown at historical cost less accumulated amortisation. Amortisation is calculated using the straight–line method to allocate the cost of licenses and software over their estimated useful lives (5 years). Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding a period of five years.

b) Greenhouse gas emission allowances

Emission rights for greenhouse gases (or allowances) are recognised at purchase cost. Allowances received from the Government free of charge are recognised at zero cost as off–balance sheet assets. Emission rights are recognised at cost when the Group is able to exercise the control. In those cases when the quantity of emitted greenhouse gases exceeds the quantity of allowances allocated by the state free of charge, the Group purchases additional allowances and carrying value of those allowances is determined on the basis of the market price of greenhouse gas emission allowances at the reporting period. Allowances are accounted for within 'Intangible assets' (see Note 13 b).

2.6. Property, Plant and Equipment

Property, plant and equipment (PPE) are stated at historical cost or revalued amount (see point 2.8) less accumulated depreciation and accumulated impairment loss.

The cost comprises the purchase price, transportation costs, installation, and other direct expenses related to the acquisition or implementation. The cost of the self-constructed item of PPE includes the cost of materials, services and workforce. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of an item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance expenses are charged directly to the Consolidated Statement of Profit or Loss when the expenditure is incurred. Borrowing costs are capitalised proportionally to the part of the cost of fixed assets under construction over the period of construction. Effective part of the changes in the fair value of forward foreign currencies exchange contracts, the purpose of which is to hedge currency exchange risk on PPE items, are also capitalised and included in the Consolidated Statement of Profit or Loss along with the expenses of depreciation over the useful life of the asset or at the disposal of the asset.

If an item of PPE consists of components with different useful lives, these components are depreciated as separate items. Homogenous items with similar useful lives are accounted for in groups.

Land is not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Type of property, plant and equipment	Estimated useful life, years
Buildings and facilities, including	
– Hydropower plants, combined heat and power plants	15 – 100
– Electricity transmission lines	30 – 50
– Electricity distribution lines	30 – 40
Technology equipment and machinery, including	
– Hydropower plants	10 – 40
– Combined heat and power plants	3 – 25
– Transmission and distribution machinery and equipment	10 – 40
Other property, plant and equipment	2 – 25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see point 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Those are included in the Consolidated Statement of Profit or Loss. If revalued property, plant and equipment have been sold, appropriate amounts are reclassified from revaluation reserve to retained earnings.

All fixed assets under construction are stated at historical cost and comprised costs of construction of assets. The initial cost includes construction and installation costs and other direct costs related to construction of fixed assets. Assets under construction are not depreciated as long as the relevant assets are completed and assigned for the operation.

2.7. Investment Property

Investment properties are land or a building or part of a building held by the Group as the owner to earn rentals or for capital appreciation, rather than for use in the production of goods or supply of services or for administrative purposes, or sale in the ordinary course of business. The investment properties are initially recognised at cost and subsequently measured at acquisition cost net of accumulated depreciation and impairment losses. The applied depreciation rates are based on estimated useful life set for respective fixed asset categories – from 15 to 80 years.

2.8. Revaluation of Property, Plant and Equipment

Revaluations have been made with sufficient regularity to ensure that the carrying amount of property, plant and equipment items subject to valuation does not differ materially from that which would be determined using fair value at the end of reporting period.

The following property, plant and equipment groups are revalued regularly but not less frequently than every five years:

a) Buildings and facilities, including
- Daugava hydropower plants' buildings and facilities,
- Buildings and facilities of transmission system,
- Buildings and facilities of distribution system;

b) Technology equipment and machinery, including
- Daugava hydropower plants' technology equipment and machinery,
- Technology equipment and machinery of transmission system,
- Technology equipment and machinery of distribution system;

c) Other property, plant and equipment, including
- Other PPE of Daugava hydropower plants',
- Other PPE of transmission system,
- Other PPE of distribution system.

Increase in the carrying amount arising on revaluation net of deferred tax is credited to the Consolidated Statement of Financial Position as "Property, plant and equipment revaluation reserve" in shareholders' equity. Decreases that offset previous increases of the same asset are charged in 'Other comprehensive income' and debited against the revaluation reserve directly in equity; all other decreases are charged to the current year's Consolidated Statement of Profit or Loss. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after the revaluation equals its revalued amount.

Property, plant and equipment revaluation reserve is decreased at the moment, when revalued asset has been eliminated or disposed.

Revaluation reserve cannot be distributed in dividends, used for indemnity, reinvested in other reserves, or used for other purposes.

2.9. Impairment of Assets

Assets that are subject to depreciation or amortisation and land are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects the current market expectations regarding the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash–generating unit to which the asset belongs. Impairment losses are recognised in the Other Comprehensive Income within PPE revaluation reserve for the assets accounted at revalued amount and in the Consolidated Statement of Profit or Loss within amortisation, depreciation and impairment charge expenses for the assets that are accounted at amortised historical cost and for the assets accounted at revalued amount in case if impairment charge exceeds revaluation surplus previously recognised on individual asset.

The key assumptions used in determining recoverable amount of the asset are based on the Group entities' or the Parent Company's management best estimation of the range of economic conditions that will exist over the remaining useful life of the asset, on the basis of the most recent financial budgets and forecasts approved by the management for a maximum period of 10 years. Assets are reviewed for possible reversal of the impairment whenever events or changes in circumstances indicate that impairment must be reviewed. The reversal of impairment for the assets that are accounted at amortised historical cost is recognised in the Consolidated Statement of Profit or Loss. Reversal of impairment loss for revalued assets is recognised in the Consolidated Statement of Profit or Loss to the extent that an impairment loss on the same revalued asset was previously recognised in the Consolidated Statement of Profit or Loss; the remaining reversals of impairment losses of revalued assets are recognised in Other Comprehensive Income.

2.10. Leases

a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Profit or Loss on a straight–line basis over the period of the lease (Note 14 e).

b) The Group is the lessor

Assets leased out under operating leases are recorded within property, plant and equipment at historic cost less depreciation and accumulated impairment loss. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over estimated useful life. Rental income from operating lease and advance payments received from clients (less any incentives given to lessee) are recognised in the Consolidated Statement of Profit or Loss on a straight-line basis over the period of the lease (Note 14e).

2.11. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using the weighted average method.

Purchase cost of inventories consists of the purchase price, import charges and other fees and charges, freight–in and related costs as well as other costs directly incurred in bringing the materials and goods to their present location and condition. The value of inventories is assigned by charging trade discounts, reductions and similar allowances.

Amount of inventories as of the end of reporting period is verified during stock–taking.

At the end of each reporting year the inventories are reviewed for any indications of obsolescence. In cases when obsolete or damaged inventories are identified allowances are recognised. During the reporting year at least each month revaluation of the inventories is performed with the purpose to identify obsolete and damaged inventories. Allowances for an impairment loss are recognised for those inventories.

The following basic principles are used in determining impairment losses for idle and obsolete inventories:

a) Inventories (spare parts, that are not considered as emergency reserve under property, plant and equipment) for machinery and equipment of hydropower plants and thermal power plants that haven't turned over during last 12 months are impaired in amount of 90 %,
b) Other inventories that haven't turned over during last 12 months are fully impaired,
c) Inventories (spare parts, that are not considered as emergency reserve under property, plant and equipment) for machinery and equipment of hydropower plants and thermal power plants that haven't turned over during last 6 months are impaired in amount of 45 %,
d) Other inventories that haven't turned over during last 6 months are impaired in amount of 50 %,
e) Allowances are not calculated for the inventory of heating materials necessary to ensure uninterrupted operations of heat power plants.

2.12. Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently carried at amortised cost or cost less impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of repayment. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered as indicators that the trade receivable is impaired.

Trade receivables are classified in groups:

a) Electricity receivables,
b) Heating receivables,
c) Other services trade receivables (IT & telecommunication services, connection service fees, distribution system services and services of transmission system assets construction, management and lease).

An allowance for impairment of doubtful debts is calculated on the basis of trade receivables aging analysis according to estimates defined by the Group entities management and the Parent Company's management, which are revised at least once a year. Allowances for electricity trade receivables are calculated for debts overdue 45 days, and, if the debt is overdue for more than 181 day, allowances are established at 100 %. For other trade receivables allowances are calculated for debts overdue 31 day, and, if the date of payment is overdue for more than 91 day, allowances are established at 100 % (see Note 17 a).

Individual impairment assessments are performed for the debtors:

a) In Latvia – if their debt balance exceeds EUR 700 thousand and debt repayment schedule has been individually agreed,
b) In Lithuania and Estonia – if their debt balance exceeds EUR 200 thousand and debt repayment schedule has been individually agreed,
c) If debtor has been announced as insolvent, allowances are established at 100 %.

The level of allowance for such type of debtors is based on the individual risk assessment of insolvency probability.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Statement of Profit or Loss within selling and customer services costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and customer services costs in the Consolidated Statement of Profit or Loss.

2.13. Cash and Cash Equivalents

Cash and cash equivalents include cash balances on bank accounts, demand deposits at bank and other short-term deposits with original maturities of three months or less. Cash and cash equivalents also are consisting of restricted cash, that are excluded from cash and cash equivalents in the Consolidated Statement of Cash Flows (see Note 18).

2.14. Dividend Distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Consolidated Financial Statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.15. Pensions and Employment Benefits

a) Pension obligations

The Group makes monthly contributions to a closed defined contribution pension plan on behalf of its employees. The plan is managed by the non–profit public limited company *Pirmais Slēgtais Pensiju Fonds*, with the participation of the Group companies amounting for 48.15 % of its share capital. A defined contribution plan is a pension plan under which the Group pays contributions into the plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions amount to 5 % of each pension plan member's salary. The Group recognizes the contributions to the defined contribution plan as an expense when an employee has rendered services in exchange for those contributions.

b) Provisions for post–employment obligations arising from collective agreement

In addition to the aforementioned plan, the Group provides certain post–employment benefits to employees whose employment meets certain criteria. Obligations for benefits are calculated taking into account the current level of salary and number of employees eligible to receive the payment, historical termination rates as well as number of actuarial assumptions.

The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method.

The liability recognised in the Consolidated Statement of Financial Position in respect of post–employment benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds. The Group uses projected unit credit method to establish its present value of fixed benefit obligation and related present and previous employment expenses. According to this method it has been stated that each period of work makes benefit obligation extra unit and the sum of those units comprises total Group's obligations of post–employment benefits. The Group uses objective and mutually compatible actuarial assumptions on variable demographic factors and financial factors (including expected remuneration increase and determined changes in benefit amounts).

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Consolidated Statement of Comprehensive Income in the period in which they arise. Past service costs are recognised immediately in the Consolidated Statement of Profit or Loss.

2.16. Income Tax

a) Corporate income tax

Latvia and Lithuania

Income tax expense for the period comprises current income tax and deferred income tax. Current income tax charges are calculated on current profit before tax using the tax rate 15 % in accordance with applicable tax regulations as adjusted for certain non-deductible expenses/non-taxable income and are based on the taxable income reported for the taxation period.

Estonia

Under the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The tax rate on the net dividends paid out of retained earnings is 21/79 (20/80 starting from 1st of January 2015). In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

b) Deferred income tax

Latvia and Lithuania

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit of the respective Group entity will be available against which the temporary differences can be utilised.

Tax incentives for new technological equipment are not considered when calculating deferred income tax.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Estonia

Due to the nature of the taxation system, the entities registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise.

2.17. Subsidised Energy Tax

In order to limit the increase of the mandatory procurement public service obligation fee for electricity consumers in Latvia, a Subsidised Energy Tax (SET) has been introduced for a four-year period as of 1st of January 2014, which applies to state support for generators of subsidised electricity. The SET applies both to income from electricity supplied under the mandatory procurement process as well as to mandatory procurement capacity payments for installed capacity at cogeneration plants. The tax is differentiated according to the type of energy sources used. For cogeneration plants that use fossil energy sources a 15 % tax rate applies to the received support (taxable income) amount, 10 % tax rate – plants that use renewable energy sources, 5 % – cogeneration plants that use gas, biogas and biomass energy sources and installed electrical capacity in cogeneration plants is over 4 MW. Taxpayers are all producers of subsidised electricity. Revenues from SET are used as a funding for the grant included in the State Budget programme "Electricity user support" to limit the increase of mandatory procurement public service obligation fee.

2.18. Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19. Provisions

Provisions are recognised when the Group has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are presented in the Consolidated Statement of Financial Position at the best estimate of the expenditure required to settle the present obligation at the end of reporting period. Provisions are used only for expenditures for which the provisions were originally recognised and are reversed if an outflow of resources is no longer probable.

Provisions are measured at the present value of the expenditures expected tto be required for settling the obligation by using pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation as a discount rate. The increase in provisions due to passage of time is recognised as interest expense.

Environmental protection provisions are recognised to cover environmental damages that have occurred before the end of the reporting period when this is required by law or when the Group's past environmental policies have demonstrated that the Group has a constructive present obligation to liquidate this environmental damage. Experts' opinions and prior experience in performing environmental work are used to set up the provisions (see Note 22 b).

2.20. Grants

Government grants are recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled. Government grants are received with the purpose to reduce the increase of mandatory procurement public service obligation fee partly compensating the increase of mandatory procurement costs. Acceptance from European Union is a prerequisite for use of the government grant received in 2014.

Property, plant and equipment received at nil consideration are accounted for as grants. Those grants are recognised at fair value as deferred income and are credited to the Consolidated Statement of Profit or Loss on a straight–line basis over the expected lives of the related assets.

Financing provided by European Union funds

The Group ensures the management, application of internal controls and accounting for the Group's projects financed by the European Union funds, according to the guidelines of the European Union and legislation of the Republic of Latvia.

Accounting of the transactions related to the projects financed by the European Union is ensured using separately identifiable accounts. The Group ensures separate accounting of financed projects with detailed income and expense, non–current investments and value added tax in the relevant positions of the Group's Consolidated Statement of Profit or Loss and Consolidated Statement of Financial Position.

2.21. Financial Instruments – Initial Recognition, Subsequent Measurement and De–recognition

a) Financial assets

I) Initial recognition and measurement

Financial assets within the scope of *IAS 39* are classified as financial assets at fair value through profit or loss, loans and receivables, held–to–maturity investments, available–for–sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

II) Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non–current. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the Consolidated Statement of Profit or Loss. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Held–to–maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. If the Group were to sell other than an insignificant amount of held–to–maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held–to–maturity financial assets with maturities more than 12 months from the end of the reporting period are included in non–current assets; however those with maturities less than 12 months from the end of the reporting period are classified as current assets.

The Group follows the *IAS 39* guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held–to–maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity (see Note 4 g).

If the Group fails to keep these investments to maturity other than for specific circumstances explained in *IAS 39*, it will be required to reclassify the whole class as available–for–sale. Therefore the investments would be measured at fair value not at amortised cost.

Purchases and sales of financial assets held–to–maturity are recognised on trade date – the date on which the Group commits purchase of the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Held–to–maturity financial assets are carried at amortised cost using the effective interest rate method, net of accumulated impairment losses. Gains and losses arising from changes in the amortised value of the financial instruments are included in the Consolidated Statement of Profit or Loss in the period in which they arise.

Available–for–sale financial assets

Available–for–sale financial assets include equity instruments and debt securities. After initial measurement available–for–sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available–for–sale financial assets reserve until the investment is derecognised.

III) De–recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

1) the rights to receive cash flows from the asset have expired,
2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities

I) Initial recognition and measurement

Financial liabilities within the scope of *IAS 39* are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

II) Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by *IAS 39*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

Loans and borrowings are recognised initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss, except for the capitalised part. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least for 12 months after the end of reporting period.

Trade and other payables

The Group’s trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

III) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.22. Derivative Financial Instruments and Hedging Activities

The Group uses derivatives such as forward foreign exchange contracts, interest rate swaps and electricity forward and future contracts to hedge risks associated with currency exposures, the interest rate and purchase price fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate (see point 2.23).

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature / content of the relevant asset or liability being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised liability or highly probable forecast transactions denominated in foreign currency (cash flow hedge). Other derivatives are accounted for at fair value through profit or loss.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of the derivative instruments is presented as current or non–current based on settlement date. Derivative instruments that have maturity of more than twelve months and have been expected to be hold for more than twelve months after the end of the reporting year are classified as non–current assets or liabilities. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity within ‘Hedging reserve’. The gain or loss relating to the ineffective portion, if such arise, would be recognised immediately in the Consolidated Statement of Profit or Loss.

Amounts accumulated in equity are recycled in the Consolidated Statement of Profit or Loss in the periods when the hedged item affects profit or loss.

The gain or loss relating to the ineffective portion of electricity forward and future contracts hedging variable electricity prices and interest rate swaps hedging variable rate borrowings is recognised in the Consolidated Statement of Profit or Loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss.

b) Fair value changes of derivatives through profit and loss

Changes in the fair value of derivatives at fair value through profit or loss, ineffective part of changes in the fair value of hedging derivatives and amounts accumulated in equity that are recycled to the Consolidated Statement of Profit or Loss, are classified according to the purpose of the derivatives – gains/ losses from electricity forward and future contracts are recognised within ‘Raw materials and consumables used’, while gains / losses from interest rate swap agreements and forward foreign currencies exchange contracts are recognised within ‘Finance costs’ or ‘Finance income’.

2.23. Fair Value Measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Such non–financial assets as investment properties are measured at amortised cost, but some items of property, plant and equipment at revalued amounts. Also fair values of financial instruments measured at amortised cost are disclosed in Note 21 d.

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated based on market prices and discounted cash flow models as appropriate (see Note 4 c).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. The quoted market prices used for financial assets held by the Group is the current bid prices.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group use a variety of methods and make assumptions that are based on market conditions existing at each end of reporting period. Estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows, by discounting their future contractual cash flows at current market interest rates for similar financial instruments.

The fair value of electricity forward and future contracts is calculated as discounted difference between actual market and settlement prices multiplied by the volume of the agreement.

If counterparty is a bank, then fair values of financial instruments are obtained from corresponding bank’s revaluation reports and in financial statements fair values of financial instruments as specified by banks are disclosed. In case of electricity forward and future contracts concluded with counterparties others than a bank; fair values as calculated by the Group are disclosed in Consolidated Financial Statements.

2.24. Revenue Recognition

Revenue comprises the value of goods sold and services rendered in the ordinary course of the Group’s activities. The Latvian regulatory authority (Public

Utilities Commission) determines tariffs for electricity and heat. Revenue is measured at the fair value of the consideration received or receivable, net of value–added tax, estimated returns, rebates and discounts. Revenue is recognised as follows:

a) Electricity sales

The Group records electricity sales to residential customers on the basis of reported meter readings. Where relevant, this includes an estimate of the electricity supplied between the date of the last meter reading and the year-end. Electricity sales to corporate customers are recognised on the basis of issued invoices according to meter readings of customers. Revenues from electricity sales to associated users are based on regulated tariffs approved by Public Utilities Commission, while revenues from market participants – on contractual prices included in electricity trade agreements. Revenues from trade of electricity in Nord Pool Spot power exchange are based on the calculated market prices.

b) Heat sales

The Group recognises revenue from sales of thermal energy at the end of each month on the basis of the meter readings.

c) Connection fees

When connecting to the electricity network, the clients must pay a connection fee that partly reimburses for the cost of infrastructure to be built to connect the client to the network. Connection fees are carried in the Consolidated Statement of Financial Position as deferred income and amortised to Consolidated Statement of Profit or Loss on a straight-line basis over the estimated customer relationship period.

d) Sales of distribution services

Revenues from electricity distribution services are based on regulated tariffs that are subject to approval by the Public Utilities Commission. The Group recognizes revenue from sales of distribution services at the end of each month on the basis of the automatically made meter readings or customers' reported meter readings.

e) Lease and management of transmission system assets

Revenues from lease and management of transmission system assets are recognised on the basis of invoices which are prepared for transmission system operator accordingly to lease agreement.

f) Sales of IT & telecommunication services

Revenues derived from information technology services (internet connection services, data communication services), open electronic communication network and telecommunication services to customers are recognised on the basis of invoices which are prepared for clients upon either usage of services listed in telecommunications billing system.

g) Interest income

Interest income is recognised using the effective interest method. Interest income is recorded in the Consolidated Statement of Profit or Loss as "Finance income".

h) Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

i) Accrued income on mandatory procurement public service obligation fee

Before the applying of agent principle revenue is recognised as accured income the amount of income on mandatory procurement can be reliably measured and it is virtually certain that the economic benefits from mandatory procurement will flow to the Group with collected mandatory procurement public service obligation fees from electricity end users. Income from mandatory procurement component is calculated as difference between mandatory procurement expenses above the electricity market price and collected mandatory procurement component payments from all end users of electricity.

j) Mandatory procurement public service obligation fees

Since 1st of April 2014 revenue from mandatory procurement public service obligation fees is not recognised in the Consolidated Statement of Profit or Loss, but as assets or liabilities in the Consolidated Statement of Financial Position by applying agent accounting principle as subsidiary Enerģijas publiskais tirgotājs AS (hereinafter – the entity) is acting in management of the mandatory procurement process as an agent. Features that indicate that an entity is acting as an agent include:

- The entity has not the primary responsibility for including the mandatory procurement public service obligation fee as a part of the services or products ordered or purchased by customers;
- The entity has not latitude in establishing prices, either directly or indirectly,
- The entity does not bear the customer's credit risk for the amount receivable from the customer.

By applying agent principle difference between revenue from sale of electricity in Nord Pool Spot power exchange by market price, received mandatory procurement public service obligation fees, received government grant for compensating the increase of mandatory procurement costs and costs of purchased electricity under the mandatory procurement from electricity generators who generate electricity in efficient cogeneration process or using renewable energy sources, as well as guaranteed fees for installed electrical capacity in cogeneration plants (over 4 MW), is recognised in net amount in assets or liabilities.

2.25. Related Parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are associates, Shareholder of the Parent Company who could control or who has significant influence over the Group's entities in accepting operating business decisions, key management personnel of the Group's entities including members of Supervisory body – Audit Committee and close family members of any above–mentioned persons, as well as entities over which those persons have control or significant influence.

2.26. Non-current Assets Held for Sale

The Group classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and sale is considered highly probable. Non–current assets held for sale are measured at the lower of their carrying amount and fair value less costs of selling.

2.27. Share Capital

The Group's share capital consists of the Parent Company's ordinary shares. All shares have been fully paid.

2.28. Issued Guarantees

Guarantees issued are initially recognised at fair value, which is usually equal to the premium received. Subsequently they are measured at the higher of the amount expected to be paid and the amount initially recognised less accumulated amortisation.

2.29. Events After the Reporting Period

Events after the reporting period that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3. Financial Risk Management

3.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk, pricing risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management (except for pricing risk) is carried out by the Parent Company's Treasury department (the Group Treasury) according to the Financial Risk Management Policy approved by the Parent Company's Management Board. The Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units / subsidiaries. The Parent Company's Management Board by approving the Financial Risk Management Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, liquidity risk, and credit risk, use of financial instruments and investment of excess liquidity. Pricing risk management is carried out by the Parent Company's Electricity Trading department according to Electricity Wholesale Regulation approved by the Parent Company's Management Board.

Financial Assets by Categories

	Notes	Loans and receivables	Derivatives used for hedging	Held-to-maturity assets
		EUR'000	EUR'000	EUR'000
Financial assets as at 31st of December 2014				
Trade receivables, net	17 a	108,107	-	-
Other non-current receivables		14	-	-
Accrued income and other financial current receivables	17 b	113,396	-	-
Held-to-maturity financial assets	21 a	-	-	28,528
Cash and cash equivalents	18	121,011	-	-
		342,528	**-**	**28,528**
Financial assets as at 31st of December 2013				
Derivative financial instruments	21 c, l	-	617	-
Trade receivables, net	17 a	89,608	-	-
Other non-current receivables		57	-	-
Accrued income and other financial current receivables	17 b	53,774	-	-
Held-to-maturity financial assets	21 a	-	-	28,588
Cash and cash equivalents	18	255,423	-	-
		398,862	**617**	**28,588**

Financial Liabilities by Categories

	Notes	Derivatives used for hedging	Other financial liabilities at amortised cost	Liabilities at fair value through the profit or loss
		EUR'000	EUR'000	EUR'000
Financial liabilities as at 31st of December 2014				
Borrowings	21 b	-	827,222	-
Derivative financial instruments	21 c, I	16,333	-	4,220
Trade and other payables	24	-	101,940	-
		16,333	**929,162**	**4,220**
Financial liabilities as at 31st of December 2013				
Borrowings	21 b	-	944,675	-
Derivative financial instruments	21 c, I	10,455	-	12,979
Trade and other payables	24	-	95,622	-
		10,455	**1,040,297**	**12,979**

a) Market risk

I) Foreign exchange risk

The introduction of euro in Latvia as at 1st of January 2014 prevented the euro currency risk, which primarily was arising from settlements in foreign currencies for borrowings, capital expenditures and imported electricity. As at 31st of December 2014 the Group had borrowings denominated only in euros (Note 21 b).

Management has set up a Financial Risk Management policy inter alia to manage the Group's foreign currencies exchange risk against functional currency. To manage the Group's foreign currencies exchange risk arising from future transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign currencies exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group Treasury's Financial Risk Management Policy is to hedge all anticipated cash flows (capital expenditure and purchase of inventory) in each major foreign currency that might create significant currency risk. During 2014 the Group had not any capital expenditure project who's expected transactions would create significant currency risk (Note 21 c, IV).

In 2014, the Parent Company had certain investment in subsidiary, which was exposed to foreign currency risks. Currency exposure arising from the net assets of the Group's foreign operations in Lithuania was limited as subsidiary had insignificant amount of assets and Lithuania had fixed currency peg to euro. The introduction of euro in Lithuania as at 1st of January 2015 prevented the euro currency risk arising from above mentioned investments in subsidiary in Lithuania.

II) Cash flow and fair value interest rate risk

As the Group has significant floating interest-bearing assets and liabilities exposed to interest rate risk, the Group's financial income and operating cash flows are substantially dependent on changes in market interest rates.

During 2014, if euro interest rates had been 50 basis points higher or lower with all other variables held constant, the Group's income from the cash reserves held at bank for the year would have been EUR 314 thousand higher or lower (2013: EUR 280 thousand).

The Group's cash flow interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to a risk that finance costs might increase significantly when interest rates rise up. The Group's policy is to maintain at least 35% of its borrowings as fixed interest rates borrowings (taking into account the effect of interest rate swaps) with duration between 2–4 years.

The Group analyses its interest rate risk exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and hedging. Based on these scenarios, the Group calculates the impact on profit and loss as well as on cash flows of a defined interest rate shift.

Generally, the Group raises long-term borrowings at floating rates and based on the various scenarios, the Group manages their cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Thereby fixed rates are obtained that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily semi-annually), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

To hedge cash flow interest rate risk the Group has entered into rate swap agreements with total notional amount of EUR 320.0 million (2013: EUR 347.7 million) (Note 21 c, II). As at 31st of December 2014 42 % of the total Group's borrowings (31/12/2013: 43 %) had fixed interest rate (taking into account the effect of the interest rate swaps) and average fixed rate duration was 2.2 years (2013: 2.1 years).

During 2014, if interest rates on euro denominated borrowings at floating base interest rate (after considering hedging effect) had been 50 basis points higher or lower with all other variables held constant, the Group's profit for the year net of taxes would have been EUR 2,164 thousand lower or higher (2013: EUR 2,021 thousand).

The Group's borrowings with floating rates do not impose fair value interest rate risk. Derivatives such as interest rate swaps are the only source of fair value interest rate risk.

At 31st of December 2014, if short and long term euro interest rates had been 50 basis points higher or lower with all other variables held constant fair value of interest rate swaps would have been EUR 5,321 thousand higher or lower (31/12/2013: EUR 5,569 thousand). Furthermore EUR 209 thousand (2013: EUR 413 thousand) would have been attributable to Consolidated Statement of Profit or Loss and EUR 5,112 thousand (2013: EUR 5,156 thousand) to the Consolidated Statement of Comprehensive Income as hedge accounting item.

III) Price risk

Price risk is the risk that the fair value and cash flows of financial instruments will fluctuate in the future due to reasons other than changes in the market prices resulting from interest rate risk or foreign exchange risk. The purchase and sale of goods produced and the services provided by the Group under the free market conditions, as well as the purchases of resources used in production is impacted by the price risk.

The most significant price risk is related to purchase of electricity. To hedge the risk related to changes in the price of electricity the Parent Company during 2014 has purchased electricity forward and future contracts (Note 21 c, III).

b) Credit risk

Credit risk is managed at the Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, outstanding receivables. Credit risk exposure in connection with trade receivables is limited due to broad range of the Group's customers. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Impairment loss has been deducted from gross accounts receivable (Note 17).

The maximum credit risk exposure related to financial assets comprises of carrying amounts of cash and cash equivalents (see table below and Note 18), trade and other receivables (Note 17), derivative financial instruments (Note 21 c) and held-to-maturity financial assets (Note 21 a).

Assessment of Maximum Possible Exposure to Credit Risk

	Note	31/12/2014	31/12/2013
		EUR'000	EUR'000
Trade receivables	17 a	108,107	89,608
Accrued income	17 b	31,249	53,487
Other non-current financial receivables		14	57
Other current financial receivables	17 b	19,001	287
Cash and cash equivalents	18	121,011	255,423
Derivative financial instruments	21 c	-	617
Held-to-maturity financial assets	21 a	28,528	28,588
		307,910	**428,067**

For banks and financial institutions, independently rated parties with own or parent bank's minimum rating of investment grade are accepted. Otherwise, if there is no independent rating, management performs risk control to assess the credit quality of the financial counterparty, taking into account its financial position, past co-operation experience and other factors. After performed assessment individual credit limits are set based on internal ratings in accordance with principles set by the Financial Risk Management Policy. The basis for estimating the credit quality of financial assets not past due and not impaired is credit ratings assigned by the rating agencies or, in their absence, the earlier credit behaviour of clients and other parties to the contract.

For estimation of the credit quality of fully performing trade receivables two rating categories are used:

- Customers with no overdue receivables,
- Customers with overdue receivables.

Credit limits are regularly monitored.

Credit risk related to cash and short-term deposits with banks is managed by balancing the placement of financial assets in order to maintain the possibility to choose the best offers and to reduce probability to incur losses.

The table below shows the balance of cash and cash equivalents by financial counterparties at the end of the reporting period:

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Investment level credit rating	95,325	218,536
No or non-investment level credit rating	25,686	36,887
	121,011	**255,423**

No credit limits were exceeded during the reporting period, and the Group management does not expect any losses from to occurrence of credit risk.

c) Liquidity risk

The Group's policy of liquidity risk management is to maintain sufficient amount of cash and cash equivalents, the availability of long and short term funding through an adequate amount of committed credit facilities to meet commitments according to the Group's strategic plans as well as to compensate the fluctuations in the cash flows due to occurrence of variety of financial risks.

The Group entities' management is monitoring rolling forecasts of the Group's liquidity reserve, which comprises of undrawn borrowing facilities (Note 21 b), and cash and cash equivalents (Note 18).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the settlement terms. The amounts disclosed in the table are the contractual undiscounted cash flows. Contractual undiscounted cash flows originated by the borrowings are calculated taking into account the actual interest rates at the end of the reporting period.

Liquidity Analysis (Contractual Undiscounted Cash Flows)

	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years	TOTAL
	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
At 31st of December 2014					
Borrowings from banks	148,268	96,802	312,507	211,340	**768,917**
Issued debt securities (bonds)	2,940	2,940	74,900	35,980	**116,760**
Derivative financial instruments	10,704	5,351	7,029	3,146	**26,230**
Trade and other payables*	101,940	-	-	-	**101,940**
	263,852	**105,093**	**394,436**	**250,466**	**1,013,847**
At 31st of December 2013					
Borrowings from banks	146,993	229,895	248,403	266,137	**891,428**
Issued debt securities (bonds)	2,940	2,940	76,860	36,960	**119,700**
Derivative financial instruments	22,386	6,870	6,653	1,841	**37,750**
Trade and other payables*	95,622	-	-	-	**95,622**
	267,941	**239,705**	**331,916**	**304,938**	**1,144,500**

* Excluding advances received, deferred income, tax related liabilities and other non-current or current non-financial payables

3.2. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern as well as to ensure necessary financing for investment program and to avoid breaches of covenants, which are linked to capital structure and are stipulated in the majority of loan agreements.

In order to maintain or adjust the capital structure, the Group may evaluate the amount and timing of raising new debt due to investment programs or initiate new investments in the share capital by shareholder. Also asset revaluation directly influences the capital structure. To comply with loan covenants, the Group monitors capital on the basis of the capital ratio.

This ratio is calculated by dividing the equity by the sum of total assets and nominal value of issued and outstanding financial guarantees. According to the Group's strategy and defined loan covenants as per loan agreements the capital ratio shall be maintained at least at 30 % level.

The capital ratio figures were as follows:

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Total equity	2,020,800	2,021,714
Total assets	3,486,576	3,575,358
Capital Ratio	**58 %**	**57 %**

4. Critical Accounting Estimates and Judgements

Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Estimates concerning property, plant and equipment

I) Useful lives of property, plant and equipment

The Group makes estimates concerning the expected useful lives and residual values of property, plant and equipment. These are reviewed at the end of each reporting period and are based on the past experience as well as industry practice. Previous experience has shown that the actual useful lives have sometimes been longer than the estimates. As at 31st of December 2014, the net book amount of property, plant and equipment of the Group totalled EUR 3,066 million (31/12/2013: EUR 3,087 million), and the depreciation charge for the reporting period was EUR 174.1 million (2013: EUR 168.0 million) (Note 14 a). If depreciation rates were changed by 10%, the annual depreciation charge would change by EUR 17.4 million (2013: EUR 16.8 million).

II) Recoverable amount of property, plant and equipment

When the events and circumstances indicate a potential impairment, the Group performs impairment tests for items of property, plant and equipment. According to these tests assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. The estimates are based on the forecasts of the general economic environment, consumption and the sales price of electricity. If the situation changes in the future, either additional impairment could be recognised, or the previously recognised impairment could be partially or fully reversed. Such factors as high maintenance and reconstruction costs, low load of several auxiliaries, comparatively substantial maintenance expense, limited facilities to sell property, plant and equipment in the market and other essential factors have an impact of decreasing of the recoverable amounts. If discount rate used for the purposes of impairment charge calculation would be lower or higher by one per cent point the current year's impairment charge on technological equipment would be by EUR 32.5 million higher or lower (2013: EUR 36.8 million). Impairment charges recognised during the current reporting year are disclosed in Note 14 d.

III) Revaluation

External, certified valuers have performed revaluation of the Group's property, plant and equipment by applying the depreciated replacement cost model. Valuation has been performed according to international standards on property valuation and *IAS 16*, *Property, plant and equipment*, based on current use of property, plant and equipment. As a result of valuation, depreciated replacement cost was determined for each asset. Depreciated replacement cost is calculated as property, plant and equipment instant market value at its current use, increased by the replacement cost of existing buildings, machinery and equipment as well as refinements on the said property, plant and equipment decreased by the depreciation expenses and other impairment losses. Last revaluation was performed for assets of Daugava hydropower plants as at 1st of January 2012, for assets of transmission system as at 1st of January 2011 and for assets of distribution system as at 1st of September 2011.

b) Recoverable amount of trade receivables

The estimated collectability of accounts receivable is assessed on the basis of trade receivables aging analysis according to estimates defined by the Group entities management and the Parent Company's management. In case individual assessment is not possible due to the large number of individual balances, receivables are classified into groups of similar credit risk characteristics and are collectively assessed for impairment, using historical loss experience. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The circumstances indicating an impairment loss may include initiated insolvency of the debtor and inability to meet payment terms (point 2.12). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred (Note 17).

c) Fair value estimation for financial instruments

The following table presents the Group's financial assets and liabilities that are measured at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

As at 31st of December 2014	Notes	Level 1	Level 2	Level 3	Total balance
		EUR'000	EUR'000	EUR'000	**EUR'000**
Liabilities					
Financial liabilities at fair value through profit or loss:					
– Electricity trading derivatives	21 c, III	-	2,112	-	**2,112**
– Interest rate derivatives	21 c, II	-	2,108	-	**2,108**
Interest rate derivatives used for hedging	21 c, II	-	16,333	-	**16,333**
Total liabilities		**-**	**20,553**	**-**	**20,553**

As at 31st of December 2013	Notes	Level 1	Level 2	Level 3	Total balance
		EUR'000	EUR'000	EUR'000	**EUR'000**
Assets					
Interest rate derivatives used for hedging	21 c, II	-	617	-	**617**
Total assets		**-**	**617**	**-**	**617**
Liabilities					
Financial liabilities at fair value through profit or loss:					
– Electricity trading derivatives	21 c, III	-	9,912	-	**9,912**
– Interest rate derivatives	21 c, II	-	3,051	-	**3,051**
– Forward foreign exchange contracts	21 c, IV	-	16	-	**16**
Interest rate derivatives used for hedging	21 c, II	-	10,455	-	**10,455**
Total liabilities		**-**	**23,434**	**-**	**23,434**

d) Recognition of connection service fees

Connection and other service fees are recognised as income over the estimated customer relationship period, which is 20 years (see Note 23). The estimated customer relationship period is based on the Management's estimate. In the reporting period the Group's received connection fees totalled EUR 18.2 million (2013: EUR 17.9 million), and to the Consolidated Statement of Profit or Loss credited EUR 10.9 million (2013: EUR 9.9 million).

If the estimated customer relationship period is reduced/ increased by 25%, the annual income from connection service fees would increase/decrease by EUR 2.7 million (2013: EUR 2.5 million).

e) Recognition and revaluation of provisions

As at 31st of December 2014, the Group had set up provisions for environmental protection and post-employment benefits totalling EUR 15.6 million (31/12/2013: EUR 15.6 million) (Note 22). The amount and timing of the settlement of these obligations is uncertain. A number of assumptions and estimates have been used to determine the present value of provisions, including the amount of future expenditure, inflation rates, and the timing of settlement of the expenditure. The actual expenditure may also differ from the provisions recognised as a result of possible changes in legislative norms, technology available in the future to restore environmental damages, and expenditure covered by third parties. For revaluation of provisions for post-employment obligations probabilities of retirement in different employees' aging groups as well as variable demographic factors and financial factors (including expected remuneration increase and determined changes in benefit amounts) have been estimated. The probabilities and other factors are determined on the basis of previous experience.

f) Evaluation of effectiveness of hedging instruments

The Group has concluded significant number of forward and future contracts and swap agreements to hedge the risk of the changes in prices of electricity and interest rate fluctuations to which cash flow hedge risk accounting is applied and the gains and losses from changes in the fair value of the effective hedging instruments and items secured against risk are included in respective equity reserve. The evaluation of the effectiveness of the hedging is based on Management's estimates with regard to future purchase transactions of electricity and signed variable interest loan agreements. When hedging instruments turn out to be ineffective, gains/losses from the changes in the fair value are recognised in the Consolidated Statement of Profit or Loss (Note 21 c).

g) Held-to-maturity financial assets

The management of the Group applies judgement in assessing whether financial assets can be categorised as held-to-maturity at initial recognition, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. If the Group fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount or settle a position close to maturity - it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. For the estimated fair value of investment securities held-to-maturity as at 31st of December 2014 refer to Note 21 a.

Evidence of an active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

h) Financial investments

The Group has applied judgement in determining that it has a financial investment with 48.15 % interest held in the company Pirmais Slēgtais Pensiju Fonds AS that manages closed pension plan in Latvia as investment that has been valued at cost without applying equity method. The Group is only a nominal shareholder as all risks and benefits arising from management of pension plan will accrue to the Group's employees who are members of the pension plan and the Group does not have existing rights that give it the current ability to direct the relevant activities of the investee. Therefore this investment has been determined as financial investment in Pirmais Slēgtais Pensiju Fonds AS and not as investment in associate.

5. Operating Segment Information

Operating segments

For segment reporting purposes, the division into operating segments is based on the Group's internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the operating segment decision maker.

The Group divides its operations into three main operating segments – generation and supply, distribution and management of transmission system assets. In addition, Corporate Functions, that cover administration and other support services, are presented separately.

Generation and supply comprises the Group's electricity and heat generation operations, which are organised into the legal entities: Latvenergo AS and Liepājas enerģija SIA; electricity sales operations, including wholesale, which are conducted Pan-Baltic by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB, as well as management of the mandatory procurement process provided by Enerģijas publiskais tirgotājs AS.

The operations of the distribution operating segment relates to the provision of electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia) and Latvenergo AS – the owner of the distribution system real estate assets.

The operations of the management of transmission system assets operating segment is managed both by Latvijas elektriskie tīkli AS – the owner of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points), which provides construction and maintenance as well as the lease of assets to the transmission system operator Augstsprieguma tīkls AS, and Latvenergo AS – the owner of the transmission system real estate assets. The Republic of Latvia has applied the second unbundling model under EU Directive 2009/72/EC, which provides that the electricity transmission system assets shall remain with a vertically integrated utility, while the activities of the transmission system operator are independently managed. In accordance with this directive and concerning common rules for the internal market of electricity and the Electricity Market Law of the Republic of Latvia, Latvijas elektriskie tīkli AS at 1st of January 2015 transfers to Augstsprieguma tīkls AS functions of the reconstruction or renewal, operation and routine maintenance of the existing transmission network system assets as well as development of the transmission system and construction of new networks.

The following table presents revenue, profit information and segment assets and liabilities of the Group's operating segments. Inter-segment revenue is eliminated on consolidation.

	Generation and supply	Distribution system services	Management of transmission system assets	Corporate Functions	TOTAL segments	Adjustments and eliminations	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
Year ended 31st of December 2014							
Revenue							
External customers	652,778	295,314	57,795	4,870	**1,010,757**	-	**1,010,757**
Inter-segment	24,603	2,040	2,933	46,432	**76,008**	(76,008)	**-**
Total revenue	**677,381**	**297,354**	**60,728**	**51,302**	**1,086,765**	**(76,008)**	**1,010,757**
Results							
Amortisation, depreciation and property, plant and equipment impairment loss	(74,492)	(77,498)	(24,293)	(11,312)	**(187,595)**	-	**(187,595)**
Segment profit	**11,935**	**15,010**	**16,416**	**5,882**	**49,243**	**(17,733)**	**31,510**
Segment assets at the end of the year	**1,514,218**	**1,272,355**	**456,723**	**87,283**	**3,330,579**	**155,997**	**3,486,576**
Segment liabilities at the end of the year	**73,185**	**185,019**	**48,934**	**6,300**	**313,438**	**1,152,337**	**1,465,775**
Capital expenditure	33,542	99,830	31,836	12,399	**177,607**	-	**177,607**
Year ended 31st of December 2013							
Revenue							
External customers	747,993	290,664	55,758	5,478	**1,099,893**	-	**1,099,893**
Inter-segment	25,677	1,836	2,536	45,160	**75,209**	(75,209)	**-**
Total revenue	**773,670**	**292,500**	**58,294**	**50,638**	**1,175,102**	**(75,209)**	**1,099,893**
Results							
Amortisation, depreciation and property, plant and equipment impairment loss	(80,182)	(71,908)	(23,675)	(11,838)	**(187,603)**	-	**(187,603)**
Segment profit	**23,294**	**19,074**	**14,032**	**4,691**	**61,091**	**(12,250)**	**48,841**
Segment assets at the end of the year	**1,497,066**	**1,252,016**	**431,224**	**86,458**	**3,266,764**	**308,594**	**3,575,358**
Segment liabilities at the end of the year	**70,375**	**170,498**	**34,802**	**6,070**	**281,745**	**1,271,899**	**1,553,644**
Capital expenditure	53,423	88,617	68,941	13,887	**224,868**	-	**224,868**

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Reconciliation of Profit

	Notes	2014	2013
		EUR'000	EUR'000
Segment profit		**49,243**	**61,091**
Finance income	11 a	3,004	4,529
Finance costs	11 b	(20,380)	(17,840)
Share of profit of associates	15	(357)	1,061
Profit before tax		**31,510**	**48,841**

Reconciliation of Assets

	Notes	2014	2013
		EUR'000	EUR'000
Segment operating assets		**3,330,579**	**3,266,764**
Investments in associates and other investments	15	41	41
Held-to-maturity financial assets	21 a	28,528	28,588
Current financial assets		-	617
Other assets and assets held for sale		6,417	23,925
Cash and cash equivalents	18	121,011	255,423
Group operating assets		**3,486,576**	**3,575,358**

Reconciliation of Liabilities

	Notes	2014	2013
		EUR'000	EUR'000
Segment operating liabilities		**313,438**	**281,745**
Deferred income tax liabilities	12	268,026	269,116
Current corporate income tax liabilities		3	3
Borrowings	21 b	827,222	944,675
Derivative financial instruments	21 c	20,553	23,434
Trade and other payables		36,533	34,671
Group operating liabilities		**1,465,775**	**1,553,644**

Geographical Information on Segments

	2014	2013
	EUR'000	EUR'000
Revenue from external customers		
Baltics	997,445	1,069,436
Scandinavian countries	13,312	30,457
Total revenue	**1,010,757**	**1,099,893**

Non-current assets are located in the Group's country of domicile – Latvia and consist of intangible assets, property, plant and equipment and investment properties. Revenue from major customer in 2014 amounted to EUR 98,410 thousand (2013: EUR 105,270 thousand) arising from sales by the generation and supply segment.

6. Revenue

	2014	2013
	EUR'000	EUR'000
Electricity and electricity services*	820,523	898,037
Heat sales	108,963	117,466
Lease and management of transmission system assets	57,161	55,095
Other revenue	24,110	29,295
Total revenue	**1,010,757**	**1,099,893**

* in period from 1st of April 2014 through 31st of December 2014 revenue of mandatory procurement public service obligation fee is recognised in the Consolidated Statement of Financial Position by applying agent accounting principle (Note 2.24. j)

7. Other Income

	2014	2013
	EUR'000	EUR'000
Net gain from sale of assets held for sale and PPE	754	941
Net gain from sale of current assets and other income	4,519	3,109
Total other income	**5,273**	**4,050**

8. Raw Materials and Consumables Used

	2014	2013
	EUR'000	EUR'000
Electricity:		
Purchased electricity*	338,551	381,144
Fair value loss / (income) on electricity forwards and futures (Note 21 c, III)	(7,800)	4,447
Electricity transmission services costs	73,824	74,173
	404,575	**459,764**
Fuel expense	178,033	212,967
Raw materials, spare parts and maintenance costs	38,677	38,295
Capitalised costs of raw materials and consumables used (fuel)	-	(9,573)
Total raw materials and consumables used	**621,285**	**701,453**

* in period from 1st of April 2014 through 31st of December 2014 costs of purchased electricity under the mandatory procurement from electricity generators who generate electricity in efficient cogeneration process or using renewable energy sources, as well as guaranteed fee for installed electrical capacity in cogeneration plants (over 4 MW) are recognised in the Consolidated Statement of Financial Position by applying agent accounting principle (Note 2.24. j)

9. Personnel Expenses

	2014	2013
	EUR'000	EUR'000
Wages and salaries	74,770	71,922
Expenditure of employment termination	1,824	2,258
Pension costs – defined contribution plan	3,283	3,172
State social insurance contributions and other benefits defined in the Collective Agreement	18,376	18,056
Capitalised personnel expenses	(299)	(334)
Total personnel expenses, including remuneration to the management	**97,954**	**95,074**
Including remuneration to the management:		
Wages and salaries	1,459	1,241
Pension costs – defined contribution plan	64	54
State social insurance contributions and other benefits defined in the Collective Agreement	251	303
Total remuneration to the management*	**1,774**	**1,598**

	2014	2013
Number of employees at the end of the year	4,563	4,512
Average number of employees during the year	4,559	4,504

* remuneration to the management includes remuneration to the members of the Management Boards and Supervisory body of the Group entities.

10. Other Operating Expenses

	2014	2013
	EUR'000	EUR'000
Selling expenses and customer service costs*	8,172	19,776
Information technology maintenance expenses	3,694	3,661
Transportation expenses	7,546	7,809
Environment protection and work safety expenses	4,224	3,540
Rent, maintenance and utilities costs	7,966	7,247
Telecommunications expenses	2,455	2,486
Electric power transit and capacity services costs	270	3,944
Real estate tax	1,063	1,024
Public utilities regulation fee	987	1,426
Subsidised energy tax (SET)**	15,338	-
Other expenses	8,238	7,809
Total other operating expenses	**59,953**	**58,722**

* selling expenses and customer service costs in 2014 are decreased due fewer allowances for impaired electricity trade receivables (Note 17a)
** subsidised energy tax according to the "Subsidised energy tax Law" has been introduced for a four-year period as of 1st of January 2014 and applies to state support for generators of subsidised electricity (Note 2.17.)

11. Finance Income and Costs

a) Finance income

	2014	2013
	EUR'000	EUR'000
Interest income on bank accounts and deposits	501	629
Interest income from held-to-maturity financial assets	1,544	1,541
Fair value gain on interest rate swaps (Note 21 c, II)	943	1,917
Fair value gain on forward foreign currencies exchange contracts (Note 21 c, IV)	16	-
Fair value gain on issued guarantees	-	285
Net gain on issued debt securities (bonds)	-	35
Net gain from currency exchange rate fluctuations	-	122
Total finance income	**3,004**	**4,529**

b) Finance costs

	2014	2013
	EUR'000	EUR'000
Interest expense on borrowings	9,856	9,680
Interest expense on issued debt securities (bonds)	2,940	2,614
Interest expense on interest rate swaps	7,555	9,206
Fair value loss on forward foreign currencies exchange contracts (Note 21 c, IV)	-	16
Net losses on redemption of held-to-maturity financial assets	60	60
Net losses on issued debt securities (bonds)	1	-
Capitalised borrowing and finance costs (Note 14 a)	(167)	(3,819)
Net losses on currency exchange rate fluctuations	65	-
Other finance costs	70	83
Total finance costs	**20,380**	**17,840**

12. Income Tax

	2014	2013
	EUR'000	EUR'000
Current tax	2,796	725
Deferred tax	(1,076)	1,967
Total income tax	**1,720**	**2,692**

The tax on the Group's profit before tax differs from the theoretical amount that would arise if using the tax rate applicable to profits of the Group as follows:

	2014	2013
	EUR'000	EUR'000
Profit before tax	**31,510**	**48,841**
Corporate income tax at the statutory rate 15 %	4,727	7,326
Expense non-deductible for tax purpose	639	343
Impairment of receivables	186	2,133
Discount on undistributed profit	-	(26)
Income / (losses) as a result of re-measurement on defined post-employment benefit plan	24	(46)
Real estate tax	(159)	(154)
Other expenses	222	36
Tax incentives for new technological equipment*	(3,919)	(6,920)
Total income tax	**1,720**	**2,692**

* increase in the amount of depreciation of PPE applying coefficients for additions of PPE and calculation of depreciation for tax purposes as defined in article No. 13 of the Law of Corporate Income Tax of the Republic of Latvia

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

The Movement on the Deferred Income Tax Accounts

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**269,116**	**267,246**
(Income) credited / expense charged to the Consolidated Statement of Profit or Loss	(1,076)	1,967
Attributable to non-current assets revaluation reserve in equity (Note 20 a)	(14)	(97)
Deferred tax liabilities at the end of the year	**268,026**	**269,116**

Deferred income tax has been calculated from the following temporary differences between assets and liabilities values for financial reporting and tax purposes:

	2014	2013
	EUR'000	EUR'000
Deferred tax liabilities		
	Accelerated tax depreciation	
At the beginning of the year	**275,167**	**272,512**
Expense charged to the Consolidated Statement of Profit or Loss	3,300	2,752
Attributable to non-current assets revaluation reserve in equity (Note 20 a)	(14)	(97)
At the end of the year	**278,453**	**275,167**
Deferred tax assets		
	Accruals/provisions	
At the beginning of the year	**(6,051)**	**(5,266)**
Income credited to the Consolidated Statement of Profit or Loss	(4,376)	(785)
At the end of the year	**(10,427)**	**(6,051)**

13. Intangible Assets

a) Intangible assets

	Licenses	Software	Assets under construction	TOTAL
	EUR'000	EUR'000	EUR'000	**EUR'000**
At 31st of December 2012				
Cost	2,490	29,270	1,676	**33,436**
Accumulated amortisation	(1,228)	(23,950)	-	**(25,178)**
Net book amount	**1,262**	**5,320**	**1,676**	**8,258**
Year ended 31st of December 2013				
Additions	-	3,196	2,129	**5,325**
Disposals	(210)	-	-	**(210)**
Amortisation charge	-	(2,243)	-	**(2,243)**
Closing net book amount	**1,052**	**6,273**	**3,805**	**11,130**
At 31st of December 2013				
Cost	2,490	30,654	3,805	**36,949**
Accumulated amortisation	(1,438)	(24,381)	-	**(25,819)**
Net book amount	**1,052**	**6,273**	**3,805**	**11,130**
Year ended 31st of December 2014				
Additions	-	268	4,740	**5,008**
Transfers	-	8,217	(8,217)	**-**
Disposals	(210)	(27)	-	**(237)**
Amortisation charge	-	(2,890)	-	**(2,890)**
Closing net book amount	**842**	**11,841**	**328**	**13,011**
At 31st of December 2014				
Cost	2,490	38,992	328	**41,810**
Accumulated amortisation	(1,648)	(27,151)	-	**(28,799)**
Net book amount	**842**	**11,841**	**328**	**13,011**

b) Greenhouse gas emission allowances

	2014	2013
	Number of allowances	Number of allowances
At the beginning of the year	**2,619,839**	**3,190,862**
Allowances allocated free of charge	494,041	517,163
Purchased allowances	-	16,196
Used allowances	(1,092,621)	(1,104,382)
At the end of the year	**2,021,259**	**2,619,839**

Allowances are allocated free of charge in accordance with the law "On Pollution" and Directives of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia and are recognised as off-balance sheet assets.

As at 31st of December 2014 the number of allowances in the Group received in 2014 from the Government free of charge was 494,041 (31/12/2013: 517,163). Therefore their carrying amount as at 31st of December 2014 was nil (31/12/2013: nil).

The fair value of greenhouse gas emission allowances as at 31st of December 2014 was EUR 14,755 thousand (31/12/2013: EUR 13,152 thousand). For estimation of the fair value of allowances was used fixed daily price in NASDAQ Commodities Exchange for European Union Allowances (EUA) on 30th of December 2014 what was the last trade date in 2014 – 7.30 EUR/t (30/12/2013: 5.02 EUR/t).

Received European Union Allowances (EUA) must be used until the end of 2020.

As at 31st of December 2014 the Group has not purchased greenhouse gas emission allowances (31/12/2013: 16,196). In 2013 purchase costs of allowances in the amount of EUR 3 thousand are included in the Consolidated Statement of Profit or Loss position 'Fuel expense' (see Note 8). All purchased allowances during the 2013 are used therefore their carrying amount as at 31st December 2013 was nil.

14. Property, Plant and Equipment

a) Property, plant and equipment

	Revalued buildings and facilities			Non-revalued buildings and facilities	Land and buildings, total	Revalued technology equipment, machinery			Non-revalued technology equipment, machinery	Technology equipment and machinery, total
	Daugava hydropower plants'	Transmission system	Distribution system			Daugava hydropower plants'	Transmission system	Distribution system		
	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
At 31st of December 2012										
Cost or valuation	1,496,524	451,013	1,903,340	338,116	**4,188,993**	324,134	398,539	698,307	321,844	**1,742,824**
Accumulated depreciation and impairment	(847,471)	(296,536)	(1,087,218)	(86,938)	**(2,318,163)**	(204,213)	(219,865)	(376,406)	(207,401)	**(1,007,885)**
Net book amount	**649,053**	**154,477**	**816,122**	**251,178**	**1,870,830**	**119,921**	**178,674**	**321,901**	**114,443**	**734,939**
Year ended 31st of December 2013										
Additions	-	-	-	4	**4**	-	92	905	8	**1,005**
Invested in share capital (Note 19)*	-	-	-	874	**874**	-	-	-	-	**-**
Transfers	3,364	16,814	56,652	90,509	**167,339**	6,484	11,930	23,019	297,537	**338,970**
Disposals	-	(995)	(1,332)	(11)	**(2,338)**	-	(214)	(1,123)	-	**(1,337)**
Impairment charge	-	-	-	-	**-**	-	-	-	(17,654)	**(17,654)**
Depreciation	(15,694)	(10,263)	(51,602)	(10,750)	**(88,309)**	(10,377)	(11,566)	(17,148)	(28,181)	**(67,272)**
Closing net book amount	**636,723**	**160,033**	**819,840**	**331,804**	**1,948,400**	**116,028**	**178,916**	**327,554**	**366,153**	**988,651**
At 31st of December 2013										
Cost or valuation	1,499,501	457,126	1,945,801	429,211	**4,331,639**	329,450	402,886	709,077	604,840	**2,046,253**
Accumulated depreciation and impairment	(862,778)	(297,093)	(1,125,961)	(97,407)	**(2,383,239)**	(213,422)	(223,970)	(381,523)	(238,687)	**(1,057,602)**
Net book amount	**636,723**	**160,033**	**819,840**	**331,804**	**1,948,400**	**116,028**	**178,916**	**327,554**	**366,153**	**988,651**
Year ended 31st of December 2014										
Additions	-	-	-	49	**49**	-	-	1,067	6	**1,073**
Invested in share capital (Note 19)*	-	-	-	435	**435**	-	-	-	-	**-**
Transfers	-	56,772	60,266	29,432	**146,470**	714	22,391	24,665	16,939	**64,709**
Reclassified to investment property	-	-	-	(434)	**(434)**	-	-	-	-	**-**
Disposals	13,266	(229)	(1,108)	(13,354)	**(1,425)**	-	(400)	(1,130)	(16)	**(1,546)**
Impairment charge	-	-	-	2	**2**	-	-	(14,564)	-	**(14,564)**
Reclassified depreciation of emergency spare parts	-	-	-	-	**-**	-	-	-	(3,394)	**(3,394)**
Depreciation	(15,904)	(10,400)	(41,241)	(13,218)	**(80,763)**	(8,958)	(11,960)	(17,517)	(39,652)	**(78,087)**
Closing net book amount	**634,085**	**206,176**	**837,757**	**334,716**	**2,012,734**	**107,784**	**188,947**	**320,075**	**340,036**	**956,842**
At 31st of December 2014										
Cost or valuation	1,512,382	511,341	1,989,627	444,991	**4,458,341**	330,151	414,944	724,848	621,680	**2,091,623**
Accumulated depreciation and impairment	(878,297)	(305,165)	(1,151,870)	(110,275)	**(2,445,607)**	(222,367)	(225,997)	(404,773)	(281,644)	**(1,134,781)**
Net book amount	**634,085**	**206,176**	**837,757**	**334,716**	**2,012,734**	**107,784**	**188,947**	**320,075**	**340,036**	**956,842**

* in October 2014, in accordance with the Directive No. 496 of the Cabinet of Ministers of the Republic of Latvia, dated 16th of September 2014 – "On the Investment of the State's property units in the Share Capital of Latvenergo AS", real estate in the amount of EUR 435 thousand was invested in the share capital of Latvenergo AS (2013: real estate in the amount of EUR 874 thousand).

	Revalued other property, plant and equipment			Non-revalued other PPE	Other PPE, total	Assets under construction	Property, plant and equipment, total
	Daugava hydropower plants'	Transmission system	Distribution system				
	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
At 31st of December 2012							
Cost or valuation	13,657	7,829	8,543	111,851	**141,880**	422,173	**6,495,870**
Accumulated depreciation and impairment	(7,702)	(5,353)	(5,227)	(88,170)	**(106,452)**	(6,931)	**(3,439,431)**
Net book amount	**5,955**	**2,476**	**3,316**	**23,681**	**35,428**	**415,242**	**3,056,439**
Year ended 31st of December 2013							
Additions	-	969	-	8,913	**9,882**	207,778	**218,669**
Invested in share capital (Note 19)*	-	-	-	-	**-**	-	**874**
Transfers	-	740	519	7,203	**8,462**	(514,771)	**-**
Disposals	-	(1)	(30)	(24)	**(55)**	(117)	**(3,847)**
Impairment charge	-	-	-	-	**-**	283	**(17,371)**
Depreciation	(507)	(925)	(696)	(10,280)	**(12,408)**	-	**(167,989)**
Closing net book amount	**5,448**	**3,259**	**3,109**	**29,493**	**41,309**	**108,415**	**3,086,775**
At 31st of December 2013							
Cost or valuation	13,657	9,409	8,734	121,952	**153,752**	115,063	**6,646,707**
Accumulated depreciation and impairment	(8,209)	(6,150)	(5,625)	(92,459)	**(112,443)**	(6,648)	**(3,559,932)**
Net book amount	**5,448**	**3,259**	**3,109**	**29,493**	**41,309**	**108,415**	**3,086,775**
Year ended 31st of December 2014							
Additions	-	602	2,986	6,264	**9,852**	161,190	**172,164**
Invested in share capital (Note 19)*	-	-	-	-	**-**	-	**435**
Transfers	1	385	489	3,479	**4,354**	(215,533)	**-**
Reclassified to investment property	-	-	-	-	**-**	-	**(434)**
Disposals	-	(1,530)	(7)	(6)	**(1,543)**	(11)	**(4,525)**
Impairment charge	-	-	-	-	**-**	601	**(13,961)**
Reclassified depreciation of emergency spare parts	-	-	-	-	**-**	-	**(3,394)**
Depreciation	(503)	(971)	(910)	(9,510)	**(11,894)**	-	**(170,744)**
Closing net book amount	**4,946**	**1,745**	**5,667**	**29,720**	**42,078**	**54,662**	**3,066,316**
At 31st of December 2014							
Cost or valuation	13,657	6,214	11,708	126,683	**158,262**	60,709	**6,768,935**
Accumulated depreciation and impairment	(8,711)	(4,469)	(6,041)	(96,963)	**(116,184)**	(6,047)	**(3,702,619)**
Net book amount	**4,946**	**1,745**	**5,667**	**29,720**	**42,078**	**54,662**	**3,066,316**

* in October 2014, in accordance with the Directive No. 496 of the Cabinet of Ministers of the Republic of Latvia, dated 16th of September 2014 – "On the Investment of the State's property units in the Share Capital of Latvenergo AS", real estate in the amount of EUR 435 thousand was invested in the share capital of Latvenergo AS (2013: real estate in the amount of EUR 874 thousand).

Impairment charge is included in the Consolidated Statement of Profit or Loss under 'Depreciation, amortisation and impairment of intangible assets and property, plant and equipment'.

As at 31st of December 2014 cost or valuation of fully depreciated PPE amounted to EUR 929,068 thousand (31/12/2013: EUR 758,683 thousand).

In 2014 the Group has capitalised borrowing and finance costs in the amount of EUR 167 thousand (2013: EUR 3,819 thousand). Rate of capitalised borrowing costs was of 1.61 % (2013: 1.48 %).

Information about the Group's pledged property, plant and equipment is disclosed in Note 21 b, I.

b) Investment property

Land or a building or part of a building held by the Group as the owner to earn rentals or for capital appreciation, rather than for use in the production of goods or supply of services or for administrative purposes, or sale in the ordinary course of business, after decision of the Group's management are initially recognised as investment properties at cost and subsequently measured at acquisition cost net of accumulated depreciation and impairment losses (Note 2.7.).

	Land		Buildings		TOTAL Investment property	
	2014	2013	2014	2013	2014	2013
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net book amount at the beginning of the year	**435**	**498**	**1,038**	**1,090**	**1,473**	**1,588**
Reclassified from property, plant and equipment	80	-	354	-	434	-
Sold	(85)	(63)	(389)	(28)	(474)	(91)
Disposal	-	-	(7)	-	(7)	-
Depreciation	-	-	(83)	(24)	(83)	(24)
Net book amount at the end of the year	**430**	**435**	**913**	**1,038**	**1,343**	**1,473**

c) Property, plant and equipment revaluation

As at 1st of January 2011 transmission system assets and as at 1st of September 2011 distribution system assets were evaluated for property investment in subsidiaries share capital (Latvijas elektriskie tīkli AS and Sadales tīkls AS respectively). Latvenergo AS revalued assets of Daugava hydropower plants as at 1st of January 2012. Valuation have been done by independent certified valuators by applying the cost model, which provides, that the assets value comprises replacement or renewal costs of similar asset at the date of revaluation less the accumulated depreciation and impairment losses. To determine original cost replacement value of the revaluated asset current acquisition or purchase cost is used.

The carrying amounts of revalued property, plant and equipment of Daugava hydropower plants, transmission and distribution system assets at revalued amounts and their cost basis are as follows:

	Revalued property, plant and equipment categories			
	Buildings and facilities	Technology equipment and machinery	Other property, plant and equipment	Total
	EUR'000	EUR'000	EUR'000	EUR'000
	At revalued amounts			
At 31st of December 2013				
Revalued	3,902,428	1,441,413	31,800	5,375,641
Accumulated depreciation	(2,285,832)	(818,915)	(19,984)	(3,124,731)
Revalued net book amount	**1,616,596**	**622,498**	**11,816**	**2,250,910**
At 31st of December 2014				
Revalued	4,013,350	1,469,943	31,579	5,514,872
Accumulated depreciation	(2,335,332)	(853,137)	(19,221)	(3,207,690)
Revalued net book amount	**1,678,018**	**616,806**	**12,358**	**2,307,182**
	At amounts stated on historical cost basis			
At 31st of December 2013				
Cost	890,277	642,108	26,470	1,558,855
Accumulated depreciation	(280,895)	(326,351)	(19,604)	(626,850)
Net book amount	**609,382**	**315,757**	**6,866**	**932,005**
At 31st of December 2014				
Cost	1,019,203	688,276	26,825	1,734,304
Accumulated depreciation	(300,559)	(336,857)	(18,640)	(656,056)
Net book amount	**718,644**	**351,419**	**8,185**	**1,078,248**

d) Impairment

As at the end of reporting period the Group has been performed impairment evaluation for PPE. The accumulated impairment as at 31st of December 2014 amounted to EUR 108,334 thousand and consists of impairment charge on technological equipment and machinery of the Riga combined heat and power plant (carried in non–revalued technology equipment and machinery) – EUR 93,770 thousand and partial impairment charge on PPE category's 'Technology equipment and machinery' subcategory 'Transformers for AC voltage lowering' – EUR 14,564 (carried in revalued distribution system's technology equipment and machinery) (31/12/2013: impairment charge in the amount of EUR 93,770 thousand on technological equipment and machinery of the Riga combined heat and power plant). Impairment review performed in accordance with *IAS 36 Impairment of Assets* resulted in an impairment charge on technological equipment and machinery of the Riga combined heat and power plant (carried in non–revalued technology equipment and machinery) based on value in use calculations. Estimation of revalued distribution system PPE recoverable value has been performed using replacement cost method and comparing PPE acquisition price changes since September 2011, when has been performed revaluation for corresponding PPE category and investment into Sadales tīkls AS equity. The recognised impairment charge is included in the Consolidated Statement of Profit or Loss position 'Depreciation, amortisation and impairment of intangible assets and property, plant and equipment'. The cash–generating unit is defined as the assets of Riga combined heat and power plant. In 2014 has been prepared impairment review for Riga combined heat and power plants (Riga CHHPs) and as a result of this review there is no any impairment loss that must be recognised (2013: a one–off impairment loss of in the amount EUR 17.7 million has been recognised). Nominal pre-tax discount rate used to determine value in use of cash-generating unit by discounting cash flows is 7.2 % (2013: 7.3 %).

For sensitivity analysis see Note 4 a, II.

e) Operating leases

	2014	2013
	EUR'000	EUR'000
Rental income (the Group is the lessor)	**38,933**	**37,712**
of which,		
Transmission system assets lease	37,490	36,128
Rental expense (the Group is the lessee)	**1,228**	**1,219**

Future Minimum Lease Receivables under Non-Cancellable Operating Lease Contracts by Due Dates

	2014	2013
	EUR'000	EUR'000
– < 1 year	37,490	36,128
– 1–5 years	178,999	149,960
– > 5 years	287,867	339,701
TOTAL rental income	**504 356**	**525,789**

Transmission system assets had been leased out to Augstsprieguma tīkls AS under non-cancellable operating lease agreement.

Future Minimum Lease Payments under Non-cancellable Operating Lease Contracts by Due Dates

	2014	2013
	EUR'000	EUR'000
– < 1 year	1,349	1,323
– 1–5 years	5,458	5,468
– > 5 years	7,375	6,927
TOTAL rental expense	**14,182**	**13,718**

15. Non-current Financial Investments

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**41**	**7,040**
Share of profit / (loss) in Nordic Energy Link AS using the equity method	(357)	1,061
Investment in Nordic Energy Link AS reclassified to current financial investments held for sale*	-	(8,060)
Received dividends from Nordic Energy Link AS	1,924	-
Net loss from disposal of investment in Nordic Energy Link AS	(1,567)	-
At the end of the year	**41**	**41**

* On 26th of September 2013 Shareholder's Meeting of Latvenergo AS decided to terminate Latvenergo AS participation in Nordic Energy Link AS. According to the Directive 2009/72/EC of the European Parliament and of the Council of 13th of July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, Latvenergo AS, as electricity generator and supplier, performed activities so that after 31st of December 2013 it would not be owner of the electricity transmission infrastructure. On 12th of February 2014 the Cabinet of Ministers of the Republic of Latvia adopted decision No. 67 "On Latvenergo AS termination of partnership in Nordic Energy Link AS" and on 19th of March 2014 at the Nordic Energy Link AS Shareholders' meeting was approved decision to liquidate Nordic Energy Link AS. In December 2014 Latvenergo AS terminated its partnership as a shareholder of Nordic Energy Link AS with 25 % interest held.

The table below discloses the Group's share of profit from investments in significant associates and summarised financial information on the amounts of assets, liabilities and net sales of these entities.

	Assets	Liabilities	Net sales	Share of profit / (loss)
	EUR'000	EUR'000	EUR'000	EUR'000
As of 30st of September 2014*				
Nordic Energy Link AS	21,163	6	7	(357)
	21,163	**6**	**7**	**(357)**
As of 31st of December 2013				
Nordic Energy Link AS	33,598	1,357	12,814	1,061
	33,598	**1,357**	**12,814**	**1,061**

* final financial data before liquidation

Participating Interest in Subsidiaries and Associates

Name	Country of incorporation	Business activity held	Interest held, % 31/12/2014	Interest held, % 31/12/2013
Subsidiaries:				
Latvijas elektriskie tīkli AS	Latvia	Management of transmission system assets	100 %	100 %
Sadales tīkls AS	Latvia	Electricity distribution	100 %	100 %
Enerģijas publiskais tirgotājs AS*	Latvia	Management of the mandatory procurement process	100 %	-
Elektrum Eesti OÜ	Estonia	Electricity supply	100 %	100 %
Elektrum Latvija SIA	Latvia	Electricity supply	100 %	100 %
Elektrum Lietuva UAB	Lithuania	Electricity supply	100 %	100 %
Liepājas enerģija SIA	Latvia	Thermal energy generation and supply in Liepaja city, electricity generation	51 %	51 %
Associates:				
Nordic Energy Link AS	Estonia	Electricity transmission	-	25 %
Other non-current financial investments:				
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15 %	48.15 %
Rīgas siltums AS	Latvia	Thermal energy generation and supply in Riga, electricity generation	0.0051 %	0.0051 %

* In order to improve the transparency of administration of electricity mandatory procurement process, new subsidiary Enerģijas publiskais tirgotājs AS was established on 25th of February 2014. The subsidiary as of 1st of April 2014 has taken over the mandatory procurement administration functions from Latvenergo AS.

The Group owns 48.15 % of the shares of the closed pension fund Pirmais Slēgtais Pensiju Fonds AS. However, the Group is only a nominal shareholder as all risks and benefits arising from associate's activities will accrue to the Group's employees who are members of the pension fund. Therefore, investment in Pirmais Slēgtais Pensiju Fonds AS is valued at cost and equity method is not applied.

16. Inventories

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Raw materials and spare parts	15,510	21,160
Other inventories	8,437	4,733
Allowance for raw materials, spare parts, technological fuel	(1,387)	(4,259)
Total inventories	**22,560**	**21,634**

Changes in the allowance for raw materials and spare parts are included in the Consolidated Statement of Profit or Loss position 'Raw materials and consumables used'.

Movement on the allowance for raw materials, spare parts and technological fuel

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**4,259**	**3,961**
Inventories written off	(32)	(171)
Reclassified to property, plant and equipment	(3,394)	-
Charged to the Consolidated Statement of Profit or Loss	554	469
At the end of the year	**1,387**	**4,259**

17. Trade Receivables and Other Current Receivables

a) Trade receivables, net

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Receivables		
- Electricity customers	103,756	91,925
- Heating customers	17,477	17,580
- Other trade receivables	30,877	23,597
	152,110	**133,102**
Allowances for impairment of receivables		
- Electricity customers	(41,080)	(40,643)
- Heating customers	(393)	(369)
- Other trade receivables	(2,530)	(2,482)
	(44,003)	**(43,494)**
Receivables, net		
- Electricity customers	62,676	51,282
- Heating customers	17,084	17,211
- Other trade receivables	28,347	21,115
	108,107	**89,608**

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers except the major heating customer the net debt of which as at 31st of December 2014 amounted to EUR 14,658 thousand (31/12/2013: EUR 15,013 thousand).

Electricity receivables grouped by past due days and calculated impairment loss

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Electricity receivables:		
Fully performing receivables	53,672	46,380
Receivables past due but not impaired:		
– Receivables past due by 1-45 days	5,351	4,452
Impaired receivables:		
– Receivables past due by 46-90 days	683	497
– Receivables past due by 91-180 days	621	804
– Receivables past due by more than 181 day	11,275	14,313
– Individually impaired receivables with scheduled payments*	32,154	25,479
	103,756	**91,925**
Allowances for impaired electricity receivables:		
– Receivables past due by 46-90 days	(341)	(248)
– Receivables past due by 91-180 days	(466)	(603)
– Receivables past due by more than 181 day	(11,275)	(14,313)
– Individually impaired receivables with scheduled payments*	(28,998)	(25,479)
	(41,080)	**(40,643)**
Electricity receivables, net		
Fully performing receivables	53,672	46,380
Receivables past due but not impaired:		
– Receivables past due by 1-45 days	5,351	4,452
Net impaired receivables:		
– Receivables past due by 46-90 days	342	249
– Receivables past due by 91-180 days	155	201
– Individually impaired receivables with scheduled payments*	3,156	-
	62,676	**51,282**

* receivables under insolvency process

Heating and other receivables grouped by past due days and calculated impairment loss

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Heating and other trade receivables:		
Fully performing receivables	44,605	36,883
Receivables past due but not impaired:		
– Receivables past due by 1-30 days	713	1,242
Impaired receivables:		
– Receivables past due by 31-90 days	211	404
– Receivables past due by more than 91 day	2,645	2,648
– Individually impaired receivables with scheduled payments*	180	-
	48,354	**41,177**
Allowances for impaired heating and other trade receivables:		
– Receivables past due by 31-90 days	(105)	(203)
– Receivables past due by more than 91 day	(2,645)	(2,648)
– Individually impaired receivables with scheduled payments*	(173)	-
	(2,923)	**(2,851)**
Heating and other trade receivables, net		
Fully performing receivables	44,605	36,883
Receivables past due but not impaired:		
– Receivables past due by 1-30 days	713	1,242
Net impaired receivables:		
– Receivables past due by 31-90 days	106	201
– Individually impaired receivables with scheduled payments*	7	-
	45,431	**38,326**

* receivables under insolvency process

The Group's Management has estimated allowances for impairment of receivables on the basis of aging of trade receivables and by evaluating liquidity and history of previous payments of each significant debtor (see point 2.12). The carrying amount of trade receivables, less allowances for impairment, is assumed to approximate their fair values.

The Group's Management assumptions and methodology for estimation of recoverable amount of trade receivables and evaluation of impairment risk are described in Note 4 b.

Receivables Credit Quality

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Fully performing electricity receivables:		
- customers with no overdue receivables	45,874	42,342
- customers with overdue receivables	7,798	4,038
	53,672	**46,380**
Fully performing heating and other receivables:		
- customers with no overdue receivables	43,527	35,104
- customers with overdue receivables	1,078	1,779
	44,605	**36,883**

The basis for estimating the credit quality of fully performing trade receivables not due yet and not written down are internal ratings by reference to earlier credit behaviour of clients.

Movements in Allowances for Impairment of Trade Receivables are as Follows

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**43,494**	**29,036**
Receivables written off during the year as uncollectible	(934)	(1,409)
Allowance for impaired receivables	1,443	15,867
At the end of the year	**44,003**	**43,494**

The charge and release of allowance for impaired trade receivables due to delayed payments have been recorded in the Consolidated Statement of Profit or Loss position 'Other operating expenses' as selling expenses and customer services costs (Note 10).

b) Other current receivables

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Compensated accrued revenue on mandatory procurement public service obligation	15,887	44,953
Unsettled revenue on mandatory procurement public service obligation fee recognised as assets	63,146	-
Other accrued income	15,362	8,534
Pre-tax and overpaid taxes	9,268	14,417
Deferred expenses	707	1,001
Other current financial receivables	19,001	287
Other current non-financial receivables	2,274	2,760
Total other current receivables	**125,645**	**71,952**

Accrued revenue on mandatory procurement public service obligation fee is calculated as difference between procurement expenditure above electricity market price and collected payments from electricity end users for mandatory procurement public service obligation fees for period from 1st of January 2013 through 31st of March 2014. Since 1st of April 2014 according to the conditions included in the article No. 37 of transition terms of the Electricity Market Law of the Republic of Latvia, Public Supplier licence holder (established in 2014) was obliged to compensate the uncollected difference of mandatory procurement service obligation for period from 1st of January 2013 until transfer of Public Supplier licence.

By applying agent principle unsettled revenue on mandatory procurement public service obligation fee is recognised as assets in net amount as difference between revenue from sale of electricity in Nord Pool Spot energy exchange by market price, received mandatory procurement public service obligation fees, received government grant for compensating the increase of mandatory procurement costs and costs of purchased electricity under the mandatory procurement from electricity generators who generate electricity in efficient cogeneration process or using renewable energy sources, as well as guaranteed fees for installed electrical capacity in cogeneration plants (over 4 MW).

The growth of other current financial receivables is affected by accounting of accepted, but unsettled financing from European Union funds for The European Energy Development Program – 330 kV *Kurzeme Ring*.

None of the receivables are secured with pledges or otherwise. The carrying amounts of other receivables are assumed to approximate their fair values.

18. Cash and Cash Equivalents

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Cash at bank	38,141	88,823
Short-term bank deposits	52,000	166,600
Restricted cash and cash equivalents*	30,870	-
Total cash and cash equivalents	**121,011**	**255,423**

* restricted cash and cash equivalents consist of government grant for compensation of the increase of mandatory procurement public service obligation costs in the amount of EUR 29,264 thousand that is restricted until acceptance from European Union and not included in the Consolidated Statement of Cash Flows and of the financial security for participating in NASDAQ OMX Commodities Exchange in the amount of EUR 1,606 thousand

Cash at bank balances earns daily interest mostly based on floating interbank deposit rates. Short–term deposits are placed for different periods between several days and three months depending on the immediate cash needs of the Group and cash flow forecasts. During 2014 the average annual effective interest rate earned on short-term cash deposits was 0.32 % (2013: 0.36 %). See also Note 3.1.b.

The carrying amounts of cash and cash equivalents are assumed to be approximate to their fair values.

19. Share Capital

As at 31st of December 2014, the registered share capital of the Latvenergo AS is EUR 1,288,446 thousand (31/12/2013: EUR 1,288,011 thousand) and consists of 1,288,446 thousand ordinary shares (31/12/2013: 1,288,011 thousand) with the nominal value of EUR 1 per share (31/12/2013: LVL 1 is equivalent to EUR 1.423 per share).

In October 2014, in accordance with the Directive No. 496 of the Cabinet of Ministers of the Republic of Latvia, dated 16th of September 2014 – "On the Investment of the State's property units in the Share Capital of Latvenergo AS", real estate in the amount of EUR 435 thousand was invested in the share capital of Latvenergo AS (2013: real estate in the amount of EUR 874 thousand). The value of real estate was determined by independent certified valuation experts applying amortised cost model, based on construction or acquisition costs of similar assets. Increase in the share capital was approved by the Latvenergo AS Shareholders' Meeting on 25th of September 2014 and registered with the Commercial Register of the Republic of Latvia on 30th of October 2014.

20. Reserves, Dividends and Earnings per Share

a) Reserves

As at 31st of December 2014, the Group's reserves are in the amount EUR 645,829 thousand (31/12/2013: EUR 652,418 thousand) and consist of the property, plant and equipment revaluation reserve, hedge reserve, currency translation reserve and other reserves. The Group cannot distribute as dividends the property, plant and equipment revaluation reserve, currency translation and hedge reserves. Other reserves are maintained with the aim to maintain stability in the operations of the Group entities.

	Note	Non-current assets revaluation reserve	Hedge reserve	Currency translation	Other reserves	TOTAL
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31st of December 2012		**662,685**	**(18,682)**	**97**	**13**	**644,113**
Disposal of non-current assets revaluation reserve		(456)	–	–	–	(456)
Deferred tax related to non-current assets revaluation reserve	12	(97)	–	–	–	(97)
Currency translation differences		–	–	14	–	14
Gains from fair value changes in derivative financial instruments	21 c, I	–	8,844	–	–	8,844
As at 31st of December 2013		**662,132**	**(9,838)**	**111**	**13**	**652,418**
Disposal of non-current assets revaluation reserve		(94)	–	–	–	(94)
Deferred tax related to non-current assets revaluation reserve	12	14	–	–	–	14
Currency translation differences		–	–	(14)	–	(14)
Losses from fair value changes in derivative financial instruments	21 c, I	–	(6,495)	–	–	(6,495)
As at 31st of December 2014		**662,052**	**(16,333)**	**97**	**13**	**645,829**

b) Dividends

The dividends declared to equity holders of the Parent Company for 2013 were EUR 23,605 thousand or EUR 0.02608 per share (2012: EUR 40,619 thousand or EUR 0.0449 per share) and to non–controlling interests – EUR 1,197 thousand or EUR 0.35 per share (2012: EUR 313 thousand or EUR 0.09 per share). Dividends declared for 2013 and paid in 2014 to equity holders of the Parent Company are settled partly by corporate income tax overpayment in the amount of EUR 10,956 thousand (dividends declared for 2012 and paid in 2013 – settled partly by corporate income tax overpayment in the amount of EUR 9,975 thousand) (see Consolidated Statement of Cash Flows).

The Management Board of Latvenergo AS proposes to allocate profit of Latvenergo AS for the year ended 31st of December 2014 in the amount of EUR 31.5 million or EUR 0.02443 per share to be paid out in dividends. These financial statements do not reflect this amount as a liability as the dividends has not been approved as at 31st of December 2014.

The distribution of net profit for the 2014 is subject to a resolution of the Parent Company's Shareholders Meeting.

c) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding (Note 19). As there are no potential ordinary shares, diluted earnings per share are equal to basic earnings per share in all comparable periods.

	2014	2013
	EUR'000	EUR'000
Profit attributable to the equity holders of the Parent Company (in thousand EUR)	28,515	44,305
Weighted average number of shares (thousand)	1,230,405	904,746
Basic earnings per share (in euros)	0.023	0.049
Diluted earnings per share (in euros)	0.023	0.049

21. Financial Assets and Liabilities

a) Held–to–maturity financial assets

As at 31st of December 2014 the entire Group's held–to–maturity financial assets were State Treasury bonds with 5 year and 10 year maturity, which were purchased with the purpose to invest liquidity reserve in the low risk financial instruments with higher yield. During 2014 and 2013 there were no gains or losses recognised in association with the disposal of held–to–maturity financial assets. All held–to–maturity financial assets are denominated in euros. The maximum exposure to credit risk at the reporting date is the carrying amount of held–to–maturity financial assets.

In 2014 the fair value of held–to–maturity financial assets is greater than the carrying amount by EUR 6,403 thousand (2013: EUR 4,687 thousand). The fair value of financial assets is calculated by discounting their future cash flows and using as discount factor the banks quoted prices of the financial instruments at the end of the reporting period.

Held–to–maturity Financial Assets Carrying Amount

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Held–to–maturity financial assets:		
– current	–	–
– non–current	28,528	28,588
Total held–to–maturity financial assets	**28,528**	**28,588**

b) Borrowings

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Non–current borrowings from financial institutions	583,494	700,390
Issued debt securities (bonds)	104,803	104,802
Total non–current borrowings	**688,297**	**805,192**
Current portion of non–current borrowings from financial institutions	136,809	137,008
Accrued interest on non–current borrowings	1,422	1,780
Accrued coupon interest on issued debt securities (bonds)	694	695
Total current borrowings	**138,925**	**139,483**
Total borrowings	**827,222**	**944,675**

Movement in Borrowings

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**944,675**	**846,961**
Borrowings received	22,600	117,300
Borrowings repaid	(139,695)	(105,174)
Change in accrued interest on borrowings	(358)	753
Issued debt securities (bonds)	–	84,835
At the end of the year	**827,222**	**944,675**

Borrowings by Categories of Lenders

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Foreign investment banks	482,869	538,497
Commercial banks	238,856	300,663
Issued debt securities (bonds)	105,497	105,515
Total borrowings	**827,222**	**944,675**

Borrowings by Maturity (Excluding the Effect of derivative financial instruments)

	31/12/2014	31/12/2013
	EUR'000	EUR'000
Fixed rate non–current and current borrowings:		
– < 1 year (current portion of non–current borrowings)	1,099	1,102
– 1–5 years	70,433	70,930
– > 5 years	34,570	34,490
Total fixed rate borrowings	**106,102**	**106,522**
Floating rate non–current and current borrowings:		
– < 1 year (current portion of non–current borrowings)	137,826	138,363
– 1–5 years	383,220	454,776
– > 5 years	200,074	245,014
Total floating rate borrowings	**721,120**	**838,153**
Total borrowings	**827,222**	**944,675**

Borrowings by pricing period (considering the effect of derivative financial instruments)

	31/12/2014	31/12/2013
	EUR'000	EUR'000
– < 1 year	482,528	542,974
– 1–5 years	230,124	252,211
– > 5 years	114,570	149,490
Total borrowings:	**827,222**	**944,675**

At 31st of December 2014 and at 31st of December 2013 all of the Group's borrowings were denominated in euros.

The fair value of current and non–current borrowings with floating rates equals their carrying amount, as their actual floating interest rates approximate the market price of similar financial instruments available to the Group, and the effect of fair value revaluation is not significant. The fair value of current and non–current borrowings with fixed rates (excluding the effect of derivative financial instruments) exceeds their carrying amounts by EUR 32.55 thousand (2013: EUR 63.25 thousand). The fair value calculations are based on discounted cash flows using discount factor of respective EUR swap rates increased by the Group's credit risk margin. The average interest rate for discounting cash flows of non–current borrowings was 1.1 % (2013: 2.2 %).

I) Pledges

As at 31st of December 2014 the Group's assets are not pledged to secure the borrowings, except the pledge on assets of Liepājas Enerģija SIA of maximum secured claims in the amount of EUR 33.5 million (31/12/2013: EUR 30.2 million) to secure its current and non–current borrowings. As at the end of the reporting year there has been pledged the property, plant and equipment in the net book amount of EUR 30.2 million and the claims on the receivables accounts in the amount of EUR 3.3 million (31/12/2013: EUR 26.5 million and EUR 2.1 million, respectively).

II) Un–drawn borrowing facilities

As at 31st of December 2014 the un–drawn portion of committed non–current credit facilities amounts to EUR 320 million (31/12/2013: EUR 90 million).

As at 31st of December 2014 the Group had entered into three overdraft agreements with total notional amount of EUR 34.2 million (31/12/2013: EUR 34.2 million) and in respect of those all conditions precedent had been met. At the end of the reporting year overdrafts were not used.

III) Weighted average effective interest rate

During the reporting year the weighted average effective interest rate (including interest rate swaps) on non–current borrowings was 2.47 % (2013: 2.53 %), weighted average effective interest rate for current borrowings was 1.06 % (2013: 1.18 %). At 31st of December 2014 interest rates for non-current borrowings in euros were 3 and 6 month EURIBOR+1.09 % (31/12/2013: +0.97 %). At 31st of December 2014 the total notional amount of interest rate swap agreements concluded by the Group amounts to EUR 320.0 million (31/12/2013: EUR 347.7 million) and the interest rate was fixed for the initial periods from 6 to 10 years.

IV) Bonds issued

The Parent company (Latvenergo AS) in 2012 and 2013 issued bonds in the amount of EUR 70 million with the maturity date – 15th of December 2017 (ISIN code – LV0000801090) and in the amount of EUR 35 million with maturity date – 22nd of May 2020 (ISIN code – LV0000801165). Thus the total nominal amount of issued bonds amounts to EUR 105 million. The annual coupon rate for issued bonds is 2.8 %. All issued bonds are quoted in NASDAQ Baltic Stock Exchange. At the end of reporting year the issued debt securities (bonds) are measured at amortized cost.

In 2014 the fair value of issued debt securities (bonds) exceeds their carrying amount by EUR 4,899 thousand (2013: the fair value less than EUR 265 thousand). The fair value of debt securities (bonds) issued is calculated by discounting their future cash flows and using the banks' quoted prices of the financial instruments at the end of the reporting year as discount factor.

c) Derivative financial instruments

I) Outstanding fair values of derivatives and their classification

In tables below outstanding fair values of derivatives are disclosed as follows:

	Notes	31/12/2014		31/12/2013	
		EUR'000		EUR'000	
		Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	21 c, II	–	18,441	(617)	13,506
Electricity forwards and futures	21 c, III	–	2,112	–	9,912
Forward foreign currencies exchange contracts	21 c, IV	–	–	–	16
Total outstanding fair values of derivatives:		**–**	**20,553**	**(617)**	**23,434**

	31/12/2014		31/12/2013	
	EUR'000		EUR'000	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Non–current	–	11,698	-	6,238
Current	–	8,855	(617)	17,196
Total fair values of derivative financial instruments	**–**	**20,553**	**(617)**	**23,434**

(Gains) / Losses on Fair Value Changes as a Result of Realised Hedge Agreements

	Notes	2014	2013
		EUR'000	EUR'000
Included in the Consolidated Statement of Profit or Loss			
Interest rate swaps	11	(943)	(1,917)
Electricity forwards and futures	8	(7,800)	4,447
Forward foreign currencies exchange contracts	11	(16)	16
		(8,759)	**2,546**
Included in the Statement of Other Comprehensive Income			
Interest rate swaps	20	6,495	(9,006)
Electricity forwards and futures	20	–	103
Forward foreign currencies exchange contracts	20	–	59
		6,495	**(8,844)**

According to amendments to *IAS 1* a financial liability or asset that is not held for trading purposes should be presented as current or non–current on the basis of its settlement date. Derivatives that have a maturity of more than twelve months and are expected to be held for more than twelve months after the end of the reporting period have been classified as non–current assets or liabilities.

II) Interest rate swaps

As at 31st of December 2014 the Group had interest rate swap agreements with total notional amount of EUR 320.0 million (31/12/2013: EUR 347.7 million).

Interest rate swaps are concluded with 6 to 10 year initial maturities and hedged floating rates are 6 month EURIBOR. As at 31st of December 2014 fixed interest rates vary from 0.7725 % to 4.4925 % (31/12/2013: from 1.548 % to 4.4925 %).

At the end of the year 88% of all outstanding interest rate swap agreements or agreements with notional amount of EUR 280.0 million are designated to comply with hedge accounting and were re-measured prospectively and retrospectively to test whether they are effective within the hedging period (31/12/2013: EUR 307.7 million). All contracts are designed as cash flow hedges. It was established that they are fully effective and therefore there is no ineffective portion to be recognised within profit or loss in the Consolidated Statement of Profit or Loss.

The main interest rate hedging criteria stated in the Financial Risk Management policy is to ensure average fixed rate duration from 2 to 4 years and fixed rate portion at more than 35 % of borrowings. As at 31st of December 2014 42 % (31/12/2013: 43 %) of the Group's borrowings had fixed interest rates (taking into account the effect from the interest rate swaps), and average remaining time to interest re–pricing was 2.2 years (2013: 2.1 years).

Fair Value Changes of Interest Rate Swaps

	2014		2013	
	EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	**(617)**	**13,506**	**–**	**23,812**
Included in the Consolidated Statement of Profit or Loss, net (Note 11 a)	–	(943)	–	(1,917)
Included in other comprehensive income (Note 20 a)	617	5,878	(617)	(8,389)
Outstanding fair value at the end of the year	**–**	**18,441**	**(617)**	**13,506**

III) Electricity forwards and futures

As at 31st of December 2014 the Group has entered into electricity forward and future contracts with total outstanding volume of 1,144,162 MWh (31/12/2013: 1,073,417 MWh) and notional value of EUR 38.0 million (31/12/2013: EUR 44.4 million). Electricity forward and future contracts are concluded for the maturities from one quarter to one year during the period from 1st of January 2015 to 31st of December 2018.

In 2014 the Parent company (Latvenergo AS) became a member of NASDAQ OMX Commodities Exchange and started to conclude future contracts in NASDAQ OMX Commodities Exchange, in addition continuing to conclude forward contracts with other counterparties. Electricity forward and future contracts are agreed for electricity price hedging purposes by using the Nord Pool Spot pricing. All purchased forward and future contracts were contracts with fixed amount of electricity and price in euros.

As at 31st of December 2014 none of the electricity forward and future contracts are designated to comply with hedge accounting treatment (31/12/2013: no contracts) and consequently as at 31st of December 2014 all outstanding fair value changes of valid electricity forward and future contracts are included in the Consolidated Statement of Profit or Loss (see Note 8). In 2013 for some of concluded contracts was not recognised significant ineffectiveness, that must be recorded through profit or loss in the Consolidated Statement of Profit or Loss, and fair value gains and losses are recognised in the hedging reserve in 'Other comprehensive income' (Note 20a).

Fair Value Changes of Electricity Forward and Future Contracts

	2014		2013	
	EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	**–**	**9,912**	**(5,969)**	**11,331**
Included in the Consolidated Statement of Profit or Loss (Note 8)	–	(7,800)	–	4,447
Included in other comprehensive income (Note 20 a)	–	–	5,969	(5,866)
Outstanding fair value at the end of the year	**–**	**2,112**	**–**	**9,912**

IV) Forward foreign currencies exchange contracts
As at 31st of December 2014 the Group has no outstanding forward foreign currencies exchange contracts (for valid contracts at 31/12/2013: one EUR/USD contract with the notional principal amount EUR 0.4 million (USD 0.6 million)).

The terminated during 2014 EUR/USD forward foreign currencies exchange contract was designed as cash flow hedge for USD transactions of Riga TEC–2 combined heat and power plant second power generation unit reconstruction contract.

Fair value changes of EUR/USD forward foreign currencies exchange contract during 2014 are included in the Consolidated Statement of Profit or Loss (see Note 11). In 2013 fair value gains and losses on this contract until commissioning of reconstruction project of Riga TEC–2 second power generation unit in September 2013 are recognised in the hedging reserve in 'Other comprehensive income' (Note 20 a) as it qualified under IAS 39 requirements of hedge accounting.

Fair Value Changes of Forward Foreign Currencies Exchange Contracts

	2014		2013	
	EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	**–**	**16**	**(59)**	**–**
Included in the Consolidated Statement of Profit or Loss (Note 11 a, b)	–	(16)	–	16
Included in other comprehensive income (Note 20 a)	–	–	59	–
Outstanding fair value at the end of the year	**–**	**–**	**–**	**16**

d) Fair values and fair value measurement
In this Note are disclosed the fair value measurement hierarchy for the Group's financial assets and liabilities.

Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets at the End of the Year

	Date of valuation	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		EUR'000	EUR'000	EUR'000	**EUR'000**
Assets measured at fair value					
Derivative financial instruments, including:					**5,514,872**
Interest rate swaps	31/12/2014	–	–	–	**–**
	31/12/2013	–	617	–	**617**
Assets for which fair values are disclosed					
Investment property	31/12/2014	–	–	1,904	**1,904**
	31/12/2013	–	–	2,990	**2,990**
Held-to-maturity financial assets	31/12/2014	–	34,931	–	**34,931**
	31/12/2013	–	33,275	–	**33,275**
Current financial investments (Note 15)	31/12/2014	–	–	–	**–**
	31/12/2013	–	–	8,060	**8,060**

There have been no transfers for assets between Level 1 and Level 2 during the reporting period.

Quantitative Disclosures of Fair Value Measurement Hierarchy for Liabilities at the End of the Year

	Date of valuation	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		EUR'000	EUR'000	EUR'000	**EUR'000**
Liabilities measured at fair value					
Derivative financial instruments, including:					
Interest rate swaps	31/12/2014	–	18,441	–	**18,441**
	31/12/2013	–	13,506	–	**13,506**
Electricity forwards and futures	31/12/2014	–	2,112	–	**2,112**
	31/12/2013	–	9,912	–	**9,912**
Forward foreign currencies exchange contracts	31/12/2014	–	–	–	**–**
	31/12/2013	–	16	–	**16**

	Date of valuation	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		EUR'000	EUR'000	EUR'000	**EUR'000**
Liabilities for which fair values are disclosed					
Issued debt securities (bonds)	31/12/2014	–	110,395	–	**110,395**
	31/12/2013	–	105,762	–	**105,762**
Floating rate borrowings	31/12/2014	–	721,120	–	**721,120**
	31/12/2013	–	838,171	–	**838,171**
Fixed rate borrowings	31/12/2014	–	633	–	**633**
	31/12/2013	–	1,063	–	**1,063**

There have been no transfers for liabilities between Level 1 and Level 2 during the reporting period.

The fair value hierarchy for the Group's financial instruments that are measured at fair value, by using specific valuation methods, is disclosed in Note 4 c.

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts which approximates their fair values:

	Carrying amount		Fair value	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Current financial investments	–	8,060	–	8,060
Held–to–maturity financial assets	28,528	28,588	34,931	33,275
Derivative financial instruments used for hedging	–	617	–	617
Financial liabilities				
Interest–bearing liabilities, including:				
– issued debt securities (bonds)	105,496	105,497	110,395	105,762
– floating rate borrowings	721,120	838,171	721,120	838,171
– fixed rate borrowings	605	1,007	633	1,063
Derivative financial instruments not designated for hedging, including:				
– electricity forwards and futures	2,112	9,912	2,112	9,912
– interest rate swaps	2,108	3,051	2,108	3,051
Derivative financial instruments used for hedging, including:				
– interest rate swaps	16,333	10,455	16,333	10,455
– forward foreign currencies exchange contracts	–	16	–	16

The management assessed that cash and short–term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

a) The fair values of borrowings with floating interest rates are equal their carrying amount, as their actual floating interest rates approximate the market price of similar financial instruments available to the Group
b) The borrowings with fixed interest rates had the fixed repayment period and the financial instrument is not traded in the active market; the financial instrument, which is not traded in the active market, the fair value is measured, using valuation techniques. The Groups uses various methods and models and make assumptions, which are based on the market conditions regarding the interest rates and other market conditions, existing at the end of reporting period. The fair value calculations are based on discounted cash flows using discount factor of respective EUR swap rates increased by the Group`s credit risk margin;
c) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The derivative financial instruments are determined by using various valuation methods and models with market observable inputs. The models incorporate the credit quality of counterparties, foreign exchange spot and forward rates; the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows, by discounting their future contractual cash flows at current market interest rates for similar financial instruments. The fair value of electricity forward and future contracts is calculated as discounted difference between actual market and settlement prices for the volume set in the agreements. If counterparty is a bank, calculated fair values of financial instruments are compared to bank's revaluation reports and the bank's calculated fair values of the financial instruments are used in the financial reports;
d) The fair value of the bonds issued and held–to–maturity financial assets are calculated, based on the bank's quoted prices of the financial instruments at the end of the reporting period.

22. Provisions

a) Provisions for post–employment benefits

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**12,195**	**11,042**
Current service cost	507	484
Past service cost	9	–
Interest cost	459	579
Post–employment benefits paid	(361)	(217)
(Income) / losses as a result of changes in actuarial assumptions	(159)	307
At the end of the year	**12,650**	**12,195**

Total charged/credited provisions are included in the Consolidated Statement of Profit or Loss position 'Personnel expenses' within state social insurance contributions and other benefits defined in the Collective agreement (Note 9), while losses as a result of changes in actuarial assumptions according to IAS 19 "Employee Benefits" are included in the Consolidated Statement of Comprehensive Income:

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**12,195**	**11,042**
Charged to the Consolidated Statement of Comprehensive Income	(159)	307
Charged to the Consolidated Statement of Profit or Loss	614	846
At the end of the year	**12,650**	**12,195**

Discount rate used for discounting benefit obligations was 3.63 % (2013: 4.75 %), considering the market yields on government bonds at the end of the reporting year. The Group's Collective Agreement provides indexation of employees' wages at least at the level of inflation. Long–term inflation determined at the level of 2.5 % (2013: 2.5 %) when calculating long–term post–employment benefits. In calculation of these liabilities also the probability, determined on the basis of previous experience, of retirement in different employees' aging groups was also considered.

A quantitative sensitivity analysis for significant assumptions as at the end of the year is as shown below:

Assumptions		Date of valuation	Discount rate		Future salary changes		Retirement probability changes	
			1 % increase	1 % decrease	1 % increase	1 % decrease	1 % increase	1 % decrease
Impact on provisions for post–employment benefits	EUR'000	31/12/2014	1,981	(1,588)	1,984	(1,617)	1,361	(1,143)
	EUR'000	31/12/2013	1,841	(1,488)	1,840	(1,511)	2,097	(1,689)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

b) Environmental provisions

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**3,402**	**3,910**
Charged to the Consolidated Statement of Profit or Loss	(464)	(508)
At the end of the year	**2,938**	**3,402**

The environmental provision in the amount of EUR 2,938 thousand (31/12/2013: EUR 3,402 thousand) represents the estimated cost of cleaning up Riga TEC–1 combined heat and power plant ash–fields in accordance with the requests made by the regional Environmental Authority of Riga and feasibility study on this project in the amount of EUR 1,205 thousand (31/12/2013: EUR 1,472 thousand) and Liepājas Enerģija SIA provision for the environmental recovery measures in the amount of EUR 1,733 thousand (31/12/2013: EUR 1,930 thousand). The amount of the provisions is calculated taking into account the construction cost index (data from the Central Statistical Bureau of the Republic of Latvia).

23. Other Liabilities and Deferred Income

	2014	2013
	EUR'000	EUR'000
Deferred non–current income from connection fees	145,591	139,191
Deferred income on financing from European Union funds	48,515	30,580
Deferred income from plant and equipment received free of charge	368	381
TOTAL other liabilities and deferred income	**194,474**	**170,152**

Movement in Deferred Connection Fees (Non–current and Current part)

	2014	2013
	EUR'000	EUR'000
At the beginning of the year	**149,131**	**141,086**
Received fees	18,178	17,923
Credited to the Consolidated Statement of Profit or Loss (Note 6 "Other Revenue")	(10,927)	(9,878)
At the end of the year	**156,382**	**149,131**

24. Trade and other payables

	2014	2013
	EUR'000	EUR'000
Financial liabilities:		
Payables for materials and services	60,231	55,384
Payables for electricity	26,205	28,507
Accrued expenses	7,564	9,129
Other financial current payables	7,940	2,602
Total financial liabilities	**101,940**	**95,622**
Non–financial liabilities:		
Value added tax payable	–	50
State social security contributions and other taxes	12,351	10,314
Advances received	8,852	9,430
Deferred income from connection fees	10,792	9,940
Deferred income on financing from European Union funds:		
– The European Energy Development Program – 330 kV *Kurzeme Ring*	1,130	480
– The EU Cohesion Fund – reconstruction of Liepājas enerģija SIA heat source	320	320
– The EU Cohesion Fund – construction of Liepājas enerģija SIA biomass boiler house	196	196
– The EU Cohesion Fund – reconstruction of Liepājas enerģija SIA heating network	244	232
– The EU's Climate change financial instrument – introduction of smart technologies	23	23
– The EU Regional Development Fund – woodchip boiler house construction in Ķegums	16	12
Other non–financial current payables	4,045	4,048
TOTAL non–financial liabilities	**37,969**	**35,045**
TOTAL trade and other current payables	**139,909**	**130,667**

The carrying amounts of trade and other payables are assumed to approximate their fair values.

25. Related party transactions

The Parent Company and, indirectly, the other Group entities are controlled by the Latvian state. Related parties of the Group are associates, Shareholder of the Parent Company who controls or who has significant influence over the Group's entities in accepting operating business decisions, key management personnel of the Group's entities including members of Supervisory body – Audit committee and close family members of any above–mentioned persons, as well as entities over which those persons have control or significant influence.

The Following Transactions Were Carried out with Related Parties

	2014	2013
	EUR'000	EUR'000
a) Sales of goods and services:		
– Sales of goods to associates (electricity)	–	1,344
TOTAL sales	**–**	**1,344**
b) Purchases of goods and services:		
– Purchases of goods from associates (electricity)	–	1,268
– Purchases of services from associates	–	2,779
TOTAL purchases	**–**	**4,047**
c) Finance income / (loss):		
– Received dividends from associates	1,924	-
– Net loss from disposal of non-current financial investments in associates	(1,567)	-
TOTAL finance income	**357**	**-**

Balances at the End of the Year Arising from Sales/ Purchases

	31/12/2014	31/12/2013
	EUR'000	EUR'000
a) Trade receivables from related parties:		
– Associates	–	130
TOTAL receivables	**–**	**130**
b) Trade payables to related parties:		
– Other related parties	354	161
TOTAL payables	**354**	**161**

The Group has not incurred write–offs of trade payables and receivables from transactions with related parties, as all debts are recoverable.

Receivables and payables with related parties are current balances for services and goods. None of the amounts at the end of the reporting year are secured.

Remuneration to the key management personnel that is defined as Members of the Management Boards of the Group entities and Supervisory body is disclosed in Note 9.

Dividend payments to Shareholder of the Parent Company and share capital contributions are disclosed in Note 20 b and Note 19, respectively.

26. Capital Commitments and Contingent Liabilities

As at 31st of December 2014 the Group had commitments amounting to EUR 152.2 million (31/12/2013: EUR 64.9 million) for capital expenditure contracted but not delivered at the end of the reporting period.

Latvenergo AS has issued support letters to its subsidiaries Sadales tīkls AS, Latvijas elektriskie tīkli AS and Liepājas enerģija SIA acknowledging that its position as shareholders is to ensure that subsidiaries are managed so that they have sufficient financial resources and are able to carry their operations and settle their obligations.

27. Events after the Reporting Period

In accordance with Directive 2009/72/EC of the European Parliament and of the Council, dated 13th of July 2009, concerning common rules for the internal market of electricity and the Electricity Market Law, Latvijas elektriskie tīkli AS at 1st of January 2015 transfers to Augstsprieguma tīkls AS functions of the reconstruction or renewal, operation and routine maintenance of the existing transmission network system as well as development of the transmission system and construction of new networks.

According to the international credit rating agency Moody's Investors Service report published on 16th of February 2015, the credit rating of the Parent Company – Latvenergo AS has been upgraded to Baa2 (stable).

There have been no other significant events subsequent to the end of the reporting year that might have a material effect on the Group's Consolidated Financial Statements for the year ended 31st of December 2014.

28. Financial Information on the Parent Company

Financial information disclosed on the Parent Company includes the primary separate Financial Statements of the Parent Company, the disclosure of which is required by the Annual Accounts Law of the Republic of Latvia. The primary Financial Statements of the Parent Company have been prepared using the same accounting policies that have been used in the preparation of the Consolidated Financial Statements. Investments in subsidiaries are reported at cost less any impairment charge in the separate Financial Statements of the Parent Company.

Statement of Profit or Loss

	2014	2013
	EUR'000	EUR'000
Revenue	**741,108**	**944,464**
Other income	3,277	3,263
Raw materials and consumables used	(419,144)	(513,961)
Personnel expense	(35,032)	(34,638)
Depreciation, amortisation and impairment of property, plant and equipment	(86,894)	(93,129)
Other operating expenses	(185,157)	(278,119)
Operating profit	**18,158**	**27,880**
Income from investments in subsidiaries	25,562	9,106
Finance income	12,829	11,300
Finance costs	(21,504)	(18,358)
Profit before tax	**35,045**	**29,928**
Income tax	(246)	(4,268)
Profit for the year	**34,799**	**25,660**

Statement of Financial Position

	31/12/2014	31/12/2013
	EUR'000	EUR'000
ASSETS		
Intangible assets	18,687	17,913
Property, plant and equipment	1,429,916	1,469,574
Investment property	1,136	1,197
Financial investment	1,184,411	1,189,758
Total non-current assets	**2,634,150**	**2,678,442**
Inventories	8,742	5,592
Trade and other receivables	372,734	296,270
Derivative financial instruments	-	617
Current financial investments	-	5,494
Cash and cash equivalents	88,966	244,754
Total current assets	**470,442**	**552,727**
TOTAL ASSETS	**3,104,592**	**3,231,169**
EQUITY		
Share capital	1,288,446	1,288,011
Non-current assets revaluation reserve	662,146	662,782
Hedge reserve	(16,333)	(9,838)
Other reserves	78,524	75,901
Retained earnings	34,799	25,660
Total equity	**2,047,582**	**2,042,516**
LIABILITIES		
Provisions	5,799	5,736
Borrowings	673,817	789,935
Deferred income tax liabilities	123,102	122,871
Derivative financial instruments	11,698	6,238
Other non-current liabilities	749	804
Total non-current liabilities	**815,165**	**925,584**
Borrowings	136,864	131,436
Trade and other payables	82,911	100,850
Derivative financial instruments	8,855	17,196
Other current liabilities	13,215	13,587
Total current liabilities	**241,845**	**263,069**
TOTAL EQUITY AND LIABILITIES	**3,104,592**	**3,231,169**

Building a better
working world

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INDEPENDENT AUDITORS' REPORT

To the shareholder of AS Latvenergo

Report on the financial statements

We have audited the accompanying consolidated financial statements of AS Latvenergo and its subsidiaries (the "Group"), set out on pages 6 through 61 of the accompanying 2014 Consolidated Annual Report, which comprise the consolidated statement of financial position as at 31 December 2014, and consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AS Latvenergo and its subsidiaries as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2014 (set out on pages 4 through 5 of the accompanying 2014 Consolidated Annual Report) and have not noted any material inconsistencies between the financial information included in it and the consolidated financial statements for the year ended 31 December 2014.

We have assured ourselves that the Group has prepared the corporate management report for the year 2014 and verified information presented in the report according to requirements listed in the section 56.1 first paragraph clauses 3, 4, 6, 8 and 9 and the section 56.2 second paragraph clause 5 in the Law on Financial Instruments Market of Republic of Latvia.

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Riga,
14 April 2015

2013
Latvenergo Group Consolidated Annual Report

FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EU
AND
INDEPENDENT AUDITOR'S REPORT

Content

KEY FIGURES

	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	773,009	747,566	676,416	565,227	499,314	1,099,893	1,063,691	962,453	804,246	710,460
EBITDA1)	174,783	171,557	178,983	206,859	144,736	248,694	244,103	254,670	294,334	205,941
Operating profit2)	42,935	49,361	52,045	61,593	31,446	61,091	70,234	74,053	87,639	44,744
Net profit	32,434	35,741	43,778	44,325	19,556	46,149	50,856	62,290	63,069	27,826
Dividends	16,590	28,546	39,900	35,000	20,230	23,605	40,618	56,773	49,801	28,785
Total assets	2,512,776	2,472,290	2,288,004	2,279,266	1,699,491	3,575,358	3,517,752	3,255,536	3,243,103	2,418,158
Non-current assets	2,198,416	2,180,111	2,026,594	1,942,231	1,462,114	3,128,064	3,102,019	2,883,583	2,763,546	2,080,401
Total equity	1,420,869	1,410,510	1,351,576	1,344,748	889,440	2,021,714	2,006,975	1,923,119	1,913,404	1,265,559
Borrowings	663,921	595,248	513,334	545,607	507,225	944,675	846,961	730,408	776,329	721,716
Net debt3)	484,409	424,823	404,457	311,342	352,287	689,252	604,468	575,492	443,000	501,259
Net cash flows from operating activities	102,989	150,769	180,399	160,563	138,174	146,540	214,526	256,685	228,461	196,604
Capital expenditure	158,038	185,723	198,723	127,539	104,506	224,868	264,260	282,757	181,472	148,699

		2013	2012	2011	2010	2009
Net debt / EBITDA ratio		2.8	2.5	2.3	1.5	2.4
EBITDA margin4)		23%	23%	26%	37%	29%
Net profit margin5)		4%	5%	6%	8%	4%
Capital ratio6)		57%	57%	59%	59%	52%
Return on assets (ROA)7)		1.3%	1.5%	1.9%	2.2%	1.2%
Return on equity (ROE)8)		2.3%	2.6%	3.2%	4.0%	2.2%
Retail electricity supply	GWh	7,954	8,287	8,980	7,620	6,659
Electricity generated in power plants	GWh	4,854	5,077	5,285	5,869	4,872
Aggregate heat supply	GWh	2,517	2,669	2,524	2,928	2,600
Number of employees at the end of the year		4,512	4,457	4,490	4,517	4,701
Moody's credit rating of the Parent Company		Baa3 (stable)	Baa3 (stable)	Baa3 (stable)	Baa3 (stable)	Baa3 (negative)

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) Operating profit – earnings before income tax, finance income and costs
3) Net debt – borrowings at the end of the year minus cash and cash equivalents at the end of the year
4) EBITDA margin – EBITDA / revenue
5) Net profit margin – net profit / revenue
6) Capital ratio – total equity / total assets
7) Return on assets (ROA) – net profit / average value of assets (assets at the beginning of the year + assets at the end of the year / 2)
8) Return on equity (ROE) – net profit / average value of equity (equity at the beginning of the year + equity at the end of the year / 2)

MANAGEMENT REPORT

Latvenergo Group is a pan-Baltic power supply utility operating in generation and supply of electricity and thermal energy, provision of electricity distribution services and management of transmission system assets.

Increase of Latvenergo group revenue and EBITDA index

In 2013, Latvenergo Group revenue increased by 3% compared to 2012 and reached LVL 773.0 million (EUR 1,099.9 million). Revenue has increased in all operating segments. EBITDA index of the Group increased by 2% reaching LVL 174.8 million (EUR 248.7 million), but net profit was LVL 32.4 million (EUR 46.1 million) (2012: LVL 35.7 million (EUR 50.9 million)).

In 2013, the Group's results were positively impacted by increase of mandatory procurement revenues due to a change of the mandatory procurement public service obligation fee on 1 April 2013 and recognition of balanced revenues and costs of mandatory procurement due to the amendments of the mandatory procurement administration process according to the Amendments to the Electricity Market Law of the Republic of Latvia announced on 27 November 2013. While the results were negatively affected by:

- unearned revenues in the amount of LVL 31 million (EUR 44 million) due to electricity supply at the regulated tariff in Latvia;
- lower water inflow in the Daugava River;
- higher electricity purchase costs for electricity supply to retail customers;
- decline in industrial sector electricity consumption in Latvia.

In 2013, a one-off impairment loss of Riga combined heat and power plants (Riga CHHPs) in the amount of LVL 12.4 million (EUR 17.7 million) has been recognised. The necessity of impairment loss recognition was determined by application of the Subsidised Energy Tax for a four-year period as of 1 January 2014. The tax provides a 15% reduction of the receivable amount of guaranteed payments for installed electrical capacity at Riga CHPPs.

Latvenergo group supplies more than 25% of electricity abroad

In 2013, Latvenergo Group has successfully retained its leadership in electricity supply on the Baltic market, supplying 7,954 GWh of electricity to Baltic retail customers. As a result of focused electricity trade activities, the retail electricity supply volume outside Latvia reached 2,081 GWh, which is by 32% higher than in 2012 and exceeds a quarter of the retail electricity supply. While the number of customers in Lithuania and Estonia exceeds 20 thousands.

In 2013, the total amount of electricity generated by the power plants of Latvenergo Group was 4,854 GWh (2012: 5,077 GWh). Compared to 2012, electricity output at Riga CHPPs increased by 39% or 548 GWh due to commissioning of the second power unit of Riga 2nd combined heat and power plant (Riga TEC-2) and higher electricity price. While lower water inflow in the Daugava River determined a decrease of Daugava hydro power plants output by 21% or 775 GWh. In 2013, the total amount of thermal energy generated by Latvenergo Group was 2,566 GWh, which, compared to the previous year, decreased by 5% due to a higher average temperature in Latvia during the heating season.

Riga TEC–2, the most advanced power plant in the Baltics, has been commissioned

In 2013, the total amount of investments was LVL 158.0 million (EUR 224.9 million) (2012: LVL 185.7 million (EUR 264.3 million)). In late 2013, the second power unit of Riga TEC-2 was commissioned, completing the reconstruction project of Riga TEC-2 – the most efficient and up-to-date combined cycle power plant in the Baltics. From now the Latvenergo Group possesses the base-load capacity in order to fully cover Latvian electricity consumption in case if the electricity import price is higher than variable costs at combined heat and power plants. The total construction costs of the power unit from March 2010 to December 2013 are LVL 225 million (EUR 320 million).

The amount invested in the networks assets represents 70% of the total investments

To improve the quality of network services and technical parameters, Latvenergo Group continues to increase investments in both distribution and transmission segment assets. In 2013, the amount invested in the network assets increased by LVL 28.8 million (EUR 41.0 million), comprising 70% of the total investments. Pursuing the completion of transmission system project – NORDBALT-02-330kV Kurzeme Ring, in 2013, LVL 35.8 million (EUR 51.0 million) were invested in the project.

Total amount of bonds issued reaches EUR 105 million

Latvenergo Group has diversified the financing sources by issuing debt securities (bonds) – the total amount of bonds issued reaches LVL 74 million (EUR 105 million). In 2013, bonds in the amount of LVL 35 million (EUR 50 million) with maturity of 5 years and in the amount of LVL 25 million (EUR 35 million) with maturity of 7 years were issued.

Due to investments in the reconstruction of the second power unit of Riga TEC-2 second power unit, net debt of Latvenergo Group has increased and reaches LVL 484.4 million (EUR 689.2 million) as at 31 December 2013 (LVL 424.8 million (EUR 604.5 million) at 31 December 2012). The capital ratio is 57%, which is considered to be an appropriate rate for the industry and shows a stable capital structure. In 2013, all the binding financial covenants included in Latvenergo Group's loan agreements have been met.

In 2013, the international rating agency Moody's Investors Service has confirmed Latvenergo AS credit rating as Baa3 with a stable outlook and reconfirmed it on 20 March 2014.

Activities of the Latvenergo Group are exposed to a variety of financial risks: market risk, credit risk, pricing risk and liquidity risk. The risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures (see Note 3).

In 2013, the overall Latvenergo Group performance has been successful and it has made a significant contribution to accomplishment of the strategic goals defined in the Group's strategy. The development of Latvenergo Group will be continued.

Events after the reporting period

On 1 January 2014, Latvia has joined the Euro zone, converting the Latvian Lats (LVL) into the Euros at fixed exchange rate EUR 1 = LVL 0.702804. As of this date, the Group balance account values were converted into the Euro currency and financial reports for 2014 and the following years will be prepared in Euro currency.

All other significant events subsequent to the end of the reporting period that would materially affect the financial position of the Group are disclosed in Note 28 of the Consolidated Financial Statements.

Statement of management responsibility

Based on the information available to the Management Board of Latvenergo AS in all material aspects Latvenergo Consolidated Annual Report 2013 has been prepared in accordance with applicable laws and regulations and gives a true and fair view of assets, liabilities, financial position and profit and loss of the Latvenergo Group. All information included in the Management report is true.

Profit distribution

Fulfilling the requirements of the Law on state and municipality owned shares and companies, Regulations No. 1074 of the Cabinet of Ministers of the Republic of Latvia dated 25 November 2010 On amendments of regulations No. 1471 of 15 December 2009 on Procedure how to determine and transfer to the State Budget the share of the profit payable for use of State Capital, the Management Board of Latvenergo AS proposes to allocate profit of the year in the amount of LVL 16.6 million (EUR 23.6 million) to be paid out in dividends and the rest of the profit to be transferred to Latvenergo AS reserves.

The distribution of profit for 2013 is subject to a resolution of Latvenergo AS Shareholders' Meeting.

The Management Board of Latvenergo AS:

Āris Žīgurs	Zane Kotāne	Uldis Bariss	Māris Kuņickis	Arnis Kurgs
Chairman of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

15 April 2014

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

	Notes	2013	2012	2013	2012
		LVL'000	LVL'000	EUR'000	EUR'000
Revenue	6	773,009	747,566	1,099,893	1,063,691
Other income	7	2,846	1,809	4,050	2,574
Raw materials and consumables used	8	(492,984)	(472,031)	(701,453)	(671,640)
Personnel expenses	9	(66,818)	(63,904)	(95,074)	(90,927)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	13a,14a	(131,848)	(122,196)	(187,603)	(173,869)
Other operating expenses	10	(41,270)	(41,883)	(58,722)	(59,595)
Operating profit		42,935	49,361	61,091	70,234
Finance income	11a	3,183	3,705	4,529	5,272
Finance costs	11b	(12,538)	(11,250)	(17,840)	(16,007)
Share of profit of associates	15	746	253	1,061	360
Profit before taxes		34,326	42,069	48,841	59,859
Income tax	12	(1,892)	(6,328)	(2,692)	(9,003)
Profit for the year		32,434	35,741	46,149	50,856
Profit attributable to:					
- Equity holders of the Parent Company		31,138	35,302	44,305	50,231
- Non-controlling interests		1,296	439	1,844	625

Consolidated Statement of Comprehensive Income

	Notes	2013	2012	2013	2012
		LVL'000	LVL'000	EUR'000	EUR'000
Profit for the year		32,434	**35,741**	**46,149**	**50,856**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Gains / (losses) from change in hedge reserve	20, 21c	6,216	(4,883)	8,844	(6,948)
Gains on currency translation differences		10	-	14	-
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		**6,226**	**(4,883)**	**8,858**	**(6,948)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Gains on revaluation of property, plant and equipment	20	68	68,829	97	97,935
Losses as a result of re-measurement on defined post-employment benefit plan	22	(216)	-	(307)	-
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		**(148)**	**68,829**	**(210)**	**97,935**
Other comprehensive income for the year, net of tax		**6,078**	**63,946**	**8,648**	**90,987**
Total comprehensive income for the year		**38,512**	**99,687**	**54,797**	**141,843**
Attributable to:					
- Equity holders of the Parent Company		37,216	99,248	52,953	141,218
- Non-controlling interests		1,296	439	1,844	625

The notes on pages 12 to 67 are an integral part of these Consolidated Financial Statements.

The Management Board of Latvenergo AS:

Āris Žīgurs
Chairman of the Management Board

Zane Kotāne
Member of the Management Board

Uldis Bariss
Member of the Management Board

Māris Kuņickis
Member of the Management Board

Arnis Kurgs
Member of the Management Board

15 April 2014

Consolidated Statement of Financial Position

	Notes	31/12/2013	31/12/2012	31/12/2013	31/12/2012
		LVL'000	LVL'000	EUR'000	EUR'000
ASSETS					
Non-current assets					
Intangible assets	13a	7,822	5,804	11,130	8,258
Property, plant and equipment	14a	2,169,398	2,148,077	3,086,775	3,056,439
Investment property		1,035	1,116	1,473	1,588
Investments in associates	15	29	4,948	41	7,040
Other non-current receivables		40	32	57	45
Investments in held-to-maturity financial assets	21a	20,092	20,134	28,588	28,649
Total non-current assets		**2,198,416**	**2,180,111**	**3,128,064**	**3,102,019**
Current assets					
Inventories	16	15,204	15,604	21,634	22,203
Trade receivables and other receivables	17	113,545	101,913	161,560	145,009
Current financial investments	15	5,665	-	8,060	-
Derivative financial instruments	21c	434	4,237	617	6,028
Cash and cash equivalents	18	179,512	170,425	255,423	242,493
Total current assets		**314,360**	**292,179**	**447,294**	**415,733**
TOTAL ASSETS		**2,512,776**	**2,472,290**	**3,575,358**	**3,517,752**
EQUITY					
Share capital	19	905,219	904,605	1,288,011	1,287,137
Reserves	20	458,522	452,685	652,418	644,113
Retained earnings		52,593	49,761	74,832	70,803
Equity attributable to equity holders of the Parent Company		**1,416,334**	**1,407,051**	**2,015,261**	**2,002,053**
Non-controlling interests		4,535	3,459	6,453	4,922
Total equity		**1,420,869**	**1,410,510**	**2,021,714**	**2,006,975**

	Notes	31/12/2013	31/12/2012	31/12/2013	31/12/2012
LIABILITIES		LVL'000	LVL'000	EUR'000	EUR'000
Non-current liabilities					
Borrowings	21b	565,892	520,830	805,192	741,074
Deferred income tax liabilities	12	189,136	187,822	269,116	267,246
Provisions	22	10,962	10,508	15,597	14,952
Derivative financial instruments	21c	4,384	12,555	6,238	17,864
Other liabilities and deferred income	23	119,584	108,407	170,152	154,250
Total non-current liabilities		**889,958**	**840,122**	**1,266,295**	**1,195,386**
Current liabilities					
Trade and other payables	24	91,833	133,004	130,667	189,248
Income tax payable		2	1,892	3	2,692
Borrowings	21b	98,029	74,418	139,483	105,887
Derivative financial instruments	21c	12,085	12,144	17,196	17,279
Issued guarantees	26	-	200	-	285
Total current liabilities		**201,949**	**221,658**	**287,349**	**315,391**
TOTAL EQUITY AND LIABILITIES		**2,512,776**	**2,472,290**	**3,575,358**	**3,517,752**

The notes on pages 12 to 67 are an integral part of these Consolidated Financial Statements.

The Management Board of Latvenergo AS:

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Member of the Management Board

Māris Kuņickis
Member of the Management Board

Arnis Kurgs
Member of the Management Board

15 April 2014

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Parent Company						Attributable to equity holders of the Parent Company					
	Notes	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	TOTAL	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	TOTAL
		LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31 December 2011		325,862	976,921	45,773	1,348,556	3,020	1,351,576	463,660	1,390,033	65,129	1,918,822	4,297	1,923,119
Increase in share capital	19	578,743	(577,990)	-	753	-	753	823,477	(822,406)	-	1,071	-	1,071
Dividends for 2011	20	-	-	(39,900)	(39,900)	-	(39,900)	-	-	(56,773)	(56,773)	-	(56,773)
Transfer from reserves		-	(10,257)	10,257	-	-	-	-	(14,594)	14,594	-	-	-
Total contributions by and distributions to equity holders of the Parent Company, recognised directly in equity		578,743	(588,247)	(29,643)	(39,147)	-	(39,147)	823,477	(837,000)	(42,179)	(55,702)	-	(55,702)
Adjustments of revaluation reserve		-	-	(1,606)	(1,606)	-	(1,606)	-	-	(2,285)	(2,285)	-	(2,285)
Profit for the year		-	-	35,302	35,302	439	35,741	-	-	50,231	50,231	625	50,856
Other comprehensive income / (loss)	20	-	64,011	(65)	63,946	-	63,946	-	91,080	(93)	90,987	-	90,987
Total comprehensive income		-	64,011	35,237	99,248	439	99,687	-	91,080	50,138	141,218	625	141,843
As at 31 December 2012		904,605	452,685	49,761	1,407,051	3,459	1,410,510	1,287,137	644,113	70,803	2,002,053	4,922	2,006,975
Increase in share capital	19	614	-	-	614	-	614	874	-	-	874	-	874
Dividends for 2012	20	-	-	(28,547)	(28,547)	(220)	(28,767)	-	-	(40,619)	(40,619)	(313)	(40,932)
Total contributions by and distributions to equity holders of the Parent Company, recognised directly in equity		614	-	(28,547)	(27,933)	(220)	(28,153)	874	-	(40,619)	(39,745)	(313)	(40,058)
Profit for the year		-	-	31,138	31,138	1,296	32,434	-	-	44,305	44,305	1,844	46,149
Other comprehensive income	20	-	5,837	241	6,078	-	6,078	-	8,305	343	8,648	-	8,648
Total comprehensive income		-	5,837	31,379	37,216	1,296	38,512	-	8,305	44,648	52,953	1,844	54,797
As at 31 December 2013		905,219	458,522	52,593	1,416,334	4,535	1,420,869	1,288,011	652,418	74,832	2,015,261	6,453	2,021,714

The notes on pages 12 to 67 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Notes	2013	2012	2013	2012
		LVL'000	LVL'000	EUR'000	EUR'000
Cash flows from operating activities					
Profit before tax		34,326	42,069	48,841	59,859
Adjustments:					
- Amortisation, depreciation and impairment of non-current assets	13a, 14a	131,848	122,196	187,603	173,869
- Loss from disposal of non-current assets		2,156	689	3,068	980
- Investments accounting at equity method	15	(746)	(252)	(1,061)	(359)
- Interest costs	11b	15,110	15,008	21,500	21,354
- Interest income	11a	(1,525)	(2,502)	(2,170)	(3,560)
- Fair value losses / (gains) on derivative financial instruments	8, 11	1,589	(5,871)	2,261	(8,353)
- Increase in provisions	22	238	991	339	1,411
- Unrealised gains on currency translation differences	11a	(86)	(841)	(122)	(1,197)
Operating profit before working capital adjustments		182,910	171,487	260,259	244,004
Decrease / (increase) in inventories		929	(1,655)	1,322	(2,355)
Increase in trade and other receivables		(7,369)	(3,818)	(10,486)	(5,432)
(Decrease) / increase in trade and other payables		(45,541)	18,520	(64,800)	26,352
Cash generated from operating activities		130,929	184,534	186,295	262,569
Interest paid		(17,113)	(19,141)	(24,350)	(27,235)
Interest received		1,659	1,515	2,361	2,156
Income tax paid		(12,486)	(16,139)	(17,766)	(22,964)
Net cash flows from operating activities		102,989	150,769	146,540	214,526
Cash flows from investing activities					
Purchase of intangible assets and PPE		(147,456)	(175,996)	(209,812)	(250,420)
Proceeds on financing from EU funds and other financing		7,125	2,416	10,138	3,438
Purchase of held-to-maturity assets		-	(3,626)	-	(5,160)
Proceeds from redemption of held-to-maturity assets		42	44,974	60	63,992
Net cash flows used in investing activities		(140,289)	(132,232)	(199,614)	(188,150)
Cash flows from financing activities					
Proceeds from issued debt securities (bonds)	21b	59,622	14,020	84,835	19,949
Proceeds from borrowings from financial institutions	21b	82,439	116,947	117,300	166,401
Repayment of borrowings	21b	(73,917)	(48,056)	(105,174)	(68,378)
Dividends paid to non-controlling interests		(220)	-	(313)	-
Dividends paid to equity holders of the Parent Company		(21,537)	(39,900)	(30,644)	(56,773)
Net cash flows from financing activities		46,387	43,011	66,004	61,199
Net increase in cash and cash equivalents		9,087	61,548	12,930	87,575
Cash and cash equivalents at the beginning of the year	18	170,425	108,877	242,493	154,918
Cash and cash equivalents at the end of the year	18	179,512	170,425	255,423	242,493

The notes on pages 12 to 67 are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

All shares of public limited company Latvenergo or Latvenergo AS (hereinafter – the Parent Company) are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia. The registered address of the Company is 12 Pulkveža Brieža Street, Riga, LV-1230, Latvia. According to the Energy Law of the Republic of Latvia, Latvenergo AS is designated as a national economy object of State importance and, therefore, is not subject to privatisation.

Public limited company Latvenergo is power supply utility engaged in electricity and thermal energy generation, as well as supply of electricity. Latvenergo AS is one of the largest corporate entities in the Baltics.

Latvenergo AS heads the Latvenergo Group (hereinafter – the Group) that includes following subsidiaries:

- Sadales tīkls AS (since 18.09.2006);
- Elektrum Eesti OÜ (since 27.06.2007) and its subsidiary Elektrum Latvija SIA (since 18.09.2012);
- Elektrum Lietuva UAB (since 07.01.2008);
- Latvijas elektriskie tīkli AS (since 10.02.2011);
- Liepājas enerģija SIA (since 06.07.2005);
- Enerģijas publiskais tirgotājs AS (since 25.02.2014).

Latvenergo AS is a shareholder in two associated companies:

- Nordic Energy Link AS carries out the functions of the operator of an interconnection power cable between Estonia and Finland;
- Pirmais Slēgtais Pensiju Fonds AS manages a defined-contribution corporate pension plan in Latvia.

On 26 September Shareholder's Meeting of Latvenergo AS decided to terminate Latvenergo AS participation in Nordic Energy Link AS. According to the Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, Latvenergo AS, as electricity generator and supplier, needs to perform activities so that after 31 December 2013 it would not be owner of the electricity transmission infrastructure. In the Consolidated Statement of Financial Position as at 31 December 2013 investment in Nordic Energy Link AS is presented as the current financial investment held for sale. On 12 February 2014 the Cabinet of Ministers of the Republic of Latvia adopted decision No. 67 „On Latvenergo AS termination of partnership in Nordic Energy Link AS".

The Parent Company's participating interest in subsidiaries and associates is disclosed in Note 15.

Since 15 August 2011 until the date of approving of the 2013 Annual Report, the Management Board of Latvenergo AS includes the following members: Āris Žīgurs (Chairman), Uldis Bariss, Māris Kuņickis, Arnis Kurgs and Zane Kotāne.

The Consolidated Financial Statements for year 2013 include the financial information in respect of the Parent Company and its subsidiaries for the year ending 31 December 2013 and comparative information for year 2012. Financial Statements for year 2013 are prepared by comparability of financial results, and where it is necessary, comparatives for year 2012 are reclassified using the same principles applied for preparation of the 2013 Annual Report.

Latvenergo AS Management Board has approved the Consolidated Financial Statements on 15 April 2014. The decision on approval of the Consolidated Financial Statements is made by Shareholder's Meeting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where it is necessary comparatives are reclassified.

2.1. Basis of Preparation

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Due to the European Union's endorsement procedure, the standards and interpretations not approved for use in the European Union are presented in this note as they may have impact on the Consolidated Financial Statements in the following periods if endorsed.

The Consolidated Financial Statements are prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss as disclosed in accounting policies presented below.

All amounts shown in these Consolidated Financial Statements are presented in thousands of Latvian Lats (LVL), and are translated into Euros (EUR) using official currency rate of the Bank of Latvia 1EUR = 0.702804 LVL, that conforms with the Latvian Lats conversion rate to the Euros determined by the European Central Bank in accordance with the ECOFIN decision accepted by the European Union Council on 9 July 2013.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Parent Company Management's best knowledge of current events and actions, actual results ultimately may differ from those. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 4.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The Group has adopted the following International Financial Reporting Standards or interpretations published or revised during the reporting year, which became effective for the reporting period started from 1 January 2013:

- Amendment to IAS 1 "Financial Statement Presentation".

Changes apply to presentation of items of Other Comprehensive Income (OCI) not presented to profit or loss. This amendment changes the principles of grouping the items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects only presentation of the Consolidated Statement of Comprehensive Income and has no impact on the Group's financial position or performance.

- Amendment to IAS 19 "Employee Benefits".

Due to the impact of this amendment the actuarial gains or losses as a result of re-measurement on defined post-employment benefit plan for the reporting period are presented in other comprehensive income and additional information for assumptions of accrued benefit obligations is disclosed. As adjustment for 2012 is not significant, the comparatives for 2012 are not reclassified respectively (see Note 22 a). The amendment impacts the accounting for defined post-employment benefit plan and also requires more extensive disclosures.

- Amendment to IFRS 7 "Financial Instruments: Disclosures": Offsetting of Financial Assets and Financial Liabilities.

The amendment introduces common disclosure requirements and thereby disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. Amendment to IFRS 7 should be applied retrospectively. That amendment does not impact the financial statements of the Group, because the Group does not have financial assets and financial liabilities netting arrangements.

- IFRS 13 "Fair Value Measurement".

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change requirements that determine cases when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The implementation of this standard did not have a material impact on the amounts of assets and liabilities recognised in these financial statements, however it resulted in additional disclosures (see point 2.22 and Note 21 d).

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which will become effective for the reporting periods started from 1 January 2014 or later. At present the Management of the Group does not consider that any of these amendments will have significant effect to the Consolidated Financial Statements:

- Amendment to IAS 19 "Employee Benefits".

Addresses accounting for the employee contributions to a defined benefit plan.

- Amendment to IAS 27 "Separate Financial Statements".

Amendment contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 "Separate Financial Statements" requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 "Financial Instruments".

Amendment to IAS 28 "Investments in Associates and Joint Ventures" that renames this standard.

"Investments in Associates and Joint Ventures" addresses the application of the equity method to investments in joint ventures in addition to associates.

- Amendment to IAS 32 "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities".

Clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous.

- Amendment to IAS 36 "Impairment of Assets".

Adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal.

- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement".

Provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

- IFRS 9 "Financial Instruments – Classification and Measurement" that will eventually replace IAS 39.

The International Accounting Standards Board (IASB) has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting.

- IFRS 10 "Consolidated Financial Statements".

Establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require the management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent.

- **IFRS 12 “Disclosures of Interests in Other Entities”.**

Combines the disclosure requirements for an entity’s interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity.

- **Amendments to IFRS 10, IFRS 12 and IAS 27.**

Compulsory for entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them.

- **In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:**

IFRS 8 “Operating Segments”, IFRS 13 “Fair Value Measurement”, IAS 16 “Property, Plant and Equipment”, IAS 24 “Related Party Disclosures”, IAS 38 “Intangible Assets”, IAS 40 “Investment property”.

The Management of the Group plans to adopt the above mentioned standards and interpretations that were applicable for the Group on their effectiveness date.

Standards issued but not yet effective and not applicable for the Group

- **IFRS 11 “Joint Arrangements”**
- **IFRS 14 “Regulatory Deferral Accounts”**
- **IFRIC Interpretation 21 “Levies” that addresses the accounting for levies imposed by governments.**
- **In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:**

IFRS 1 “First-time adoption of IFRS”, IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations”.

The Management of the Group will not adopt these amendments because they will not be applicable for the Group.

2.2. Consolidation

a) Subsidiaries

Subsidiaries, which are those entities where the Group has control over the financial and operating policies of the entity, financial reports are consolidated. The existence of control is assumed when the Parent Company voting rights in the subsidiary is more than 50%.

Subsidiaries’ financial reports are consolidated from the date on which control is transferred to the Parent Company and are no longer consolidated from the date when control ceases. General information about entities included in consolidation and its primary business activities are disclosed in Note 15.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed to the Consolidated Income Statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between the Group’s entities are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group’s Parent Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the Group’s equity.

c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and are initially recognised at cost. Under this method the Group’s share of its associate’s post-acquisition profits and losses is recognised in the Consolidated Income Statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in associate equals or exceeds its interest in associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3. Disclosures of operating segments

For segment reporting purposes the Group allocates division into operating segments based on the Group’s internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the chief operating decision maker, the parent company’s management board.

The Group allocates its operations into three main operating segments – generation and supply, distribution system services and management of transmission system assets. In addition Corporate Functions, that covers administration and other support services, are presented separately.

2.4. Foreign currency translation

a) Functional and presentation currency

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the Group's entity operates ("the functional currency"). The Consolidated Financial Statements have been prepared in Latvian Lats (LVL), which is the Parent Company's functional currency, and in the Group's second presentation currency – Euros (EUR).

b) Transactions and balances

All transactions denominated in foreign currencies are translated into functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate at the last day of the reporting year. The resulting gain or loss is charged to the Consolidated Income Statement.

c) Consolidation of the Group's foreign companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have functional currency different from the presentation currency are translated into the presentation currency as follows:

1) Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions).

2.5. Intangible assets

a) Licenses and software

Licenses and software are shown at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses and software over their estimated useful lives (5 years). Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding a period of five years.

b) Greenhouse gas emission allowances

Emission rights for greenhouse gases (or allowances) are recognised at purchase cost. Allowances received from the Government free of charge are recognised at zero cost. Emission rights are recognised at cost when the Group is able to exercise the control. In those cases when the quantity of emitted greenhouse gases exceeds the quantity of allowances allocated by the state free of charge, the Group purchases additional allowances and carrying value of those allowances is determined on the basis of the market price of greenhouse gas emission allowances at the reporting period. Allowances are accounted for within 'Intangible assets' (see Note 13 b). The forward agreements for purchase or sale of emission allowances for trade rather than for own uses in the Group are defined as derivatives (see points 2.21 b), 3.3 and Note 21 c), IV).

2.6. Property, plant and equipment

Property, plant and equipment (PPE) are stated at historical cost or revalued amount (see point 2.7) less accumulated depreciation and accumulated impairment loss.

The cost comprises the purchase price, transportation costs, installation, and other direct expenses related to the acquisition or implementation. The cost of the self-constructed item of PPE includes the cost of materials, services and workforce. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of an item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are charged directly to the Consolidated Income Statement when the expenditure is incurred. Borrowing costs are capitalised proportionally to the part of the cost of fixed assets under construction over the period of construction. Effective part of the changes in the fair value of forward foreign currencies exchange contracts, the purpose of which is to hedge currency exchange risk on PPE items, are also capitalised and included in the Consolidated Income Statement along with the expenses of depreciation over the useful life of the asset or at the disposal of the asset.

If an item of PPE consists of components with different useful lives, these components are depreciated as separate items. Homogenous items with similar useful lives are accounted for in groups.

Land is not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Type of property, plant and equipment	Estimated useful life, years
Buildings and facilities, including	
- Hydropower plants, thermal power plants	15 – 80
- Electricity transmission lines	30 – 50
- Electricity distribution lines	20 – 30
Technology equipment and machinery, including	
- Hydropower plants	3 – 12
- Thermal power plants	3 – 10
- Transmission and distribution machinery and equipment	10
Other property, plant and equipment	2 – 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see point 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Those are included in the Consolidated Income Statement. If revalued property, plant and equipment have been sold, appropriate amounts are reclassified from revaluation reserve to retained earnings.

All fixed assets under construction are stated at historical cost and comprised costs of construction of assets. The initial cost includes construction and installation costs and other direct costs related to construction of fixed assets. Assets under construction are not depreciated as long as the relevant assets are completed and assigned for the operation.

2.7. Revaluation of property, plant and equipment

Revaluations have been made with sufficient regularity to ensure that the carrying amount of property, plant and equipment items subject to valuation does not differ materially from that which would be determined using fair value at the end of reporting period.

The following property, plant and equipment groups are revalued regularly but not less frequently than every five years:

a) Buildings and facilities, including
- Daugava hydropower plants' buildings and facilities,
- Buildings and facilities of transmission system,
- Buildings and facilities of distribution system;

b) Technology equipment and machinery, including
- Daugava hydropower plants' technology equipment and machinery,
- Technology equipment and machinery of transmission system,
- Technology equipment and machinery of distribution system;

c) Other property, plant and equipment, including
- Other PPE of Daugava hydropower plants',
- Other PPE of transmission system,
- Other PPE of distribution system.

Increase in the carrying amount arising on revaluation net of deferred tax is credited to the Consolidated Statement of Financial Position as "Property, plant and equipment revaluation reserve" in shareholders' equity. Decreases that offset previous increases of the same asset are charged in 'Other comprehensive income' and debited against the revaluation reserve directly in equity; all other decreases are charged to the current year's Consolidated Income Statement. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after the revaluation equals its revalued amount.

Property, plant and equipment revaluation reserve is decreased at the moment, when revalued asset has been eliminated or disposed.

Revaluation reserve cannot be distributed in dividends, used for indemnity, reinvested in other reserves, or used for other purposes.

2.8. Impairment of non-financial assets

Assets that are subject to depreciation or amortisation and land are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market expectations regarding the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the other comprehensive income within PPE revaluation reserve for the assets accounted at revalued amount and in the Consolidated Income Statement within amortisation, depreciation and impairment charge expenses for the assets that are accounted at amortised historical cost and for the assets accounted at revalued amount in case if impairment charge exceeds revaluation surplus previously recognised on individual asset.

The key assumptions used in determining impairment losses are based on the Group entities' or the Parent Company's management best estimation of the range of economic conditions that will exist over the remaining useful life of the asset, on the basis of the most recent financial budgets and forecasts approved by the management for a maximum period of 10 years. Assets are reviewed for possible reversal of the impairment at each reporting date. The reversal of impairment is recognised in the Consolidated Income Statement. Reversal of impairment loss for revalued assets is recognised in the Consolidated Income Statement to the extent that an impairment loss on the same revalued asset was previously recognised the income statement; the remaining reversals of impairment losses of revalued assets are recognised in Other Comprehensive Income.

2.9. Leases

a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

b) The Group is the lessor

Assets leased out under operating leases are recorded within property, plant and equipment at historic cost less depreciation. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over estimated useful life. Rental income from operating lease and advance payments received from clients (less any incentives given to lessee) are recognised in the Consolidated Income Statement on a straight-line basis over the period of the lease.

2.10. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using the weighted average method.

Purchase cost of inventories consists of the purchase price, import charges and other fees and charges, freight-in and related costs as well as other costs directly incurred in bringing the materials and goods to their present location and condition. The value of inventories is assigned by charging trade discounts, reductions and similar allowances.

Amount of inventories as of the end of reporting period is verified during stock-taking.

At the end of each reporting year the inventories are reviewed for any indications of obsolescence. In cases when obsolete or damaged inventories are identified allowances are recognised. During the reporting year at least each month revaluation of the inventories is performed with the purpose to identify obsolete and damaged inventories. Allowances for an impairment loss are recognised for those inventories.

The following basic principles are used in determining impairment losses for idle and obsolete inventories:

a) Machinery and equipment of hydropower plants and thermal power plants that haven't turned over during last 12 months are impaired in amount of 90%,
b) Other inventories that haven't turned over during last 12 months are fully impaired,
c) Machinery and equipment of hydropower plants and thermal power plants that haven't turned over during last 6 months are impaired in amount of 45%,
d) Other inventories that haven't turned over during last 6 months are impaired in amount of 50%,
e) Allowances are not calculated for the inventory of heating materials necessary to ensure uninterrupted operations of heat power plants.

2.11. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at fair value, less allowances for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of repayment. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered as indicators that the trade receivable is impaired.

An allowance for impairment of doubtful debts is calculated on the basis of trade receivables aging analysis according to estimates defined by the Group entities and the Parent Company's management, which are revised at least once a year. Allowances for electricity trade receivables are calculated for debts overdue 45 days, and, if the debt is overdue for more than 181 day, allowances are established at 100%. For other trade receivables allowances are calculated for debts overdue 31 day, and, if the date of payment is overdue for more than 91 day, allowances are established at 100% (see Note 17 a). Individual impairment assessments are performed for the debtors if their debt balance exceeds LVL 500 thousand (EUR 710 thousand) and debt repayment schedule has been individually agreed. The level of allowance for such type of debtors is based on the individual risk assessment of insolvency probability.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Income Statement within selling and customer services costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and customer services costs in the Consolidated Income Statement.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash balances on bank accounts, demand deposits at bank and other short-term deposits with original maturities of three months or less.

2.13. Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Consolidated Financial Statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.14. Pensions and employment benefits

a) Pension obligations

The Group makes monthly contributions to a closed defined contribution pension plan on behalf of its employees. The plan is managed by the non-profit public limited company Pirmais Slēgtais Pensiju Fonds, with the participation of the Group companies amounting for 48.15% of its share capital. A defined contribution plan is a pension plan under which the Group pays contributions into the plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions amount to 5% of each pension plan member's salary. The Group recognizes the contributions to the defined contribution plan as an expense when an employee has rendered services in exchange for those contributions.

b) Provisions for post-employment obligations arising from collective agreement

In addition to the aforementioned plan, the Group provides certain post-employment benefits to employees whose employment meets certain criteria. Obligations for benefits are calculated taking into account the current level of salary and number of employees eligible to receive the payment, historical termination rates as well as number of actuarial assumptions.

The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method.

The liability recognised in the Consolidated Statement of Financial Position in respect of post-employment benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds. The Group uses projected unit credit method to establish its present value of fixed benefit obligation and related present and previous employment expenses. According to this method it has been stated that each period of work makes benefit obligation extra unit and the sum of those units comprises total Group's obligations of post-employment benefits. The Group uses objective and mutually compatible actuarial assumptions on variable demographic factors and financial factors (including expected remuneration increase and determined changes in benefit amounts).

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Consolidated Statement of Comprehensive Income in the period in which they arise. Past service costs are recognised immediately in the Consolidated Income Statement.

2.15. Income tax

a) Corporate income tax

Latvia and Lithuania

Income tax expense for the period comprises current income tax and deferred income tax. Current income tax charges are calculated on current profit before tax using the tax rate 15% in accordance with applicable tax regulations as adjusted for certain non-deductible expenses/non-taxable income and are based on the taxable income reported for the taxation period.

Estonia

Under the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. From 1 January 2008, the tax rate on the net dividends paid out of retained earnings is 21/79. In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

b) Deferred income tax

Latvia and Lithuania

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit of the respective Group entity will be available against which the temporary differences can be utilised.

Tax incentives for new technological equipment are not considered when calculating deferred income tax.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Estonia

Due to the nature of the taxation system, the entities registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise.

2.16. Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Income Statement over the period of the borrowings, except for the capitalised part.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least for 12 months after the end of reporting period.

2.17. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18. Provisions

Provisions are recognised when the Group has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are presented in the Consolidated Statement of Financial Position at the best estimate of the expenditure required to settle the present obligation at the end of reporting period. Provisions are used only for expenditures for which the provisions were originally recognised and are reversed if an outflow of resources is no longer probable.

Provisions are measured at the present value of the expenditures expected to be require settling the obligation by using pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation as a discount rate. The increase in provisions due to passage of time is recognised as interest expense.

Environmental protection provisions are recognised to cover environmental damages that have occurred before the end of the reporting period when this is required by law or when the Group's past environmental policies have demonstrated that the Group has a constructive present obligation to liquidate this environmental damage. Experts' opinions and prior experience in performing environmental work are used to set up the provisions (see Note 22 b).

2.19. Grants

Government grants are recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Property, plant and equipment received at nil consideration are accounted for as grants. Those grants are recognised at fair value as deferred income and are credited to the Consolidated Income Statement on a straight-line basis over the expected lives of the related assets.

Financing provided by European Union funds

The Group ensures the management, application of internal controls and accounting for the Group's projects financed by the European Union funds, according to the guidelines of the European Union and legislation of the Republic of Latvia.

Accounting of the transactions related to the projects financed by the European Union is ensured using separately identifiable accounts. The Group ensures separate accounting of financed projects with detailed income and expense, non-current investments and value added tax in the relevant positions of the Group's Consolidated Income Statement and Consolidated Statement of Financial Position.

2.20. Financial instruments – initial recognition, subsequent measurement and de-recognition

a) Financial assets

I) Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

II) Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. The losses arising from impairment are recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets with maturities more than 12 months from the end of the reporting period are included in non-current assets; however those with maturities less than 12 months from the end of the reporting period are classified as current assets.

The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. Therefore the investments would be measured at fair value not at amortised cost.

Purchases and sales of financial assets held-to-maturity are recognised on trade date – the date on which the Group commits purchase of the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Held-to-maturity financial assets are carried at amortised cost using the effective interest rate method, net of accumulated impairment losses. Gains and losses arising from changes in the amortised value of the financial instruments are included in the Consolidated Income Statement in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets include equity instruments and debt securities. After initial measurement available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available-for sale financial assets reserve until the investment is derecognised.

III) De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

1) the rights to receive cash flows from the asset have expired,
2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities

I) Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

II) Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement, except for the capitalised part.

Trade and other payables

The Group's trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

III) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.21. Derivative financial instruments and hedging activities

The Group uses derivatives such as forward foreign exchange contracts, interest rate swaps, electricity swaps and CO_2 emission allowances forward contracts to hedge risks associated with currency exposures, the interest rate and purchase price fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate (see point 3.3).

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature/content of the relevant asset or liability being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised liability or highly probable forecast transactions denominated in foreign currency (cash flow hedge). Other derivatives are accounted for at fair value through profit or loss.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of the derivative instruments is presented as current or non-current based on settlement date. Derivative instruments that have maturity of more than twelve months and have been expected to be hold for more than twelve months after the end of the reporting year are classified as non-current assets or liabilities. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity within 'Hedging reserve'. The gain or loss relating to the ineffective portion, if such arise, would be recognised immediately in the Consolidated Income Statement.

Amounts accumulated in equity are recycled in the Consolidated Income Statement in the periods when the hedged item affects profit or loss.

The gain or loss relating to the ineffective portion of electricity swaps hedging variable electricity prices and interest rate swaps hedging variable rate borrowings is recognised in the Consolidated Income Statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement.

b) Fair value changes of derivatives through profit and loss

Changes in the fair value of derivatives at fair value through profit or loss, ineffective part of changes in the fair value of hedging derivatives and amounts accumulated in equity that are recycled to the Consolidated Income Statement, are classified according to the purpose of the derivatives – gains/losses from electricity SWAP agreements and CO_2 forward contracts are recognised within ‘Raw materials and consumables used’, while gains/losses from interest rate SWAP agreements and forward foreign currencies exchange contracts are recognised within ‘Finance costs’ or ‘Finance income’.

2.22. Fair value measurement of financial instruments

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also fair values of financial instruments measured at amortised cost are disclosed in Note 21 d.

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated based on market prices and discounted cash flow models as appropriate (see Note 4 c).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. The quoted market prices used for financial assets held by the Group is the current bid prices.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group use a variety of methods and make assumptions that are based on market conditions existing at each end of reporting period. Estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows, by discounting their future contractual cash flows at current market interest rates for similar financial instruments.

The fair value of electricity swap agreements is calculated as discounted difference between actual market and settlement prices multiplied by the volume of the agreement.

Fair values of financial instruments are obtained from corresponding bank’s revaluation reports and in financial statements fair values of financial instruments as specified by banks are disclosed.

2.23. Revenue recognition

Revenue comprises the value of goods sold and services rendered in the ordinary course of the Group’s activities. The Latvian regulatory authority (Public Utilities Commission) determines tariffs for electricity and heat. Revenue is measured at the fair value of the consideration received or receivable, net of value-added tax, estimated returns, rebates and discounts. Revenue is recognised as follows:

a) Electricity sales

The Group records electricity sales to residential customers on the basis of reported meter readings. Where relevant, this includes an estimate of the electricity supplied between the date of the last meter reading and the year-end. Electricity sales to corporate customers are recognised on the basis of issued invoices according to meter readings of customers. Revenues from electricity sales to associated users are based on regulated tariffs approved by Public Utilities Commission, while revenues from market participants – on contractual prices included in electricity trade agreements. Revenues from trade of electricity in NordPool energy exchange are based on the calculated market prices.

b) Heat sales

The Group recognizes revenue from sales of thermal energy at the end of each month on the basis of the meter readings.

c) Connection fees

When connecting to the electricity network, the clients must pay a connection fee that partly reimburses for the cost of infrastructure to be built to connect the client to the network. Connection fees are carried in the Consolidated Statement of Financial Position as deferred income and amortised to Consolidated Income Statement on a straight-line basis over the estimated customer relationship period.

d) Sales of distribution services

Revenues from electricity distribution services are based on regulated tariffs that are subject to approval by the Public Utilities Commission. The Group recognizes revenue from sales of distribution services at the end of each month on the basis of the automatically made meter readings or customers’ reported meter readings.

e) Lease and management of transmission system assets

Revenues from lease and management of transmission system assets are recognised on the basis of invoices which are prepared for transmission system operator accordingly to lease agreement.

f) Sales of IT & telecommunication services

Revenues derived from information technology services (internet connection services, data communication services), open electronic communication network and telecommunication services to customers are recognised on the basis of invoices which are prepared for clients upon either usage of services listed in telecommunications billing system.

g) Interest income

Interest income is recognised using the effective interest method. Interest income is recorded in the Consolidated Income Statement as “Finance income”.

h) Dividend income

Revenue is recognised when the Group’s right to receive the payment is established, which is generally when shareholders approve the dividend.

i) Accrued income on mandatory procurement public service obligation fee

Revenue is recognised as the amount of income on mandatory procurement can be reliably measured and it is virtually certain that the economic benefits from mandatory procurement will flow to the Group with collected mandatory procurement public service obligation fees from electricity end users. Income from mandatory procurement component is calculated as difference between mandatory procurement expenses above the electricity market price and collected mandatory procurement component payments from all end users of electricity.

2.24. Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are associates, Shareholder of the Parent Company who could control or who has significant influence over the Group's entities in accepting operating business decisions, key management personnel of the Group's entities including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence.

2.25. Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and sale will be considered highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs of selling.

2.26. Share capital

The Group's share capital consists of ordinary shares.

2.27. Investment property

Investment properties are land or a building or part of a building held by the Group as the owner to earn rentals or for capital appreciation, rather than for use in the production of goods or supply of services or for administrative purposes, or sale in the ordinary course of business. The investment properties are initially recognised at cost and subsequently measured at acquisition cost net of accumulated depreciation and impairment losses. The applied depreciation rates are based on estimated useful life set for respective fixed asset categories – from 15 to 80 years.

2.28. Issued guarantees

Guarantees issued are initially recognised at fair value, which is usually equal to the premium received. Subsequently they are measured at the higher of the amount expected to be paid and the amount initially recognised less accumulated amortisation.

2.29. Events after the reporting period

Subsequent events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk, pricing risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Parent Company's Treasury department (the Group Treasury) according to the Financial Risk Management Policy approved by the Parent Company's Management Board. The Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units / subsidiaries. The Parent Company's Management Board by approving the Financial Risk Management Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, liquidity risk, and credit risk, use of financial instruments and investment of excess liquidity.

Financial assets and liabilities by categories:

	Notes	Loans and receivables	Derivatives used for hedging	Held-to-maturity assets	Loans and receivables	Derivatives used for hedging	Held-to-maturity assets
Financial assets as at 31 December 2013		LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000
Derivative financial instruments	21 c, l	-	434	-	-	617	-
Trade receivables, net	17 a	62,977	-	-	89,608	-	-
Other non-current receivables		40	-	-	57	-	-
Accrued income and other financial current receivables	17 b	37,793	-	-	53,775	-	-
Held-to-maturity financial assets	21 a	-	-	20,092	-	-	28,588
Cash and cash equivalents	18	179,512	-	-	255,423	-	-
		280,322	434	20,092	398,863	617	28,588
Financial assets as at 31 December 2012							
Derivative financial instruments	21 c, l	-	4,237	-	-	6,028	-
Trade receivables, net	17 a	78,042	-	-	111,044	-	-
Other non-current receivables		32	-	-	45	-	-
Accrued income and other financial current receivables	17 b	7,472	-	-	10,631	-	-
Held-to-maturity financial assets	21 a	-	-	20,134	-	-	28,649
Cash and cash equivalents	18	170,425	-	-	242,493	-	-
		255,971	4,237	20,134	364,213	6,028	28,649

	Notes	Derivatives used for hedging	Other financial liabilities at amortised cost	Liabilities at fair value through the profit or loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Liabilities at fair value through the profit or loss
		LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000
Financial liabilities as at 31 December 2013							
Borrowings	21 b	-	663,921	-	-	944,675	-
Derivative financial instruments	21 c, I	7,348	-	9,121	10,456	-	12,978
Trade and other payables	24	-	67,203	-	-	95,621	-
		7,348	731,124	9,121	10,456	1,040,296	12,978
Financial liabilities as at 31 December 2012							
Borrowings (Note 21 b)	21 b	-	595,248	-	-	846,961	-
Derivative financial instruments (Note 21 c, I)	21 c, I	17,367	-	7,332	24,711	-	10,432
Issued guarantees (Note 26)	26	-	-	200	-	-	285
Trade and other payables (Note 24)	24	-	97,777	-	-	139,124	-
		17,367	693,025	7,532	24,711	986,085	10,717

a) Market risk

I) Foreign exchange risk

During 2013 the Group was exposed to currency risk primarily arising from settlements in foreign currencies for recognised assets and liabilities (mainly, borrowings), capital expenditures and imported electricity.

However, the peg of Lat to Euro at the beginning of the year 2005 resulted in limited EUR / LVL currency risk, while the introduction of Euro in Latvia at 1 January 2014 prevented the Euro currency risk. At 31 December 2013 the Group had borrowings denominated only in Euros (Note 21 b).

Management has set up a Financial Risk Management policy inter alia to manage the Group's foreign currencies exchange risk against functional currency. To manage the Group's foreign currencies exchange risk arising from future transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign currencies exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

Except for the transactions described below the Group does not have any material balances of financial assets and liabilities denominated in currencies other than LVL and EUR. The Group Treasury's Financial Risk Management Policy is to hedge all anticipated cash flows (capital expenditure and purchase of inventory) in each major foreign currency that might create significant currency risk. During 2013 the Group had one committed capital expenditure project whose expected transactions in United States dollars (USD) created significant currency risk and qualified as 'highly probable' forecast transactions for hedge accounting purposes (Note 21 c, V).

The Parent Company has certain investment in subsidiary, which are exposed to foreign currency risks. Currency exposure arising from the net assets of the Group's foreign operations in Lithuania is limited as subsidiary have insignificant amount of assets and Lithuania has fixed currency peg to Euro.

II) Cash flow and fair value interest rate risk

As the Group has significant floating interest-bearing assets and liabilities exposed to interest rate risk, the Group's financial income and operating cash flows are substantially dependent on changes in market interest rates.

During 2013, if Euro and Lats interest rates had been 50 basis points higher or lower with all other variables held constant, the Group's income from the cash reserves held at bank for the year would have been LVL 197 thousand (EUR 280 thousand) higher or lower (2012: LVL 222 thousand (EUR 316 thousand)).

The Group's cash flow interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to a risk that finance costs might increase significantly when interest rates rise up. The Group's policy is to maintain at least 35% of its borrowings as fixed interest rates borrowings (taking into account the effect of interest rate swaps) with duration between 2-4 years.

The Group analyses its interest rate risk exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and hedging. Based on these scenarios, the Group calculates the impact on profit and loss as well as on cash flows of a defined interest rate shift.

Generally, the Group raises long-term borrowings at floating rates and based on the various scenarios, the Group manages their cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Thereby fixed rates are obtained that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily semi-annually), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

To hedge cash flow interest rate risk the Group has entered into rate swap agreements with total notional amount of LVL 244.4 million (EUR 347.7 million) (2012: LVL 269.1 million (EUR 382.8 million)) (Note 21 c, II). As at 31 December 2013 43% of the total Group's borrowings (31/12/2012: 46%) had fixed interest rate (taking into account the effect of the interest rate swaps) and average fixed rate duration was 2.1 years (2012: 2.0 years).

During 2013, if interest rates on Euro denominated borrowings at floating base interest rate (after considering hedging effect) had been 50 basis points higher or lower with all other variables held constant, the Group's profit for the year net of taxes would have been LVL 1,421 thousand (EUR 2,021 thousand) lower or higher (2012: LVL 1,205 thousand (EUR 1,715 thousand)).

The Group's borrowings with floating rates do not impose fair value interest rate risk. Derivatives such as interest rate swaps are the only source of fair value interest rate risk.

At 31 December 2013, if short and long term Euro interest rates had been 50 basis points higher or lower with all other variables held constant fair value of interest rate swaps would have been LVL 3,914 thousand (EUR 5,569 thousand) higher or lower (31/12/2012: LVL 4,577 thousand (EUR 6,512 thousand)). Furthermore LVL 290 thousand (EUR 413 thousand) (2012: LVL 481 thousand (EUR 684 thousand)) would have been attributable to Consolidated Income Statement and LVL 3,624 thousand (EUR 5,156 thousand) (2012: LVL 4,096 thousand (EUR 5,828 thousand)) to the Consolidated Statement of Comprehensive Income as hedge accounting item.

III) Price risk

Price risk is the risk that the fair value and cash flows of financial instruments will fluctuate in the future due to reasons other than changes in the market prices resulting from interest rate risk or foreign exchange risk. The purchase and sale of goods produced and the services provided by the Group under the free market conditions, as well as the purchases of resources used in production is impacted by the price risk.

The most significant price risk is related to purchase of electricity and CO_2 emission allowances. To hedge the risk related to changes in the price of electricity the Parent Company during 2013 has purchased electricity swap contracts (Note 21 c, III). As at 31 December 2013 the Group has no outstanding CO_2 emission allowance purchase or sale forward contracts. In 2012 fair value changes of CO2 emission allowances forward contracts are included in the Consolidated Income Statement (see Notes 8 and 21 c, IV).

b) Credit risk

Credit risk is managed at the Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, outstanding receivables. Credit risk exposure in connection with trade receivables is limited due to broad range of the Group's customers. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Impairment loss has been deducted from gross accounts receivable (Note 17).

The maximum credit risk exposure related to financial assets comprises of carrying amounts of cash and cash equivalents (see table below and Note 18), trade and other receivables (Note 17), nominal amounts of issued guarantees (Note 26).

Assessment of maximum possible exposure to credit risk

	Note	31/12/2013	31/12/2012	31/12/2013	31/12/2012
		LVL'000	LVL'000	EUR'000	EUR'000
Trade receivables	17 a	62,977	78,042	89,608	111,044
Accrued income	17 b	37,591	7,353	53,487	10,462
Other non-current financial receivables		40	32	57	45
Other current financial receivables	17 b	202	119	288	169
Cash and cash equivalents	18	179,512	170,425	255,423	242,493
Derivative financial instruments	21 c	434	4,237	617	6,028
Held-to-maturity financial assets	21 a	20,092	20,134	28,588	28,649
		300,848	**280,342**	**428,068**	**398,890**

Maximum credit risk related to the issued guaranties amounts to the outstanding loan balances as at the end of the year (see Note 26). For banks and financial institutions, independently rated parties with own or parent bank's minimum rating of investment grade are accepted. Otherwise, if there is no independent rating, management performs risk control to assess the credit quality of the financial counterparty, taking into account its financial position, past co-operation experience and other factors. After performed assessment individual credit limits are set based on internal ratings in accordance with principles set by the Financial Risk Management Policy. The basis for estimating the credit quality of financial assets not past due and not impaired is credit ratings assigned by the rating agencies or, in their absence, the earlier credit behaviour of clients and other parties to the contract.

For estimation of the credit quality of fully performing trade receivables two rating categories are used:

- Customers with no overdue receivables,
- Customers with overdue receivables.

Credit limits are regularly monitored.

Credit risk related to cash and short-term deposits with banks is managed by balancing the placement of financial assets in order to maintain the possibility to choose the best offers and to reduce probability to incur losses.

The table below shows the balance of cash and cash equivalents by financial counterparties at the end of the reporting period:

No credit limits were exceeded during the reporting period, and the Group entities' management does not expect any losses from non-performance by these counterparties.

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Investment level credit rating	153,588	140,730	218,536	200,241
No or non-investment level credit rating	25,924	29,695	36,887	42,252
	179,512	170,425	255,423	242,493

c) Liquidity risk

The Group's policy of liquidity risk management is to maintain sufficient amount of cash and cash equivalents, the availability of long and short term funding through an adequate amount of committed credit facilities to meet commitments according to the Group's strategic plans as well as to compensate the fluctuations in the cash flows due to occurrence of variety of financial risks.

The Group entities' management is monitoring rolling forecasts of the Group's liquidity reserve, which comprises of undrawn borrowing facilities (Note 21 b), and cash and cash equivalents (Note 18).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the settlement terms. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual undiscounted cash flows originated by the borrowings are calculated taking into account the actual interest rates at the end of the reporting period.

Liquidity analysis (contractual undiscounted cash flows)

	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years	TOTAL	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years	TOTAL
At 31 December 2013	LVL'000	LVL'000	LVL'000	LVL'000	**LVL'000**	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
Borrowings from banks	103,308	161,571	174,578	187,042	**626,499**	146,993	229,895	248,403	266,137	**891,428**
Issued debt securities (bonds)	2,066	2,066	54,018	25,976	**84,126**	2,940	2,940	76,860	36,960	**119,700**
Derivative financial instruments	15,733	4,828	4,676	1,294	**26,531**	22,386	6,870	6,653	1,841	**37,750**
Trade and other payables*	67,203	-	-	-	**67,203**	95,621	-	-	-	**95,621**
	188,310	**168,465**	**233,272**	**214,312**	**804,359**	**267,940**	**239,705**	**331,916**	**304,938**	**1,144,499**
At 31 December 2012										
Borrowings from banks	83,067	93,768	280,952	172,450	**630,237**	118,194	133,420	399,758	245,374	**896,746**
Issued debt securities (bonds)	394	394	14,843	-	**15,631**	560	560	21,120	-	**22,240**
Derivative financial instruments	22,088	7,720	5,854	-	**35,662**	31,429	10,984	8,329	-	**50,742**
Issued guarantees	8,994	-	-	-	**8,994**	12,797	-	-	-	**12,797**
Trade and other payables*	97,777	-	-	-	**97,777**	139,124	-	-	-	**139,124**
	212,320	**101,882**	**301,649**	**172,450**	**788,301**	**302,104**	**144,964**	**429,207**	**245,374**	**1,121,649**

* Excluding advances received, deferred income, tax related liabilities and other non-current or current non-financial payables

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern as well as to ensure necessary financing for investment program and to avoid breaches of covenants, which are linked to capital structure and are stipulated in the majority of loan agreements.

In order to maintain or adjust the capital structure, the Group may evaluate the amount and timing of raising new debt due to investment programs or initiate new investments in the share capital by shareholder. Also asset revaluation directly influences the capital structure. To comply with loan covenants, the Group monitors capital on the basis of the capital ratio.

This ratio is calculated by dividing the equity by the sum of total assets and nominal value of issued and outstanding financial guarantees. According to the Group's strategy and defined loan covenants as per loan agreements the capital ratio shall be maintained at least at 30% level.

The capital ratio figures were as follows:

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Total equity	1,420,869	1,410,510	2,021,714	2,006,975
Total assets and outstanding financial guarantees issued	2,512,776	2,481,284	3,575,359	3,530,549
Capital Ratio	57%	57%	57%	57%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Estimates concerning property, plant and equipment

I) Useful lives of property, plant and equipment

The Group makes estimates concerning the expected useful lives and residual values of property, plant and equipment. These are reviewed at the end of each reporting period and are based on the past experience as well as industry practice. Previous experience has shown that the actual useful lives have sometimes been longer than the estimates. As at 31 December 2013, the net book amount of property, plant and equipment of the Group totalled LVL 2,169 million (EUR 3,087 million) (31/12/2012: LVL 2,148 million (EUR 3,056 million)), and the depreciation charge of continuing operations for the reporting period was LVL 118.1 million (EUR 168.0 million) (2012: LVL 117.3 million (EUR 166.9 million)) (Note 14 a). If depreciation rates were changed by 10%, the annual depreciation charge would change by LVL 11.8 million (EUR 16.8 million) (2012: LVL 11.7 million (EUR 16.7 million)).

II) Recoverable amount

When the events and circumstances indicate a potential impairment, the Group performs impairment tests for items of property, plant and equipment. According to these tests assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. The estimates are based on the forecasts of the general economic environment, consumption and the sales price of electricity. If the situation changes in the future, either additional impairment could be recognised, or the previously recognised impairment could be partially or fully reversed. Such factors as high maintenance and reconstruction costs, low load of several auxiliaries, comparatively substantial maintenance expense, limited facilities to sell property, plant and equipment in the market and other essential factors have an impact of decreasing of the recoverable amounts. If discount rate used for the purposes of impairment charge calculation would be lower or higher by one per cent point the current year's impairment charge on technological equipment would be by LVL 25.8 million (EUR 36.8 million) higher or lower (2012: LVL 27.9 million (EUR 39.7 million)). Impairment charges recognised during the current reporting year are disclosed in Note 14 c.

III) Revaluation

External, certified valuers have performed revaluation of the Group's property, plant and equipment by applying the depreciated replacement cost model. Valuation has been performed according to international standards on property valuation and IAS 16, Property, plant and equipment, based on current use of property, plant and equipment. As a result of valuation, depreciated replacement cost was determined for each asset. Depreciated replacement cost is calculated as land's instant market value at its current use, increased by the replacement cost of existing buildings and refinements on the said land plot and decreased by the depreciation expenses and other impairment losses. Last revaluation was performed for assets of Daugava hydropower plants as at 1 January 2012 and results of revaluation are disclosed in Note 14 b.

b) Recoverable amount of trade receivables

The estimated collectability of accounts receivable is assessed on an individual basis for each customer. In case individual assessment is not possible due to the large number of individual balances, receivables are classified into groups of similar credit risk characteristics and are collectively assessed for impairment, using historical loss experience. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The circumstances indicating an impairment loss may include initiated insolvency of the debtor and inability to meet payment terms (Note 2.11.). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred (Note 17).

c) Fair value estimation for financial instruments

The following table presents the Group's financial assets and liabilities that are measured at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Notes	Level 1	Level 2	Level 3	Total balance	Level 1	Level 2	Level 3	Total balance
As at 31 December 2013		LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets									
Interest rate derivatives used for hedging	21 c, II	-	434	-	434	-	617	-	617
Total assets		-	434	-	434	-	617	-	617
Liabilities									
Financial liabilities at fair value through profit or loss:									
- Electricity trading derivatives	21 c, III	-	6,966	-	6,966	-	9,912	-	9,912
- Interest rate derivatives	21 c, II	-	2,144	-	2,144	-	3,051	-	3,051
- Forward foreign exchange contracts	21 c, V	-	11	-	11	-	16	-	16
Interest rate derivatives used for hedging	21 c, II	-	7,348	-	7,348	-	10,455	-	10,455
Total liabilities		-	16,469	-	16,469	-	23,434	-	23,434

	Notes	Level 1	Level 2	Level 3	Total balance	Level 1	Level 2	Level 3	Total balance
As at 31 December 2012		LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets									
Electricity trading derivatives used for hedging	21 c, III	-	4,195	-	4,195	-	5,969	-	5,969
Forward foreign exchange contracts used for hedging	21 c, V	-	42	-	42	-	59	-	59
Total assets		-	4,237	-	4,237	-	6,028	-	6,028
Liabilities									
Financial liabilities at fair value through profit or loss:									
- Electricity trading derivatives	21 c, III	-	3,841	-	3,841	-	5,465	-	5,465
- Interest rate derivatives	21 c, II	-	3,491	-	3,491	-	4,967	-	4,967
Electricity trading derivatives used for hedging	21 c, III	-	4,123	-	4,123	-	5,866	-	5,866
Interest rate derivatives used for hedging	21 c, II	-	13,244	-	13,244	-	18,845	-	18,845
Total liabilities		-	24,699	-	24,699	-	35,143	-	35,143

d) Recognition of connection service fees

Connection and other service fees are recognised as income over the estimated customer relationship period, which is 20 years (see Note 23). The estimated customer relationship period is based on the Management's estimate. In the reporting period the Group's received connection fees totalled LVL 12.6 million (EUR 17.9 million) (2012: LVL 13.7 million (EUR 19.5 million), and to the Consolidated Income Statement credited LVL 6.9 million (EUR 9.9 million) (2012: LVL 6.8 million (EUR 9.7 million)).

If the estimated customer relationship period is reduced/ increased by 25%, the annual income from connection service fees would increase/decrease by LVL 1.8 million (EUR 2.5 million) (2012: LVL 1.7 million (EUR 2.4 million)).

e) Recognition and revaluation of provisions

As at 31 December 2013, the Group had set up provisions for environmental protection and post-employment benefits totalling LVL 11.0 million (EUR 15.6 million) (31/12/2012: LVL 10.5 million (EUR 14.9 million) (Note 22). The amount and timing of the settlement of these obligations is uncertain. A number of assumptions and estimates have been used to determine the present value of provisions, including the amount of future expenditure, inflation rates, and the timing of settlement of the expenditure. The actual expenditure may also differ from the provisions recognised as a result of possible changes in legislative norms, technology available in the future to restore environmental damages, and expenditure covered by third parties. For revaluation of provisions for post-employment obligations probabilities of retirement in different employees' aging groups as well as variable demographic factors and financial factors (including expected remuneration increase and determined changes in benefit amounts) have been estimated. The probabilities and other factors are determined on the basis of previous experience.

f) Evaluation of effectiveness of hedging instruments

The Group has concluded significant number of swap transactions to hedge the risk of the changes in prices of electricity and interest rate fluctuations to which cash flow hedge risk accounting is applied and the gains and losses from changes in the fair value of the effective hedging instruments and items secured against risk are included in respective equity reserve. The evaluation of the effectiveness of the hedging is based on Management's estimates with regard to future purchase transactions of electricity and signed variable interest loan agreements. When hedging instruments turn out to be ineffective, gains/losses from the changes in the fair value are recognised in the Consolidated Income Statement (Note 21 c).

5. OPERATING SEGMENT INFORMATION

Operating segments

For segment reporting purposes, the division into operating segments is based on the Group's internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the chief operating decision maker.

The Group divides its operations into three main operating segments – generation and supply, distribution system services and management of transmission system assets. In addition, Corporate Functions, that cover administration and other support services, are presented separately.

The generation and supply operating segment comprises the Group's electricity and heat generation operations, which are organised into the legal entities: Latvenergo AS and Liepājas enerģija SIA, as well as electricity sales operations, including wholesale, which are conducted Pan-Baltic by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB.

The operations of the distribution system services operating segment relates to the provision of electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia) and Latvenergo AS – the owner of the distribution system real estate assets. In 2011, the distribution assets (excluding the real estate) owned by the Parent Company, were invested in Sadales tīkls AS.

The operations of the management of transmission system assets operating segment is managed both by Latvijas elektriskie tīkli AS – the owner of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points), which provides construction and maintenance as well as the lease of assets to the transmission system operator Augstsprieguma tīkls AS, and Latvenergo AS – the owner of the transmission system real estate assets. The Republic of Latvia has applied the second unbundling model under EU Directive 2009/72/EC, which provides that the electricity transmission system assets shall remain with a vertically integrated utility, while the activities of the transmission system operator are independently managed. In 2011, the transmission system assets owned by the Parent Company (excluding the real estate related to system assets) were invested in Latvijas elektriskie tīkli AS.

The following table presents revenue, profit information and segment assets and liabilities of the Group's operating segments. Inter-segment revenue is eliminated on consolidation.

LVL	Generation and supply	Distribution system services	Management of transmission system assets	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Year ended 31 December 2013							
Revenue							
External customers	525,692	204,280	39,187	3,850	773,009	-	773,009
Inter-segment	18,046	1,290	1,782	31,739	52,857	(52,857)	-
Total revenue	543,738	205,570	40,969	35,589	825,866	(52,857)	773,009
Results							
Amortisation, depreciation and impairment loss	56,352	50,537	16,639	8,320	131,848	-	131,848
Investments in associates	27	1	1	-	29	-	29
Segment profit	16,371	13,405	9,862	3,297	42,935	(8,609)	34,326
Segment assets at the end of the year	1,052,144	879,922	303,066	60,763	2,295,895	216,881	2,512,776
Segment liabilities at the end of the year	49,460	119,827	24,459	4,266	198,012	893,895	1,091,907
Capital expenditure	37,546	62,280	48,452	9,760	158,038	-	158,038
Year ended 31 December 2012							
Revenue							
External customers	503,039	203,548	36,924	4,055	747,566	-	747,566
Inter-segment	19,862	1,282	1,624	31,756	54,524	(54,524)	-
Total revenue	522,901	204,830	38,548	35,811	802,090	(54,524)	747,566
Results							
Amortisation, depreciation and impairment loss	42,082	54,758	16,483	8,873	122,196	-	122,196
Investments in associates	4,946	1	1	-	4,948	-	4,948
Segment profit	31,683	5,893	8,086	4,236	49,898	(7,829)	42,069
Segment assets at the end of the year	1,067,218	872,491	269,691	59,192	2,268,592	203,698	2,472,290
Segment liabilities at the end of the year	77,143	104,308	34,050	4,035	219,536	842,244	1,061,780
Capital expenditure	95,072	58,445	23,468	8,738	185,723	-	185,723

EUR	Generation and supply	Distribution system services	Management of transmission system assets	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Year ended 31 December 2013							
Revenue							
External customers	747,993	290,664	55,758	5,478	1,099,893	-	1,099,893
Inter-segment	25,677	1,836	2,536	45,160	75,209	(75,209)	-
Total revenue	773,670	292,500	58,294	50,638	1,175,102	(75,209)	1,099,893
Results							
Amortisation, depreciation and impairment loss	80,182	71,908	23,675	11,838	187,603	-	187,603
Investments in associates	39	1	1	-	41	-	41
Segment profit	23,294	19,074	14,032	4,691	61,091	(12,250)	48,841
Segment assets at the end of the year	1,497,066	1,252,016	431,224	86,458	3,266,764	308,594	3,575,358
Segment liabilities at the end of the year	70,375	170,498	34,802	6,070	281,745	1,271,899	1,553,644
Capital expenditure	53,423	88,617	68,941	13,887	224,868	-	224,868
Year ended 31 December 2012							
Revenue							
External customers	715,760	289,623	52,538	5,770	1,063,691	-	1,063,691
Inter-segment	28,261	1,824	2,311	45,185	77,581	(77,581)	-
Total revenue	744,021	291,447	54,849	50,955	1,141,272	(77,581)	1,063,691
Results							
Amortisation, depreciation and impairment loss	59,877	77,914	23,453	12,625	173,869	-	173,869
Investments in associates	7,038	1	1	-	7,040	-	7,040
Segment profit	45,081	8,385	11,505	6,027	70,998	(11,139)	59,859
Segment assets at the end of the year	1,518,515	1,241,443	383,736	84,222	3,227,916	289,836	3,517,752
Segment liabilities at the end of the year	109,765	148,417	48,449	5,742	312,373	1,198,404	1,510,777
Capital expenditure	135,275	83,160	33,392	12,433	264,260	-	264,260

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Reconciliation of profit

	Notes	2013	2012	2013	2012
		LVL'000	LVL'000	EUR'000	EUR'000
Segment profit		42,935	49,898	61,091	70,998
Gain on disposal of revalued PPE		-	(537)	-	(764)
Finance income	11 a	3,183	3,705	4,529	5,272
Finance costs	11 b	(12,538)	(11,250)	(17,840)	(16,007)
Share of profit of associates	15	746	253	1,061	360
Profit before income tax		34,326	42,069	48,841	59,859

Reconciliation of assets

	Notes	31/12/2013	31/12/2012	31/12/2013	31/12/2012
		LVL'000	LVL'000	EUR'000	EUR'000
Segment operating assets		2,295,895	2,268,592	3,266,764	3,227,916
Investments in associates	15	29	4,948	41	7,040
Held-to-maturity financial assets	21 a	20,092	20,134	28,588	28,649
Current financial assets		434	42	617	60
Other assets and assets held for sale		16,814	8,149	23,925	11,594
Cash and cash equivalents	18	179,512	170,425	255,423	242,493
Group operating assets		2,512,776	2,472,290	3,575,358	3,517,752

Reconciliation of liabilities

	Notes	31/12/2013	31/12/2012	31/12/2013	31/12/2012
		LVL'000	LVL'000	EUR'000	EUR'000
Segment operating liabilities		198,012	219,536	281,745	312,373
Deferred income tax liabilities	12	189,136	187,822	269,116	267,246
Current corporate income tax liabilities		2	1,892	3	2,692
Borrowings	21 b	663,921	595,248	944,675	846,961
Derivative financial instruments	21 c	16,469	24,699	23,434	35,143
Trade and other payables		24,367	32,583	34,671	46,362
Group operating liabilities		1,091,907	1,061,780	1,553,644	1,510,777

Geographical information on segments

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Revenue from external customers				
Baltics	751,604	724,858	1,069,436	1,031,380
Scandinavian countries	21,405	22,708	30,457	32,311
Total revenue	773,009	747,566	1,099,893	1,063,691

Non-current assets are located in the Group's country of domicile – Latvia and consist of intangible assets, property, plant and equipment and investment properties.

Revenue from major customer in 2013 amounted to LVL 73,984 thousand (EUR 105,270 thousand) (2012: LVL 80,543 thousand (EUR 114,602 thousand)) arising from sales by the generation and supply segment.

6. REVENUE

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Electricity and electricity services	631,144	598,879	898,037	852,128
Heat sales	82,556	90,548	117,466	128,838
Lease and management of transmission system assets	38,721	36,323	55,095	51,683
Other revenue	20,588	21,816	29,295	31,042
Total revenue	773,009	747,566	1,099,893	1,063,691

7. OTHER INCOME

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Net gain from sale of assets held for sale and PPE	661	190	941	270
Net gain from sale of current assets and other income	2,185	1,619	3,109	2,304
Total other income	2,846	1,809	4,050	2,574

8. RAW MATERIALS AND CONSUMABLES USED

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Electricity:				
Purchased electricity	267,870	256,580	381,144	365,081
Fair value loss / (income) on electricity swaps (Note 21 c, III)	3,125	(1,525)	4,447	(2,170)
Electricity transmission services costs	52,129	52,262	74,173	74,362
	323,124	**307,317**	**459,764**	**437,273**
Fuel expense	149,674	140,052	212,967	199,276
Fair value income on CO_2 emission allowances forward contracts (Note 21 c, IV)	-	(4,598)	-	(6,542)
Raw materials, spare parts and maintenance costs	26,914	29,260	38,295	41,633
Capitalised costs of raw materials and consumables used (fuel)	(6,728)	-	(9,573)	-
Total raw materials and consumables used	**492,984**	**472,031**	**701,453**	**671,640**

9. PERSONNEL EXPENSES

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Wages and salaries	50,547	48,644	71,922	69,215
Expenditure of employment termination	1,587	1,140	2,258	1,623
Pension costs – defined contribution plan	2,229	2,175	3,172	3,094
State social insurance contributions and other benefits defined in the Collective Agreement	12,690	12,193	18,056	17,348
Capitalised personnel expenses	(235)	(248)	(334)	(353)
Total personnel expenses, including remuneration to the management	**66,818**	**63,904**	**95,074**	**90,927**
Including remuneration to the management:				
Wages and salaries	872	745	1,241	1,060
Expenditure of employment termination	-	5	-	7
Pension costs – defined contribution plan	38	28	54	40
State social insurance contributions and other benefits defined in the Collective Agreement	213	182	303	259
Total remuneration to the management	**1,123**	**960**	**1,598**	**1,366**

	2013	2012
Number of employees at the end of the year	4,512	4,457
Average number of employees during the year	4,504	4,453

* remuneration to the management includes remuneration to the members of the Management Boards and Supervisory body of the Group entities.

10. OTHER OPERATING EXPENSES

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Selling expenses and customer service costs	13,899	13,377	19,776	19,034
Information technology maintenance expenses	2,573	2,457	3,661	3,496
Transportation expenses	5,488	5,306	7,809	7,550
Environment protection and work safety expenses	2,488	3,291	3,540	4,683
Rent, maintenance and utilities costs	5,093	5,282	7,247	7,516
Telecommunications expenses	1,747	2,079	2,486	2,958
Electric power transit and capacity services costs	2,772	2,489	3,944	3,541
Real estate tax	720	712	1,024	1,013
Public utilities regulation fee	1,002	682	1,426	970
Other expenses	5,488	6,208	7,809	8,834
Total other operating expenses	41,270	41,883	58,722	59,595

11. FINANCE INCOME AND COSTS

a) Finance income

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Interest income on bank accounts and deposits	442	1,405	629	1,999
Interest income from held-to-maturity financial assets	1,083	1,097	1,541	1,561
Fair value gain on interest rate swaps (Note 21 c, II)	1,347	-	1,917	-
Fair value gain on issued guarantees (Note 26)	200	136	285	193
Net gain on redemption of held-to-maturity financial assets	-	226	-	322
Net gain on issued debt securities (bonds)	25	-	35	-
Net gain from currency exchange rate fluctuations	86	841	122	1,197
Total finance income	3,183	3,705	4,529	5,272

b) Finance costs

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Interest expense on borrowings	6,803	10,132	9,680	14,417
Interest expense on issued debt securities (bonds)	1,837	13	2,614	18
Interest expense on interest rate swaps	6,470	4,863	9,206	6,919
Fair value loss on interest rate swaps (Note 21 c, II)	-	283	-	403
Fair value loss on forward foreign currencies exchange contracts (Note 21 c, V)	11	105	16	149
Net losses on redemption of held-to-maturity financial assets	42	-	60	-
Capitalised borrowing and finance costs (Note 14 a)	(2,684)	(4,267)	(3,819)	(6,071)
Other finance costs	59	121	83	172
Total finance costs	**12,538**	**11,250**	**17,840**	**16,007**

12. INCOME TAX

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Current tax	510	10,156	726	14,450
Deferred tax	1,382	(3,828)	1,966	(5,447)
Total income tax:	**1,892**	**6,328**	**2,692**	**9,003**

The tax on the Group's profit before tax differs from the theoretical amount that would arise if using the tax rate applicable to profits of the Group as follows:

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Profit before tax	**34,326**	**42,069**	**48,841**	**59,859**
Corporate income tax at the statutory rate 15%	5,149	6,310	7,326	8,979
Expense non-deductible for tax purpose	241	305	343	433
Impairment of receivables	1,499	1,674	2,133	2,382
Tax deductions for donations	-	(175)	-	(249)
Discount on undistributed profit	(18)	-	(26)	-
Losses as a result of re-measurement on defined post-employment benefit plan	(32)	-	(46)	-
Other expenses	25	-	36	-
Losses that reduce taxable income	-	(178)	-	(254)
Tax incentives for new technological equipment*	(4,972)	(1,608)	(7,074)	(2,288)
Total income tax:	**1,892**	**6,328**	**2,692**	**9,003**

* - increase in the amount of depreciation of PPE applying coefficients for additions of PPE and calculation of depreciation for tax purposes as defined in article No. 13 of the Law of Corporate Income Tax of the Republic of Latvia

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

The movement on the deferred income tax accounts

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	**187,822**	**172,425**	**267,246**	**245,339**
Expense charged / (income) credited to the Consolidated Income Statement	1,382	(3,828)	1,967	(5,447)
Attributable to non-current assets revaluation reserve in equity (Note 20)	(68)	19,225	(97)	27,354
Deferred tax liabilities at the end of the year	**189,136**	**187,822**	**269,116**	**267,246**

Deferred income tax has been calculated from the following temporary differences between assets and liabilities values for financial reporting and tax purposes:

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Deferred tax liabilities				
	Accelerated tax depreciation		Accelerated tax depreciation	
At the beginning of the year	**191,523**	**173,352**	**272,512**	**246,658**
Expense charged / (income) credited to the Consolidated Income Statement	1,934	(1,084)	2,752	(1,543)
Adjustment for discontinuing operations	-	30	-	43
Attributable to non-current assets revaluation reserve in equity (Note 20)	(68)	19,225	(97)	27,354
At the end of the year	**193,389**	**191,523**	**275,167**	**272,512**
Deferred tax assets				
	Accruals/provisions		Accruals/provisions	
At the beginning of the year	**(3,701)**	**(957)**	**(5,266)**	**(1,362)**
Income credited to the Consolidated Income Statement	(552)	(2,744)	(785)	(3,904)
At the end of the year	**(4,253)**	**(3,701)**	**(6,051)**	**(5,266)**

13. INTANGIBLE ASSETS

a) Intangible assets

	Licenses	Software	Assets under construction	TOTAL	Licenses	Software	Assets under construction	TOTAL
	LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2011								
Cost	1,750	19,940	497	22,187	2,490	28,372	707	31,569
Accumulated amortisation	(715)	(14,871)	-	(15,586)	(1,017)	(21,160)	-	(22,177)
Net book amount	1,035	5,069	497	6,601	1,473	7,212	707	9,392
Year ended 31 December 2012								
Additions	-	1,042	681	1,723	-	1,483	969	2,452
Disposals	(148)	(7)	-	(155)	(211)	(10)	-	(221)
Amortisation charge	-	(2,365)	-	(2,365)	-	(3,365)	-	(3,365)
Closing net book amount	887	3,739	1,178	5,804	1,262	5,320	1,676	8,258
At 31 December 2012								
Cost	1,750	20,571	1,178	23,499	2,490	29,270	1,676	33,436
Accumulated amortisation	(863)	(16,832)	-	(17,695)	(1,228)	(23,950)	-	(25,178)
Net book amount	887	3,739	1,178	5,804	1,262	5,320	1,676	8,258
Year ended 31 December 2013								
Additions	-	2,246	1,496	3,742	-	3,196	2,129	5,325
Disposals	(148)	-	-	(148)	(210)	-	-	(210)
Amortisation charge	-	(1,576)	-	(1,576)	-	(2,243)	-	(2,243)
Closing net book amount	739	4,409	2,674	7,822	1,052	6,273	3,805	11,130
At 31 December 2013								
Cost	1,750	21,544	2,674	25,968	2,490	30,654	3,805	36,949
Accumulated amortisation	(1,011)	(17,135)	-	(18,146)	(1,438)	(24,381)	-	(25,819)
Net book amount	739	4,409	2,674	7,822	1,052	6,273	3,805	11,130

b) Greenhouse gas emission allowances:

	2013 Number of allowances	2012 Number of allowances
At the beginning of the year	3,190,862	552,559
Allowances allocated free of charge	517,163	3,099,482
Purchased allowances	16,196	562,188
Used allowances	(1,104,382)	(953,367)
Sales of allowances	-	(70,000)
At the end of the year	2,619,839	3,190,862

Allowances are allocated free of charge in accordance with the law "On Pollution" and Directives of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia and are recognised at zero cost.

As at 31 December 2013 the number of allowances in the Group received in 2013 from the Government free of charge was 517,163 (31/12/2012: 3,099,482). Therefore their carrying amount as at 31 December 2013 was nil (31/12/2012: nil).

The fair value of greenhouse gas emission allowances as at 31 December 2013 was LVL 9,243 thousand (EUR 13,152 thousand) (31/12/2012: LVL 15,025 thousand (EUR 21,379 thousand). For estimation of the fair value of allowances were used closing market prices of NASDAQ OMX Commodities exchange on the last trade date on 30 December 2013 – 5.02 EUR/t (28/12/2012: 6.7 EUR/t).

In 24 October 2012 in accordance with Directive No. 51 of the Ministry of Environmental Protection and Regional Development "For additional allocation of gas emission allowances for Latvenergo AS thermal plant TEC-2 in period from 2009 until 2012" all allowances for four-year period are received and allocated in 2012 and transferred to next allocation period.

Received European Union Allowances (EUA) must be used until the end of 2020.

As at 31 December 2013 the number of allowances in the Group purchased was 16,196 (31/12/2012: 562,188). As at 31 December 2013 and 31 December 2012 the Group has no entered into outstanding forward contracts of CO_2 emission allowances purchase or sale. Fair value changes of previously concluded CO_2 emission allowances forward contracts in 2012 are included in the Consolidated Income Statement in the amount of LVL 4,598 thousand (EUR 6,542 thousand) (Notes 8 and 21 c, IV). Purchase costs of allowances in the amount of LVL 2 thousand (EUR 3 thousand) (2012: LVL 7,293 thousand (EUR 10,377 thousand)) are included in the Consolidated Income Statement position 'Fuel expense' (Note 8). All purchased allowances during the 2013 are used therefore carrying amount at the end of the year was nil (31/12/2012: nil).

14. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment

	Revalued buildings and facilities			Non-revalued buildings and facilities	Land and buildings, total	Revalued technology equipment, machinery			Non-revalued technology equipment, machinery	Technology equipment, machinery, total
	Daugava hydropower plants'	Transmission system	Distribution system			Daugava hydropower plants'	Transmission system	Distribution system		
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
At 31 December 2011										
Cost or valuation	1,041,813	306,387	1,290,528	230,442	2,869,170	158,771	252,794	478,154	220,049	1,109,768
Accumulated depreciation and impairment	(592,764)	(196,516)	(714,127)	(56,836)	(1,560,243)	(120,410)	(141,069)	(261,762)	(128,186)	(651,427)
Net book amount	449,049	109,871	576,401	173,606	1,308,927	38,361	111,725	216,392	91,863	458,341
Year ended 31 December 2012										
PPE revaluation	12,633	2,017	2,065	-	16,715	51,294	8,363	10,067	-	69,724
Additions	4,044	4,087	34,474	12,297	54,902	2,633	13,354	14,552	6,853	37,392
Transfers	1,419	-	-	(1,331)	88	(928)	-	-	932	4
Disposals	(7)	(129)	(1,054)	(338)	(1,528)	(19)	(101)	(847)	(41)	(1,008)
Reclassified to investment property	-	-	-	(1,116)	(1,116)	-	-	-	-	-
Impairment charge	-	-	-	361	361	-	-	-	(3,114)	(3,114)
Depreciation	(10,981)	(7,279)	(38,312)	(6,950)	(63,522)	(7,060)	(7,768)	(13,931)	(16,062)	(44,821)
Closing net book amount	456,157	108,567	573,574	176,529	1,314,827	84,281	125,573	226,233	80,431	516,518
At 31 December 2012										
Cost or valuation	1,051,763	316,974	1,337,675	237,629	2,944,041	227,803	280,095	490,773	226,193	1,224,864
Accumulated depreciation and impairment	(595,606)	(208,407)	(764,101)	(61,100)	(1,629,214)	(143,522)	(154,522)	(264,540)	(145,762)	(708,346)
Net book amount	456,157	108,567	573,574	176,529	1,314,827	84,281	125,573	226,233	80,431	516,518
Year ended 31 December 2013										
Additions	-	-	-	3	3	-	65	636	6	707
Invested in share capital	-	-	-	614	614	-	-	-	-	-
Transfers	2,364	11,817	39,815	63,610	117,606	4,557	8,384	16,178	209,110	238,229
Disposals	-	(699)	(936)	(8)	(1,643)	-	(150)	(789)	-	(939)
Impairment charge	-	-	-	-	-	-	-	-	(12,407)	(12,407)
Depreciation	(11,030)	(7,213)	(36,266)	(7,555)	(62,064)	(7,293)	(8,129)	(12,052)	(19,806)	(47,280)
Closing net book amount	447,491	112,472	576,187	233,193	1,369,343	81,545	125,743	230,206	257,334	694,828
At 31 December 2013										
Cost or valuation	1,053,855	321,270	1,367,517	301,651	3,044,293	231,539	283,150	498,342	425,084	1,438,115
Accumulated depreciation and impairment	(606,364)	(208,798)	(791,330)	(68,458)	(1,674,950)	(149,994)	(157,407)	(268,136)	(167,750)	(743,287)
Net book amount	447,491	112,472	576,187	233,193	1,369,343	81,545	125,743	230,206	257,334	694,828

	Revalued other property, plant and equipment						
	Daugava hydropower plants'	Transmission system	Distribution system	Non-revalued other PPE	Other PPE, total	Assets under construction	Property, plant and equipment, total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
At 31 December 2011							
Cost or valuation	7,477	3,318	4,359	81,648	96,802	213,475	4,289,215
Accumulated depreciation and impairment	(3,675)	(3,034)	(2,916)	(63,422)	(73,047)	(4,996)	(2,289,713)
Net book amount	3,802	284	1,443	18,226	23,755	208,479	1,999,502
Year ended 31 December 2012							
PPE revaluation	540	625	679	-	1,844	-	88,283
Additions	21	1,631	826	5,897	8,375	83,331	184,000
Transfers	281	-	-	(373)	(92)	-	-
Disposals	-	(1)	(36)	(21)	(58)	(167)	(2,761)
Reclassified to investment property	-	-	-	-	-	-	(1,116)
Impairment charge	-	-	-	-	-	191	(2,562)
Depreciation	(459)	(799)	(582)	(7,086)	(8,926)	-	(117,269)
Closing net book amount	4,185	1,740	2,330	16,643	24,898	291,834	2,148,077
At 31 December 2012							
Cost or valuation	9,598	5,502	6,004	78,609	99,713	296,705	4,565,323
Accumulated depreciation and impairment	(5,413)	(3,762)	(3,674)	(61,966)	(74,815)	(4,871)	(2,417,246)
Net book amount	4,185	1,740	2,330	16,643	24,898	291,834	2,148,077
Year ended 31 December 2013							
Additions	-	681	-	6,264	6,945	146,027	153,682
Invested in share capital	-	-	-	-	-	-	614
Transfers	-	521	365	5,062	5,948	(361,783)	-
Disposals	-	(1)	(21)	(17)	(39)	(82)	(2,703)
Impairment charge	-	-	-	-	-	199	(12,208)
Depreciation	(356)	(650)	(489)	(7,225)	(8,720)	-	(118,064)
Closing net book amount	3,829	2,291	2,185	20,727	29,032	76,195	2,169,398
At 31 December 2013							
Cost or valuation	9,598	6,613	6,138	85,708	108,057	80,867	4,671,332
Accumulated depreciation and impairment	(5,769)	(4,322)	(3,953)	(64,981)	(79,025)	(4,672)	(2,501,934)
Net book amount	3,829	2,291	2,185	20,727	29,032	76,195	2,169,398

	Revalued buildings and facilities			Non-revalued buildings and facilities	Land and buildings, total	Revalued technology equipment, machinery			Non-revalued technology equipment, machinery	Technology equipment, machinery, total
	Daugava hydropower plants'	Transmission system	Distribution system			Daugava hydropower plants'	Transmission system	Distribution system		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2011										
Cost or valuation	1,482,366	435,949	1,836,256	327,889	4,082,460	225,911	359,693	680,352	313,101	1,579,057
Accumulated depreciation and impairment	(843,427)	(279,617)	(1,016,111)	(80,870)	(2,220,025)	(171,328)	(200,723)	(372,454)	(182,392)	(926,897)
Net book amount	638,939	156,332	820,145	247,019	1,862,435	54,583	158,970	307,898	130,709	652,160
Year ended 31 December 2012										
PPE revaluation	17,975	2,870	2,939	-	23,784	72,985	11,900	14,324	-	99,209
Additions	5,754	5,815	49,051	17,497	78,117	3,746	19,001	20,706	9,751	53,204
Transfers	2,019	-	-	(1,894)	125	(1,320)	-	-	1,326	6
Disposals	(10)	(183)	(1,500)	(481)	(2,174)	(27)	(144)	(1,205)	(58)	(1,434)
Reclassified to investment property	-	-	-	(1,588)	(1,588)	-	-	-	-	-
Impairment charge	-	-	-	514	514	-	-	-	(4,431)	(4,431)
Depreciation	(15,624)	(10,357)	(54,513)	(9,889)	(90,383)	(10,046)	(11,053)	(19,822)	(22,854)	(63,775)
Closing net book amount	649,053	154,477	816,122	251,178	1,870,830	119,921	178,674	321,901	114,443	734,939
At 31 December 2012										
Cost or valuation	1,496,524	451,013	1,903,340	338,116	4,188,993	324,134	398,539	698,307	321,844	1,742,824
Accumulated depreciation and impairment	(847,471)	(296,536)	(1,087,218)	(86,938)	(2,318,163)	(204,213)	(219,865)	(376,406)	(207,401)	(1,007,885)
Net book amount	649,053	154,477	816,122	251,178	1,870,830	119,921	178,674	321,901	114,443	734,939
Year ended 31 December 2013										
Additions	-	-	-	4	4	-	92	905	8	1,005
Invested in share capital	-	-	-	874	874	-	-	-	-	-
Transfers	3,364	16,814	56,652	90,509	167,339	6,484	11,930	23,019	297,537	338,970
Disposals	-	(995)	(1,332)	(11)	(2,338)	-	(214)	(1,123)	-	(1,337)
Impairment charge	-	-	-	-	-	-	-	-	(17,654)	(17,654)
Depreciation	(15,694)	(10,263)	(51,602)	(10,750)	(88,309)	(10,377)	(11,566)	(17,148)	(28,181)	(67,272)
Closing net book amount	636,723	160,033	819,840	331,804	1,948,400	116,028	178,916	327,554	366,153	988,651
At 31 December 2013										
Cost or valuation	1,499,501	457,126	1,945,801	429,211	4,331,639	329,450	402,886	709,077	604,840	2,046,253
Accumulated depreciation and impairment	(862,778)	(297,093)	(1,125,961)	(97,407)	(2,383,239)	(213,422)	(223,970)	(381,523)	(238,687)	(1,057,602)
Net book amount	636,723	160,033	819,840	331,804	1,948,400	116,028	178,916	327,554	366,153	988,651

	Revalued other property, plant and equipment			Non-revalued other PPE	Other PPE, total	Assets under construction	Property, plant and equipment, total
	Daugava hydropower plants'	Transmission system	Distribution system				
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2011							
Cost or valuation	10,639	4,721	6,202	116,175	**137,737**	303,748	**6,103,002**
Accumulated depreciation and impairment	(5,229)	(4,317)	(4,149)	(90,241)	**(103,936)**	(7,109)	**(3,257,967)**
Net book amount	5,410	404	2,053	25,934	33,801	296,639	2,845,035
Year ended 31 December 2012							
PPE revaluation	768	889	966	-	**2,623**	-	**125,616**
Additions	30	2,321	1,176	8,391	**11,918**	118,569	**261,808**
Transfers	400	-	-	(531)	**(131)**	-	**-**
Disposals	-	(1)	(51)	(30)	**(82)**	(238)	**(3,928)**
Reclassified to investment property	-	-	-	-	**-**	-	**(1,588)**
Impairment charge	-	-	-	-	**-**	272	**(3,645)**
Depreciation	(653)	(1,137)	(828)	(10,083)	**(12,701)**	-	**(166,859)**
Closing net book amount	5,955	2,476	3,316	23,681	35,428	415,242	3,056,439
At 31 December 2012							
Cost or valuation	13,657	7,829	8,543	111,851	**141,880**	422,173	**6,495,870**
Accumulated depreciation and impairment	(7,702)	(5,353)	(5,227)	(88,170)	**(106,452)**	(6,931)	**(3,439,431)**
Net book amount	5,955	2,476	3,316	23,681	35,428	415,242	3,056,439
Year ended 31 December 2013							
Additions	-	969	-	8,913	**9,882**	207,778	**218,669**
Invested in share capital	-	-	-	-	**-**	-	**874**
Transfers	-	740	519	7,203	**8,462**	(514,771)	**-**
Disposals	-	(1)	(30)	(24)	**(55)**	(117)	**(3,847)**
Impairment charge	-	-	-	-	**-**	283	**(17,371)**
Depreciation	(507)	(925)	(696)	(10,280)	**(12,408)**	-	**(167,989)**
Closing net book amount	5,448	3,259	3,109	29,493	41,309	108,415	3,086,775
At 31 December 2013							
Cost or valuation	13,657	9,409	8,734	121,952	**153,752**	115,063	**6,646,707**
Accumulated depreciation and impairment	(8,209)	(6,150)	(5,625)	(92,459)	**(112,443)**	(6,648)	**(3,559,932)**
Net book amount	5,448	3,259	3,109	29,493	41,309	108,415	3,086,775

Impairment charge is included in the Consolidated Income Statement under 'Depreciation, amortisation and impairment of intangible assets and property, plant and equipment'.

As at 31 December 2013 cost or valuation of fully depreciated PPE amounted to LVL 533,205 thousand (EUR 758,683 thousand) (31/12/2012: LVL 246,394 thousand (EUR 350,587 thousand).

In 2013 the Group has capitalised borrowing and finance costs in the amount of LVL 2,684 thousand (EUR 3,819 thousand) (2012: LVL 4,267 thousand (EUR 6,071 thousand)). Rate of capitalised borrowing costs was of 1.48% (2012: 1.98%).

Information about the Group's pledged property, plant and equipment is disclosed in Note 21 b, I.

b) Property, plant and equipment revaluation

As at 1 January 2011 transmission system assets and as at 1 September 2011 distribution system assets were evaluated for property investment in subsidiaries share capital (*Latvijas elektriskie tīkli AS* and *Sadales tīkls AS* respectively). Latvenergo AS revalued assets of Daugava hydropower plants as at 1 January 2012. Valuation have been done by independent certified valuators by applying the cost model, which provides, that the assets value comprises replacement or renewal costs of similar asset at the date of revaluation less the accumulated depreciation and impairment losses. To determine original cost replacement value of the revaluated asset current acquisition or purchase cost is used.

As at the end of the reporting period carrying value of the Daugava hydropower plants, transmission system assets and distribution system assets approximates its fair value. In 2012 the increase in revalued Daugava hydropower plants in amount of LVL 64,436 thousand (EUR 91,684 thousand), net of deferred tax, was charged to non-current assets revaluation reserve under the comprehensive income and the increase in the amount of LVL 31 thousand (EUR 44 thousand), that has been previously charged to expenses, in the Consolidated Income Statement under 'Increase of non-current assets value due revaluation'.

The carrying amounts of revalued property, plant and equipment of Daugava hydropower plants, transmission and distribution system assets at revalued amounts and their cost basis are as follows:

	Revalued property, plant and equipment categories				Revalued property, plant and equipment categories			
	Buildings and facilities	Technology equipment and machinery	Other property, plant and equipment	Total	Buildings and facilities	Technology equipment and machinery	Other property, plant and equipment	Total
	LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000
	At revalued amounts				At revalued amounts			
At 31 December 2012								
Revalued	2,706,412	998,671	21,104	3,726,187	3,850,877	1,420,980	30,029	5,301,886
Accumulated depreciation	(1,568,114)	(562,584)	(12,849)	(2,143,547)	(2,231,225)	(800,484)	(18,282)	(3,049,991)
Revalued net book amount	1,138,298	436,087	8,255	1,582,640	1,619,652	620,496	11,747	2,251,895
At 31 December 2013								
Revalued	2,742,642	1,013,031	22,349	3,778,022	3,902,428	1,441,413	31,800	5,375,641
Accumulated depreciation	(1,606,492)	(575,537)	(14,044)	(2,196,073)	(2,285,832)	(818,915)	(19,984)	(3,124,731)
Revalued net book amount	1,136,150	437,494	8,305	1,581,949	1,616,596	622,498	11,816	2,250,910
	At amounts stated on historical cost basis				At amounts stated on historical cost basis			
At 31 December 2012								
Cost	572,104	420,410	14,861	1,007,375	814,031	598,190	21,145	1,433,366
Accumulated depreciation	(184,073)	(212,758)	(11,796)	(408,627)	(261,912)	(302,727)	(16,784)	(581,423)
Net book amount	388,031	207,652	3,065	598,748	552,119	295,463	4,361	851,943
At 31 December 2013								
Cost	625,690	451,276	18,603	1,095,569	890,277	642,108	26,470	1,558,855
Accumulated depreciation	(197,414)	(229,361)	(13,778)	(440,553)	(280,895)	(326,351)	(19,604)	(626,850)
Net book amount	428,276	221,915	4,825	655,016	609,382	315,757	6,866	932,005

c) Impairment

Impairment review performed in accordance with IAS 36 Impairment of Assets resulted in an impairment charge on technological equipment and machinery of the Riga combined heat and power plant (carried in non-revalued technology equipment and machinery) based on value in use calculations. The accumulated impairment as at 31 December 2013 amounted to LVL 65,902 thousand (EUR 93,770 thousand) (31/12/2012: LVL 53,495 thousand (EUR 76,117 thousand)).

The cash-generating unit is defined as the assets of Riga combined heat and power plant. In 2013, a one-off impairment loss of Riga combined heat and power plants (Riga CHHPs) in the amount of LVL 12.4 million (EUR 17.7 million) has been recognised. Additional impairment was made due the Subsidised Energy Tax (SET) Law adopted by the Saiema (the Parliament of the Republic of Latvia) and announced by the President of the Republic of Latvia in late 2013 which provides implementation of subsidised energy tax (hereinafter - SEN). Law shall come into force from 1 January 2014 and tax will be applied for taxable income from 1 January 2014 until 31 December 2017. For Riga combined heat and power plants, which use fossil energy resources for electricity generation, estimated tax rate is 15%. Nominal pre-tax discount rate used to determine value in use of cash-generating unit by discounting cash flows is 7.3% (2012: 7.4%).

For sensitivity analysis see Note 4 a, II.

15. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	4,948	4,696	7,040	6,681
Share of profit in Nordic Energy Link AS	746	253	1,061	360
Investment in Nordic Energy Link AS reclassified to current financial investments held for sale*	(5,665)	-	(8,060)	-
Disposal of investment in Pirmais Slēgtais Pensiju Fonds AS	-	(1)	-	(1)
At the end of the year	29	4,948	41	7,040

* On 26 September Shareholder's Meeting of Latvenergo AS decided to terminate Latvenergo AS participation in Nordic Energy Link AS. According to the Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, Latvenergo AS, as electricity generator and supplier, needs to perform activities so that after 31 December 2013 it would not be owner of the electricity transmission infrastructure. In the Consolidated Statement of Financial Position as at 31 December 2013 investment in Nordic Energy Link AS is presented as the current financial investment held for sale. On 12 February 2014 the Cabinet of Ministers of the Republic of Latvia adopted decision No. 67 „On Latvenergo AS termination of partnership in Nordic Energy Link AS".

The table below discloses the Group's share of profit from investments in significant associates and summarised financial information on the amounts of assets, liabilities and net sales of these entities:

	Assets	Liabilities	Net sales	Share of profit	Assets	Liabilities	Net sales	Share of profit
	LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000
As of 31 December 2012								
Nordic Energy Link AS	57,007	37,169	9,801	253	81,114	52,887	13,946	360
	57,007	37,169	9,801	253	81,114	52,887	13,946	360
As of 31 December 2013								
Nordic Energy Link AS	23,613	954	9,006	746	33,598	1,357	12,814	1,061
	23,613	954	9,006	746	33,598	1,357	12,814	1,061

Participating interest in subsidiaries and associates:

Name	Country of incorporation	Business activity held	Interest held, % 31/12/2013	Interest held, % 31/12/2012
Subsidiaries:				
Latvijas elektriskie tīkli AS	Latvia	Management of transmission system assets	100%	100%
Sadales tīkls AS	Latvia	Electricity distribution	100%	100%
Elektrum Eesti OÜ	Estonia	Electricity supply	100%	100%
Elektrum Latvija SIA	Latvia	Electricity supply	100%	100%
Elektrum Lietuva UAB	Lithuania	Electricity supply	100%	100%
Liepājas enerģija SIA	Latvia	Thermal energy generation and supply in Liepaja city, electricity generation	51%	51%
Associates:				
Nordic Energy Link AS	Estonia	Electricity transmission	25%	25%
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	48.15%	48.15%

The Group owns 48.15% of the shares of the closed pension fund Pirmais Slēgtais Pensiju Fonds AS. However, the Group is only a nominal shareholder as all risks and benefits arising from associate's activities will accrue to the Group's employees who are members of the pension fund. Therefore, investment in Pirmais Slēgtais Pensiju Fonds AS is valued at cost and equity method is not applied.

16. INVENTORIES

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Raw materials and spare parts	14,871	14,196	21,160	20,199
Other inventories	3,326	4,192	4,733	5,965
Allowance for raw materials, spare parts, technological fuel	(2,993)	(2,784)	(4,259)	(3,961)
Total inventories	**15,204**	**15,604**	**21,634**	**22,203**

Changes in the allowance for raw materials and spare parts are included in the Consolidated Income Statement position 'Raw materials and consumables used'.

Movement on the allowance for raw materials, spare parts and technological fuel:

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	2,784	2,742	3,961	3,902
Inventories written off	(120)	(48)	(171)	(69)
Charged to the Consolidated Income Statement	329	90	469	128
At the end of the year	2,993	2,784	4,259	3,961

17. TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

a) Trade receivables, net

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Receivables				
- Electricity customers	64,605	64,637	91,925	91,971
- Heating customers	12,355	19,140	17,580	27,234
- Other trade receivables	16,584	14,671	23,597	20,875
	93,544	98,448	133,102	140,080
Allowances for impairment of receivables				
- Electricity customers	(28,564)	(18,894)	(40,643)	(26,884)
- Heating customers	(259)	(295)	(369)	(420)
- Other trade receivables	(1,744)	(1,217)	(2,482)	(1,732)
	(30,567)	(20,406)	(43,494)	(29,036)
Receivables, net				
- Electricity customers	36,041	45,743	51,282	65,087
- Heating customers	12,096	18,845	17,211	26,814
- Other trade receivables	14,840	13,454	21,115	19,143
	62,977	78,042	89,608	111,044

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers except the major heating customer the net debt of which as at 31 December 2013 amounted to LVL 10,551 thousand (EUR 15,013 thousand) (31/12/2012: LVL 16,355 thousand (EUR 23,271 thousand)).

Electricity receivables grouped by past due days and calculated impairment loss:

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Electricity receivables:				
Fully performing receivables	32,596	37,974	46,380	54,033
Receivables past due but not impaired:				
- Receivables past due by 1-45 days	3,129	4,140	4,452	5,891
Impaired receivables:				
- Receivables past due by 46-90 days	349	507	497	721
- Receivables past due by 91-180 days	565	691	804	983
- Receivables past due by more than 181 day	10,059	9,376	14,313	13,341
- Individually impaired receivables with scheduled payments	17,907	11,949	25,479	17,002
	64,605	**64,637**	**91,925**	**91,971**
Allowances for impaired electricity receivables:				
- Receivables past due by 46-90 days	(174)	(253)	(248)	(360)
- Receivables past due by 91-180 days	(424)	(518)	(603)	(737)
- Receivables past due by more than 181 day	(10,059)	(9,376)	(14,313)	(13,341)
- Individually impaired receivables with scheduled payments	(17,907)	(8,747)	(25,479)	(12,446)
	(28,564)	**(18,894)**	**(40,643)**	**(26,884)**
Electricity receivables, net				
Fully performing receivables	32,596	37,974	46,380	54,033
Receivables past due but not impaired:				
- Receivables past due by 1-45 days	3,129	4,140	4,452	5,891
Net impaired receivables:				
- Receivables past due by 46-90 days	175	254	249	361
- Receivables past due by 91-180 days	141	173	201	246
- Individually impaired receivables with scheduled payments	-	3,202	-	4,556
	36,041	**45,743**	**51,282**	**65,087**

Heating and other receivables grouped by past due days and calculated impairment loss:

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Heating and other trade receivables:				
Fully performing receivables	25,921	31,588	36,883	44,946
Receivables past due but not impaired:				
- Receivables past due by 1-30 days	873	656	1,242	933
Impaired receivables:				
- Receivables past due by 31-90 days	284	96	404	137
- Receivables past due by more than 91 day	1,861	1,471	2,648	2,093
	28,939	**33,811**	**41,177**	**48,109**
Allowances for impaired heating and other trade receivables:				
- Receivables past due by 31-90 days	(142)	(41)	(203)	(59)
- Receivables past due by more than 91 day	(1,861)	(1,471)	(2,648)	(2,093)
	(2,003)	**(1,512)**	**(2,851)**	**(2,152)**
Heating and other trade receivables, net				
Fully performing receivables	25,921	31,588	36,883	44,946
Receivables past due but not impaired:				
- Receivables past due by 1-30 days	873	656	1,242	933
Net impaired receivables:				
- Receivables past due by 31-90 days	142	55	201	78
	26,936	**32,299**	**38,326**	**45,957**

The Group's Management has estimated allowances for impairment of receivables on the basis of aging of trade receivables and by evaluating liquidity and history of previous payments of each significant debtor (see point 2.11). The carrying amount of trade receivables, less allowances for impairment, is assumed to approximate their fair values.

The Group's Management assumptions and methodology for estimation of recoverable amount of trade receivables and evaluation of impairment risk are described in Note 4 b.

Receivables credit quality:

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Fully performing electricity receivables:				
- customers with no overdue receivables	29,758	30,054	42,342	42,763
- customers with overdue receivables	2,838	7,920	4,038	11,270
	32,596	**37,974**	**46,380**	**54,033**
Fully performing heating and other receivables:				
- customers with no overdue receivables	24,671	30,750	35,104	43,754
- customers with overdue receivables	1,250	838	1,779	1,192
Fully performing electricity receivables:	**25,921**	**31,588**	**36,883**	**44,946**

The basis for estimating the credit quality of fully performing trade receivables not due yet and not written down are internal ratings by reference to earlier credit behaviour of clients.

Movements in allowances for impairment of trade receivables are as follows:

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	20,406	9,717	29,036	13,825
Receivables written off during the year as uncollectible	(990)	(203)	(1,409)	(288)
Allowance for impaired receivables	11,151	10,892	15,867	15,499
At the end of the year	30,567	20,406	43,494	29,036

The charge and release of allowance for impaired trade receivables due to delayed payments have been recorded in the Consolidated Income Statement position 'Other operating expenses' as selling expenses and customer services costs (Note 10).

b) Other current receivables

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Accrued income on mandatory procurement component*	31,593	-	44,953	-
Other accrued income	5,998	7,353	8,534	10,462
Pre-tax and overpaid taxes	10,132	12,944	14,417	18,418
Deferred expenses	703	609	1,001	867
Other current financial receivables	202	119	287	169
Other current non-financial receivables	1,940	2,846	2,760	4,049
Total other current receivables	50,568	23,871	71,952	33,965

* Accrued income from mandatory procurement component is calculated as difference between procurement expenditure above electricity market price and collected mandatory procurement component payments from electricity end users in 2013. According to the conditions included in the article No. 37 of transition terms of the Electricity Market Law of the Republic of Latvia, uncollected difference for the year 2013 will be compensated by newly established subsidiary Enerģijas publiskais tirgotājs AS in 12 months period starting from overtake of public supplier obligations as at 1st April 2014, using government grant implicit for mandatory procurement component reduction, stated per Law on the State Budget for 2014, as part of compensation.

None of the receivables are secured with pledges or otherwise. The carrying amounts of other receivables are assumed to approximate their fair values.

18. CASH AND CASH EQUIVALENTS

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Cash at bank	62,425	25,316	88,823	36,021
Short-term bank deposits	117,087	145,109	166,600	206,472
Total cash and cash equivalents	179,512	170,425	255,423	242,493

Cash at bank balances earns daily interest mostly based on floating interbank deposit rates. Short-term deposits are placed for different periods between several days and three months depending on the immediate cash needs of the Group and cash flow forecasts. During 2013 the average annual effective interest rate earned on short-term cash deposits was 0.36% (2012: 1.05%). See also Note 3.1.b.

The carrying amounts of cash and cash equivalents are assumed to be approximate to their fair values.

19. SHARE CAPITAL

As at 31 December 2013, the registered share capital of the Latvenergo AS is LVL 905,219 thousand (EUR 1,288,011 thousand) (31/12/2012: LVL 904,605 thousand (EUR 1,287,137 thousand)) and consists of 905,219 thousand ordinary shares (31/12/2012: 904,605 thousand) with the nominal value of LVL 1 per share (31/12/2012: LVL 1 per share).

In October 2013, in accordance with the Directive No. 421 of the Cabinet of Ministers of the Republic of Latvia, dated 23 September 2013 – "On the Investment of the State's property units in the Share Capital of Latvenergo AS", real estate in the amount of LVL 614 thousand (EUR 874 thousand) was invested in the share capital of Latvenergo AS (2012: real estate in the amount of LVL 753 thousand (EUR 1,071 thousand)). The value of real estate was determined by independent certified valuation experts applying amortised cost model, based on construction or acquisition costs of similar assets. Increase in the share capital was approved by the Latvenergo AS Shareholders' Meeting on 31 May 2013 and registered with the Commercial Register of the Republic of Latvia on 9 October 2013.

20. RESERVES AND DIVIDENDS

As at 31 December 2013, the Group's reserves in the amount of LVL 458,522 thousand (EUR 652,418 thousand) (31/12/2012: LVL 452,685 thousand (EUR 644,113 thousand) consist of the property, plant and equipment revaluation reserve, hedge reserve, currency translation reserve and other reserves. The Group cannot distribute as dividends the property, plant and equipment revaluation, currency translation and hedge reserves. Other reserves are maintained with the aim to maintain stability in the operations of the Group entities.

	Note	Non-current assets revaluation reserve	Hedge reserve	Translation	Other reserves	TOTAL	Non-current assets revaluation reserve	Hedge reserve	Translation	Other reserves	TOTAL
		LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31 December 2011		974,899	(8,247)	3	10,266	976,921	1,387,156	(11,734)	4	14,607	1,390,033
Previous year profit		-	-	-	(10,257)	(10,257)	-	-	-	(14,594)	(14,594)
Investment in share capital	19	(577,990)	-	-	-	(577,990)	(822,406)	-	-	-	(822,406)
Non-current assets revaluation reserve*	14 a	87,794	-	-	-	87,794	124,920				124,920
Disposal of non-current assets revaluation reserve		(568)	-	-	-	(568)	(809)	-	-	-	(809)
Adjusted disposal of non-current assets revaluation reserve		828	-	-	-	828	1,178	-	-	-	1,178
Deferred tax related to non-current assets revaluation reserve	12	(19,225)	-	-	-	(19,225)	(27,354)	-	-	-	(27,354)
Currency translation differences		-	-	65	-	65	-	-	93	-	93
Loss from fair value changes in derivative financial instruments	21 c, l	-	(4,883)	-	-	(4,883)	-	(6,948)	-	-	(6,948)
As at 31 December 2012		465,738	(13,130)	68	9	452,685	662,685	(18,682)	97	13	644,113
Disposal of non-current assets revaluation reserve		(321)	-	-	-	(321)	(456)	-	-	-	(456)
Deferred tax related to non-current assets revaluation reserve	12	(68)	-	-	-	(68)	(97)	-	-	-	(97)
Currency translation differences		-	-	10	-	10	-	-	14	-	14
Gains from fair value changes in derivative financial instruments	21 c, l	-	6,216	-	-	6,216	-	8,844	-	-	8,844
As at 31 December 2013		465,349	(6,914)	78	9	458,522	662,132	(9,838)	111	13	652,418

* – includes increase in revalued Daugava hydropower plants in amount of LVL 64,467 thousand (EUR 91,728 thousand) and increase in revalued transmission and distribution assets in amount of LVL 23,327 thousand (EUR 33,192 thousand), net of deferred tax.

The dividends paid to equity holders of the Parent Company in 2013 were LVL 28,547 thousand (EUR 40,619 thousand) (2012: LVL 39,900 thousand (EUR 56,773 thousand)) and to non-controlling interests – LVL 220 thousand (EUR 313 thousand) (2012: nil).

The distribution of net profit for the 2013 is subject to a resolution of the Parent Company's Shareholders Meeting.

21. FINANCIAL ASSETS AND LIABILITIES

a) Held-to-maturity financial assets

As at 31 December 2013 the entire Group's held-to-maturity financial assets were State Treasury bonds with 5 year and 10 year maturity, which were purchased with the purpose to invest liquidity reserve in the low risk financial instruments with higher yield. During 2013 and 2012 there were no gains or losses recognised in association with the disposal of held-to-maturity financial assets. All held-to-maturity financial assets are denominated in the LVL. The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity financial assets.

In 2013 the fair value of held-to-maturity financial assets is greater than the carrying amount by LVL 3,294 thousand (EUR 4,687 thousand) (2012: LVL 3,899 thousand (EUR 5,548 thousand)).

The fair value of financial assets is calculated by discounting their future cash flows and using as discount factor the banks quoted prices of the financial instruments at the end of the reporting period.

Held to-maturity financial assets carrying amount:

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Held-to-maturity financial assets:				
- current	-	-	-	-
- non-current	20,092	20,134	28,588	28,649
Total held-to-maturity financial assets	**20,092**	**20,134**	**28,588**	**28,649**

b) Borrowings

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Non-current borrowings from financial institutions	492,237	506,797	700,390	721,107
Issued debt securities (bonds)	73,655	14,033	104,802	19,967
Total non-current borrowings	**565,892**	**520,830**	**805,192**	**741,074**
Current portion of non-current borrowings from financial institutions	96,290	73,208	137,008	104,165
Accrued interest on non-current borrowings	1,251	1,197	1,780	1,704
Accrued coupon interest on issued debt securities (bonds)	488	13	695	18
Total current borrowings	**98,029**	**74,418**	**139,483**	**105,887**
Total borrowings	**663,921**	**595,248**	**944,675**	**846,961**

Movement in borrowings:

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	**595,248**	**513,334**	**846,961**	**730,408**
Borrowings received	82,439	116,947	117,300	166,401
Borrowings repaid	(73,917)	(48,056)	(105,174)	(68,378)
Change in accrued interest on borrowings	529	(1,010)	753	(1,437)
Issued debt securities (bonds)	59,622	14,033	84,835	19,967
At the end of the year	**663,921**	**595,248**	**944,675**	**846,961**

Borrowings by categories of lenders:

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Foreign investment banks	378,458	338,617	538,497	481,808
Commercial banks	211,307	242,585	300,663	345,168
Issued debt securities (bonds)	74,156	14,046	105,515	19,985
Total borrowings	663,921	595,248	944,675	846,961

Borrowings by maturity (excluding the effect of derivative financial instruments):

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Fixed rate non-current and current borrowings:				
- < 1 year (current portion of non-current borrowings)	774	297	1,102	422
- 1–5 years	49,850	14,749	70,930	20,986
- > 5 years	24,240	-	34,490	-
Total fixed rate borrowings	74,864	15,046	106,522	21,408
Floating rate non-current and current borrowings:				
- < 1 year (current portion of non-current borrowings)	97,242	74,108	138,363	105,446
- 1–5 years	319,618	352,162	454,776	501,082
- > 5 years	172,197	153,932	245,014	219,025
Total floating rate borrowings	589,057	580,202	838,153	825,553
Total borrowings	663,921	595,248	944,675	846,961

Borrowings by pricing period (considering the effect of derivative financial instruments):

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
- < 1 year	381,604	321,720	542,974	457,766
- 1–5 years	177,255	210,275	252,211	299,194
- > 5 years	105,062	63,253	149,490	90,001
Total borrowings:	663,921	595,248	944,675	846,961

At 31 December 2013 and at 31 December 2012 all of the Group's borrowings were denominated in Euros.

The fair value of current and non-current borrowings with floating rates equals their carrying amount, as their actual floating interest rates approximate the market price of similar financial instruments available to the Group, and the effect of fair value revaluation is not significant. The fair value of current and non-current borrowings with fixed rates (excluding the effect of derivative financial instruments) exceeds their carrying amounts by LVL 44.45 thousand (EUR 63.25 thousand) (2012: LVL 79.35 thousand (EUR 112.9 thousand)). The fair value calculations are based on discounted cash flows using discount factor of respective EUR swap rates increased by the Group`s credit risk margin. The average interest rate for discounting cash flows of non-current borrowings was 2.2% (2012: 2.4%).

l) Pledges

The Group's assets are not pledged to secure the borrowings, except the pledge assets of *Liepājas Enerģija SIA* of maximum secured claims in the amount of LVL 21.2 million (EUR 30.2 million) (31/12/2012: LVL 21.2 million (EUR 30.2 million)) to secure its current and non-current borrowings. As the end of the reporting period there has been pledged the property, plant and equipment in the net book amount of LVL 18.6 million (EUR 26.5 million) and the claims on the receivables accounts in the amount of LVL 2.1 million (EUR 3.0 million) (31/12/2012: LVL 17.8 million (EUR 25.3 million) and LVL 3.4 million (EUR 4.8 million), respectively).

II) Un-drawn borrowing facilities

As at 31 December 2013 the undrawn portion of committed non-current credit facilities amounts to LVL 63.3 million (EUR 90.0 million) (31/12/2012: LVL 145.7 million (EUR 207.3 million)).

As at 31 December 2013 the Group had entered into three overdraft agreements with total notional amount of LVL 24.0 million (EUR 34.2 million) (31/12/2012: LVL 24.0 million or EUR 34.2 million)) and in respect of those all conditions precedent had been met. At the end of the reporting year overdrafts were not used.

III) Weighted average effective interest rate

During the reporting year the weighted average effective interest rate (including interest rate swaps) on non-current borrowings was 2.53% (2012: 2.87%), weighted average effective interest rate for current borrowings was 1.18% (2012: 1.08%). At 31 December 2013 interest rates for non-current borrowings in Euros were 3 and 6 month EURIBOR+0.97% (31/12/2012: +0.74%). At 31 December 2013 the total notional amount of interest rate swap agreements concluded by the Group amounts to LVL 244.4 million (EUR 347.7 million) (31/12/2012: LVL 269.1 million (EUR 382.8 million)) and the interest rate was fixed for the periods from 6 to 10 years.

IV) Bonds issued

In 2013 bonds in amount of EUR 50 million were issued with the maturity date – 15 December 2017 (2012: EUR 20 million) and in amount of 35 million with maturity date – 22 May 2020. Thus the total nominal amount of issued bonds amounts to EUR 105 million. The annual coupon rate for issued bonds is 2.8%. All issued bonds are quoted in NASDAQ OMX Baltic Stock Exchange. At the end of reporting year the issued debt securities (bonds) is measured at amortised cost. The carrying amortised cost of issued bonds is assumed to be approximate to their fair values.

c) Derivative financial instruments

I) Outstanding fair values of derivatives and their classification

In the table below outstanding fair values of derivatives are disclosed as follows:

	Notes	31/12/2013		31/12/2012		31/12/2013		31/12/2012	
		LVL'000		LVL'000		EUR'000		EUR'000	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	21 c, II	(434)	9,492	-	16,735	(617)	13,506	-	23,812
Electricity swaps	21 c, III	-	6,966	(4,195)	7,964	-	9,912	(5,969)	11,331
Forward foreign currencies exchange contracts	21 c, V	-	11	(42)	-	-	16	(59)	-
Total outstanding fair values of derivatives:		**(434)**	**16,469**	**(4,237)**	**24,699**	**(617)**	**23,434**	**(6,028)**	**35,143**

	31/12/2013		31/12/2012		31/12/2013		31/12/2012	
	LVL'000		LVL'000		EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-current	-	4,384	-	12,555	-	6,238	-	17,864
Current	(434)	12,085	(4,237)	12,144	(617)	17,196	(6,028)	17,279
Total fair values of derivative financial instruments	**(434)**	**16,469**	**(4,237)**	**24,699**	**(617)**	**23,434**	**(6,028)**	**35,143**

(Gains) / losses on fair value changes as a result of realised hedge agreements:

	Notes	2013	2012	2013	2012
		LVL'000	LVL'000	EUR'000	EUR'000
Included in the Consolidated Income Statement					
Interest rate swaps	11	(1,347)	283	(1,917)	403
Electricity swaps	8	3,125	(1,525)	4,447	(2,170)
CO_2 emissions allowances forward contracts	8	-	(4,598)	-	(6,542)
Forward foreign currencies exchange contracts	11	11	105	16	149
		1,789	(5,735)	2,546	(8,160)
Included in the Statement of Other Comprehensive Income					
Interest rate swaps	20	(6,330)	4,633	(9,006)	6,592
Electricity	20	72	7	103	10
Forward foreign currencies exchange contracts	20	42	243	59	346
		(6,216)	4,883	(8,844)	6,948

According to amendments to IAS 1 a financial liability or asset that is not held for trading purposes should be presented as current or non-current on the basis of its settlement date. Derivatives that have a maturity of more than twelve months and are expected to be held for more than twelve months after the end of the reporting period have been classified as non-current assets or liabilities.

II) Interest rate swaps

As at 31 December 2013 the Group had interest rate swap agreements with total notional amount of LVL 244.4 million (EUR 347.7 million) (31/12/2012: LVL 269.1 million (EUR 382.8 million)). Interest rate swaps are concluded with 6 to 10 year maturities and hedged floating rates are 6 month EURIBOR. As at 31 December 2013 fixed interest rates vary from 1.548% to 4.4925% (31/12/2012: from 1.548% to 4.4925%).

88% of all outstanding interest rate swap agreements or agreements with notional amount of LVL 216.3 million (EUR 307.7 million) are designated to comply with hedge accounting and were re-measured prospectively and retrospectively to test whether they are effective within the hedging period (31/12/2012: LVL 230.4 million (EUR 327.8 million)). All contracts are designed as cash flow hedges. It was established that they are fully effective and therefore there is no ineffective portion to be recognised within profit or loss in the Consolidated Income Statement.

Fair value changes of interest rate swaps:

	2013		2012		2013		2012	
	LVL'000		LVL'000		EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	-	16,735	-	11,819	-	23,812	-	16,817
Included in the Consolidated Income Statement, net (Note 11)	-	(1,347)	-	283	-	(1,917)	-	403
Included in other comprehensive income (Note 20)	(434)	(5,896)	-	4,633	(617)	(8,389)	-	6,592
Outstanding fair value at the end of the year	(434)	9,492	-	16,735	(617)	13,506	-	23,812

The main interest rate hedging criteria stated in the Financial Risk Management policy is to ensure average fixed rate duration from 2 to 4 years and fixed rate portion at more than 35% of borrowings. As at 31 December 2013 43% (31/12/2012: 46%) of the Group's borrowings had fixed interest rates (taking into account the effect from the interest rate swaps), and average remaining time to interest re-pricing was 2.1 years (2012: 2.0 years).

III) Electricity swaps

As at 31 December 2013 the Group has entered into electricity swap contracts with total outstanding volume of 1,073,417 MWh (31/12/2012: 4,180,372 MWh) and notional value of LVL 31.2 million (EUR 44.4 million) (31/12/2012: LVL 129.3 million (EUR 184.0 million)). Electricity swaps contracts are concluded signed for the maturities from one quarter to one year during the period from 1 January 2014 to 31 December 2015.

Electricity swap contracts are agreed for hedging purposes through financial counterparties and by using the Nordic energy exchange Nord Pool Spot pricing. All purchased swap contracts were contracts with fixed amount of electricity and price in Euros.

As at 31 December 2013 none of the electricity swap contracts are designated to comply with hedge accounting treatment and not re-measured prospectively and retrospectively to test whether they are effective within the hedging period (31/12/2012: 29 contracts).

In previous periods contracts are also designed as cash flow hedges. If there was not recognised significant ineffectiveness of concluded contracts that must be recorded through profit or loss in the Consolidated Income Statement, then fair value gains or losses are recognised in the hedging reserve in 'Other comprehensive income' (Note 20). As at 31 December 2013 all outstanding fair value changes of valid electricity swap contracts are included in the Consolidated Income Statement (see Note 8).

Fair value changes of electricity swaps are disclosed:

	2013		2012		2013		2012	
	LVL'000		LVL'000		EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	(4,195)	7,964	(2,060)	7,347	(5,969)	11,331	(2,931)	10,453
Included in the Consolidated Income Statement (Note 8)	-	3,125	-	(1,525)	-	4,447	-	(2,170)
Included in other comprehensive income (Note 20)	4,195	(4,123)	(2,135)	2,142	5,969	(5,866)	(3,038)	3,048
Outstanding fair value at the end of the year	-	6,966	(4,195)	7,964	-	9,912	(5,969)	11,331

IV) CO_2 emissions allowances forward contracts

As at 31 December 2013 the Group has no outstanding contracts of CO_2 emission allowances purchase or sale.

In 2012 CO_2 emission allowances forward contracts fair value changes are included in the Consolidated Income Statement in the amount of LVL 4,598 thousand (EUR 6,542 thousand) – see Note 8.

In the table below fair value changes of CO_2 emission allowances forward contracts are disclosed:

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
	Liabilities	Liabilities	Liabilities	Liabilities
Outstanding fair value at the beginning of the year	-	4,598	-	6,542
Included in the Consolidated Income Statement (Note 8)	-	(4,598)	-	(6,542)
Outstanding fair value at the end of the year	-	-	-	-

V) Forward foreign currencies exchange contracts

As at 31 December 2013 the Group has entered into one EUR/USD forward foreign currencies exchange contract with the notional principal amount as at 31 December 2013 LVL 0.3 million (USD 0.6 million) (for valid contracts at 31/12/2012: LVL 1.7 million (USD 3.2 million)).

All terminated during 2013 and outstanding EUR/USD forward foreign currencies exchange contracts at 31 December 2013 were designed as cash flow hedges for USD transactions of Riga TEC-2 combined heat and power plant second power generation unit reconstruction contract. As at the date of conclusion of these contracts it was not possible to use LVL/USD forward foreign currencies exchange contracts due to limited maturities and availability, then instead the EUR/USD forward foreign currencies exchange contracts were used to employ the existing peg between Latvian Lats and Euros.

Fair value gains and losses on EUR/USD forward foreign currencies exchange contracts until the commissioning of reconstruction project of Riga TEC-2 second power generation unit in September 2013 are recognised in the hedging reserve in 'Other comprehensive income' (Note 20) as they qualify under IAS 39 requirements of hedge accounting.

As at 31 December 2013 fair value changes of outstanding EUR/USD forward foreign currencies exchange contract are included in the Consolidated Income Statement (see Note 11).

Fair value changes of forward foreign currencies exchange contracts:

	2013		2012		2013		2012	
	LVL'000		LVL'000		EUR'000		EUR'000	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Outstanding fair value at the beginning of the year	(42)	-	(390)	-	(59)	-	(554)	-
Included in the Consolidated Income Statement (Note 11)	-	11	105	-	-	16	149	-
Included in other comprehensive income (Note 20)	42	-	243	-	59	-	346	-
Outstanding fair value at the end of the year	-	11	(42)	-	-	16	(59)	-

d) Fair values and fair value measurement

In this Note are disclosed the fair value measurement hierarchy for the Group's financial assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2013:

		Fair value measurement using				Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
		LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets measured at fair value									
Derivative financial instruments, including:									
Interest rate swaps	31/12/2013	-	434	-	434	-	617	-	617
Assets for which fair values are disclosed									
Investment property	31/12/2013	-	-	2,101	2,101	-	-	2,990	2,990
Held-to-maturity financial assets	31/12/2013	-	23,386	-	23,386	-	33,275	-	33,275
Current financial investments (Note 15)	31/12/2013	-	-	5,665	5,665	-	-	8,060	8,060

There have been no transfers for assets between Level 1 and Level 2 during the reporting period.

Quantitative disclosures fair value measurement hierarchy for liabilities as at 31 December 2013:

	Date of valuation	Fair value measurement using				Fair value measurement using			
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
		LVL'000	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000	EUR'000
Liabilities measured at fair value									
Derivative financial instruments, including:									
Interest rate swaps	31/12/2013	-	9 492	-	9 492	-	13 506	-	13 506
Electricity swaps	31/12/2013	-	6 966	-	6 966	-	9 912	-	9 912
Forward foreign currencies exchange contracts	31/12/2013	-	11	-	11	-	16	-	16
Liabilities for which fair values are disclosed									
Issued debt securities (bonds)	31/12/2013	-	74 330	-	74 330	-	105 762	-	105 762
Floating rate borrowings	31/12/2013	-	589 070	-	589 070	-	838 171	-	838 171
Fixed rate borrowings	31/12/2013	-	747	-	747	-	1 063	-	1 063

There have been no transfers for liabilities between Level 1 and Level 2 during the reporting period.

The fair value hierarchy for the Group's financial instruments that are measured at fair value, by using specific valuation methods, is disclosed in Note 4 c.

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts which approximates their fair values:

	Carrying amount				Fair value			
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000	LVL'000	LVL'000	EUR'000	EUR'000
Financial assets								
Current financial investments	5,665	-	8,060	-	5,665	-	-	8,060
Held-to-maturity financial assets	20,092	20,134	28,588	28,649	23,386	24,033	33,275	34,196
Forward foreign currencies exchange contracts	-	42	-	59	-	42	-	59
Derivative financial instruments used for hedging	434	4,195	617	5,969	434	4,195	617	5,969
Financial liabilities								
Interest-bearing liabilities, including:								
- issued debt securities (bonds)	74,143	14,046	105,497	19,985	74,330	14,046	105,762	19,985
- floating rate borrowings	589,070	580,213	838,171	825,569	589,070	580,213	838,171	825,569
- fixed rate borrowings	708	989	1,007	1,407	747	1,063	1,063	1,513
Derivative financial instruments not designated for hedging, including:								
- electricity swaps	6,966	3,841	9,912	5,465	6,966	3,841	9,912	5,465
- interest rate swaps	2,144	3,491	3,051	4,967	2,144	3,491	3,051	4,967
Derivative financial instruments used for hedging, including:								
- interest rate swaps	7,348	13,244	10,455	18,845	7,348	13,244	10,455	18,845
- electricity swaps	-	4,123	-	5,866	-	4,123	-	5,866
- forward foreign currencies exchange contracts	11	-	16	-	11	-	16	-

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

a) The fair values of borrowings with floating interest rates are measured at amortised cost less impairment;

b) The borrowings with fixed interest rates had the fixed repayment period and the financial instrument is not traded in the active market; the financial instrument, which is not traded in the active market, the fair value is measured, using valuation techniques. The Groups uses various methods and models and make assumptions, which are based on the market conditions regarding the interest rates and other market conditions, existing at the end of reporting period. The fair value calculations are based on discounted cash flows using discount factor of respective EUR swap rates increased by the Group`s credit risk margin;

c) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The derivative financial instruments are determined by using various valuation methods and models with market observable inputs. The models incorporate the credit quality of counterparties, foreign exchange spot and forward rates; the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows, by discounting their future contractual cash flows at current market interest rates for similar financial instruments. The fair value of electricity swap agreements is calculated as discounted difference between actual market and settlement prices for the volume set in the agreements. Calculated fair values of financial instruments are compared to bank's revaluation reports. The bank's calculated fair values of the financial instruments are used in the financial reports.

d) The fair value of the bonds issued and held-to-maturity financial assets are calculated, based on the bank's quoted prices of the financial instruments at the end of the reporting period.

22. PROVISIONS

a) Provisions for post-employment benefits

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	7,760	7,734	11,042	11,004
Current service cost	340	308	484	438
Interest cost	407	442	579	629
Post-employment benefits paid	(152)	(985)	(217)	(1,401)
Losses as a result of changes in actuarial assumptions	216	261	307	372
At the end of the year	8,571	7,760	12,195	11,042

Total charged/credited provisions are included in the Consolidated Income Statement position 'Personnel expenses' within state social insurance contributions and other benefits defined in the Collective agreement (Note 9), while losses as a result of changes in actuarial assumptions according to IAS 19 "Employee Benefits" are included in the Consolidated Statement of Comprehensive Income:

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	7,760	7,734	11,042	11,004
Charged to the Consolidated Statement of Comprehensive Income	216	-	307	-
Charged to the Consolidated Income Statement	595	26	846	38
At the end of the year	8,571	7,760	12,195	11,042

Discount rate used for discounting benefit obligations was 4.75% (2012: 5.7%), considering the market yields on government bonds at the end of the reporting year. The Group's Collective Agreement provides indexation of employees' wages at least at the level of inflation. Long-term inflation determined at the level of 2.5% (2012: 3%) when calculating long-term post-employment benefits. In calculation of these liabilities also the probability, determined on the basis of previous experience, of retirement in different employees' aging groups was also considered.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is as shown below:

Assumptions		Discount rate		Future salary changes		Retirement probability changes	
		1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
Impact on provisions for post-employment benefits	LVL'000	1,294	(1,046)	1,293	(1,062)	1,474	(1,187)
	EUR'000	1,841	(1,488)	1,840	(1,511)	2,097	(1,689)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

b) Environmental provisions

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	**2,748**	**1,783**	**3,910**	**2,537**
Charged to the Consolidated Income Statement	(357)	965	(508)	1,373
At the end of the year	**2,391**	**2,748**	**3,402**	**3,910**

The environmental provision in the amount of LVL 2,391 thousand (EUR 3,402 thousand) (2012: LVL 2,748 thousand (EUR 3,910 thousand)) represents the estimated cost of cleaning up Riga TEC-1 combined heat and power plant ash-fields in accordance with the requests made by the regional Environmental Authority of Riga and feasibility study on this project in the amount of LVL 1,034 thousand (EUR 1,472 thousand) (2012: LVL 1,000 thousand (EUR 1,423 thousand)) and "Liepājas Enerģija" SIA provision for the environmental recovery measures in the amount of LVL 1,357 thousand (EUR 1,930 thousand) (2012: LVL 1,748 thousand (EUR 2,487 thousand)). The amount of the provisions is calculated taking into account the construction cost index (data from the Central Statistical Bureau of the Republic of Latvia).

23. OTHER LIABILITIES AND DEFERRED INCOME

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Deferred non-current income from connection fees	97,824	92,777	139,191	132,010
Deferred income on financing from European Union funds	21,492	15,320	30,580	21,798
Deferred income from plant and equipment received free of charge	268	310	381	442
Total other liabilities and deferred income:	**119,584**	**108,407**	**170,152**	**154,250**

Movement in deferred connection fees (non-current and current part):

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
At the beginning of the year	**99,156**	**92,277**	**141,086**	**131,298**
Received fees	12,596	13,713	17,923	19,512
Credited to the Consolidated Income Statement	(6,942)	(6,834)	(9,878)	(9,724)
At the end of the year	**104,810**	**99,156**	**149,131**	**141,086**

24. TRADE AND OTHER PAYABLES

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Financial liabilities:				
Payables for materials and services	38,924	71,976	55,384	102,413
Payables for electricity	20,035	20,452	28,507	29,101
Accrued expenses	6,416	4,465	9,129	6,353
Other financial current payables	1,828	884	2,601	1,258
Total financial liabilities	67,203	97,777	95,621	139,125
Non-financial liabilities:				
Value added tax payable	35	11,554	50	16,440
State social security contributions and other taxes	7,249	5,586	10,314	7,948
Advances received	6,627	8,731	9,429	12,423
Deferred income from connection fees	6,986	6,379	9,940	9,076
Deferred income on financing from European Union funds:				
- The European Energy Development Program – 330 kV “Kurzeme Ring”	337	49	480	70
- The EU Cohesion Fund – reconstruction of SIA “Liepājas Enerģija” heat source	225	30	320	43
- The EU Cohesion Fund – construction of SIA “Liepājas Enerģija” biomass boiler house	138	122	197	173
- The EU Cohesion Fund – reconstruction of SIA “Liepājas Enerģija” heating network	163	163	232	232
- The EU's Climate change financial instrument – introduction of smart technologies	16	-	23	-
- The EU Regional Development Fund – woodchip boiler house construction in Kegums	9	12	13	17
Other non-financial current payables	2,845	2,601	4,048	3,701
TOTAL non-financial liabilities	24,630	35,227	35,046	50,123
TOTAL trade and other current payables:	91,833	133,004	130,667	189,248

The carrying amounts of trade and other payables are assumed to approximate their fair values.

25. RELATED PARTY TRANSACTIONS

The Parent Company and, indirectly, the other Group entities are controlled by the Latvian state. Related parties of the Group are associates, Shareholder of the Parent Company who could control or who has significant influence over the Group's entities in accepting operating business decisions, key management personnel of the Group's entities including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence.

The following transactions were carried out with related parties:

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
a) Sales of goods and services:				
- Sales of goods to associates (electricity)	945	2,856	1,344	4,064
- Sales of services to associates	-	-	-	-
Total sales	945	2,856	1,344	4,064
b) Purchases of goods and services:				
- Purchases of goods from associates (electricity)	891	824	1,268	1,172
- Purchases of services from associates	1,953	2,148	2,779	3,057
Total purchases	2,844	2,972	4,047	4,229

Balances at the end of the year arising from sales/purchases:

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
a) Trade receivables from related parties:				
- Associates	91	267	130	380
Total receivables	91	267	130	380
b) Trade payables to related parties:				
- Associates	113	493	161	701
Total payables	113	493	161	701

The Group has not incurred write-offs of trade payables and receivables from transactions with related parties, as all debts are recoverable.

Receivables and payables with related parties are current balances for services and goods. None of the amounts at the end of the reporting year are secured.

Remuneration to the key management personnel that is defined as Members of the Management Boards of the Group entities and Supervisory body is disclosed in Note 9.

26. ISSUED GUARANTEES

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
Issued guarantees by the Group to guarantee obligations to third parties:				
Outstanding amount of guarantee on behalf of Nordic Energy Link AS	-	8 994	-	12 797
Fair value of guarantee on behalf of Nordic Energy Link AS	-	200	-	285

Guarantee on behalf of Nordic Energy Link AS was provided for receiving long-term loan facility with validity term – 15 December 2014. Considering that Nordic Energy Link AS made a full repayment of the loan before its maturity issued guarantee is fulfilled and no longer is active, thereby outstanding amount of the issued guarantee is reduced to nil.

The fair value calculations were based on the estimated amount of service fee receivable discounted at Euro swap rates increased by the Group's credit risk margin, thus during 2012 the average interest rate for discounting cash flow was 2.23%.

27. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2013 the Group had commitments amounting to LVL 45.6 million (EUR 64.9 million) (31/12/2012: LVL 197.4 million (EUR 280.9 million)) for capital expenditure contracted but not delivered at the end of the reporting period.

Latvenergo AS has issued support letters to its subsidiaries Sadales tīkls AS, Latvijas elektriskie tīkli AS and Liepājas enerģija SIA acknowledging that its position as shareholders is to ensure that subsidiaries are managed so that they have sufficient financial resources and are able to carry their operations and settle their obligations.

28. EVENTS AFTER THE REPORTING PERIOD

On 1 January 2014, Latvia has joined the Euro zone, converting the Latvian Lats (LVL) into the Euros at fixed exchange rate EUR 1 = LVL 0.702804. As of this date, the Group balance account values were converted into the Euro currency and financial reports for 2014 and the following years will be prepared in Euro currency.

On 9 January 2014 two agreements with Nordea Bank Finland Plc Latvian branch has been amended, extending loan repayment terms for two loans from the years 2015 (LVL 25.8 million (EUR 36.7 million)) and 2016 (LVL 9.3 million (EUR 13.3 million)) to the year 2018. Along with the extension of loan repayment terms refinancing risk of the year 2015 has been reduced.

On 25 February 2014 due to introduction of Euro in Latvia new articles of association for Latvenergo AS had been approved. As a result of conversion registered share capital amounted to EUR 1,288,011 thousand, consisting of 1,288,011 thousand ordinary shares with nominal value of EUR 1. All shares are paid in full.

On 25 February 2014 established new subsidiary of Latvenergo AS – Enerģijas publiskais tirgotājs AS that in accordance with the articles No. 36, 37 and 38 of transitional provisions for Electricity Market Law of the Republic of Latvia, approved on 6 November 2013, has overtaken public supplier obligations from Latvenergo AS since 1 April 2014 and in the period of next twelve months will compensate to Latvenergo AS difference between procurement expenditure above electricity market price and collected mandatory procurement component payments for the period from 1 January 2013 till 31 March 2014. As from 1 April 2014 are implemented changes in the Group's accounting policy for revenue and expenses recognition on mandatory procurement component and public supplier (Enerģijas publiskais tirgotājs AS) is recognising them in accordance to agent recognition principle in assets or liabilities.

On 25 March 2014 announced and as from 1 April 2014 are in force amendments to Electricity Market Law of the Republic of Latvia, determining full opening of electricity market in Latvia as from 1 January 2015. In accordance to those amendments from 1 January 2015 is expected full liberalisation of electricity market and ceasing of electricity supply price regulation for households, while other electricity price components – transmission and distribution network services and mandatory procurement components to subsidise eligible electricity producers – will remain state-regulated.

There have been no other significant events subsequent to the end of the reporting year that might have a material effect on the Group's Consolidated Financial Statements for the year ended 31 December 2013.

29. FINANCIAL INFORMATION ON THE PARENT COMPANY

Financial information disclosed on the Parent Company includes the primary separate Financial Statements of the Parent Company, the disclosure of which is required by the Annual Accounts Law of the Republic of Latvia. The primary Financial Statements of the Parent Company have been prepared using the same accounting policies that have been used in the preparation of the Consolidated Financial Statements. Investments in subsidiaries are reported at cost less any impairment charge in the separate Financial Statements of the Parent Company.

Income Statement

	2013	2012	2013	2012
	LVL'000	LVL'000	EUR'000	EUR'000
Revenue	663,773	655,415	944,464	932,572
Other income	2,293	1,775	3,263	2,526
Raw materials and consumables used	(361,214)	(343,152)	(513,961)	(488,262)
Personnel expense	(24,344)	(22,135)	(34,638)	(31,495)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(65,451)	(52,102)	(93,129)	(74,134)
Other operating expenses	(195,464)	(203,332)	(278,119)	(289,315)
Operating profit	**19,593**	**36,469**	**27,880**	**51,892**
Income from investments in subsidiaries	6,400	3,449	9,106	4,907
Finance income	7,942	9,025	11,300	12,841
Finance costs	(12,902)	(11,417)	(18,358)	(16,245)
Profit before tax	**21,033**	**37,526**	**29,928**	**53,395**
Income tax	(2,999)	(6,345)	(4,268)	(9,028)
Profit for the year	**18,034**	**31,181**	**25,660**	**44,367**

Statement of Financial Position

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	LVL'000	LVL'000	EUR'000	EUR'000
ASSETS				
Intangible assets	12,589	8,664	17,913	12,328
Property, plant and equipment	1,032,822	1,055,757	1,469,574	1,502,207
Investment property	841	896	1,197	1,275
Financial investment	836,167	845,375	1,189,758	1,202,861
Total non-current assets	1,882,419	1,910,692	2,678,442	2,718,671
Inventories	3,930	4,691	5,592	6,675
Trade and other receivables	208,219	178,337	296,270	253,750
Derivative financial instruments	434	4,237	617	6,029
Current financial investments	3,861	-	5,494	-
Cash and cash equivalents	172,014	163,437	244,754	232,550
Total current assets	388,458	350,702	552,727	499,004
TOTAL ASSETS	2,270,877	2,261,394	3,231,169	3,217,675
EQUITY				
Share capital	905,219	904,605	1,288,011	1,287,137
Non-current assets revaluation reserve	465,806	466,275	662,782	663,449
Hedge reserve	(6,914)	(13,130)	(9,838)	(18,682)
Other reserves	53,343	50,172	75,901	71,389
Retained earnings	18,034	31,181	25,660	44,367
Total equity	1,435,488	1,439,103	2,042,516	2,047,660
LIABILITIES				
Provisions	4,031	3,802	5,736	5,410
Borrowings	555,169	509,736	789,935	725,289
Deferred income tax liabilities	86,354	83,423	122,871	118,700
Derivative financial instruments	4,384	12,555	6,238	17,864
Other non-current liabilities	565	535	804	761
Total non-current liabilities	650,503	610,051	925,584	868,024
Borrowings	92,374	78,016	131,436	111,006
Trade and other payables	70,878	86,763	100,850	123,454
Derivative financial instruments	12,085	12,144	17,196	17,279
Other current liabilities	9,549	35,117	13,587	49,967
Issued guarantees	-	200	-	285
Total current liabilities	184,886	212,240	263,069	301,991
TOTAL EQUITY AND LIABILITIES	2,270,877	2,261,394	3,231,169	3,217,675

Building a better working world

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INDEPENDENT AUDITORS' REPORT

To the shareholder of AS Latvenergo

Report on the financial statements

We have audited the accompanying consolidated financial statements of AS Latvenergo and its subsidiaries (the "Group"), set out on pages 6 through 67 of the accompanying 2013 Consolidated Annual Report, which comprise the consolidated statement of financial position as at 31 December 2013, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AS Latvenergo and its subsidiaries as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2013 (set out on pages 4 through 5 of the accompanying 2013 Consolidated Annual Report) and have not noted any material inconsistencies between the financial information included in it and the consolidated financial statements for the year ended 31 December 2013.

We have assured ourselves that the Group has prepared the corporate management report for the year 2013 and verified information presented in the report according to requirements listed in the section 56.1 first paragraph clauses 3, 4, 6, 8 and 9 and the section 56.2 second paragraph clause 5 in the Law on Financial Instruments Market of Republic of Latvia.

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Riga,
15 April 2014

Unaudited Interim Condensed Consolidated Financial Statements For the 3 month period ending 31st of March 2015

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

Latvenergo

Consolidated Statement of Profit or Loss
For the 3 months ended 31st of March 2015

	Notes	01/01–31/03/2015	01/01–31/03/2014
		EUR'000	EUR'000
Revenue	5	259,506	324,495
Other income		1,199	1,128
Raw materials and consumables used	6	(127,615)	(204,164)
Personnel expenses		(22,578)	(23,528)
Depreciation, amortisation and impairment of property, plant and equipment		(43,702)	(43,798)
Other operating expenses		(15,698)	(15,398)
Operating profit		**51,112**	**38,735**
Finance income		694	751
Finance costs		(4,959)	(5,132)
Share of profit / (loss) of associates		–	(329)
Profit before tax		**46,847**	**34,025**
Income tax	7	(7,591)	(3,251)
Profit for the period		**39,256**	**30,774**

Consolidated Statement of Comprehensive Income
For the 3 months ended 31st of March 2015

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Profit for the period	**39,256**	**30,774**
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
– Losses from change in hedge reserve	(648)	(2,387)
– Losses on currency translation differences	–	(16)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(648)**	**(2,403)**
Total other comprehensive loss for the period, net of tax	**(648)**	**(2,403)**
Total comprehensive income for the period	**38,608**	**28,371**

Consolidated Statement of Financial Position

	Notes	31/03/2015	31/12/2014
		EUR'000	EUR'000
ASSETS			
Non–current assets			
Intangible assets and property, plant and equipment	8	3,059,314	3,079,327
Investment property		1,345	1,343
Non–current financial investments		41	41
Investments in held–to–maturity financial assets		28,513	28,528
Other non–current receivables		12	14
Total non–current assets		**3,089,225**	**3,109,253**
Current assets			
Inventories	9	25,032	22,560
Trade receivables and other receivables	10	261,890	233,752
Cash and cash equivalents	11	150,656	121,011
Total current assets		**437,578**	**377,323**
TOTAL ASSETS		**3,526,803**	**3,486,576**
EQUITY			
Share capital		1,288,446	1,288,446
Reserves		645,181	645,829
Retained earnings		118,174	79,995
Equity attributable to equity holders of the Parent Company		**2,051,801**	**2,014,270**
Non–controlling interests		7,608	6,531
Total equity		**2,059,409**	**2,020,801**
LIABILITIES			
Non–current liabilities			
Borrowings	12	709,719	688,297
Deferred income tax liabilities		273,884	268,026
Provisions		14,546	15,588
Derivative financial instruments		12,870	11,698
Other liabilities and deferred income		195,221	194,474
Total non–current liabilities		**1,206,240**	**1,178,083**
Current liabilities			
Trade and other payables		122,858	139,912
Borrowings	12	129,581	138,925
Derivative financial instruments		8,715	8,855
Total current liabilities		**261,154**	**287,692**
Total liabilities		**1,467,394**	**1,465,775**
TOTAL EQUITY AND LIABILITIES		**3,526,803**	**3,486,576**

Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the Parent Company				Non–controlling interests	TOTAL
	Share capital	Reserves	Retained earnings	Total		
	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
As at 31st of December 2013	**1,288,011**	**652,418**	**74,832**	**2,015,261**	**6,453**	**2,021,714**
Increase in share capital	435	–	–	**435**	–	**435**
Dividends for 2013	–	–	(23,605)	**(23,605)**	(1,197)	**(24,802)**
Total contributions by and distributions to equity shareholders of the Parent Company, recognised directly in equity	**435**	**–**	**(23,605)**	**(23,170)**	**(1,197)**	**(24,367)**
Profit for the year	–	–	28,515	**28,515**	1,275	**29,790**
Other comprehensive (loss) / income	–	(6,589)	253	**(6,336)**	–	**(6,336)**
Total comprehensive (loss) / income	**–**	**(6,589)**	**28,768**	**22,179**	**1,275**	**23,454**
As at 31st of December 2014	**1,288,446**	**645,829**	**79,995**	**2,014,270**	**6,531**	**2,020,801**
As at 31st of December 2013	**1,288,011**	**652,418**	**74,832**	**2,015,261**	**6,453**	**2,021,714**
Profit for the period	–	–	29,823	**29,823**	951	**30,774**
Other comprehensive loss for the period	–	(2,402)	(1)	**(2,403)**	–	**(2,403)**
Total comprehensive (loss) / income for the period	**–**	**(2,402)**	**29,822**	**27,420**	**951**	**28,371**
As at 31st of March 2014	**1,288,011**	**650,016**	**104,654**	**2,042,681**	**7,404**	**2,050,085**
As at 31st of December 2014	**1,288,446**	**645,829**	**79,995**	**2,014,270**	**6,531**	**2,020,801**
Profit for the period	–	–	38,179	**38,179**	1,077	**39,256**
Other comprehensive loss for the period	–	(648)	–	**(648)**	–	**(648)**
Total comprehensive (loss) / income for the period	**–**	**(648)**	**38,179**	**37,531**	**1,077**	**38,608**
As at 31st of March 2015	**1,288,446**	**645,181**	**118,174**	**2,051,801**	**7,608**	**2,059,409**

Consolidated Statement of Cash Flows
For the 3 months ended 31st of March 2015

	Notes	01/01–31/03/2015	01/01–31/03/2014
		EUR'000	EUR'000
Cash flows from operating activities			
Profit before tax		46,847	34,025
Adjustments:			
– Amortisation, depreciation and impairment of property, plant and equipment		43,702	43,798
– Net financial adjustments		5,679	4,548
– Other adjustments		(983)	183
Operating profit before working capital adjustments		**95,245**	**82,554**
Increase in current assets		(31,267)	(52,671)
(Decrease) / increase in trade and other payables		(12,529)	10,426
Cash generated from operating activities		**51,449**	**40,309**
Interest paid		(606)	(2,934)
Interest received		415	1,236
Income tax paid		(1,104)	(3,691)
Net cash flows from operating activities		**50,154**	**34,920**
Cash flows from investing activities			
Purchase of intangible assets and property, plant and equipment		(29,651)	(26,152)
Proceeds on financing from European Union funds and other financing		149	2,073
Proceeds from redemption of held–to–maturity assets		15	15
Net cash flows used in investing activities		**(29,487)**	**(24,064)**
Cash flows from financing activities			
Proceeds on borrowings from financial institutions	12	30,862	–
Repayment of borrowings	12	(21,884)	(21,208)
Dividends received from associates	13	–	1,924
Net cash flows generated from / (used in) financing activities		**8,978**	**(19,284)**
Net increase / (decrease) in cash and cash equivalents		**29,645**	**(8,428)**
Cash and cash equivalents at the beginning of the period	11	91,747	255,423
Cash and cash equivalents at the end of the period*	**11**	**121,392**	**246,995**

* received government grant for mandatory procurement public service obligation costs compensation in the amount of EUR 29,264 (31/03/2014 – nil) has not be included in cash and cash equivalents as at 31st of March 2015 because it is defined as restricted cash and cash equivalents (Note 11)

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

1. Corporate Information

All shares of public limited company Latvenergo or Latvenergo AS (hereinafter – the Parent Company) are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia. The registered address of the Parent Company is 12 Pulkveža Brieža Street, Riga, LV–1230, Latvia. According to the Energy Law of the Republic of Latvia, Latvenergo AS is designated as a national economy object of State importance and, therefore, is not subject to privatisation.

Public limited company Latvenergo is power supply utility engaged in electricity and thermal energy generation, as well as supply of electricity. Latvenergo AS is one of the largest corporate entities in the Baltics.

Latvenergo AS heads the Latvenergo Group (hereinafter – the Group) that includes following subsidiaries:

- Sadales tīkls AS (since 18th of September 2006) with 100 % interest held;
- Elektrum Eesti OÜ (since 27th of June 2007) and its subsidiary Elektrum Latvija SIA (since 18th of September 2012) with 100 % interest held;
- Elektrum Lietuva UAB (since 7th of January 2008) with 100 % interest held;
- Latvijas elektriskie tīkli AS (since 10th of February 2011) with 100 % interest held;
- Enerģijas publiskais tirgotājs AS (since 25th of February 2014) with 100 % interest held;
- Liepājas enerģija SIA (since 6th of July 2005) with 51 % interest held.

Latvenergo AS and its subsidiaries Sadales tīkls AS, Latvijas elektriskie tīkli AS and Enerģijas publiskais tirgotājs AS are also shareholders with 48.15 % interest held in associated company Pirmais Slēgtais Pensiju Fonds AS that manages a defined–contribution corporate pension plan in Latvia.

On 12th of February 2014 the Cabinet of Ministers of the Republic of Latvia adopted decision No. 67 „On Latvenergo AS termination of partnership in Nordic Energy Link AS" and on 19th of March 2014 at the Nordic Energy Link AS Shareholders' meeting was approved decision to liquidate Nordic Energy Link AS. In December 2014 Latvenergo AS terminated its shareholding in Nordic Energy Link AS with 25 % interest held.

Latvenergo Consolidated Annual Report 2014 has been approved on 20th of April 2015 by the Latvenergo AS Shareholders' meeting (see on Latvenergo AS web page section "Investors" – http://www.latvenergo.lv/eng/investors/reports/).

The Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ending 31st of March 2015 include the financial information in respect of the Parent Company and its all subsidiaries for the 3 months ended 31st of March 2015 and comparative information for the 3 month period ending 31st of March 2014.

The Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ending 31st of March 2015 were authorised by the Latvenergo AS Management Board on 22nd of May 2015.

2. Summary of Most Significant Accounting Policies

Unaudited Interim Condensed Consolidated Financial Statements had been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union and accounting policies or principles applied to these financial statements were identical to those used in the Latvenergo Group Consolidated Financial Statements for the 2014 financial year. These policies have been consistently applied to all reporting periods presented, unless stated differently. Where it is necessary, comparatives are reclassified.

New or revised IFRS and amendments to International Financial Reporting Interpretations Committee interpretations (IFRIC) that became mandatory for the Group from 1st of January 2015 did not have any impact to the Group's accounting policies and Interim Consolidated Financial Statements.

The Unaudited Interim Condensed Consolidated Financial Statements are prepared under the historical cost convention, as modified by the revaluation of non–current assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss as disclosed in accounting policies presented in the Latvenergo Group Consolidated Financial Statements of 2014.

Since 1st of April 2014 mandatory procurement public service obligation revenue and costs have been recognised as unsettled difference or uncollected revenue on mandatory procurement public service obligation as assets at 31st of March 2015 and disclosed in the Consolidated Statement of Financial position by applying agent accounting principle (see Note 10).

Unaudited Interim Condensed Consolidated Financial Statements had been prepared in Euro currency and all amounts shown in these Unaudited Interim Condensed Consolidated Financial Statements are presented in thousands of EUR.

3. Financial Risk Management

3.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk, pricing risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Parent Company (the Group Treasury) according to the Group's Financial Risk Management Policy. The Group Treasury identifies, evaluates and hedges financial risks in close co–operation with the Group's operating units / subsidiaries. The Parent Company's Management Board by approving the Group's Financial Risk Management Policy provides written principles for the Group's overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, liquidity risk and credit risk, and defines use of financial instruments and investment of excess liquidity.

a) Market Risk

I) Foreign Currency Exchange Risk

The introduction of Euro in Latvia at 1st of January 2014 prevented the Euro currency risk. As at 31st of March 2015 the Group had none of its borrowings and substantial liabilities denominated in any other currency except Euro, therefore, there is no significant foreign currency exchange risk.

On 1st of January 2015 Lithuania has joined the Euro zone, converting the Lithuanian Lits into the Euros at fixed exchange rate EUR 1 = LTL 3.4528, therefore operations of the Group's entity Elektrum Lietuva UAB are no longer exposed to foreign currency risks.

The Group's Financial Risk Management policy approved by the Parent Company's Management has set up principles how to manage the Group's foreign currencies exchange risk against functional currency. To manage the Group's foreign currencies exchange risk arising from the Group's future transactions and recognised assets and liabilities, the Group Treasury uses forward contracts. Foreign currencies exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency (Euro).

II) Cash Flow and Fair Value Interest Rate Risk

As the Group has significant floating interest–bearing assets and liabilities exposed to interest rate risk, the Group's financial income and operating cash flows are substantially dependent on changes in market interest rates.

The Group's cash flow interest rate risk mainly arises from long–term borrowings at variable rates. They expose the Group to a risk that finance costs might increase significantly when interest rates rise up. The Group's policy is to maintain at least 35 % of its borrowings as fixed interest rates borrowings (taking into account the effect of interest rate swaps) with duration between 2–4 years.

The Group analyses its interest rate risk exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and hedging. Based on these scenarios, the Group calculates the impact on profit and loss as well as on cash flows of a defined interest rate shift. The Group's borrowings with floating rates do not impose fair value interest rate risk. Derivatives such as interest rate swaps are the only source of fair value interest rate risk.

III) Price Risk

Price risk is the risk that the fair value and cash flows of financial instruments will fluctuate in the future due to reasons other than changes in the market prices resulting from interest rate risk or foreign exchange risk. The purchase and sale of goods produced and the services provided by the Group under the free market conditions, as well as the purchases of resources used in production is impacted by the price risk.

The most significant price risk is related to purchase of electricity. To hedge the risk related to changes in the price of electricity the Parent Company has purchased electricity forward and future contracts.

b) Credit Risk

Credit risk is managed at the Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, outstanding receivables. Credit risk exposure in connection with trade receivables is limited due to broad range of the Group's customers. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Impairment loss has been deducted from gross accounts receivable (Note 10).

Credit risk related to cash and short–term deposits with banks is managed by balancing the placement of financial assets in order to maintain the possibility to choose the best offers and to reduce probability to incur losses.

No credit limits were exceeded during the reporting period, and the Group entities' management does not expect any losses from non–performance by these counterparties.

c) Liquidity Risk

The Group's policy of liquidity risk management is to maintain sufficient amount of cash and cash equivalents, the availability of long and short term funding through an adequate amount of committed credit facilities to meet commitments according to the Group's strategic plans as well as to compensate the fluctuations in the cash flows due to occurrence of variety of financial risks.

The Group entities' management is monitoring rolling forecasts of the Group's liquidity reserve, which comprises of undrawn borrowing facilities, and cash and cash equivalents.

3.2. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern as well as to ensure necessary financing for investment program and to avoid breaches of covenants, which are linked to capital structure and are stipulated in the majority of loan agreements.

In order to maintain or adjust the capital structure, the Group may evaluate the amount and timing of raising new debt due to investment programs or initiate new investments in the share capital by shareholder. Also asset revaluation directly influences the capital structure. To comply with loan covenants, the Group monitors capital on the basis of the capital ratio.

This ratio is calculated by dividing the equity by the sum of total assets and nominal value of issued and outstanding financial guarantees.

According to the Group's strategy and defined loan covenants as per loan agreements the capital ratio shall be maintained at least at 30 % level.

4. Operating Segment Information

Operating Segments

For segment reporting purposes, the division into operating segments is based on the Group's internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the operating segment decision maker. The Group divides its operations into three main operating segments – generation and supply, distribution and management of transmission system assets. In addition, Corporate Functions, that cover administration and other support services, are presented separately.

Generation and supply comprises the Group's electricity and heat generation operations, which are organised into the legal entities: Latvenergo AS and Liepājas enerģija SIA; electricity sales operations, including wholesale, which are conducted Pan–Baltic by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB, as well as management of the mandatory procurement process provided by Enerģijas publiskais tirgotājs AS.

The operations of the distribution operating segment relates to the provision of electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia) and Latvenergo AS – the owner of the distribution system real estate assets.

The operations of the management of transmission system assets operating segment is managed both by Latvijas elektriskie tīkli AS – the owner of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points), which provides construction and maintenance as well as the lease of assets to the transmission system operator Augstsprieguma tīkls AS, and Latvenergo AS – the owner of the transmission system real estate assets. In accordance with European Union Directive 2009/72/EC and concerning common rules for the internal market of electricity and the Electricity Market Law of the Republic of Latvia, Latvijas elektriskie tīkli AS at 1st of January 2015 transferred to Augstsprieguma tīkls AS functions of the reconstruction or renewal, operation and routine maintenance of the existing transmission network system assets as well as development of the transmission system and construction of new networks.

The following table presents revenue, profit information and segment assets of the Group's operating segments. Inter–segment revenue is eliminated on consolidation.

	Generation and supply	Distribution	Management of transmission system assets	Corporate Functions	TOTAL segments	Adjustments and eliminations	Consolidated
Period 01/01–31/03/2015	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
Revenue							
External customers	171,271	74,836	11,331	2,068	**259,506**	–	**259,506**
Inter–segment	1,256	448	601	11,580	**13,885**	(13,885)	**–**
Total revenue	**172,527**	**75,284**	**11,932**	**13,648**	**273,391**	**(13,885)**	**259,506**
Results							
Segment profit	**34,445**	**9,945**	**5,187**	**1,535**	**51,112**	**(4,265)**	**46,847**
Capital expenditure	3,273	18,339	1,509	1,688	**24,809**	**–**	**24,809**
Period 01/01–31/03/2014							
Revenue							
External customers	231,381	77,531	14,314	1,269	**324,495**	–	**324,495**
Inter–segment	7,377	582	697	11,422	**20,078**	(20,078)	**–**
Total revenue	**238,758**	**78,113**	**15,011**	**12,691**	**344,573**	**(20,078)**	**324,495**
Results							
Segment profit	**23,127**	**10,152**	**4,478**	**978**	**38,735**	**(4,710)**	**34,025**
Capital expenditure	5,215	12,044	8,043	2,148	**27,450**	**–**	**27,450**

Segment Assets

	Generation and supply	Distribution	Management of transmission system assets	Corporate Functions	TOTAL segments	Adjustments and eliminations	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
At 31st of March 2015	1,522,966	1,276,172	455,840	86,831	**3,341,809**	184,994	**3,526,803**
At 31st of December 2014	1,514,218	1,272,355	456,723	87,283	**3,330,579**	155,997	**3,486,576**

Adjustments and Eliminations

Finance income and expenses, fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Reconciliation of Profit

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Segment profit	**51,112**	**38,735**
Finance income	694	751
Finance costs	(4,959)	(5,132)
Share of profit / (loss) of associates	–	(329)
Profit before tax	**46,847**	**34,025**

Reconciliation of Assets

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Segment operating assets	**3,341,809**	**3,330,579**
Non–current financial investments	41	41
Held–to–maturity financial assets	28,513	28,528
Other assets and assets held for sale	5,784	6,417
Cash and cash equivalents	150,656	121,011
Group operating assets	**3,526,803**	**3,486,576**

5. Revenue

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Electricity and electricity services*	199,891	258,031
Heat sales	41,716	46,711
Lease and management of transmission system assets	11,188	14,156
Other revenue	6,711	5,597
Total revenue	**259,506**	**324,495**

* in period from 1st of January 2015 through 31st of March 2015 revenue from customers' payments for mandatory procurement public service obligation fee in the amount of EUR 46,124 thousand is recognised in the Consolidated Statement of Financial Position by applying agent accounting principle

6. Raw Materials and Consumables Used

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Electricity:		
Purchased electricity*	52,138	115,718
Fair value loss / (income) on electricity forwards and futures	692	(507)
Electricity transmission services costs	18,906	18,969
	71,736	**134,180**
Fuel expense	48,384	62,579
Raw materials, spare parts and maintenance costs	7,495	7,405
Total raw materials and consumables used	**127,615**	**204,164**

* in period from 1st of January 2015 through 31st of March 2015 costs of purchased electricity under the mandatory procurement from electricity generators who generate electricity in efficient cogeneration process or using renewable energy sources in the amount of EUR 59,959 thousand, as well as guaranteed fee for installed electrical capacity in cogeneration plants (over 4 MW) in the amount of EUR 3,284 thousand are recognised in the Consolidated Statement of Financial Position by applying agent accounting principle

7. Income Tax

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Current tax	1,734	4,018
Deferred tax	5,857	(767)
Total income tax	**7,591**	**3,251**

8. Intangible Assets and Property, Plant and Equipment

	Intangible assets	Land, buildings and facilities	Technology equipment and machinery	Other property, plant and equipment	Assets under construction	TOTAL
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
As at 31st of March 2015						
Cost or valuation	42,115	4,462,616	2,093,135	160,716	66,331	**6,824,913**
Accumulated amortisation, depreciation and impairment	(29,687)	(2,460,804)	(1,150,680)	(118,382)	(6,046)	**(3,765,599)**
Net book amount	**12,428**	**2,001,812**	**942,455**	**42,334**	**60,285**	**3,059,314**
As at 31st of December 2014						
Cost or valuation	41,483	4,458,341	2,091,623	158,262	61,037	**6,810,746**
Accumulated amortisation, depreciation and impairment	(28,800)	(2,445,607)	(1,134,781)	(116,184)	(6,047)	**(3,731,419)**
Net book amount	**12,683**	**2,012,734**	**956,842**	**42,078**	**54,990**	**3,079,327**

9. Inventories

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Raw materials and spare parts	18,108	15,510
Other inventories (fuel)	8,321	8,437
Allowance for raw materials, spare parts, technological fuel	(1,397)	(1,387)
Total inventories	**25,032**	**22,560**

10. Trade Receivables and Other Current Receivables

Trade Receivables, net

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Receivables		
– Electricity customers	122,417	103,756
– Heating customers	13,094	17,477
– Other trade receivables	29,463	30,877
	164,974	**152,110**
Allowances for impairment of receivables		
– Electricity customers	(41,375)	(41,080)
– Heating customers	(381)	(393)
– Other trade receivables	(2,742)	(2,530)
	(44,498)	**(44,003)**
Receivables, net		
– Electricity customers	81,042	62,676
– Heating customers	12,713	17,084
– Other trade receivables	26,721	28,347
	120,476	**108,107**
Compensated accrued revenue on mandatory procurement public service obligation fee *	–	15,887
Unsettled revenue on mandatory procurement public service obligation fee recognised as assets **	107,695	63,146
Other current receivables and accrued income	33,719	46,612
Total trade receivables and other current receivables	**261,890**	**233,752**

* Accrued revenue on mandatory procurement public service obligation fee is calculated as difference between procurement expenditure above electricity market price and collected payments from electricity end users for mandatory procurement public service obligation fees for period from 1st of January 2013 through 31st of March 2014. Since 1st of April 2014 according to the conditions included in the article No. 37 of transition terms of the Electricity Market Law of the Republic of Latvia, Public Supplier licence holder (established in 2014) was obliged to compensate the uncollected difference of mandatory procurement service obligation for period from 1st of January 2013 until transfer of Public Supplier licence;

** By applying agent principle unsettled revenue on mandatory procurement public service obligation fee is recognised as assets in net amount as difference between revenue from sale of electricity in Nord Pool Spot energy exchange by market price, received mandatory procurement public service obligation fees, received government grant for compensating the increase of mandatory procurement costs and costs of purchased electricity under the mandatory procurement from electricity generators who generate electricity in efficient cogeneration process or using renewable energy sources, as well as guaranteed fee for installed electrical capacity in cogeneration plants (over 4 MW).

Movements in Allowances for Impairment of Trade Receivables

	01/01–31/03/2015	01/01–31/03/2014	2014
	EUR'000	EUR'000	EUR'000
At the beginning of the period	**44,003**	**43,494**	**43,494**
Receivables written off during the period as uncollectible	(519)	(84)	(934)
Allowance for impaired receivables	1,014	535	1,443
At the end of the period	**44,498**	**43,945**	**44,003**

11. Cash and Cash Equivalents

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Cash at bank	91,438	38,141
Short–term bank deposits	28,000	52,000
Restricted cash and cash equivalents *	31,218	30,870
Total cash and cash equivalents	**150,656**	**121,011**

* restricted cash and cash equivalents consist of government grant for compensation of the increase of mandatory procurement public service obligation costs in the amount of EUR 29,264 thousand (31/12/2014 – EUR 29,264 thousand) that is restricted until acceptance from European Union and not included in the Consolidated Statement of Cash Flows and of the financial security for participating in NASDAQ OMX Commodities Exchange in the amount of EUR 1,954 thousand (31/12/2014 – EUR 1,606 thousand)

12. Borrowings

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Non–current borrowings from financial institutions	604,916	583,494
Issued debt securities (bonds)	104,803	104,803
Total non-current borrowings	**709,719**	**688,297**
Current portion of non–current borrowings from financial institutions	124,365	136,809
Accrued interest on non–current borrowings	3,787	1,422
Accrued coupon interest on issued debt securities (bonds)	1,429	694
Total current borrowings	**129,581**	**138,925**
Total borrowings	**839,300**	**827,222**

Movement in Borrowings

	01/01–31/03/2015	01/01–31/03/2014	2014
	EUR'000	EUR'000	EUR'000
At the beginning of the period	**827,222**	**944,675**	**944,675**
Borrowings received	30,862	–	22,600
Borrowing repaid	(21,884)	(21,208)	(139,695)
Change in accrued interest on borrowings	3,100	3,271	(358)
At the end of the period	**839,300**	**926,738**	**827,222**

13. Related Party Transactions

The Parent Company and, indirectly, the other Group entities are controlled by the Latvian state. Related parties of the Group are associates, Shareholder of the Parent Company who controls or who has significant influence over the Group's entities in accepting operating business decisions, key management personnel of the Group's entities including members of Supervisory body – Audit committee and close family members of any above–mentioned persons, as well as entities over which those persons have control or significant influence.

Transactions with Related Parties

	01/01–31/03/2015	01/01–31/03/2014
	EUR'000	EUR'000
Finance income:		
– Received dividends from associates	–	1,924
Total finance income	**–**	**1,924**

Balances at the end of the period arising from sales / purchases of goods or services

	31/03/2015	31/12/2014
	EUR'000	EUR'000
Trade payables to related parties:		
– Other related parties	296	354
Total payables	**296**	**354**

In the 3 month period ending 31st of March 2015 remuneration to the management includes remuneration to the members of the Management Boards and Supervisory body of the Group entities, including salary, social insurance payments and payments to pension plan and is amounted to EUR 730.8 thousand (01/01 – 31/03/2014: EUR 386.2 thousand) and are included in the Consolidated Income Statement position 'Personnel expenses'.

14. Events after the Reporting Period

In accordance with the Latvenergo AS Shareholders Meeting resolution rec. No. 4., 5§ on the distribution of net profit for the 2014, dated 20th of April 2015, Latvenergo AS is obliged to pay out dividends for state in the amount of EUR 31,478,891. Dividends are paid on 24th of April 2015.

Continuing its started operations on the securities market, Latvenergo AS will carry out a public bond issue for a total nominal value of up to EUR 100 million. The bonds are planned to be listed on the NASDAQ Riga Baltic Bond List.

There have been no other significant events subsequent to the end of the reporting period that might have a material effect on the Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ending 31st of March 2015.

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Unaudited Interim Condensed Consolidated Financial Statements

FOR THE 3 MONTH PERIOD ENDING
31 MARCH 2014

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS
AS ADOPTED BY THE EU

Latvenergo

Unaudited Interim Condensed Consolidated Financial Statements

Consolidated Income Statement
for the 3 months ended 31 March 2014

	Notes	01/01-31/03/2014	01/01-31/03/2013
		EUR'000	EUR'000
Revenue	5	324,495	312,654
Other income		1,128	346
Raw materials and consumables used	6	(204,164)	(214,684)
Personnel expenses		(23,528)	(22,732)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		(43,798)	(46,316)
Other operating expenses		(15,398)	(15,061)
Operating profit		**38,735**	**14,207**
Finance income		751	1,095
Finance costs		(5,132)	(4,197)
Share of profit / (loss) of associates		(329)	141
Profit before taxes		**34,025**	**11,246**
Income tax	7	(3,251)	(4,132)
Profit for the period		**30,774**	**7,114**

Consolidated Statement of Comprehensive Income
for the 3 months ended 31 March 2014

	01/01-31/03/2014	01/01-31/03/2013
	EUR'000	EUR'000
Profit for the period	**30,774**	**7,114**
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:		
(Losses) / gains from change in hedge rezerve	(2,387)	2,577
Losses on currency translation differences	(16)	(1)
Net other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods	**(2,403)**	**2,576**
TOTAL other comprehensive (loss) / income for the period, net of tax	**(2,403)**	**2,576**
TOTAL comprehensive income for the period	**28,371**	**9,690**

Consolidated Statement of Financial Position

	Notes	31/03/2014	31/12/2013
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Intangible assets and property, plant and equipment	8	3,081,234	3,097,905
Investment property		1,368	1,473
Investments in associates and other financial investments		41	41
Investments in held-to-maturity financial assets		28,574	28,588
Other non-current receivables		39	57
TOTAL non-current assets		**3,111,256**	**3,128,064**
Current assets			
Inventories	9	22,174	21,634
Trade receivables and other current receivables	10	211,732	161,560
Current financial investments		5,807	8,060
Derivative financial instruments		-	617
Cash and cash equivalents	11	246,995	255,423
TOTAL current assets		**486,708**	**447,294**
TOTAL ASSETS		**3,597,964**	**3,575,358**
EQUITY			
Share capital		1,288,011	1,288,011
Reserves		650,016	652,418
Retained earnings		104,654	74,832
Equity attributable to equity holders of the Parent Company		**2,042,681**	**2,015,261**
Non-controlling interests		7,404	6,453
TOTAL equity		**2,050,085**	**2,021,714**
LIABILITIES			
Non-current liabilities			
Borrowings	12	783,985	805,192
Deferred income tax liabilities		268,349	269,116
Provisions		15,792	15,597
Derivative financial instruments		7,684	6,238
Other liabilities and deferred income		173,788	170,152
TOTAL non-current liabilities		**1,249,598**	**1,266,295**
Current liabilities			
Trade and other payables		138,731	130,667
Borrowings	12	142,753	139,483
Derivative financial instruments		16,797	17,196
TOTAL current liabilities		**298,281**	**287,349**
TOTAL liabilities		**1,547,879**	**1,553,644**
TOTAL EQUITY AND LIABILITIES		**3,597,964**	**3,575,358**

Consolidated Statement of Changes in Equity

for the 3 months ended 31 March 2014

	Attributable to equity holders of the Parent Company				Non-controlling interests	TOTAL
	Share capital	Reserves	Retained earnings	Total		
	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
As at 31 December 2012	**1,287,137**	**644,113**	**70,803**	**2,002,053**	**4,922**	**2,006,975**
Increase in share capital	874	-	-	**874**	-	**874**
Dividends for 2012	-	-	(40,619)	**(40,619)**	(313)	**(40,932)**
TOTAL contributions by and distributions to equity holders of the Parent Company, recognised directly in equity	**874**	**-**	**(40,619)**	**(39,745)**	**(313)**	**(40,058)**
Profit for the year	-	-	44,305	**44,305**	1,844	**46,149**
Other comprehensive income	-	8,305	343	**8,648**	-	**8,648**
TOTAL comprehensive income	**-**	**8,305**	**44,648**	**52,953**	**1,844**	**54,797**
As at 31 December 2013	**1,288,011**	**652,418**	**74,832**	**2,015,261**	**6,453**	**2,021,714**
As at 31 December 2012	**1,287,137**	**644,113**	**70,803**	**2,002,053**	**4,922**	**2,006,975**
Profit for the period	-	-	6,367	**6,367**	747	**7,114**
Other comprehensive income / (loss)	-	2,577	(1)	**2,576**	-	**2,576**
TOTAL comprehensive income	**-**	**2,577**	**6,366**	**8,943**	**747**	**9,690**
As at 31 March 2013	**1,287,137**	**646,690**	**77,169**	**2,010,996**	**5,669**	**2,016,665**
As at 31 December 2013	**1,288,011**	**652,418**	**74,832**	**2,015,261**	**6,453**	**2,021,714**
Profit for the period	-	-	29,823	**29,823**	951	**30,774**
Other comprehensive loss	-	(2,402)	(1)	**(2,403)**	-	**(2,403)**
TOTAL comprehensive (loss) / income	**-**	**(2,402)**	**29,822**	**27,420**	**951**	**28,371**
As at 31 March 2014	**1,288,011**	**650,016**	**104,654**	**2,042,681**	**7,404**	**2,050,085**

Consolidated Statement of Cash Flows
for the 3 months ended 31 March 2014

	Notes	01/01-31/03/2014	01/01-31/03/2013
		EUR'000	EUR'000
Cash flows from operating activities			
Profit before tax		34,025	11,246
Adjustments:			
- Amortisation, depreciation and impairment of non-current assets		43,798	46,316
- Net financial adjustments		4,548	(2,472)
- Other adjustments		189	308
Operating profit before working capital adjustments		**82,561**	**55,398**
Increase in current assets		(52,771)	(4,901)
Increase / (decrease) in trade and other payables		10,426	(29,837)
Cash generated from operating activities		**40,215**	**20,660**
Interest paid		(2,934)	(952)
Interest received		1,230	494
Income tax paid		(3,591)	(5,450)
Net cash flows from operating activities		**34,920**	**14,752**
Cash flows from investing activities			
Purchase of intangible assets and property, plant and equipment		(26,152)	(48,926)
Proceeds on financing from European Union funds and other financing		2,073	-
Proceeds from redemption of held-to-maturity assets		15	14
Net cash flows used in investing activities		**(24,064)**	**(48,912)**
Cash flows from financing activities			
Proceeds from issued debt securities (bonds)	12	-	50,404
Repayment of borrowings	12	(21,208)	(17,959)
Dividends received from associates	13	1,924	-
Net cash flows (used in) / generated from financing activities		**(19,284)**	**32,445**
Net decrease in cash and cash equivalents		**(8,428)**	**(1,715)**
Cash and cash equivalents at the beginning of the period	11	255,423	242,493
Cash and cash equivalents at the end of the period	**11**	**246,995**	**240,778**

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

1. Corporate information

All shares of public limited company Latvenergo or Latvenergo AS (hereinafter – the Parent Company) are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia. The registered address of the Parent Company is 12 Pulkveža Brieža Street, Riga, LV–1230, Latvia. According to the Energy Law of the Republic of Latvia, Latvenergo AS is designated as a national economy object of State importance and, therefore, is not subject to privatisation.

Public limited company Latvenergo is power supply utility engaged in electricity and thermal energy generation, as well as supply of electricity. Latvenergo AS is one of the largest corporate entities in the Baltics.

Latvenergo AS heads the Latvenergo Group (hereinafter – the Group) that includes following subsidiaries:

- Sadales tīkls AS (since 18.09.2006);
- Elektrum Eesti OÜ (since 27.06.2007) and its subsidiary Elektrum Latvija SIA (since 18.09.2012);
- Elektrum Lietuva UAB (since 07.01.2008);
- Latvijas elektriskie tīkli AS (since 10.02.2011);
- Liepājas enerģija SIA (since 06.07.2005);
- Enerģijas publiskais tirgotājs AS (since 25.02.2014).

Latvenergo AS is a shareholder in two associated companies:

- Nordic Energy Link AS carries out the functions of the operator of an interconnection power cable between Estonia and Finland;
- Pirmais Slēgtais Pensiju Fonds AS manages a defined-contribution corporate pension plan in Latvia.

On 26 September Shareholder's Meeting of Latvenergo AS decided to terminate Latvenergo AS participation in Nordic Energy Link AS. According to the Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, Latvenergo AS, as electricity generator and supplier, needs to perform activities so that after 31 December 2013 it would not be owner of the electricity transmission infrastructure. In the Consolidated Statement of Financial Position as at 31 March 2014 and as at 31 December 2013 investment in Nordic Energy Link AS is presented as the current financial investment held for sale. On 12 February 2014 the Cabinet of Ministers of the Republic of Latvia adopted decision No. 67 „On Latvenergo AS termination of partnership in Nordic Energy Link AS".

Latvenergo Consolidated Annual Report 2013 has been approved on 12 May 2014 by the Latvenergo AS Shareholders' meeting (see on Latvenergo AS web page section "Investors" – http://www.latvenergo.lv/eng/investors/reports/).

The Unaudited Interim Condensed Consolidated Financial Statements for the 3 months period ending 31 March 2014 include the financial information in respect of the Parent Company and its all subsidiaries for the 3 months period ending 31 March 2014 and comparative information for 3 months period ending 31 March 2013. Comparative information for financial position includes information as at 31 December 2013.

The Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ending 31 March 2014 were authorised by the Latvenergo AS Management Board on 27 May 2014.

2. Summary of most significant accounting policies

These Unaudited Interim Condensed Consolidated Financial Statements had been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union and in accordance with IAS 34 “Interim Financial Reporting” and accounting policies or principles applied to these financial statements were identical to those used in the Latvenergo Group Consolidated Financial Statements for the 2013 financial year. These policies have been consistently applied to all reporting periods presented, unless stated differently. Where it is necessary, comparatives are reclassified.

New or revised IFRS adopted and amendments to International Financial Reporting Interpretations Committee interpretations (IFRIC) that became mandatory for the Group from 1 January 2014 did not have any impact to the Group’s accounting policies and Consolidated Financial Statements.

The Unaudited Interim Condensed Consolidated Financial Statements are prepared under the historical cost convention, as modified by the revaluation of non-current assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss disclosed in accounting policies presented in the Latvenergo Group Consolidated Financial Statements of 2013.

On 1 January 2014, Latvia has joined the Euro zone, converting the Latvian Lats (LVL) into the Euros (EUR) at fixed exchange rate EUR 1 = LVL 0.702804. As of this date, the Group balance account values were converted into the Euro currency and financial reports for 2014 and the following years will be prepared in Euro currency. All amounts shown in these Interim Condensed Consolidated Financial Statements are presented in thousands of EUR.

3. Financial risk management

3.1. Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk, pricing risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Parent Company’s Treasury department (the Group Treasury) according to the Financial Risk Management Policy approved by the Parent Company’s Management Board. The Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units / subsidiaries. The Parent Company’s Management Board by approving the Financial Risk Management Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, liquidity risk, and credit risk, use of financial instruments and investment of excess liquidity.

a) Market risk

I) Foreign exchange risk

The Group is exposed to currency risk primarily arising from settlements in foreign currencies for recognised assets and liabilities, capital expenditures and imported electricity.

As at 31 March 2014 the Group had none of its borrowings and substantial liabilities denominated in any other foreign currency except Euro, therefore, there is no significant foreign currency exchange risk.

The Parent Company’s Management has set up a Financial Risk Management policy inter alia to manage the Group’s foreign currencies exchange risk against functional currency. To manage the Group’s foreign currencies exchange risk arising from future transactions and recognised assets and liabilities, the Group Treasury uses forward contracts. Foreign currencies exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the Group’s functional currency (Euro).

II) Cash flow and fair value interest rate risk

As the Group has significant floating interest-bearing assets and liabilities exposed to interest rate risk, the Group's financial income and operating cash flows are substantially dependent on changes in market interest rates.

The Group's cash flow interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Group to a risk that finance costs might increase significantly when interest rates rise up. The Group's policy is to maintain at least 35% of its borrowings as fixed interest rates borrowings (taking into account the effect of interest rate swaps) with duration between 2-4 years.

The Group analyses its interest rate risk exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and hedging. Based on these scenarios, the Group calculates the impact on profit and loss as well as on cash flows of a defined interest rate shift. The Group's borrowings with floating rates do not impose fair value interest rate risk. Derivatives such as interest rate swaps are the only source of fair value interest rate risk.

III) Price risk

Price risk is the risk that the fair value and cash flows of financial instruments will fluctuate in the future due to reasons other than changes in the market prices resulting from interest rate risk or foreign exchange risk. The purchase and sale of goods produced and the services provided by the Group under the free market conditions, as well as the purchases of resources used in production is impacted by the price risk.

The most significant price risk is related to purchase of electricity. To hedge the risk related to changes in the price of electricity the Parent Company has purchased electricity swap contracts.

b) Credit risk

Credit risk is managed at the Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, outstanding receivables. Credit risk exposure in connection with trade receivables is limited due to broad range of the Group's customers. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Impairment loss has been deducted from gross accounts receivable.

Credit risk related to cash and short-term deposits with banks is managed by balancing the placement of financial assets in order to maintain the possibility to choose the best offers and to reduce probability to incur losses.

No credit limits were exceeded during the reporting period, and the Group entities' management does not expect any losses from non-performance by these counterparties.

c) Liquidity risk

The Group's policy of liquidity risk management is to maintain sufficient amount of cash and cash equivalents, the availability of long and short term funding through an adequate amount of committed credit facilities to meet commitments according to the Group's strategic plans as well as to compensate the fluctuations in the cash flows due to occurrence of variety of financial risks.

The Group entities' management is monitoring rolling forecasts of the Group's liquidity reserve, which comprises of undrawn borrowing facilities, and cash and cash equivalents.

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern as well as to ensure necessary financing for investment program and to avoid breaches of covenants, which are linked to capital structure and are stipulated in the majority of loan agreements.

In order to maintain or adjust the capital structure, the Group may evaluate the amount and timing of raising new debt due to investment programs or initiate new investments in the share capital by shareholder. Also asset revaluation directly influences the capital structure. To comply with loan covenants, the Group monitors capital on the basis of the capital ratio.

This ratio is calculated by dividing the equity by the sum of total assets and nominal value of issued and outstanding financial guarantees.

According to the Group's strategy and defined loan covenants as per loan agreements the capital ratio shall be maintained at least at 30% level.

4. Operating segment information

Operating segments

For segment reporting purposes, the division into operating segments is based on the Group's internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the chief operating decision maker.

The Group divides its operations into three main operating segments – generation and supply, distribution system services and management of transmission system assets. In addition, Corporate Functions, that cover administration and other support services, are presented separately.

The generation and supply operating segment comprises the Group's electricity and heat generation operations, which are organised into the legal entities: Latvenergo AS and Liepājas enerģija SIA; electricity sales operations, including wholesale, which are conducted Pan-Baltic by Latvenergo AS, Elektrum Eesti OÜ and Elektrum Lietuva UAB, as well as management of the mandatory procurement process provided by Enerģijas publiskais tirgotājs AS.

The operations of the distribution system services operating segment relates to the provision of electricity distribution services in Latvia and is managed by the subsidiary Sadales tīkls AS (the largest distribution system operator in Latvia) and Latvenergo AS – the owner of the distribution system real estate assets.

The operations of the management of transmission system assets operating segment is managed both by Latvijas elektriskie tīkli AS – the owner of transmission system assets (330 kV and 110 kV transmission lines, substations and distribution points), which provides construction and maintenance as well as the lease of assets to the transmission system operator Augstsprieguma tīkls AS, and Latvenergo AS – the owner of the transmission system real estate assets. The Republic of Latvia has applied the second unbundling model under EU Directive 2009/72/EC, which provides that the electricity transmission system assets shall remain with a vertically integrated utility, while the activities of the transmission system operator are independently managed.

The following table presents revenue, profit information and segment assets and liabilities of the Group's operating segments. Inter-segment revenue is eliminated on consolidation.

	Generation and supply	Distribution system services	Management of transmission system assets	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated
Period 01/01-31/03/2014	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
Revenue							
External customers	231,381	77,531	14,314	1,269	**324,495**	-	**324,495**
Inter-segment	7,377	582	697	11,422	**20,078**	(20,078)	**-**
TOTAL revenue	**238,758**	**78,113**	**15,011**	**12,691**	**344,573**	**(20,078)**	**324,495**
Results							
Segment profit	**23,127**	**10,152**	**4,478**	**978**	**38,735**	**(4,710)**	**34,025**
Capital expenditure	5,215	12,044	8,043	2,148	**27,450**	**-**	**27,450**
Period 01/01-31/03/2013							
Revenue							
External customers	218,885	78,389	13,974	1,406	**312,654**	-	**312,654**
Inter-segment	8,697	514	575	11,066	**20,852**	(20,852)	**-**
TOTAL revenue	**227,582**	**78,903**	**14,549**	**12,472**	**333,506**	**(20,852)**	**312,654**
Results							
Segment profit	**2,447**	**7,618**	**3,527**	**615**	**14,207**	**(2,961)**	**11,246**
Capital expenditure	14,929	13,002	6,158	2,011	**36,100**	**-**	**36,100**

Segment assets

	Generation and supply	Distribution system services	Management of transmission system assets	Corporate functions	TOTAL segments	Adjustments and eliminations	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**	EUR'000	**EUR'000**
As at 31 March 2014	1,527,742	1,251,503	434,544	87,329	**3,301,118**	296,846	**3,597,964**
As at 31 December 2013	1,497,066	1,252,016	431,224	86,458	**3,266,764**	308,594	**3,575,358**

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Reconciliation of profit

	01/01-31/03/2014	01/01-31/03/2013
	EUR'000	EUR'000
Segment profit	**38,735**	**14,207**
Finance income	751	1,095
Finance costs	(5,132)	(4,197)
Share of profit / (loss) of associates	(329)	141
Profit before income tax	**34,025**	**11,246**

Reconciliation of assets

	31/03/2014	31/12/2013
	EUR'000	EUR'000
Segment operating assets	**3,301,118**	**3,266,764**
Investments in associates	41	41
Investments in held-to-maturity financial assets	28,574	28,588
Current financial assets	-	617
Other assets and assets held for sale	21,236	23,925
Cash and cash equivalents	246,995	255,423
Group operating assets	**3,597,964**	**3,575,358**

5. Revenue

	01/01-31/03/2014	01/01-31/03/2013
	EUR'000	EUR'000
Electricity and electricity services	258,031	235,041
Heat sales	46,711	56,901
Lease and management of transmission system assets	14,156	13,810
Other revenue	5,597	6,902
TOTAL revenue	**324,495**	**312,654**

6. Raw materials and consumables used

	01/01-31/03/2014	01/01-31/03/2013
	EUR'000	EUR'000
Electricity:		
Purchased electricity	115,718	104,817
Fair value income on electricity swaps	(507)	(3,843)
Electricity transmission services costs	18,969	19,841
	134,180	**120,815**
Fuel expense	62,579	87,410
Raw materials, spare parts and maintenance costs	7,405	7,246
Capitalised costs of raw materials and consumables used (fuel)	-	(787)
TOTAL raw materials and consumables used	**204,164**	**214,684**

7. Income tax

	01/01-31/03/2014	01/01-31/03/2013
	EUR'000	EUR'000
Current tax	4,018	4,168
Deferred tax	(767)	(36)
TOTAL income tax	**3,251**	**4,132**

8. Intangible assets and property, plant and equipment

	Intangible assets	Land, buildings and facilities	Technology equipment and machinery	Other property, plant and equipment	Assets under construction	TOTAL
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
As at 31 March 2014						
Cost or valuation	33,645	4,342,565	2,047,015	154,489	125,451	**6,703,165**
Accumulated amortisation, depreciation and impairment	(26,487)	(2,399,252)	(1,074,131)	(115,261)	(6,800)	**(3,621,931)**
Net book amount	**7,158**	**1,943,313**	**972,884**	**39,228**	**118,651**	**3,081,234**
As at 31 December 2013						
Cost or valuation	33,144	4,331,639	2,046,253	153,752	118,868	**6,683,656**
Accumulated amortisation, depreciation and impairment	(25,819)	(2,383,239)	(1,057,602)	(112,443)	(6,648)	**(3,585,751)**
Net book amount	**7,325**	**1,948,400**	**988,651**	**41,309**	**112,220**	**3,097,905**

9. Inventories

	31/03/2014	31/12/2013
	EUR'000	EUR'000
Raw materials and spare parts	21,792	21,160
Other inventories	4,726	4,733
Allowance for raw materials, spare parts, technological fuel	(4,344)	(4,259)
TOTAL inventories	**22,174**	**21,634**

10. Trade receivables and other current receivables

Trade receivables, net:

	31/03/2014	31/12/2013
	EUR'000	EUR'000
Receivables:		
- Electricity customers	116,101	91,925
- Heating customers	15,779	17,580
- Other trade receivables	25,220	23,597
	157,100	**133,102**
Allowances for impairment of receivables:		
- Electricity customers	(41,041)	(40,643)
- Heating customers	(368)	(369)
- Other trade receivables	(2,536)	(2,482)
	(43,945)	**(43,494)**
Receivables, net:		
- Electricity customers	75,060	51,282
- Heating customers	15,411	17,211
- Other trade receivables	22,684	21,115
	113,155	**89,608**
Accrued income on mandatory procurement component*	64,823	44,953
Other current receivables and accrued income	33,754	26,999
TOTAL trade receivables and other current receivables	**211,732**	**161,560**

* Accrued income from mandatory procurement component is calculated as difference between procurement expenditure above electricity market price and collected mandatory procurement component payments from electricity end users. According to the conditions included in the article No. 37 of transition terms of the Electricity Market Law of the Republic of Latvia, uncollected difference will be compensated by newly established subsidiary in 12 months period starting from overtake of public supplier obligations as at 1 April 2014, using government grant implicit for mandatory procurement component reduction, stated per Law on the State Budget for 2014, as part of compensation.

Movements in allowances for impairment of trade receivables are as follows:

	01/01-31/03/2014	01/01-31/03/2013	2013
	EUR'000	EUR'000	EUR'000
At the beginning of the period	**43,494**	**29,036**	**29,036**
Receivables written off during the period as uncollectible	(84)	(381)	(1,409)
Allowance for impaired receivables	535	5,230	15,867
At the end of the period	**43,945**	**33,885**	**43,494**

11. Cash and cash equivalents

	31/03/2014	31/12/2013
	EUR'000	EUR'000
Cash at bank	97,767	88,823
Short-term bank deposits	149,228	166,600
TOTAL cash and cash equivalents	**246,995**	**255,423**

12. Borrowings

	31/03/2014	31/12/2013
	EUR'000	EUR'000
Non-current borrowings from financial institutions	679,183	700,390
Issued debt securities (bonds)	104,802	104,802
TOTAL non-current borrowings	**783,985**	**805,192**
Current portion of non-current borrowings from financial institutions	137,008	137,008
Accrued interest on non-current borrowings	4,316	1,780
Accrued coupon interest on issued debt securities (bonds)	1,429	695
TOTAL current borrowings	**142,753**	**139,483**
TOTAL borrowings	**926,738**	**944,675**

Movement in borrowings:

	01/01-31/03/2014	01/01-31/03/2013	2013
	EUR'000	EUR'000	EUR'000
At the beginning of the period	**944,675**	**846,961**	**846,961**
Borrowings received	-	-	117,300
Borrowings repaid	(21,208)	(17,959)	(105,174)
Change in accrued interest on borrowings	3,271	2,697	753
Issued debt securities (bonds)	-	50,402	84,835
At the end of the period	**926,738**	**882,101**	**944,675**

13. Related party transactions

The Parent Company and, indirectly, the other Group entities are controlled by the Latvian state. Related parties of the Group are associates, Shareholder of the Parent Company who could control or who has significant influence over the Group's entities in accepting operating business decisions, key management personnel of the Group's entities including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence.

The following transactions were carried out with related parties:

	01/01-31/03/2014	01/01-31/03/2013
	EUR'000	EUR'000
a) Sales of goods and services:		
- Sales of goods to associates (electricity)	-	382
- Sales of services to associates	-	-
TOTAL sales	**-**	**382**
b) Purchases of goods and services:		
- Purchases of goods from associates (electricity)	-	256
- Purchases of services from associates	-	294
TOTAL purchases	**-**	**550**
c) Finance income:		
- Dividends received from associates	1,924	-
TOTAL finance income	**1,924**	**-**

Balances at the end of the period arising from sales / purchases of goods or services:

	31/03/2014	31/12/2013
	EUR'000	EUR'000
a) Trade receivables from related parties:		
- Associates	-	130
TOTAL receivables	**-**	**130**
b) Trade payables to related parties:		
- Associates	308	161
TOTAL payables	**308**	**161**

The Group has not incurred write-offs of trade payables and receivables from transactions with related parties, as all debts are recoverable.

Receivables and payables with related parties are current balances for services and goods. None of the amounts at the end of the reporting period are secured.

In the 3 month period ending 31 March 2014 remuneration to the management includes remuneration to the members of the Management Boards and Supervisory body of the Group entities, including salary, social insurance payments and payments to pension plan and is amounted to EUR 386.2 thousand (01/01 – 31/03/2013: EUR 396.9 thousand) and are included in the Consolidated Income Statement position 'Personnel expenses'.

14. Events after the reporting period

On 25 April 2014 Latvenergo AS has announced procurement for conclusion of loan agreements with the banks for the total amount up to EUR 150 million. Attraction of loans is organized within the borrowing plans and is intended for financing the investment programme of Latvenergo Group, which is based on the long-term strategy of Latvenergo Group.

On 12 May 2014 the Shareholders' Meeting of Latvenergo AS has approved Latvenergo AS Annual Report and Latvenergo Group Consolidated Annual Report 2013 and accepted the resolution of the distribution of Latvenergo AS profit for 2013 by decision to paid out in dividends EUR 23 605 thousand and the rest of the profit in the amount of EUR 2 623 thousand to transfer to Latvenergo AS reserves.

On 12 May 2014, the Shareholder of Latvenergo AS decided to issue debt securities (bonds) up to 100 million euro under a new bond offering programme.

There have been no other significant events subsequent to the end of the reporting year that might have a material effect on the Unaudited Interim Condensed Consolidated Financial Statements for the 3 month period ending 31 March 2014.

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