



JSC Latvijas Gāze

Unaudited full-year results 2019 - Webinar -



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Rīga, 27 February 2020

Agenda



- 1 Key market developments in 2019**
- 2 Financial results in 2019**
- 3 Recent market developments and outlook 2020**
- 4 Questions & Answers**





1 Key market developments in 2019

2 Financial results in 2019

3 Recent market developments and outlook 2020

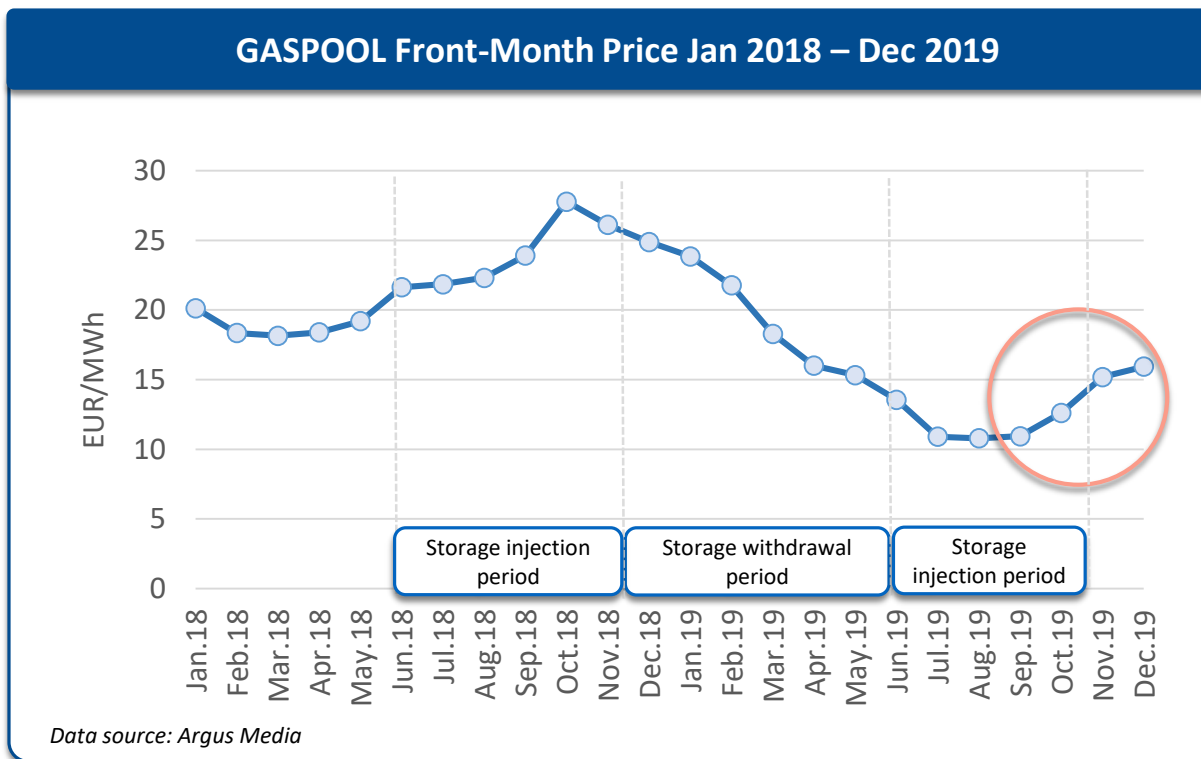
4 Questions & Answers



Key trends and developments in the global and regional natural gas market during 2019

- **Significant drop of natural gas prices during the first half of the year** due to high storage levels driven by unusually warm temperatures and the influx of LNG into European gas markets
- After bottoming out in July **prices stabilized and slightly bounced back until the end of the year**
- Healthy **summer-winter spreads drove storage injections** across whole Europe
- The **number of LNG cargoes arriving at the LNG terminal in Klaipeda significantly increased** in comparison to previous years
- Favorable sparks spreads supported **demand for gas in the power generation** segment
- **On 11 December the official commissioning of the Baltic Connector** pipeline between Estonia and Finland took place

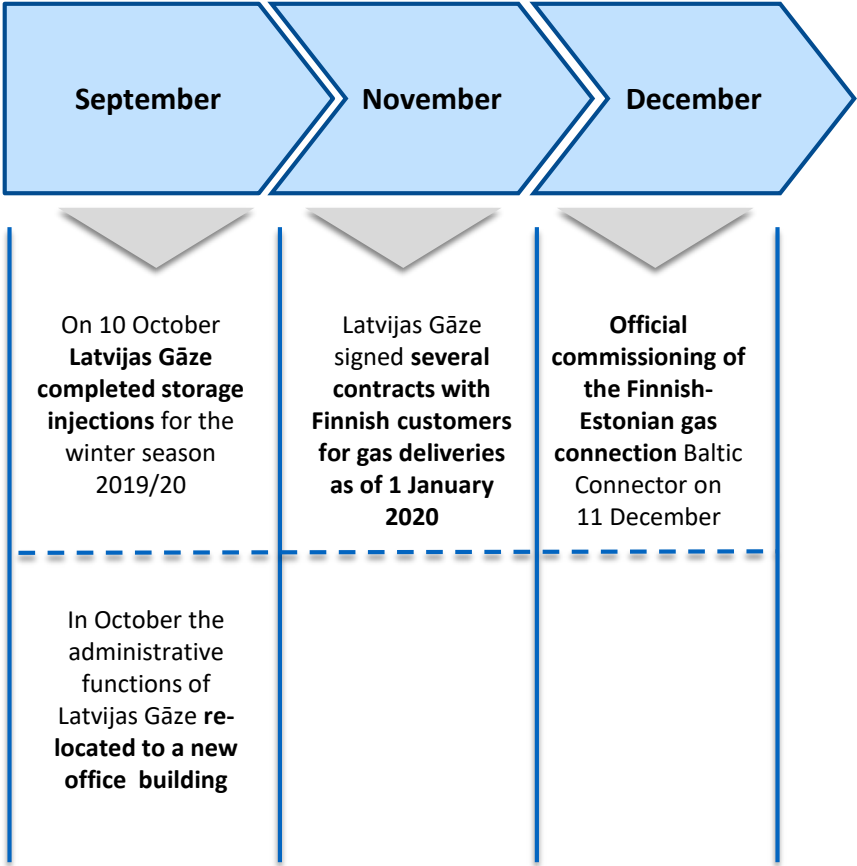
After a significant drop during the first half of 2019 European hub gas prices slightly bounced back until end of the year



- European gas **hub prices dropped by more than 60%** between October 2018 and end of June 2019



Selected key events during the period September - December 2019 impacting the operations of Latvijas Gāze Group



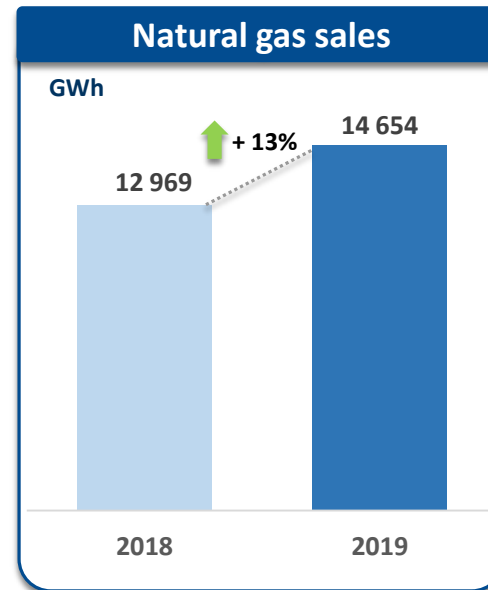
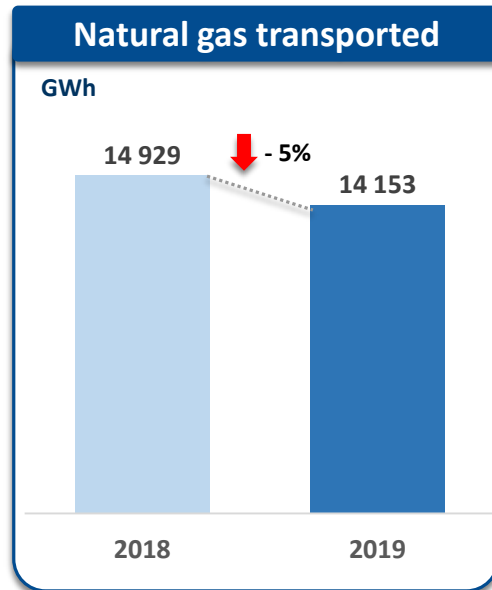
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While lower domestic gas consumption affected the distribution business the sales & trading segment increased sales by 13% y-o-y



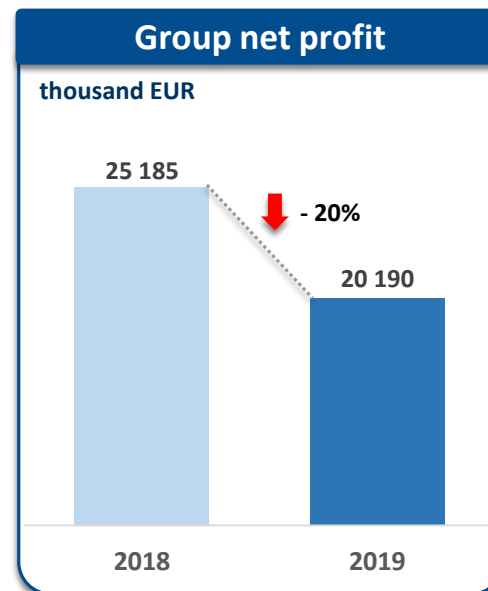
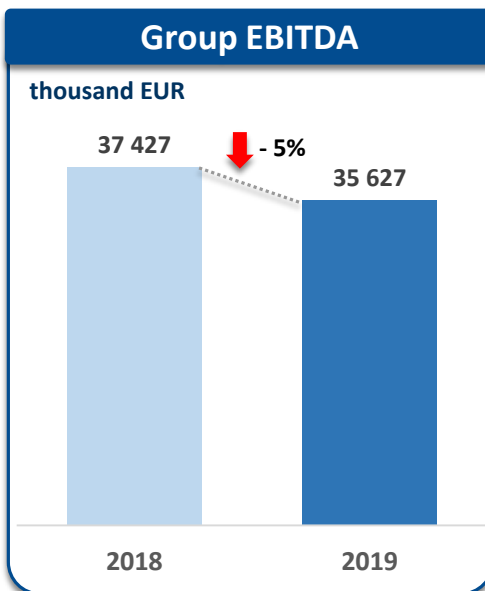
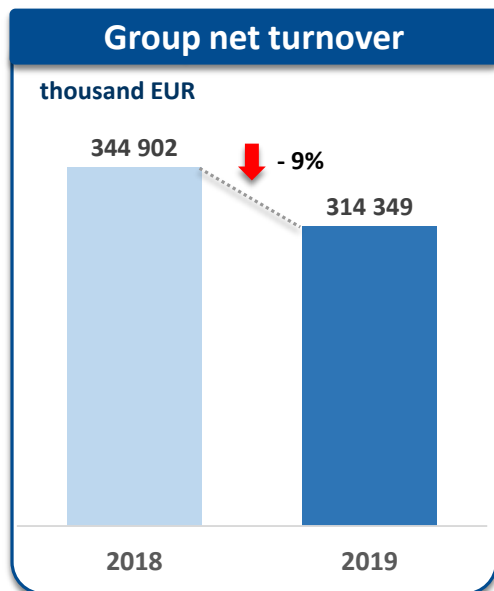
Distribution Segment

- Despite a recovery of domestic gas consumption during the second half of the year the amount of natural gas transported through the distribution network in 2019 was 5% lower than in 2018

Sales & Trading Segment

- Despite the unusually warm weather strong sales to newly acquired customers in Estonia, high gas demand from the power generation segment and significant storage injections by customers led to a 13% year-on-year growth in sales

In a challenging market environment the Group's turnover, net profit and EBITDA decreased year-on-year



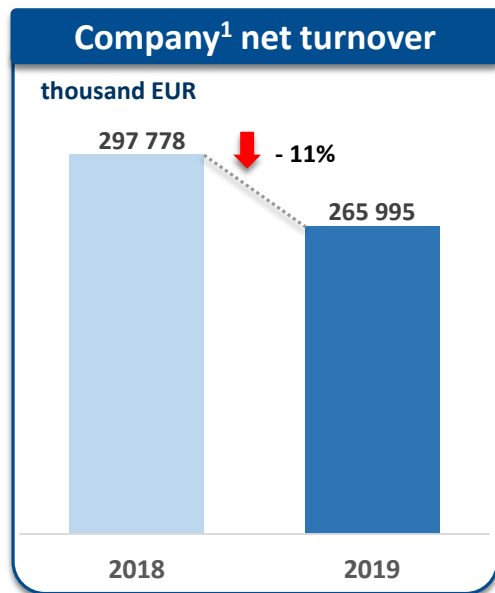
Distribution Segment

- The segment's assets had a worth of 334 million EUR and constituted 72% of the Group's total assets
- The segment's turnover was 1% lower than in 2018 and amounted to 50.5 million EUR
- Profit before taxes decreased by 12% year-on-year and amounted to 9.8 million EUR in 2019

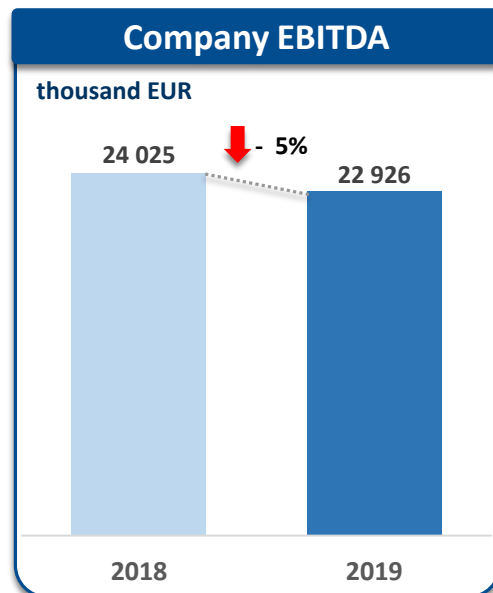
Sales & Trading Segment

- The segment's assets had a worth of 131 million EUR mainly consisting of natural gas inventories and cash
- The segment's turnover amounted to 264 million EUR and decreased by 10% year-on-year
- Profit before taxes decreased by 10% year-on-year and amounted to 12.6 million EUR in 2019

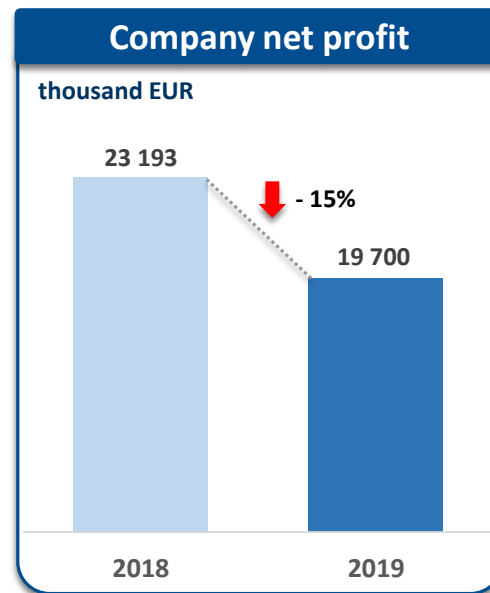
A strong operational performance during Q3 and Q4 limited the Company's year-on-year drop in net profit to 15%



- Due to the steep drop in market prices net turnover of the sales & trading business decreased by 11% year-on-year and did not reflect the growth in sales



- Although the operational results of the sales & trading business significantly improved during the second half of 2019 EBITDA was 5% lower than in 2018



- Due to lower earnings and higher Corporate Income Taxes on dividends the net profit of the sales & trading business decreased by 15% year-on-year

¹ "Company" refers to Latvijas Gāze group's sales & trading business only

As projected mark-to-market losses on financial derivatives that had weighed heavily on the H1 and 9m result fully reversed

Unfavorable factors weighing on Latvijas Gāze's financial results during the year but that reversed until year end

Mark-to-Market losses on financial derivatives

Early booking of storage

Unfavorable factors weighing on Latvijas Gāze's financial full year results

Mild winter & drop in market prices

Termination of sales contracts & price revisions

Total negative impact on full year results: > 2 MEUR

Apart from the reversals, Latvijas Gāze during Q3 and Q4 managed to improve the operating result through additional cost savings as well as the closure of a number of short-term sales deals.

Despite the challenging market environment Latvijas Gāze Group keeps a strong Balance Sheet and liquidity position



Balance Sheet				
	Group	Group	Company ¹	Company ¹
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	EUR'000	EUR'000	EUR'000	EUR'000
ASSETS	464 238	412 479	330 210	351 519
Non-current assets	321 203	245 135	202 452	198 729
Current assets	143 035	167 344	127 758	152 790
LIABILITIES & EQUITY	464 238	412 479	330 210	351 519
Equity	383 711	310 355	304 177	306 388
Non-current liabilities	46 150	50 089	349	125
Current liabilities	34 377	52 035	25 684	45 006

Selected Financial Ratios				
	Group	Group	Company ¹	Company ¹
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debt-to-Equity Ratio ²	0.21	0.33	0.09	0.15
Current Ratio ³	4.16	3.22	4.97	3.39

¹ Company refers to Latvijas Gāze group's sales & trading business only and, thus, does not include the results of the JSC "Gaso" which are consolidated on Group level

² Debt-to-Equity Ratio = Total Liabilities / Total Equity

³ Current Ratio = Current Assets / Current Liabilities



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Recent market developments

- Baltic Connector pipeline between Estonia and Finland started commercial operations on 1 January 2020
- Traders faced **congestion on Baltic Connector during January and February**
- Based on preliminary data natural gas **consumption in Latvia was below the long-term seasonal average** during January and February
- **Uncertainty** remains for all market participants **concerning the usage regime of the IUGS in 2020**
- European gas prices remain depressed and are lower in comparison to the same period in 2019

Short-term market outlook

- The currently mild winter, a prolonged influx of LNG into Europe and high storage levels across Europe **will continue to exert pressure on European gas hub prices**
- An economic downturn could further widen the gap between supply and demand
- Gas in Europe well positioned to replace coal in power generation in the current low price environment

Outlook 2020: Market, OPEX, CAPEX, Financials

Market

- Ample supply of attractively priced LNG in the global gas market expected to persist
- Competition within Latvia as well as across borders will **increase and further exert pressure on margins**
- Start of Baltic Connector and the single regional market zone create **new market opportunities**
- Latvijas Gāze plans to **explore additional markets** and will **analyze opportunities for expanding its business into new segments**

Operating Expenses (OPEX) and Investments (CAPEX)


- The sales & trading segment **delivered on its promise to reduce OPEX by 15%** year-on-year
- **Cost discipline to be continued** with further cost savings to be implemented where possible
- **Investments in 2020 clearly geared towards** a further improvement in the **efficiency and effectiveness of customer care processes** and strengthening of the company's core business
- Investments of the JSC Latvijas Gāze planned for 2020 lower than CAPEX in 2019

Financials

- The Group's **financial planning for 2020 reflects the overall challenging market environment**
- Based on current planning and market developments full-year result for 2020 expected to be slightly below the group's 2019 result

Financial Calendar 2020



26 Feb. 2020	Publication of 12 months 2019 unaudited financial statements 
30 March 2020	Extraordinary Meeting of Shareholders
1 April 2020	Publication of audited full year financial statements 2019
27 May 2020	Publication of 3 months unaudited financial statements (Q1)
26 Aug. 2020	Publication of 6 months unaudited financial statements (Q2)
25 Nov. 2020	Publication of 9 months unaudited financial statements (Q3)



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