



JSC Latvijas Gāze

9 Months Results 2019

- Webinar -



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JSC Latvijas Gāze

Riga, 29 November 2019



Agenda



1 Key market developments during the 9 months period in 2019

2 Financial results for the 9 months period in 2019

3 Outlook Full-Year 2019

4 Questions & Answers



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Global and regional gas market developments

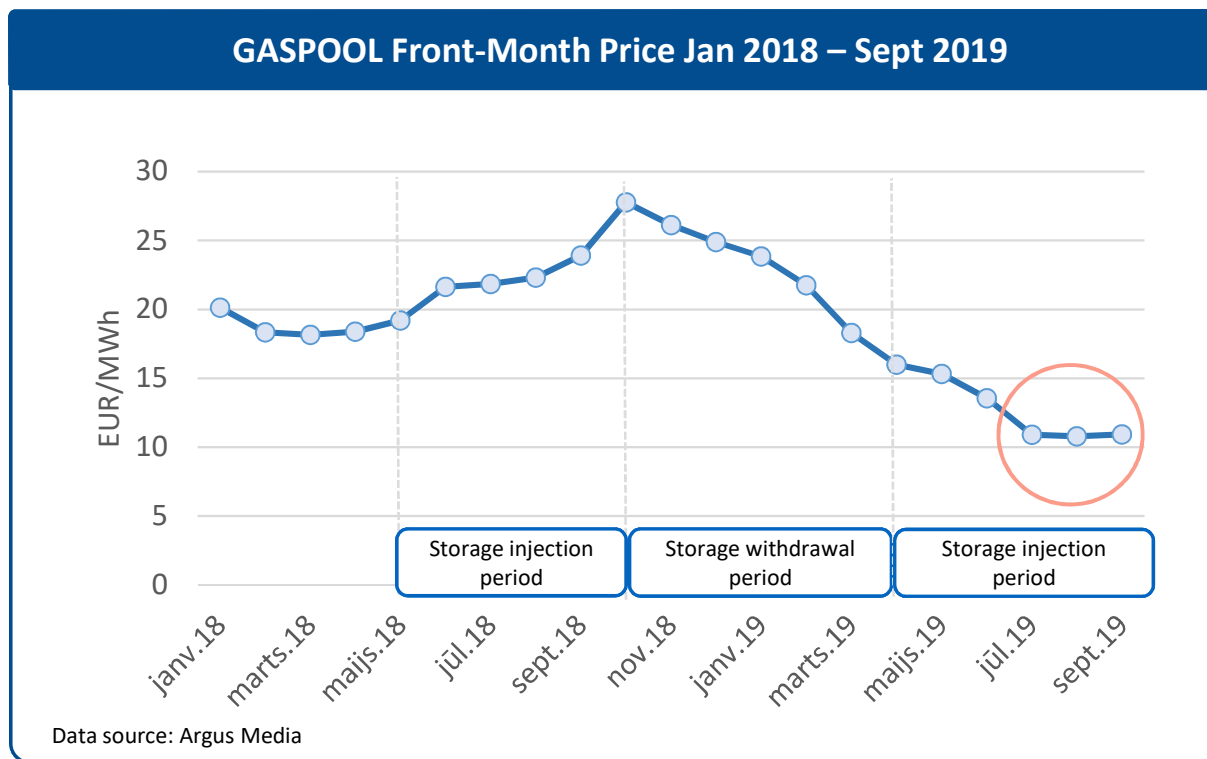


Key trends and developments in the global and regional natural gas market during Q3 2019

- After a significant drop during the first half of the year **natural gas prices stabilized during Q3**
- Healthy **summer-winter spreads drove storage injections** across whole Europe
- Natural gas traders wanting to inject gas into the Inčukalns Underground Gas Storage faced congestion during August, September and October
- Favorable sparks spreads continued to support **strong demand for gas in the power generation** segment also during Q3
- Attractively priced **LNG continued to arrive at the LNG terminal in Klaipeda** during Q3
- **Preparations for the creation of a single regional market zone** comprising Latvia, Estonia and Finland as of 1 January 2020 further advanced



After a significant drop during the first half of 2019 European hub gas prices stabilized during Q3



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



However, short-term market prices (e.g. within day) remained highly volatile



Source: Refinitiv

TTF near-curve jumps

Dutch near-curve contracts climbed sharply on Tuesday, as EdF identified flaws in its nuclear reactors that could force plants off line and as the Dutch economy ministry finalised plans to sharply reduce Groningen production next gas year.

Source: Argus European Natural Gas, Argus Media



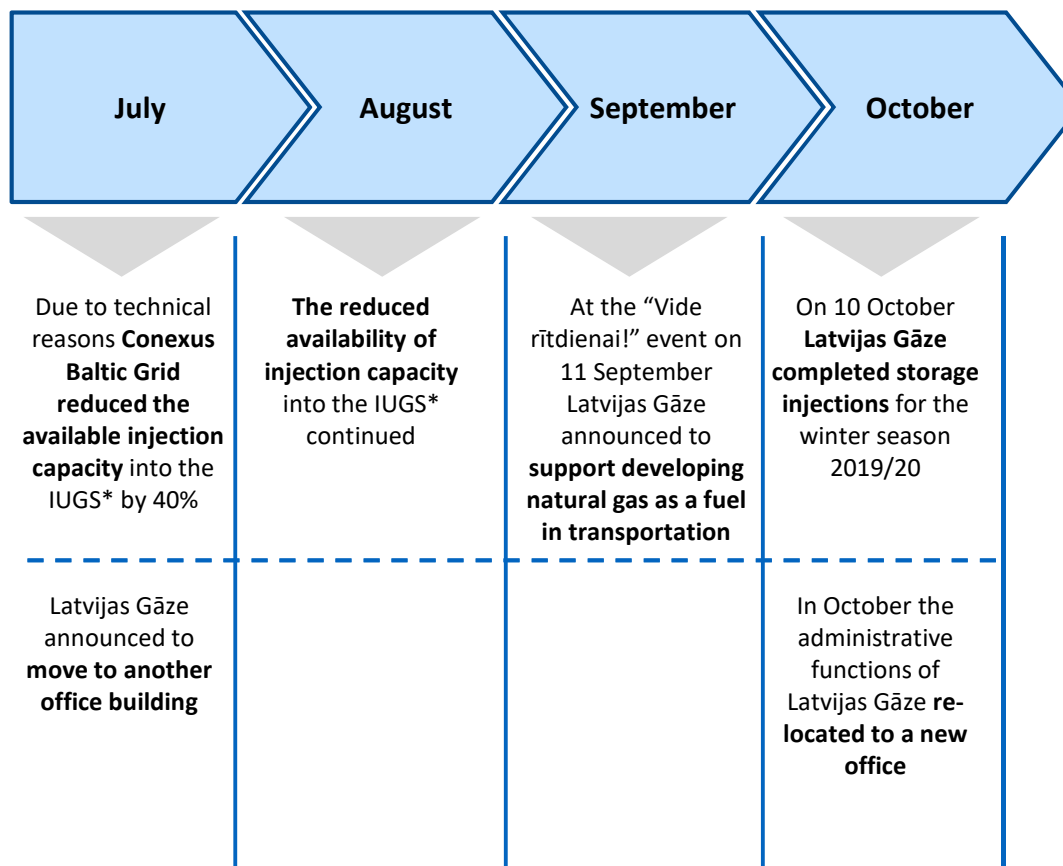
Source: Refinitiv

Coordinated strikes knock out half of Saudi oil capacity, more than 5 million barrels a day

Source: CNN Business News



Selected key events during the period July - October 2019 impacting the operations of Latvijas Gāze Group



* Inčukalns Underground Gas Storage



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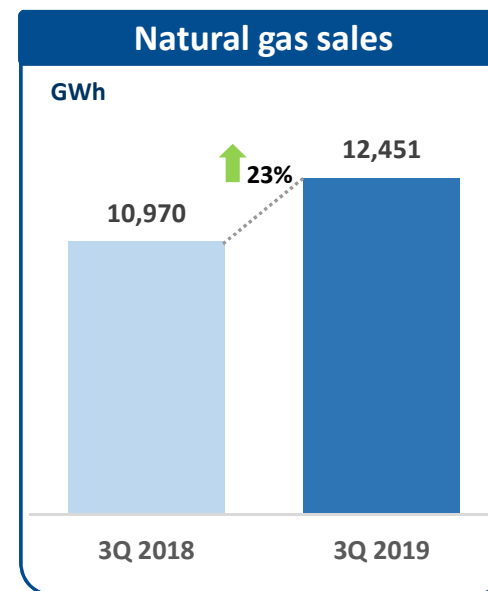
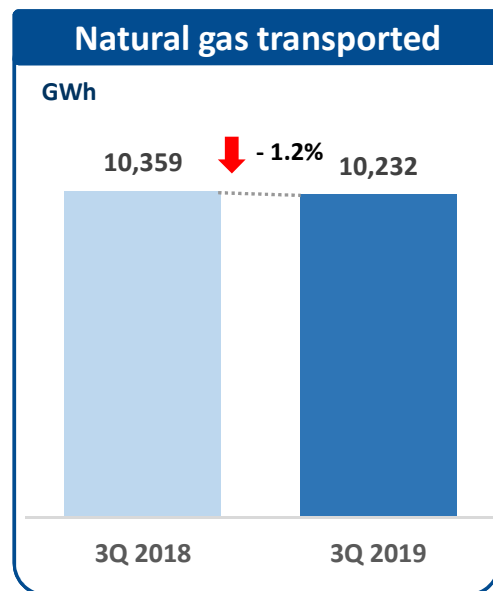
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After a slow start in H1 2019 the distribution segment caught up in Q3 - sales & trading increased sales by 23% year-on-year



Distribution Segment

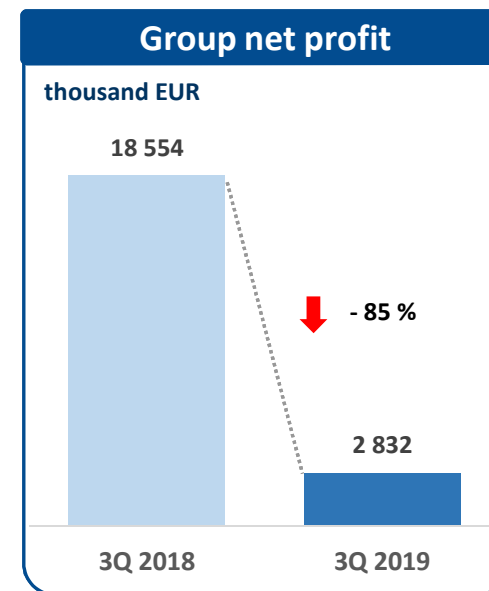
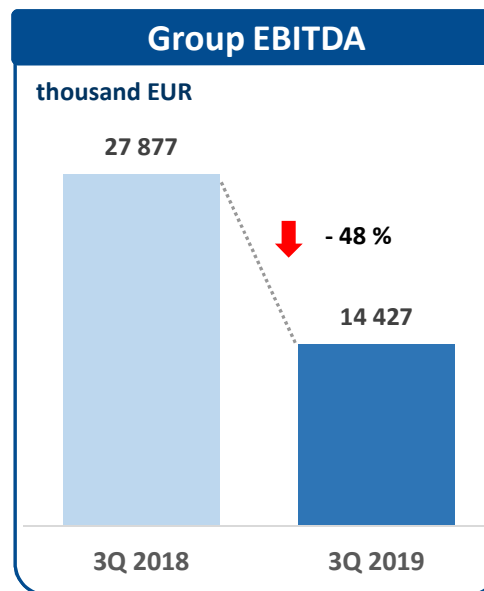
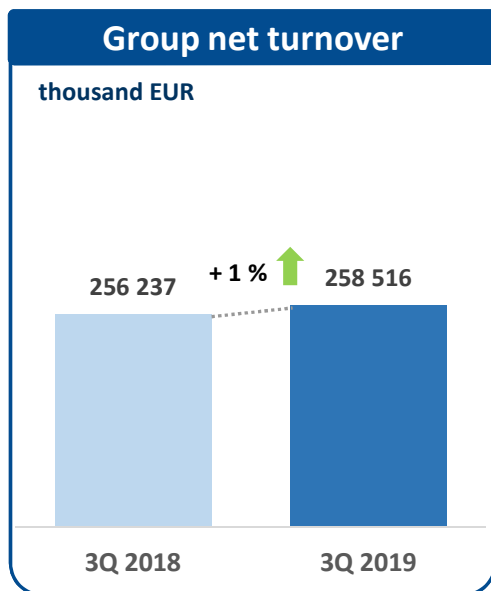
- After a drop in natural gas quantities transported through the gas distribution network in Latvia during H1 2019, higher gas consumption during the third quarter almost pushed quantities to the previous year's level

Sales & Trading Segment

- Strong sales to newly acquired customers in Estonia, strong gas demand from the power generation segment and customers injecting gas into storage were the key drivers behind the segment's growth in sales



Although the Group's turnover was stable EBITDA and net profit for the reporting period dropped significantly year-on-year



Distribution Segment

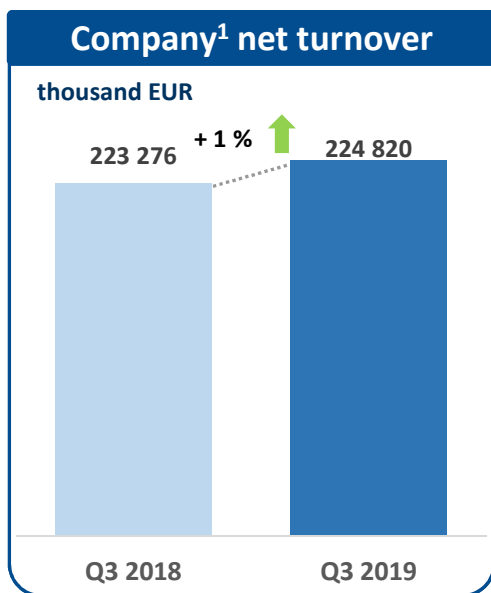
- The segment's assets had a worth of 263 million EUR and constituted 75% of the Group's total assets
- The segment's turnover was on previous year's level and amounted to 35.4 million EUR
- Net profit amounted to 5.6 million EUR for the reporting period, which was 3% lower than a year before

Sales & Trading Segment

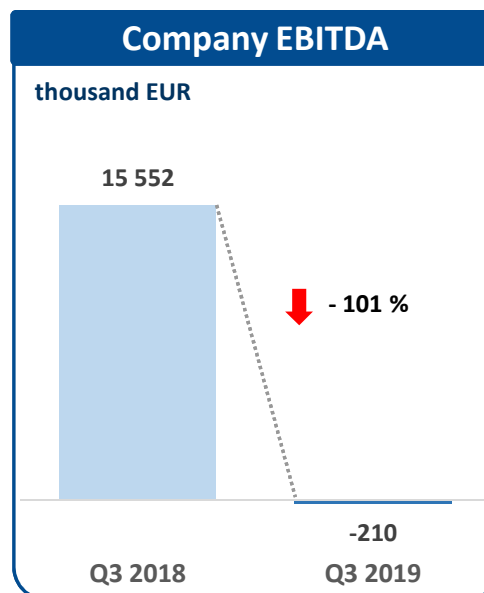
- The segment's assets had a worth of 114 million EUR mainly consisting of gas in storage and cash
- The segment's turnover amounted to approx. 223 million EUR and increased by 1% year-on-year
- Overall the segment closed the reporting period with a loss of 3.1 million EUR (loss after 1H 2019 amounted to 4.1 million EUR)



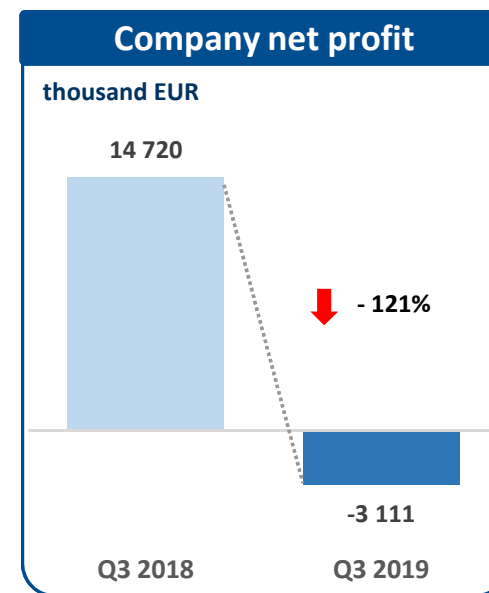
Despite a year-on-year growth in sales Latvijas Gāze still accumulated an operating loss during the reporting period



- Due to significantly lower market prices the net turnover of the sales & trading segment does not reflect the growth in sales



- Several unfavorable factors continued to weigh on the sales & trading segment's operations and resulted in negative earnings (EBITDA)

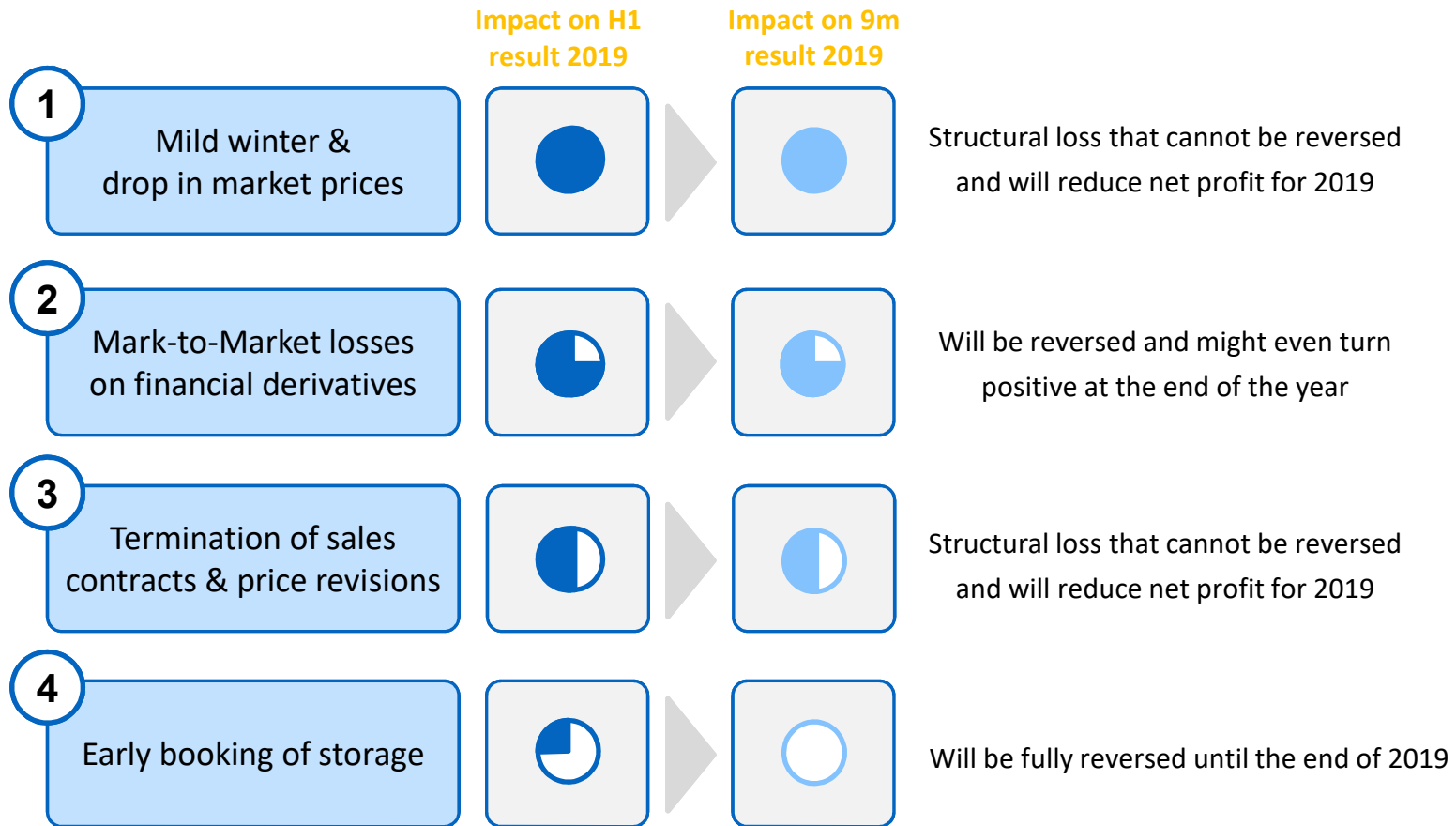


- Negative earnings and Corporate Income Taxes on dividends resulted in a loss of the sales & trading business for the reporting period

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



However, as projected the operating loss posted after the first half of 2019 could already be slightly reduced during Q3



Apart from the reversals starting to kick-in, Latvijas Gāze during Q3 managed to improve the operating result through additional cost savings as well additional sales deals.



Latvijas Gāze Group maintains a healthy Balance Sheet and liquidity position



Balance Sheet				
	Group	Group	Company ¹	Company ¹
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
ASSETS	377,328	412,479	310,729	351,519
Total non-current assets	244,743	245,135	201,693	198,729
Total current assets	132,585	167,344	109,036	152,790
LIABILITIES & EQUITY	377,328	412,479	310,729	351,519
Equity	291,340	310,355	281,332	306,388
Non-current liabilities	46,940	50,089	166	125
Current liabilities	39,048	52,035	29,231	45,006

Selected Financial Ratios				
	Group	Group	Company ¹	Company ¹
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Debt-to-Equity Ratio²	0.30	0.33	0.10	0.15
Current Ratio³	3.40	3.22	3.73	3.39

¹ Company refers to Latvijas Gāze group's sales & trading business only and, thus, does not include the results of the JSC "Gasol" 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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Outlook Full-Year 2019



Short-term market outlook

- Overall the European gas industry seems to be well prepared for the upcoming winter season
- However, some uncertainties concerning potential supply shortages remain (e.g. pending transit conflict between Ukraine and Russia, temperature developments in Europe and Asia, gas production in the Netherlands)
- In general market prices are expected to remain volatile, with stronger price jumps conceivable in case of physical supply shortages

Outlook on Group FY 2019 result

- Latvijas Gāze is **committed to improve the sales & trading result** during Q 4 2019
- **The Cost savings program** to bring down OPEX in 2019 by 15% year-on-year is well on track
- Mark-to-market losses will be matched by income from physical supply contracts starting as of late October
- Due to the chosen portfolio optimization strategy Latvijas Gāze expects healthy profits during Nov./Dec. in its sales & trading business
- Despite the operational loss in the sales & trading segment during the 9 months period **Latvijas Gāze projects a positive FY 2019 result for the segment as well as on group level**



Latvijas Gāze Group Financial Calendar 2020



26 Feb. 2020	Publication of 12 months 2019 unaudited financial statements
1 Apr. 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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