



JSC Latvijas Gāze

*Unaudited results for Q1 2020
- Webinar -*



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JSC Latvijas Gāze

Rīga, 28 May 2020

Agenda



1 Key market developments in Q1 2020

2 Financial results in Q1 2020

3 Outlook 2020

4 Questions & Answers





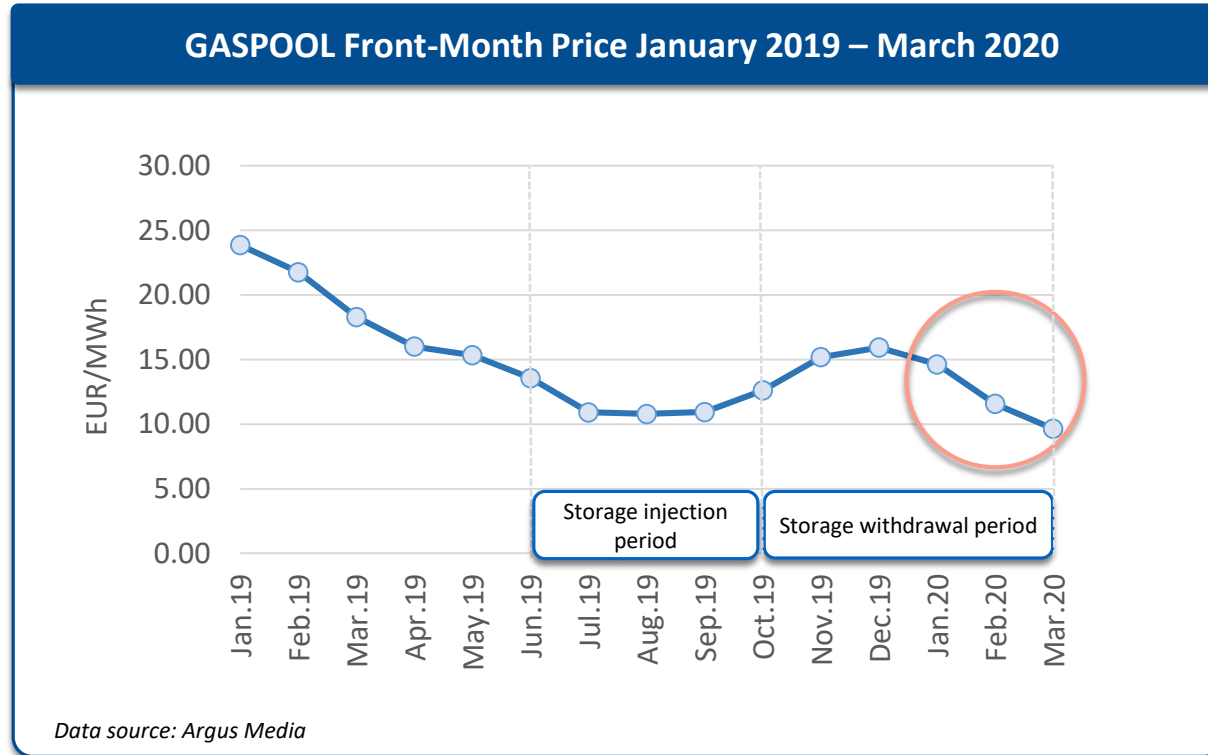
1	Key market developments in Q1 2020
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Key trends and developments in the global and regional natural gas market during Q1 2020

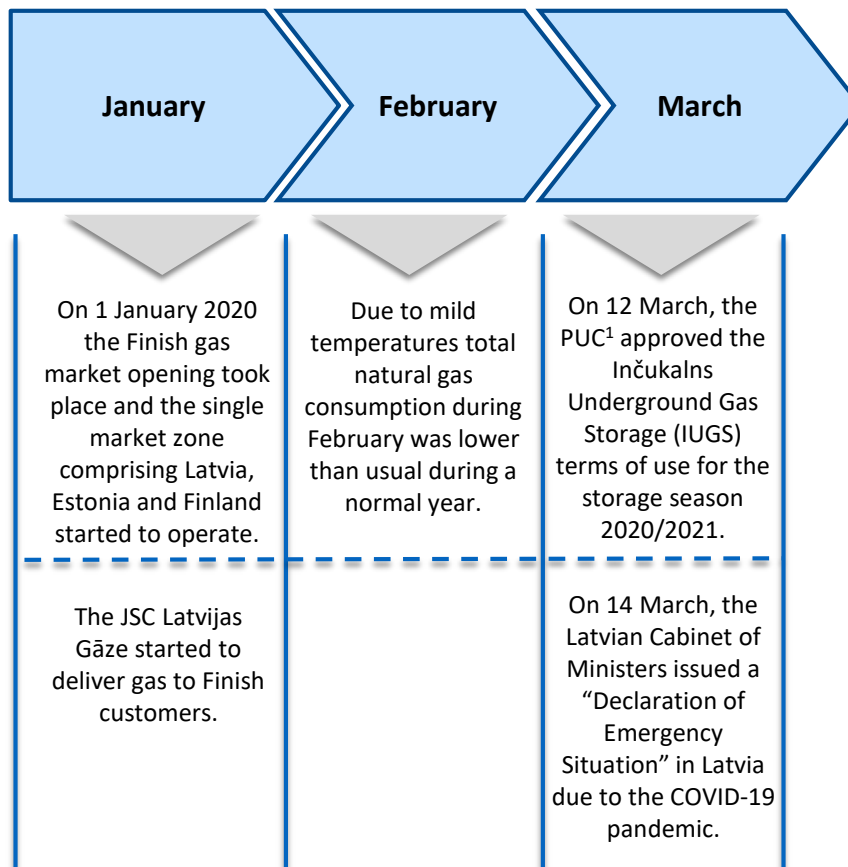
- Mild temperatures during the first three months of the year and the spread of the coronavirus led to **lower than usual global gas demand during this period of the year**
- Global **availability of natural gas supplies remained high** due to healthy storage levels and a continued inflow of LNG into Europe
- Subsequently, after a stabilization in the second half of 2019 **natural gas prices dropped significantly during Q1 2020**
- **On 1 January 2020 the Finish gas market opened for competition** and the single market zone consisting of Latvia, Estonia and Finland became operational
- During Q1 traders using the BalticConnector pipeline between Estonia and Finland faced significant congestion
- Far-reaching lockdown measures in connection with the worldwide spread of the **coronavirus forced market players to adjust their operations**

After a slight recovery during the second half of 2019 European hub gas prices dropped in Q1 2020



- After an upward trend of natural gas prices in European gas markets during the period August – December 2019, **the GASPOOL front month index in March 2020 continued to decrease**, reaching 9.63 EUR/MWh.

Selected key events during the period January - March 2020 impacting the operations of Latvijas Gāze Group



¹ Latvian Public Utilities Commission



Actions taken by Latvijas Gāze Group and first impact assessment of the coronavirus on the Group's operations



Overview of actions taken and first impact assessment

- **To protect its employees, customers and other stakeholders** from the spread of the coronavirus **Latvijas Gāze Group took several** measures including but not limited to:
 - Closure of contact centres for visitors; at least until the state of emergency is lifted the Group's contact centres can only be reached via phone or electronic means of communication
 - Suspension of business trips and meetings
 - Implementation of remote work places (i.e. working from home) where possible
 - Implementation of extended hygiene rules
- Latvijas Gāze Group fully **ensured business continuity as well as the uninterrupted supply** of natural gas to its customers during Q1
- Although the impact of the situation on natural gas consumption cannot yet be exactly quantified, **it is likely that the total gas demand in Latvia will be lower**
- The Group projects that there will be an **increase in accounts receivable due to delayed payments** by customers as well as an increase of customers being in default
- To manage actively the increased credit and liquidity risks resulting from the current situation the **Group has implemented additional risk management measures**



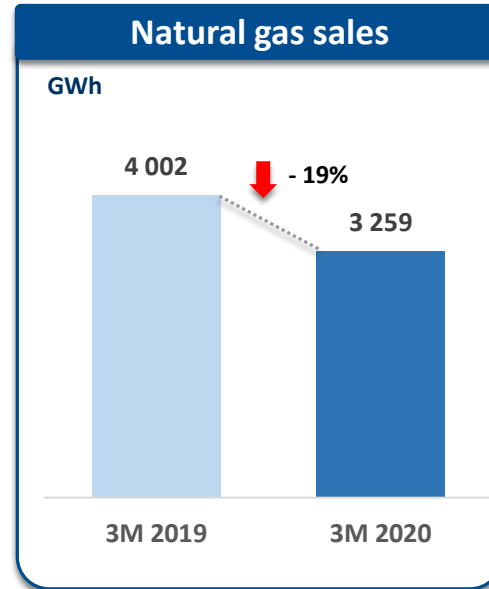
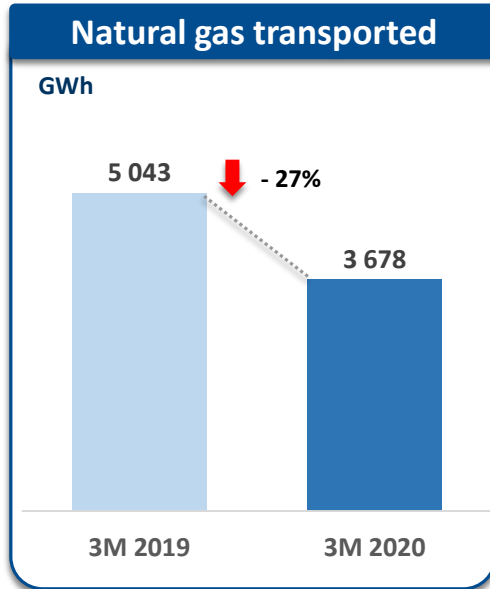
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Due to above seasonal normal temperatures volume indicators for both of the Group's segments dropped year-on-year



Distribution Segment

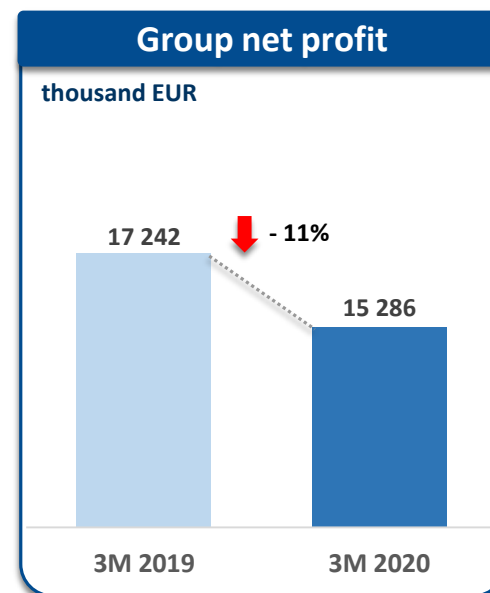
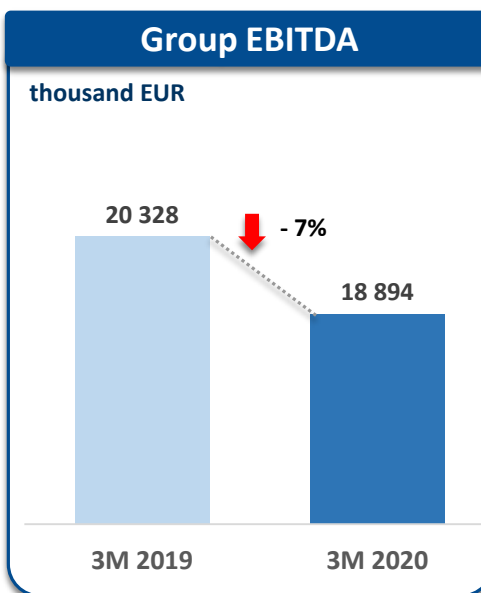
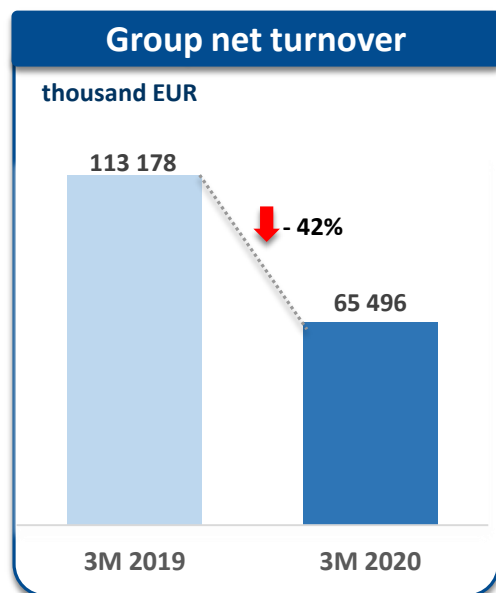
- Mild temperatures and the subsequent lower gas demand led to a 27% year-on-year decrease in the amount of natural gas transported through the gas distribution network in Latvia

Sales & Trading Segment

- A combination of above seasonal normal temperatures, lower natural gas demand in power generation as well as a number of larger customers having stored significant gas quantities in the IUGS in 2019 themselves led to a year-on-year drop in sales



Despite a challenging market environment the Group managed to maintain a solid profitability during Q1 2020



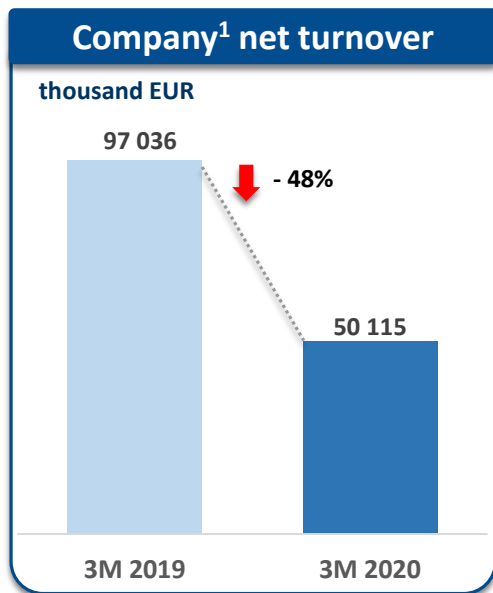
Distribution Segment

- The segment's assets had a worth of 333 million EUR and constituted 70% of the Group's total assets.
- The segment's turnover was 10% lower than in Q1 2019 and amounted to 15.4 million EUR.
- Profit before taxes decreased by 20% year-on-year and amounted to 5.7 million EUR in Q1 2020.

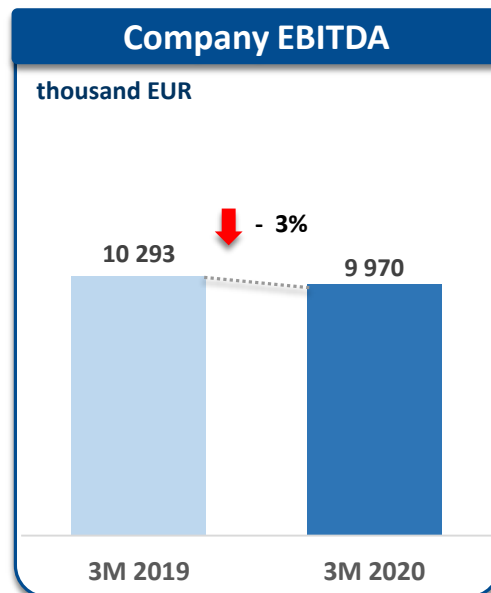
Sales & Trading Segment

- The segment's assets had a worth of 143 million EUR mainly consisting of trade receivables and cash.
- The segment's turnover amounted to 50 million EUR and decreased by 49%, compared to Q1 2019.
- Profit before taxes decreased by 5% year-on-year and amounted to 9.6 million EUR in Q1 2020.

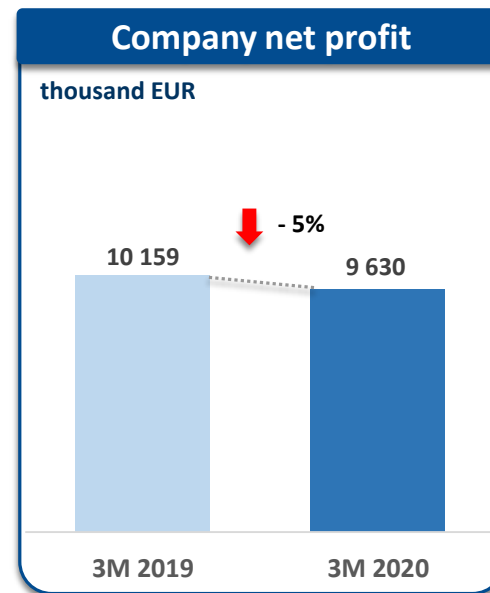
However, lower sales prices & quantities pushed the Company's key financial indicators in Q1 below the previous year's level



- A steep drop in market prices pushed the net turnover of the sales & trading business down by 48%, compared to Q1 2019



- Despite the significant drop in turnover, EBITDA was only 3% lower, compared to Q1 2019



- The Company's net profit decreased by 5%, compared to Q1 2019

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

A strong balance sheet and liquidity position provide stability to Latvijas Gāze during the times of the Corona crisis



Balance Sheet				
	Group	Group	Company ¹	Company ¹
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
ASSETS	475 592	464 238	337 877	330 210
Non-current assets	318 687	321 203	202 432	202 452
Current assets	156 905	143 035	135 445	127 758
LIABILITIES & EQUITY	475 592	464 238	337 877	330 210
Equity	398 997	383 711	313 807	304 177
Non-current liabilities	44 674	46 150	327	349
Current liabilities	31 921	34 377	23 743	25 684

Selected Financial Ratios				
	Group	Group	Company ¹	Company ¹
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Debt-to-Equity Ratio ²	0.19	0.21	0.08	0.09
Current Ratio ³	4.92	4.16	5.70	4.97

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 2020: Market, OPEX, CAPEX, Financials

Market

- **Global and regional demand likely to drop** from previous year's level due to mild winter and impact of the coronavirus; first forecasts see a drop in global demand of 5% year-on-year
- **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**
- Latvijas Gāze plans to **explore additional markets and new business opportunities**





Operating Expenses (OPEX) and Investments (CAPEX)

- **Cost discipline of previous years to be continued** with further savings to be implemented where possible
- OPEX in Q1 slightly below previous year's level
- Despite the Corona crisis Latvijas Gāze's investment program for 2020 is well on track
- **Investments in 2020 geared towards** a further improvement in the **efficiency and effectiveness of customer care processes** and strengthening of the company's core business

Financials

- **Impact of Corona crisis as well as lower demand** due to above seasonal average temperatures **expected to negatively weigh on the planned group's result for 2020**
- Despite additional risk management measures **Latvijas Gāze Group expects higher credit losses and provisions for bad debt due to the coronavirus situation**
- Profit generated during Q1 provides the Group with certain financial buffer for the remaining year; **annual Group result expected to be lower than planned but still positive**

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) 
25 June 2020	Annual Meeting of Shareholders
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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