



JSC “Latvijas Gāze” Webinar

Rīga, 26 August 2021



AGENDA

1. GAS MARKET

2. JSC “LATVIJAS GĀZE” GROUP RESULTS

2.1. Distribution segment results

2.2. Sales and trading segment results

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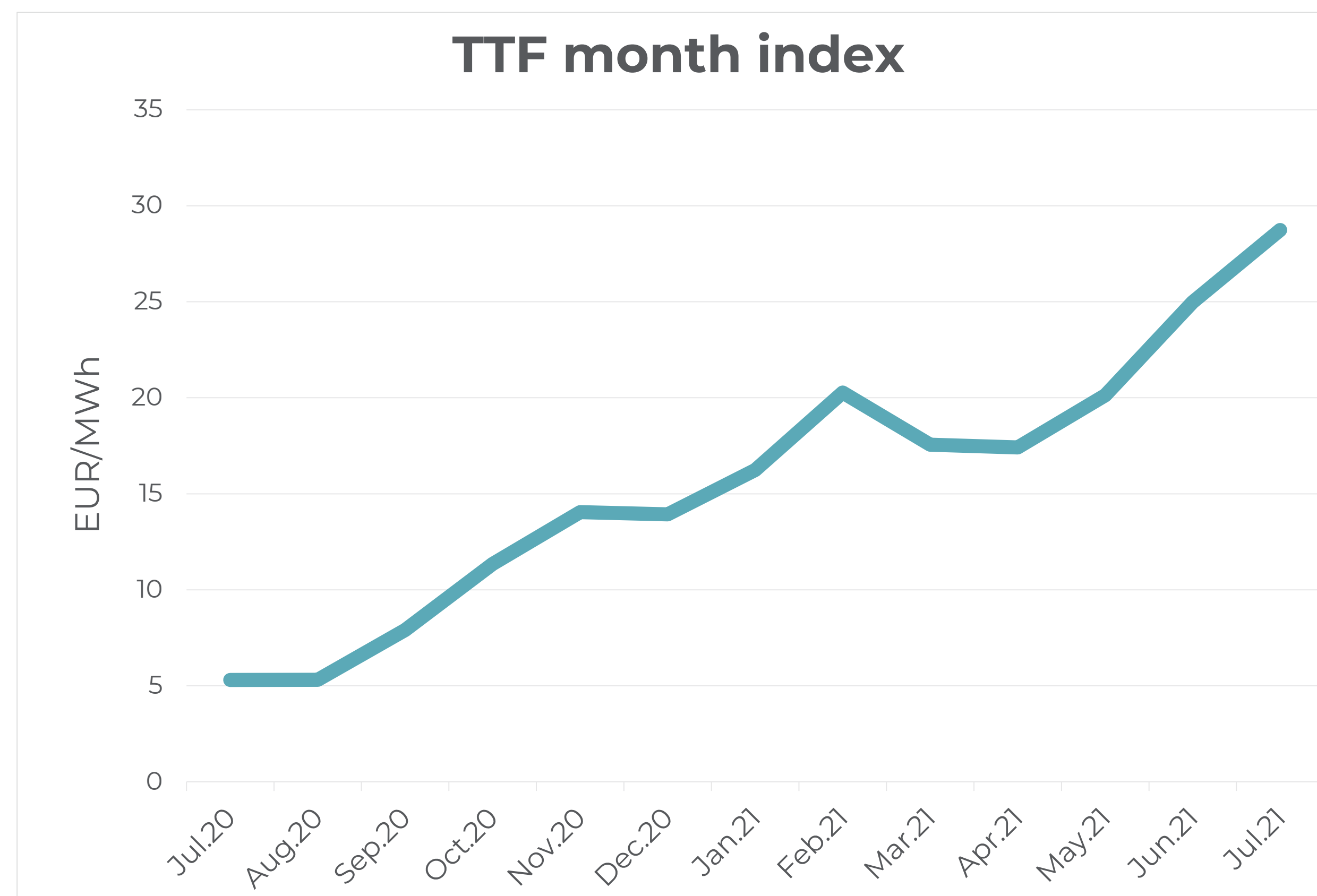
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GAS MARKET

Global gas market

BUST AND BOOM CYCLE

- Cold and prolonged winter in Europe
- Harsh weather in Asia
- Unplanned supply constraints – US LNG exports impacted by polar blast
- Natural gas inventories in Europe commenced the summer season below five-year average level
- Post pandemic gas demand continues to outstrip supply



Global gas market

EUROPEAN STORAGE LEVELS REMAIN BELOW THREE YEARS LEVEL

- LNG deliveries to Europe fell during first half of injection season as Asia provides better netback for LNG sales compared to Europe
- In 2021 European gas traders have less incentive to inject gas as winter-summer spread diminished
- Groningen gas field production in Netherlands continue to decline in line with Dutch government plan to end gas production at the field

Pushed winter price forwards 2021/2022 **above 40 EUR/MWh** during Q3

ALTHOUGH WINTER PRICE 2021/2022 IS STILL SUBJECT MAINLY TO:

- Weather
- Monetary policy tightening
- If such high price can be passed to consumer on long term basis

Regional gas market

- Bigger regional market comes with bigger competition
- Gas sales margins are depressed amid severe competition and continuously rising gas price
- Gas prices for market clients will be higher despite smaller trader's margin

High
gas prices

Increased
gas price
volatility

Thin
margins

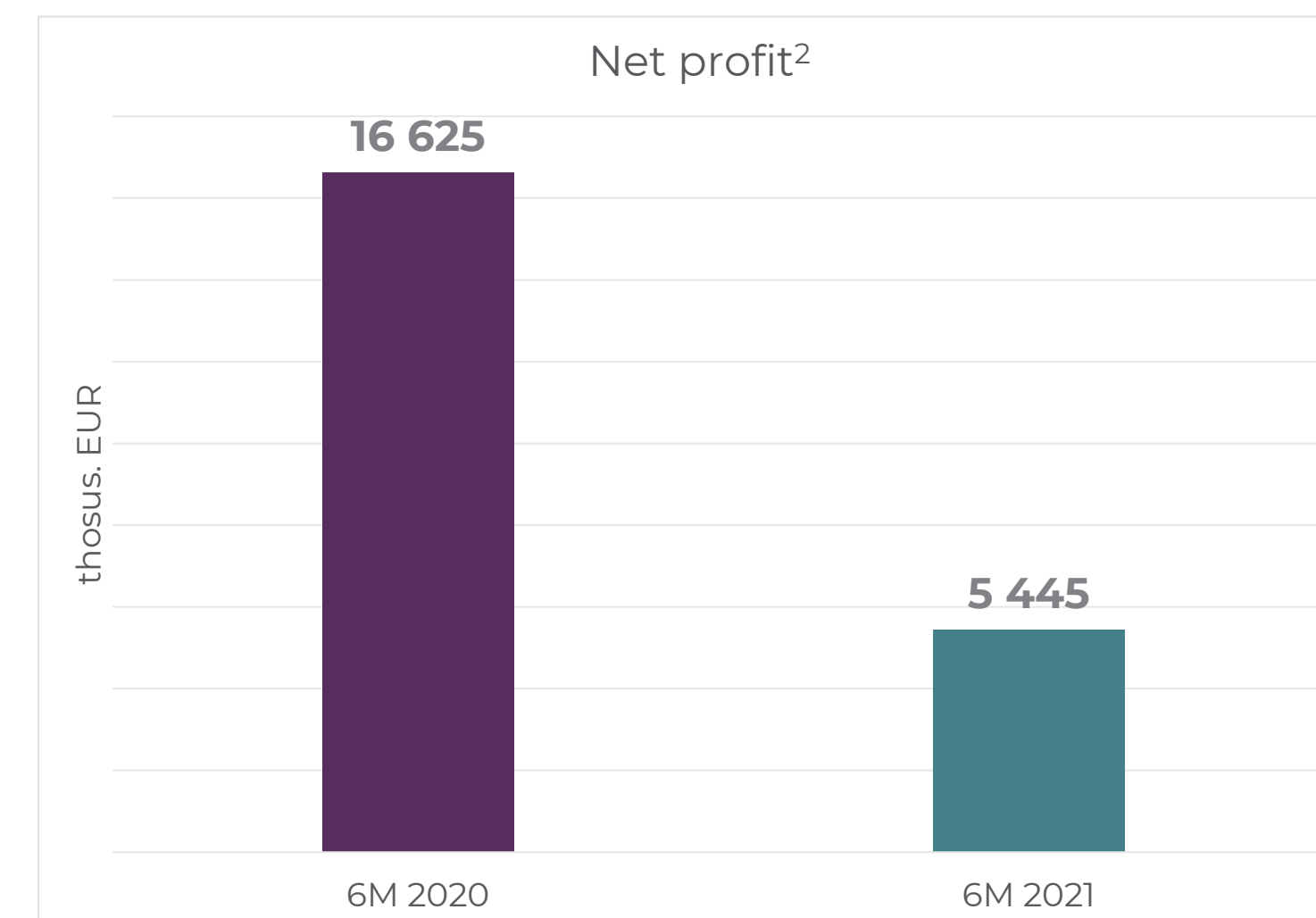
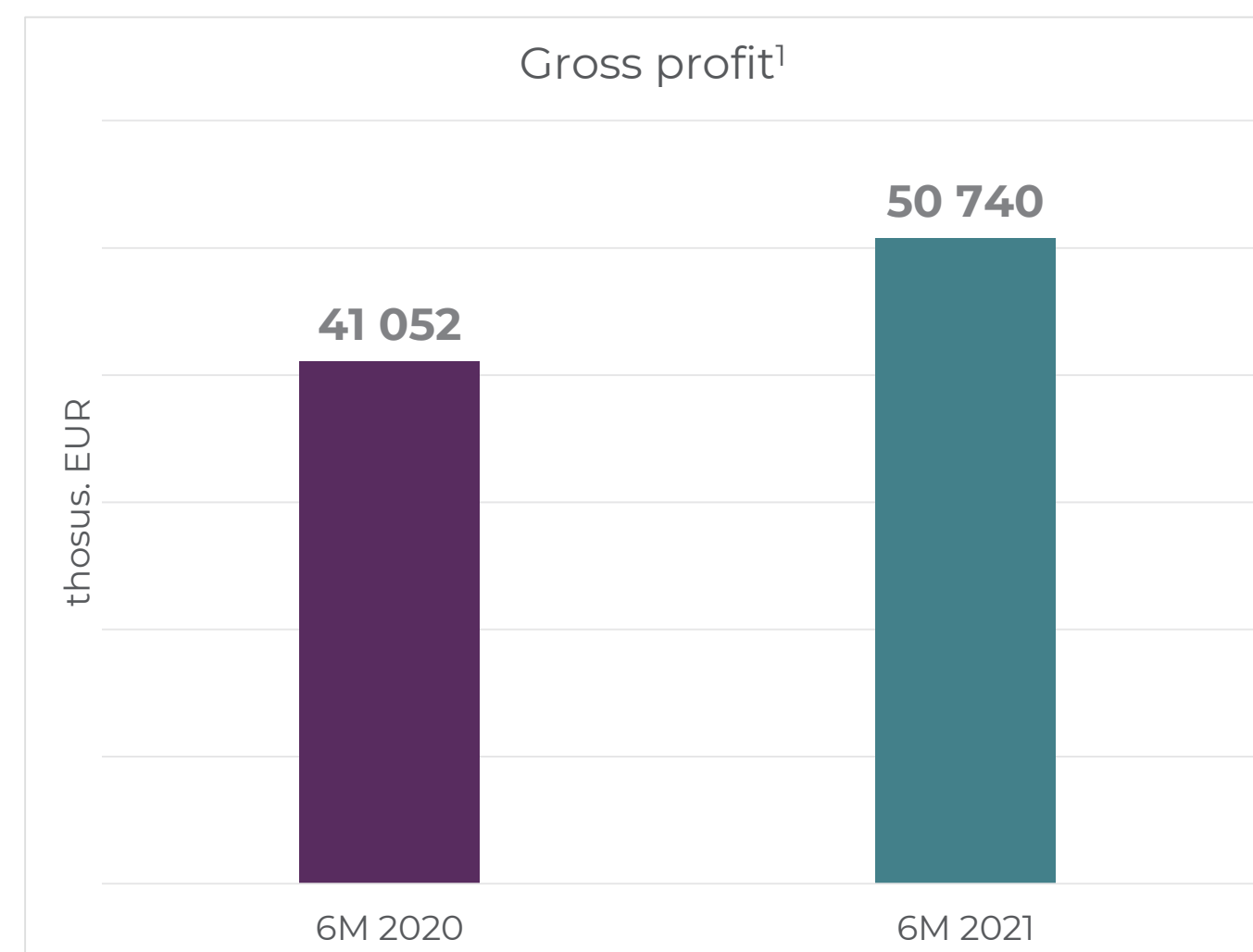
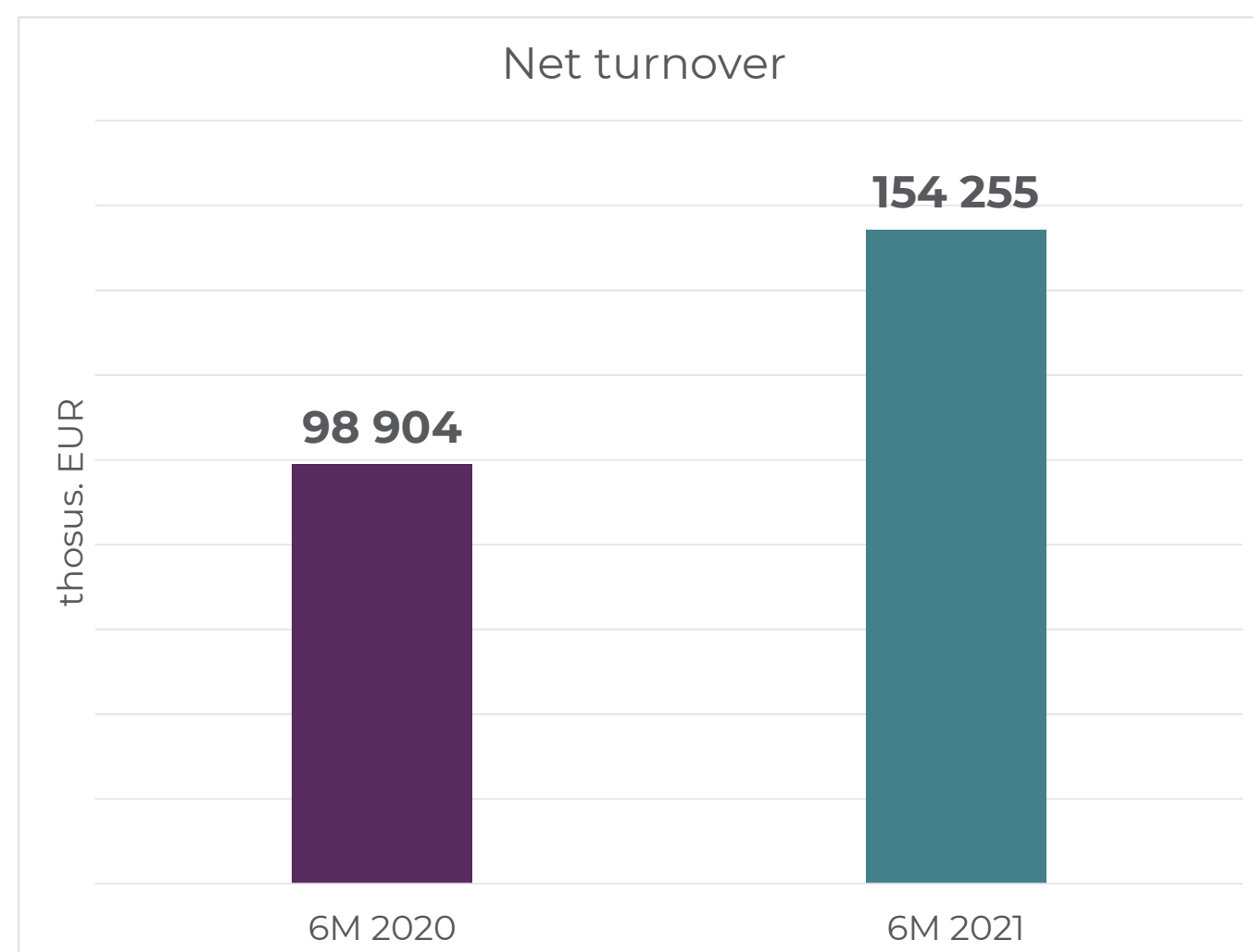
In the medium term gas sales industry will be consolidated around big trading companies with strong balance sheet



2

JSC “Latvijas Gāze” GROUP RESULTS

Group`s key financial figures



- Higher sales price
- Higher sales volumes
- Higher utilization of distribution network

- Net profit is negatively impacted by marked-to-market loss of derivatives that are related to future periods

¹Gross profit= Revenue from contracts with customers - Raw materials and consumables used

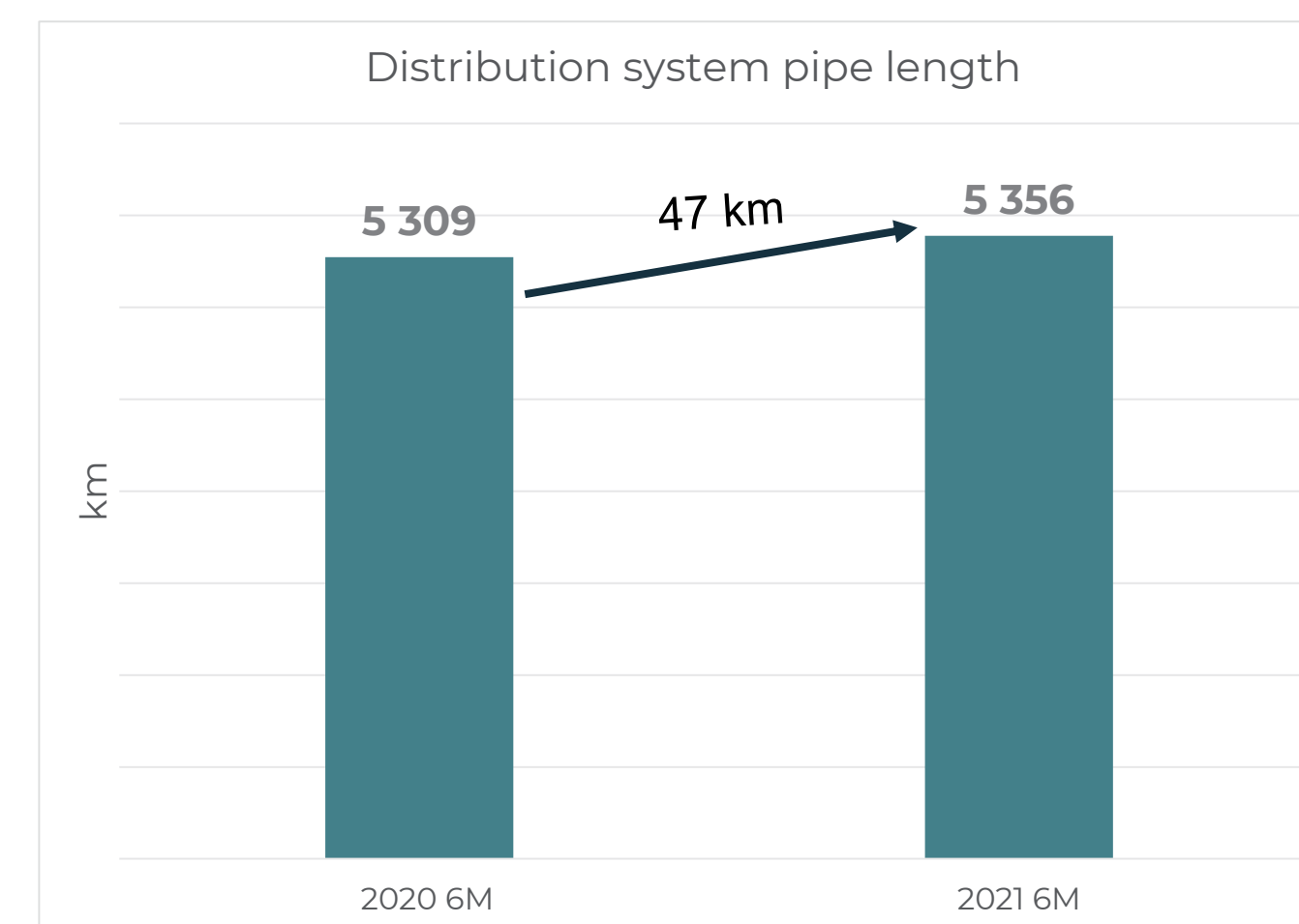
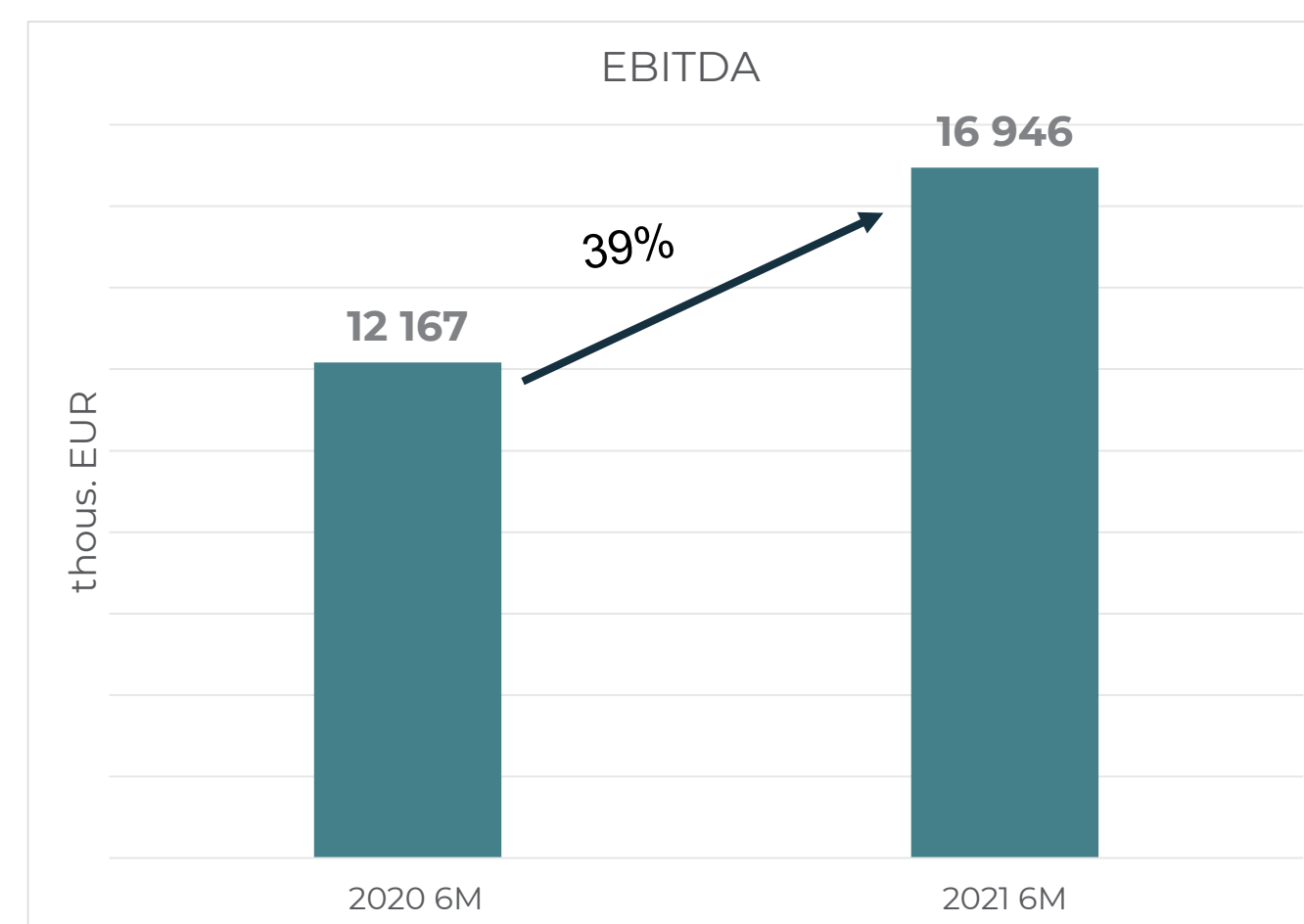
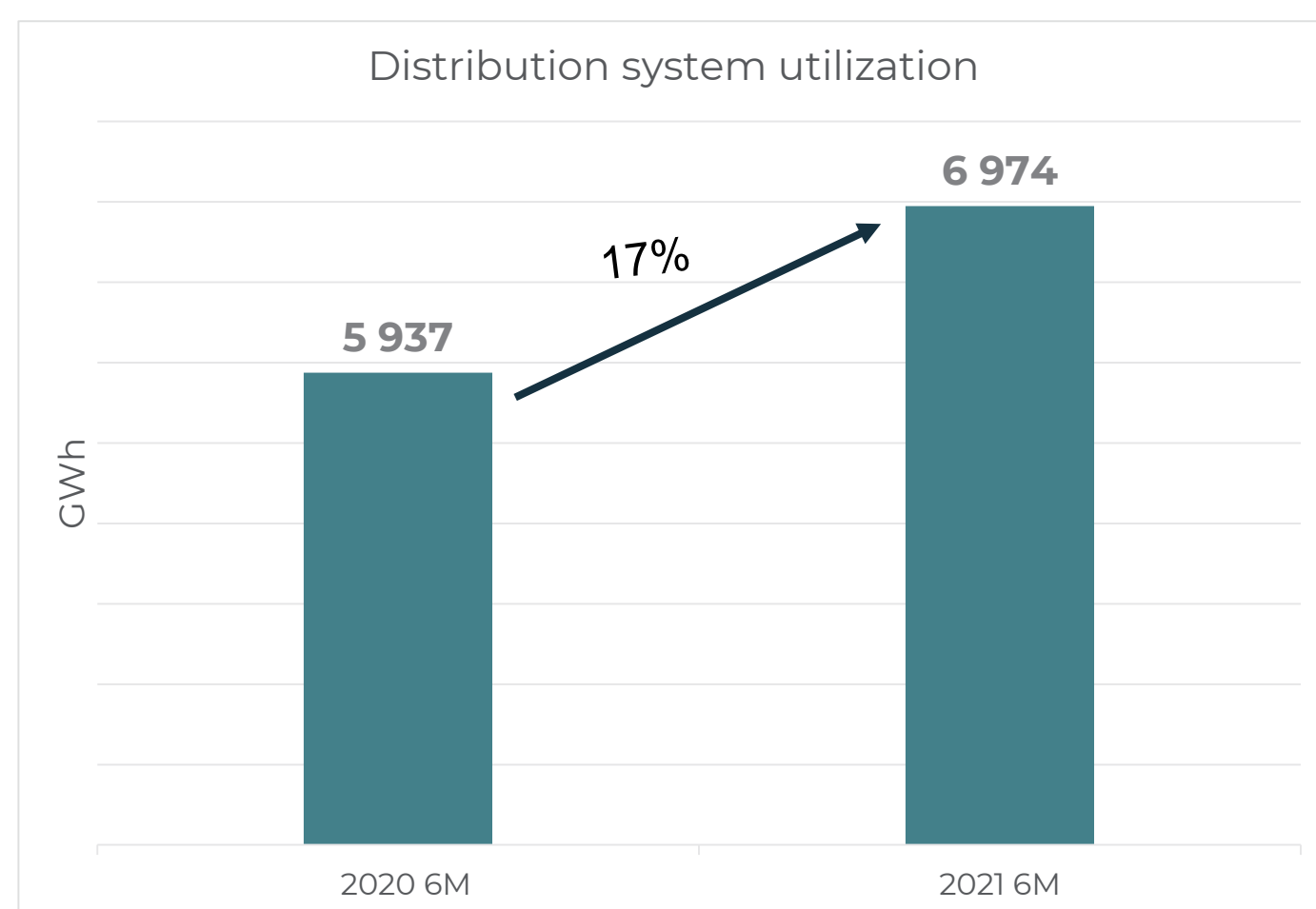
²JSC “Latvijas Gāze” measures derivatives at fair value and doesn’t implement hedge accounting

2.1.

DISTRIBUTION SEGMENT RESULTS



Distribution segment key financial figures

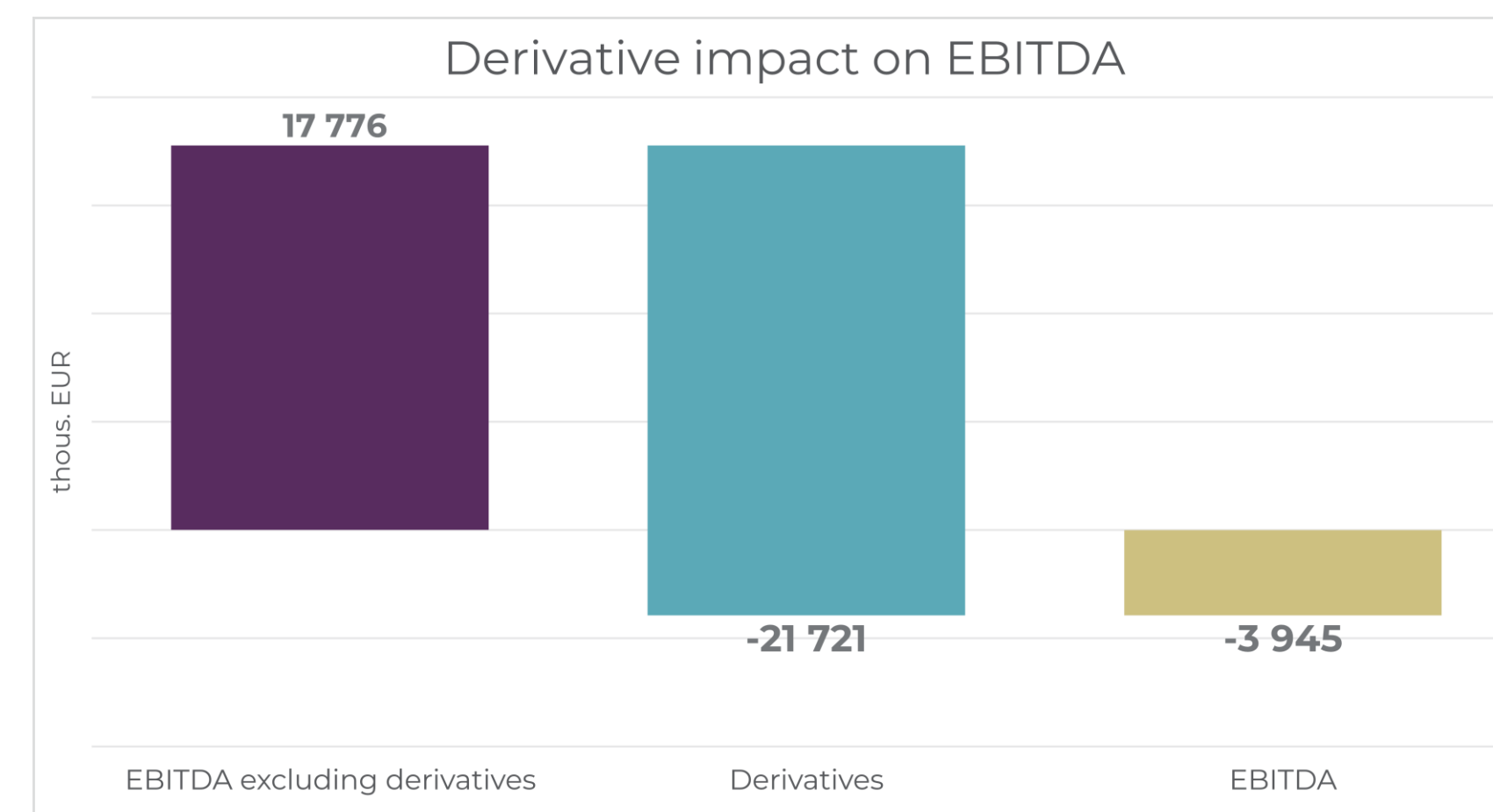
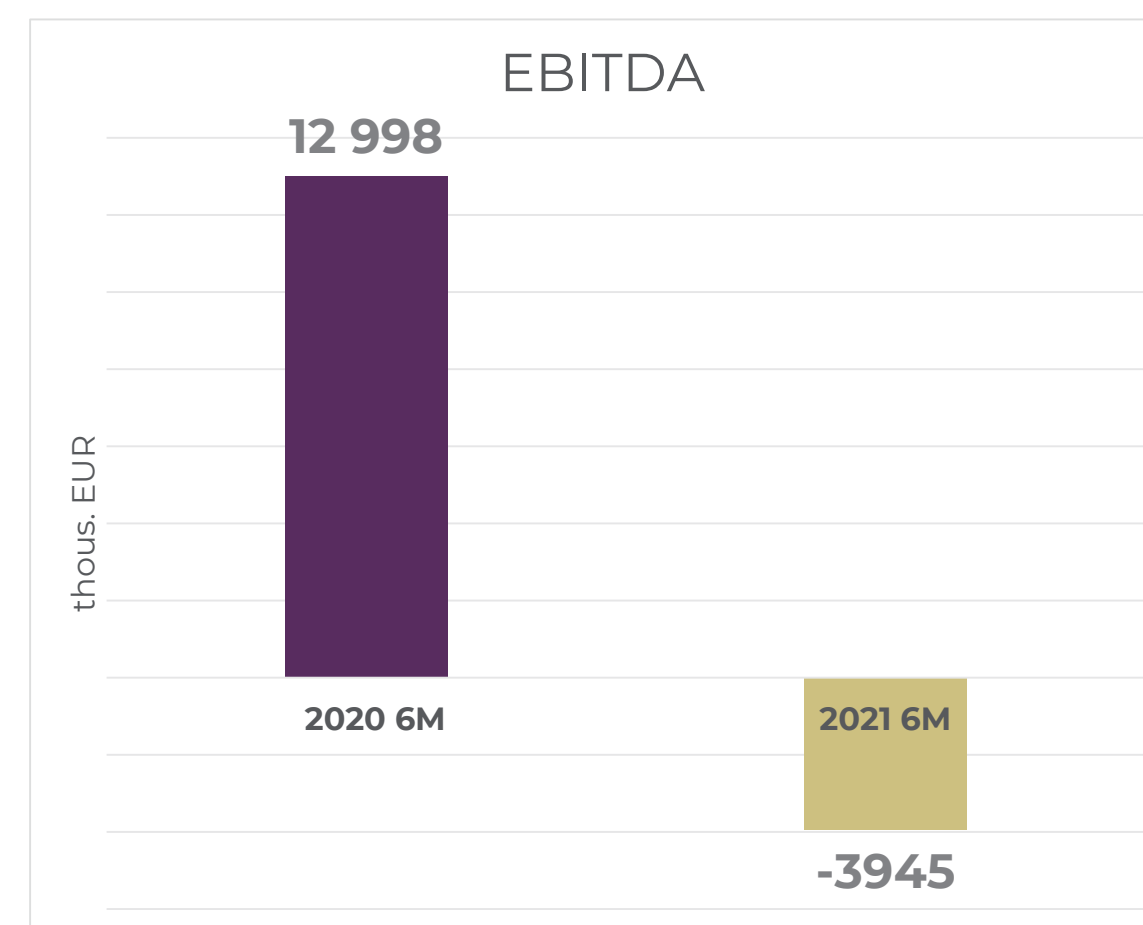
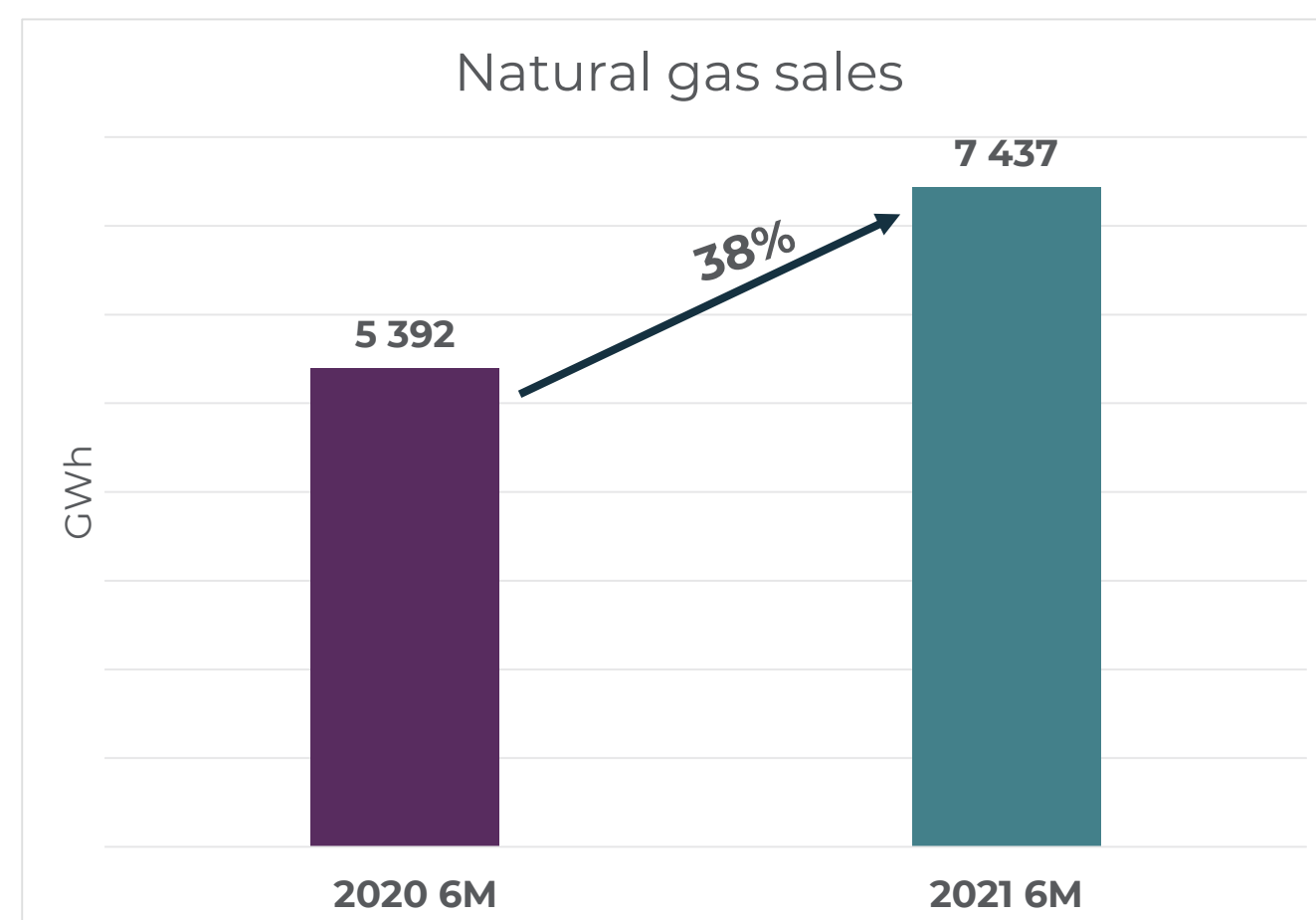


- Distribution segment is regulated by the Public Utilities Commission
- Harsh and prolonged winter increased utilization of distribution network
- Continued to develop a safe and available natural gas distribution infrastructure, with major investments made in construction and reconstruction of gas pipelines

2.2.

SALES AND TRADING SEGMENT RESULTS

Sales and trading segment key figures

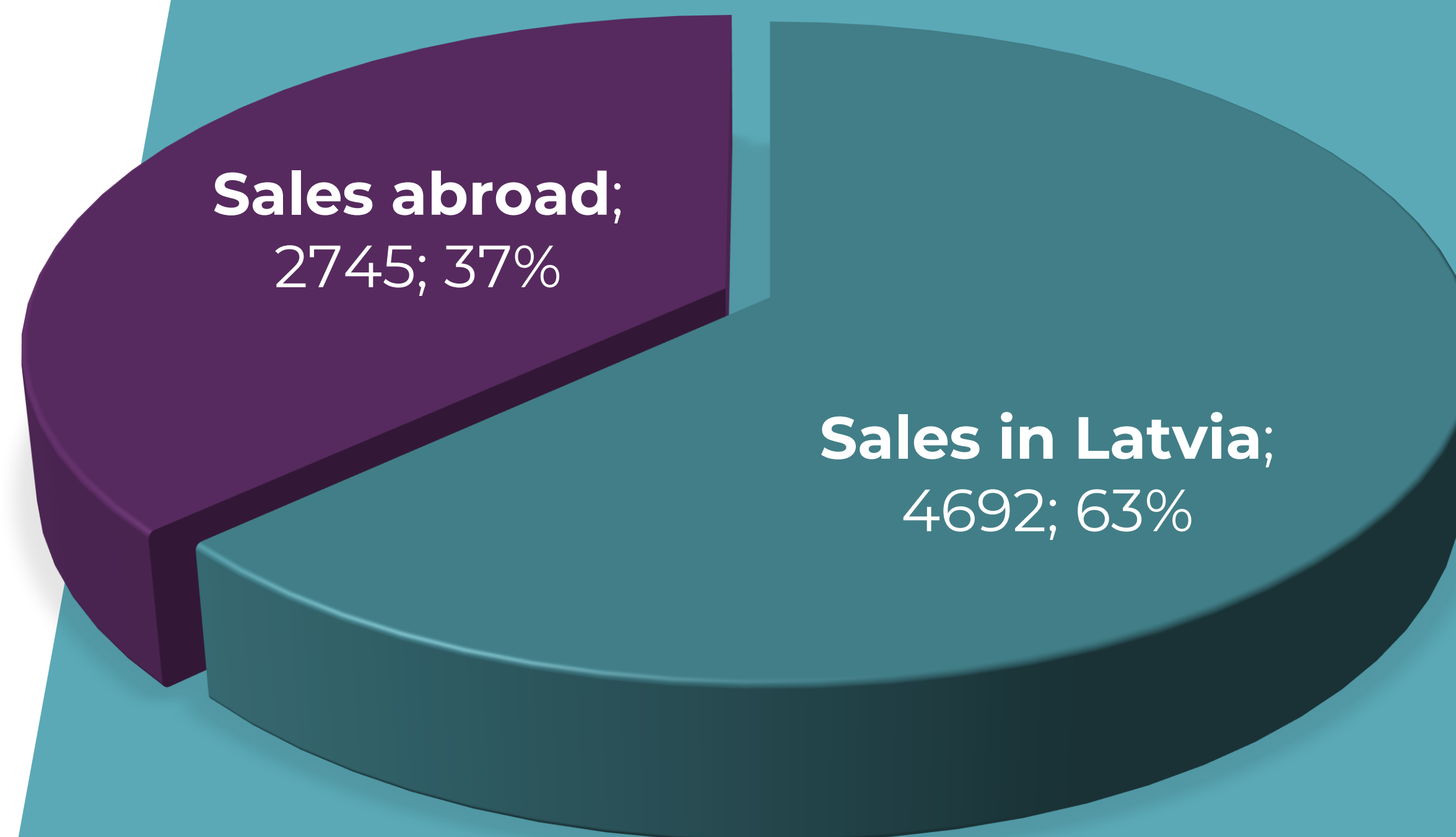


- Cold and prolonged winter increased gas consumption in the region
- EBITDA is impacted by marked-to-market loss of derivatives that are related to index-linked gas sales contracts in future periods
- JSC “Latvijas Gāze” measures derivatives at fair value and doesn’t implement hedge accounting
- Negative impact from derivatives will be compensated by higher gross profit in future periods once underlying assets are sold.

SALES AND TRADING SALES

JSC “Latvijas Gāze” successfully increased its share in sales abroad

Sales, GWh (2021)





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