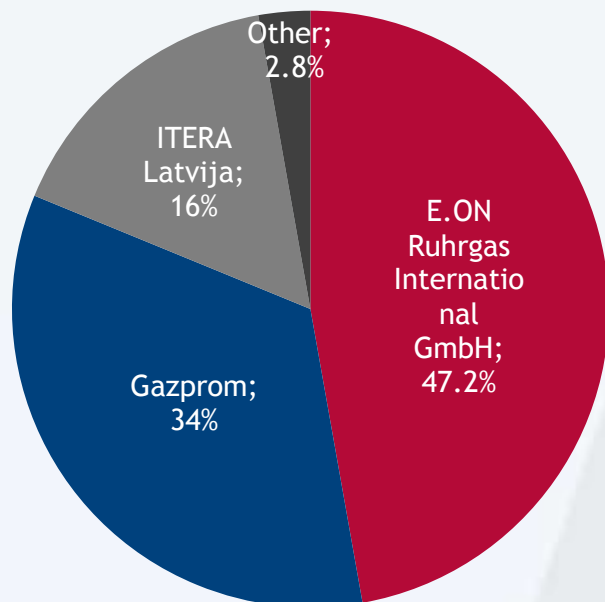


Business Areas and Finances

Zane Kotāne, Member of the Board
Riga, October 21, 2015

Shareholders of JSC “Latvijas Gāze”



- ✓ On stock exchange since 1999
- ✓ On 2nd Baltic list since 2008
- ✓ 2.8% of shares in active trading (10 million EUR capitalisation)
- ✓ 6th most valuable Latvian company in 2014
 - ✓ *TOP 101 by Nasdaq Riga and Prudentia*

✓ Investor relations

- Website
- Corporate governance reports
- Quarterly reports

✓ Goal of presentation

- To promote understanding in the company's business model

Key facts on JSC “Latvijas Gāze”

- ✓ Vertically integrated natural gas supply company
- ✓ Main business segments
 - Natural gas transmission (TSO)
 - Storage *Inčukalns UGS* (SSO)
 - Gas distribution (DSO)
 - Natural gas trade
- ✓ General figures
 - 1,267 employees
 - 443 thousand customers in Latvia
 - 1,242 km of gas transmission pipelines
 - 4,967 km of gas distribution pipelines
- ✓ Financial figures (2014)
 - Income - 503 million EUR
 - EBITDA - 69 million EUR
 - Assets - 748 million EUR
 - Non-current assets - 564 million EUR
 - Annual capex - 30 million EUR
 - 100% of capital financed
- ✓ Industry figures
 - Natural gas consumption in Latvia - 1.3 billion m³
 - Baltic peak consumption - 25-35 million m³ per day
 - 2.3 billion m³ possible to inject into *Inčukalns* storage

Inčukalns Underground Gas Storage Facility (IUGS)

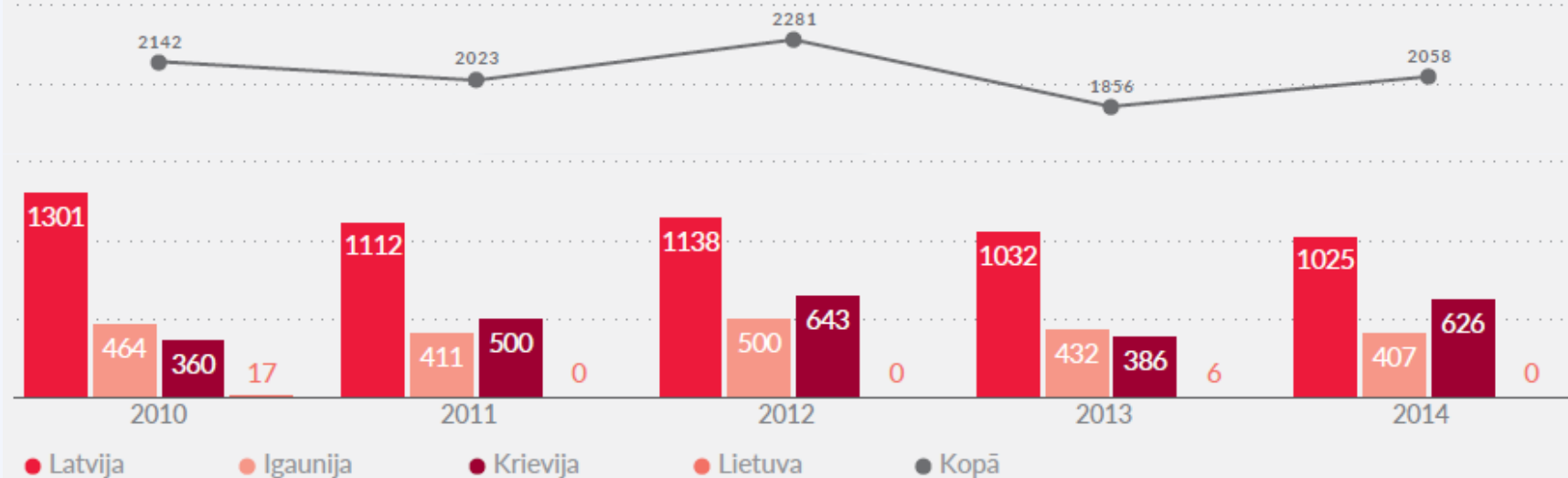
- ✓ In operation since 1968
- ✓ Technical characteristics
 - Total volume 4.445 billion m³
 - 2.3 billion m³ of active gas, i.e., available for regular withdrawal
- ✓ Regional stabiliser by design
- ✓ Principle of operation
 - Russian transmission system does not serve winter consumption
 - Injection from May till October
 - Withdrawal from October till April



Business segment - Storage

- ✓ Regulated business segment
- ✓ Latvian annual consumption in 2014 - 1.3 billion m³
- ✓ Free capacities in 2015 - 300 million m³
- ✓ Regular supply for Estonia and Russia
- ✓ Storage of reserves - Lithuania and Estonia
- ✓ Over 50% of income from foreign customers

DABASGĀZES PIEGĀDE NO INČUKALNA PGK (milj. m³)

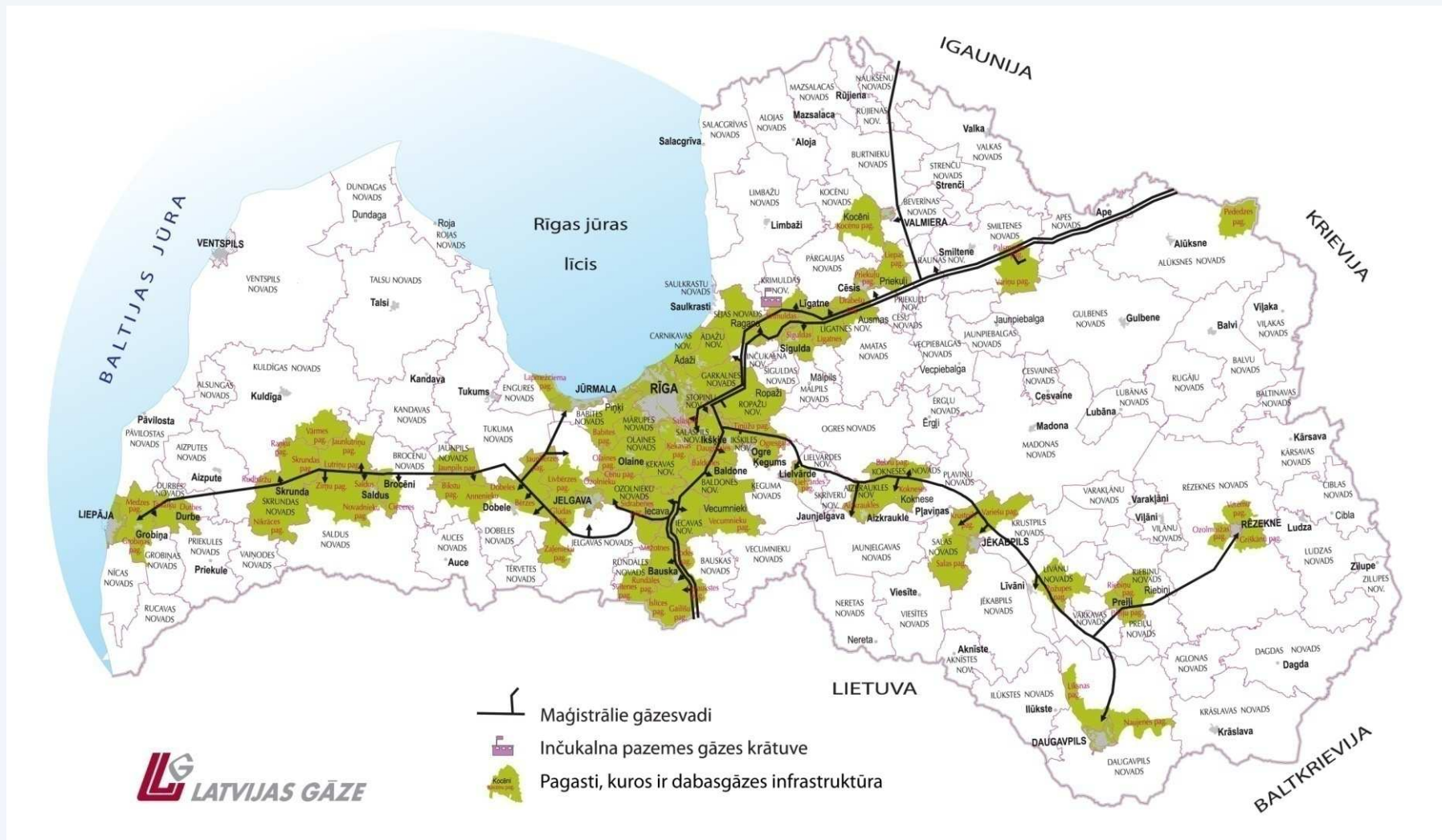


Business segment - Natural gas transmission



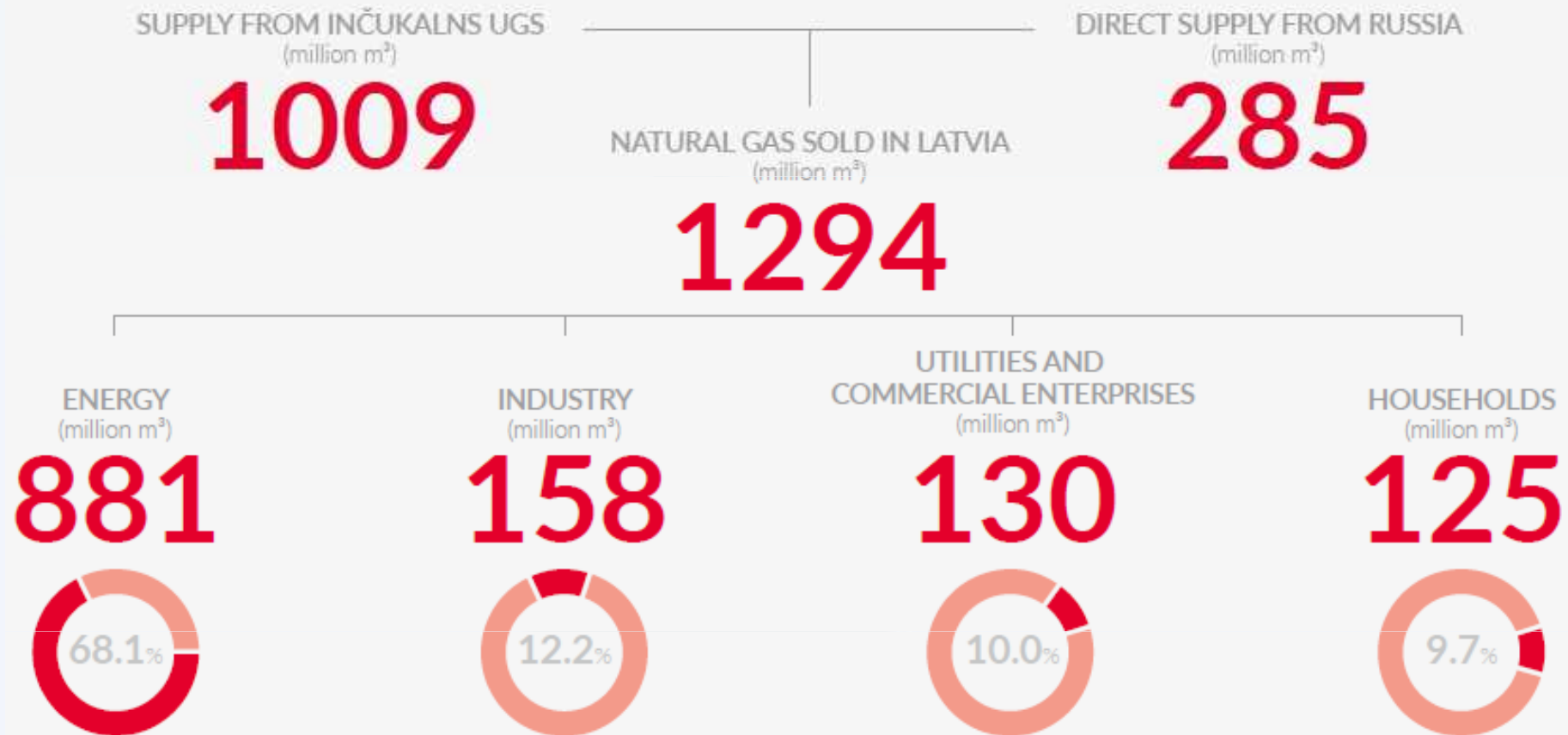
- ✓ Areas of activity
 - Maintenance of gas pipelines
 - Flow planning and permanent control
 - Provision of requested volume for distribution (40 gas regulation stations)
 - *Capacity booking (from November 1, 2015)*
- ✓ Cross-border transactions
 - More than 20% of transmission income
- ✓ Structure of income
 - Regulated operation
 - Currently determined by volume and average transportation distance

Business segment - Distribution and Trade (LV)



4,967 km of pipelines (50% in cities); 443 thousand customers; 30-40 km per year newly built; Concentration of new customers - 68% in vicinity of Riga

Distribution - Supplies to Latvia (2014)

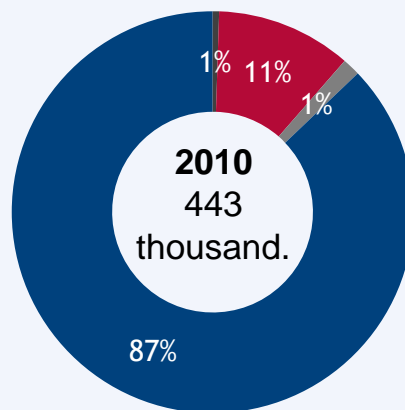
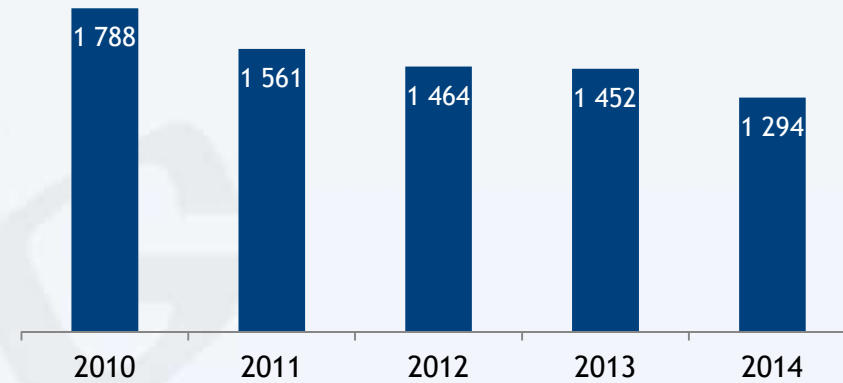


- ✓ 22% are direct supplies from Russia - rest taken from IUGS
- ✓ LV consumption substantially affected by air temperature

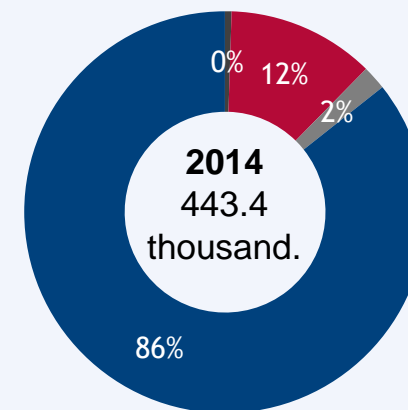
Trade - Customers in Latvia

- ✓ Steady number and structure of customers
- ✓ 87% of customers account for 2% of consumption
- ✓ Development in 2014
 - 1,211 new connections
 - 435 capacity increases
 - 64 new industrial customers
 - 5 cogeneration stations

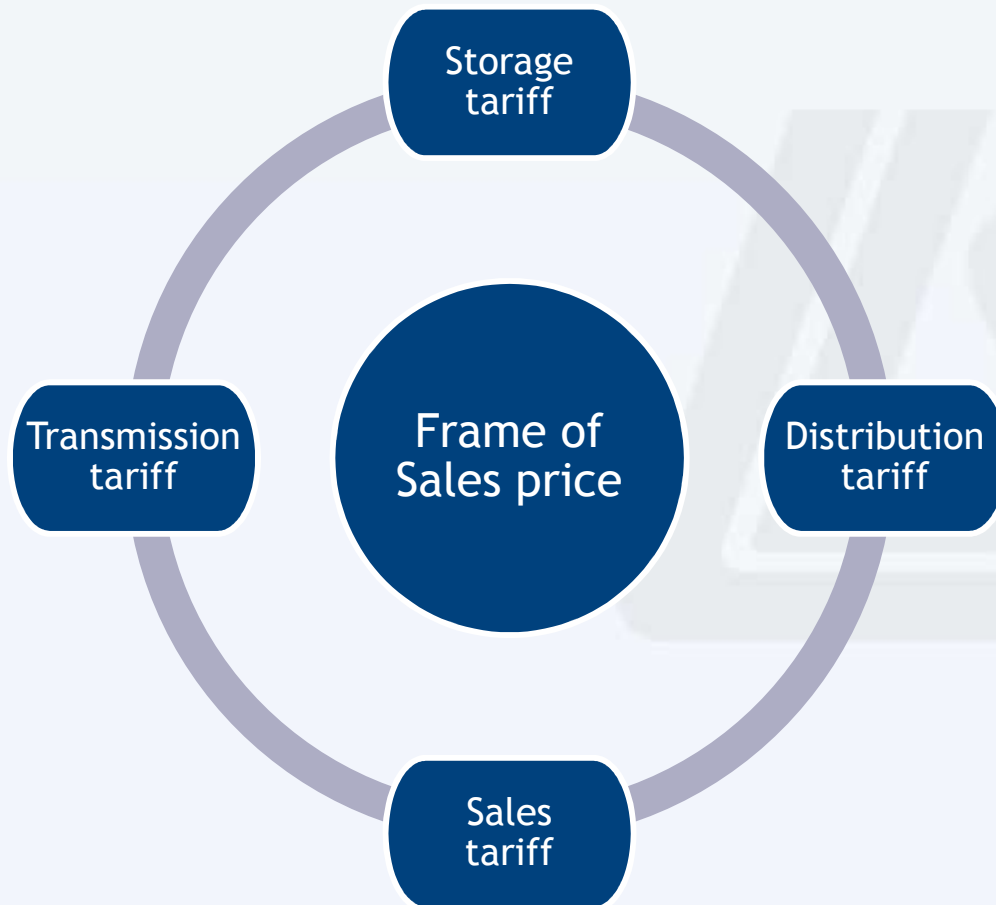
Sales volume (million. m3)



- Rūpnieciskie klienti
- Mājsaimniecību apkure
- Komerčiālie klienti
- Mājsaimniecību plītis



Regulation



- Tariffs in force since 2008
- Key parameters
 - End-user tariff - 8 consumption tiers
 - WACC set to 8%
 - Consumption - 1.7 billion m³
- Regulated cross-border service tariffs
- 99.8% of business subject to regulation

Current market conditions and key dates

- Privatisation agreements of 1997:
 - Exclusivity and single entity till April 3, 2017
- EU natural gas market directive:
 - Exemption for Finland, Estonia and Latvia (Lithuania waived)
 - Exemption for countries with only 1 supplier
- Energy Law:
 - Market opening due April 3, 2017

April 3,
2017

- Free choice of supplier
- Separation of unified transmission and storage entity

December
31, 2017

- Divestiture of unified transmission and storage entity

January 1,
2018

- Separation of distribution system operator from trader

Regional projects - Costs and prospects

2015

- LNG terminal launched in Lithuania
- Additional pipeline from terminal completed
 - JSC “Latvijas Gāze” co-financing - transmission tariff
- Lithuania’s options limited by metering station on Lithuanian border
- Lithuanian bottleneck - 6 million m³ per day

2019

- Gas Interconnector Poland-Lithuania (GIPL)
 - JSC “Latvijas Gāze” co-financing - transmission tariff
- Physical connection to Russian flow

202...

- LNG terminal in Estonia or Finland and Baltic connector
- Latvijas Gāze would gain access to Finnish market

Forthcoming challenges (2016-2018)

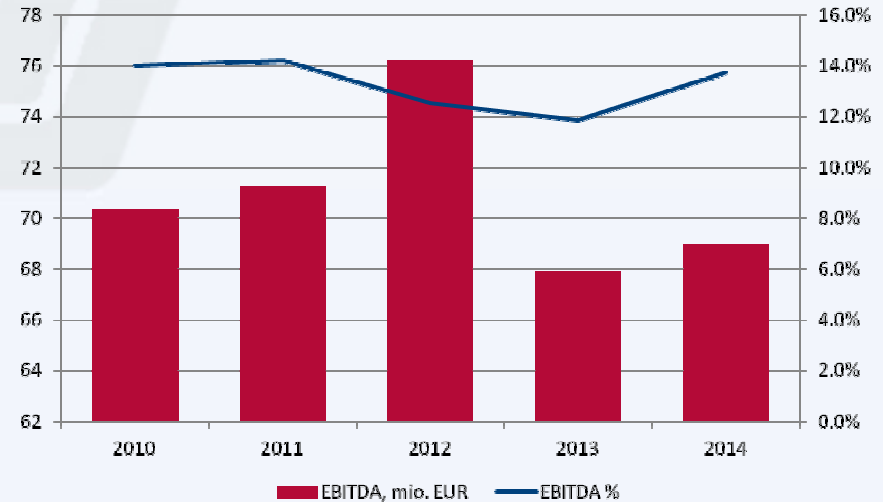
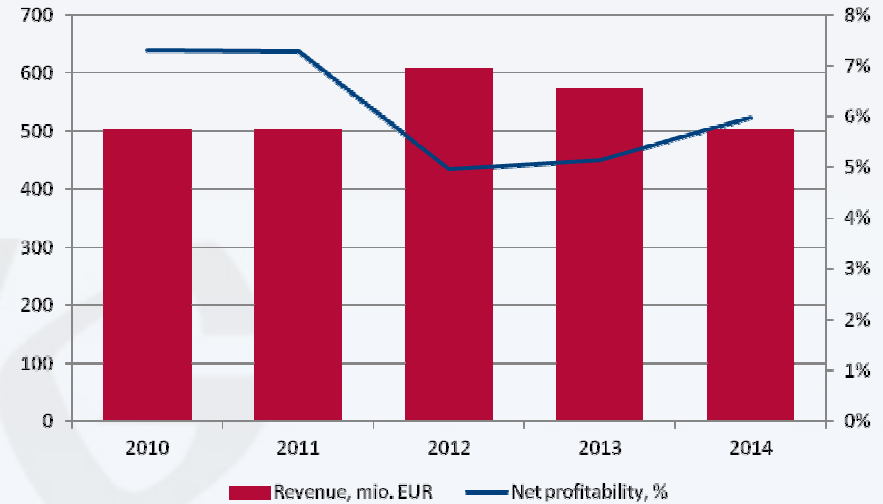
- ✓ To unbundle the company within statutory deadlines
- ✓ To get ready for market opening
 - Customer segmentation
 - Product development
 - Market prospects
- ✓ Regulatory changes:
 - Transmission - switch from km to entry-exit points
 - Switch from m³ to kWh
 - All service tariffs need to be changed
- ✓ Inčukalns UGS modernisation
 - Regional importance (Project of Common Interest)
 - To obtain EU co-funding for modernisation and potential expansion of Inčukalns UGS

Key trends

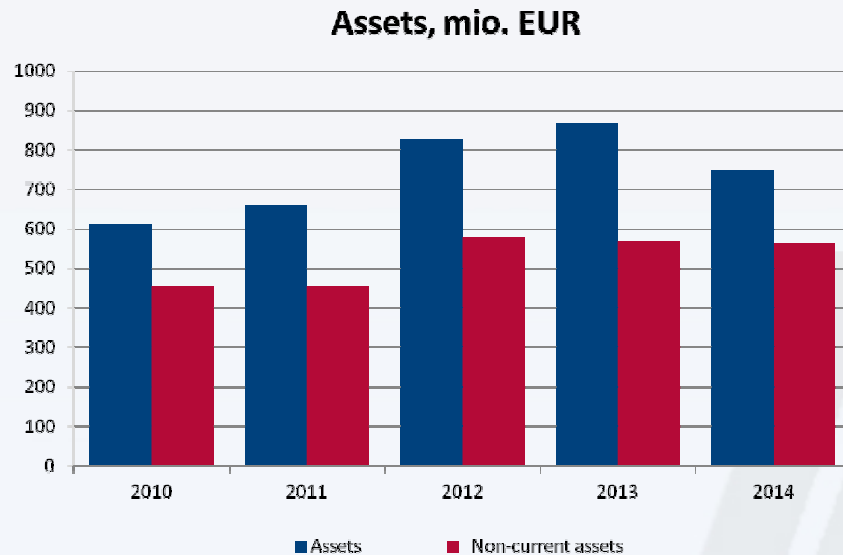
FINANCIAL FIGURES

Turnover and profitability

- ✓ 2012 - regular asset revaluation with impact on net profitability
- ✓ 2013 - one-off events
 - Amount of provisions for debtors
- ✓ Steady EBITDA and profit maintained despite reduced Latvian consumption

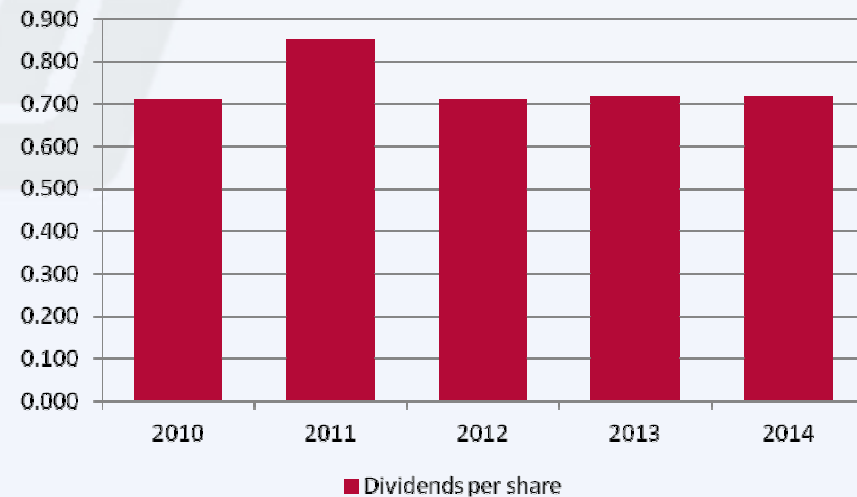


Balance



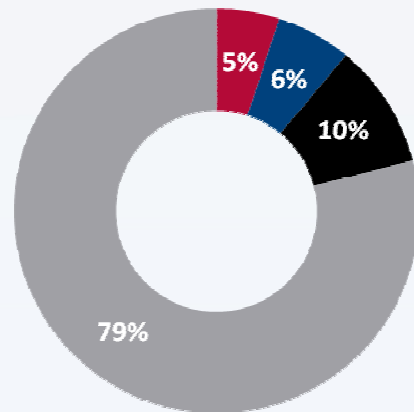
- ✓ LG regularly pays dividends for previous year's performance
- ✓ The company has no external financing

- ✓ 75% of assets are non-current
- ✓ Main groups of assets revaluated once in 5 years
- ✓ Last revaluation in 2012, next due upon unbundling

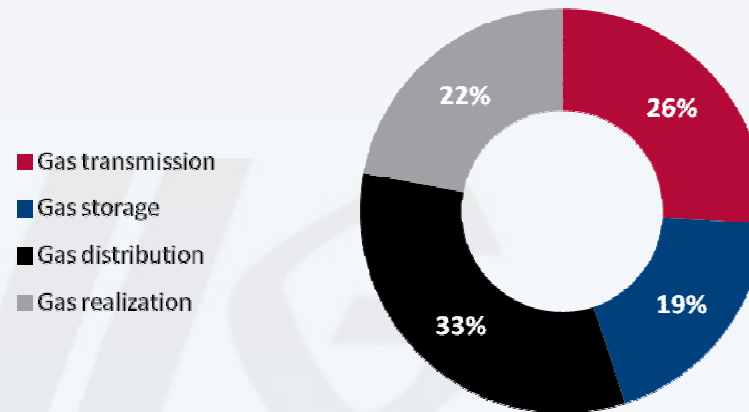


Structure of business segments (2014)

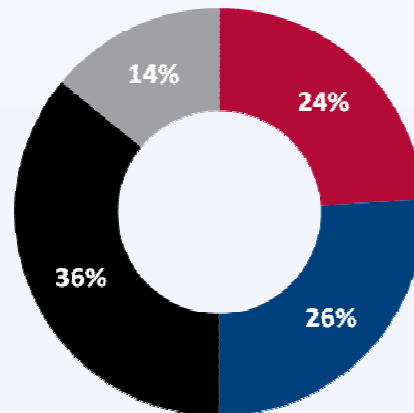
Revenue



ASSETS



EBITDA



- ✓ Equally valued entities
- Transmission and Inčukalns (50% EBITDA; 45% assets)
- Distribution and Trade (50% EBITDA; 55% assets)

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✓ Uldis Stunda



THANK YOU!