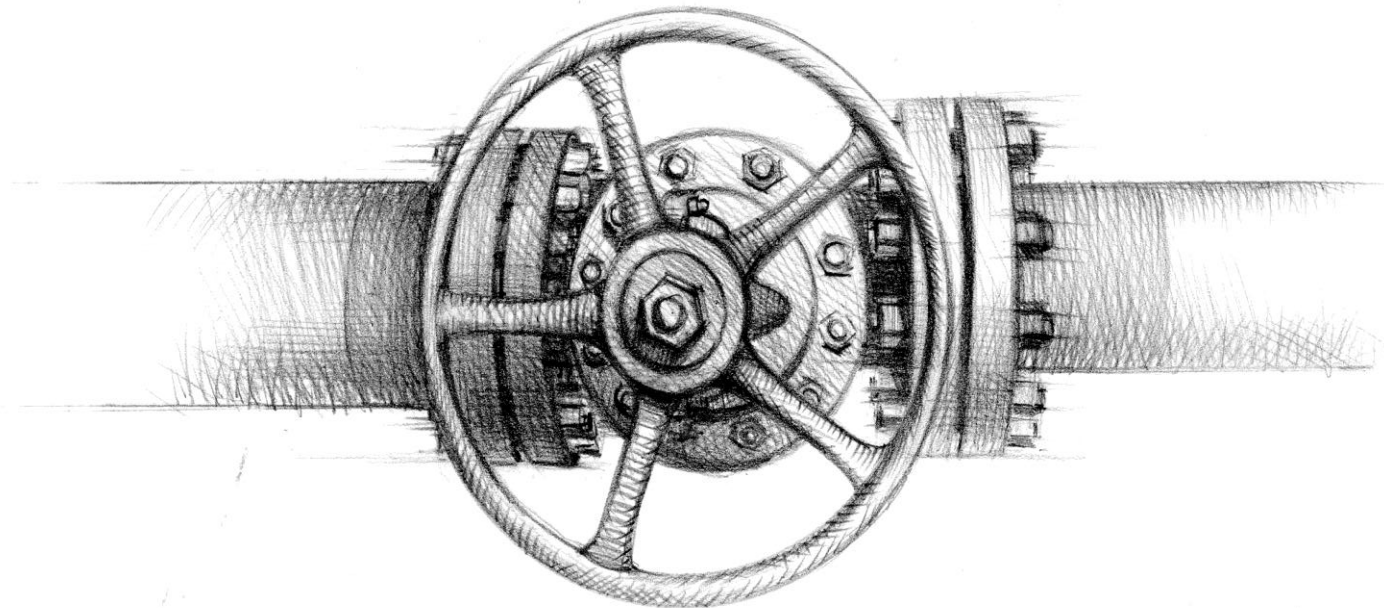


JSC “LATVIJAS GĀZE” WEBINAR



Zane Kotāne
Member of the Board
August 17, 2016

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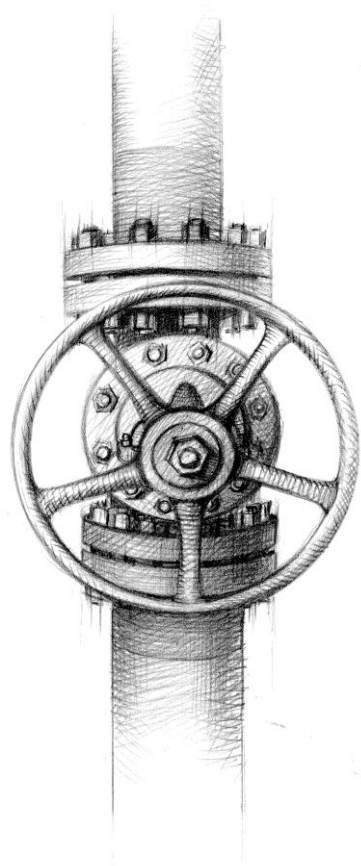
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- ✓ LG operational results in the 1st half of 2016
- ✓ Reorganisation



Operational results in the 1st half of 2016

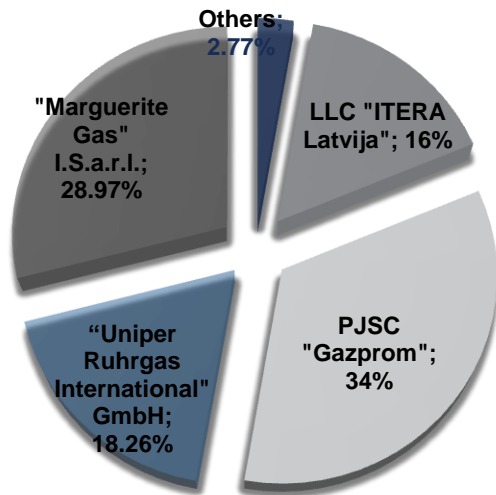
KEY INDICATORS

Key financial indicators (thous. EUR)	2016 6M	2015 6M
Net turnover	211 637	235 418
EBITDA	49 938	48 278
EBITDA, %	23.6	20.5
Net profit	26 824	26 684
Net profitability, %	12.7	11.3
Profit per share, EUR	0.67	0.67

Key operational indicators	2016 6M	2015 6M
Natural gas sales in Latvia, mio m ³	728	629
Number of customers, thous.	444	443
Number of employees, average	1 271	1 262
Length of distribution pipelines, km	5 047	4 977
Length of transmission pipelines, km	1 193	1 242

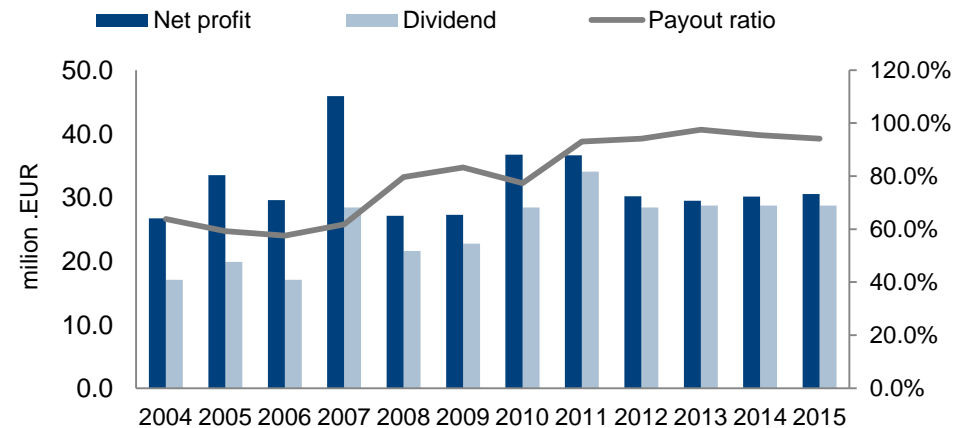
- ✓ LG is the only vertically integrated natural gas supplier in the Baltics
- ✓ Four operating segments
 - ✓ Transmission; Storage; Distribution; Trade
- ✓ Prominent trader in the region
 - ✓ 31% of Baltic market in 2015
- ✓ Manages the only natural gas storage facility in the Baltics
 - ✓ Inčukalns Underground Natural Gas Storage Facility – 2.3 billion m³ of active gas, total capacity 4.4 billion m³.

JSC "LATVIJAS GĀZE" SHAREHOLDERS



- ✓ On the stock exchange since 1999
- ✓ 2.8% of shares in active trading
 - 10 million EUR capitalisation
- ✓ 6th most valuable Latvian company in 2015
 - *TOP 101 by Nasdaq Riga and Prudentia*
- ✓ Included in three trading indexes
 - *OMX Baltic; OMX Riga; OMX Baltic Energy*
- ✓ Annual dividend payment since 1997

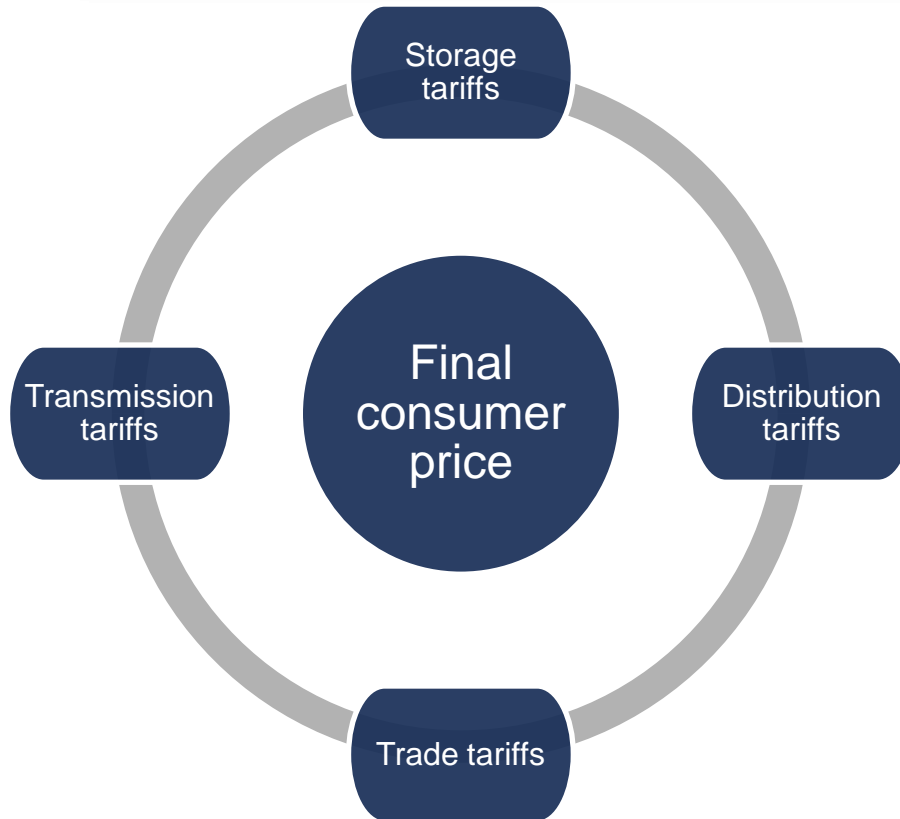
Dividend amount



	2014	2015	2016 H1
NUMBER OF TRANSACTIONS	1 290	1 283	792
NUMBER OF SHARES TRADED	118 685	136 627	70 832
% OF TOTAL NUMBER OF SHARES*	0.47%	0.54%	0.28%

* shares in public issue

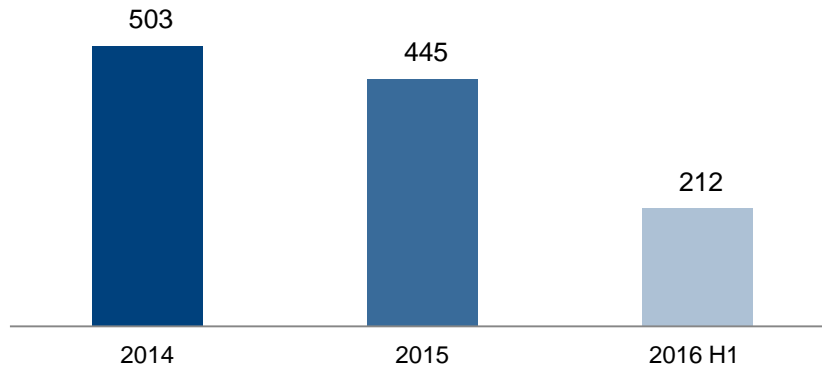
REGULATION



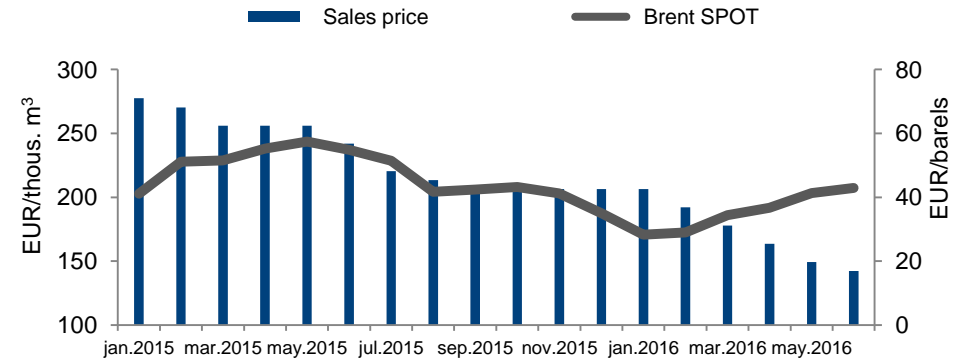
- ✓ Tariffs in force since 2008
- ✓ Main parameters
 - Final tariff – 8 consumption tiers
 - Capital return rate (WACC) set to 8%
 - Consumption in Latvia – 1.7 billion m³
- ✓ Regulated cross-border service tariffs
- ✓ 99.8% of business subject to regulation

JSC “LATVIJAS GĀZE” REVENUES

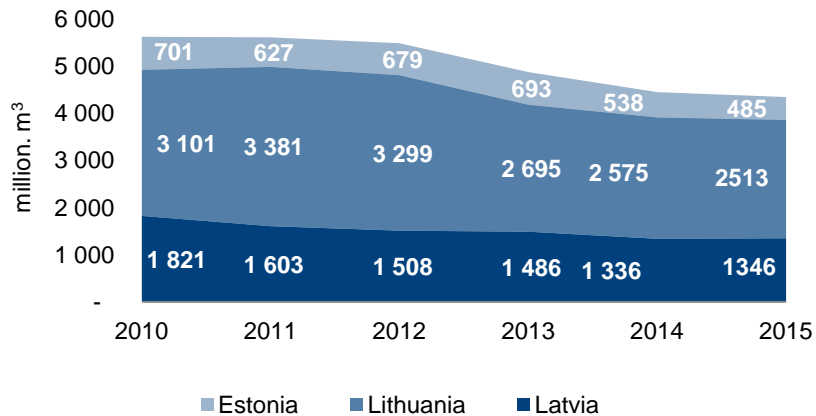
Net turnover (million EUR)



BRENT oil and natural gas sales price



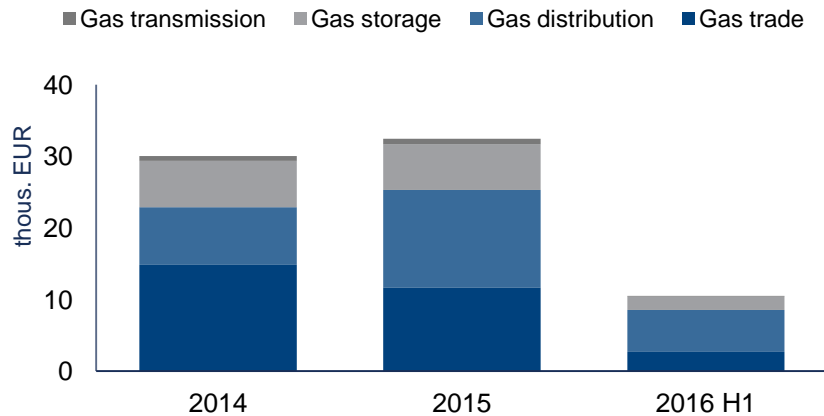
Gas consumption in the Baltic States, 2010-2015



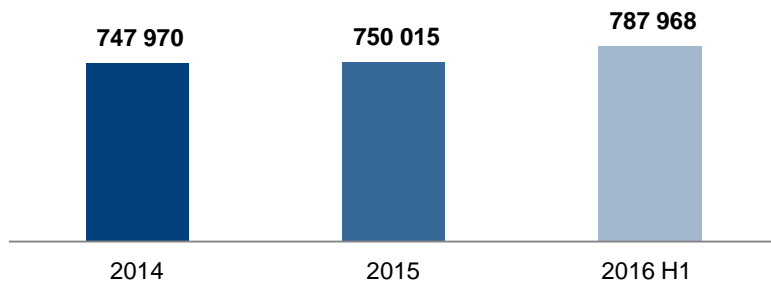
- ✓ Revenues fall due to low prices in the global oil markets
- ✓ Latvian consumers are applied a regulated trading price
- ✓ The Baltic natural gas market has declined by 23% in the last 5 years
- ✓ Sales volume in H1 2016 was 16% higher than in H1 2015

CAPITAL INVESTMENT PROGRAMME

Investments



Assets million EUR

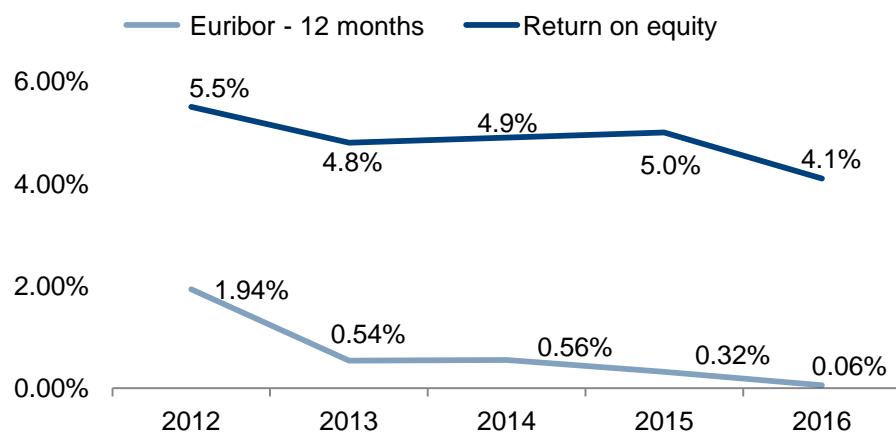


- ✓ Investments are focused on the improvement of operational safety
- ✓ Investment areas (2016 H1):
 - ✓ IUGS – 55%
 - ✓ Gas transmission pipelines – 26%
 - ✓ Gas distribution pipelines – 18%
- ✓ Major projects:
 - ✓ Project “Capital repair of 27 wells” (2013-2016)
 - ✓ Project “Reconstruction of gas collection point No.2” (2014-2018)
 - ✓ Project „Renovation of transmission system pipelines and restoration of external anti-corrosion coating”
- ✓ Long-term assets account for 71% of the total assets
- ✓ Assets are revalued on a regular basis
 - ✓ The year 2016 saw revaluation of Transmission and Storage assets

CAPITAL STRUCTURE

	2014	2015	2016 H1
SHARE CAPITAL	55 860	55 860	55 860
SHARE PREMIUM	20 376	20 376	20 376
RESERVES	491 944	478 059	485 570
RETAINED EARNINGS	42 002	57 108	84 037

✓ JSC “Latvijas Gāze” maintains a very conservative capital structure (D/E = 0)



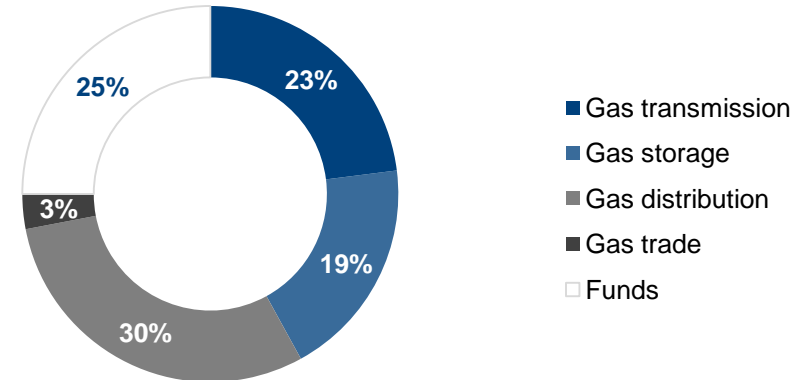
✓ Capital composition is relatively consistent

- An average of 78% of the company’s capital is reserves

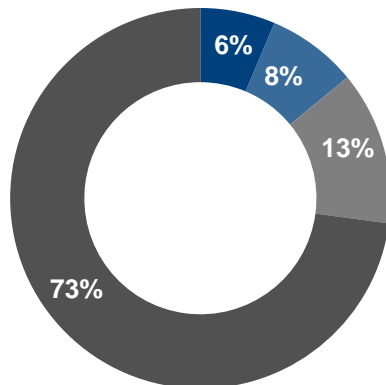
SEGMENTS - 2016 H1

- ✓ Trading is the largest segment in terms of turnover
- ✓ Distribution is the largest in terms of assets
- ✓ Funds are managed in a centralised way without splitting by operating segments

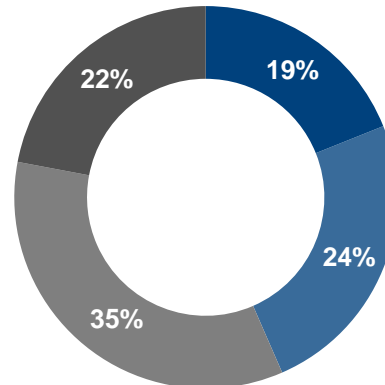
ASSETS



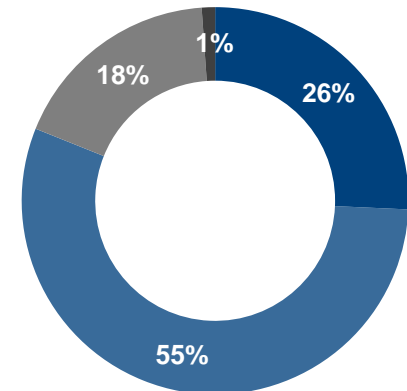
NET TURNOVER



EBITDA



INVESTMENTS



TRANSMISSION

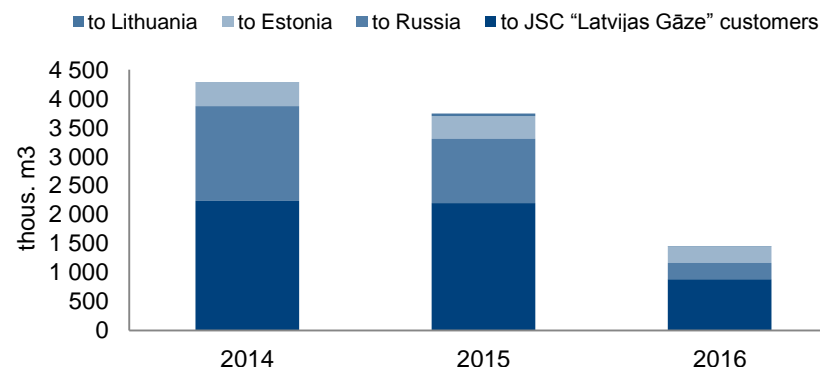
- ✓ Regulated operating segment
 - ✓ Till April 2017 – tariff in thous.m³ per 100 km
 - ✓ After April 2017 – entry/exit capacity sales revenue

- ✓ The natural gas volume transmitted for Latvia is relatively steady, historically around 40% of the total transmission volume

- ✓ Transit flows – the most important is the volume transmitted for Russia

- ✓ Major operational risks:
 - ✓ Regulatory regime
 - ✓ Transit flows and winter supplies from IUGS to Russia
 - ✓ Development of regional projects (GIPL; Baltconnector)

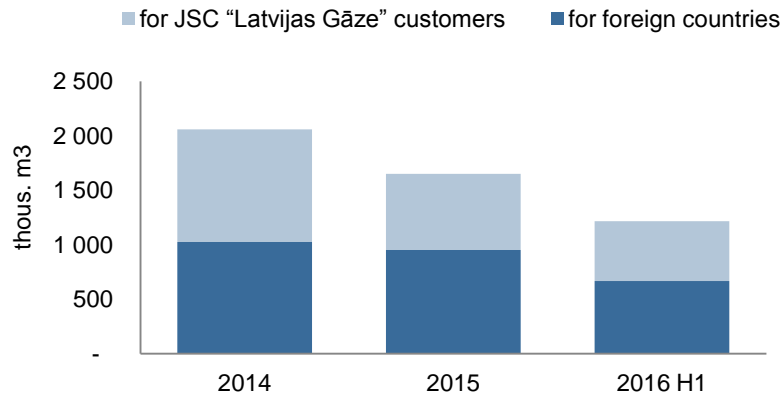
GAS TRANSMITTED IN LATVIA



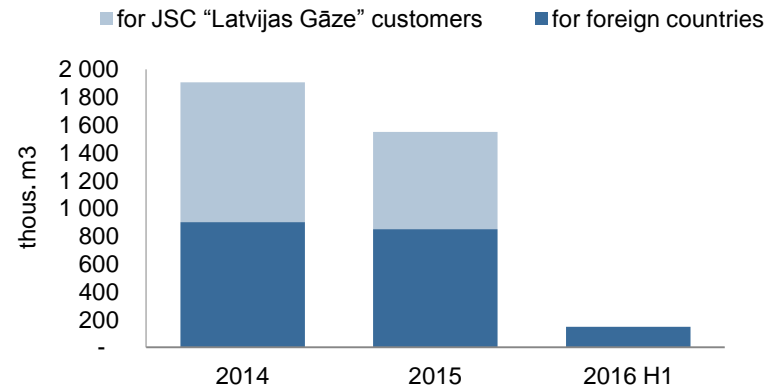
GAS TRANSMISSION EUR'000	2014	2015	2016 H1
Net turnover	26 419	26 012	13 458
EBITDA	17 152	15 618	9 583
Segment assets	199 995	193 643	181 804
Purchase of fixed and intangible assets	14 858	11 691	2 706
Depreciation and amortisation	13 952	14 163	7 779
RAB*	175 641	179 571	179 571

STORAGE

NATURAL GAS WITHDRAWAL FROM IUGS



NATURAL GAS INJECTION INTO IUGS



GAS STORAGE EUR'000	2014	2015	2016 H1
Net turnover	31 789	27 785	16 278
EBITDA	17 914	15 950	12 407
Segment assets	143 037	149 515	150 035
Purchase of fixed and intangible assets	8 016	13 619	5 826
Depreciation and amortisation	7 396	7 195	4 442
RAB*	128 595	126 725	126 725

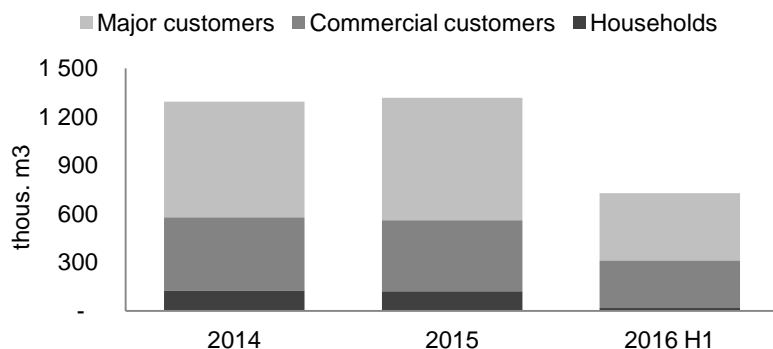
*RAB – Regulated asset base



- ✓ IUGS – a seasonal natural gas storage facility
- ✓ Active gas 2.3 billion m³
- ✓ Total capacity 4.4 billion m³
- ✓ The volume injected for Latvia (850-900 million m³) is less than 40% of the total active gas volume
- ✓ Major operational risks:
 - ✓ Regulatory regime (in Latvia the storage segment remains regulated)
 - ✓ Natural gas storage for foreign countries

DISTRIBUTION

NATURAL GAS SALES VOLUMES



GAS DISTRIBUTION EUR'000	2014	2015	2016 H1
Net turnover	49 481	48 495	27 648
EBITDA	23 724	23 961	17 470
Segment assets	254 124	261 704	238 445
Purchase of fixed and intangible assets	6 499	6 377	1 875
Depreciation and amortisation	11 633	11 823	5 897
RAB*	227 019	225 462	225 462

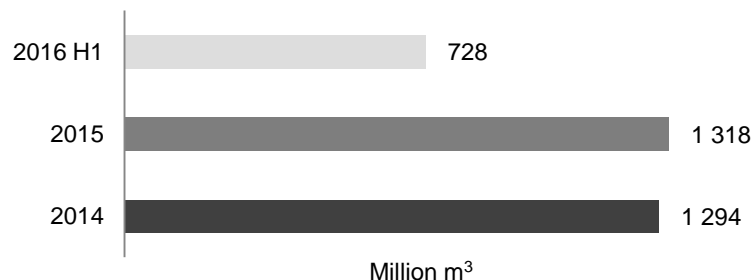
*RAB – Regulated asset base

- ✓ The distribution segment is and remains regulated
- ✓ Consumers in Latvia are split into 8 tiers
- ✓ The segment's profitability depends on the spread of consumption across consumer tiers

- ✓ Major operational risks:
 - ✓ Natural gas consumption metering and distribution losses
 - ✓ Regulatory risks
 - ✓ Introduction of requirements on natural gas market opening

TRADE

SALES VOLUME

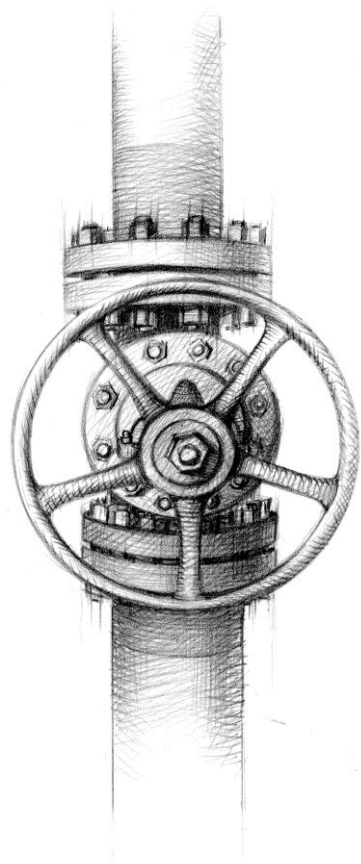


GAS TRADING EUR'000	2014	2015	2016 H1
Net turnover	395 387	342 394	154 253
EBITDA	10 027	12 928	11 152
Segment assets	150 814	145 153	23 550
Purchase of fixed and intangible assets	641	733	117

- ✓ The largest segment in terms of net turnover (73 %)
- ✓ Trading only within Latvia
- ✓ Till April 3, 2017 – 100% regulated market
- ✓ After April 3, 2017 – opening of the Latvian market
 - ✓ Commercial customers – a freely selected natural gas supplier
 - ✓ Households – may receive natural gas for a regulated price during the transitional period till April 3, 2017
- ✓ Major operational risks
 - ✓ Market share in LV after the market opening
 - ✓ Activity in other Baltic markets
 - ✓ Risk of customer concentration

SUMMARY OF FINANCIAL INDICATORS

- ✓ The company holds a stable position in the Baltic natural gas market
- ✓ Capability and capacity to serve a large number of customers – over 440 thousand
- ✓ A consistent policy of dividend payment
- ✓ EBITDA are trending positively
- ✓ The split of segments results in two large companies with steady financial indicators
- ✓ Transmission and Storage (Conexus Baltic Grid) will remain as regulated operating segments
- ✓ Shares of the new company are available free of charge



JSC «LATVIJAS GĀZE» Reorganisation

JSC "LATVIJAS GĀZE" REORGANISATION

- ✓ Reasons of the company's unbundling:
 - European Union requirements
 - Expiration of Privatisation Agreements
 - Energy Law amendments of March 2016

- ✓ Unbundling requirements:
 - To separate transmission and storage from trade
 - To set up a sister company
 - To complete legal separation by April 3, 2017

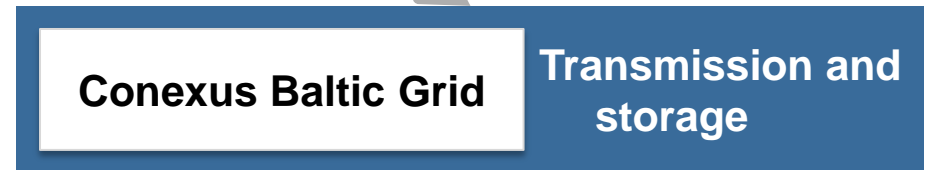
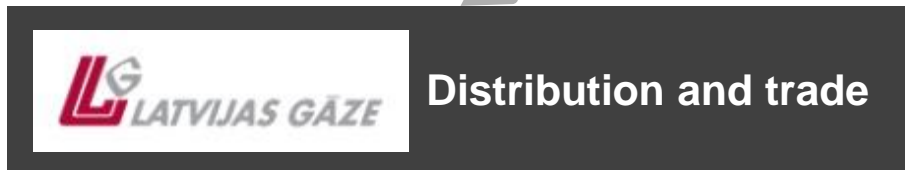
- ✓ Course of reorganisation:
 - During the Shareholders' meeting held in March, all major shareholders voiced their position in support of initiating spin-off
 - The Shareholders' meeting is due to resolve on spin-off on September 2
 - The foundation meeting of Conexus Baltic Grid to approve its articles of association, council etc. is due to be held in late 2016

JSC "LATVIJAS GĀZE" SPIN-OFF

currently



after spin-off



- ✓ Distribution – regulated
- ✓ Trade – partially regulated till the end of the transitional period
- ✓ Areas of development
 - New services
 - Baltic market

- ✓ Regulated services
- ✓ Mission: to provide a stable and secure natural gas supply and an effective market functioning in the Baltic Sea region.
- ✓ Goals
 - to become leader of the Baltic region
 - to ensure a convenient and transparent availability of services

SHARES



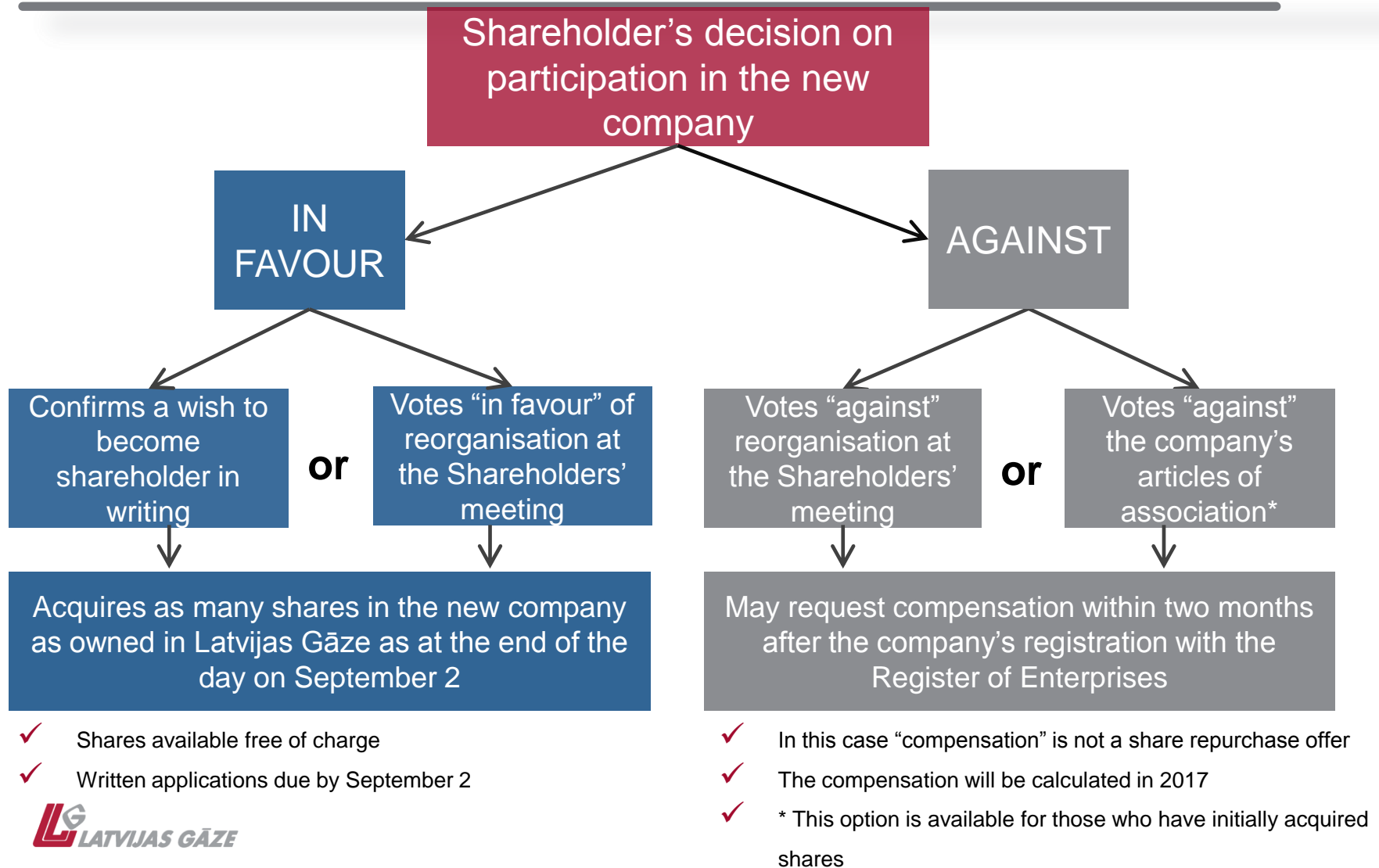
- ✓ Shares
 - Will continue to be quoted on the stock exchange
 - The number of shares does not change
 - Value depends on the public market
- ✓ All current shareholders may keep their shares



Conexus Baltic Grid

- ✓ Shares
 - The shareholders will decide on whether it will be a public or closed company
 - The draft articles of association will be published at least one month before the foundation meeting
 - 39,900,000, face value 1 EUR
- ✓ The Energy Law amendments introduce requirements on independence between the two companies, which means that part of shareholders will most probably dispose their shares

SHAREHOLDER'S OPTIONS



KEY DOCUMENTS

- ✓ Spin-off Decision
- ✓ Reorganisation Prospectus
- ✓ Asset Distribution Deed
- ✓ Spin-off Balance Sheet
- ✓ Auditors' Opinions:
 - ✓ Verification of draft Spin-off Decision
 - ✓ Sufficiency of the assets to be transferred for establishment of fixed capital of Conexus

Submission of applications for shares

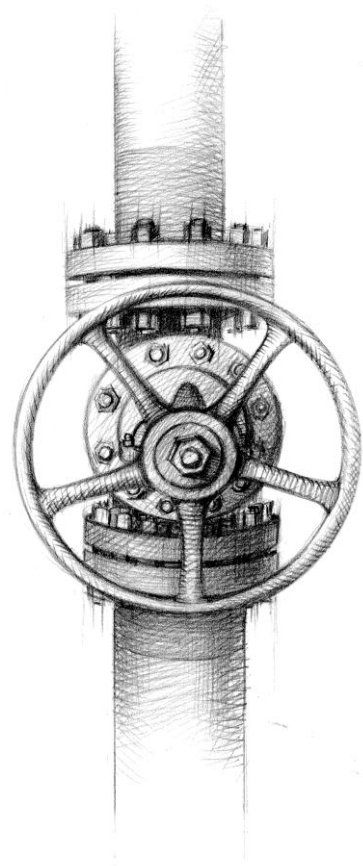
- ✓ Electronically signed document to: info@akcionari.lg.lv
- ✓ Letter to: Vagonu iela 20, Riga, LV-1009
- ✓ In presence: Customer Service Centre at Vagonu iela 20, Riga, or regional units in other cities of Latvia

Contact information

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+(371) 67 369 144

Section *Company reorganisation* on www.lg.lv:

- ✓ Application forms
- ✓ Reorganisation Prospectus
- ✓ Shareholders' meeting materials and news



THANK YOU!
Questions:
IR@lg.lv