



# **"Latvijas Gāze" Joint Stock Company**

## **Unaudited Financial Report of 6 months of 2013**

Prepared in accordance with the International Financial Reporting Standards

Riga, 2013






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## Information on the Company

Name of the Company	JSC Latvijas Gāze
Legal status of the Company	Joint Stock Company
Registration number, venue and date	000300064 Riga, March 25, 1991
	Reregistered in the Commercial Register December 20, 2004 with common registration No 40003000642
Address	Vagonu Street 20 Riga, LV – 1009 Latvia
Major shareholders	E.ON Ruhrgas International GmbH (47.2 %) Gazprom OJSC (34.0 %) ITERA Latvija LLC (16.0 %)
Reporting period	January 1 – June 30, 2013

Board members – names, surnames, posts, recent professional experience and education

	<p><b>Adrians Dāvis – Chairman of the Board</b></p> <p><b>Since 1997</b> – Chairman of the Board of the JSC “Latvijas Gāze”; involved in gas industry since <b>1965</b></p> <p><b>1997</b> Physical Energy Institute of Latvian Science Academy, academic degree of doctor in engineering (Dr.sc.ing.).</p>		<p><b>Alexander Miheyev (Александр Михеев) – Board member, Vice-Chairman of the Board</b></p> <p><b>Since 2003</b> First Deputy Head of the Marketing, Gas and Liquid Hydrocarbon Processing Department of the OJSC Gazprom; involved in gas industry since <b>1968</b></p> <p><b>1968</b> Graduated from the Moscow Oil and Gas Industry Institute named after I. M. Gubkin and obtained the qualifications of engineer in design and operation of oil and gas pipelines, gas storage facilities and oil tanks</p>
	<p><b>Jörg Tumat – Board member, Vice-Chairman of the Board (since 2006)</b></p> <p><b>2001 – 2006</b> E.ON Ruhrgas AG / Ruhrgas AG. Eastern Gas Purchase Department, Head of Division; OJSC “Gazprom” share and eastern gas purchase contracts; involved in gas industry since <b>1998</b>.</p> <p><b>2001 – 2004</b> the University of Hagen, Diploma in Business Administration (Dipl.-Betriebswirt)</p>		<p><b>Anda Ulpe – Board member</b></p> <p><b>Since 1997</b> Board member of the JSC “Latvijas Gāze”; involved in gas industry since <b>1984</b></p> <p><b>2002</b> the University of Latvia, Master Degree of Social Sciences in Economics</p>
	<p><b>Gints Freibergs – Board member</b></p> <p><b>Since 1997</b> Board member of the JSC “Latvijas Gāze”; involved in gas industry since <b>1984</b></p> <p><b>1984</b> Polytechnical Institute of Riga, engineer in industrial heat power</p>		

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Council members (since July 5, 2013) – names, surnames, posts, recent professional experience and education

	<p><b>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council</b></p> <p><b>Since March 20, 2003</b> Head of the Gas and Liquid Hydrocarbon Sales and Processing Department, OJSC Gazprom; Member of Management Committee, OJSC Gazprom</p> <p><b>1997</b> Graduated from Baltic State Technical University of St. Petersburg named after D. F. Ustinov – Engineering of Impulse Devices and Automated Rotation Lines</p> <p><b>2002</b> Graduated from St. Petersburg State University – Credit Theory and Finance Management</p>		<p><b>Juris Savickis – Vice-Chairman of the Council</b></p> <p><b>Since 1996</b> LLC “ITERA Latvija”, president</p> <p><b>1970 – 1972</b> Polytechnical Institute of Riga, Graduate school</p> <p><b>1983 - 1984</b> University of Qualification Raising for Executives, Faculty of International Relations</p>
	<p><b>Achim Saul – Vice-Chairman of the Council</b></p> <p><b>Since May 2013</b> CEO Essen Operations, E.ON Global Commodities SE; Chairman of the Management Board, E.ON Ruhrgas International GmbH</p> <p><b>2012 – 2013</b> Member of the Board of Management, E.ON Ruhrgas AG</p> <p>Degree of doctor in Engineering</p>		<p><b>Matthias Kohlenbach – Council member</b></p> <p><b>Since July 2012</b> Member of the Board of Management of E.ON Ruhrgas International GmbH</p> <p><b>2009 – 2012</b> Head of Corporate Law Department of E.ON Ruhrgas</p> <p>Degree of doctor in Law</p>
	<p><b>Rainer Link – Council member</b></p> <p><b>Since 2013</b> Member of the Management Board of Essen Operations, E.ON Global Commodities SE, Germany</p> <p>Member of the Management Board of E.ON Ruhrgas International GmbH, Germany</p> <p><b>Since 2012</b> Member of the Management Board of E.ON Ruhrgas Portfolio GmbH, Germany</p> <p><b>2012 – 2013</b> Head of Portfolio Development Division, E.ON Ruhrgas AG, Germany</p> <p>Degree of doctor in Economics</p>		<p><b>Mario Nullmeier – Council member</b></p> <p><b>Since 2005</b> Head of the Baltic Office of E.ON Ruhrgas International AG in Tallinn, Estonia</p> <p><b>2000</b> Master Degree in Global Business Administration</p>
	<p><b>Uwe H. Fip – Council member</b></p> <p><b>Since 2002</b> E.ON Ruhrgas AG – Senior Vice-President, Head of Eastern Department of Gas Supplies</p> <p>Master in Oil Engineering, Degree in Business Management (Diploma – Merchant)</p>		<p><b>Vlada Rusakova (Влада Русакова) – Council member</b></p> <p><b>Since 2003</b> Head of the Strategic Development Department, OJSC Gazprom</p> <p><b>Since 2003</b> Board member of the OJSC Gazprom</p> <p><b>1977</b> Graduated from the Moscow Oil and Gas Industry Institute named after I. M. Gubkin and obtained the qualifications of engineer in design, planning and operation of oil and gas pipelines, gas storage facilities and oil tanks</p>
	<p><b>Nikolay Dubik (Николай Дубик) – Council member</b></p> <p><b>Since 2008</b> Member of Management Committee of JSC “Gazprom”, Head of legal Department</p> <p>MBA degree at the Academy of National Economy under the Russian Federation Government</p> <p>Graduated from Lomonosov Moscow State University in majoring law</p>		<p><b>Elena Karpel (Елена Карпель) – Council member</b></p> <p><b>Since 2004</b> Gazprom’s Council Member by the resolution of the Company’s Shareholders’ Meeting</p> <p><b>1968</b> Korotchenko Kiev Institute of National Economy getting specialty in Industry Planning</p>
	<p><b>Elena Mikhaylova (Елена Михайлова) – Council member</b></p> <p><b>Since 2012</b> Member of the Gazprom Management Committee, Head of the Asset Management and Corporate Relations Department of Gazprom</p> <p><b>2011 – 2012</b> Head of the Asset Management and Corporate Relations Department of Gazprom</p> <p>MBA degree at the Academy of National Economy under the Russian Federation Government</p> <p>Law degree at the Moscow State Industrial University</p>	<p>Names, surnames and posts of Council members (before July 5, 2013)</p>	<p>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council</p> <p>Juris Savickis – Vice-Chairman of the Council</p> <p>Matthias Kohlenbach – Vice-Chairman of the Council</p> <p>Andreas Rau – Council member</p> <p>Mario Nullmeier – Council member</p> <p>Uwe H. Fip – Council member</p> <p>Peter Klingenberger – Council member</p> <p>Vlada Rusakova (Влада Русакова) – Council member</p> <p>Alexander Krasnenkov (Александр Красненков) – Council member</p> <p>Elena Karpel (Елена Карпель) – Council member</p> <p>Igor Nazarov (Игорь Назаров) – Council member</p>

## Report of the Board of Directors

The Joint Stock Company "Latvijas Gāze" (hereinafter – the Company) is the only natural gas transmission, storage, distribution and sale operator in Latvia. The company supplies natural gas to 442.2 thousand customers in Latvia, and in winter – also to Estonia, the Northwestern part of Russia and Lithuania from the Inčukalns Underground Gas Storage Facility (hereinafter – Inčukalns UGS).

The goal of the Company is to strengthen its leading position in the fuel market of Latvia by enhancing the accessibility of natural gas, facilitating the diversity of its consumption and ensuring for consumers in Latvia one the most stable supplies in Europe.

The vision of the Company is to make Latvia one of the largest natural gas storage hubs in Europe by using the unique geological structures of our country.

The mission of the Company is to contribute to the economy of the Baltic region by ensuring the security of energy supplies, the development of the industry and the competitiveness of prices.

The underlying principles of financial activity of the Company are as follows:

- investments in modernization of the infrastructure related to natural gas supply stability and security;
- investments in the development of infrastructure and the quality of service;
- competitive price of natural gas and services;
- profit that enables the company to make investments and pay dividends in compliance with the international natural gas industry practice. Such amount of profit is regulated by the Public Utility Commission of the Republic of Latvia by setting the level of capital return (currently the capital return is set to 8.0 % of the regulated asset basis).

### 1. Operation of the Company in the reporting period

In 6 months of the year 2013, the Company sold to the consumers 833.4 million m<sup>3</sup> of natural gas. In comparison with the respective period of 2012, the natural gas sales decreased by 0.4 % and is 4.2% or 36.6 million nm<sup>3</sup> under the volume planned in the budget of 2013 due to the differences in outdoor air temperature and investments by heat supply companies in the use of renewable energy resources and a partial replacement of fossil fuels with woodchip.

The gas injection season at the Inčukalns UGS began on April 17, 2013. Upon starting natural gas injection, the reserves of active gas at the Inčukalns UGS were 182.35 million m<sup>3</sup>. 828.5 million m<sup>3</sup> of natural gas were injected into the Inčukalns UGS in the first 6 months of the year 2013.

Over 6 months of 2013, the consumers were sold natural gas and provided services for LVL 235.7 million, which is by 1.6 % less than in the respective period of 2012.

The decrease of income over the respective period of 2012 has taken place because natural gas sales decreased and in the 1st half of 2013, due to changes in oil product quotations and currency rates, the residential and industrial customers were applied differential natural gas sale end-user tariffs corresponding to a natural gas sale price 1.8% above that of the 6 months of 2012. The income saw decrease both in the industrial and household sector.

The Company completed 6 months of 2013 with a profit of LVL 7.6 million, which is 28.8% higher than in the respective period 2012 when the Company profited LVL 5.9 million.

Within the framework of the capital investment programme, LVL 6.0 million of investment funds was spent over 6 months of 2013, mostly on the renovation of gas transmission and distribution pipelines, the modernization of technological equipment and the reconstruction of wells.

**Report of the Board of Directors** (continued)

**1. Operation of the Company in the reporting period** (continued)

The key indices of the Company:

	<b>2013 H1</b>	<b>2012 H1</b>	<b>2011 H1</b>	<b>2013 H1</b>	<b>2012 H1</b>	<b>2011 H1</b>
	<b>LVL'000</b>	<b>LVL'000</b>	<b>LVL'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Net turnover	235 662	239 584	196 063	335 317	340 898	278 973
EBITDA	23 132	27 921	22 665	32 729	39 729	32 250
EBITDA, %	9.82	11.65	11.56	9.82	11.65	11.56
Profit of operational activity	11 529	10 287	12 193	16 405	14 638	17 350
Profitability of operational activity (%)	4.89	4.29	6.22	4.89	4.29	6.22
Profit of reporting period	7 619	5 853	8 152	10 841	8 328	11 600
Commercial profitability (%)	3.23	2.44	4.16	3.23	2.44	4.16
Total liquidity	2.21	2.33	1.75	2.21	2.33	1.75
Total assets	581 302	572 051	500 561	827 118	813 955	712 235
Equity	434 480	435 069	347 122	618 210	619 047	493 911
Return on assets (ROA), %	1.32	1.09	1.72	1.32	1.09	1.72
Return on equity (ROE), %	1.75	1.50	2.38	1.75	1.50	2.38
Number of shares	39 900	39 900	39 900	39 900	39 900	39 900
	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Profit per share	0.191	0.147	0.204	0.272	0.209	0.291
P/E	35.09	42.06	32.40	35.09	42.06	32.40
BV	10.89	10.90	8.70	15.49	15.51	12.38
P/BV	0.62	0.57	0.76	0.62	0.57	0.76
Share price at the end of the period	6.70	6.17	6.62	9.53	8.78	9.42

**2. Research and development**

In order to ensure a continuous natural gas supply to the customers and a safe operation of the gas supply system, the Company has developed the “Plan of measures for improvement of gas supply system safety of Joint Stock Company “Latvijas Gāze” in 2010 to 2015”. It has been drawn up on the basis of opinions of the Russian companies “Gazobezопасnostj” and “Ļentransgaz”, the institutes “VNIIGAZ” and “Giprospepgaz”, as well as the German companies “Pipeline Engineering GmbH”, “Untergrundspeicher und Geotechnologie – Systeme GmbH”, “E.ON Engineering GmbH”, “E.ON Ruhrgas International AG” and other partners regarding the technical condition of equipment and the modernization options. The plan of measures envisages investments in the improvement of safety in the total amount of LVL 50.6 million (EUR 72.0 million).

In 2011, the OJSC “Gazprom VNIIGAZ” drew up a concept of the modernization and improvement of operation safety of technological equipment at the Inčukalns UGS till 2025. The concept features two development scenarios – with and without an increase of the capacity of natural gas storage. The projected costs are LVL 253 million (EUR 360 million) and LVL 133.5 million (EUR 190 million) respectively. Based on this document, the Company prepared a

**Report of the Board of Directors** (continued)

**2. Research and development** (continued)

project "Modernization and expansion of Inčukalns UGS" and together with the JSC "Lietuvos Dujos" – a project "Increase of capacity of Latvian-Lithuanian interconnection". Both were submitted to the European Commission for inclusion in the European list of common interest projects, as stipulated by the Infrastructure Regulation.

Both projects are featured in the initial list of projects of common European interest. In the case of a favourable decision, financing from the European funds could be available for their implementation.

**3. International cooperation**

The work on the attraction and utilisation of funds of the European Union. On August 17, 2010, the Company received the resolution No. C(2010) 5554 of the European Commission dated 13.08.2010 on the award of a financial grant to the Action No. EEPR-2009-INTg-RF-LV-LT-SI2.566527/SI2.566531/SI2. 566541/SI2.566543 in compliance with the EC Regulation No. 663/2009 on gas and electricity interconnections. Under this resolution, a total of EUR 10.0 million was granted – EUR 7.5 million for the modernization of wells at the Inčukalns UGS and LVL 2.5 million for a gas passage across the River Daugava and the construction of pig receiver with a view to stabilize natural gas supplies between Lithuania and Latvia in emergency situations. The planned works were completed in 2011, and two more wells of the Inčukalns UGS were modernized in 2012 using the funds granted but not spent.

EUR 24.1 million has been spent on the project in total, incl. EUR 16.2 million on the modernization of the Inčukalns UGS wells and LVL 7.9 million on the gas passage across the River Daugava and the construction of a pig receiver.

On the 1<sup>st</sup> August 2013, has been received last payment from the European Commission - EUR 3.0 million. The rest amount of totally granted EUR 10.0 million has been received on April 17, 2011 – EUR 1.95 million and on April 1, 2012 – EUR 5.05 million.

**4. Shares and shareholders**

The composition of shareholders of the Company<sup>1</sup> as of December 31, 2012 and previous 2 periods:

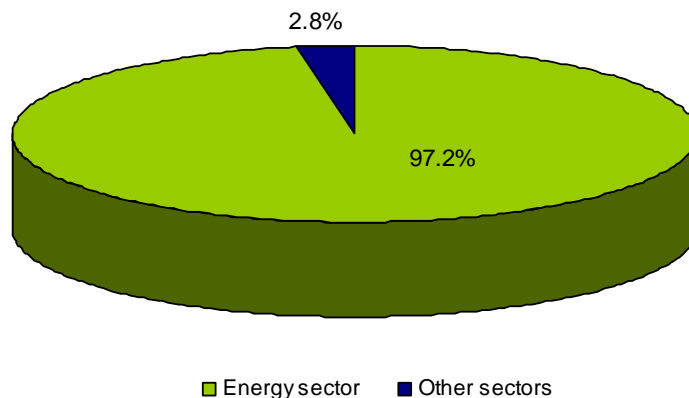
Share	31.12.2012.	31.12.2011.	31.12.2010.
"E.ON Ruhrgas International" GmbH	47.2%	47.2%	47.2%
"Gazprom" OJSC	34.0%	34.0%	34.0%
"Itera Latvija" LLC	16.0%	16.0%	16.0%
Others	2.8%	2.8%	2.8%
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

<sup>1</sup> Shareholders owning at least 5 % of capital

**Report of the Board of Directors** (continued)

**4. Shares and shareholders** (continued)

The composition of shareholders of the Company as to the industries they represent as of December 31, 2012:



The number of shares held by the members of the Board and the Council of the Company as of July 5, 2013:

<b>Board members</b>		<b>Number of shares</b>
Chairman of the Board	Adrians Dāvis	417
Vice-Chairman of the Board	Joerg Tumat	900
Vice-Chairman of the Board	Alexander Miheyev	417
Board member	Anda Ulpe	729
Board member	Gints Freibergs	416
<b>Council members</b>		<b>Number of shares</b>
Chairman of the Council	Kirill Seleznev	0
Vice-Chairman of the Council	Juris Savickis	0
Vice-Chairman of the Council	Achim Saul	0
Council member	Matthias Kohlenbach	0
Council member	Rainer Link	0
Council member	Mario Nullmeier	0
Council member	Uwe H. Fip	0
Council member	Vlada Rusakova	0
Council member	Nikolay Dubik	0
Council member	Elena Karpel	0
Council member	Elena Michaylova	0

As from February 15, 1999, the shares of the Company are quoted at the NASDAQ OMX Riga exchange, and their trading code as from August 1, 2004 is GZE1R.

ISIN	LV0000100899
Exchange code	GZE1R
List	Second list
Nominal value	1.00 LVL
Total number of securities	39 900 000
Number of securities in public trading	25 328 520
Guaranteers of liquidity	None



**Report of the Board of Directors** (continued)

**4. Shares and shareholders** (continued)

	<b>2013 H1</b>	<b>2012 H1</b>	<b>2011 H1</b>	<b>2010 H1</b>	<b>2009 H1</b>
<u>Share price (LVL):</u>					
First	6.11	5.895	4.80	4.57	4.55
Highest	6.70	6.300	7.00	6.00	5.23
Lowest	6.03	5.520	4.60	4.57	3.32
Average	6.28	5.970	5.08	5.20	3.95
Last	6.70	6.170	6.62	5.55	4.28
Change	9.66%	3.48%	37.92%	21.44%	-5.93%
Number of transactions	762	783	628	342	470
Number of shares traded	75 918	82 632	131 688	19 832	27 190
Turnover (million LVL)	0.477	0.493	0.668	0.103	0.107
Capitalization (million LVL)	267.330	246.183	264.138	221.445	170.772

Source: NASDAQ OMX Riga

The capitalization value of the Company in 6 months of 2013 reached 267.3 million lats - by 21.1 million lats more than in 6 months of the previous reporting period. By share market capitalization the Company took the 1<sup>st</sup> place among companies quoted at NASDAQ OMX RIGA and the 4<sup>th</sup> place among companies quoted at NASDAQ OMX Baltic (2012 H1: accordingly 1<sup>st</sup> and 3<sup>rd</sup>).

The dynamics of the Company share price and indexes.

The shares of the Company are included in the following index baskets	OMXBGI, OMXBPI, OMXRGI
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OMX Baltic

An index of all shares, Baltic-wide. Its basket consists of the shares of the Official and Second list of the Baltic exchanges. The index reflects the current situation and changes in the Baltic market overall.

OMX Riga

An index of all shares, local. Its basket consists of the shares of the Official and Second list of the NASDAQ OMX Riga exchange. The index reflects the current situation and changes in the NASDAQ OMX Riga exchange.

**Report of the Board of Directors** (continued)

**4. Shares and shareholders** (continued)

The Company share price and changes of OMX Riga GI and OMX Baltic GI (01.01.2010. - 30.06.2013.)



Source: NASDAQ OMX Riga

Indexes/Shares	01.01.2010.	30.06.2013.	Change
OMX Riga GI	278.94	434.88	+55.90%
OMX Baltic GI	264.23	450.11	+70.35%
The Company's share price (LVL)	4.10	6.70	+63.41%

Chairman of the Board

A. Dāvis

Board meeting minutes No. 37 (2013)  
 Riga, August 21, 2013

## Statement of Director's responsibility

The Board of Directors of the Joint Stock Company "Latvijas Gāze" (hereinafter – the Company) is responsible of the preparation of the interim financial statements of the Company. Interim financial statements of the Company are not audited.

The financial statements on pages 12 to 18 are prepared in accordance with the underlying accounting records and source documents and present fairly the financial position of the Company as of 30 June 2013 and the result of its operations and cash flows for the period ended 30 June 2013.

The financial statements are prepared in accordance with International Financial Reporting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The Board of Directors in the preparation of the financial statements has made prudent and reasonable judgements and estimates.

The Board of Directors of JSC "Latvijas Gāze" is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board of Directors is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the Board of Directors,

Adrians Dāvis  
Chairman of the Board

Rīga, 21<sup>th</sup> August 2013

## Balance sheet

	Note	30.06.2013. LVL'000	30.06.2012. LVL'000	30.06.2013. EUR'000	30.06.2012. EUR'000
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment		396 993	402 430	564 870	572 606
Intangible assets		1 762	1 816	2 507	2 584
Trade receivables		2 113	1 898	3 007	2 701
<b>Total non-current assets</b>		<b>400 868</b>	<b>406 144</b>	<b>570 384</b>	<b>577 891</b>
<u>Current assets</u>					
Inventories	1	69 341	58 893	98 663	83 797
Trade receivables		17 949	18 204	25 539	25 902
Current income tax receivable		4 729	6 025	6 729	8 573
Other current assets		56 448	60 579	80 318	86 196
Cash and cash equivalents		31 967	22 206	45 485	31 596
<b>Total current assets</b>		<b>180 434</b>	<b>165 907</b>	<b>256 734</b>	<b>236 064</b>
<b>TOTAL ASSETS</b>		<b>581 302</b>	<b>572 051</b>	<b>827 118</b>	<b>813 955</b>
<b>EQUITY AND LIABILITIES</b>					
<u>Equity</u>					
Share capital		39 900	39 900	56 773	56 773
Share premium		14 320	14 320	20 376	20 376
Revaluation reserve	2	267 047	268 267	379 974	381 709
Other reserves		78 639	76 883	111 893	109 394
Retained earnings	3	34 574	35 699	49 194	50 795
<b>Total equity</b>		<b>434 480</b>	<b>435 069</b>	<b>618 210</b>	<b>619 047</b>
<u>Liabilities</u>					
<u>Non-current liabilities</u>					
Deferred income tax liabilities		40 237	41 205	57 252	58 629
Accruals for post employment benefits and other employee benefits		4 831	4 484	6 874	6 380
Deferred income		20 166	20 159	28 694	28 684
<b>Total non-current liabilities</b>		<b>65 234</b>	<b>65 848</b>	<b>92 820</b>	<b>93 693</b>
<u>Current liabilities</u>					
Trade payables		47 816	39 375	68 036	56 026
Corporate income tax payable		4 005	4 731	5 698	6 732
Deferred income		801	776	1 139	1 104
Other current liabilities		28 966	26 252	41 215	37 353
<b>Total current liabilities</b>		<b>81 588</b>	<b>71 134</b>	<b>116 088</b>	<b>101 215</b>
<b>Total liabilities</b>		<b>146 822</b>	<b>136 982</b>	<b>208 908</b>	<b>194 908</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>581 302</b>	<b>572 051</b>	<b>827 118</b>	<b>813 955</b>

**JSC "Latvijas Gāze"**  
**Unaudited financial report**  
**6 months 2013**

## Income statement

	Note	30.06.2013. LVL'000	30.06.2012. LVL'000	30.06.2013. EUR'000	30.06.2012. EUR'000
Revenue	4	235 662	239 584	335 317	340 898
Cost of sales	5	(217 096)	(222 397)	(308 899)	(316 442)
<b>Gross profit</b>		<b>18 566</b>	<b>17 187</b>	<b>26 418</b>	<b>24 456</b>
Administrative expenses	6	(3 640)	(4 709)	(5 179)	(6 700)
Other income	7	2 093	2 936	2 978	4 177
Other expenses	8	(5 490)	(5 127)	(7 812)	(7 295)
<b>Operating profit</b>		<b>11 529</b>	<b>10 287</b>	<b>16 405</b>	<b>14 638</b>
Finance income	9	95	297	135	422
Finance expenses	9	-	-	-	-
Finance income, net	9	95	297	135	422
<b>Profit before income tax</b>		<b>11 624</b>	<b>10 584</b>	<b>16 540</b>	<b>15 060</b>
Income tax expense		(4 005)	(4 731)	(5 699)	(6 732)
<b>Profit for the period</b>		<b>7 619</b>	<b>5 853</b>	<b>10 841</b>	<b>8 328</b>

## Statement of comprehensive income

Other comprehensive income

### Tax sections, net

Revaluation of property, plant and equipment - gross

2	66	98 440	94	140 068
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Deffered income tax liability arising on the revaluation of property, plant and equipment

2	-	(14 761)	-	(21 003)
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### Other comprehensive income for the period, net of tax

	<b>66</b>	<b>83 679</b>	<b>94</b>	<b>119 065</b>
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Profit for the period

	7 619	5 853	10 841	8 328
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### Total comprehensive income for the period

	<b>7 685</b>	<b>89 532</b>	<b>10 935</b>	<b>127 393</b>
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## Statement of cash flows

	<b>30.06.2013.</b>	<b>30.06.2012.</b>	<b>30.06.2013.</b>	<b>30.06.2012.</b>
	<b>LVL'000</b>	<b>LVL'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
<b>Cash flow from operating activities</b>				
Cash generated from operations	54 654	37 812	77 766	53 801
Interest received	118	321	168	457
Income tax paid	(2 995)	(3 593)	(4 262)	(5 112)
<b>Net cash generated from operating activities</b>	<b>51 777</b>	<b>34 540</b>	<b>73 672</b>	<b>49 146</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(5 847)	(6 336)	(8 320)	(9 015)
Purchase of intangible assets	(110)	(95)	(156)	(135)
Proceeds from sale of property, plant and equipment	32	18	46	25
Received term deposits	-	9 207	-	13 100
Term deposits	(36 469)	(40 185)	(51 891)	(57 178)
<b>Net cash used in investing activities</b>	<b>(42 394)</b>	<b>(37 391)</b>	<b>(60 321)</b>	<b>(53 203)</b>
<b>Net cash (used in) / generated from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>9 383</b>	<b>(2 851)</b>	<b>13 351</b>	<b>(4 057)</b>
Cash and cash equivalents at the beginning of the year	22 584	25 057	32 134	35 653
<b>Cash and cash equivalents at the end of the year</b>	<b>31 967</b>	<b>22 206</b>	<b>45 485</b>	<b>31 596</b>

## Statement of changes in equity

	Share capital LVL'000	Share premium LVL'000	Revaluation reserve LVL'000	Other reserves LVL'000	Retained earnings LVL'000	Total LVL'000
<b>31 December, 2011</b>	<b>39 900</b>	<b>14 320</b>	<b>185 105</b>	<b>76 883</b>	<b>29 329</b>	<b>345 537</b>
Income in year 2012, total	-	-	83 161	-	6 371	89 532
Rounding	-	-	1	-	(1)	-
<b>30 June, 2012</b>	<b>39 900</b>	<b>14 320</b>	<b>268 267</b>	<b>76 883</b>	<b>35 699</b>	<b>435 069</b>
<b>31 December, 2012</b>	<b>39 900</b>	<b>14 320</b>	<b>267 362</b>	<b>78 639</b>	<b>26 574</b>	<b>426 795</b>
Income in year 2013, total	-	-	(315)	-	8 000	7 685
<b>30 June, 2013</b>	<b>39 900</b>	<b>14 320</b>	<b>267 047</b>	<b>78 639</b>	<b>34 574</b>	<b>434 480</b>

	Share capital EUR'000	Share premium EUR'000	Revaluation reserve EUR'000	Other reserves EUR'000	Retained earnings EUR'000	Total EUR'000
<b>31 December, 2011</b>	<b>56 773</b>	<b>20 376</b>	<b>263 381</b>	<b>109 395</b>	<b>41 730</b>	<b>491 655</b>
Income in year 2012, total	-	-	118 328	-	9 065	127 393
Rounding	-	-	-	(1)	-	(1)
<b>30 June, 2012</b>	<b>56 773</b>	<b>20 376</b>	<b>381 709</b>	<b>109 394</b>	<b>50 795</b>	<b>619 047</b>
<b>31 December, 2012</b>	<b>56 773</b>	<b>20 376</b>	<b>380 422</b>	<b>111 893</b>	<b>37 811</b>	<b>607 275</b>
Income in year 2013, total	-	-	(448)	-	11 383	10 935
<b>30 June, 2013</b>	<b>56 773</b>	<b>20 376</b>	<b>379 974</b>	<b>111 893</b>	<b>49 194</b>	<b>618 210</b>

## Notes to the financial statements

	<u>30.06.2013.</u>	<u>30.06.2012.</u>	<u>30.06.2013.</u>	<u>30.06.2012.</u>
	<u>LVL'000</u>	<u>LVL'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
<b>1 INVENTORIES</b>				
Materials and spare parts (at net realisable value)	3 500	3 607	4 980	5 132
Gas and fuel (at cost)	65 841	55 286	93 683	78 665
	<b>69 341</b>	<b>58 893</b>	<b>98 663</b>	<b>83 797</b>
<b>2 REVALUATION RESERVE</b>				
At the beginning of the period	267 362	185 105	380 422	263 381
Revaluation of property, plant and equipment	66	98 440	94	140 068
Deferred income tax liability arising on the revaluation of property, plant and equipment	-	(14 761)	-	(21 003)
Disposal of revalued property, plant and equipment	(381)	(518)	(542)	(737)
Rounding	-	1	-	-
<b>At the end of the period</b>	<b>267 047</b>	<b>268 267</b>	<b>379 974</b>	<b>381 709</b>
<b>3 RETAINED EARNINGS</b>				
At the beginning of the period	26 574	29 329	37 811	41 731
Disposal of revalued property, plant and equipment	381	518	542	737
Profit for the period	7 619	5 853	10 841	8 328
Rounding	-	(1)	-	(1)
<b>At the end of the period</b>	<b>34 574</b>	<b>35 699</b>	<b>49 194</b>	<b>50 795</b>
<b>4 REVENUE</b>				
Sales per customers' groups are as follows:				
Income from natural gas sales to industrial customers	200 639	202 597	285 484	288 271
Income from natural gas sales to residential customers	26 564	26 801	37 797	38 134
Income from transmission and storage of natural gas	8 149	9 887	11 595	14 068
Other services	310	299	441	425
	<b>235 662</b>	<b>239 584</b>	<b>335 317</b>	<b>340 898</b>
<b>5 COST OF SALES</b>				
Purchase of natural gas	192 393	191 721	273 751	272 794
Salaries	5 337	5 275	7 594	7 506
Social insurance contributions	1 271	1 200	1 808	1 708
Life, health and pension insurance	407	397	579	565
Materials and spare parts	3 107	3 952	4 421	5 623
Depreciation and amortisation	11 282	17 219	16 053	24 500
Other	2 299	2 633	3 271	3 746
	<b>216 096</b>	<b>222 397</b>	<b>307 477</b>	<b>316 442</b>



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**6 ADMINISTRATIVE EXPENSES**

Salaries	1 584	1 591	2 254	2 264
Social insurance contributions	350	343	498	488
Life, health and pension insurance	72	71	102	101
Maintenance and utilities	328	350	467	498
Real estate tax	381	379	542	539
Depreciation and amortisation	284	317	404	451
Bank charges	43	45	61	64
Provisions for impairment of bad and doubtful debts, net	(874)	(33)	(1 243)	(47)
Other expenses	1 472	1 646	2 094	2 342
	<b>3 640</b>	<b>4 709</b>	<b>5 179</b>	<b>6 700</b>

**7 OTHER INCOME**

Penalties from customers	829	721	1 180	1 026
Income from contribution to financing of construction works	304	294	432	418
Provisions for slow moving and obsolete inventories impairment	31	53	44	75
Other income	274	784	390	1 116
Income from increase in exchange rates, net	655	1 084	932	1 542
	<b>2 093</b>	<b>2 936</b>	<b>2 978</b>	<b>4 177</b>

**8 OTHER EXPENSES**

Materials	15	14	21	20
Salaries	70	74	100	105
Social insurance contributions	11	12	16	17
Depreciation and amortisation	37	98	53	140
Sponsorship	25	29	35	41
Loss from sale of fixed assets	218	528	310	751
Other expense	5 114	4 372	7 277	6 221
	<b>5 490</b>	<b>5 127</b>	<b>7 812</b>	<b>7 295</b>

**EXPENSES BY NATURE**

Purchase of natural gas	193 393	191 721	275 173	272 794
Depreciation and amortisation	11 603	17 634	16 510	25 091
Employee benefit expense	9 102	8 963	12 951	12 754
Material and spare parts	3 122	3 966	4 442	5 643
Net provisions for impaired receivables	(874)	(33)	(1 243)	(47)
Other expenses	9 880	9 982	14 057	14 202
	<b>226 226</b>	<b>232 233</b>	<b>321 890</b>	<b>330 437</b>

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**9 FINANCE INCOME, NET**

<b>Finance income</b>				
- Interest income	95	297	135	422
	<u>95</u>	<u>297</u>	<u>135</u>	<u>422</u>
<b>Finance expenses</b>				
- Interest expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Finance income, net</b>	<u>95</u>	<u>297</u>	<u>135</u>	<u>422</u>