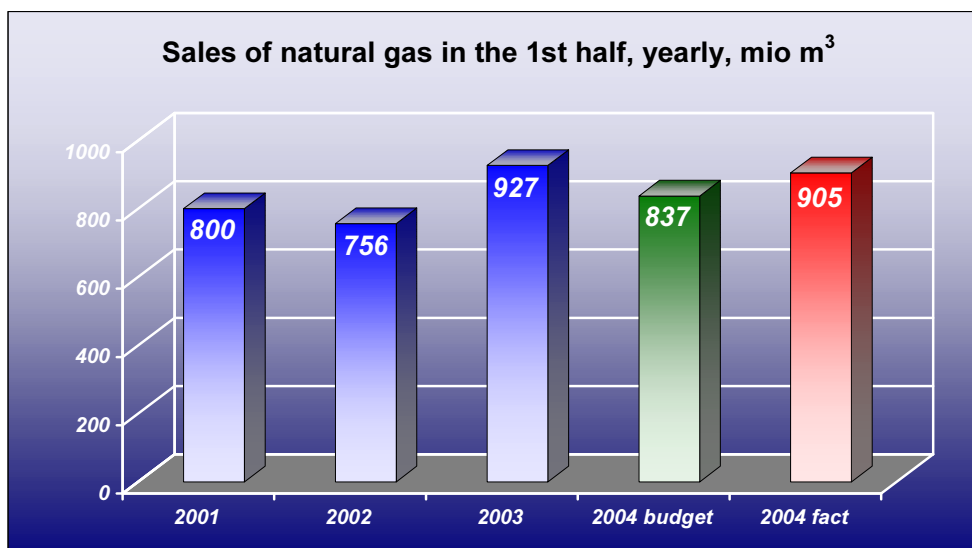


Report on JSC “Latvijas Gāze” performance in the 1st half 2004.

JSC “Latvijas Gāze” sold 904.9 mio nm³ of natural gas to the consumers during the first half of 2004. In comparison with the respective period of 2003 there are no significant variations in the sales of gas (-2.3%), but the budgeted amount is exceeded by 8.1% or 67.9 mio nm³.



Decrease of the natural gas sales during the first half of 2004 (comparing with the respective period of 2003) is related with the air temperature changes. During the first half of 2004 it was higher than during the respective period of 2003.

In the consumer composition the consumption of the three largest consumers – SJSC “Latvenergo”, JSC “Rīgas Siltums” and JSC “Liepājas Metalurģis”, reached 48.8%.

During the first half of 2004 gas sold and services rendered to consumers for **LVL 66.4 mio** and the profit of **LVL 7.9 mio** gained that is by LVL 2.9 mio higher than in 2003.

The gas injection season in Inčukalns UGS was started in April 6 this year. The residue of active gas in Inčukalns UGS was 243.7 mio nm³, when injection was started, incl.:

- 193.7 mio nm³ – gas for PJSC “Gazprom” needs;
- 50.0 mio nm³ – JSC “Eesti gas” ownership.

2 055 mio nm³ of gas has to be injected in Inčukalns UGS in the year 2004. Gas is injected according to the schedule. During April-June period **881 mio nm³** of gas was injected in the storage, incl. 351.0 mio nm³ for Latvia needs.

In the framework of the Capital Investment program in 6 months of 2004 approximately **LVL 6 mio** are up-taken. Investment funds mainly are used for:

- land purchase, reconstruction of buildings and premises and financing of construction – 66%;
- change and purchase of technical equipment and machines – 30%;
- purchase of other fixed assets and inventory – 2.5%;
- financing of intangible assets – 1.5%.

During six months of this year approximately 70 km of gas pipelines have been constructed. In total it is planned to construct 150 - 180 km of distribution pipelines in the year of 2004 (depending on the weather conditions), as well as to continue construction of gas transmission pipeline to Rezekne. For the reporting period 1400 new individual consumers have been connected to the gas distribution lines, as well as 60 municipal and industrial consumers. It is expected that 3000-5000 new consumers will be connected to the pipeline network of JSC "Latvijas Gāze" till the end of 2004.

Most important activities

- Specialists meeting from JSC "Latvijas Gāze" and from "Giprospekgaz", a daughter company of PJSC "Gazprom", about:
 - Development perspectives of transmission pipelines in Latvia, optimizing the gas flow in Baltic states and West Russia;
 - Issues about the calculation methods for capital investment return and gas storage and transmission service tariffs.
- Work on development of the new edition of the Charter of JSC "Latvijas Gāze" in accordance with the requirements of the Commercial law.
- Meeting with Mitgas GmbH and Ruhrgas AG specialists about issues concerning preparation of procedures for construction of gas pipelines and with E.ON Hanse specialist about the cogeneration issues.
- Conclusion of the contract about the long-term natural gas supply and investments with the Municipality of Rezekne as precondition for the transmission and distribution pipeline construction to the Rezekne city that is planned in this summer. Total costs for the construction of this pipeline will reach LVL 5.5 mio.
- Elaboration and approval of the new method for the connection fee determination for connection of the consumer's internal systems to the natural gas distribution pipelines. Method and new connection fees come into effect from 01.06.2004. New connection arrangement is based on the economic consideration and is elastic in the respect to a new client. In future approximately 30% of costs of distribution pipeline construction will be financed from connection fee funds, but each client will finance costs of connecting pipeline in full.
- Perspective gas supply schemes developed and approved:
 - for Smiltene city and its closest neighborhood;
 - for Grīva and Kalkūne district of Daugavpils City;
 - Naukšēni parish;
 - Ķeguma city with rural territory;

Member of the Board of Directors

A. Ulpe

JSC "Latvijas Gaze"

Profit or Loss Statement

January-June 2004

№	Indices	at the end of the period
1	Net turnover	66 405 474
2	Cost of sales (prime cost)	-49 818 811
3	Gross profit or loss	16 586 663
4	Sales Distribution costs	0
5	Administration costs	-2 171 889
6	Other operating income	382 560
7	Other operating expenses	-3 169 531
8	Income from participation in capital of related and affiliated companies	0.00
9	Income from securities and long - term loans	0.00
10	Other interest receivable and similar income	626 674
11	Amounts written off investments	0.00
12	Interest payable and similar charges	-1 158
13	Profit or loss before extraordinary items and tax	12 253 319
14	Extraordinary income	0
15	Extraordinary charges	0
16	Profit or loss before tax	12 253 319
17	Tax on profit or loss for the financial period	-3 479 332
18	Other taxes	-896 408
19	Profit or loss for the financial period	7 877 579

ASSETS	30.06.2004	31.12.2003
1	2	3
1.Long - term investments		
I. Intangible investments		
1 Research and development costs	116 601	115 840
2 Concessions, patents, licences, trade-marks and similar rights	978 709	1 076 503
3 Intangible value of enterprise	0	0
4 Advance payments of intangible investments	64 056	76 188
I.Totally long - term investments	1 159 366	1 268 531
II. Fixed assets		
1 Lands, buildings, constructions and preennial plantations	156 700 251	41 788 545
2 Technological equipment and machines	18 146 240	8 014 713
3 Other fixed assets and inventory	559 734	653 070
4 Forming of fixed assets and costs of unfinished objects of construction	11 850 052	7 915 521
II.Totally fixed assets	187 256 277	58 371 849
III.Long - term financial investments		
1 Participation in capital of related companies	0	0
2 Loans to related companies	0	0
3 Participation in capital of affiliated companies	80	80
4 Loans to affiliated companies		
5 Other securities and investments	9 005	8 941
6 Other loans	840	840
7 Own stocks and shares	0	0
8 Loans to joint owners and administration	0	0
9 Long-term customers and client debts	232 863	132 700
	242 788	142 561
1. Totally long - term investments	188 658 431	59 782 941
2.Current assets		
I.Stocks		
1 Row materials, direct materials and auxiliary materials	1 722 270	6 288 758
2 Unfinished products	0	0
3 Complete products and goods for sale	0	101 136
4 Unfinished orders		
5 Advance payments for goods	74 032	14 851
6 Work animals and productive animals	0	0
I.Totally stocks	1 796 302	6 404 745
II.Debtors		
1 Customers and client debts	6 604 877	9 750 509
2 Related companies debts		
3 Affiliated companies debts		
4 Other debts	2 490 437	1 370 712
5 Undeposited shares in business capital	0	0
6 Short - term loans to joint owners and administration	0	0
7 Accrued income	375 326	246 518
II.Totally debtors	9 470 640	11 367 739
III. Securities and participation in capitals		
1 Participation in capital of related companies		
2 Own stocks and shares		
3 Other securities and participation in capitals	26 391	28 659
III.Totally securities and participation in capitals	26 391	28 659
IV. Cash assets (TOTAL)	53 463 447	35 761 765
2.Totally current assets	64 756 780	53 562 908
TOTALLY ASSETS	253 415 211	113 345 849

LIABILITIES		30.06.2004	31.12.2003
1		2	3
1.Equity capital			
1	Stock or share capital (equity capital)	39 900 000	39 900 000
2	Stock issue extra charge	14 320 210	14 320 210
3	Long - term investment reestimation reserve	117 432 663	7 877 666
4	Reservs:	0	0
	a) Prescribed reserves	2 091 647	2 091 647
	b) Reserves for own stocks and shares	0	0
	c) Reserves prescribed by enterprise	20 264 394	20 264 394
	d) Other reserves		
	d) non-distributed revenues from investment in branch	6 138	6 138
Reservs		22 362 179	22 362 179
5	Retained profit:	20 892 989	0
	a) Retained profit of previous years	13 015 410	13 015 410
	b) Retained profit of the year of accountant	7 877 579	0
1.Totally equity capital		214 908 041	97 475 465
2.Stockpiles			
1	Reserves for pensions and similar obligations		
2	Reserve for prospective taxes	21 657 499	1 156 709
3	Other stockpiles	3 670 000	670 000
2.Totally stockpiles		25 327 499	1 826 709
3.Creditors			
I.Long - term debts			
1	Funded borrowings	0	0
2	Borrowings for shares	0	0
3	Bank borrowings	80 898	80 898
4	Borrowings from related companies		
5	Borrowings from affiliated companies	0	0
6	Other creditors	840	840
7	Deferred income	3 072 804	2 744 514
I.Totally long - term debts		3 154 542	2 826 252
II.Short - term debts			
1	Funded borrowings		
2	Borrowings for shares		
3	Bank borrowings	16 090	32 359
4	Customers advanced payments	1 432 371	1 075 107
5	Debts to suppliers and contractors	3 329 118	5 785 593
6	Bills to be paid	2 073 256	1 584 506
7	Borrowings from related companies	0	0
8	Borrowings from affiliated companies	0	0
9	Tax and social security payments	0	0
10	Other creditors	2 479 332	0
11	Deferred income		
12	Dividends of the year of account	583 781	2 641 761
13	Unpaid dividends of previous years	111 181	98 097
II.Totally short - term debts		10 025 129	11 217 423
3.Totally creditors		13 179 671	14 043 675
Totally liabilities		253 415 211	113 345 849