



Joint Stock Company "Latvijas Gāze"

Unaudited Financial Report of three months of 2008

Prepared according to the Requirements of International Accounting Standards

Riga, 2008

Contents

JSC "Latvijas Gāze" management	3
Report on activity of the JSC "Latvijas Gāze" in the 3 months of the year 2008	4
Shares and shareholders	5
Profit or loss statement	6
Balance sheet.....	7
Cash flow statement	8
Changes in equity capital (LVL)	9
Changes in equity capital (EUR).....	10
Appendices	11
Appendices	11

JSC “Latvijas Gāze” management

Council

Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council
Juris Savickis – Vice-chairman of the Council
Stephan Kamphues – Vice-chairman of the Council
Eike Benke – Member of the Council
Reiner Lehmann – Member of the Council
Uwe Fip – Member of the Council
Yelena Karpel (Елена Карпель) – Member of the Council
Igor Nazarov (Игорь Назаров) – Member of the Council
Vlada Rusakova (Влада Русакова) – Member of the Council
Alexander Krasnenkov (Александр Красненков) – Member of the Council
Marcus Anton Söhrich – Member of the Council

Board

Adrians Dāvis – Chairman of the Board
Alexander Mihejev (Александр Михеев) – Member of the Board, Deputy Chairman of the Board
Jörg Tumat M.A. – Member of the Board, Deputy Chairman of the Board
Anda Ulpe – Member of the Board
Gints Freibergs – Member of the Board

Report on activity of the JSC "Latvijas Gāze" in the 3 months of the year 2008

Economical and financial activity

In 3 months of the year 2008, the Joint Stock Company "Latvijas Gāze" (hereinafter – LG) sold to consumers 626.8 million nm³ of natural gas. In comparison to the respective period of 2007, natural gas sales have decreased by 4.1%, as well as there is by 11.3% or 80.2 million nm³ less natural gas sales than it was planned in the budget.

The decrease of natural gas consumption in 3 months of 2008 is related to the atypically high air temperature in the 1st quarter of 2008.

The gas injection season at the Inčukalns UGS was started on April 19, 2008. At commencement of natural gas injection, the reserves of active gas at the Inčukalns UGS were 404.9 million nm³, incl. 120.3 million nm³ for the needs of Latvian consumers.

It is planned to inject 1 920 million nm³ of natural gas at the Inčukalns UGS in 2008, reaching 2.32 billion m³ of active gas at the end of the injection season.

In 3 months of 2008, consumers were sold natural gas and provided services for LVL 106.4 million, which is by 46.4% more than in the respective period of 2007, still by 10.7% less than it was planned when preparing the budget.

LG completed 3 months of 2008 with a profit of LVL 4.87 million, which is by 25.6% less than in the respective period of 2007, when the profit was LVL 6.54 million.

On January 21, 2008, the short-term loan of EUR 28.5 million, received from the JSC "SEB Banka" on June 18, 2007, was repaid.

Within the framework of the capital investment programme, LVL 3.74 million were utilized in 3 months of 2008. The funds of investment were mostly used for modernization of technological equipment and construction of new gas pipelines.

The most significant activities:

- Submission of the natural gas tariff project for 2008 to the Public Utility Commission on April 16 this year;
- Participation in various working groups developing legislation of the energy sphere;
- Negotiations and conclusion of contracts with foreign gas companies for transportation, injection and storage of natural gas at the Inčukalns UGS on a commercial basis;

Shares and shareholders

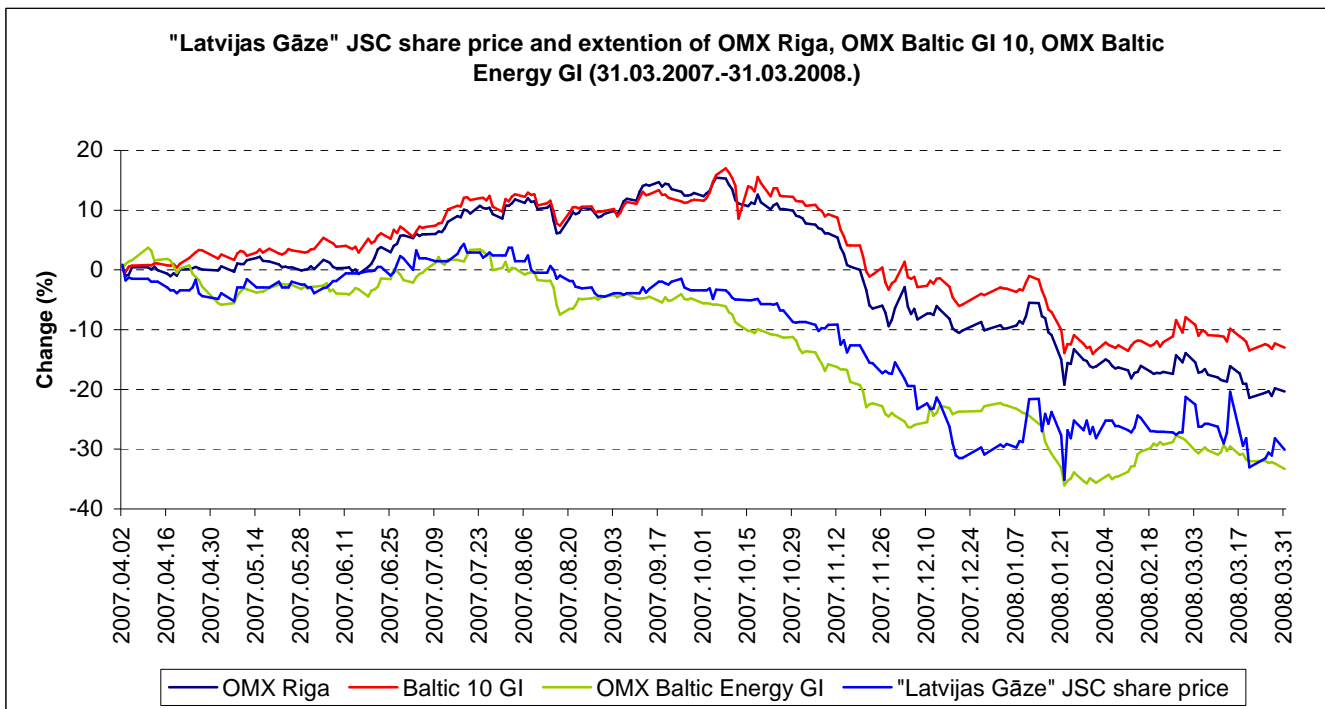
Composition of shareholders¹ of the JSC "Latvijas Gāze" as on December 31, 2007:

Shareholder	Shares (%)
E.ON Ruhrgas International	47.2%
Gazprom	34.0%
Itera Latvija	16.0%
Others	2.8%

Share price of JSC "Latvijas Gāze" at Riga Stock Exchange in 3 months of 2008 and previous periods

	3 months 2004	3 months 2005	3 months 2006	3 months 2007	3 months 2008
<u>Share price:</u>					
Highest	5,65	6,75	11,13	11,25	8,20
Lowest	5,40	6,15	9,27	10,30	6,40
Avarage	5,53	6,34	10,18	10,57	7,54
Last	5,52	6,40	10,30	10,30	7,20
Number of shares	38 432	9 397	53 960	115 109	11 880
Turnover (mio LVL)	0,213	0,060	0,549	1,216	0,090
Capitalization (mio LVL)	220,248	255,360	410,970	410,970	287,280

Source: RSE



Source: RSE

¹ Shareholders owning not less than 5% of capital

Joint Stock Company "Latvijas Gāze"
Unaudited financial report
3 months 2008

Profit or loss statement

	Appendix	31.03.2008. 31.03.2007.			31.03.2008. 31.03.2007.		
		LVL'000	LVL'000	Change	EUR'000	EUR'000	Change
Sales		106 355	72 628	33 727	151 330	103 340	47 989
Cost of sales	1	(96 558)	(65 076)	(31 482)	(137 390)	(92 595)	(44 795)
Gross profit		9 797	7 552	2 245	13 940	10 746	3 194
Administrative expenses	2	(4 579)	(1 501)	(3 078)	(6 515)	(2 136)	(4 379)
Other operating income	3	913	1 777	(864)	1 299	2 529	(1 230)
Other operating expenses	4	(133)	(202)	69	(189)	(287)	98
Financial income	5	310	88	222	440	125	315
Financial expenses	5	(58)	-	(58)	(82)	-	(82)
Profit before tax		6 250	7 714	(1 465)	8 893	10 977	(2 084)
Income tax		(1 380)	(1 170)	(210)	(1 964)	(1 665)	(299)
Profit of the reporting year		4 870	6 544	(1 675)	6 929	9 312	(2 382)
Earnings per share (EPS)		0,122	0,164	(0,042)	0,174	0,233	(0,060)

Joint Stock Company "Latvijas Gāze"
Unaudited financial report
3 months 2008

Balance sheet

	31.03.2008. 31.03.2007.			31.03.2008. 31.03.2007.			
	Appendix	LVL'000	LVL'000	Change	EUR'000	EUR'000	Change
ASSETS							
<u>Non-current assets</u>							
Intangible assets		1 671	1 635	36	2 378	2 326	52
Property, plant and equipment		317 302	305 977	11 325	451 479	435 366	16 113
Trade accounts receivable		10	63	(53)	14	90	(76)
Total non-current assets		318 983	307 675	11 308	453 871	437 782	16 089
<u>Current assets</u>							
Inventories	6	24 183	32 231	(8 048)	34 409	45 861	(11 452)
Trade accounts receivable		29 695	14 322	15 373	42 253	20 378	21 875
Other current assets		1 689	1 667	22	2 404	2 372	32
Corporate income tax (2391)		1 126	2 290	(1 164)	1 602	3 258	(1 656)
Cash and cash equivalents		64 774	23 995	40 779	92 165	34 142	58 023
Total current assets		121 467	74 505	46 962	172 833	106 011	66 822
TOTAL ASSETS		440 450	382 180	58 270	626 704	543 793	82 911
EQUITY AND LIABILITIES							
<u>Equity</u>							
Share capital		39 900	39 900	-	56 773	56 773	-
Share emission premium		14 320	14 320	-	20 376	20 376	-
Revaluation reserve		187 625	187 215	410	266 964	266 382	582
Other reserves		55 416	47 554	7 862	78 850	67 663	11 187
Retained earnings		33 150	21 838	11 312	47 169	31 073	16 096
Total equity		330 411	310 827	19 584	470 132	442 267	27 865
<u>Liabilities</u>							
<u>Non-current liabilities</u>							
Deferred tax liabilities		30 538	31 582	(1 044)	43 452	44 937	(1 485)
Provisions for postemployment benefits		2 500	-	2 500	3 557	-	3 557
Deferred income		12 101	8 720	3 381	17 218	12 407	4 811
Total non-current liabilities		45 139	40 302	4 837	64 227	57 345	6 882
<u>Current liabilities</u>							
Trade accounts payable		40 101	17 146	22 955	57 059	24 397	32 662
Other liabilities		12 263	9 324	2 939	17 449	13 267	4 182
Corporate income tax liability		2 792	1 170	1 622	3 973	1 665	2 308
Provisions		9 284	3 064	6 220	13 210	4 360	8 850
Borrowings	7	-	16	(16)	-	23	(23)
Deferred income		460	331	129	654	471	183
Total current liabilities		64 900	31 051	33 849	92 345	44 182	48 163
Total liabilities		110 039	71 353	38 686	156 572	101 526	55 046
TOTAL EQUITY AND LIABILITIES		440 450	382 180	58 270	626 704	543 793	82 911

Joint Stock Company "Latvijas Gāze"
Unaudited financial report
3 months 2008

Cash flow statement

	31.03.2008.	31.03.2007.	31.03.2008.	31.03.2007.
	LVL'000	LVL'000	EUR'000	EUR'000
Cash flow from operating activities				
Cash generated from operations	45 217	11 335	64 337	16 128
Interest received	321	88	456	125
Corporate income tax paid	(1 348)	(1 176)	(1 917)	(1 673)
Net cash flow from operating activities	44 190	10 247	62 876	14 580
Cash flow from investing activities				
Purchase of property, plant and equipment	(3 705)	(3 694)	(5 272)	(5 256)
Proceeds from sale of property, plant and equipment	104	4	149	6
Purchase of intangible assets	(32)	(736)	(46)	(1 047)
Net cash flow from investing activities	(3 633)	(4 426)	(5 169)	(6 298)
Cash flow from financing activities				
Borrowings repaid	(20 030)	-	(28 500)	-
Service charge on borrowings	(58)	-	(82)	-
Net cash flow from financing activities	(20 088)	-	(28 582)	-
(Decrease)/increase in cash and cash equivalents	20 469	5 821	29 125	8 283
Cash and cash equivalents at the beginning of the year	44 305	18 174	63 040	25 859
Cash and cash equivalents at the end of the year	64 774	23 995	92 165	34 142

Changes in equity capital (LVL)

	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
December 31, 2006	39 900	14 320	119 264	47 554	15 294	236 332
Revaluation of fixed assets	-	-	80 216	-	-	80 216
Deferred tax liability arising on the revaluation of property, plant and equipment	-	-	(12 032)	-	-	(12 032)
Disposal of revaluated fixed assets	-	-	(233)	-	-	(233)
Deferred tax on disposal of revaluated property, plant and equipment	-	-	-	-	-	-
<i>Net income admitted in equity</i>	-	-	67 951	-	-	67 951
Profit of the reporting year	-	-	-	-	6 544	6 544
Income for 3 months of 2007	-	-	67 951	-	6 544	74 495
Transfer to reserves	-	-	-	-	-	-
Dividends for 2006	-	-	-	-	-	-
March 31, 2007	39 900	14 320	187 215	47 554	21 838	310 827

	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
December 31, 2007	39 900	14 320	187 584	55 416	28 280	325 500
Revaluation of fixed assets	-	-	117	-	-	117
Deferred tax liability arising on the revaluation of property, plant and equipment	-	-	-	-	-	-
Disposal of revaluated fixed assets	-	-	(76)	-	-	(76)
Deferred tax on disposal of revaluated property, plant and equipment	-	-	-	-	-	-
<i>Net income admitted in equity</i>	-	-	41	-	-	41
Profit of the reporting year	-	-	-	-	4 870	4 870
Income for 3 months of 2008	-	-	41	-	4 870	4 911
Transfer to reserves	-	-	-	-	-	-
Dividends for 2007	-	-	-	-	-	-
March 31, 2008	39 900	14 320	187 625	55 416	33 150	330 411

Changes in equity capital (EUR)

	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
December 31, 2006	56 773	20 376	169 697	67 663	21 761	336 270
Revaluation of fixed assets	-	-	114 137	-	-	114 137
Deferred tax liability arising on the revaluation of property, plant and equipment	-	-	(17 120)	-	-	(17 120)
Disposal of revaluated fixed assets	-	-	(332)	-	-	(332)
Deferred tax on disposal of revaluated property, plant and equipment	-	-	-	-	-	-
<i>Net income admitted in equity</i>	-	-	96 685	-	-	96 685
Profit of the reporting year	-	-	-	-	9 312	9 312
Income for 3 months of 2007	-	-	96 685	-	9 312	105 997
Transfer to reserves	-	-	-	-	-	-
Dividends for 2006	-	-	-	-	-	-
March 31, 2007	56 773	20 376	266 382	67 663	31 073	442 267

	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
December 31, 2007	56 773	20 376	266 907	78 850	40 240	463 146
Revaluation of fixed assets	-	-	166	-	-	166
Deferred tax liability arising on the revaluation of property, plant and equipment	-	-	-	-	-	-
Disposal of revaluated fixed assets	-	-	(109)	-	-	(109)
Deferred tax on disposal of revaluated property, plant and equipment	-	-	-	-	-	-
<i>Net income admitted in equity</i>	-	-	57	-	-	57
Profit of the reporting year	-	-	-	-	6 929	6 929
Income for 3 months of 2008	-	-	57	-	6 929	6 986
Transfer to reserves	-	-	-	-	-	-
Dividends for 2007	-	-	-	-	-	-
March 31, 2008	56 773	20 376	266 964	78 850	47 169	470 132

Appendices

App. No	31.03.2008.	31.03.2007.	Change	31.03.2008.	31.03.2007.	Change
	LVL'000	LVL'000		EUR'000	EUR'000	
1 COST OF SALES						
Purchase of natural gas	87 022	55 747	31 275	123 821	79 320	44 500
Salaries	2 698	1 990	708	3 839	2 831	1 008
Social insurance contributions	631	465	166	897	661	236
Life, health and pension insurance	173	141	32	247	201	46
Materials and spare parts	619	615	4	880	875	5
Depreciation and amortisation and impairment charge of property, plant and equipment	4 585	5 185	(600)	6 524	7 378	(854)
Other	830	933	(103)	1 181	1 328	(147)
	96 558	65 076	31 482	137 390	92 595	44 795
2 ADMINISTRATIVE EXPENSES						
Salaries	729	683	46	1 037	972	65
Social insurance contributions	175	143	31	249	204	44
Life, health and pension insurance	33	32	1	47	46	1
Maintenance and utilities	227	218	9	323	311	12
Real estate tax	35	35	-	50	49	-
Depreciation and amortisation and impairment charge of property, plant and equipment	120	172	(52)	171	244	(74)
Bank charges	47	41	6	67	59	9
Provisions for impairment of bad and doubtful debtors	(20)	(12)	(7)	(28)	(18)	(10)
Other	3 233	189	3 044	4 600	268	4 332
	4 579	1 501	3 078	6 515	2 136	4 379
3 OTHER OPERATING INCOME						
Penalties from customers	180	117	63	257	167	89
Income from contribution to financing of construction works	120	88	32	171	126	46
Gain from disposal of property plant and equipment	106	-	106	150	-	150
Provisions for impairment of slow-moving and obsolete inventories	11	3	7	16	5	11
Other	66	1 574	(1 508)	94	2 240	(2 146)
Net income from fluctuations of foreign currency rates	430	(6)	436	612	(9)	620
	913	1 777	(864)	1 299	2 529	(1 230)
4 OTHER OPERATIONAL EXPENSES						
Material expenses	3	3	-	4	4	-
Salaries and other expenses	34	28	6	48	40	8
Social insurance contributions	5	4	1	7	6	1

Joint Stock Company "Latvijas Gāze"
Unaudited financial report
3 months 2008

Depreciation, amortisation and impairment charge for property, plant and equipment	23	25	(2)	33	36	(2)
Sponsorship	22	-	22	31	-	31
Loss on sale of fixed assets	-	99	(99)	-	141	(141)
Other	46	43	3	65	61	4
	133	202	(69)	189	287	(98)

**DISTRIBUTION OF EXPENSES
IN THEIR TERMS**

Purchase of natural gas	87 022	55 747	31 275	123 821	79 320	44 500
Depreciation and amortisation	4 729	5 382	(653)	6 728	7 658	(930)
Staff expenses	4 477	3 487	991	6 370	4 961	1 410
Materials and spare parts	622	618	4	885	880	5
Net accruals for reduction of debtors' debt	(20)	(12)	(8)	(28)	(18)	(10)
Other	4 546	1 459	3 087	6 468	2 217	4 251
	101 376	66 680	34 696	144 244	95 018	49 227

5 FINANCE INCOME, NET

Finance income	310	88	222	440	125	315
Interest income	310	88	222	440	125	315
Finance expenses	58	-	58	82	-	82
Service charge for borrowings	58	-	58	82	-	82
Finance income, net	252	88	164	358	125	233

6 INVENTORIES

Materials and spare parts (at net sellable value)	3 021	2 787	234	4 298	3 966	332
Gas and fuel (at cost value)	21 162	29 444	(8 282)	30 111	41 895	(11 784)
	24 183	32 231	(8 048)	34 409	45 861	(11 452)

7 BORROWINGS

The Ministry of Finance, 2007	-	16	(16)	-	23	(23)
Refund term of borrowings: Short-term part of the borrowings in 1 year	-	16	(16)	-	23	(23)