



"Latvijas Gāze" Joint Stock Company

Unaudited Financial Report of 3 months of 2009

Prepared according to the Requirements of International Financial Reporting Standards

Riga, 2009

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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, place and date of registration	000300064 Riga, March 25, 1991 Reregistered in Commercial Register December 20, 2004 with common registration No 40003000642
Address	Aristīda Briāna street 6 Riga, LV-1001 Latvia
Names of major shareholders	E.ON Ruhrgas International AG (47.2%) JSC Gazprom (34.0%) LLC Itera Latvija (16.0%)
Names and positions of the Board members	Adrians Dāvis – Chairman of the Board Aleksandrs Mihejevs (Александр Михеев) – Member of the Board, Deputy Chairman of the Board Jörg Tumat – Member of the Board, Deputy Chairman of the Board Anda Ulpe – Member of the Board Gints Freibergs – Member of the Board
Names and positions of the Council members	<u>Until July 25, 2008</u> Kiril Seleznov (Кирилл Селезнев) – Chairman of the Council Juris Savickis – Deputy Chairman of the Council Stephan Kamphues – Deputy Chairman of the Council Eike Benke – Member of the Council Reiner Lehmann – Member of the Council Uwe Fip – Member of the Council Marcus Anton Söhrich – Member of the Council Jelena Karpel (Елена Карпель) – Member of the Council Igor Nazarov (Игорь Назаров) – Member of the Council Vlada Rusakova (Влада Русакова) – Member of the Council Aleksandr Krasnenkov (Александр Красненков) – Member of the Council <u>After July, 2008</u> Kiril Seleznov (Кирилл Селезнев) – Chairman of the Council Juris Savickis – Deputy Chairman of the Council Achim Saul – Deputy Chairman of the Council Eike Benke – Member of the Council Heinz Watzka – Member of the Council Uwe Fip – Member of the Council Marcus Anton Söhrich – Member of the Council Jelena Karpel (Елена Карпель) – Member of the Council Igor Nazarov (Игорь Назаров) – Member of the Council Vlada Rusakova (Влада Русакова) – Member of the Council Aleksandr Krasnenkov (Александр Красненков) – Member of the Council
Financial period	1 January – 31 March 2009

Report on activity of the “Latvijas Gāze” JSC in the 3 months of the year 2009

Financial activity

In 3 months of the year 2009, “Latvijas Gāze” Joint Stock Company (hereinafter – LG) sold to consumers 593,2 million nm³ of natural gas. In comparison to the respective period of 2008, the natural gas sales have decreased by 5,4 %, as well as there is by 2,8 % or 16,8 million nm³ less natural gas sales than it was planned in the budget.

The decrease of natural gas consumption in 3 months of 2009 has been caused by the temperature as well by more economical use of resources and decisions made by natural gas consumers to decrease business activities because of global financial crisis and decreasing growth pace of national economy of Latvia.

The gas injection season at the Inčukalns UGS was commenced on May 14, 2009. At commencement of natural gas injection, the reserves of active gas at the Inčukans UGS were 860,3 million nm³.

It is planned to inject 1 465 million nm³ of natural gas at the Inčukalns UGS in 2009, reaching 2.32 billion m³ of active gas at the end of the injection season.

In 3 months of 2009, consumers were sold natural gas and provided services for LVL 155,0 million, which is by 45,7 % more than in the respective period of 2008.

LG completed 3 months of 2009 with a profit of LVL 5,7 million, which is by 18,8 % more than in the respective period of 2008, when the profit was LVL 4,8 million.

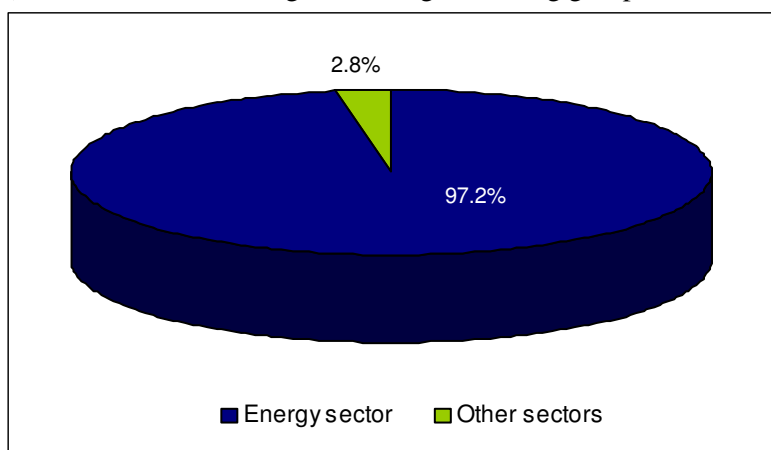
Within the framework of the capital investment programme, LVL 1,93 million were utilized in 3 months of 2009. The funds of investment were mostly used for modernization of technological equipment and construction of new gas pipelines.

Shares and shareholders

1) Composition of shareholders¹ of LG as on December 31, 2008:

Shareholder	31.12.2008.	31.12.2007.
“E.ON Ruhrgas International” AG	47.2 %	47.2 %
“Gazprom” OJSC	34.0 %	34.0 %
“Itera Latvija” Ltd	16.0 %	16.0 %
Others	2.8 %	2.8 %
TOTAL	100,0 %	100,0 %

2) Distribution of holdings according to holding groups as on December 31, 2008:



3) List of shareholders with special control rights as on December 31, 2008:

Members of the Board		Number of shares
Chairman of the Board	Adrians Dāvis	417
Deputy Chairman of the Board	Jörg Tumat M.A.	500
Deputy Chairman of the Board	Alexander Mihejev	417
Member of the Board	Anda Ulpe	729
Member of the Board	Gints Freibergs	416

Members of the Council		Number of shares
Chairman of the Council	Kirill Seleznev	0
Vice-chairman of the Council	Achim Saul	0
Vice-chairman of the Council	Juris Savickis	0
Members of the Council:	Eike Benke	0
	Uwe Fip	0
	Marcus Anton Söhrich	0
	Heinz Watzka	0
	Yelena Karpel	0
	Alexander Krasnenkov	0
	Vlada Rusakova	0
	Igor Nazarov	0

Since February 15, 1999, the shares of LG are quoted at the NASDAQ OMX Riga, and its share trade code since August 1, 2004 is GZE1R. The shares of LG were quoted in the Official list of the

¹ Shareholders owning not less than 5% of capital

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NASDAQ OMX Riga and the General list of the Baltic Stock Exchange till July 31, 2008. Pursuant to the resolution passed on June 25, 2008 by the Board of the JSC “NASDAQ OMX Riga”, due to the insufficient number of quotable LG shares available in free public trading, the shares of LG were shifted to the Second list of the Baltic Stock Exchange and the NASDAQ OMX Riga as from August 1, 2008.

The capitalization value of LG on the 31st March 2009 reached LVL 139,25 million – by 51,5 % less than on the 31st March 2008 when capitalization value was LVL 287,28 million. By share market capitalization LG took the 2nd place among companies quoted in Latvia and the 7th place at the Baltic Stock Exchange.

4) Share price of LG as on March 31, 2009 and previous period

	3 months 2009	3 months 2008
<u>Shares price (LVL):</u>		
Highest	5.23	8.20
Lowest	3.45	6.40
Avarage	3.99	7.54
Last	3.49	7.20
Number of shares	15 040	11 880
Turnover (mio LVL)	0.059	0.090
Capitalization (mio LVL)	139.251	287.280

Source: NASDAQ OMX Riga

The shares of LG are included in the following index baskets – OMX Baltic, OMX Riga, OMX Baltic Energy.

OMX Baltic

An index of all shares, a Baltic-wide index. Its basket is comprised of the shares of the Official and the Secon list of the Baltic exchanges. The index reflects the actual situation and changes in the Baltic market overall.

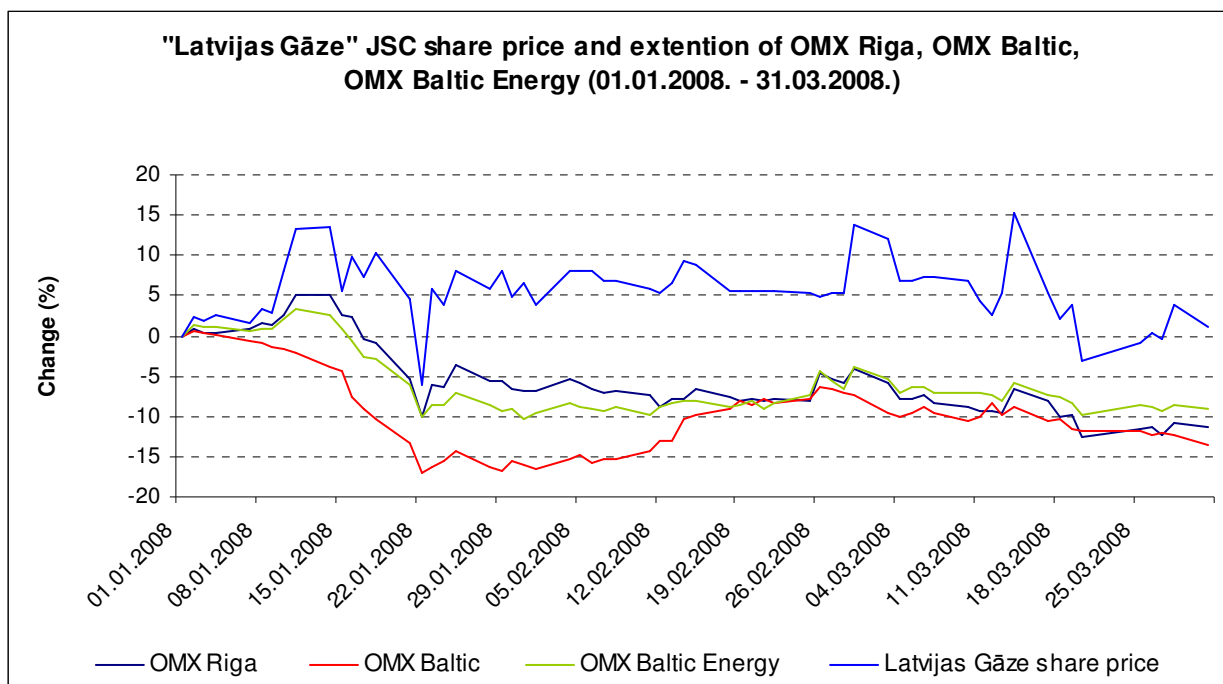
OMX Riga

An index of all shares, a local index. Its basket is comprised of the shares of the Official and the Second list of the NASDAQ OMX Riga. The index reflects the actual situation and changes in the NASDAQ OMX Riga.

OMX Baltic Energy

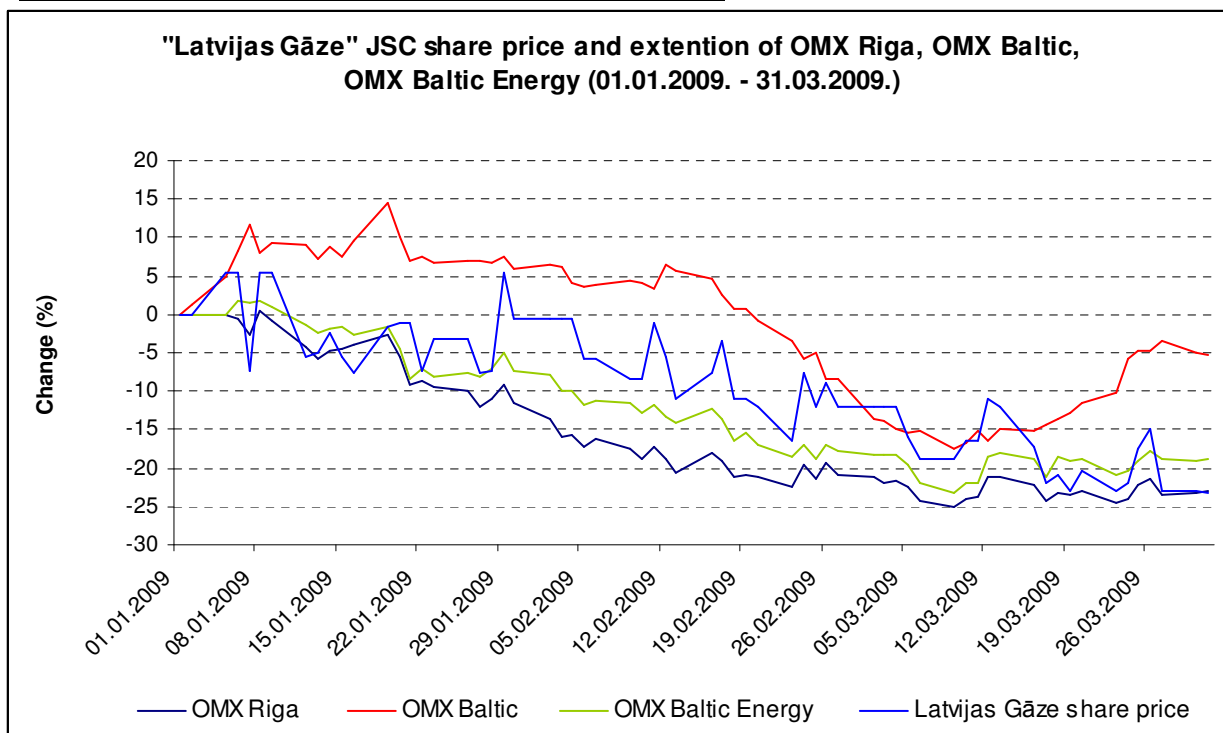
A sector index, a Baltic-wide index, based on the Global Industry Classification Standard (GICS) developed by Morgan Stanley Capital International Inc. (MSCI) in association with Standard & Poor's. The purpose of GICS is to satisfy the investors' need for a more precise, exhaustive and standardized classification of companies. The sector index shows the trends of a sector and enables comparison of similar companies within the sector. The index consists of the shares of the Official and the Second list of the OMX Baltic market, and indexes are calculated for each GICS sector separately.

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Source: NASDAQ OMX Riga

Indexes/shares	01.01.2008.	31.03.2008.	Change
OMX Riga	595.30	527.66	-11.36%
OMX Baltic GI	308.77	266.77	-13.60%
OMX Baltic Energy GI	569.41	517.06	-9.19%
LG share price	7.12	7.20	1.12%



Source: NASDAQ OMX Riga

Indexes/shares	01.01.2009.	31.03.2009.	Change
OMX Riga	271.29	208.87	-23.01%
OMX Baltic GI	88.33	83.71	-5.23%
OMX Baltic Energy GI	280.55	228.02	-18.72%
LG share price	4.55	3.49	-23.30%

Balance sheet

	31.03.2009.	31.03.2008.	31.03.2009.	31.03.2008.
	Note	LVL'000	LVL'000	EUR'000
		LVL'000	LVL'000	EUR'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment		316 967	317 301	451 003
Intangible assets		2 140	1 671	3 045
Trade receivables		11	10	16
Total non-current assets		319 118	318 982	454 064
<u>Current assets</u>				
Inventories	1	21 398	24 183	30 447
Trade receivables		47 287	29 695	67 283
Current income tax receivable		5 786	1 126	8 233
Other current assets		1 091	1 690	1 552
Cash and cash equivalents		44 026	64 774	62 643
Total current assets		119 588	121 468	170 158
TOTAL ASSETS		438 706	440 450	624 222
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital		39 900	39 900	56 773
Share premium		14 320	14 320	20 376
Revaluation reserve	2	187 077	187 624	266 186
Other reserves		66 544	55 416	94 684
Retained earnings	3	22 831	33 150	32 485
Total equity		330 672	330 410	470 504
<u>Liabilities</u>				
<u>Non-current liabilities</u>				
Deferred income tax liabilities		29 915	30 538	42 565
Accruals for post employment benefits and other employee benefits		4 673	2 500	6 649
Deferred income		13 551	12 101	19 281
Total non-current liabilities		48 139	45 139	68 495
<u>Current liabilities</u>				
Trade payables		20 944	40 102	29 801
Corporate income tax payable		2 619	2 792	3 727
Deferred income		3 327	460	4 733
Other current liabilities		33 005	21 547	46 962
Total current liabilities		59 895	64 901	85 223
Total liabilities		108 034	110 040	153 718
TOTAL EQUITY AND LIABILITIES		438 706	440 450	624 222

Consolidated income statement – by function of expense

	Note	31.03.2009. LVL'000	31.03.2008. LVL'000	31.03.2009. EUR'000	31.03.2008. EUR'000
Sales		154 975	106 355	220 510	151 330
Cost of sales	4	(136 420)	(96 558)	(194 109)	(137 390)
Gross profit		18 555	9 797	26 401	13 940
Administrative expenses	5	(4 697)	(4 579)	(6 683)	(6 515)
Other income	6	784	836	1 115	1 190
Other expenses	7	(6 617)	(133)	(9 415)	(189)
Operating profit		8 025	5 921	11 418	8 426
Finance income	8	275	310	391	440
Finance expenses	8	(2)	(58)	(3)	(82)
Finance income, net	8	273	252	388	358
Profit before income tax		8 298	6 173	11 806	8 784
Income tax expense		(2 619)	(1 380)	(3 727)	(1 964)
Profit for the period		5 679	4 793	8 079	6 820
Earnings per share (EPS)		0.142	0.120	0.202	0.171

Consolidated statement of recognized income and expense

Items net of tax					
Disposal of revalued property, plant and equipment	2	21	77	31	109
Net income recognised directly in equity		21	77	31	109
Profit for the period		5 679	4 793	8 079	6 820
Total recognised income for the year		5 700	4 870	8 110	6 929

Cash flow statement

	31.03.2009.	31.03.2008.	31.03.2009.	31.03.2008.
	LVL'000	LVL'000	EUR'000	EUR'000
Cash flow from operating activities				
Cash generated from operations	42 918	45 217	61 066	64 337
Interest received	327	321	465	456
Income tax paid	(1 945)	(1 348)	(2 767)	(1 917)
Net cash generated from operating activities	41 300	44 190	58 764	62 876
Cash flow from investing activities				
Purchase of property, plant and equipment	(1 895)	(3 705)	(2 696)	(5 272)
Proceeds from sale of property, plant and equipment	4	104	6	149
Purchase of intangible assets	(39)	(32)	(56)	(46)
Net cash used in investing activities	(1 930)	(3 633)	(2 746)	(5 169)
Cash flow from financing activities				
Repayment of borrowings	(1 788)	(20 030)	(2 544)	(28 500)
Interest paid	(2)	(58)	(3)	(82)
Net cash (used in) / generated from financing activities	(1 790)	(20 088)	(2 547)	(28 582)
Net (decrease) / increase in cash and cash equivalents	37 580	20 469	53 471	29 125
Cash and cash equivalents at the beginning of the year	6 446	44 305	9 172	63 040
Cash and cash equivalents at the end of the year	44 026	64 774	62 643	92 165

Changes in equity capital

	Share capital LVL'000	Share premium LVL'000	Revaluation reserve LVL'000	Other reserves LVL'000	Retained earnings LVL'000	Total LVL'000
31 December, 2007	39 900	14 320	187 584	55 416	28 280	325 500
Income in year 2008, total	-	-	40	-	4 870	4 910
31 March, 2008	39 900	14 320	187 624	55 416	33 150	330 410
31 December, 2008	39 900	14 320	187 060	66 544	17 131	324 955
Income in year 2009, total	-	-	17	-	5 700	5 717
31 March, 2009	39 900	14 320	187 077	66 544	22 831	330 672

	Share capital EUR'000	Share premium EUR'000	Revaluation reserve EUR'000	Other reserves EUR'000	Retained earnings EUR'000	Total EUR'000
31 December, 2007	56 773	20 376	266 907	78 850	40 238	463 144
Income in year 2008, total	-	-	58	-	6 929	6 987
31 March, 2008	56 773	20 376	266 965	78 850	47 167	470 131
31 December, 2008	56 773	20 376	266 163	94 684	24 375	462 371
Income in year 2009, total	-	-	23	-	8 110	8 133
31 March, 2009	56 773	20 376	266 186	94 684	32 485	470 504

Notes to the financial statements

	31.03.2009.	31.03.2008.	31.03.2009.	31.03.2008.
	LVL'000	LVL'000	EUR'000	EUR'000
1 INVENTORIES				
Materials and spare parts (at net realisable value)	2 818	3 021	4 010	4 298
Gas and fuel (at cost)	18 580	21 162	26 437	30 111
	21 398	24 183	30 447	34 409
2 REVALUATION RESERVE				
At the beginning of the period	187 060	187 584	266 163	266 907
Revaluation of property, plant and equipment	38	117	54	167
Disposal of revalued property, plant and equipment	(21)	(77)	(31)	(109)
At the end of the period	187 077	187 624	266 186	266 965
3 RETAINED EARNINGS				
At the beginning of the period	17 131	28 280	24 375	40 239
Disposal of revalued property, plant and equipment	21	77	31	109
Profit for the period	5 679	4 793	8 079	6 819
At the end of the period	22 831	33 150	32 485	47 167
4 COST OF SALES				
Purchase of natural gas	125 811	87 022	179 013	123 821
Salaries	2 969	2 698	4 225	3 839
Social insurance contributions	693	631	986	897
Life, health and pension insurance	222	173	316	247
Materials and spare parts	897	619	1 276	880
Depreciation and amortisation	4 897	4 585	6 968	6 524
Other	931	830	1 325	1 181
	136 420	96 558	194 109	137 390
5 ADMINISTRATIVE EXPENSES				
Salaries	756	729	1 076	1 037
Social insurance contributions	181	175	258	249
Life, health and pension insurance	38	33	54	47
Maintenance and utilities	267	227	380	323
Real estate tax	40	35	57	50
Depreciation and amortisation	150	120	213	171
Bank charges	86	47	122	67
Provisions for impairment of bad and doubtful debts, net	(23)	(20)	(33)	(28)
Other expenses	3 202	3 233	4 556	4 600
	4 697	4 579	6 683	6 515

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6 OTHER INCOME

Penalties from customers	497	180	707	257
Income from contribution to financing of construction works (see Note 11)	131	120	186	171
Profit on sale of fixed assets	-	29	-	41
Provisions for slow moving and obsolete inventories impairment	4	11	6	16
Other income	152	66	216	94
Net foreign exchange gains	-	430	-	612
	784	836	1 115	1 190

7 OTHER EXPENSES

Materials	3	3	4	4
Salaries	39	34	55	48
Social insurance contributions	5	5	7	7
Depreciation and amortisation	25	23	36	33
Sponsorship	4	22	6	31
Loss from sale of fixed assets	18	-	26	-
Loss from increase in exchange rates, net	344	-	489	-
Other expense	6 179*	46	8 792	65
	6 617	133	9 415	189

* incl. LVL 6000 provisions for operating costs

EXPENSES BY NATURE

Purchase of natural gas	125 811	87 022	179 013	123 821
Depreciation and amortisation	5 072	4 729	7 217	6 728
Employee benefit expense (see Note 26)	4 903	4 477	6 977	6 370
Material and spare parts	900	622	1 280	885
Net provisions for impaired receivables	(23)	(20)	(33)	(28)
Other expenses	11 071	4 469	15 753	6 318
	147 734	101 299	210 207	144 094

8 FINANCE INCOME, NET

Finance income				
- Interest income	275	310	391	440
	275	310	391	440
Finance expenses				
- Interest expenses	2	58	3	82
	2	58	3	82
Finance income, net	273	252	388	358