



"Latvijas Gāze" Joint Stock Company

Unaudited Financial Report of 9 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%) Gazprom JSC (34.0%) Itera Latvija LLC (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>From July 3, 2009</u> Kiril Seleznov (Кирилл Селезнев) – Chairman of the Council Juris Savickis – Deputy Chairman of the Council Achim Saul – Deputy Chairman of the Council Joachim Hockertz – Member of the Council Mario Nullmeier – Member of the Council Uwe Fip – Member of the Council Heinz Watzka – Member of the Council Jelena Karpel (Елена Карпель) – Member of the Council Aleksandr Krasnenkov (Александр Красненков) – Member of the Council Vlada Rusakova (Влада Русакова) – Member of the Council Igor Nazarov (Игорь Назаров) – Member of the Council <u>Untill July 3, 2009</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 Uwe Fip – Member of the Council Marcus Anton Söhrich – Member of the Council Heinz Watzka – Member of the Council Jelena Karpel (Елена Карпель) – Member of the Council Aleksandr Krasnenkov (Александр Красненков) – Member of the Council Vlada Rusakova (Влада Русакова) – Member of the Council Igor Nazarov (Игорь Назаров) – Member of the Council
Financial period	1 January – 30 September 2009

Report on activity of the “Latvijas Gāze” JSC in the 9 months of the year 2009

Financial activity

In 9 months of the year 2009, “Latvijas Gāze” Joint Stock Company (hereinafter – LG) sold to consumers 977,6 million nm³ of natural gas. In comparison to the respective period of 2008, the natural gas sales have decreased by 13,2 %.

The decrease of natural gas consumption in 9 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 and completed on October 7, 2009. At commencement of natural gas injection, the reserves of active gas at the Inčukans UGS were 860,3 million nm³. Over the season 2009, 1 214,4 million nm³ of natural gas were injected into the Inčukalns UGS, reaching the active gas volume of 2 074,7 million nm³ at the end of the injection season

In 9 months of 2009, consumers were sold natural gas and provided services for LVL 238,1 million, which is by 12,5 % more than in the respective period of 2008.

LG completed 9 months of 2009 with a profit of LVL 5,8 million.

Within the framework of the capital investment programme, LVL 9,88 million were utilized in 9 months of 2009. The funds of investment were mostly used for modernization of technological equipment and construction of new gas pipelines.

The meeting of shareholders of July 3, 2009 passed a resolution on the net profit of 2008 (LVL 19,928 million), determining that the unavailable share of the profit is LVL 1,770 million while the distributable share of profit LVL 18,158 million shall be used as follows – LVL 15,162 million or LVL 0,38 per share shall be paid to shareholders in dividends, setting July 21, 2009 as the date of calculation of dividends and July 28, 2009 as the date of payment of dividends, whereas LVL 2,996 million shall be included in the reserves stipulated by the Articles of Association.

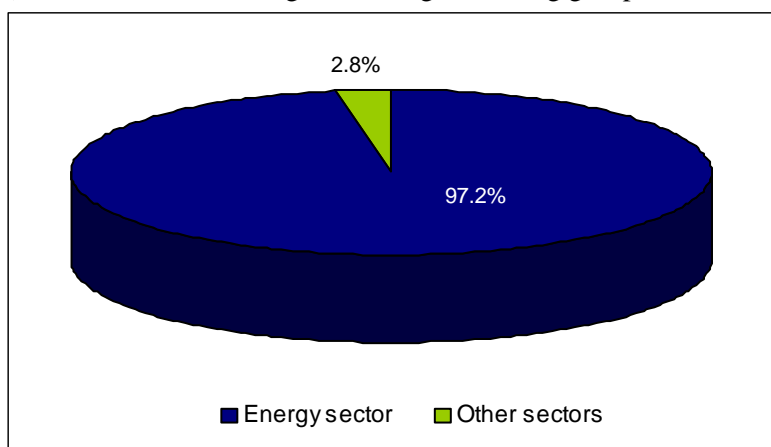
At the Council meeting of LG of July 3, 2009 for a period of three years the new Council of the LG was elected and the Board of the Company was re-elected.

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 30 September 2009 reached LVL 199,50 million – by 16,7 % less than on the 30 September 2008 when capitalization value was LVL 239,40 million. By share market capitalization LG took the 2nd place among companies quoted in Latvia and the 8th place at the Baltic Stock Exchange.

4) Share price of LG as on September 30, 2009 and previous period

	9 months 2009	9 months 2008
<u>Shares price (LVL):</u>		
Highest	6.00	8.20
Lowest	3.32	6.00
Avarage	4.23	7.06
Last	5.00	6.00
Number of shares	48 608	37 383
Turnover (mio LVL)	0.206	0.264
Capitalization (mio LVL)	199.500	239.400

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 Second list of the Baltic exchanges. The index reflects the actual situation and changes in the Baltic market overall.

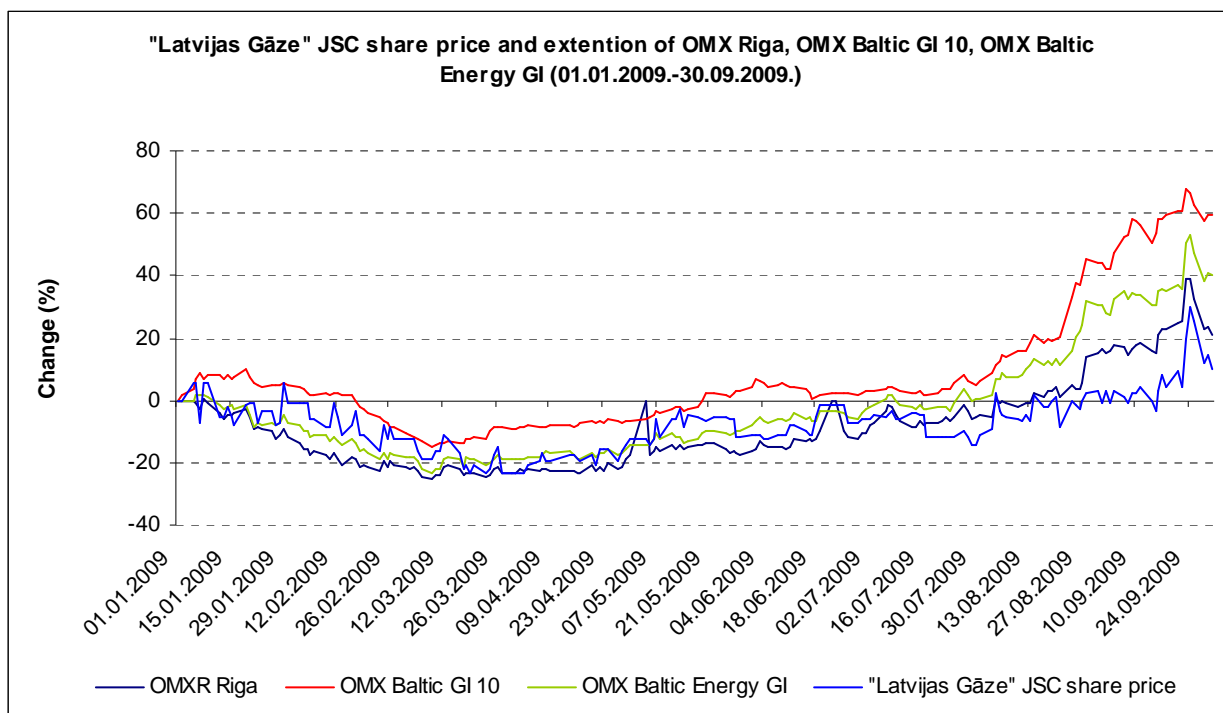
OMX Riga

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

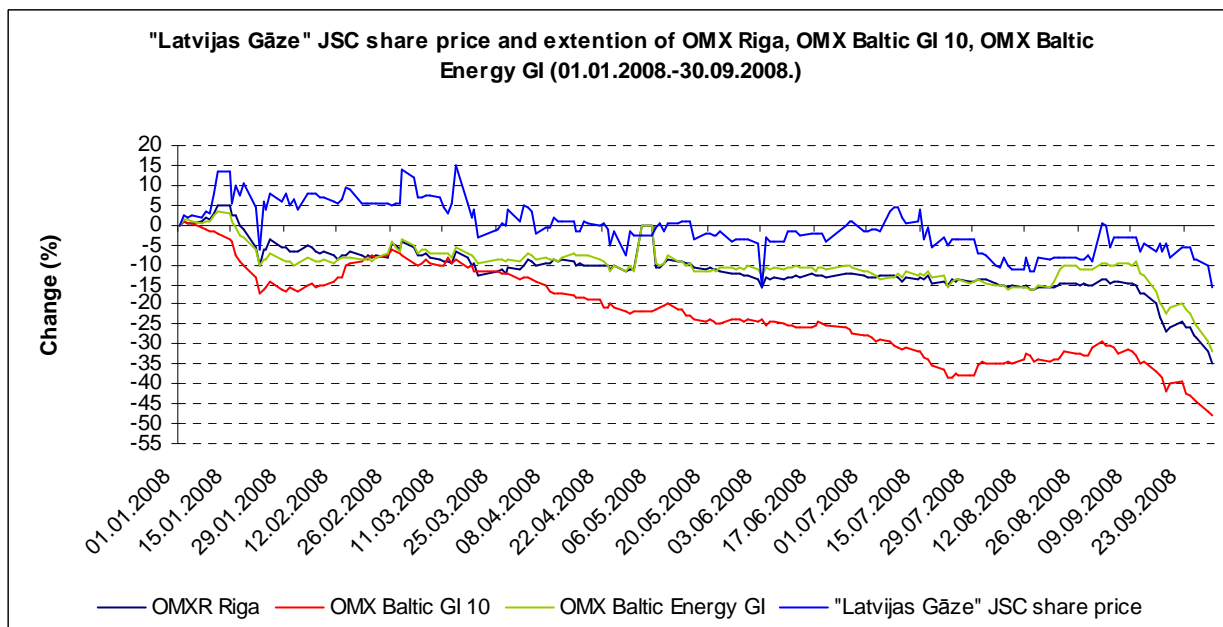
A sector index, a Baltic-wide index, based on the Global Industry Classification Standard (GICS) developed by Morgan Stanley Capital International Inc. (MSCI) in association with Standard & Poor's. The purpose of GICS is to satisfy the investors' need for a more precise, exhaustive and standardized classification 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	01.01.2009.	30.09.2009.	Change
OMX Riga	271.29	327.65	20.77%
OMX Baltic GI	190.76	304.62	59.69%
OMX Baltic Energy GI	280.55	393.85	40.38%
LG share price	4.55	5.00	9.89%



Source: NASDAQ OMX Riga

Indexes/shares	01.01.2008.	30.09.2008.	Change
OMX Riga	595.30	386.92	-35.00%
OMX Baltic GI	515.40	324.57	-37.03%
OMX Baltic Energy GI	569.41	388.52	-31.77%
LG share price	7.12	6.00	-15.73%

Balance sheet

	30.09.2009.	30.09.2008.	30.09.2009.	30.09.2008.
	Note	LVL'000	LVL'000	EUR'000
		LVL'000	LVL'000	EUR'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment		314 472	318 502	447 453 453 188
Intangible assets		2 012	1 600	2 863 2 277
Trade receivables		10	11	14 16
Total non-current assets		316 494	320 113	450 330 455 481
<u>Current assets</u>				
Inventories	1	91 758	150 015	130 559 213 452
Trade receivables		13 040	14 989	18 554 21 327
Current income tax receivable		5 299	4 766	7 540 6 781
Other current assets		39 215	41 448	55 798 58 975
Cash and cash equivalents		27 639	6 420	39 327 9 135
Total current assets		176 951	217 638	251 778 309 670
TOTAL ASSETS		493 445	537 751	702 108 765 151
EQUITY AND LIABILITIES				
<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	186 871	187 097	265 893 266 213
Other reserves		69 540	66 544	98 947 94 684
Retained earnings	3	4 808	(3 080)	6 840 (4 380)
Total equity		315 439	304 781	448 829 433 666
<u>Liabilities</u>				
<u>Non-current liabilities</u>				
Deferred income tax liabilities		29 915	33 676	42 565 47 917
Accruals for post employment benefits and other employee benefits		4 673	2 500	6 649 3 557
Deferred income		13 594	12 791	19 343 18 200
Total non-current liabilities		48 182	48 967	68 557 69 674
<u>Current liabilities</u>				
Trade payables		96 787	160 404	137 715 228 233
Corporate income tax payable		2 219	2 323	3 157 3 305
Borrowings		-	1 464	- 2 083
Deferred income		5 148	492	7 325 700
Other current liabilities		25 670	19 320	36 525 27 490
Total current liabilities		129 824	184 003	184 722 261 811
Total liabilities		178 006	232 970	253 279 331 485
TOTAL EQUITY AND LIABILITIES		493 445	537 751	702 108 765 151

Consolidated income statement – by function of expense

		30.09.2009.	30.09.2008.	30.09.2009.	30.09.2008.
	Note	LVL'000	LVL'000	EUR'000	EUR'000
Sales		238 140	211 668	338 843	301 176
Cost of sales	4	(218 063)	(202 095)	(310 275)	(287 556)
Gross profit		20 077	9 573	28 568	13 620
Administrative expenses	5	(11 057)	(8 048)	(15 733)	(11 450)
Other income	6	1 663	1 595	2 366	2 269
Other expenses	7	(5 200)	(875)	(7 400)	(1 244)
Operating profit		5 483	2 245	7 801	3 195
Finance income	8	2 222	2 134	3 162	3 036
Finance expenses	8	(7)	(61)	(10)	(87)
Finance income, net	8	2 215	2 073	3 152	2 949
Profit before income tax		7 698	4 318	10 953	6 144
Income tax expense		(2 219)	(5 380)	(3 157)	(7 655)
Profit for the period		5 479	(1 062)	7 796	(1 511)
Earnings per share (EPS)		0.137	(0.027)	0.195	(0.038)

Consolidated statement of recognized income and expense

Items net of tax					
Disposal of revalued property, plant and equipment	2	355	780	505	1 110
Net income recognised directly in equity		355	780	505	1 110
Profit for the period		5 479	(1 062)	7 796	(1 511)
Total recognised income for the year		5 834	(282)	8 301	(401)

Cash flow statement

	30.09.2009.	30.09.2008.	30.09.2009.	30.09.2008.
	LVL'000	LVL'000	EUR'000	EUR'000
Cash flow from operating activities				
Cash generated from operations	49 466	20 173	70 384	28 704
Interest received	2 481	2 169	3 530	3 086
Income tax paid	(3 938)	(6 457)	(5 603)	(9 187)
Net cash generated from operating activities	48 009	15 885	68 311	22 603
Cash flow from investing activities				
Purchase of property, plant and equipment	(9 602)	(15 076)	(13 662)	(21 451)
Proceeds from sale of property, plant and equipment	17	145	24	206
Purchase of intangible assets	(275)	(262)	(391)	(373)
Net cash used in investing activities	(9 860)	(15 193)	(14 029)	(21 618)
Cash flow from financing activities				
Repayment of borrowings	(1 788)	(20 030)	(2 544)	(28 500)
Borrowings received	-	1 464	-	2 083
Interest paid	(6)	(61)	(9)	(87)
Dividends paid	(15 162)	(19 950)	(21 574)	(28 386)
Net cash (used in) / generated from financing activities	(16 956)	(38 577)	(24 127)	(54 890)
Net (decrease) / increase in cash and cash equivalents	21 193	(37 885)	30 155	(53 905)
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	27 639*	6 420	39 327*	9 135

* The funds will be spent in October 2009 on payment for natural gas injected into Inčukalns UGS for the needs of 2010.

Changes in equity capital

	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
Income in year 2008, total	-	-	(486)	-	(282)	(768)
Transfer to reserves	-	-	-	11 128	(11 128)	-
Dividends for 2007	-	-	-	-	(19 950)	(19 950)
Rounding	-	-	(1)	-	-	(1)
September 30, 2008	39 900	14 320	187 097	66 544	(3 080)	304 781

December 31, 2008	39 900	14 320	187 060	66 544	17 131	324 955
Income in year 2009, total	-	-	(189)	-	5 834	5 645
Transfer to reserves	-	-	-	2 996	(2 996)	-
Dividends for 2008	-	-	-	-	(15 162)	(15 162)
Rounding	-	-	-	-	1	1
September 30, 2009	39 900	14 320	186 871	69 540	4 808	315 439

	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	40 238	463 144
Income in year 2008, total	-	-	(692)	-	(401)	(1 093)
Transfer to reserves	-	-	-	15 833	(15 833)	-
Dividends for 2007	-	-	-	-	(28 386)	(28 386)
Rounding	-	-	(2)	1	2	1
September 30, 2008	56 773	20 376	266 213	94 684	(4 380)	433 666

December 31, 2008	56 773	20 376	266 163	94 684	24 375	462 371
Income in year 2009, total	-	-	(269)	-	8 301	8 032
Transfer to reserves	-	-	-	4 263	(4 263)	-
Dividends for 2008	-	-	-	-	(21 574)	(21 574)
Rounding	-	-	(1)	-	1	-
September 30, 2009	56 773	20 376	265 893	98 947	6 840	448 829

Notes to the financial statements

	30.09.2009.	30.09.2008.	30.09.2009.	30.09.2008.
	LVL'000	LVL'000	EUR'000	EUR'000
1 INVENTORIES				
Materials and spare parts (at net realisable value)	3 158	4 377	4 493	6 228
Gas and fuel (at cost)	88 600	145 638	126 066	207 224
	91 758	150 015	130 559	213 452
2 REVALUATION RESERVE				
At the beginning of the period	187 060	187 583	266 162	266 907
Revaluation of property, plant and equipment	166	294	236	418
Disposal of revalued property, plant and equipment	(355)	(780)	(505)	(1 110)
Rounding	-	-	-	(2)
At the end of the period	186 871	187 097	265 893	266 213
3 RETAINED EARNINGS				
At the beginning of the period	17 131	28 280	24 375	40 240
Disposal of revalued property, plant and equipment	355	780	505	1 110
Profit for the period	5 479	(1 062)	7 796	(1 511)
Transfer to reserves	(2 996)	(11 128)	(4 263)	(15 833)
Dividends for previous period	(15 162)	(19 950)	(21 574)	(28 386)
Rounding	1	-	1	-
At the end of the period	4 808	(3 080)	6 840	(4 380)
4 COST OF SALES				
Purchase of natural gas	184 999	165 745	263 230	235 834
Salaries	8 972	8 941	12 766	12 722
Social insurance contributions	2 105	2 078	2 995	2 957
Life, health and pension insurance	649	626	923	891
Materials and spare parts	3 419	6 913	4 865	9 836
Depreciation and amortisation	14 745	13 715	20 980	19 515
Other	3 174	4 077	4 516	5 801
	218 063	202 095	310 275	287 556
5 ADMINISTRATIVE EXPENSES				
Salaries	2 147	2 414	3 055	3 435
Social insurance contributions	521	489	741	696
Life, health and pension insurance	113	110	161	156
Maintenance and utilities	692	593	985	844
Real estate tax	121	105	172	148
Depreciation and amortisation	449	354	639	504
Bank charges	334	182	475	259
Provisions for impairment of bad and doubtful debts, net	(42)	(20)	(60)	(28)
Other expenses	6 722	3 821	9 565	5 436

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	11 057	8 048	15 733	11 450
6 OTHER INCOME				
Penalties from customers	845	432	1 202	614
Profit on sale of fixed assets	395	365	562	519
Provisions for slow moving and obsolete inventories impairment	29	17	41	25
Other income	394	203	561	288
Net foreign exchange gains	-	578	-	823
	1 663	1 595	2 366	2 269

7 OTHER EXPENSES

Materials	18	8	26	11
Salaries	97	112	138	159
Social insurance contributions	16	16	23	23
Depreciation and amortisation	75	71	107	101
Sponsorship	400	25	569	35
Loss from sale of fixed assets	608	378	865	538
Loss from increase in exchange rates, net	678	-	965	-
Other expense	3 308*	265	4 707*	377
	5 200	875	7 400	1 244

* incl. LVL 3100 (EUR 4411) provisions for operating costs

EXPENSES BY NATURE

Purchase of natural gas	184 999	165 745	263 230	235 834
Depreciation and amortisation	15 269	14 140	21 726	20 120
Employee benefit expense (see Note 26)	14 620	14 786	20 802	21 039
Material and spare parts	3 437	6 921	4 891	9 847
Net provisions for impaired receivables	(42)	(20)	(60)	(28)
Other expenses	16 037	9 446	22 819	13 438
	234 320	211 018	333 408	300 250

8 FINANCE INCOME, NET

Finance income				
- Interest income	2 222	2 134	3 162	3 036
	2 222	2 134	3 162	3 036
Finance expenses				
- Interest expenses	7	61	10	87
	7	61	10	87
Finance income, net	2 215	2 073	3 152	2 949