



"Latvijas Gāze" Joint Stock Company

Unaudited Financial Report of 6 months of 2010

Prepared according to the Requirements of International Financial Reporting Standards

Riga, 2010






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Information on the Company

Name of the Company	Latvijas Gāze JSC
Legal status of the Company	Joint Stock Company
Registration number, venue and date	000300064 Riga, March 25, 1991
	Re-registered in the Commercial Register on December 20, 2004 with the unified registration number 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 to June 30, 2010

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

	<p>Adrians Dāvis – Chairman of the Board</p> <p>Since 1997 – Chairman of the Board of the JSC "Latvijas Gāze"; involved in gas industry since 1965</p> <p>1997 Physical Energy Institute of Latvian Science Academy, academic degree of doctor in engineering (Dr.sc.ing.).</p>		<p>Alexander Miheyev (Александр Михеев) – Board member, Vice-Chairman of the Board</p> <p>Since 2003 First Deputy Head of the Marketing, Gas and Liquid Hydrocarbon Processing Department of the OJSC Gazprom; involved in gas industry since 1968</p> <p>1968 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>Jörg Tumat – Board member, Vice-Chairman of the Board (since 2006)</p> <p>2001 – 2006 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 1998.</p> <p>2001 – 2004 the University of Hagen, Diploma in Business Administration (Dipl.-Betriebswirt)</p>		<p>Anda Ulpe – Board member</p> <p>Since 1997 Board member of the JSC "Latvijas Gāze"; involved in gas industry since 1984</p> <p>2002 the University of Latvia, Master Degree of Social Sciences in Economics</p>
	<p>Gints Freibergs – Board member</p> <p>Since 1997 Board member of the JSC "Latvijas Gāze"; involved in gas industry since 1984</p> <p>1984 Polytechnical Institute of Riga, engineer in industrial heat power</p>		

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Council members (since July 2, 2010) ó names, surnames, posts, recent professional experience and education

	<p>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council, Represents the interest of OJSC Gazprom</p> <p>Since March 20, 2003 Head of the Gas and Liquid Hydrocarbon Sales and Processing Department, OJSC Gazprom; Member of Management Committee, OJSC Gazprom</p> <p>1997 Graduated from Baltic State Technical University of St. Petersburg named after D. F. Ustinov ó Engineering of Impulse Devices and Automated Rotation Lines</p> <p>2002 Graduated from St. Petersburg State University ó Credit Theory and Finance Management</p>		<p>Juris Savickis – Vice-Chairman of the Council, Represents the interest of LLC ITERA Latvija</p> <p>Since 1996 LLC óITERA Latvijaó, president</p> <p>1970 – 1972 Polytechnical Institute of Riga, Graduate school</p> <p>1983 - 1984 University of Qualification Raising for Executives, Faculty of International Relations</p>
	<p>Dr. Peter Andreas Frankenberg – Vice-Chairman of the Council, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since 2010 Head of MU PEG Investment Management and International Shareholdings Mid-/Downstream, Senior Vice-President of E.ON Ruhrgas AG, Managing Director of E.ON Ruhrgas International</p> <p>1992 Dr.reor.oec. (PhD), International Accounting, Ruhr University Bochum</p>		<p>Joachim Hockertz – Council member, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>2000 – 2002 Head of the Baltic Office of Ruhrgas AG</p> <p>Since 2002 E.ON Ruhrgas International AG</p> <p>1989 – 1992 Max Plank Institute in Mulheim-am-Ruhr, PhD</p>
	<p>Mario Nullmeier – Council member, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since 2005 Head of the Baltic Office of E.ON Ruhrgas International AG in Tallinn, Estonia</p> <p>2000 Master Degree in Global Business Administration</p>		<p>Uwe Fip – Council member, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since 2002 E.ON Ruhrgas AG ó Senior Vice-President, Head of Eastern Department of Gas Supplies</p> <p>Master in Oil Engineering, Degree in Business Management (Diploma ó Merchant)</p>
	<p>Heinz Watzka – Council member, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since 2002 Senior Vice-President of E.ON Ruhrgas AG, responsible for maintenance of the southern gas pipeline system of E.ON Ruhrgas</p> <p>1986 Studied machine manufacturing at the Technical University of Vienna (Austria) ó specialized in pump station welding and hydraulic design for the oil industry</p>		<p>Yelena Karpel (Елена Карпель) – Council member, Represents the interest of OJSC Gazprom</p> <p>Since 2004 Gazpromó Council Member by the resolution of the Companyó Shareholdersó Meeting</p> <p>1968 Korotchenko Kiev Institute of National Economy getting specialty in Industry Planning</p>
	<p>Alexander Krasnenkov (Александр Красненков) – Council member, Represents the interest of OJSC Gazprom</p> <p>Since 2006 General Director of the LLC óBaltic Liquefied Gasó</p> <p>Graduated from the International Institute of Finance and Economics, speciality of international economics and international relations</p>		<p>Vlada Rusakova (Влада Русакова) – Council member, Represents the interest of OJSC Gazprom</p> <p>Since 2003 Head of the Strategic Development Department, OJSC Gazprom</p> <p>Since 2003 Board member of the OJSC Gazprom</p> <p>1977 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>Igor Nazarov (Игорь Назаров) – Council member, Represents the interest of LLC ITERA Latvija</p> <p>Since 2007 Director of the Export Department, NGK ITERA (Moscow, Russia)</p> <p>1982 Moscow State University of Foreign Affairs (MGIMO) (within the framework of the Ministry of Foreign Affairs), Diploma of Commercial Department, which equals to a Master of Economics: an economist with knowledge of foreign languages (Italian and English)</p>	<p>Names, surnames and posts of Council members (before July 2, 2010)</p>	<p>Kirill Selez ev () ó Chairman of the Council</p> <p>Juris Savickis ó Vice-Chairman of the Council</p> <p>Achim Saul ó Vice-Chairman of the Council</p> <p>Joachim Hockertz ó Council member</p> <p>Uwe Fip ó Council member</p> <p>Mario Nullmeier ó Council member</p> <p>Heinz Watzka ó Council member</p> <p>Yelena Karpel () ó Council member</p> <p>Alexander Krasnenkov () ó Council member</p> <p>Vlada Rusakova () ó Council member</p> <p>Igor Nazarov () ó Council member</p>

Report on activity of the “Latvijas Gāze” JSC in the 6 months of the year 2010

The Joint Stock Company “Latvijas Gāze” (hereinafter – LG) is the only natural gas transmission, storage, distribution and sale operator in Latvia. The company supplies natural gas to 442.1 thousand customers in Latvia, and in winter – also to Estonia, the Northwestern part of Russia and Lithuania from the Inčukalna Underground Gas Storage Facility.

The goal of LG 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 of the most stable supplies in Europe.

The vision of LG 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 LG 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 LG 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. Activity of the Company in the reporting year

In 6 months of 2010 LG sold to consumers 985.1 million m³ of gas, which is by 25.0% or 197.1 million m³ more than it had been budgeted and by 22.0% more than in the respective period of 2009.

The increase of natural gas consumption among both industrial and residential customers during the 6 months of 2010 stems from the protracted low air temperature in the 1st quarter of 2010 and competitive natural gas sale price because clients received natural gas from Inčukalna Underground Gas Storage Facility (hereinafter - Inčukalna UGS) which was bought in autumn 2009 for considerably lower price than fuel oil price in the market because of the rising oil product quotations in the stock exchange. In the beginning of 2009 there was opposite trend – heat supply companies began to use fuel oil and other alternative fuel because of the high natural gas prices.

The gas injection season at the Inčukalna UGS began in April 11, 2010. Upon the commencement of natural gas injection, the reserves of active gas at the Inčukalna UGS were 51.4 million m³.

It is planned that 1 945 million m³ of natural gas would be injected into the Inčukalna UGS in 2010, reaching 1 997 million m³ of active gas at the end of the injection season.

In the 1st half of 2010, consumers were sold natural gas and provided services for LVL 177.7 million, which is by 13.4 % less than in the respective period of 2009, still by 28.6% more than planned in the budget of 2010. The fall of income towards the respective period of 2009 stems from the industrial users and residential customers being applied the discriminative natural gas sale end tariffs in the 1st quarter of 2010. These tariffs corresponded to the natural gas sale price, which was by 82.6 % lower than in Q1 of 2009. The income, compared to 2009, decreased both from industrial and household customers. The income from transmission and storage, for its part, increased, as other countries used the services of the Inčukalna UGS more intensively due

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to the cold weather, as well as there were higher tariffs of natural gas storage in the 1st quarter of 2010.

LG completed 6 months of 2010 with a profit of LVL 7.9 million, which is by 17.9 % higher than in the respective period of 2009 when the profit amounted to LVL 6.7 million.

Within the framework of the capital investment programme, LVL 7.5 million of investment funds were taken up over 6 months of 2010. The funds were mostly spent on the construction of new gas pipelines and the renovation of existing ones, modernization of technological equipment, as well the reconstruction of engineering buildings and constructions.

The key indices of the Company:

	2010 H1	2009 H1	2008 H1	2010 H1	2009 H1	2008 H1
	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000
Net turnover	177 730	205 165	163 575	252 887	291 923	232 746
Profit before income tax, interest payments, depreciation and amortization	22 862	18 133	13 643	32 530	25 801	19 412
Profit before income tax, interest payments, depreciation and amortization to net turnover	12,86%	8,84%	8,34%	12,86%	8,84%	8,34%
Profit of operational activity	12 325	7 990	4 181	17 537	11 369	5 949
Profitability of operational activity (%)	6,93%	3,89%	2,56%	6,93%	3,89%	2,56%
Profit of reporting period	7 838	6 605	15	11 152	9 398	21
Commercial profitability (%)	4,41%	3,22%	0,01%	4,41%	3,22%	0,01%
Total assets	449 470	439 569	477 968	639 538	625 450	680 087
Equity	336 905	331 664	325 712	479 373	471 915	463 446
Return on assets (ROA)	1,72%	1,42%	0,01%	1,72%	1,42%	0,01%
Return on equity (ROE)	2,35%	2,01%	0,00%	2,35%	2,01%	0,00%
Number of shares	39 900	39 900	39 900	39 900	39 900	39 900
	LVL	LVL	LVL	EUR	EUR	EUR
Profit per share	0,196	0,166	0,000	0,280	0,236	0,000
Share price over earnings per share (P/E)	28,25	25,85	n/a	28,25	25,85	n/a
Share book value (BV)	8,44	8,31	8,16	12,01	11,83	11,62
Price to book value (P/BV)	0,66	0,51	0,86	0,66	0,51	0,86
Share price at the end of period	5,55	4,28	7,00	7,90	6,09	9,96

Important activities

Work on introduction of excise tax on natural gas. On 22nd April 2010 parliament of Republic of Latvia confirmed changes in law, according to which:

- introduction of excise tax on natural gas will be postponed from 1st May 2010 till 1st July 2010;
- excise tax will be applied to natural gas which will be supplied to end users - households and industrial users, who use natural gas for thermal energy production and car fuel.

LVL 289.8 thousands were calculated and paid as an excise tax to state budget for natural gas supplied to end users in July 2010.

Referring to low resident paying capacity and increase in natural gas purchase price because of oil quotation, opposition parties proposed changes in law about excise tax in concordance with which excise tax would not be adjusted from 01.09.2010. till 30.06.2011. Parliament confirmed proposed changes in an extraordinary meeting on 25th August 2010.

2. Research and development

In order to ensure uninterrupted natural gas supply to consumers and safe operation of the natural gas supply system, LG has developed the action plan for the safety improvement of the Joint Stock Company “Latvijas Gāze” gas supply system 2010-2015. It was prepared based on the judgments of the Russian companies “Gazobezopasnostj” and “Lenttransgaz”, the institutes “VNIIGAZ” and “Giprospeccgaz”, 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 modernization possibilities.

The action plan envisages investment in safety improvement in the total amount of LVL 50.6 million (EUR 72 million). This basically includes projects that are required for the improvement of system operation safety, the gasification of new units and the improvement of stability of gas supply throughout the region.

3. Starptautiskā sadarbība

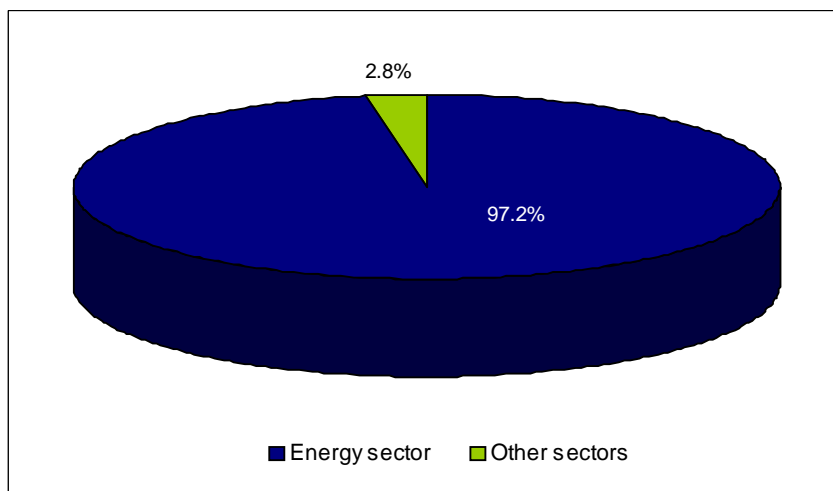
Work on attracting and adopting funds from European Commission (hereinafter – EC). On 17th August 2010 LG received from EC resolution Nr C (2010) 5554 dated 13.08.2010. on receiving financial grant for Action No. EEPR-2009-INTg-RF-LV-LT-SI2.566527/SI2.566531/SI2.566541/SI2.566543 in accordance with Regulation EC No. 663/2009 on establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy. In accordance with this resolution LG receives EUR 10.0 mio. for reconstruction of 15 wells in Inčukalns UGS and construction of a new underwater pass and receiving trap inspection with gauges.

Shares and shareholders

1) The composition of LG shareholders¹ as of December 31, 2009 and previous 2 periods:

Share	31.12.2009.	31.12.2008.	31.12.2007.
öE.ON Ruhrgas Internationalö GmbH	47.2%	47.2%	47.2%
öGazpromö OJSC	34.0%	34.0%	34.0%
öItera Latvijaö LLC	16.0%	16.0%	16.0%
Others	2.8%	2.8%	2.8%
TOTAL	100.0 %	100.0 %	100.0 %

2) The composition of shareholders of the öLatvijas Gāzeö JSC as to the industries they represent as of December 31, 2009:



3) The number of shares held by the members of the Board and the Council of the öLatvijas Gāzeö JSC as of December 31, 2009:

Board members		Number of shares
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
Council members		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
Council member	Joachim Hockertz	0
Council member	Uwe Fip	0
Council member	Mario Nullmeier	0
Council member	Heinz Watzka	0
Council member	Yelena Karpel	0
Council member	Alexander Krasnenkov	0
Council member	Vlada Rusakova	0
Council member	Igor Nazarov	0

¹ Shareholders owning at least 5 % of capital

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4) The price of shares at NASDAQ OMX Riga in 6 months of 2010 and in the respective period of previous years.

As from February 15, 1999, the shares of LG 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

	2006 H1	2007 H1	2008 H1	2009 H1	2010 H1
<u>Share price (LVL):</u>					
First	9.95	10.35	7.25	4.55	4.57
Highest	11.13	11.25	8.20	5.23	6.00
Lowest	9.27	9.65	6.00	3.32	4.57
Average	10.25	10.51	7.26	3.95	5.20
Last	10.10	10.50	7.00	4.28	5.55
Change	1.51%	1.45%	-3.45%	-5.93%	21.44%
Number of transactions	554	439	966	470	342
Number of shares traded	108 447	128 270	22 950	27 190	19 832
Turnover (million LVL)	1.112	1.348	0.167	0.107	0.103
Capitalization (million LVL)	402.990	418.950	279.300	170.772	221.445

Source: NASDAQ OMX Riga

The capitalization value of LG in 6 months of 2010 reached 221.44 million lats - by 50.67 million lats more than in 6 months of the previous reporting period. By share market capitalization LG took the 1st place among companies quoted at NASDAQ OMX RIGA and the 4th place among companies quoted at NASDAQ OMX Baltic.

5) The dynamics of LG share price and indexes.

The shares of LG are included in the following index baskets	B10GI, B10PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, 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

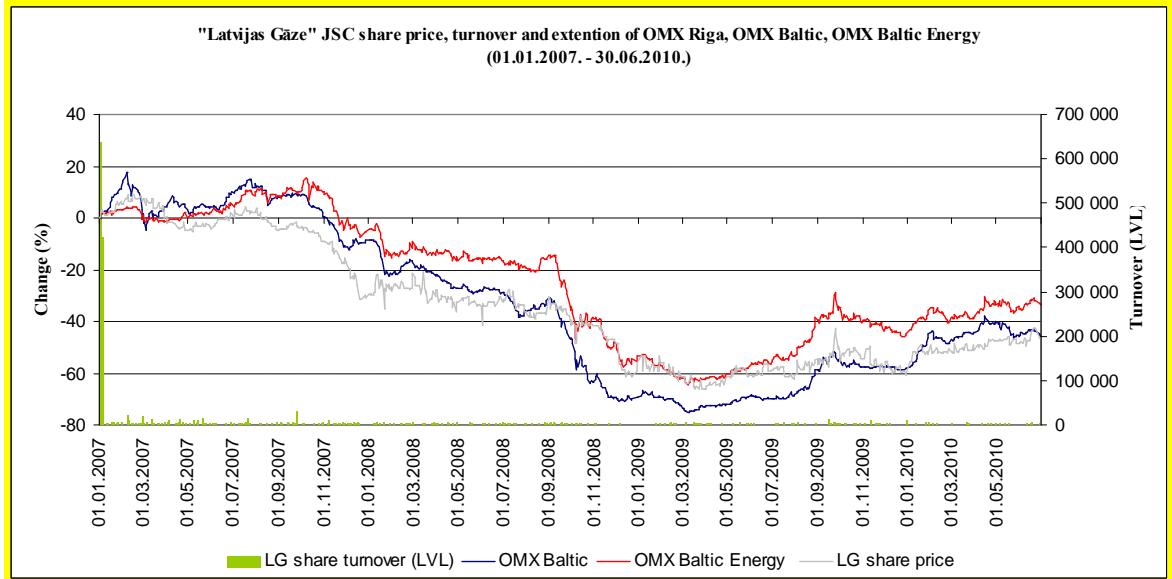
An index of all shares, local. Its basket consists of the shares of the Official and Second list of the NASDAQ OMX Riga exchange. The index reflects the current situation and changes in the NASDAQ OMX Riga exchange.

OMX Baltic Energy

A sector index, Baltic-wide, based on the Global Industry Classification Standard (GICS) developed by Morgan Stanley Capital International Inc. (MSCI) together with

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Standard & Poor's. The international classification standard GICS was created in order to meet the investors' requirement of more precise, comprehensive and standardized classification of companies. The sector index shows the trends of sector and enables a comparison of similar companies within a sector. The index includes the shares of the Official and Second list of the OMX Baltic market; the indexes are calculated for each GICS sector individually.



Source: NASDAQ OMX Riga

Indexes/Shares	01.01.2007.	30.06.2010.	Changes
OMX Baltic GI	749.13	404.54	-46.00%
OMX Baltic Energy GI	602.43	399.78	-33.64%
LG share price	10.32	5.55	-46.22%
Turnover of LG shares	455.40	0.00	-100.00%

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 2010 and the result of its operations and cash flows for the period ended 30 June 2010.

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 D. Vis
Chairman of the Board

Riga, 26th August 2010

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Balance sheet

	Note	30.06.2010. LVL'000	30.06.2009. LVL'000	30.06.2010. EUR'000	30.06.2009. EUR'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment		312 369	316 281	444 461	450 027
Intangible assets		2 078	2 135	2 957	3 038
Trade receivables		4	10	6	15
Total non-current assets		314 451	318 426	447 424	453 080
<u>Current assets</u>					
Inventories	1	29 392	23 756	41 821	33 801
Trade receivables		18 882	22 915	26 867	32 605
Current income tax receivable		4 009	7 780	5 704	11 070
Other current assets		19 868	20 162	28 270	28 688
Cash and cash equivalents		62 868	46 530	89 453	66 206
Total current assets		135 019	121 143	192 115	172 370
TOTAL ASSETS		449 470	439 569	639 539	625 450
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	186 297	187 069	265 077	266 174
Other reserves		69 540	66 544	98 947	94 684
Retained earnings	3	26 848	23 831	38 201	33 908
Total equity		336 905	331 664	479 374	471 915
<u>Liabilities</u>					
<u>Non-current liabilities</u>					
Deferred income tax liabilities		29 700	29 915	42 259	42 565
Accruals for post employment benefits and other employee benefits		4 581	4 673	6 518	6 649
Deferred income		13 690	13 580	19 479	19 323
Total non-current liabilities		47 971	48 168	68 256	68 537
<u>Current liabilities</u>					
Trade payables		26 828	29 661	38 173	42 204
Corporate income tax payable		5 447	2 219	7 750	3 157
Deferred income		829	3 332	1 180	4 741
Other current liabilities		31 490	24 525	44 806	34 896
Total current liabilities		64 594	59 737	91 909	84 998
Total liabilities		112 565	107 905	160 165	153 535
TOTAL EQUITY AND LIABILITIES		449 470	439 569	639 539	625 450

Consolidated income statement – by function of expense

	Note	30.06.2010. LVL'000	30.06.2009. LVL'000	30.06.2010. EUR'000	30.06.2009. EUR'000
Revenue	4	177 730	205 165	252 887	291 923
Cost of sales	5	(156 770)	(185 631)	(223 064)	(264 130)
Gross profit		20 960	19 534	29 823	27 793
Administrative expenses	6	(5 422)	(6 348)	(7 715)	(9 032)
Other income	7	1 129	1 330	1 606	1 892
Other expenses	8	(4 342)	(6 526)	(6 178)	(9 285)
Operating profit		12 325	7 990	17 536	11 368
Finance income	9	960	838	1 366	1 192
Finance expenses	9	-	(4)	-	(6)
Finance income, net	9	960	834	1 366	1 186
Profit before income tax		13 285	8 824	18 902	12 554
Income tax expense		(5 447)	(2 219)	(7 750)	(3 157)
Profit for the period		7 838	6 605	11 152	9 397
Earnings per share (EPS)		0.196	0.166	0.279	0.236

Consolidated statement of recognized income and expense

Items net of tax					
Disposal of revalued property, plant and equipment	2	71	95	101	136
Net income recognised directly in equity		71	95	101	136
Profit for the period		7 838	6 605	11 152	9 397
Total recognised income for the period		7 909	6 700	11 253	9 533

Cash flow statement

	30.06.2010.	30.06.2009.	30.06.2010.	30.06.2009.
	LVL'000	LVL'000	EUR'000	EUR'000
Cash flow from operating activities				
Cash generated from operations	36 192	51 149	51 498	72 778
Interest received	1 027	1 021	1 461	1 453
Income tax paid	(2 669)	(3 938)	(3 798)	(5 603)
Net cash generated from operating activities	34 550	48 232	49 161	68 628
Cash flow from investing activities				
Purchase of property, plant and equipment	(7 446)	(6 153)	(10 595)	(8 755)
Proceeds from sale of property, plant and equipment	10	15	14	21
Purchase of intangible assets	(56)	(218)	(80)	(310)
Net cash used in investing activities	(7 492)	(6 356)	(10 661)	(9 044)
Cash flow from financing activities				
Repayment of borrowings	-	(1 788)	-	(2 544)
Interest paid	-	(4)	-	(6)
Net cash (used in) / generated from financing activities	-	(1 792)	-	(2 550)
Net (decrease) / increase in cash and cash equivalents	27 058	40 084	38 500	57 034
Cash and cash equivalents at the beginning of the year	35 810	6 446	50 953	9 172
Cash and cash equivalents at the end of the year	62 868	46 530	89 453	66 206

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, 2008	39 900	14 320	187 060	66 544	17 131	324 955
Income in year 2009, total	-	-	9	-	6 700	6 709
30 June, 2009	39 900	14 320	187 069	66 544	23 831	331 664
31 December, 2009	39 900	14 320	186 360	69 540	18 940	329 060
Income in year 2010, total	-	-	(63)	-	7 909	7 846
Rounding	-	-	-	-	(1)	(1)
30 June, 2010	39 900	14 320	186 297	69 540	26 848	336 905

	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, 2008	56 773	20 376	266 163	94 684	24 375	462 371
Income in year 2009, total	-	-	11	-	9 533	9 544
30 June, 2009	56 773	20 376	266 174	94 684	33 908	471 915
31 December, 2009	56 773	20 376	265 167	98 947	26 948	468 211
Income in year 2010, total	-	-	(90)	-	11 253	11 163
30 June, 2010	56 773	20 376	265 077	98 947	38 201	479 374

Notes to the financial statements

	<u>30.06.2010.</u>	<u>30.06.2009.</u>	<u>30.06.2010.</u>	<u>30.06.2009.</u>
	<u>LVL'000</u>	<u>LVL'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
1 INVENTORIES				
Materials and spare parts (at net realisable value)	25 722	20 314	36 599	28 904
Gas and fuel (at cost)	3 670	3 442	5 222	4 897
	<u>29 392</u>	<u>23 756</u>	<u>41 821</u>	<u>33 801</u>
2 REVALUATION RESERVE				
At the beginning of the period	186 360	187 060	265 166	266 163
Revaluation of property, plant and equipment	8	104	11	147
Disposal of revalued property, plant and equipment	(71)	(95)	(101)	(136)
Rounding	-	-	1	-
At the end of the period	<u>186 297</u>	<u>187 069</u>	<u>265 077</u>	<u>266 174</u>
3 RETAINED EARNINGS				
At the beginning of the period	18 939	17 131	26 948	24 375
Disposal of revalued property, plant and equipment	71	95	101	136
Profit for the period	7 838	6 605	11 152	9 397
At the end of the period	<u>26 848</u>	<u>23 831</u>	<u>38 201</u>	<u>33 908</u>
4 REVENUE				
Sales per customers' groups are as follows:				
Income from natural gas sales to industrial customers	148 265	175 399	210 962	249 570
Income from natural gas sales to residential customers	21 473	26 768	30 553	38 087
Income from transmission and storage of natural gas	7 728	2 669	10 996	3 798
Income from natural gas sales to vehicles	9	29	13	41
Other services	255	300	363	427
	<u>177 730</u>	<u>205 165</u>	<u>252 887</u>	<u>291 923</u>
5 COST OF SALES				
Purchase of natural gas	134 581	164 097	191 492	233 489
Salaries	5 101	6 015	7 258	8 559
Social insurance contributions	1 212	1 406	1 725	2 001
Life, health and pension insurance	409	421	582	599
Materials and spare parts	2 983	1 945	4 244	2 767
Depreciation and amortisation	10 219	9 794	14 540	13 936
Other	2 265	1 953	3 223	2 779
	<u>156 770</u>	<u>185 631</u>	<u>223 064</u>	<u>264 130</u>

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6 ADMINISTRATIVE EXPENSES

Salaries	1 483	1 471	2 110	2 093
Social insurance contributions	346	356	492	506
Life, health and pension insurance	71	73	101	104
Maintenance and utilities	473	430	673	612
Real estate tax	85	81	121	115
Depreciation and amortisation	267	299	380	425
Bank charges	37	215	53	306
Provisions for impairment of bad and doubtful debts, net	(738)	(34)	(1 050)	(48)
Other expenses	3 398	3 457	4 835	4 919
	5 422	6 348	7 715	9 032

7 OTHER INCOME

Penalties from customers	557	760	792	1 081
Income from contribution to financing of construction works	276	262	393	373
Profit on sale of fixed assets	43	-	61	-
Provisions for slow moving and obsolete inventories impairment	43	8	61	11
Other income	210	300	299	427
	1 129	1 330	1 606	1 892

8 OTHER EXPENSES

Materials	18	10	26	14
Salaries	55	68	78	97
Social insurance contributions	10	11	14	16
Depreciation and amortisation	52	50	74	71
Sponsorship	63	389	90	553
Loss from sale of fixed assets	-	74	-	105
Loss from increase in exchange rates, net	1 044	712	1 485	1 013
Other expense	3 100	5 212	4 411	7 416
	4 342	6 526	6 178	9 285

EXPENSES BY NATURE

Purchase of natural gas	134 581	164 097	191 492	233 489
Depreciation and amortisation	10 538	10 143	14 994	14 432
Employee benefit expense	8 687	9 821	12 360	13 975
Material and spare parts	3 001	1 955	4 270	2 781
Net provisions for impaired receivables	(738)	(34)	(1 050)	(48)
Other expenses	10 465	12 523	14 891	17 818
	166 534	198 505	236 957	282 447

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9 FINANCE INCOME, NET

Finance income				
- Interest income	960	838	1 366	1 192
	960	838	1 366	1 192
Finance expenses				
- Interest expenses	-	4	-	6
	-	4	-	6
Finance income, net	960	834	1 366	1 186