



"Latvijas Gāze" Joint Stock Company

Unaudited Financial Report of 12 months of 2010

Prepared in accordance with the International Financial Reporting Standards

Riga, 2011






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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 – December 31, 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) – 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 – Engineering of Impulse Devices and Automated Rotation Lines</p> <p>2002 Graduated from St. Petersburg State University – 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 “ITERA Latvija”, 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 – Senior Vice-President, Head of Eastern Department of Gas Supplies</p> <p>Master in Oil Engineering, Degree in Business Management (Diploma – 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) – 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 Gazprom’s Council Member by the resolution of the Company’s Shareholders’ 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 “Baltic Liquefied Gas”</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 Seleznev (Кирилл Селезнев) – Chairman of the Council</p> <p>Juris Savickis – Vice-Chairman of the Council</p> <p>Achim Saul – Vice-Chairman of the Council</p> <p>Joachim Hockertz – Council member</p> <p>Uwe Fip – Council member</p> <p>Mario Nullmeier – Council member</p> <p>Heinz Watzka – Council member</p> <p>Yelena Karpel (Елена Карпель) – Council member</p> <p>Alexander Krasnenkov (Александр Красненков) – Council member</p> <p>Vlada Rusakova (Влада Русакова) – Council member</p> <p>Igor Nazarov (Игорь Назаров) – Council member</p>

Report on activity of the “Latvijas Gāze” JSC in the 12 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 441.5 thousand customers in Latvia, and in winter – also to Estonia, the Northwestern part of Russia and Lithuania from the Inčukalns 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 12 months of 2010 LG sold to consumers 1 787.6 million m³ of gas, which is by 19.7 % more than in the respective period of 2009 but by 24.1% or 347.6 million m³ more than it had been budgeted.

The increase of natural gas consumption both among industrial customers and households over 12 months of 2010 stems from the protractedly low air temperature in the 1st and 4th quarter and the competitive natural gas sale price, as in the 1st quarter 2010 users were supplied natural gas purchased in 2009 from the Inčukalns Underground Storage Facility (hereinafter – Inčukalns UGS), which was notably cheaper than the heavy fuel oil price in the market, with oil product quotations at the exchange on their rise. In early 2009, there was an opposite tendency as due to the high natural gas prices heat supply companies switched to heavy fuel oil and other alternative types of fuel.

Natural gas sales were also boosted by the construction works of Russian electricity transmission lines in the summer of 2010 when natural gas was also used for electricity production in condensation mode.

The season of natural gas injection at the Inčukalns UGS started on April 11, 2010. At that moment the reserves of active gas at the Inčukalns UGS were 51.4 million nm³.

The injection season at the Inčukalns UGS was completed on October 18, 2010, with 2 034.5 million nm³ of natural gas injected over its course, reaching 1 991.5 million nm³ of active gas at the end of the season.

Over 12 months of 2010, consumers were sold natural gas and provided services for LVL 353.3 million, which is by 7.2 % more than in the respective period of 2009 and by 25.1% more than it had been budgeted. The budget of LG was prepared on the basis of requests for natural gas supply in 2010 submitted by natural gas consumers and the information provided by weather forecasters regarding the average outdoor air temperature of last ten years.

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LG completed the 12 months of 2010 with a profit of LVL 26.47 million, which is by 32.5% more than in the respective period of 2009 when LVL 19.97 million were profited.

The increase of profit was ensured by changes in demand for natural gas storage and transportation services for the needs of other countries, changes in natural gas sales and income from other commercial and financial activities.

Within the framework of the capital investment programme, LVL 23.3 million of investment funds were taken up over the 12 months of 2010. The funds were mostly spent on the reconstruction of gas transmission pipelines, the modernization of technological equipment and wells, the reconstruction of engineering buildings and constructions, the construction of new gas pipelines. Most significant projects:

Inčukalns UGS:

- modernization of wells - LVL 4.32 million;
- design of a gas drying unit at CS-1, purchase and installation of technical equipment of hardware and construction within the framework of the project by the end of 2010 - LVL 7.58 million (in 2010 - LVL 4.89 million);
- capital repair of compressor No.5 at CS-2 – LVL 1.1 million;

Operation unit “Gas Transport”:

- LVL 2.41 million were taken up on gas pipeline renovation, replacement and restoration of damaged gas pipeline sections and branch valve units;
- LVL 3.7 million were taken up on repairs of the underwater passage over Daugava watercourse. Due to adverse weather conditions the construction will be completed in 2011, with the total costs of the project planned around LVL 5.3 million.

Distribution system:

- The year 2010 saw completion of works on the construction of a distribution system looping and regulation hardware to stabilize gas supply of Riga and its surroundings (the right and left bank of Daugava), Pārdaugava, the areas of Ķekava, Olaine and Babīte and the town of Jūrmala from GRS „Riga-3” and GRS „Ziemeļi”.

The key indices of the Company:

	2010	2009	2008	2010	2009	2008
	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000
Net turnover	353 345	329 705	351 005	502 765	469 128	499 435
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	49 306	42 228	40 814	70 156	60 085	58 073
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	13,95%	12,81%	11,63%	13,95%	12,81%	11,63%
Profit of operational activity	28 279	21 193	21 502	40 237	30 155	30 595
Profitability of operational activity (%)	8,00%	6,43%	6,13%	8,00%	6,43%	6,13%
Profit of reporting period	25 792	19 165	19 046	36 699	27 269	27 100
Commercial profitability (%)	7,30%	5,81%	5,43%	7,30%	5,81%	5,43%
Total liquidity	2,51	1,70	1,44	2,51	1,70	1,44
Total assets	429 851	461 494	488 848	611 623	656 648	695 568

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Equity	338 960	329 060	324 955	482 297	468 210	462 369
Return on assets (ROA)	5,79%	4,03%	3,97%	5,79%	4,03%	3,97%
Return on equity (ROE)	7,72%	5,86%	5,86%	7,72%	5,86%	5,86%
Number of shares	39 900	39 900	39 900	39 900	39 900	39 900
	LVL	LVL	LVL	EUR	EUR	EUR
Profit per share	0,646	0,480	0,477	0,920	0,683	0,679
Share price over earnings per share (P/E)	7,58	8,54	9,53	7,58	8,54	9,53
Share book value (BV)	8,50	8,25	8,14	12,09	11,73	11,59
Price to book value (P/BV)	0,58	0,50	0,56	0,58	0,50	0,56
Dividends per share	-	0,40	0,38	-	0,57	0,54
Share price at the end of period	4,90	4,10	4,55	6,97	5,83	6,47

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 adjudgments of the Russian companies “Gazobezopasnostj” and “Lentransgaz”, 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. International cooperation

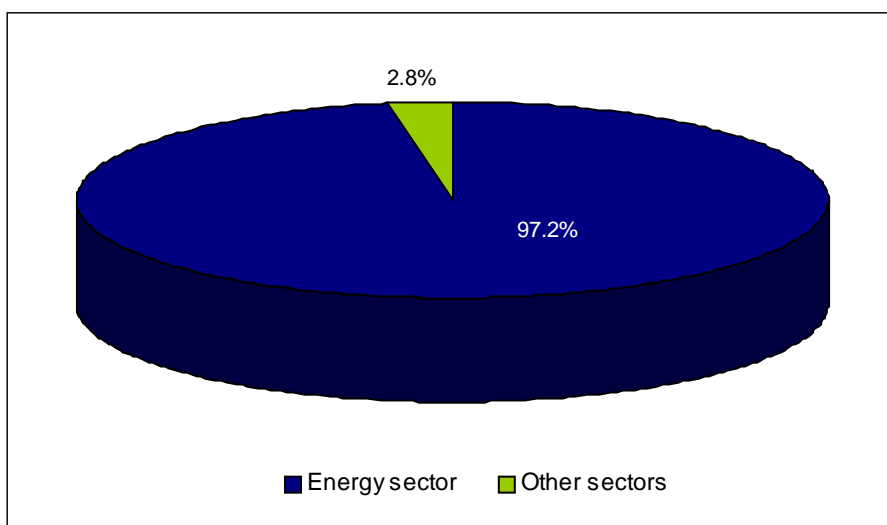
Work on attracting and adopting funds from European Commission (hereinafter – EC). On 17th August 2010 LG received from EC resolution Nr C (2010) 5554 dated 13.08.2010. on receiving financial grant for Action No. EEPR-2009-INTg-RF-LV-LT-SI2.566527/SI2.566531/SI2.566541/SI2.566543 in accordance with Regulation 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, 2010 and previous 2 periods:

Share	31.12.2010.	31.12.2009.	31.12.2008.
“E.ON Ruhrgas International” GmbH	47.2%	47.2%	47.2%
“Gazprom” OJSC	34.0%	34.0%	34.0%
“Itera Latvija” 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 “Latvijas Gāze” JSC as to the industries they represent as of December 31, 2010:



3) The number of shares held by the members of the Board and the Council of the “Latvijas Gāze” JSC as of December 31, 2010:

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	Peter Frankenberg	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 12 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

	2010	2009	2008	2007	2006
<u>Share price (LVL):</u>					
First	4.57	4.55	7.25	10.35	9.95
Highest	6.00	6.00	8.20	11.25	11.13
Lowest	4.57	3.32	3.62	7.05	9.27
Average	5.15	4.31	6.77	10.34	10.22
Last	4.90	4.10	4.55	7.12	10.32
Change	7.22%	-9.89%	-37.24%	-31.21%	3.72%
Number of shares traded	85 493	64 319	46 565	154 825	128 844
Turnover (million LVL)	0.440	0.277	0.315	1.600	1.316
Number of transactions	988	1 267	1 711	1 074	1 066
Capitalization (million LVL)	195.510	163.590	181.545	284.088	411.768

Source: NASDAQ OMX Riga

The capitalization value of LG in 12 months of 2010 reached 195.51 million lats - by 31.92 million lats more than in 12 months of the previous reporting period. By share market capitalization LG took the 1st place among companies quoted at NASDAQ OMX RIGA and the 8th place among companies quoted at NASDAQ OMX Baltic (2009: accordingly 2nd and 9th).

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.

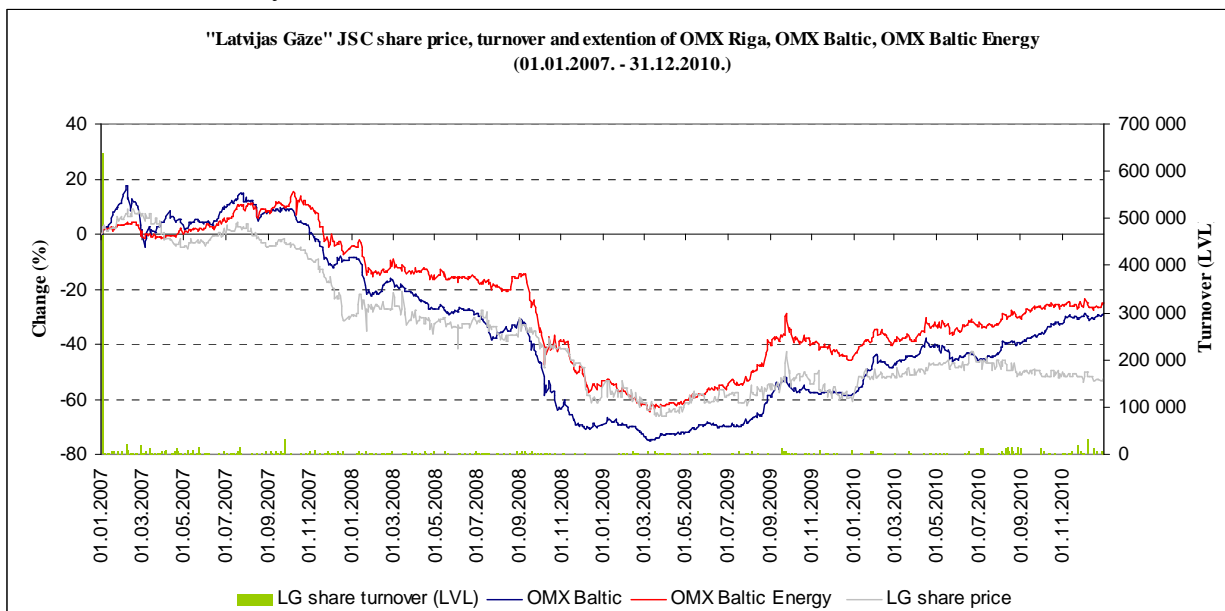
OMX Riga

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.

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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 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.	31.12.2010.	Change
OMX Baltic GI	749.13	533.99	-28.72%
OMX Baltic Energy GI	602.43	450.54	-25.21%
LG share price (LVL)	10.32	4.90	-52.52%
Turnover of LG shares (at specific date)	455.40	1 467.00	222.13%

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 31 December 2010 and the result of its operations and cash flows for the period ended 31 December 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 Dāvis
Chairman of the Board

Rīga, 18th February 2011

Balance sheet

	Note	31.12.2010. LVL'000	31.12.2009. LVL'000	31.12.2010. EUR'000	31.12.2009. EUR'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment		316 990	315 109	451 036	448 360
Intangible assets		2 229	2 430	3 172	3 458
Trade receivables		3	4	4	6
Total non-current assets		319 222	317 543	454 212	451 824
<u>Current assets</u>					
Inventories	1	10 975	83 533	15 616	118 857
Trade receivables		37 035	22 203	52 696	31 592
Current income tax receivable		-	1 357	-	1 931
Other current assets		25 046	1 048	35 637	1 491
Cash and cash equivalents		37 573	35 810	53 462	50 953
Total current assets		110 629	143 951	157 411	204 824
TOTAL ASSETS		429 851	461 494	611 623	656 648
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	185 754	186 360	264 303	265 167
Other reserves		71 910	69 540	102 319	98 947
Retained earnings	3	27 076	18 940	38 525	26 948
Total equity		338 960	329 060	482 296	468 211
<u>Liabilities</u>					
<u>Non-current liabilities</u>					
Deferred income tax liabilities		27 824	29 700	39 590	42 259
Accruals for post employment benefits and other employee benefits		5 207	4 416	7 409	6 283
Deferred income		13 855	13 824	19 714	19 670
Total non-current liabilities		46 886	47 940	66 713	68 212
<u>Current liabilities</u>					
Trade payables		11 735	60 590	16 698	86 213
Corporate income tax payable		1 228	-	1 747	-
Deferred income		7 565	824	10 764	1 172
Other current liabilities		23 477	23 080	33 405	32 840
Total current liabilities		44 005	84 494	62 614	120 224
Total liabilities		90 891	132 434	129 327	188 436
TOTAL EQUITY AND LIABILITIES		429 851	461 494	611 623	656 648

Consolidated income statement – by function of expense

	Note	31.12.2010. LVL'000	31.12.2009. LVL'000	31.12.2010. EUR'000	31.12.2009. EUR'000
Revenue	4	353 345	329 705	502 765	469 128
Cost of sales	5	(315 333)	(293 890)	(448 679)	(418 167)
Gross profit		38 012	35 815	54 086	50 961
Administrative expenses	6	(7 212)	(12 968)	(10 262)	(18 453)
Other income	7	3 450	2 542	4 909	3 618
Other expenses	8	(5 971)	(4 196)	(8 496)	(5 971)
Operating profit		28 279	21 193	40 237	30 155
Finance income	9	1 620	1 831	2 305	2 605
Finance expenses	9	-	(9)	-	(13)
Finance income, net	9	1 620	1 822	2 305	2 592
Profit before income tax		29 899	23 015	42 542	32 747
Income tax expense		(4 107)	(3 850)	(5 844)	(5 478)
Profit for the period		25 792	19 165	36 698	27 269
Earnings per share (EPS)		0.646	0.480	0.920	0.683

Consolidated statement of recognized income and expense

Items net of tax					
Disposal of revalued property, plant and equipment	2	794	943	1 130	1 342
Deferred tax from excluded revaluated fixed assets	2	(119)	(141)	(169)	(201)
Net income recognised directly in equity		675	802	961	1 141
Profit for the period		25 792	19 165	36 698	27 269
Total recognised income for the period		26 467	19 967	37 659	28 410

Cash flow statement

	31.12.2010.	31.12.2009.	31.12.2010.	31.12.2009.
	LVL'000	LVL'000	EUR'000	EUR'000
Cash flow from operating activities				
Cash generated from operations	41 671	62 223	59 292	88 535
Interest received	2 529	2 695	3 598	3 835
Income tax paid	(3 302)	(1 445)	(4 698)	(2 056)
Net cash generated from operating activities	40 898	63 473	58 192	90 314
Cash flow from investing activities				
Purchase of property, plant and equipment	(22 690)	(16 321)	(32 284)	(23 222)
Proceeds from sale of property, plant and equipment	128	48	182	68
Purchase of intangible assets	(613)	(867)	(872)	(1 234)
Received dividends	-	2	-	3
Net cash used in investing activities	(23 175)	(17 138)	(32 974)	(24 385)
Cash flow from financing activities				
Repayment of borrowings	-	(1 788)	-	(2 544)
Interest paid	-	(21)	-	(30)
Dividends paid	(15 960)	(15 162)	(22 709)	(21 574)
Net cash (used in) / generated from financing activities	(15 960)	(16 971)	(22 709)	(24 148)
Net (decrease) / increase in cash and cash equivalents	1 763	29 364	2 509	41 781
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	37 573	35 810	53 462	50 953

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	-	-	(700)	-	19 967	19 267
Transfer to reserves	-	-	-	2 996	(2 996)	-
Dividends for 2008	-	-	-	-	(15 162)	(15 162)
31 December, 2009	39 900	14 320	186 360	69 540	18 940	329 060
31 December, 2009	39 900	14 320	186 360	69 540	18 940	329 060
Income in year 2010, total	-	-	(606)	-	26 467	25 861
Transfer to reserves	-	-	-	2 370	(2 370)	-
Dividends for 2009	-	-	-	-	(15 960)	(15 960)
Rounding	-	-	-	-	(1)	(1)
31 December, 2010	39 900	14 320	185 754	71 910	27 076	338 960

	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	-	-	(996)	-	28 410	27 414
Transfer to reserves	-	-	-	4 263	(4 263)	-
Dividends for 2008	-	-	-	-	(21 574)	(21 574)
31 December, 2009	56 773	20 376	265 167	98 947	26 948	468 211
31 December, 2009	56 773	20 376	265 167	98 947	26 948	468 211
Income in year 2010, total	-	-	(863)	-	37 659	36 796
Transfer to reserves	-	-	-	3 372	(3 372)	-
Dividends for 2009	-	-	-	-	(22 709)	(22 709)
Rounding	-	-	(1)	-	(1)	(2)
31 December, 2010	56 773	20 376	264 303	102 319	38 525	482 296

Notes to the financial statements

	31.12.2010.	31.12.2009.	31.12.2010.	31.12.2009.
	LVL'000	LVL'000	EUR'000	EUR'000
1 INVENTORIES				
Materials and spare parts (at net realisable value)	2 959	2 889	4 210	4 111
Gas and fuel (at cost)	8 016	80 644	11 406	114 746
	10 975	83 533	15 616	118 857
2 REVALUATION RESERVE				
At the beginning of the period	186 360	187 060	265 166	266 163
Revaluation of property, plant and equipment	81	120	115	171
Deferred tax liabilities from revaluation of fixed assets	(12)	(18)	(17)	(26)
Disposal of revalued property, plant and equipment	(794)	(943)	(1 130)	(1 342)
Deferred tax from excluded revaluated fixed assets	119	141	169	201
At the end of the period	185 754	186 360	264 303	265 167
3 RETAINED EARNINGS				
At the beginning of the period	18 939	17 131	26 948	24 375
Disposal of revalued property, plant and equipment	675	802	960	1 142
Profit for the period	25 792	19 165	36 698	27 269
Transfer to reserves	(2 370)	(2 996)	(3 372)	(4 263)
Dividends for previous period	(15 960)	(15 162)	(22 709)	(21 574)
Rounding	-	-	-	(1)
At the end of the period	27 076	18 940	38 525	26 948
4 REVENUE				
Sales per customers' groups are as follows:				
Income from natural gas sales to industrial customers	299 673	279 525	426 396	397 729
Income from natural gas sales to residential customers	40 727	40 098	57 949	57 054
Income from transmission and storage of natural gas	12 290	9 327	17 488	13 271
Income from natural gas sales to vehicles	9	62	13	88
Other services	646	693	919	986
	353 345	329 705	502 765	469 128

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5 COST OF SALES

Purchase of natural gas	265 622	248 198	377 946	353 154
Salaries	13 718	12 414	19 519	17 664
Social insurance contributions	3 143	2 914	4 472	4 146
Life, health and pension insurance	866	867	1 232	1 234
Materials and spare parts	6 086	4 109	8 660	5 846
Depreciation and amortisation	20 396	20 339	29 021	28 939
Other	5 502	5 049	7 829	7 184
	315 333	293 890	448 679	418 167

6 ADMINISTRATIVE EXPENSES

Salaries	3 666	3 310	5 216	4 710
Social insurance contributions	799	771	1 137	1 097
Life, health and pension insurance	183	156	261	222
Maintenance and utilities	957	1 073	1 362	1 527
Real estate tax	755	162	1 074	231
Depreciation and amortisation	528	595	751	847
Bank charges	76	369	108	525
Provisions for impairment of bad and doubtful debts, net	(952)	5 184	(1 355)	7 376
Other expenses	1 200	1 348	1 708	1 918
	7 212	12 968	10 262	18 453

7 OTHER INCOME

Penalties from customers	698	791	993	1 126
Income from contribution to financing of construction works	554	531	788	756
Other income	1 395	470	1 985	669
Net foreign exchange gains	803	750	1 143	1 067
	3 450	2 542	4 909	3 618

8 OTHER EXPENSES

Materials	37	27	53	38
Salaries	175	157	249	223
Social insurance contributions	24	21	34	30
Depreciation and amortisation	104	101	148	144
Sponsorship	2 332	1503	3 318	2 138
Loss from sale of fixed assets	121	950	172	1 352
Provisions for slow moving and obsolete inventories impairment	361	37	514	53
Loss from increase in exchange rates, net	2 573	1 165	3 661	1 658
Other expense	244	235	347	335
	5 971	4 196	8 496	5 971

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EXPENSES BY NATURE

Purchase of natural gas	265 622	248 198	377 946	353 154
Depreciation and amortisation	21 028	21 035	29 920	29 930
Employee benefit expense	22 574	20 610	32 120	29 326
Material and spare parts	6 123	4 136	8 713	5 884
Net provisions for impaired receivables	(952)	5 184	(1 355)	7 376
Other expenses	14 121	11 891	20 093	16 921
	328 516	311 054	467 437	442 591

9 FINANCE INCOME, NET

Finance income				
- Interest income	1 620	1 831	2 305	2 605
	1 620	1 831	2 305	2 605
Finance expenses				
- Interest expenses	-	9	-	13
		9		13
Finance income, net	1 620	1 822	2 305	2 592