



# **"Latvijas Gāze" Joint Stock Company**

## **Unaudited Financial Report of 3 months of 2011**

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 – March 31, 2011

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

	<p><b>Adrians Dāvis – Chairman of the Board</b></p> <p><b>Since 1997</b> – Chairman of the Board of the JSC “Latvijas Gāze”; involved in gas industry since <b>1965</b></p> <p><b>1997</b> Physical Energy Institute of Latvian Science Academy, academic degree of doctor in engineering (Dr.sc.ing.).</p>		<p><b>Alexander Miheyev (Александр Михеев) – Board member, Vice-Chairman of the Board</b></p> <p><b>Since 2003</b> First Deputy Head of the Marketing, Gas and Liquid Hydrocarbon Processing Department of the OJSC Gazprom; involved in gas industry since <b>1968</b></p> <p><b>1968</b> 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><b>Jörg Tumat – Board member, Vice-Chairman of the Board (since 2006)</b></p> <p><b>2001 – 2006</b> 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 <b>1998</b>.</p> <p><b>2001 – 2004</b> the University of Hagen, Diploma in Business Administration (Dipl.-Betriebswirt)</p>		<p><b>Anda Ulpe – Board member</b></p> <p><b>Since 1997</b> Board member of the JSC “Latvijas Gāze”; involved in gas industry since <b>1984</b></p> <p><b>2002</b> the University of Latvia, Master Degree of Social Sciences in Economics</p>
	<p><b>Gints Freibergs – Board member</b></p> <p><b>Since 1997</b> Board member of the JSC “Latvijas Gāze”; involved in gas industry since <b>1984</b></p> <p><b>1984</b> 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><b>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council, Represents the interest of OJSC Gazprom</b></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><b>Juris Savickis – Vice-Chairman of the Council, Represents the interest of LLC ITERA Latvija</b></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><b>Dr. Peter Andreas Frankenberg – Vice-Chairman of the Council, Represents the interest of E.ON Ruhrgas International GmbH</b></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><b>Joachim Hockertz – Council member, Represents the interest of E.ON Ruhrgas International GmbH</b></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><b>Mario Nullmeier – Council member, Represents the interest of E.ON Ruhrgas International GmbH</b></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><b>Uwe Fip – Council member, Represents the interest of E.ON Ruhrgas International GmbH</b></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><b>Heinz Watzka – Council member, Represents the interest of E.ON Ruhrgas International GmbH</b></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><b>Yelena Karpel (Елена Карпель) – Council member, Represents the interest of OJSC Gazprom</b></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><b>Alexander Krasnenkov (Александр Красненков) – Council member, Represents the interest of OJSC Gazprom</b></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><b>Vlada Rusakova (Влада Русакова) – Council member, Represents the interest of OJSC Gazprom</b></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><b>Igor Nazarov (Игорь Назаров) – Council member, Represents the interest of LLC ITERA Latvija</b></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 3 months of the year 2011

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 LG in the reporting year

In 3 months of 2011, LG sold to the consumers 705.2 million nm<sup>3</sup> of natural gas. Compared to the respective period of 2010, natural gas sales have decreased by 6.8 %, still being 12.8 % or 80.2 million nm<sup>3</sup> above the volume planned in the budget of 2011.

The increase of natural gas consumption both among industrial customers and households in 3 months of 2011 compared to the budget of 2011 stems from the protractedly low air temperature.

The gas injection season at the Inčukalns Underground Gas Storage Facility (hereinafter – Inčukalns UGS) began on April 26, 2011. Upon starting natural gas injection, the reserves of active gas at the Inčukalns UGS were 41.1 million nm<sup>3</sup>.

Over 3 months of 2011, the consumers have been sold natural gas and provided services for LVL 145.8 million, which is by 15.3 % more than in the respective period of 2010 and by 9.0 % more than budgeted.

The rise of income over the respective period of 2010 has taken place because in the 1st quarter of 2011 the industrial and residential customers were applied differential natural gas sale end-user tariffs corresponding to a natural gas sale price, which was by 35.3 % higher than in the 1st quarter of 2010. Compared to 2010, the income grew in both the industrial and the household customers sector.

LG completed 3 months of 2011 with a profit of LVL 6.7 million, which does not significantly differ from the respective period of 2010.

Within the framework of the capital investment programme, LVL 2.85 million of investment funds were spent over 3 months of 2011, mostly on the renovation of gas transmission pipelines, the modernization of technological equipment and wells and the construction of new gas pipelines.

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The key indices of LG:

	<b>2011 Q1</b>	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>2011 Q1</b>	<b>2010 Q1</b>	<b>2009 Q1</b>
	<b>LVL'000</b>	<b>LVL'000</b>	<b>LVL'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Net turnover	145 818	126 481	154 975	207 480	179 966	220 510
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	15 721	15 897	13 096	22 369	22 619	18 634
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	10,78%	12,57%	8,45%	10,78%	12,57%	8,45%
Profit of operational activity	10 491	10 645	8 025	14 927	15 146	11 419
Profitability of operational activity (%)	7,19%	8,42%	5,18%	7,19%	8,42%	5,18%
Profit of reporting period	6 705	6 715	5 700	9 540	9 555	8 110
Commercial profitability (%)	4,60%	5,31%	3,68%	4,60%	5,31%	3,68%
Total liquidity	1,84	2,32	2,00	1,84	2,32	2,00
Total assets	482 788	436 947	438 706	686 945	621 720	624 222
Equity	345 648	335 764	330 672	491 813	477 749	470 504
Return on assets (ROA)	1,46%	1,53%	1,30%	1,46%	1,53%	1,30%
Return on equity (ROE)	1,97%	2,02%	1,72%	1,97%	2,02%	1,72%
Number of shares	39 900	39 900	39 900	39 900	39 900	39 900
	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Profit per share	0,168	0,168	0,143	0,239	0,239	0,203
Share price over earnings per share (P/E)	36,62	30,07	38,85	36,62	30,07	38,85
Share book value (BV)	8,66	8,42	8,29	12,33	11,97	11,79
Price to book value (P/BV)	0,71	0,60	0,67	0,71	0,60	0,67
Share price at the end of period	6,153	5,05	5,55	8,755	7,19	7,90

## 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 “Lentransgaz”, the institutes “VNIIGAZ” and “Giprospepgaz”, 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 17<sup>th</sup> 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.

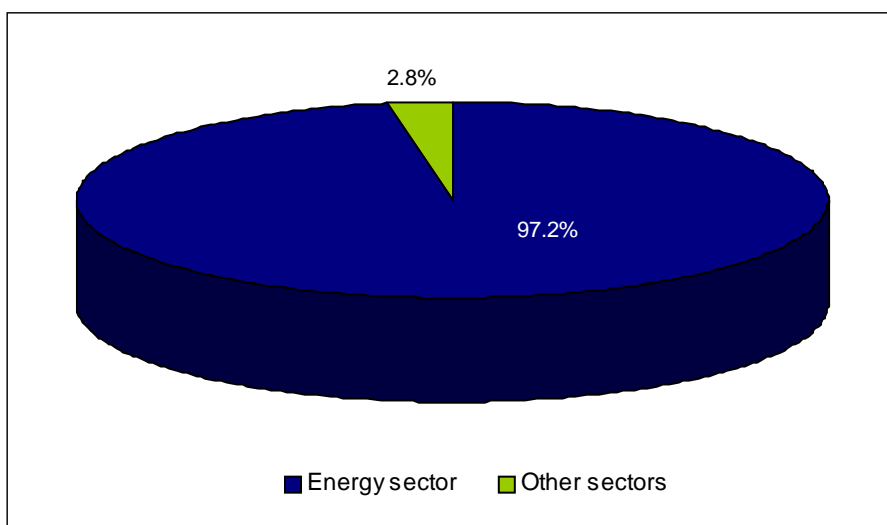
On February 10, 2011, the responsible institutions of the European Commission were sent a Report on the repayment of funds used. On April 1, 2011, EUR 5.05 million were transferred to the account of LG.

## Shares and shareholders

1) The composition of LG shareholders<sup>1</sup> 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%
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

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

<sup>1</sup> Shareholders owning at least 5 % of capital



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4) The price of shares at NASDAQ OMX Riga in 3 months of 2011 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

	2011 Q1	2010 Q1	2009 Q1	2008 Q1	2007 Q1
<u>Share price (LVL):</u>					
First	4.800	4.57	4.55	7.25	10.35
Highest	6.400	5.33	5.23	8.20	11.25
Lowest	4.600	4.57	3.45	6.40	10.30
Average	4.922	5.01	3.99	7.54	10.57
Last	6.153	5.05	3.49	7.20	10.30
Change	28.19%	10.50%	-23.30%	-0.69%	-0.48%
Number of transactions	400	184	253	515	210
Number of shares traded	117 120	11 150	15 040	11 880	115 109
Turnover (million LVL)	0.576	0.056	0.059	0.090	1.216
Capitalization (million LVL)	245.505	201.495	139.251	287.280	410.970

Source: NASDAQ OMX Riga

The capitalization value of LG in 3 months of 2011 reached 245.5 million lats - by 44.0 million lats more than in 3 months of the previous reporting period. By share market capitalization LG took the 1<sup>st</sup> place among companies quoted at NASDAQ OMX RIGA and the 5<sup>th</sup> place among companies quoted at NASDAQ OMX Baltic (2010 Q1: accordingly 1<sup>st</sup> and 6<sup>th</sup>).

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 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.

LG share price and extension of OMX Baltic GI, OMX Baltic Energy GI (01.01.2007. - 31.03.2011.)



Source: NASDAQ OMX Riga

Indexes/Shares	01.01.2007.	31.03.2011.	Change
OMX Baltic Energy GI	602.43	486.69	-19.21%
OMX Baltic GI	552.94	428.70	-22.47%
LG share price (LVL)	10.32	6.15	-40.38%

## Balance sheet

	Note	31.03.2011. LVL'000	31.03.2010. LVL'000	31.03.2011. EUR'000	31.03.2010. EUR'000
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment		314 609	311 453	447 648	443 158
Intangible assets		2 160	2 234	3 073	3 179
Trade receivables		3	4	4	6
<b>Total non-current assets</b>		<b>316 772</b>	<b>313 691</b>	<b>450 725</b>	<b>446 343</b>
<u>Current assets</u>					
Inventories	1	8 863	6 558	12 611	9 331
Trade receivables		35 383	26 701	50 345	37 992
Current income tax receivable		1 163	2 683	1 655	3 818
Other current assets		841	936	1 197	1 332
Cash and cash equivalents		119 766	86 378	170 412	122 905
<b>Total current assets</b>		<b>166 016</b>	<b>123 256</b>	<b>236 220</b>	<b>175 378</b>
<b>TOTAL ASSETS</b>		<b>482 788</b>	<b>436 947</b>	<b>686 945</b>	<b>621 721</b>
<b>EQUITY AND LIABILITIES</b>					
<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	185 737	186 350	264 280	265 152
Other reserves		71 910	69 540	102 319	98 947
Retained earnings	3	33 781	25 654	48 065	36 502
<b>Total equity</b>		<b>345 648</b>	<b>335 764</b>	<b>491 813</b>	<b>477 750</b>
<u>Liabilities</u>					
<u>Non-current liabilities</u>					
Deferred income tax liabilities		27 822	29 700	39 587	42 259
Accruals for post employment benefits and other employee benefits		5 236	4 499	7 450	6 402
Deferred income		13 770	13 782	19 593	19 610
<b>Total non-current liabilities</b>		<b>46 828</b>	<b>47 981</b>	<b>66 630</b>	<b>68 271</b>
<u>Current liabilities</u>					
Trade payables		38 622	11 134	54 954	15 842
Corporate income tax payable		5 083	4 393	7 232	6 251
Deferred income		8 756	827	12 459	1 177
Other current liabilities		37 851	36 848	53 857	52 430
<b>Total current liabilities</b>		<b>90 312</b>	<b>53 202</b>	<b>128 502</b>	<b>75 700</b>
<b>Total liabilities</b>		<b>137 140</b>	<b>101 183</b>	<b>195 132</b>	<b>143 971</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>482 788</b>	<b>436 947</b>	<b>686 945</b>	<b>621 721</b>

## Consolidated income statement – by function of expense

	Note	31.03.2011. LVL'000	31.03.2010. LVL'000	31.03.2011. EUR'000	31.03.2010. EUR'000
Revenue	4	145 818	126 481	207 479	179 966
Cost of sales	5	(127 438)	(108 917)	(181 327)	(154 975)
<b>Gross profit</b>		<b>18 380</b>	<b>17 564</b>	<b>26 152</b>	<b>24 991</b>
Administrative expenses	6	(1 572)	(859)	(2 237)	(1 223)
Other income	7	755	676	1 074	964
Other expenses	8	(7 072)	(6 736)	(10 062)	(9 585)
<b>Operating profit</b>		<b>10 491</b>	<b>10 645</b>	<b>14 927</b>	<b>15 147</b>
Finance income	9	45	449	64	639
Finance expenses	9	-	-	-	-
Finance income, net	9	45	449	64	639
<b>Profit before income tax</b>		<b>10 536</b>	<b>11 094</b>	<b>14 991</b>	<b>15 786</b>
Income tax expense		(3 853)	(4 393)	(5 482)	(6 251)
<b>Profit for the period</b>		<b>6 683</b>	<b>6 701</b>	<b>9 509</b>	<b>9 535</b>

## Consolidated statement of recognized income and expense

<b>Items net of tax</b>					
Disposal of revalued property, plant and equipment	2	22	14	31	20
<b>Net income recognised directly in equity</b>		<b>22</b>	<b>14</b>	<b>31</b>	<b>20</b>
Profit for the period		6 683	6 701	9 509	9 535
<b>Total recognised income for the period</b>		<b>6 705</b>	<b>6 715</b>	<b>9 540</b>	<b>9 555</b>

## Cash flow statement

	<b>31.03.2011.</b>	<b>31.03.2010.</b>	<b>31.03.2011.</b>	<b>31.03.2010.</b>
	<b>LVL'000</b>	<b>LVL'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
<b>Cash flow from operating activities</b>				
Cash generated from operations	86 136	52 825	122 560	75 164
Interest received	69	483	98	687
Income tax paid	(1 169)	(1 343)	(1 663)	(1 911)
<b>Net cash generated from operating activities</b>	<b>85 036</b>	<b>51 965</b>	<b>120 995</b>	<b>73 940</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(2 718)	(1 393)	(3 867)	(1 982)
Proceeds from sale of property, plant and equipment	5	3	7	4
Purchase of intangible assets	(130)	(7)	(185)	(10)
<b>Net cash used in investing activities</b>	<b>(2 843)</b>	<b>(1 397)</b>	<b>(4 045)</b>	<b>(1 988)</b>
<b>Net cash (used in) / generated from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>82 193</b>	<b>50 568</b>	<b>116 950</b>	<b>71 952</b>
Cash and cash equivalents at the beginning of the year	37 573	35 810	53 462	50 953
<b>Cash and cash equivalents at the end of the year</b>	<b>119 766</b>	<b>86 378</b>	<b>170 412</b>	<b>122 905</b>

## 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
<b>31 December, 2009</b>	<b>39 900</b>	<b>14 320</b>	<b>186 360</b>	<b>69 540</b>	<b>18 940</b>	<b>329 060</b>
Income in year 2010, total	-	-	(10)	-	6 715	6 705
Rounding	-	-	-	-	(1)	(1)
<b>31 March, 2010</b>	<b>39 900</b>	<b>14 320</b>	<b>186 350</b>	<b>69 540</b>	<b>25 654</b>	<b>335 764</b>
<b>31 December, 2010</b>	<b>39 900</b>	<b>14 320</b>	<b>185 754</b>	<b>71 910</b>	<b>27 076</b>	<b>338 960</b>
Income in year 2011, total	-	-	(17)	-	6 705	6 688
<b>31 March, 2011</b>	<b>39 900</b>	<b>14 320</b>	<b>185 737</b>	<b>71 910</b>	<b>33 781</b>	<b>345 648</b>

	Share capital EUR'000	Share premium EUR'000	Revaluation reserve EUR'000	Other reserves EUR'000	Retained earnings EUR'000	Total EUR'000
<b>31 December, 2009</b>	<b>56 773</b>	<b>20 376</b>	<b>265 167</b>	<b>98 947</b>	<b>26 948</b>	<b>468 211</b>
Income in year 2010, total	-	-	(14)	-	9 555	9 541
Rounding	-	-	(1)	-	(1)	(2)
<b>31 March, 2010</b>	<b>56 773</b>	<b>20 376</b>	<b>265 152</b>	<b>98 947</b>	<b>36 502</b>	<b>477 750</b>
<b>31 December, 2010</b>	<b>56 773</b>	<b>20 376</b>	<b>264 303</b>	<b>102 319</b>	<b>38 525</b>	<b>482 296</b>
Income in year 2011, total	-	-	(24)	-	9 540	9 516
Rounding	-	-	1	-	-	1
<b>31 March, 2011</b>	<b>56 773</b>	<b>20 376</b>	<b>264 280</b>	<b>102 319</b>	<b>48 065</b>	<b>491 813</b>

## Notes to the financial statements

	31.03.2011.	31.03.2010.	31.03.2011.	31.03.2010.
	LVL'000	LVL'000	EUR'000	EUR'000
<b>1 INVENTORIES</b>				
Materials and spare parts (at net realisable value)	2 926	2 634	4 163	3 748
Gas and fuel (at cost)	5 937	3 924	8 448	5 583
	<b>8 863</b>	<b>6 558</b>	<b>12 611</b>	<b>9 331</b>
<b>2 REVALUATION RESERVE</b>				
At the beginning of the period	185 754	186 360	264 304	265 167
Revaluation of property, plant and equipment	5	4	7	6
Disposal of revalued property, plant and equipment	(22)	(14)	(31)	(20)
Rounding	-	-	-	(1)
<b>At the end of the period</b>	<b>185 737</b>	<b>186 350</b>	<b>264 280</b>	<b>265 152</b>
<b>3 RETAINED EARNINGS</b>				
At the beginning of the period	27 076	18 940	38 525	26 948
Disposal of revalued property, plant and equipment	22	14	31	20
Profit for the period	6 683	6 701	9 509	9 535
Rounding	-	(1)	-	(1)
<b>At the end of the period</b>	<b>33 781</b>	<b>25 654</b>	<b>48 065</b>	<b>36 502</b>
<b>4 REVENUE</b>				
Sales per customers' groups are as follows:				
Income from natural gas sales to industrial customers	122 560	105 113	174 387	149 562
Income from natural gas sales to residential customers	18 172	16 095	25 856	22 901
Income from transmission and storage of natural gas	5 019	5 143	7 141	7 318
Income from natural gas sales to vehicles	-	9	-	13
Other services	67	121	95	172
	<b>145 818</b>	<b>126 481</b>	<b>207 479</b>	<b>179 966</b>
<b>5 COST OF SALES</b>				
Purchase of natural gas	117 238	98 939	166 815	140 778
Salaries	2 602	2 482	3 702	3 532
Social insurance contributions	594	591	845	841
Life, health and pension insurance	197	201	280	286
Materials and spare parts	835	649	1 188	923
Depreciation and amortisation	5 073	5 090	7 218	7 242
Other	899	965	1 279	1 373
	<b>127 438</b>	<b>108 917</b>	<b>181 327</b>	<b>154 975</b>

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**6 ADMINISTRATIVE EXPENSES**

Salaries	693	772	986	1 098
Social insurance contributions	146	180	208	256
Life, health and pension insurance	35	35	50	50
Maintenance and utilities	214	225	304	320
Real estate tax	164	43	233	61
Depreciation and amortisation	129	136	184	194
Bank charges	23	19	33	27
Provisions for impairment of bad and doubtful debts, net	(43)	(709)	(61)	(1 009)
Other expenses	211	158	300	226
	<b>1 572</b>	<b>859</b>	<b>2 237</b>	<b>1 223</b>

**7 OTHER INCOME**

Penalties from customers	517	398	736	566
Income from contribution to financing of construction works	143	138	203	196
Provisions for slow moving and obsolete inventories impairment	36	6	51	9
Other income	59	134	84	193
	<b>755</b>	<b>676</b>	<b>1 074</b>	<b>964</b>

**8 OTHER EXPENSES**

Materials	14	9	20	13
Salaries	38	32	54	46
Social insurance contributions	5	5	7	7
Depreciation and amortisation	28	26	40	37
Sponsorship	30	44	43	63
Loss from sale of fixed assets	10	1	14	1
Loss from increase in exchange rates, net	398	577	566	821
Other expense	6 549	6 042	9 318	8 597
	<b>7 072</b>	<b>6 736</b>	<b>10 062</b>	<b>9 585</b>

**EXPENSES BY NATURE**

Purchase of natural gas	117 238	98 939	166 815	140 778
Depreciation and amortisation	5 230	5 252	7 442	7 473
Employee benefit expense	4 310	4 298	6 132	6 116
Material and spare parts	849	658	1 208	936
Net provisions for impaired receivables	(43)	(709)	(61)	(1 009)
Other expenses	8 498	8 074	12 090	11 489
	<b>136 082</b>	<b>116 512</b>	<b>193 626</b>	<b>165 783</b>



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**9 FINANCE INCOME, NET**

<b>Finance income</b>				
- Interest income	45	449	64	639
	<b>45</b>	<b>449</b>	<b>64</b>	<b>639</b>
<b>Finance expenses</b>				
- Interest expenses	-	-	-	-
	-	-	-	-
<b>Finance income, net</b>	<b>45</b>	<b>449</b>	<b>64</b>	<b>639</b>