



"Latvijas Gāze" Joint Stock Company

Unaudited Financial Report of 6 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 – June 30, 2011

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</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</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</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</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</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</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</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</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 speciality in Industry Planning</p>
	<p>Alexander Krasnenkov (Александр Красненков) – Council member</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</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</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 6 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 6 months of 2011, LG sold to the consumers 924.6 million nm³ of natural gas. Compared to the respective period of 2010, natural gas sales have decreased by 6.1 %, still being 12.5 % or 102.6 million nm³ above the volume planned in the budget of 2011.

The increase of natural gas consumption both among industrial customers and households in 6 months of 2011 compared to the budget of 2011 stems from the protractedly low air temperature in the 1st quarter.

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 nm³. It is planned that 1 840 million nm³ of natural gas would be injected into the Inčukalns UGS in 2011.

Over 6 months of 2011, the consumers have been sold natural gas and provided services for LVL 196.1 million, which is by 10.3 % more than in the respective period of 2010 and by 10.5 % 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 6 months of 2011 with a profit of LVL 8.2 million, which is by 3.8 % higher than in the respective period of 2010, when the profit amounted to LVL 7.9 million.

Within the framework of the capital investment programme, LVL 6.97 million of investment funds were spent over 6 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:

	2011 H1	2010 H1	2009 H1	2011 H1	2010 H1	2009 H1
	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000
Net turnover	196 063	177 730	205 165	278 973	252 887	291 923
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	22 665	22 862	18 133	32 249	32 530	25 801
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	11,56%	12,86%	8,84%	11,56%	12,86%	8,84%
Profit of operational activity	12 193	12 325	7 990	17 349	17 537	11 369
Profitability of operational activity (%)	6,22%	6,93%	3,89%	6,22%	6,93%	3,89%
Profit of reporting period	8 208	7 909	6 700	11 679	11 253	9 533
Commercial profitability (%)	4,19%	4,45%	3,27%	4,19%	4,45%	3,27%
Total liquidity	1,75	2,09	2,03	1,75	2,09	2,03
Total assets	500 562	449 470	439 569	712 236	639 538	625 450
Equity	347 122	336 905	331 664	493 910	479 373	471 915
Return on assets (ROA)	1,73%	1,78%	1,46%	1,73%	1,78%	1,46%
Return on equity (ROE)	2,40%	2,37%	2,04%	2,40%	2,37%	2,04%
Number of shares	39 900	39 900	39 900	39 900	39 900	39 900
	LVL	LVL	LVL	EUR	EUR	EUR
Profit per share	0,206	0,198	0,168	0,293	0,282	0,239
Share price over earnings per share (P/E)	32,18	28,00	25,49	32,18	28,00	25,49
Share book value (BV)	8,70	8,44	8,31	12,38	12,01	11,83
Price to book value (P/BV)	0,76	0,66	0,51	0,76	0,66	0,51
Share price at the end of period	6,62	5,55	4,28	9,42	7,90	6,09

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 “Gazobezопасnostj” 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.

In 2011 was signed contract with „Gazprom VNIIGAZ Ltd” about concept development for Inčukalns UGS equipment modernization and secure maintenance.

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.

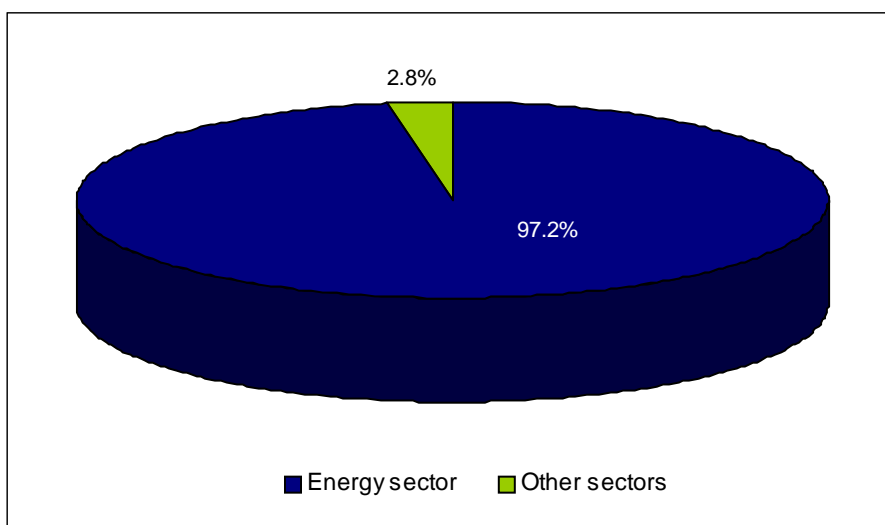
On February 10, 2011, the responsible institutions of the European Commission were sent a Report on the repayment of funds used. On April 1, 2011, EUR 5.05 million were transferred to the account of LG.

Shares and shareholders

1) The composition of LG 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 6 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

	2007 H1	2008 H1	2009 H1	2010 H1	2011 H1
<u>Share price (LVL):</u>					
First	10.35	7.25	4.55	4.57	4.80
Highest	11.25	8.20	5.23	6.00	7.00
Lowest	9.65	6.00	3.32	4.57	4.60
Average	10.51	7.26	3.95	5.20	5.08
Last	10.50	7.00	4.28	5.55	6.62
Change	1.45%	-3.45%	-5.93%	21.44%	37.92%
Number of transactions	439	966	470	342	628
Number of shares traded	128 270	22 950	27 190	19 832	131 688
Turnover (million LVL)	1.348	0.167	0.107	0.103	0.668
Capitalization (million LVL)	418.950	279.300	170.772	221.445	264.138

Source: NASDAQ OMX Riga

The capitalization value of LG in 6 months of 2011 reached 264.2 million lats - by 42.8 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 (2010 H1: accordingly 1st and 4th).

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. - 30.06.2011.).



Source: NASDAQ OMX Riga

Indexes/Shares	01.01.2007.	30.06.2011.	Change
OMX Baltic Energy GI	602.43	469.26	-22.11%
OMX Baltic GI	552.94	412.09	-25.47%
LG share price (LVL)	10.32	6.62	-35.83%

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 2011 and the result of its operations and cash flows for the period ended 30 June 2011.

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 August 2011

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Balance sheet

	Note	30.06.2011. LVL'000	30.06.2010. LVL'000	30.06.2011. EUR'000	30.06.2010. EUR'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment		313 614	312 369	446 233	444 461
Intangible assets		2 033	2 078	2 893	2 957
Trade receivables		3	4	4	6
Total non-current assets		315 650	314 451	449 130	447 424
<u>Current assets</u>					
Inventories	1	60 936	29 392	86 704	41 821
Trade receivables		17 426	18 882	24 795	26 867
Current income tax receivable		2 326	4 009	3 310	5 704
Other current assets		20 106	19 868	28 608	28 270
Cash and cash equivalents		84 118	62 868	119 689	89 453
Total current assets		184 912	135 019	263 106	192 115
TOTAL ASSETS		500 562	449 470	712 236	639 539
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	185 708	186 297	264 239	265 077
Other reserves		71 910	69 540	102 319	98 947
Retained earnings	3	35 284	26 848	50 205	38 201
Total equity		347 122	336 905	493 912	479 374
<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		5 266	4 581	7 493	6 518
Deferred income		14 875	13 690	21 165	19 479
Total non-current liabilities		47 963	47 971	68 245	68 256
<u>Current liabilities</u>					
Trade payables		58 240	26 828	82 867	38 173
Corporate income tax payable		5 648	5 447	8 036	7 750
Deferred income		9 589	829	13 644	1 180
Other current liabilities		32 000	31 490	45 532	44 806
Total current liabilities		105 477	64 594	150 078	91 909
Total liabilities		153 440	112 565	218 323	160 165
TOTAL EQUITY AND LIABILITIES		500 562	449 470	712 236	639 539

Consolidated income statement – by function of expense

	Note	30.06.2011. LVL'000	30.06.2010. LVL'000	30.06.2011. EUR'000	30.06.2010. EUR'000
Revenue	4	196 063	177 730	278 973	252 887
Cost of sales	5	(174 767)	(156 770)	(248 671)	(223 064)
Gross profit		21 296	20 960	30 302	29 823
Administrative expenses	6	(5 101)	(5 422)	(7 258)	(7 715)
Other income	7	1 305	1 129	1 857	1 606
Other expenses	8	(5 307)	(4 342)	(7 551)	(6 178)
Operating profit		12 193	12 325	17 350	17 536
Finance income, net	9	377	960	536	1 366
Profit before income tax		12 570	13 285	17 886	18 902
Income tax expense		(4 418)	(5 447)	(6 286)	(7 750)
Profit for the period		8 152	7 838	11 600	11 152

Consolidated statement of recognized income and expense

Items net of tax					
Disposal of revalued property, plant and equipment	2	56	71	79	101
Net income recognised directly in equity		56	71	79	101
Profit for the period		8 152	7 838	11 600	11 152
Total recognised income for the period		8 208	7 909	11 679	11 253

Cash flow statement

	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.
	LVL'000	LVL'000	EUR'000	EUR'000
Cash flow from operating activities				
Cash generated from operations	55 410	36 192	78 840	51 498
Interest received	427	1 027	608	1 461
Income tax paid	(2 332)	(2 669)	(3 318)	(3 798)
Net cash generated from operating activities	53 505	34 550	76 130	49 161
Cash flow from investing activities				
Purchase of property, plant and equipment	(6 768)	(7 446)	(9 630)	(10 595)
Proceeds from sale of property, plant and equipment	7	10	10	14
Purchase of intangible assets	(199)	(56)	(283)	(80)
Net cash used in investing activities	(6 960)	(7 492)	(9 903)	(10 661)
Net (decrease) / increase in cash and cash equivalents	46 545	27 058	66 227	38 500
Cash and cash equivalents at the beginning of the year	37 573	35 810	53 462	50 953
Cash and cash equivalents at the end of the year	84 118	62 868	119 689	89 453

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, 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
31 December, 2010	39 900	14 320	185 754	71 910	27 076	338 960
Income in year 2011, total	-	-	(46)	-	8 208	8 162
30 June, 2011	39 900	14 320	185 708	71 910	35 284	347 122

	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, 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
31 December, 2010	56 773	20 376	264 303	102 319	38 525	482 296
Income in year 2011, total	-	-	(65)	-	11 679	11 614
Rounding	-	-	1	-	1	2
30 June, 2011	56 773	20 376	264 239	102 319	50 205	493 912

Notes to the financial statements

	30.06.2011.	30.06.2010.	30.06.2011.	30.06.2010.
	LVL'000	LVL'000	EUR'000	EUR'000
1 INVENTORIES				
Materials and spare parts (at net realisable value)	57 148	25 722	81 314	36 599
Gas and fuel (at cost)	3 788	3 670	5 390	5 222
	60 936	29 392	86 704	41 821
2 REVALUATION RESERVE				
At the beginning of the period	185 754	186 360	264 303	265 167
Revaluation of property, plant and equipment	10	8	14	11
Disposal of revalued property, plant and equipment	(56)	(71)	(79)	(101)
Rounding	-	-	1	-
At the end of the period	185 708	186 297	264 239	265 077
3 RETAINED EARNINGS				
At the beginning of the period	27 076	18 940	38 526	26 949
Disposal of revalued property, plant and equipment	56	71	80	101
Profit for the period	8 152	7 838	11 600	11 152
Rounding	-	(1)	(1)	(1)
At the end of the period	35 284	26 848	50 205	38 201
4 REVENUE				
Income from natural gas sales to industrial customers	164 748	148 265	234 415	210 962
Income from natural gas sales to residential customers	23 341	21 473	33 211	30 553
Income from transmission and storage of natural gas	7 795	7 728	11 092	10 996
Income from natural gas sales to vehicles	-	9	-	13
Other services	179	255	255	363
	196 063	177 730	278 973	252 887
5 COST OF SALES				
Purchase of natural gas	152 058	134 581	216 359	191 492
Salaries	5 687	5 101	8 091	7 258
Social insurance contributions	1 299	1 212	1 848	1 725
Life, health and pension insurance	421	409	599	582
Materials and spare parts	3 182	2 983	4 528	4 244
Depreciation and amortisation	10 156	10 219	14 451	14 540
Other	1 964	2 265	2 795	3 223
	174 767	156 770	248 671	223 064

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6 ADMINISTRATIVE EXPENSES

Salaries	1 448	1 483	2 060	2 110
Social insurance contributions	310	346	441	492
Life, health and pension insurance	74	71	105	101
Maintenance and utilities	379	473	539	673
Real estate tax	328	85	467	121
Depreciation and amortisation	259	267	369	380
Bank charges	42	37	60	53
Provisions for impairment of bad and doubtful debts, net	(1 219)	(738)	(1 734)	(1 050)
Other expenses	3 480	3 398	4 951	4 835
	5 101	5 422	7 258	7 715

7 OTHER INCOME

Penalties from customers	772	557	1 098	792
Income from contribution to financing of construction works	285	276	406	393
Income from sale of fixed assets	-	43	-	61
Provisions for slow moving and obsolete inventories impairment	55	43	78	61
Other income	193	210	275	299
	1 305	1 129	1 857	1 606

8 OTHER EXPENSES

Materials	22	18	31	26
Salaries	74	55	105	78
Social insurance contributions	12	10	17	14
Depreciation and amortisation	57	52	81	74
Sponsorship	41	63	58	90
Loss from sale of fixed assets	44	-	63	-
Loss from increase in exchange rates, net	969	1 044	1 379	1 485
Other expense	4 088	3 100	5 817	4 411
	5 307	4 342	7 551	6 178

EXPENSES BY NATURE

Purchase of natural gas	152 058	134 581	216 359	191 492
Depreciation and amortisation	10 472	10 538	14 901	14 994
Employee benefit expense	9 325	8 687	13 266	12 360
Material and spare parts	3 204	3 001	4 559	4 270
Net provisions for impaired receivables	(1 219)	(738)	(1 734)	(1 050)
Other expenses	11 335	10 465	16 129	14 891
	185 175	166 534	263 480	236 957

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9 FINANCE INCOME, NET

Finance income				
- Interest income	377	960	536	1 366
	<u>377</u>	<u>960</u>	<u>536</u>	<u>1 366</u>
Finance expenses				
- Interest expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Finance income, net	<u>377</u>	<u>960</u>	<u>536</u>	<u>1 366</u>