



"Latvijas Gāze" Joint Stock Company

Unaudited Financial Report of 12 months of 2011

Prepared in accordance with the International Financial Reporting Standards

Riga, 2012






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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, 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 12 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 12 months of 2011, LG sold to the consumers 1 561.4 million nm³ of natural gas. In comparison with the respective period of 2010, natural gas sales decreased by 12.7% due to the relatively high air temperature in the 4th quarter of 2011 as well as investments by heat supply companies in the use of renewable energy resources and a partial replacement of fossil fuels with woodchip.

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.

The injection season at the Inčukalns UGS was completed on October 18, 2011, and 2 261.7 million nm³ of natural gas was injected over the season, reaching 2 300.0 million nm³ of active gas at the end of the season.

Over 12 months of 2011, the consumers were sold natural gas and provided services for LVL 353.3 million, which is as much as in the respective period of 2010.

Despite the reduced consumption, the income did not change year-on-year as the industrial and residential customers in 2011 were applied differential natural gas sale end-user tariffs corresponding to a natural gas sale price, which was 10.3% higher than in 2010.

LG completed 12 months of 2011 with a profit of LVL 27.2 million, which is 2.6% higher than in the respective period of 2010 when the profit amounted to LVL 26.5 million.

Within the framework of the capital investment programme, LVL 19.71 million of investment funds were spent over 12 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. The key projects were as follows:

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Inčukalns UGS:

- modernization of wells - LVL 5.56 million;
- design of gas drying unit at CS1, purchase and installation of technical equipment within the project by the end of 2011 - LVL 8.76 million (in 2011 - LVL 1.16 million);
- capital repair of CS2 compressor No.5 – LVL 1.1 million spent within the project by the end of 2011 (in 2011 - LVL 0.04 million);

Operation unit “Gas Transport”:

- renovation of gas transmission pipelines, replacement and restoration of defective gas pipeline sections and branch valve units - LVL 2.3 million;
- repairs of underwater passage across Daugava watercourse – LVL 4.8 million within the project by the end of 2011 (in 2011 - LVL 1.06 million);
- construction of cleaning and intelligent pig receiver for gas transmission pipeline Riga-Panevežys by the end of 2011 LVL 1.04 million (in 2011 – LVL 0.95 million).

Distribution system:

- completion of coating repair on gas pipeline from GRS „Riga-2” to GRS „Ziemeļi” – the total project costs by the end of 2011 were LVL 0.76 million (in 2011 - LVL 0.73 million);
- reconstruction of GRS „Riga-2” with prospective construction of two new container-type GRP – the total project costs by the end of 2011 were LVL 0.93 million (in 2011 - LVL 0.4 million) with completion due in 2012.

The key indices of LG:

	2011	2010	2009	2011	2010	2009
	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000
Net turnover	353 338	353 345	329 705	502 755	502 765	469 128
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	50 098	49 433	42 228	71 284	70 337	60 085
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	14.18%	13.99%	12.81%	14.18%	13.99%	12.81%
Profit of operational activity	28 884	28 406	21 193	41 099	40 418	30 155
Profitability of operational activity (%)	8.17%	8.04%	6.43%	8.17%	8.04%	6.43%
Profit of reporting period	25 725	25 792	19 165	36 604	36 699	27 269
Commercial profitability (%)	7.28%	7.30%	5.81%	7.28%	7.30%	5.81%
Total liquidity	2.15	2.51	1.70	2.15	2.51	1.70
Total assets	463 777	429 851	461 494	659 895	611 623	656 648
Equity	345 537	338 960	329 060	491 655	482 296	468 210
Return on assets (ROA)	5.76%	5.79%	4.03%	5.76%	5.79%	4.03%
Return on equity (ROE)	7.52%	7.72%	5.86%	7.52%	7.72%	5.86%
Number of shares	39 900	39 900	39 900	39 900	39 900	39 900

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	2011	2010	2009	2011	2010	2009
	LVL	LVL	LVL	EUR	EUR	EUR
Profit per share	0.645	0.646	0.480	0.917	0.920	0.683
Share price over earnings per share (P/E)	8.76	7.58	8.54	8.76	7.58	8.54
Share book value (BV)	8.66	8.50	8.25	12.32	12.09	11.73
Price to book value (P/BV)	0.65	0.58	0.50	0.65	0.58	0.50
Dividends per share	-	0.50	0.40	-	0.71	0.57
Dividends per share/profit per share	-	0.77	0.83	-	0.77	0.83
Share price at the end of period	5.65	4.90	4.10	8.04	6.97	5.83

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 “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.

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 with a view to stabilize natural gas supplies between Latvia and Lithuania in emergency situations.

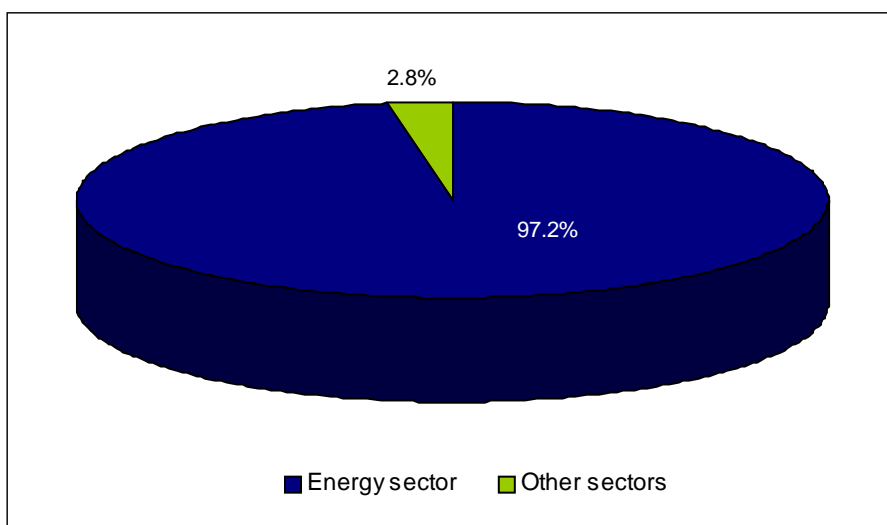
On February 10, 2011, the responsible institutions of the European Commission were sent a Report on the repayment of funds used. In 2011 LG received EUR 5.05 million.

Shares and shareholders

1) The composition of LG shareholders¹ as of December 31, 2011 and previous 2 periods:

Share	31.12.2011.	31.12.2010.	31.12.2009.
“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, 2011:



3) The number of shares held by the members of the Board and the Council of the “Latvijas Gāze” JSC as of December 31, 2011:

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 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	2010	2009	2008	2007
<u>Share price (LVL):</u>					
First	4.800	4.57	4.55	7.25	10.35
Highest	7.000	6.00	6.00	8.20	11.25
Lowest	4.601	4.57	3.32	3.62	7.05
Average	5.320	5.15	4.31	6.77	10.34
Last	5.651	4.90	4.10	4.55	7.12
Change	17.73%	7.22%	-9.89%	-37.24%	-31.21%
Number of transactions	218 132	85 493	64 319	46 565	154 825
Number of shares traded	1.160	0.440	0.277	0.315	1.600
Turnover (million LVL)	1 284	988	1 267	1 711	1 074
Capitalization (million LVL)	225.475	195.510	163.590	181.545	284.088

Source: NASDAQ OMX Riga

The capitalization value of LG in 12 months of 2011 reached 225.47 million lats - by 29.96 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 4th place among companies quoted at NASDAQ OMX Baltic (2011: accordingly 1st and 8th).

5) The dynamics of LG share price and indexes.

The shares of LG are included in the following index baskets	OMXBGI, OMXBPI, OMXRGI
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OMX Baltic (OMXB) – PI, GI

OMX Baltic is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares. The aim of the index is to reflect the current status and changes in the NASDAQ OMX Baltic Market. The base date for the OMXB is December 31, 1999, with a base value of 100. The index is calculated in Euro and is available as PI and GI. The index values are disseminated with 60 seconds interval.

OMX Riga All Share (OMXR) - GI

OMX Riga is an all-share index consisting of all the shares listed on the Main and Secondary lists on the NASDAQ OMX Riga with exception of the shares of the

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companies where a single shareholder controls at least 90% of the outstanding shares. The aim of the index is to reflect the current status and changes on the Riga market. The base date for the OMXR is December 31, 1999, with a base value of 100. The index is available as GI. The index values are disseminated with 60 seconds interval.

LG share price and extension of OMX Riga GI and OMX Baltic GI (01.01.2008. - 31.12.2011.).



Source: NASDAQ OMX Riga

Indexes/Shares	01.01.2008.	31.12.2011.	Change
OMX Riga GI	595.30	371.16	-37.65%
OMX Baltic GI	515.40	325.54	-36.84%
LG share price (LVL)	7.12	5.65	-20.63%

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 2011 and the result of its operations and cash flows for the period ended 31 December 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, 29th February 2012

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Balance sheet

	Note	31.12.2011. LVL'000	31.12.2010. LVL'000	31.12.2011. EUR'000	31.12.2010. EUR'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment		315 130	316 990	448 390	451 036
Intangible assets		2 076	2 229	2 954	3 172
Trade receivables		1 898	3	2 701	4
Total non-current assets		319 104	319 222	454 045	454 212
<u>Current assets</u>					
Inventories	1	38 591	10 975	54 910	15 616
Trade receivables		28 881	37 035	41 094	52 696
Current income tax receivable		2 432	-	3 460	-
Other current assets		49 712	25 046	70 733	35 637
Cash and cash equivalents		25 057	37 573	35 653	53 462
Total current assets		144 673	110 629	205 850	157 411
TOTAL ASSETS		463 777	429 851	659 895	611 623
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	185 105	185 754	263 381	264 303
Other reserves		76 883	71 910	109 395	102 319
Retained earnings	3	29 329	27 076	41 730	38 525
Total equity		345 537	338 960	491 655	482 296
<u>Liabilities</u>					
<u>Non-current liabilities</u>					
Deferred income tax liabilities		26 444	27 822	37 626	39 587
Accruals for post employment benefits and other employee benefits		4 274	4 896	6 081	6 966
Deferred income		20 341	13 855	28 943	19 714
Total non-current liabilities		51 059	46 573	72 650	66 267
<u>Current liabilities</u>					
Trade payables		35 660	11 735	50 740	16 698
Corporate income tax payable		-	1 230	-	1 750
Deferred income		5 438	7 565	7 738	10 764
Other current liabilities		26 083	23 788	37 112	33 848
Total current liabilities		67 181	44 318	95 590	63 060
Total liabilities		118 240	90 891	168 240	129 327
TOTAL EQUITY AND LIABILITIES		463 777	429 851	659 895	611 623

Consolidated income statement – by function of expense

	Note	31.12.2011. LVL'000	31.12.2010. LVL'000	31.12.2011. EUR'000	31.12.2010. EUR'000
Revenue	4	353 338	353 345	502 755	502 765
Cost of sales	5	(312 710)	(314 673)	(444 947)	(447 740)
Gross profit		40 628	38 672	57 808	55 025
Administrative expenses	6	(10 911)	(7 073)	(15 523)	(10 064)
Other income	7	4 059	2 777	5 776	3 952
Other expenses	8	(4 892)	(5 970)	(6 962)	(8 495)
Operating profit		28 884	28 406	41 099	40 418
Finance income, net	9	331	1 493	471	2 124
Profit before income tax		29 215	29 899	41 570	42 542
Income tax expense		(3 490)	(4 107)	(4 966)	(5 844)
Profit for the period		25 725	25 792	36 604	36 698

Consolidated statement of recognized income and expense

Items net of tax		1 706	794	2 427	1 130
Disposal of revalued property, plant and equipment	2	(256)	(119)	(364)	(169)
Net income recognised directly in equity		1 450	675	2 063	961
Profit for the period		25 725	25 792	36 604	36 698
Total recognised income for the period		27 175	26 467	38 667	37 659

Cash flow statement

	31.12.2011.	31.12.2010.	31.12.2011.	31.12.2010.
	LVL'000	LVL'000	EUR'000	EUR'000
Cash flow from operating activities				
Cash generated from operations	39 959	41 518	56 856	59 075
Interest received	1 219	2 671	1 734	3 800
Income tax paid	(8 417)	(3 291)	(11 976)	(4 683)
Net cash generated from operating activities	32 761	40 898	46 614	58 192
Cash flow from investing activities				
Purchase of property, plant and equipment	(19 075)	(22 690)	(27 141)	(32 284)
Proceeds from sale of property, plant and equipment	37	128	52	182
Purchase of intangible assets	(634)	(613)	(902)	(872)
Investments in term deposits	(9 207)	-	(13 100)	-
Net cash used in investing activities	(28 879)	(23 175)	(41 091)	(32 974)
Cash flow from financing activities				
Co-funded by EU	3 552	-	5 054	-
Dividends paid	(19 950)	(15 960)	(28 386)	(22 709)
Net cash (used in) / generated from financing activities	(16 398)	(15 960)	(23 332)	(22 709)
Net (decrease) / increase in cash and cash equivalents	(12 516)	1 763	(17 809)	2 509
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	25 057	37 573	35 653	53 462

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	-	-	(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
31 December, 2010	39 900	14 320	185 754	71 910	27 076	338 960
Income in year 2011, total	-	-	(648)	-	27 175	26 527
Transfer to reserves	-	-	-	4 972	(4 972)	-
Dividends for 2010	-	-	-	-	(19 950)	(19 950)
Rounding	-	-	(1)	1	-	-
31 December, 2011	39 900	14 320	185 105	76 883	29 329	345 537

	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	-	-	(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
31 December, 2010	56 773	20 376	264 303	102 319	38 525	482 296
Income in year 2011, total	-	-	(922)	-	38 667	37 745
Transfer to reserves	-	-	-	7 075	(7 075)	-
Dividends for 2010	-	-	-	-	(28 386)	(28 386)
Rounding	-	-	-	1	(1)	-
31 December, 2011	56 773	20 376	263 381	109 395	41 730	491 655

Notes to the financial statements

	31.12.2011.	31.12.2010.	31.12.2011.	31.12.2010.
	LVL'000	LVL'000	EUR'000	EUR'000
1 INVENTORIES				
Materials and spare parts (at net realisable value)	2 766	2 959	3 936	4 210
Gas and fuel (at cost)	35 825	8 016	50 974	11 406
	38 591	10 975	54 910	15 616
2 REVALUATION RESERVE				
At the beginning of the period	185 754	186 360	264 303	265 167
Revaluation of property, plant and equipment	943	81	1 342	115
Deferred tax liabilities from revaluation of fixed assets	(141)	(12)	(201)	(17)
Disposal of revalued property, plant and equipment	(1 706)	(794)	(2 427)	(1 130)
Deferred tax from excluded revaluated fixed assets	256	119	364	169
Rounding	(1)	-	-	(1)
At the end of the period	185 105	185 754	263 381	264 303
3 RETAINED EARNINGS				
At the beginning of the period	27 076	18 940	38 525	26 948
Disposal of revalued property, plant and equipment	1 450	675	2 063	961
Profit for the period	25 725	25 792	36 604	36 698
Transfer to reserves	(4 972)	(2 370)	(7 075)	(3 372)
Dividends for previous period	(19 950)	(15 960)	(28 386)	(22 709)
Rounding	-	(1)	(1)	(1)
At the end of the period	29 329	27 076	41 730	38 525
4 REVENUE				
Income from natural gas sales to industrial customers	298 733	299 673	425 059	426 396
Income from natural gas sales to residential customers	38 839	40 727	55 263	57 949
Income from transmission and storage of natural gas	15 165	12 290	21 578	17 488
Income from natural gas sales to vehicles	-	9	-	13
Other services	601	646	855	919
	353 338	353 345	502 755	502 765

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5 COST OF SALES

Purchase of natural gas	262 348	265 622	373 288	377 946
Salaries	12 611	13 186	17 944	18 762
Social insurance contributions	2 989	3 015	4 253	4 290
Life, health and pension insurance	853	866	1 214	1 232
Materials and spare parts	7 542	6 086	10 731	8 660
Depreciation and amortisation	20 598	20 396	29 308	29 021
Other	5 769	5 502	8 209	7 829
	312 710	314 673	444 947	447 740

6 ADMINISTRATIVE EXPENSES

Salaries	3 429	3 553	4 879	5 055
Social insurance contributions	760	774	1 081	1 101
Life, health and pension insurance	176	183	250	261
Maintenance and utilities	765	957	1 088	1 362
Real estate tax	767	755	1 091	1 074
Depreciation and amortisation	502	528	714	751
Bank charges	82	76	117	108
Provisions for impairment of bad and doubtful debts, net	2 802	(952)	3 987	(1 355)
Other expenses	1 628	1 199	2 316	1 707
	10 911	7 073	15 523	10 064

7 OTHER INCOME

Penalties from customers	952	698	1 355	994
Income from contribution to financing of construction works	573	554	815	788
Provisions for slow moving and obsolete inventories impairment	40	-	57	-
Other income	1 676	595	2 385	847
Interest income	818	930	1 164	1 323
	4 059	2 777	5 776	3 952

8 OTHER EXPENSES

Materials	26	37	37	53
Salaries	200	175	285	249
Social insurance contributions	26	24	37	34
Depreciation and amortisation	114	104	162	148
Sponsorship	2 194	2 332	3 122	3 318
Loss from sale of fixed assets	985	121	1 402	172
Provisions for slow moving and obsolete inventories impairment	-	361	-	514
Loss from increase in exchange rates, net	1 108	2 573	1 577	3 661
Other expense	239	243	340	346
	4 892	5 970	6 962	8 495

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EXPENSES BY NATURE

Purchase of natural gas	262 348	265 622	373 288	377 946
Depreciation and amortisation	21 214	21 028	30 184	29 920
Employee benefit expense	21 044	21 776	29 943	30 984
Material and spare parts	7 568	6 123	10 768	8 713
Net provisions for impaired receivables	2 802	(952)	3 987	(1 355)
Other expenses	13 537	14 119	19 262	20 091
	328 513	327 716	467 432	466 299

9 FINANCE INCOME, NET

Finance income

- Interest income	331	1 493	471	2 124
	331	1 493	471	2 124

Finance income, net

	331	1 493	471	2 124
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