



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

## **Unaudited Financial Report of 3 months of 2012**

Prepared in accordance with the International Financial Reporting Standards

Riga, 2012






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## Information on the Company

Name of the Company	JSC Latvijas Gāze
Legal status of the Company	Joint Stock Company
Registration number, venue and date	000300064 Riga, March 25, 1991
	Reregistered in the Commercial Register December 20, 2004 with common registration No 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, 2012

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 of the Board of Directors

The Joint Stock Company "Latvijas Gāze" (hereinafter – the Company) is the only natural gas transmission, storage, distribution and sale operator in Latvia. The company supplies natural gas to 441.7 thousand customers in Latvia, and in winter – also to Estonia, the Northwestern part of Russia and Lithuania from the Inčukalns Underground Gas Storage Facility (hereinafter – Inčukalns UGS).

The goal of the Company 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 the Company 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 the Company 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 the Company 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. Operation of the Company in the reporting period

In 3 months of 2012, the Company sold to the consumers 635.6 million nm<sup>3</sup> of natural gas. Compared to the respective period of 2011, natural gas sales have decreased by 9.9 %, still being 0.1 % or 0.6 million nm<sup>3</sup> above the volume planned in the budget of 2012.

The gas injection season at the Inčukalns UGS began on April 25, 2012. Upon starting natural gas injection, the reserves of active gas at the Inčukalns UGS were 144.72 million nm<sup>3</sup>.

Over 3 months of 2012, the consumers have been sold natural gas and provided services for LVL 178.0 million, which is by 22.1 % more than in the respective period of 2011 and by 0.6 % more than budgeted.

The rise of income over the respective period of 2011 has taken place because in the 1st quarter of 2012 the industrial and residential customers were applied differential natural gas sale end-user tariffs corresponding to a natural gas sale price, which was by 31.2 % higher than in the 1st quarter of 2011. Compared to 2011, the income grew in both the industrial and the household customers sector.

The Company completed 3 months of 2012 with a profit of LVL 3.9 million, which is by 41.8 % less than in the respective period of 2011 when the profit amounted to LVL 6.7 million.

Within the framework of the capital investment programme, LVL 1.24 million of investment funds were spent over 3 months of 2012, mostly on the renovation of gas transmission and distribution pipelines, the modernization of technological equipment.

**Report of the Board of Directors** (continued)

**1. Operation of the Company in the reporting period** (continued)

The key indices of the Company:

	<b>2012 Q1</b>	<b>2011 Q1</b>	<b>2010 Q1</b>	<b>2012 Q1</b>	<b>2011 Q1</b>	<b>2010 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	178 028	145 818	126 481	253 311	207 479	179 966
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	20 045	15 721	15 897	28 522	22 369	22 619
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	11.26%	10.78%	12.57%	11.26%	10.78%	12.57%
Profit of operational activity	8 104	10 491	10 645	11 531	14 927	15 146
Profitability of operational activity (%)	4.55%	7.19%	8.42%	4.55%	7.19%	8.42%
Profit of reporting period	3 937	6 683	6 701	5 602	9 509	9 535
Commercial profitability (%)	2.21%	4.58%	5.30%	2.21%	4.58%	5.30%
Total liquidity	2.45	1.84	2.32	2.45	1.84	2.32
Total assets	562 118	482 788	436 947	799 822	686 945	621 720
Equity	433 143	345 648	335 764	616 307	491 813	477 749
Return on assets (ROA)	0.75%	1.45%	1.53%	0.75%	1.45%	1.53%
Return on equity (ROE)	1.01%	1.96%	2.01%	1.01%	1.96%	2.01%
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	0.099	0.167	0.168	0.140	0.238	0.239
Share price over earnings per share (P/E)	63.31	36.74	30.07	63.31	36.74	30.07
Share book value (BV)	10.86	8.66	8.42	15.45	12.33	11.97
Price to book value (P/BV)	0.58	0.71	0.60	0.58	0.71	0.60
Share price at the end of period	6.247	6.153	5.050	8.889	8.755	7.190

**2. Research and development**

In order to ensure uninterrupted natural gas supply to consumers and safe operation of the natural gas supply system, the Company 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 “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 72.0 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.

**Report of the Board of Directors (continued)**

**3. International cooperation**

Work on attracting and adopting funds from European Commission (hereinafter – EC). On 17<sup>th</sup> August 2010 the Company 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 a total of EUR 10.0 million was granted – EUR 7.5 million for reconstruction of 15 wells at the Inčukalns UGS and EUR 2.5 million for construction of a new underwater pass and receiving trap inspection with gauges.

As at May 20, 2012, LVL 22.4 million has been spent on the project – EUR 14.5 million on the modernization of 15 wells at the Inčukalns UGS and EUR 7.9 million construction of a new underwater pass and receiving trap inspection with gauges.

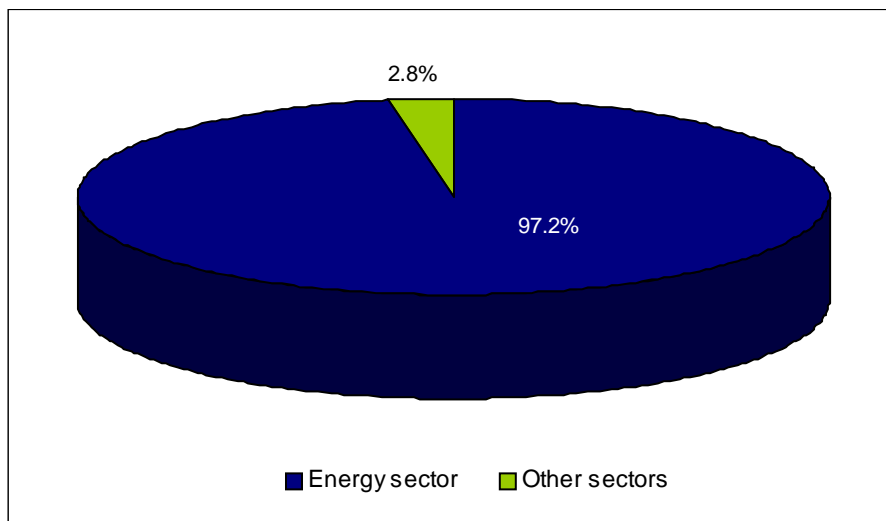
As at May 20, 2012, funding has been received from the EC in the amount of EUR 7.0 million (on April 17, 2011 – EUR 1.95 million, on April 1, 2012 – EUR 5.05 million).

**4. Shares and shareholders**

The composition of shareholders of the Company<sup>1</sup> 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%
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

The composition of shareholders of the Company as to the industries they represent as of December 31, 2011:



**Report of the Board of Directors (continued)**

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

**4. Shares and shareholders** (continued)

The number of shares held by the members of the Board and the Council of the Company as of December 31, 2011:

<b>Board members</b>		<b>Number of shares</b>
Chairman of the Board	Adrians Dāvis	<b>417</b>
Vice-Chairman of the Board	Joerg Tumat	<b>900</b>
Vice-Chairman of the Board	Alexander Miheyev	<b>417</b>
Board member	Anda Ulpe	<b>729</b>
Board member	Gints Freibergs	<b>416</b>
<b>Council members</b>		<b>Number of shares</b>
Chairman of the Council	Kirill Seleznev	<b>0</b>
Vice-Chairman of the Council	Peter Frankenberg	<b>0</b>
Vice-Chairman of the Council	Juris Savickis	<b>0</b>
Council member	Joachim Hockertz	<b>0</b>
Council member	Uwe Fip	<b>0</b>
Council member	Mario Nullmeier	<b>0</b>
Council member	Heinz Watzka	<b>0</b>
Council member	Yelena Karpel	<b>0</b>
Council member	Alexander Krasnenkov	<b>0</b>
Council member	Vlada Rusakova	<b>0</b>
Council member	Igor Nazarov	<b>0</b>

The price of the shares of the Company at NASDAQ OMX Riga in 3 months of 2012 and in the respective period of previous years.

As from February 15, 1999, the shares of the Company 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

	<b>2012 Q1</b>	<b>2011 Q1</b>	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>2008 Q1</b>
<u>Share price (LVL):</u>					
First	5.895	4.800	4.57	4.55	7.25
Highest	6.300	6.400	5.33	5.23	8.20
Lowest	5.520	4.600	4.57	3.45	6.40
Average	5.910	4.922	5.01	3.99	7.54
Last	6.247	6.153	5.05	3.49	7.20
Change	5.97%	28.19%	10.50%	-23.30%	-0.69%
Number of transactions	441	400	184	253	515
Number of shares traded	42 689	117 120	11 150	15 040	11 880
Turnover (million LVL)	0.252	0.576	0.056	0.059	0.090
Capitalization (million LVL)	249.255	245.505	201.495	139.251	287.280

Source: NASDAQ OMX Riga

**Report of the Board of Directors** (continued)



**4. Shares and shareholders (continued)**

The capitalization value of the Company in 3 months of 2012 reached 249.3 million lats - by 3.8 million lats more than in 3 months of the previous reporting period. By share market capitalization the Company took the 1<sup>st</sup> place among companies quoted at NASDAQ OMX RIGA and the 3<sup>rd</sup> place among companies quoted at NASDAQ OMX Baltic (2011 Q1: accordingly 1<sup>st</sup> and 5<sup>th</sup>).

The dynamics of the Company share price and indexes.

The shares of the Company are included in the following index baskets	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.

The Company share price and changes of OMX Riga GI and OMX Baltic GI (01.01.2008. - 31.03.2012.)



Source: NASDAQ OMX Riga

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**4. Shares and shareholders** (continued)

<b>Indexes/Shares</b>	<b>01.01.2008.</b>	<b>31.03.2012.</b>	<b>Change</b>
OMX Riga GI	595.30	391.44	-34.24%
OMX Baltic GI	515.40	351.53	-31.79%
The Company's share price (LVL)	7.12	6.25	-12.26%

Chairman of the Board

A. Dāvis

Board meeting minutes No. 23 (2012)  
Riga, May 30, 2012

## Balance sheet

	Note	31.03.2012. LVL'000	31.03.2011. LVL'000	31.03.2012. EUR'000	31.03.2011. EUR'000
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment		403 501	314 609	574 130	447 648
Intangible assets		1 951	2 160	2 776	3 073
Trade receivables		1 898	3	2 701	4
<b>Total non-current assets</b>		<b>407 350</b>	<b>316 772</b>	<b>579 607</b>	<b>450 725</b>
<u>Current assets</u>					
Inventories	1	20 144	8 863	28 662	12 611
Trade receivables		42 142	35 383	59 963	50 345
Current income tax receivable		4 229	1 163	6 017	1 655
Other current assets		30 467	841	43 351	1 197
Cash and cash equivalents		57 786	119 766	82 222	170 412
<b>Total current assets</b>		<b>154 768</b>	<b>166 016</b>	<b>220 215</b>	<b>236 220</b>
<b>TOTAL ASSETS</b>		<b>562 118</b>	<b>482 788</b>	<b>799 822</b>	<b>686 945</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	268 707	185 737	382 335	264 280
Other reserves		76 883	71 910	109 395	102 319
Retained earnings	3	33 333	33 781	47 428	48 065
<b>Total equity</b>		<b>433 143</b>	<b>345 648</b>	<b>616 307</b>	<b>491 813</b>
<u>Liabilities</u>					
<u>Non-current liabilities</u>					
Deferred income tax liabilities		41 204	27 822	58 628	39 587
Accruals for post employment benefits and other employee benefits		4 380	5 236	6 232	7 450
Deferred income		20 272	13 770	28 844	19 593
<b>Total non-current liabilities</b>		<b>65 856</b>	<b>46 828</b>	<b>93 704</b>	<b>66 630</b>
<u>Current liabilities</u>					
Trade payables		16 068	38 622	22 863	54 954
Corporate income tax payable		4 334	5 083	6 167	7 232
Deferred income		3 568	8 756	5 077	12 459
Other current liabilities		39 149	37 851	55 704	53 857
<b>Total current liabilities</b>		<b>63 119</b>	<b>90 312</b>	<b>89 811</b>	<b>128 502</b>
<b>Total liabilities</b>		<b>128 975</b>	<b>137 140</b>	<b>183 515</b>	<b>195 132</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>562 118</b>	<b>482 788</b>	<b>799 822</b>	<b>686 945</b>

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## Income statement

	Note	31.03.2012. LVL'000	31.03.2011. LVL'000	31.03.2012. EUR'000	31.03.2011. EUR'000
Revenue	4	178 028	145 818	253 311	207 479
Cost of sales	5	(163 077)	(127 438)	(232 038)	(181 327)
<b>Gross profit</b>		<b>14 951</b>	<b>18 380</b>	<b>21 273</b>	<b>26 152</b>
Administrative expenses	6	(1 800)	(1 572)	(2 561)	(2 237)
Other income	7	1 998	755	2 843	1 074
Other expenses	8	(7 045)	(7 072)	(10 024)	(10 062)
<b>Operating profit</b>		<b>8 104</b>	<b>10 491</b>	<b>11 531</b>	<b>14 927</b>
Finance income	9	168	45	239	64
Finance expenses	9	-	-	-	-
Finance income, net	9	168	45	239	64
<b>Profit before income tax</b>		<b>8 272</b>	<b>10 536</b>	<b>11 770</b>	<b>14 991</b>
Income tax expense		(4 335)	(3 853)	(6 168)	(5 482)
<b>Profit for the period</b>		<b>3 937</b>	<b>6 683</b>	<b>5 602</b>	<b>9 509</b>

## Statement of comprehensive income

Other comprehensive income

### Tax sections, net

Revaluation of property, plant and equipment - gross

2	98 429	5	140 052	7
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Deffered income tax liability arising on the revaluation of property, plant and equipment

2	(14 761)	-	(21 003)	-
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### Other comprehensive income for the period, net of tax

<b>83 668</b>	<b>5</b>	<b>119 049</b>	<b>7</b>
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Profit for the period

3 937	6 683	5 602	9 509
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### Total comprehensive income for the period

<b>87 605</b>	<b>6 688</b>	<b>124 651</b>	<b>9 516</b>
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## Statement of cash flows

	<b>31.03.2012.</b>	<b>31.03.2011.</b>	<b>31.03.2012.</b>	<b>31.03.2011.</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	54 227	86 136	77 158	122 560
Interest received	176	69	250	98
Income tax paid	(1 796)	(1 169)	(2 555)	(1 663)
<b>Net cash generated from operating activities</b>	<b>52 607</b>	<b>85 036</b>	<b>74 853</b>	<b>120 995</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(1 218)	(2 718)	(1 733)	(3 867)
Proceeds from sale of property, plant and equipment	7	5	10	7
Purchase of intangible assets	(24)	(130)	(34)	(185)
Received term deposits	9 207	-	13 100	-
Term deposits	(27 850)	-	(39 627)	-
<b>Net cash used in investing activities</b>	<b>(19 878)</b>	<b>(2 843)</b>	<b>(28 284)</b>	<b>(4 045)</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>32 729</b>	<b>82 193</b>	<b>46 569</b>	<b>116 950</b>
Cash and cash equivalents at the beginning of the year	25 057	37 573	35 653	53 462
<b>Cash and cash equivalents at the end of the year</b>	<b>57 786</b>	<b>119 766</b>	<b>82 222</b>	<b>170 412</b>

## Statement of changes in equity

	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, 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>
<b>31 December, 2011</b>	<b>39 900</b>	<b>14 320</b>	<b>185 105</b>	<b>76 883</b>	<b>29 329</b>	<b>345 537</b>
Income in year 2012, total	-	-	83 601	-	4 004	87 605
Rounding	-	-	1	-	-	1
<b>31 March, 2012</b>	<b>39 900</b>	<b>14 320</b>	<b>268 707</b>	<b>76 883</b>	<b>33 333</b>	<b>433 143</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, 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>
<b>31 December, 2011</b>	<b>56 773</b>	<b>20 376</b>	<b>263 381</b>	<b>109 395</b>	<b>41 730</b>	<b>491 655</b>
Income in year 2012, total			118 954		5 697	124 651
Rounding					1	1
<b>31 March, 2012</b>	<b>56 773</b>	<b>20 376</b>	<b>382 335</b>	<b>109 395</b>	<b>47 428</b>	<b>616 307</b>

## Notes to the financial statements

	31.03.2012.	31.03.2011.	31.03.2012.	31.03.2011.
	LVL'000	LVL'000	EUR'000	EUR'000
<b>1 INVENTORIES</b>				
Materials and spare parts (at net realisable value)	2 973	2 926	4 230	4 163
Gas and fuel (at cost)	17 171	5 937	24 432	8 448
	<b>20 144</b>	<b>8 863</b>	<b>28 662</b>	<b>12 611</b>
<b>2 REVALUATION RESERVE</b>				
At the beginning of the period	185 105	185 754	263 381	264 304
Revaluation of property, plant and equipment	98 429	5	140 052	7
Deferred income tax liability arising on the revaluation of property, plant and equipment	(14 761)	-	(21 003)	-
Disposal of revalued property, plant and equipment	(67)	(22)	(95)	(31)
Rounding	1	-	-	-
<b>At the end of the period</b>	<b>268 707</b>	<b>185 737</b>	<b>382 335</b>	<b>264 280</b>
<b>3 RETAINED EARNINGS</b>				
At the beginning of the period	29 329	27 076	41 731	38 525
Disposal of revalued property, plant and equipment	67	22	95	31
Profit for the period	3 937	6 683	5 602	9 509
<b>At the end of the period</b>	<b>33 333</b>	<b>33 781</b>	<b>47 428</b>	<b>48 065</b>
<b>4 REVENUE</b>				
Sales per customers' groups are as follows:				
Income from natural gas sales to industrial customers	151 106	122 560	215 005	174 387
Income from natural gas sales to residential customers	20 915	18 172	29 759	25 856
Income from transmission and storage of natural gas	5 858	5 019	8 335	7 141
Other services	149	67	212	95
	<b>178 028</b>	<b>145 818</b>	<b>253 311</b>	<b>207 479</b>
<b>5 COST OF SALES</b>				
Purchase of natural gas	145 853	117 238	207 530	166 815
Salaries	2 566	2 602	3 651	3 702
Social insurance contributions	585	594	832	845
Life, health and pension insurance	194	197	276	280
Materials and spare parts	1 080	835	1 537	1 188
Depreciation and amortisation	11 676	5 073	16 614	7 218
Other	1 123	899	1 598	1 279
	<b>163 077</b>	<b>127 438</b>	<b>232 038</b>	<b>181 327</b>

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**6 ADMINISTRATIVE EXPENSES**

Salaries	824	693	1 172	986
Social insurance contributions	176	146	250	208
Life, health and pension insurance	34	35	48	50
Maintenance and utilities	184	214	262	304
Real estate tax	190	164	270	233
Depreciation and amortisation	189	129	269	184
Bank charges	23	23	33	33
Provisions for impairment of bad and doubtful debts, net	(27)	(43)	(38)	(61)
Other expenses	207	211	295	300
	<b>1 800</b>	<b>1 572</b>	<b>2 561</b>	<b>2 237</b>

**7 OTHER INCOME**

Penalties from customers	490	517	697	736
Income from contribution to financing of construction works	147	143	209	203
Provisions for slow moving and obsolete inventories impairment	17	36	24	51
Other income	668	59	951	84
Income from increase in exchange rates, net	676	-	962	-
	<b>1 998</b>	<b>755</b>	<b>2 843</b>	<b>1 074</b>

**8 OTHER EXPENSES**

Materials	9	14	13	20
Salaries	46	38	65	54
Social insurance contributions	6	5	9	7
Depreciation and amortisation	76	28	108	40
Sponsorship	21	30	30	43
Loss from sale of fixed assets	53	10	75	14
Loss from increase in exchange rates, net	-	398	-	566
Other expense	6 834	6 549	9 724	9 318
	<b>7 045</b>	<b>7 072</b>	<b>10 024</b>	<b>10 062</b>

**EXPENSES BY NATURE**

Purchase of natural gas	145 853	117 238	207 530	166 815
Depreciation and amortisation	11 941	5 230	16 991	7 442
Employee benefit expense	4 431	4 310	6 303	6 132
Material and spare parts	1 089	849	1 550	1 208
Net provisions for impaired receivables	(27)	(43)	(38)	(61)
Other expenses	8 635	8 498	12 287	12 090
	<b>171 922</b>	<b>136 082</b>	<b>244 623</b>	<b>193 626</b>



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**9 FINANCE INCOME, NET**

**Finance income**

- Interest income

168

45

239

64

**168**

**45**

**239**

**64**

**Finance expenses**

- Interest expenses

-

-

-

-

**Finance income, net**

**168**

**45**

**239**

**64**