



"Latvijas Gāze" Joint Stock Company

Unaudited Financial Report of 12 months of 2012

Prepared in accordance with the International Financial Reporting Standards

Riga, 2013






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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 – December 31, 2012

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>		

JSC “Latvijas Gāze”
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Council members (since July 6, 2012) – names, surnames, posts, recent professional experience and education

	<p>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council, Represents the interest of OJSC Gazprom</p> <p>Since March 20, 2003 Head of the Gas and Liquid Hydrocarbon Sales and Processing Department, OJSC Gazprom; Member of Management Committee, OJSC Gazprom</p> <p>1997 Graduated from Baltic State Technical University of St. Petersburg named after D. F. Ustinov – Engineering of Impulse Devices and Automated Rotation Lines</p> <p>2002 Graduated from St. Petersburg State University – Credit Theory and Finance Management</p>	 <p>Juris Savickis – Vice-Chairman of the Council, Represents the interest of LLC ITERA Latvija</p> <p>Since 1996 LLC “ITERA Latvija”, president</p> <p>1970 – 1972 Polytechnical Institute of Riga, Graduate school</p> <p>1983 - 1984 University of Qualification Raising for Executives, Faculty of International Relations</p>
	<p>Matthias Kohlenbach – Vice-Chairman of the Council, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since July 2012 Member of the Board of Management of E.ON Ruhrgas International GmbH</p> <p>2009 – 2012 Head of Corporate Law Department of E.ON Ruhrgas</p> <p>Degree of doctor in Law</p>	 <p>Andreas Rau – Council member, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since 2012 Member of the Board of Directors of SPP a.s., Bratislava</p> <p>2006 – 2011 Member / Chairman of the Board of Directors of EUSTREAM a.s., Bratislava</p> <p>1995 – 1997 Master’s degree in European Studies from the University of Aachen</p> <p>1989 – 1995 Diploma in Mechanical Engineering / Energy Technology from the University of Bochum</p>
	<p>Mario Nullmeier – Council member, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since 2005 Head of the Baltic Office of E.ON Ruhrgas International AG in Tallinn, Estonia</p> <p>2000 Master Degree in Global Business Administration</p>	 <p>Uwe Fip – Council member, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since 2002 E.ON Ruhrgas AG – Senior Vice-President, Head of Eastern Department of Gas Supplies</p> <p>Master in Oil Engineering, Degree in Business Management (Diploma – Merchant)</p>
	<p>Peter Klingenberger – Council member, Represents the interest of E.ON Ruhrgas International GmbH</p> <p>Since October 2010 Chairman of the Board of Management of E.ON Gas Storage GmbH</p> <p>April 2009 Managing Director of E.ON Gas Storage GmbH</p> <p>1978 – 1986 Studied mining and economics in Aachen Received a Dipl.-Ing. and a Dr.- Ing. degree</p>	 <p>Vlada Rusakova (Влада Русакова) – Council member, Represents the interest of OJSC Gazprom</p> <p>Since 2003 Head of the Strategic Development Department, OJSC Gazprom</p> <p>Since 2003 Board member of the OJSC Gazprom</p> <p>1977 Graduated from the Moscow Oil and Gas Industry Institute named after I. M. Gubkin and obtained the qualifications of engineer in design, planning and operation of oil and gas pipelines, gas storage facilities and oil tanks</p>
	<p>Alexander Krasnenkov (Александр Красненков) – Council member, Represents the interest of OJSC Gazprom</p> <p>Since 2006 General Director of the LLC “Baltic Liquefied Gas”</p> <p>Graduated from the International Institute of Finance and Economics, speciality of international economics and international relations</p>	 <p>Yelena Karpel (Елена Карпель) – Council member, Represents the interest of OJSC Gazprom</p> <p>Since 2004 Gazprom’s Council Member by the resolution of the Company’s Shareholders’ Meeting</p> <p>1968 Korotchenko Kiev Institute of National Economy getting specialty in Industry Planning</p>
	<p>Igor Nazarov (Игорь Назаров) – Council member, Represents the interest of LLC ITERA Latvija</p> <p>Since 2007 Director of the Export Department, NGK ITERA (Moscow, Russia)</p> <p>1982 Moscow State University of Foreign Affairs (MGIMO) (within the framework of the Ministry of Foreign Affairs), Diploma of Commercial Department, which equals to a Master of Economics: an economist with knowledge of foreign languages (Italian and English)</p>	<p>Names, surnames and posts of Council members (before July 6, 2012)</p> <p>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council</p> <p>Juris Savickis – Vice-Chairman of the Council</p> <p>Peter Frankenberg – Vice-Chairman of the Council</p> <p>Joachim Hockertz – Council member</p> <p>Mario Nullmeier – Council member</p> <p>Uwe Fip – 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 442.2 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 12 months of the year 2012, the Company sold to the consumers 1464.1 million m³ of natural gas. In comparison with the respective period of 2011, the natural gas sales decreased by 6.2 % due to the differences in outdoor air temperature and 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 UGS began on April 25, 2012. Upon starting natural gas injection, the reserves of active gas at the Inčukalns UGS were 144.72 million nm³.

The injection season at the Inčukalns UGS was completed on October 11, 2012, and 2 199.5 million nm³ of natural gas was injected over the season, reaching 2 300.0 million nm³ at the end of the season.

Over 12 months of 2012, the consumers were sold natural gas and provided services for LVL 427.4 million, which is by 21 % more than in the respective period of 2011.

The increase of income year-on-year stems from the fact that during 12 months of 2012, due to changes in oil product quotations and currency rates, the residential and industrial customers were applied differential natural gas sale end-user tariffs corresponding to a natural gas sale price 33% above that of the 12 months of 2011. The income saw growth both in the industrial and household sector.

The Company completed 12 months of 2012 with a profit of LVL 22.9 million, which is 15.8% lower than in the respective period 2011 when the Company profited LVL 27.2 million.

Within the framework of the capital investment programme, LVL 19.2 million of investment funds was spent over 12 months of 2012, mostly on the renovation of gas transmission and distribution pipelines, the modernization of technological equipment and the reconstruction of wells.

Report of the Board of Directors (continued)

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

Inčukalns UGS

During the reporting period, the modernization was completed for eight wells and commenced for two more, with LVL 4.9 million (EUR 7.0 million) spent. In January 2012, the gas drying unit at CS-1 was put into operation having undergone a two-year reconstruction costing LVL 8.8 million (EUR 12.5 million). The investments proved their usefulness early in the reporting year when the air temperature in Europe fell to (-30) °C and the highest ever daily volume of gas supply from the Inčukalns UGS was reached – 26.4 million m³, incl. 14.4 million m³ to the foreign customers.

Operation Unit “Gas Transport”

The elimination of damage found during the diagnostics of gas transmission pipelines is in progress. LVL 2.7 million (EUR 3.8 million) has been spent on the renovation of gas pipelines. The year 2011 saw completion of the underwater gas pipeline across the River Daugava, while the year 2012 – the development of a design for the construction of new passages of the gas transmission pipelines Pskov-Riga and Izborsk-Inčukalns UGS across the River Gauja with the displacement of inverted siphons and cables to a safer, flood-proof location using the slope drilling technique. The works are due for completion in 2015, and the project will cost LVL 9.5 million (EUR 13.5 million) in total.

Distribution System:

LVL 1 million (EUR 1.4 million) was spent on the construction of gas distribution pipelines in 2012. The reporting year saw completion of the reconstruction of the GRS “Riga-2” by building two new container-type GRPs, The total costs of the project amounted to LVL 1 million (EUR 1.4 million).

The key indices of the Company:

	2012	2011	2010	2012	2011	2010
	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000
Net turnover	427 413	353 338	353 345	608 155	502 755	502 765
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	53 584	50 102	49 433	76 244	71 290	70 337
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	12.54%	14.18%	13.99%	12.54%	14.18%	13.99%
Profit of operational activity	24 448	28 888	28 406	34 787	41 105	40 418
Profitability of operational activity (%)	5.72%	8.18%	8.04%	5.72%	8.18%	8.04%
Profit of reporting period	21 201	25 729	25 792	30 167	36 610	36 698
Commercial profitability (%)	4.96%	7.28%	7.30%	4.96%	7.28%	7.30%
Total liquidity	1.94	2.15	2.51	1.94	2.15	2.51
Total assets	582 793	463 777	429 851	829 240	659 895	611 623

Report of the Board of Directors (continued)

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

	2012	2011	2010	2012	2011	2010
	LVL'000	LVL'000	LVL'000	EUR'000	EUR'000	EUR'000
Equity	426 795	345 537	338 960	607 275	491 655	482 296
Return on assets (ROA)	4.05%	5.76%	5.79%	4.05%	5.76%	5.79%
Return on equity (ROE)	5.49%	7.52%	7.72%	5.49%	7.52%	7.72%
Number of shares	39 900	39 900	39 900	39 900	39 900	39 900

	LVL	LVL	LVL	EUR	EUR	EUR
Profit per share	0.531	0.645	0.646	0.756	0.918	0.920
P/E	11.31	8.76	7.58	11.31	8.76	7.58
BV	10.70	8.66	8.50	10.70	12.32	12.09
P/BV	0.56	0.65	0.58	0.56	0.65	0.58
Dividends per share	-	0.50	0.50	-	0.71	0.71
Return on dividends (dividends per share/ profit per share)	-	0.78	0.77	-	0.78	0.77
Share price at the end of the period	6.01	5.65	4.90	8.55	8.04	6.97

2. Research and development

In order to ensure a continuous natural gas supply to the customers and a safe operation of the gas supply system, the Company has developed the “Plan of measures for improvement of gas supply system safety of Joint Stock Company “Latvijas Gāze” in 2010 to 2015”. It has been drawn up on the basis of opinions of the Russian companies “Gazobezopasnostj” and “Ļentransgaz”, 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 the modernization options. The plan of measures envisages investments in the improvement of safety in the total amount of LVL 50.6 million (EUR 72.0 million).

In 2011, the OJSC “Gazprom VNIIGAZ” drew up a concept of the modernization and improvement of operation safety of technological equipment at the Inčukalns UGS till 2025. The concept features two development scenarios – with and without an increase of the capacity of natural gas storage. The projected costs are LVL 253 million (EUR 360 million) and LVL 133.5 million (EUR 190 million) respectively. Based on this document, the Company prepared a project “Modernization and expansion of Inčukalns UGS” and together with the JSC “Lietuvos Dujos” – a project “Increase of capacity of Latvian-Lithuanian interconnection”. Both were submitted to the European Commission for inclusion in the European list of common interest projects, as stipulated by the Infrastructure Regulation.

Both projects are featured in the initial list of projects of common European interest. In the case of a favourable decision, financing from the European funds could be available for their implementation.

Report of the Board of Directors (continued)

3. International cooperation

The work on the attraction and utilisation of funds of the European Union. On August 17, 2010, the Company received the resolution No. C(2010) 5554 of the European Commission dated 13.08.2010 on the award of a financial grant to the Action No. EEPR-2009-INTg-RF-LV-LT-SI2.566527/SI2.566531/SI2. 566541/SI2.566543 in compliance with the EC Regulation No. 663/2009 on gas and electricity interconnections. Under this resolution, a total of EUR 10.0 million was granted – EUR 7.5 million for the modernization of wells at the Inčukalns UGS and LVL 2.5 million for a gas passage across the River Daugava and the construction of pig receiver with a view to stabilize natural gas supplies between Lithuania and Latvia in emergency situations. The planned works were completed in 2011, and two more wells of the Inčukalns UGS were modernized in 2012 using the funds granted but not spent.

As at December 31, 2012, EUR 24.1 million has been spent on the project in total, incl. EUR 16.2 million on the modernization of the Inčukalns UGS wells and LVL 7.9 million on the gas passage across the River Daugava and the construction of a pig receiver.

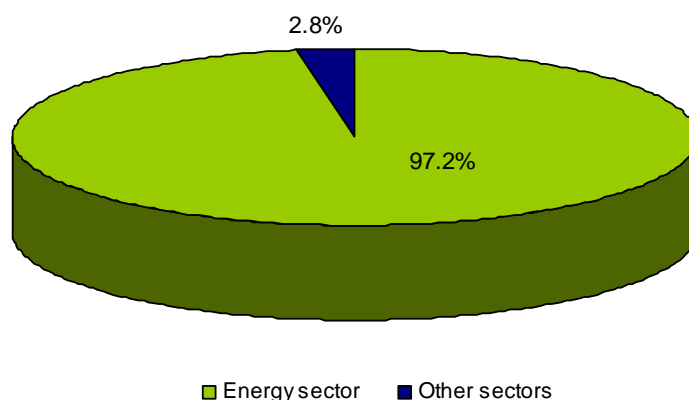
As at December 31, 2012, a total of EUR 7.0 million has been received from the European Commission (on April 17, 2011 – EUR 1.95 million, on April 1, 2012 – EUR 5.05 million).

4. Shares and shareholders

The composition of shareholders of the Company¹ as of December 31, 2012 and previous 2 periods:

Share	31.12.2012.	31.12.2011.	31.12.2010.
“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 %

The composition of shareholders of the Company as to the industries they represent as of December 31, 2012:



¹ Shareholders owning at least 5 % of capital

Report of the Board of Directors (continued)

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, 2012:

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	Juris Savickis	0
Vice-Chairman of the Council	Matthias Kohlenbach	0
Council member	Andreas Rau	0
Council member	Mario Nullmeier	0
Council member	Uwe Fip	0
Council member	Peter Klingenberger	0
Council member	Vlada Rusakova	0
Council member	Alexander Krasnenkov	0
Council member	Yelena Karpel	0
Council member	Igor Nazarov	0

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

	2012	2011	2010	2009	2008
<u>Share price (LVL):</u>					
First	5.895	4.800	4.57	4.55	7.25
Highest	6.350	7.000	6.00	6.00	8.20
Lowest	5.380	4.601	4.57	3.32	3.62
Average	5.863	5.320	5.15	4.31	6.77
Last	6.010	5.651	4.90	4.10	4.55
Change	1.95%	17.73%	7.22%	-9.89%	-37.24%
Number of transactions	1 767	1 284	988	1 267	1 711
Number of shares traded	168 115	218 132	85 493	64 319	46 565
Turnover (million LVL)	0.986	1.160	0.440	0.277	0.315
Capitalization (million LVL)	239.799	225.475	195.510	163.590	181.545

Source: NASDAQ OMX Riga

Report of the Board of Directors (continued)

4. Shares and shareholders (continued)

The capitalization value of the Company in 12 months of 2012 reached 239.8 million lats - by 14.3 million lats more than in 12 months of the previous reporting period. By share market capitalization the Company 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 4th).

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 (01.01.2010. - 31.12.2012.)



Source: NASDAQ OMX Riga

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Report of the Board of Directors (continued)

4. Shares and shareholders (continued)

Indexes/Shares	01.01.2010.	31.12.2012.	Change
OMX Riga GI	278.94	395.91	41.93%
OMX Baltic GI	264.23	401.82	52.07%
The Company's share price (LVL)	4.10	6.01	46.59%

Chairman of the Board

A. Dāvis

Board meeting minutes No. 8 (2013)
Riga, February 19, 2013

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 19 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 2012 and the result of its operations and cash flows for the period ended 31 December 2012.

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

Riga, 19th February 2013

Balance sheet

Note	31.12.2012. LVL'000	31.12.2011. LVL'000	31.12.2012. EUR'000	31.12.2011. EUR'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	402 397	315 130	572 559	448 390
Intangible assets	2 119	2 076	3 015	2 954
Trade receivables	2 113	1 898	3 007	2 701
Total non-current assets	406 629	319 104	578 581	454 045
<u>Current assets</u>				
Inventories	1	93 276	38 591	132 719
Trade receivables		57 253	28 881	81 464
Current income tax receivable		1 734	2 432	2 467
Other current assets		1 317	49 712	1 875
Cash and cash equivalents		22 584	25 057	32 134
Total current assets		176 164	144 673	250 659
TOTAL ASSETS		582 793	463 777	829 240
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital		39 900	39 900	56 773
Share premium		14 320	14 320	20 376
Revaluation reserve	2	267 362	185 105	380 422
Other reserves		78 639	76 883	111 893
Retained earnings	3	26 574	29 329	37 811
Total equity		426 795	345 537	607 275
<u>Liabilities</u>				
<u>Non-current liabilities</u>				
Deferred income tax liabilities		40 237	26 444	57 252
Accruals for post employment benefits and other employee benefits		4 581	4 082	6 518
Deferred income		20 363	20 341	28 974
Total non-current liabilities		65 181	50 867	92 744
<u>Current liabilities</u>				
Trade payables		61 440	35 660	87 421
Deferred income		794	5 438	1 130
Other current liabilities		28 583	26 275	40 670
Total current liabilities		90 817	67 373	129 221
Total liabilities		155 998	118 240	221 965
TOTAL EQUITY AND LIABILITIES		582 793	463 777	829 240

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Income statement

	Note	31.12.2012. LVL'000	31.12.2011. LVL'000	31.12.2012. EUR'000	31.12.2011. EUR'000
Revenue	4	427 413	353 338	608 155	502 755
Cost of sales	5	(394 693)	(311 576)	(561 597)	(443 333)
Gross profit		32 720	41 762	46 558	59 422
Administrative expenses	6	(9 084)	(10 775)	(12 926)	(15 329)
Other income	7	5 383	2 781	7 659	3 957
Other expenses	8	(4 571)	(4 880)	(6 504)	(6 945)
Operating profit		24 448	28 888	34 787	41 105
Finance income	9	286	331	407	471
Finance expenses	9	-	-	-	-
Finance income, net	9	286	331	407	471
Profit before income tax		24 734	29 219	35 194	41 576
Income tax expense		(3 533)	(3 490)	(5 027)	(4 966)
Profit for the period		21 201	25 729	30 167	36 610

Statement of comprehensive income

Other comprehensive income

Tax sections, net

Revaluation of property, plant and equipment - gross

2	98 820	938	140 608	1 335
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Deffered income tax liability arising on the revaluation of property, plant and equipment

2	(14 823)	(141)	(21 091)	(201)
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Other comprehensive income for the period, net of tax

	83 997	797	119 517	1 134
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Profit for the period

	21 201	25 729	30 167	36 610
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Total comprehensive income for the period

	105 198	26 526	149 684	37 744
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Statement of cash flows

	31.12.2012.	31.12.2011.	31.12.2012.	31.12.2011.
	LVL'000	LVL'000	EUR'000	EUR'000
Cash flow from operating activities				
Cash generated from operations	32 843	39 993	46 731	56 902
Interest received	713	1 184	1 015	1 685
Income tax paid	(3 557)	(8 416)	(5 061)	(11 974)
Net cash generated from operating activities	29 999	32 761	42 685	46 613
Cash flow from investing activities				
Purchase of property, plant and equipment	(18 337)	(19 075)	(26 091)	(27 141)
Purchase of intangible assets	(851)	(634)	(1 211)	(902)
Proceeds from sale of property, plant and equipment	69	37	98	53
Received term deposits	9 207	-	13 100	-
Term deposits	-	(9 207)	-	(13 100)
Net cash used in investing activities	(9 912)	(28 879)	(14 104)	(41 090)
Cash flow from financing activities				
EC funding received	1 380	3 552	1 964	5 054
Dividends paid	(23 940)	(19 950)	(34 064)	(28 386)
Net cash (used in) / generated from financing activities	(22 560)	(16 398)	(32 100)	(23 332)
Net (decrease) / increase in cash and cash equivalents	(2 473)	(12 516)	(3 519)	(17 809)
Cash and cash equivalents at the beginning of the year	25 057	37 573	35 653	53 462
Cash and cash equivalents at the end of the year	22 584	25 057	32 134	35 653

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
31 December, 2010	39 900	14 320	185 754	71 910	27 076	338 960
Income in year 2011, total	-	-	(649)	-	27 175	26 526
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
31 December, 2011	39 900	14 320	185 105	76 883	29 329	345 537
Income in year 2012, total	-	-	82 256	-	22 942	105 198
Transfer to reserves	-	-	-	1 756	(1 756)	-
Dividends for 2011	-	-	-	-	(23 940)	(23 940)
Rounding	-	-	1	-	(1)	-
31 December, 2012	39 900	14 320	267 362	78 639	26 574	426 795

	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, 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
31 December, 2011	56 773	20 376	263 381	109 395	41 730	491 655
Income in year 2012, total	-	-	117 040	-	32 644	149 684
Transfer to reserves	-	-	-	2 499	(2 499)	-
Dividends for 2011	-	-	-	-	(34 064)	(34 064)
Rounding	-	-	1	(1)	-	-
31 December, 2012	56 773	20 376	380 422	111 893	37 811	607 275

Notes to the financial statements

	31.12.2012. <u>LVL'000</u>	31.12.2011. <u>LVL'000</u>	31.12.2012. <u>EUR'000</u>	31.12.2011. <u>EUR'000</u>
1 INVENTORIES				
Materials and spare parts (at net realisable value)	3 217	2 766	4 577	3 936
Gas and fuel (at cost)	90 059	35 825	128 142	50 974
	93 276	38 591	132 719	54 910
2 REVALUATION RESERVE				
At the beginning of the period	185 105	185 754	263 381	264 303
Revaluation of property, plant and equipment	98 820	938	140 608	1 335
Deferred income tax liability arising on the revaluation of property, plant and equipment	(14 823)	(141)	(21 091)	(201)
Disposal of revalued property, plant and equipment	(2 048)	(1 701)	(2 914)	(2 420)
Deferred income tax from excluded revaluated fixed assets	307	255	437	363
Rounding	1	-	1	1
At the end of the period	267 362	185 105	380 422	263 381
3 RETAINED EARNINGS				
At the beginning of the period	29 329	27 076	41 730	38 525
Disposal of revalued property, plant and equipment	1 741	1 446	2 477	2 057
Profit for the period	21 201	25 729	30 167	36 610
Transfer to reserves	(1 756)	(4 972)	(2 499)	(7 075)
Dividends for previous period	(23 940)	(19 950)	(34 064)	(28 386)
Rounding	(1)	-	-	(1)
At the end of the period	26 574	29 329	37 811	41 730
4 REVENUE				
Sales per customers' groups are as follows:				
Income from natural gas sales to industrial customers	363 270	298 733	516 887	425 059
Income from natural gas sales to residential customers	46 841	38 839	66 649	55 263
Income from transmission and storage of natural gas	16 548	15 165	23 546	21 578
Other services	754	601	1 073	855
	427 413	353 338	608 155	502 755
5 COST OF SALES				
Purchase of natural gas	335 949	262 348	478 012	373 288
Salaries	12 102	11 623	17 220	16 538
Social insurance contributions	2 865	2 843	4 077	4 045
Life, health and pension insurance	852	853	1 212	1 214
Materials and spare parts	9 013	7 542	12 824	10 731
Depreciation and amortisation	28 425	20 598	40 445	29 308
Other	5 487	5 769	7 807	8 209
	394 693	311 576	561 597	443 333

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6 ADMINISTRATIVE EXPENSES

Salaries	3 393	3 307	4 828	4 705
Social insurance contributions	765	746	1 088	1 061
Life, health and pension insurance	153	176	218	250
Maintenance and utilities	744	765	1 059	1 088
Real estate tax	769	767	1 094	1 091
Depreciation and amortisation	573	502	815	714
Bank charges	88	82	125	117
Provisions for impairment of bad and doubtful debts, net	1 264	2 802	1 799	3 987
Other expenses	1 335	1 628	1 900	2 316
	9 084	10 775	12 926	15 329

7 OTHER INCOME

Penalties from customers	953	952	1 356	1 355
Income from contribution to financing of construction works	592	573	842	815
Provisions for slow moving and obsolete inventories impairment	208	40	296	57
Other income	1 207	398	1 717	566
Income from increase in exchange rates, net	2 093	-	2 978	-
Interest income	330	818	470	1 164
	5 383	2 781	7 659	3 957

8 OTHER EXPENSES

Materials	28	26	40	37
Salaries	215	193	306	275
Social insurance contributions	28	25	40	36
Depreciation and amortisation	138	114	196	162
Sponsorship	2 183	2 194	3 106	3 122
Loss from sale of fixed assets	1 683	981	2 395	1 396
Loss from increase in exchange rates, net	-	1 108	-	1 577
Other expense	296	239	421	340
	4 571	4 880	6 504	6 945

EXPENSES BY NATURE

Purchase of natural gas	335 949	262 348	478 012	373 288
Depreciation and amortisation	29 136	21 214	41 456	30 184
Employee benefit expense	20 373	19 766	28 989	28 124
Material and spare parts	9 041	7 568	12 864	10 768
Net provisions for impaired receivables	1 264	2 802	1 799	3 987
Other expenses	12 585	13 533	17 907	19 256
	408 348	327 231	581 027	465 607

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9 FINANCE INCOME, NET

Finance income				
- Interest income	286	331	407	471
	<u>286</u>	<u>331</u>	<u>407</u>	<u>471</u>
Finance expenses				
- Interest expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Finance income, net	<u>286</u>	<u>331</u>	<u>407</u>	<u>471</u>