



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

## **Unaudited Financial Report of 6 months of 2014**

Prepared in accordance with the International Financial Reporting Standards

Riga, 2014






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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 – June 30, 2014

Board members (term of office of the Board – August 16, 2012 to August 16, 2015, for Mario Nullmeier term is January 1, 2014 to December 31, 2016) - 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>Mario Nullmeier – Board member, Vice-Chairman of the Board</b></p> <p><b>Since 2005</b> Head of the Baltic Office of E.ON Ruhrgas International AG in Tallinn, Estonia</p> <p><b>2000</b> Master Degree in Global Business Administration</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>	<p>Names, surnames and posts of Council members (before January 1, 2014)</p>	<p>Adrians Dāvis – Chairman of the Board  Alexander Miheyev (Александр Михеев) – Board member, Vice-Chairman of the Board  Jörg Tumat - Board member, Vice-Chairman of the Board  Anda Ulpe - Board member  Gints Freibergs - Board member</p>

**JSC “Latvijas Gāze”**  
**Unaudited financial report**  
**6 months 2014**

Council members (term of office of the Council - January 1, 2014 to December 31, 2016) – names, surnames, posts, recent professional experience and education

	<p><b>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council</b></p> <p><b>Since March 20, 2003</b> Head of the Gas and Liquid Hydrocarbon Sales and Processing Department, OJSC Gazprom; Member of Management Committee, OJSC Gazprom</p> <p><b>1997</b> Graduated from Baltic State Technical University of St. Petersburg named after D. F. Ustinov – Engineering of Impulse Devices and Automated Rotation Lines</p> <p><b>2002</b> Graduated from St. Petersburg State University – Credit Theory and Finance Management</p>		<p><b>Juris Savickis – Vice-Chairman of the Council</b></p> <p><b>Since 1996</b> LLC “ITERA Latvija”, president</p> <p><b>1970 – 1972</b> Polytechnical Institute of Riga, Graduate school</p> <p><b>1983 - 1984</b> University of Qualification Raising for Executives, Faculty of International Relations</p>
	<p><b>Achim Saul - Vice-Chairman of the Council</b></p> <p><b>Since May 2013</b> CEO Essen Operations, E.ON Global Commodities SE; Chairman of the Management Board, E.ON Ruhrgas International GmbH</p> <p><b>2012 – 2013</b> Member of the Board of Management, E.ON Ruhrgas AG</p> <p>Degree of doctor in Engineering</p>		<p><b>Matthias Kohlenbach – Council member</b></p> <p><b>Since July 2012</b> Member of the Board of Management of E.ON Ruhrgas International GmbH</p> <p><b>2009 – 2012</b> Head of Corporate Law Department of E.ON Ruhrgas</p> <p>Degree of doctor in Law</p>
	<p><b>Jörg Tumat - Council member</b></p> <p><b>Since 2013</b> Member of the Board of E.ON Russia</p> <p><b>2006 – 2013</b> Member of the Board, Vice-chairman of the Board of JSC „Latvijas Gāze”</p> <p><b>2001 – 2004</b> the University of Hagen, Diploma in Business Administration (Dipl.-Betriebswirt)</p>		<p><b>Uwe H. Fip – Council member</b></p> <p><b>Since 2002</b> 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>Rainer Link – Council member</b></p> <p><b>Since 2013</b> Member of the Management Board of Essen Operations, E.ON Global Commodities SE, Germany</p> <p>Member of the Management Board of E.ON Ruhrgas International GmbH, Germany</p> <p><b>Since 2012</b> Member of the Management Board of E.ON Ruhrgas Portfolio GmbH, Germany</p> <p><b>2012 – 2013</b> Head of Portfolio Development Division, E.ON Ruhrgas AG, Germany</p> <p>Degree of doctor in Economics</p>		<p><b>Vlada Rusakova (Влада Русакова) – Council member</b></p> <p><b>Since 2013</b> Vice president of OJSC Rosneft, Head of gas business development department</p> <p><b>2003-2012</b> Board member of the OJSC Gazprom</p> <p><b>1977</b> 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>Nikolay Dubik (Николай Дубик) – Council member</b></p> <p><b>Since 2008</b> Member of Management Committee of JSC “Gazprom”, Head of legal Department</p> <p>MBA degree at the Academy of National Economy under the Russian Federation Government</p> <p>Graduated from Lomonosov Moscow State University in majoring law</p>		<p><b>Elena Karpel (Елена Карпель) – Council member</b></p> <p><b>Since 2004</b> Gazprom’s Council Member by the resolution of the Company’s Shareholders’ Meeting</p> <p><b>1968</b> Korotchenko Kiev Institute of National Economy getting specialty in Industry Planning</p>
	<p><b>Elena Mikhaylova (Елена Михайлова) - Council member</b></p> <p><b>Since 2012</b> Member of the Gazprom Management Committee, Head of the Asset Management and Corporate Relations Department of Gazprom</p> <p><b>2011 – 2012</b> Head of the Asset Management and Corporate Relations Department of Gazprom</p> <p>MBA degree at the Academy of National Economy under the Russian Federation Government</p> <p>Law degree at the Moscow State Industrial University</p>	<p>Names, surnames and posts of Council members (before January 1, 2014)</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>Matthias Kohlenbach – Council member</p> <p>Rainer Link – Council member</p> <p>Mario Nullmeier – Council member</p> <p>Uwe H. Fip – Council member</p> <p>Vlada Rusakova (Влада Русакова) – Council member</p> <p>Nikolay Dubik (Николай Дубик) – Council member</p> <p>Elena Karpel (Елена Карпель) – Council member</p> <p>Elena Mikhaylova (Елена Михайлова) – 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 442.6 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 6 months of the year 2014, the Company sold to the consumers 689.6 million m<sup>3</sup> of natural gas. In comparison with the respective period of 2013, the natural gas sales decreased by 17.2 % 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 natural gas withdrawal season in the 1st half of 2014 was longer than planned because due to urgent repairs on the gas transmission pipeline Torzhok-Valdai, a natural gas feed from the Inčukalns UGS was necessary till 23<sup>rd</sup> May. Despite the delay of the injection season, the Inčukalns UGS will be filled, as this year, due to the mild winter, the volume of gas to be injected is lower. On 1<sup>st</sup> July 2014 the reserves of active gas at the Inčukalns UGS were 930.2 million m<sup>3</sup>.

Over 6 months of 2014, the consumers were sold natural gas and provided services for EUR 266.4 million, which is by 20,5 % less than in the respective period of 2013.

The decrease of income year-on-year stems from the lower natural gas sales volume and fact that during 6 months of 2014, 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 8.5% below that of the 6 months of 2013. The income saw decrease both in the industrial and household sector.

The Company completed 6 months of 2014 with a profit of EUR 10.7 million, which is 0.01% lower than in the respective period 2013 when the Company profited EUR 10.8 million.

Within the framework of the capital investment programme, EUR 11.0 million of investment funds was spent over 6 months of 2014, mostly on the renovation of gas transmission and distribution pipelines and the reconstruction of wells.

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

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

The key indices of the Company:

	<b>2014 6M</b>	<b>2013 6M</b>	<b>2012 6M</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Net turnover	266 378	335 317	340 898
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	32 275	32 947	39 729
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	12.12	9.83	11.65
Profit of operational activity	15 445	16 437	14 638
Profitability of operational activity (%)	5.80	4.90	4.29
Profit of reporting period	10 690	10 841	8 328
Commercial profitability (%)	4.01	3.23	2.44
Total liquidity	2.35	2.21	2.33
Total assets	819 852	827 118	813 955
Equity	619 559	618 210	619 047
Return on assets (ROA), %	1.30	1.32	1.09
Return on equity (ROE), %	1.73	1.75	1.50
Number of shares	39 900	39 900	39 900
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Profit per share	0.268	0.272	0.209
P/E	37.32	35.09	42.06
BV	15.53	15.49	15.51
P/BV	0.64	0.62	0.57
Share price at the end of the period	10.00	9.53	8.78

**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 “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 the modernization options. The plan of measures envisages investments in the improvement of safety in the total amount of 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 EUR 360 million and 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”.

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

### **2. Research and development**

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.

### **3. International cooperation**

In 2014, the Company continued to prepare additional information and to update calculations for the document package submitted in October 2013 to the Latvian, Estonian, Lithuanian and Finnish regulatory bodies concerning the project of modernization and expansion of the Inčukalns UGS for making a cross-border investment decision as required under Regulation No.347/2013 on guidelines for Trans-European energy infrastructure. This decision is one of the preconditions for submitting the project to the European Commission for funding.

Given the Finnish regulator's opinion, the project application was updated to include only the first stage of modernization of the Inčukalns UGS. This stage is estimated to cost EUR 89.7 million and targets an increase of the daily natural gas withdrawal capacity from 30 million m<sup>3</sup> to 32 million m<sup>3</sup> in 2020.

The Latvian and Lithuanian regulators have supported the project. According to the information submitted, the Latvian and Lithuanian natural gas transmission operators will have to cover EUR 5.61 million and EUR 6.88 million respectively. During further stages, following a decision on the construction of an Estonian-Finnish interconnection, Finland might join the project.

The European Commission will decide on funding the project in compliance with the Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility adopted in December 2013. The first round of submission of project funding applications for merchants begins in May 2014.

As the preparation for the European Union's multi-annual budget of 2014-2020 began, a new procedure for the establishment and funding of energy infrastructure of European importance was introduced. In April 2013, a regulation of the European Parliament and of the Council on guidelines for Trans-European energy infrastructure was adopted. It requires merchants developing common-interest infrastructure projects across multiple countries to submit information on the allocation of investment costs to the regulators of those countries. The regulators concerned are required to make coordinated decisions within six months. The further course of the projects lies with the merchants involved.

### **4. Shares and shareholders**

The composition of shareholders of the Company<sup>1</sup> as of December 31, 2013 and previous 2 periods:

<b>Share</b>	<b>31.12.2013.</b>	<b>31.12.2012.</b>	<b>31.12.2011.</b>
"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>

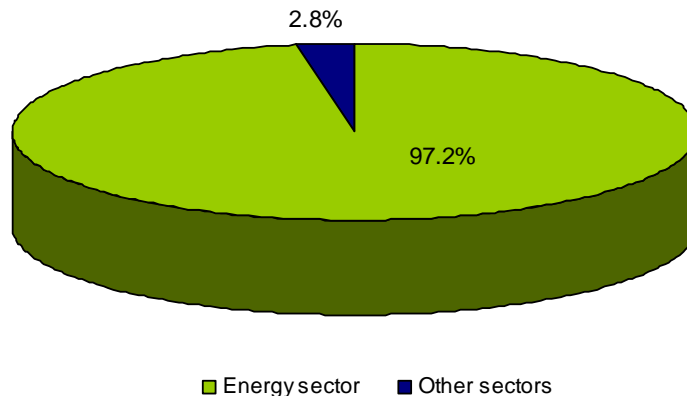
<sup>1</sup> Shareholders owning at least 5 % of capital



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

**4. Shares and shareholders**

The composition of shareholders of the Company as to the industries they represent as of December 31, 2013:



The number of shares held by the members of the Board and the Council of the Company as of December 31, 2013:

<b>Board members</b>		<b>Number of shares</b>
Chairman of the Board	Adrians Dāvis	<b>417</b>
Vice-Chairman of the Board	Mario Nullmeier	<b>0</b>
Vice-Chairman of the Board	Alexander Miheyev	<b>0</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	Juris Savickis	<b>0</b>
Vice-Chairman of the Council	Achim Saul	<b>0</b>
Council member	Matthias Kohlenbach	<b>0</b>
Council member	Jörg Tumat	<b>0</b>
Council member	Uwe H. Fip	<b>0</b>
Council member	Rainer Link	<b>0</b>
Council member	Vlada Rusakova	<b>0</b>
Council member	Nikolay Dubik	<b>0</b>
Council member	Elena Karpel	<b>0</b>
Council member	Elena Michaylova	<b>0</b>

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. The total number of securities has not changed since 1999.

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



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

**4. Shares and shareholders**

	2010 6M	2011 6M	2012 6M	2013 6M	2014 6M
<u>Share price (EUR):</u>					
First	6.503	6.830	8.388	8.694	9.390
Highest	8.537	9.960	8.964	9.533	10.200
Lowest	6.503	6.545	7.854	8.580	8.920
Average	7.399	7.228	8.495	8.936	9.515
Last	7.897	9.419	8.779	9.533	10.000
Change	21.44%	37.91%	4.66%	9.65%	6.50%
Number of transactions	342	628	783	762	655
Number of shares traded	19 832	131 688	82 632	75 918	62 235
Turnover (million EUR)	0.147	0.950	0.701	0.679	0.592
Capitalization (million EUR)	315.088	375.835	350.287	380.376	399.000

Source: NASDAQ OMX Riga

The capitalization value of the Company in 6 months of 2014 reached EUR 399.0 million - by EUR 18.6 million more than in 6 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 5<sup>th</sup> place among companies quoted at NASDAQ OMX Baltic (2013: 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.

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

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

The Company share price and changes of OMX Riga GI and OMX Baltic GI (01.01.2011. - 30.06.2014.)



Source: NASDAQ OMX Riga

Indexes/Shares	01.01.2011.	30.06.2014.	Change
OMX Riga	393.53	448.17	+13.88%
OMX Baltic GI	421.36	485.32	+15.18%
GZE1R (EUR)	6.97	10.00	+43.43%

Chairman of the Board

A. Dāvis

Board meeting minutes No. 36 (2014)  
 Riga, August 20, 2014

## 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 17 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 2014 and the result of its operations and cash flows for the period ended 30 June 2014.

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, 20<sup>th</sup> August 2014

## Balance sheet

	Note	30.06.2014. EUR'000	30.06.2013. EUR'000
<b>ASSETS</b>			
<u>Non-current assets</u>			
Property, plant and equipment		560 522	564 870
Intangible assets		2 317	2 507
Trade receivables		9	3 007
<b>Total non-current assets</b>		<b>562 848</b>	<b>570 384</b>
<u>Current assets</u>			
Inventories	1	89 381	98 663
Trade receivables		22 919	25 539
Current income tax receivable		5 488	6 729
Other current assets		54 375	80 318
Cash and cash equivalents		84 841	45 485
<b>Total current assets</b>		<b>257 004</b>	<b>256 734</b>
<b>TOTAL ASSETS</b>		<b>819 852</b>	<b>827 118</b>
<b>EQUITY AND LIABILITIES</b>			
<u>Equity</u>			
Share capital		56 773	56 773
Share premium		20 376	20 376
Revaluation reserve	2	377 934	379 974
Other reserves		113 887	111 893
Retained earnings	3	50 589	49 194
<b>Total equity</b>		<b>619 559</b>	<b>618 210</b>
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Deferred income tax liabilities		56 448	57 252
Accruals for post employment benefits and other employee benefits		6 255	6 874
Deferred income		28 377	28 694
<b>Total non-current liabilities</b>		<b>91 080</b>	<b>92 820</b>
<u>Current liabilities</u>			
Trade payables		57 510	68 036
Corporate income tax payable		4 872	5 698
Deferred income		1 168	1 139
Other current liabilities		45 663	41 215
<b>Total current liabilities</b>		<b>109 213</b>	<b>116 088</b>
<b>Total liabilities</b>		<b>200 293</b>	<b>208 908</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>819 852</b>	<b>827 118</b>

## Income statement

	Note	30.06.2014. EUR'000	30.06.2013. EUR'000
Revenue	4	266 378	335 317
Cost of sales	5	(242 450)	(308 899)
<b>Gross profit</b>		<b>23 928</b>	<b>26 418</b>
Administrative expenses	6	(3 435)	(5 179)
Other income	7	2 135	3 010
Other expenses	8	(7 183)	(7 812)
<b>Operating profit</b>		<b>15 445</b>	<b>16 437</b>
Finance income	9	117	103
<b>Profit before income tax</b>		<b>15 562</b>	<b>16 540</b>
Income tax expense		(4 872)	(5 699)
<b>Profit for the period</b>		<b>10 690</b>	<b>10 841</b>

## Statement of comprehensive income

Other comprehensive income

### Tax sections, net

Revaluation of property, plant and  
 equipment - gross

2	150	94
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**Other comprehensive income for the  
 period, net of tax**

<b>150</b>	<b>94</b>
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Profit for the period

10 690	10 841
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**Total comprehensive income for the  
 period**

<b>10 840</b>	<b>10 935</b>
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## Statement of cash flows

	<b>30.06.2014.</b>	<b>30.06.2013.</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>Cash flow from operating activities</b>		
Cash generated from operations	79 903	77 766
Interest received	184	168
Income tax paid	(3 801)	(4 262)
<b>Net cash generated from operating activities</b>	<b>76 286</b>	<b>73 672</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(10 832)	(8 320)
Purchase of intangible assets	(207)	(156)
Proceeds from sale of property, plant and equipment	40	46
Term deposits	(14 000)	(51 891)
<b>Net cash used in investing activities</b>	<b>(24 999)</b>	<b>(60 321)</b>
<b>Net cash (used in) / generated from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>51 287</b>	<b>13 351</b>
Cash and cash equivalents at the beginning of the year	33 554	32 134
<b>Cash and cash equivalents at the end of the year</b>	<b>84 841</b>	<b>45 485</b>

## Statement of changes in equity

	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, 2012</b>	56 773	20 376	380 422	111 893	37 811	607 275
Income in year 2013, total	-	-	(448)	-	11 383	10 935
<b>30 June, 2013</b>	56 773	20 376	379 974	111 893	49 194	618 210
<b>31 December, 2013</b>	56 773	20 376	378 103	113 887	39 582	608 721
Income in year 2014, total	-	-	(168)	-	11 008	10 840
Rounding	-	-	(1)	-	-	(1)
<b>30 June, 2014</b>	56 773	20 376	377 934	113 887	50 590	619 560



## Notes to the financial statements

	<b>30.06.2014.</b>	<b>30.06.2013.</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>1 INVENTORIES</b>		
Materials and spare parts (at net realisable value)	7 086	4 980
Gas and fuel (at cost)	82 295	93 683
	<b>89 381</b>	<b>98 663</b>
<b>2 REVALUATION RESERVE</b>		
At the beginning of the period	378 103	380 422
Revaluation of property, plant and equipment	150	94
Disposal of revalued property, plant and equipment	(318)	(542)
Rounding	(1)	-
<b>At the end of the period</b>	<b>377 934</b>	<b>379 974</b>
<b>3 RETAINED EARNINGS</b>		
At the beginning of the period	39 582	37 811
Disposal of revalued property, plant and equipment	318	542
Profit for the period	10 690	10 841
Rounding	(1)	-
<b>At the end of the period</b>	<b>50 589</b>	<b>49 194</b>
<b>4 REVENUE</b>		
Income from natural gas sales to industrial customers	218 921	285 484
Income from natural gas sales to residential customers	34 482	37 797
Income from transmission and storage of natural gas	12 593	11 595
Other services	382	441
	<b>266 378</b>	<b>335 317</b>
<b>5 COST OF SALES</b>		
Purchase of natural gas	209 308	275 173
Salaries	8 007	7 594
Social insurance contributions	1 849	1 808
Life, health and pension insurance	535	579
Materials and spare parts	3 379	4 421
Depreciation and amortisation	16 356	16 053
Other	3 016	3 271
	<b>242 450</b>	<b>308 899</b>

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<b>6</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries	2 055	2 254
	Social insurance contributions	434	498
	Life, health and pension insurance	99	102
	Maintenance and utilities	446	467
	Real estate tax	547	542
	Depreciation and amortisation	421	404
	Bank charges	53	61
	Provisions for impairment of bad and doubtful debts, net	(1 282)	(1 243)
	Other expenses	662	2 094
		<b>3 435</b>	<b>5 179</b>
<b>7</b>	<b>OTHER INCOME</b>		
	Penalties from customers	1 062	1 180
	Income from contribution to financing of construction works	446	432
	Provisions for slow moving and obsolete inventories impairment	17	44
	Other income	568	390
	Income from increase in exchange rates, net	1	932
	Interest income	41	32
		<b>2 135</b>	<b>3 010</b>
<b>8</b>	<b>OTHER EXPENSES</b>		
	Materials	21	21
	Salaries	94	100
	Social insurance contributions	14	16
	Depreciation and amortisation	53	53
	Sponsorship	2	35
	Loss from sale of fixed assets	311	310
	Other expense	6 688	7 277
		<b>7 183</b>	<b>7 812</b>
	<b>EXPENSES BY NATURE</b>		
	Purchase of natural gas	209 308	275 173
	Depreciation and amortisation	16 830	16 510
	Employee benefit expense	13 087	12 951
	Material and spare parts	3 400	4 442
	Net provisions for impaired receivables	(1 282)	(1 243)
	Other expenses	11 725	14 057
		<b>253 068</b>	<b>321 890</b>
<b>9</b>	<b>FINANCE INCOME, NET</b>		
	<b>Finance income</b>		
	- Interest income	<b>117</b>	<b>103</b>