



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

Unaudited Financial Report of 9 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 – September 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**  
**9 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 9 months of the year 2014, the Company sold to the consumers 863.0 million m<sup>3</sup> of natural gas. In comparison with the respective period of 2013, the natural gas sales decreased by 17.5 % 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 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 was filled in time, as this year, due to the mild winter, the volume of gas to be injected was lower.

The injection season at the Inčukalns UGS was completed on October 23, 2014, with 1 907.1 million m<sup>3</sup> of natural gas injected over the season and 2 300 million m<sup>3</sup> of active gas present at the end of the season.

Over 9 months of 2014, the consumers were sold natural gas and provided services for EUR 333.6 million, which is by 20,2 % 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 9 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 6.8 % below that of the 9 months of 2014. The income saw decrease both in the industrial and household sector.

The Company completed 9 months of 2014 with a profit of EUR 12.9 million, which is 7.2% lower than in the respective period 2013 when the Company profited EUR 13.9 million.

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

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

Within the framework of the capital investment programme, EUR 20.4 million of investment funds was spent over 9 months of 2014, mostly on the renovation of gas transmission and distribution pipelines, the modernization of technological equipment and the reconstruction of wells.

The key indices of the Company:

	<b>2014 9M</b>	<b>2013 9M</b>	<b>2012 9M</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Net turnover	333 622	417 778	417 675
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	41 983	44 139	49 005
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	12.58%	10.57%	11.73%
Profit of operational activity	16 667	19 368	15 808
Profitability of operational activity (%)	5.00%	4.64%	3.78%
Profit of reporting period	12 946	13 853	9 827
Commercial profitability (%)	3.88%	3.32%	2.35%
Total liquidity	2.01	1.55	1.45
Total assets	803 761	903 622	908 957
Equity	593 100	592 859	586 489
Return on assets (ROA), %	1.52%	1.53%	1.19%
Return on equity (ROE), %	2.18%	2.35%	1.87%
Number of shares	39 900	39 900	39 900
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Profit per share	0.324	0.347	0.246
P/E	28.97	27.74	33.85
BV	14.86	14.86	14.70
P/BV	0.63	0.65	0.57
Share price at the end of the period	9.40	9.63	8.34

**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 “Giprospetsgaz”, 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.

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

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

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”.

Both were submitted to the European Commission for inclusion in the European list of common interest projects, as stipulated by the Infrastructure Regulation.

### **3. International cooperation**

The year 2014 saw further work on the implementation of projects of common European interest. The European Commission continued the evaluation of projects of Polish-Lithuanian and Finnish-Estonian gas transmission pipeline interconnections and a regional liquefied natural gas terminal in Finland or Estonia.

The first round of submission of projects for co-funding began in May 2014. Within the required timeframe the Company submitted documents on the first stage of the project of modernisation of the Inčukalns UGS. Under the European Commission decision dated November 21, 2014, the project has not been recommended for co-funding, as in the first round the selection was limited to gas projects ensuring the diversification of gas supply sources and the necessary interconnections.

The European Commission has promoted the construction of the Polish-Lithuanian interconnection (GIPL) and a further study on the Finnish-Estonian interconnection for co-funding, whereas the construction of a liquefied natural gas terminal in Finland has not been selected.

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

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

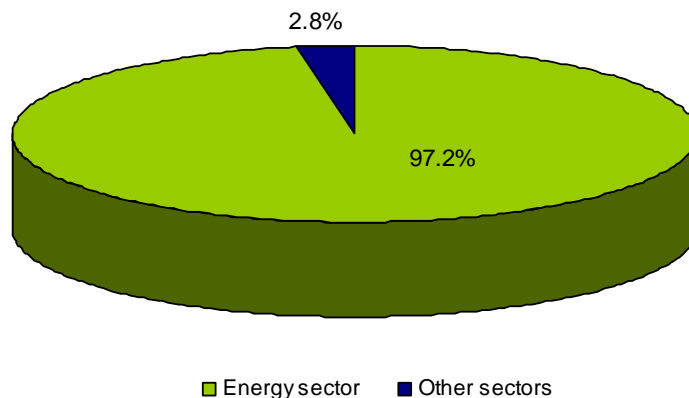
<b>Share</b>	<b>31.12.2013.</b>	<b>31.12.2012.</b>	<b>31.12.2011.</b>
“E.ON Ruhrgas International” GmbH	47.2%	47.2%	47.2%
“Gazprom” OJSC	34.0%	34.0%	34.0%
“Itera Latvija” LLC	16.0%	16.0%	16.0%
Others	2.8%	2.8%	2.8%
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

<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 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	Baltic Secondary List
Nominal value	1.40 EUR
Total number of securities	39 900 000
Number of securities in public trading	25 328 520



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

**4. Shares and shareholders**

	2010 9M	2011 9M	2012 9M	2013 9M	2014 9M
<u>Share price (EUR):</u>					
First	6.50	6.83	8.39	8.69	9.39
Highest	8.54	9.96	9.04	9.86	10.40
Lowest	6.50	6.55	7.66	8.58	8.90
Average	7.53	7.41	8.33	8.98	9.51
Last	7.21	7.61	8.34	9.63	9.40
Change	10.92%	11.42%	-0.60%	10.82%	0.11%
Number of transactions	675	1 009	1 392	1 152	1 005
Number of shares traded	50 878	162 762	145 232	102 420	90 002
Turnover (million EUR)	0.383	1.208	1.209	0.919	0.856
Capitalization (million EUR)	287.837	303.733	332.687	384.350	375.060

Source: NASDAQ OMX Riga

The capitalization value of the Company in 9 months of 2014 reached EUR 375.1 million - by EUR 9.4 million less than in 9 months of the previous reporting period. By share market capitalization the Company took the 1<sup>st</sup> place among companies quoted at Nasdaq Riga and the 5<sup>th</sup> place among companies quoted at Nasdaq Baltic (2013 9M: accordingly 1<sup>st</sup> and 4<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 Riga exchange. The index reflects the current situation and changes in the Nasdaq 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. - 30.09.2014.)



Source: NASDAQ OMX Riga

Indexes/Shares	01.01.2011.	30.09.2014.	Change
OMX Riga	393.53	424.87	7.96%
OMX Baltic GI	421.36	465.60	10.50%
GZE1R (EUR)	6.97	9.40	34.82%

Chairman of the Board

A. Dāvis

Board meeting minutes No. 49 (2014)  
Riga, November 26, 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 September 2014 and the result of its operations and cash flows for the period ended 30 September 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

Riga, 26<sup>th</sup> November 2014

## Balance sheet

	Note	30.09.2014. EUR'000	30.09.2013. EUR'000
<b>ASSETS</b>			
<u>Non-current assets</u>			
Property, plant and equipment		561 254	562 983
Intangible assets		2 118	2 322
Trade receivables		8	6
<b>Total non-current assets</b>		<b>563 380</b>	<b>565 311</b>
<u>Current assets</u>			
Inventories	1	80 712	211 523
Trade receivables		15 982	26 165
Current income tax receivable		6 122	6 729
Other current assets		106 858	55 042
Cash and cash equivalents		30 707	38 852
<b>Total current assets</b>		<b>240 381</b>	<b>338 311</b>
<b>TOTAL ASSETS</b>		<b>803 761</b>	<b>903 622</b>
<b>EQUITY AND LIABILITIES</b>			
<u>Equity</u>			
Share capital		55 860	56 773
Share premium		20 376	20 376
Revaluation reserve	2	377 626	379 564
Other reserves		115 676	113 887
Retained earnings	3	23 562	22 259
<b>Total equity</b>		<b>593 100</b>	<b>592 859</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		6 477	7 053
Deferred income		28 289	28 604
<b>Total non-current liabilities</b>		<b>91 214</b>	<b>92 909</b>
<u>Current liabilities</u>			
Trade payables		74 753	173 206
Corporate income tax payable		3 879	5 698
Deferred income		1 175	1 147
Other current liabilities		39 640	37 803
<b>Total current liabilities</b>		<b>119 447</b>	<b>217 854</b>
<b>Total liabilities</b>		<b>210 661</b>	<b>310 763</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>803 761</b>	<b>903 622</b>

## Income statement

	Note	30.09.2014. EUR'000	30.09.2013. EUR'000
Revenue	4	333 622	417 778
Cost of sales	5	(306 710)	(386 275)
<b>Gross profit</b>		<b>26 912</b>	<b>31 503</b>
Administrative expenses	6	(7 564)	(9 125)
Other income	7	3 011	3 973
Other expenses	8	(5 692)	(6 983)
<b>Operating profit</b>		<b>16 667</b>	<b>19 368</b>
Finance income	9	159	184
<b>Profit before income tax</b>		<b>16 826</b>	<b>19 552</b>
Income tax expense		(3 880)	(5 699)
<b>Profit for the period</b>		<b>12 946</b>	<b>13 853</b>

## Statement of comprehensive income

Other comprehensive income

### Tax sections, net

Revaluation of property, plant and  
 equipment - gross

2	162	117
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**Other comprehensive income for the  
 period, net of tax**

<b>162</b>	<b>117</b>
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Profit for the period

12 946	13 853
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**Total comprehensive income for the  
 period**

<b>13 108</b>	<b>13 970</b>
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## Statement of cash flows

	<b>30.09.2014.</b>	<b>30.09.2013.</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>Cash flow from operating activities</b>		
Cash generated from operations	36 312	53 874
Interest received	317	349
Income tax paid	(4 434)	(4 262)
<b>Net cash generated from operating activities</b>	<b>32 195</b>	<b>49 961</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(20 009)	(14 645)
Purchase of intangible assets	(348)	(283)
Proceeds from sale of property, plant and equipment	43	71
Term deposits	14 000	-
<b>Net cash used in investing activities</b>	<b>(6 314)</b>	<b>(14 857)</b>
<b>Net cash (used in) / generated from financing activities</b>	<b>(28 728)</b>	<b>(28 386)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2 847)</b>	<b>6 718</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>30 707</b>	<b>38 852</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>	<b>56 773</b>	<b>20 376</b>	<b>380 422</b>	<b>111 893</b>	<b>37 811</b>	<b>607 275</b>
Income in year 2013, total	-	-	(858)	-	14 828	13 970
Transfer to reserves	-	-	-	1 994	(1 994)	-
Dividends for previous period	-	-	-	-	(28 386)	(28 386)
<b>30 September, 2013</b>	<b>56 773</b>	<b>20 376</b>	<b>379 564</b>	<b>113 887</b>	<b>22 259</b>	<b>592 859</b>
<b>31 December, 2013</b>	<b>56 773</b>	<b>20 376</b>	<b>378 103</b>	<b>113 887</b>	<b>39 582</b>	<b>608 721</b>
Income in year 2014, total	-	-	(477)	-	13 585	13 108
Transfer to reserves	(913)	-	-	1 789	(876)	-
Dividends for previous period	-	-	-	-	(28 728)	(28 728)
Rounding	-	-	-	-	(1)	(1)
<b>30 September, 2014</b>	<b>55 860</b>	<b>20 376</b>	<b>377 626</b>	<b>115 676</b>	<b>23 562</b>	<b>593 100</b>

## Notes to the financial statements

	<b>30.09.2014.</b>	<b>30.09.2013.</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>1 INVENTORIES</b>		
Materials and spare parts (at net realisable value)	6 504	5 983
Gas and fuel (at cost)	74 208	205 540
	<b>80 712</b>	<b>211 523</b>
<b>2 REVALUATION RESERVE</b>		
At the beginning of the period	378 103	380 422
Revaluation of property, plant and equipment	162	117
Disposal of revalued property, plant and equipment	(639)	(975)
<b>At the end of the period</b>	<b>377 626</b>	<b>379 564</b>
<b>3 RETAINED EARNINGS</b>		
At the beginning of the period	39 582	37 811
Disposal of revalued property, plant and equipment	639	975
Profit for the period	12 946	13 853
Transfer to reserves	(876)	(1 994)
Dividends for previous period	(28 728)	(28 386)
Rounding	(1)	-
<b>At the end of the period</b>	<b>23 562</b>	<b>22 259</b>
<b>4 REVENUE</b>		
Income from natural gas sales to industrial customers	278 011	358 675
Income from natural gas sales to residential customers	38 751	42 586
Income from transmission and storage of natural gas	16 263	15 848
Other services	597	669
	<b>333 622</b>	<b>417 778</b>
<b>5 COST OF SALES</b>		
Purchase of natural gas	254 178	332 642
Salaries	11 862	11 498
Social insurance contributions	2 716	2 736
Life, health and pension insurance	792	849
Materials and spare parts	7 581	9 105
Depreciation and amortisation	24 609	24 088
Other	4 972	5 357
	<b>306 710</b>	<b>386 275</b>



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<b>6 ADMINISTRATIVE EXPENSES</b>		
Salaries	3 021	3 438
Social insurance contributions	575	763
Life, health and pension insurance	146	151
Maintenance and utilities	596	627
Real estate tax	821	814
Depreciation and amortisation	628	606
Bank charges	75	91
Provisions for impairment of bad and doubtful debts, net	712	1 578
Other expenses	990	1 057
	<b>7 564</b>	<b>9 125</b>
<b>7 OTHER INCOME</b>		
Penalties from customers	1 265	1 428
Income from contribution to financing of construction works	671	650
Provisions for slow moving and obsolete inventories impairment	21	77
Other income	926	753
Income from increase in exchange rates, net	1	940
Interest income	127	125
	<b>3 011</b>	<b>3 973</b>
<b>8 OTHER EXPENSES</b>		
Materials	30	28
Salaries	149	155
Social insurance contributions	22	24
Depreciation and amortisation	79	77
Sponsorship	13	50
Loss from sale of fixed assets	600	575
Other expense	4 799	6 074
	<b>5 692</b>	<b>6 983</b>
<b>EXPENSES BY NATURE</b>		
Purchase of natural gas	254 178	332 642
Depreciation and amortisation	25 316	24 771
Employee benefit expense	19 283	19 614
Material and spare parts	7 611	9 133
Net provisions for impaired receivables	712	1 578
Other expenses	12 866	14 645
	<b>319 966</b>	<b>402 383</b>
<b>9 FINANCE INCOME, NET</b>		
<b>Finance income</b>		
- Interest income	<b>159</b>	<b>184</b>