2023

JSC "LATVIJAS GĀZE" ANNUAL REPORT FOR 2023

Prepared in accordance with the IFRS Accounting Standards as adopted by the European Union

*Translation from Latvian original

CONTENTS

LETTER TO SHAREHOLDERS

Dear shareholder!

JSC "Latvijas Gāze" (hereinafter – Latvijas Gāze and/or the Company) has finished its thirty-third financial year since its foundation in 1991. Year 2023 both for the Company and natural gas markets can be characterized by lower tension and uncertainty compared to the challenging year 2022, when geopolitical events and changes in the regulatory framework both in Latvia and the European Union had significant impact on operations. At the same time, the Company had to actively work to ensure the security, stability of natural gas supply and better natural gas prices to its customers, as well as to maintain competitiveness in changing market conditions both in Latvia and in other natural gas markets where the Company operates.

Despite lower tension in natural gas markets and lower natural gas prices compared to 2022, natural gas consumption both in Latvia and elsewhere in Europe still remains low. There are a number of reasons for this, but it is mainly due to low activity in the industrial sector, lower demand in the power sector, warm weather conditions and overall slowdown of the economic activity in the eurozone. Also, a commitment has been established in the European Union to voluntarily reduce natural gas consumption by 15% in the period from 1 August 2022 to 31 March 2024, which is in accordance with the European Union Council Regulation (EU) 2023/706 (it amends Council Regulation (EU) 2022/1369). In such a market situation, it is important to offer our customers high-quality services at competitive prices, therefore the Company has done extensive work on the development of new products, sales activities, and has also notably changed the customer service model to ensure a successful transition from the regulated household natural gas market to the open market. Despite the competitors' aggressive marketing campaigns and pricing policies, the invested work has yielded results - after the opening of the household natural gas market, the Company has retained 86% of the household customer portfolio compared to the number of customers at the beginning of 2023.

In addition, extensive work was done to fulfill the year 2022 decision of the Company's shareholders regarding the sale of the Company's former subsidiary JSC "Gaso". The sale process was successfully concluded in the summer of 2023 - on 17 July 2023, the final preconditions for the completion of the sales transaction were met, and on 24 July 2023 the change of ownership was registered with the Commercial Register of the Republic of Latvia, with AS "Eesti Gaas" becoming holder of 100% of shares in the JSC "Gaso".

At the end of 2023, Members of the Board of the Company Aigars Kalvītis, Elita Dreimane and Egīls Lapsalis, via their special purpose vehicle SIA "Energy Investments", acquired a substantial stake in the Company, which took place as part of the initiated management buy-out process. The deal was struck between the Luxembourg-based investment fund "Marguerite Gas II S.À.R.L" (hereinafter – Marguerite) and SIA "Energy Investments" (hereinafter - Energy Investments) for the purchase of all 28.97% of shares owned by the Marguerite fund.

According to the management of the Company, it believes in the Company's future and the management buy-out process will enable the Company to not only maintain its position as one of the Baltic energy leaders but also lead the way in innovative products and services based on the major international market trends. The new energy market reality necessitates a balanced availability of different energy resource products whilst also offering adequate and competitive energy costs to Latvian manufacturing companies. Furthermore, with a smart and long-term oriented policy in place, it is possible to satisfy the Latvian households' demand without dramatic hikes in the price of gas or other energy sources.

The intended mid-term strategy will also require substantial financial investments. The management team has started working on a new strategy of the Company which encompasses expansion into the Baltic renewables market. To that end, the management of the Company continues to negotiate with and encourage domestic capital credit institutions and non-bank financiers to assess their capabilities and strategies towards reducing the dependence of the Company on foreign capital and thus also contributing to Latvia's energy independence. The completed deal for the purchase of 28.97% of shares in Latvijas Gāze marks the Company's management team's first successful step in the management buy-out process.

In order to raise funds for further stages of share acquisition, Energy Investments, as part of financing the management buy-out project, sold the Company's shares purchased in the first stage of management buy-out to JSC "Rietumu Banka" (hereinafter – Rietumu Banka) as financier, with a right to repurchase. The financial instrument sale contract envisages buy-back conditions for a 3-year period. Such financing model is widespread across the major finance and energy markets of the European Union. During the said period, Rietumu Banka will be an investor and a full-fledged shareholder of the Company.

Further steps in the process will depend on the responsiveness of Latvian domestic capital and the possible negotiations with financiers and mid-term investors who believe in the professionalism of the management team of Latvijas Gāze.

Yours sincerely,
Aigars Kalvītis

COUNCIL OF THE JSC "LATVIJAS GĀZE"

The Council's term of office runs from 6 September 2021 till 5 September 2024.

Latvijas Gāze Council consists of 11 Council members. On November 24, 2023, due to the changes in the shareholder structure of Latvijas Gāze, Council members N. Merigo Cook, H. Peter Floren and E. Atvars have resigned. Latvijas Gāze Council continued its work in the (incomplete) composition of 8 members until the next shareholders' decision on February 22, 2024, when the new Latvijas Gāze Council was elected in the following composition: V. Blugers, N. Dorofejevs, G. Reidzans (Chairman of the Council), E. Buncis, M. Kohlenbach (Vice-Chairman of the Council), K. Janzen, E. Mikhaylova, Y. Ivanov, K. Seleznev, V. Khatkov and K. Neyimin (Vice-Chairman of the Council). The Council's term of office runs from 22 February 2024 till 22 February 2027.

Latvijas Gāze Council composition as of 31.12.2023:

Kirill Seleznev
(Кирилл Селезнев), 1974
Chairman of the Council

Head of the Department for Marketing and Processing of Gas and Liquid Hydrocarbons, PJSC "Gazprom"

Juris Savickis, 1946
Vice-Chairman of the Council

President, LLC "ITERA Latvija"

Oliver Giese, 1967
Vice-Chairman of the Council

Senior Vice President for Infrastructure Management, Uniper SE (formerly E.ON Global Commodities SE), Düsseldorf, Germany

Matthias Kohlenbach, 1969
Member of the Council

Legal Department, Uniper SE, Germany; responsible for international projects

Elena Mikhaylova
(Елена Михайлова), 1977
Member of the Council

Member of the Asset Management Committee, Head of the Asset Management and Corporate Relations Department, PJSC "Gazprom"

Vitaly Khatkov (Виталий Хатьков), 1969
Member of the Council

Head of Department 817, PJSC "Gazprom"

Oleg Ivanov
(Олег Иванов), 1974
Member of the Council

Head of the Department for Gas Business Planning, Efficiency Management and Development, PJSC "NK Rosneft"

Yury Ivanov
(Юрий Иванов), 1982
Member of the Council

Head of the Directorate for Legal Support of Foreign Economic Activity, PJSC "Gazprom"

MANAGEMENT BOARD OF THE JSC "LATVIJAS GĀZE"

The Management Board's term of office runs from 16 August 2021 till 15 August 2024.

The term of office of Member of the Board Egīls Lapsalis runs from 1 November 2022 till 15 August 2024.

Aigars Kalvītis, 1966
Chairman of the Board

Latvian University of Agriculture, Master's Degree in Economics

Denis Emelyanov, 1979
Member of the Board, Vice-Chairman of the Board

Gubkin Russian State University of Oil and Gas, Faculty of Economics and Management – Economist-Manager, Economics and Oil and Gas Enterprise Management

Elita Dreimane, 1968
Member of the Board

University of Latvia, Faculty of Law, Master's Degree of Social Sciences in Law

Stockholm School of Economics in Riga (SSE Riga)
Executive Master of Business Administration (EMBA)

Egīls Lapsalis, 1979
Member of the Board

University of Latvia, Faculty of Law, Bachelor's Degree of Social Sciences in Law

JSC "LATVIJAS GĀZE" IN BRIEF

On 17 July 2023, under the agreement signed in April 2023, the final preconditions for the completion of the transaction of sale of the 100% subsidiary of the Company JSC "Gaso" were met, and on 24 July 2023 the change of ownership was registered with the Commercial Register of the Republic of Latvia, with AS "Eesti Gaas" becoming holder of 100% of shares in the JSC "Gaso". As a result, Latvijas Gāze group ceased to exist, and further in the financial report only the results of natural gas trading segment will be reviewed.

The Company provides services related to the purchase, trade and sale of natural gas in Latvia, Lithuania, Estonia and Finland. These services include the wholesale and sale of natural gas to industrial and commercial customers as well as to households.

STRATEGY AND OBJECTIVES

OUR OBJECTIVE

To strengthen the position of Latvijas Gāze as a leader in the Latvian and Baltic energy market by becoming the natural gas supplier of first choice for customers and by ensuring the most stable supply of natural gas for the Baltic region.

OUR MISSION

To contribute to the Baltic region's economy by ensuring the reliable, safe and flexible supply of natural gas to households and businesses at competitive prices.

OUR VISION

To improve the public's well-being by promoting the use of natural gas as a source of clean and high-efficiency energy towards climate neutrality.

SHARES AND SHAREHOLDERS OF THE JSC "LATVIJAS GĀZE"

SHARES AND SHAREHOLDERS

The shares of the Latvijas Gāze have been listed on the Nasdaq Riga Stock Exchange since 15 February 1999, and its ticker code is GZE1R as of 1 August 2004. The total number of shareholders of Latvijas Gāze as at 31 December 2023 was 6 967.

COMPANY'S SHARE PRICE, OMX RIGA GI AND OMX BALTIC GI INDEX CHANGES (01.01.2021-31.12.2023)

ISIN	LV0000100899
Ticker code	GZE1R
List	Second list
Nominal value	1.40 EUR
Total number of securities	39 900 000

Source: Nasdaq Baltic

Number of securities in public offering	25 328 520
Number of closed-issue securities	14 571 480
Liquidity providers	None

Source: Nasdaq Baltic

The shares of Latvijas Gāze are included in four Baltic industry indexes that include public utilities – B7000GI, B7000PI, B7500GI, B7500PI, as well as in geographical indexes – OMXBGI, OMXBPI, OMXRGI.

OMX RIGA (OMXR.) – a domestic index of all shares. Its basket consists of the shares of the Official and Second list of Nasdaq Riga. The index reflects the current situation and changes at Nasdaq Riga.

OMX BALTIC (OMXB.) – a Baltic-wide index of all shares. Its basket consists of the shares of the Official and Second list of Baltic exchanges. The index reflects the current situation and changes on the Baltic market overall.

On 31 December 2023, the market capitalisation of Latvijas Gāze amounted to 372.67 million EUR, which is 10% more than in the respective period of 2022.

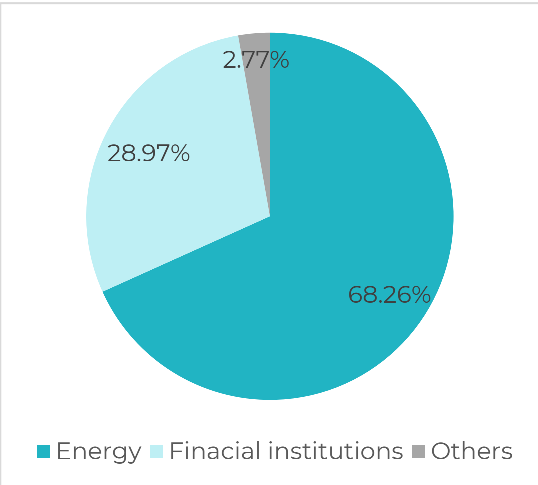
SHARE PRICE DEVELOPMENT AND SHARE TURNOVER (01.01.2021-31.12.2023)

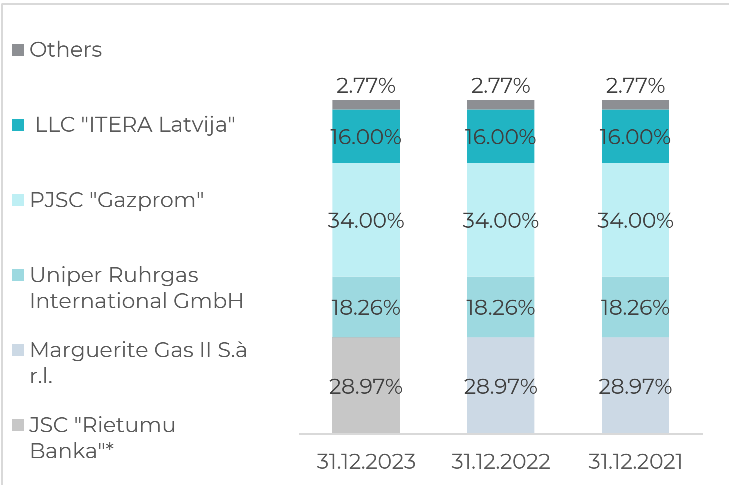
Source: Nasdaq Baltic

INFORMATION ON SHARE TRANSACTIONS (12M 2021 – 12M 2023)

	12M 2023	12M 2022	12M 2021
Share price (EUR):			
First	8.60	10.60	10.50
Highest	12.95	11.10	11.10
Lowest	8.04	6.20	10.10
Average	9.27	8.58	10.71
Last	9.34	8.50	10.70
Change (from first to last share price)	8.60%	-19.81%	1.90%
Number of transactions	5 206	3 844	3 030
Number of shares traded	119 466	84 377	81 665
Turnover (million EUR)	1.21	0.72	0.87
Capitalisation (million EUR)	373	339	427

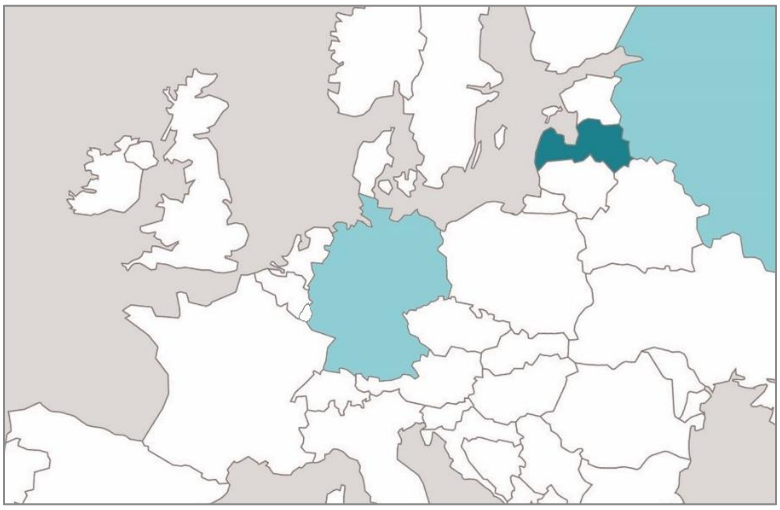
SHAREHOLDER STRUCTURE AS AT 31.12.2023





*Rietumu Banka became a shareholder of Latvijas Gāze on 6 December 2023.

GEOGRAPHICAL DISTRIBUTION OF MAJOR SHAREHOLDERS AS AT 31.12.2023



— Latvia (JSC Rietumu Banka, LLC Itera Latvija)
— Russia (PJSC Gazprom)
— Germany (Uniper Ruhrgas International GmbH)

SHARES OWNED BY MEMBER OF THE GOVERNING BODIES OF THE JSC "LATVIJAS GĀZE"

		At the date of signing financial statements
Board		**Number of shares**
Chairman of the Board	Aigars Kalvītis	None
Member of the Board, Vice-Chairman of the Board	Denis Emelyanov	None
Member of the Board	Elita Dreimane	None
Member of the Board	Egīls Lapsalis	None
Council		
Chairman of the Council	Kirill Seleznev	None
Vice-Chairman of the Council	Juris Savickis	None
Vice-Chairman of the Council	Oliver Giese	None
Member of the Council	Matthias Kohlenbach	None
Member of the Council	Elena Mikhaylova	None
Member of the Council	Vitaly Khatkov	None
Member of the Council	Oleg Ivanov	None
Member of the Council	Yury Ivanov	None

MANAGEMENT REPORT

Year 2023 can be characterized by lower tension and uncertainty compared to 2022, creating more favourable conditions for natural gas consumers (lower natural gas prices). At the same time, despite various challenges, natural gas traders have had to work actively to ensure the safety and stability of natural gas supply to their customers. At the beginning of winter, European natural gas storages (including in Latvia) were almost completely filled. The Company has also injected in the Inčukalns underground gas storage (hereinafter – IUGS) all the required natural gas amount to ensure uninterrupted supply of gas, including during 2023/2024 heating season. In addition, natural gas prices in the fourth quarter of 2023 (although slightly higher than in the summer) were significantly lower than during the same period in 2022. Despite lower natural gas prices, the consumption of natural gas is still low - according to the data published by the Central Statistical Bureau of Latvia[1], the amount of natural gas consumed in Latvia in 2023 decreased by 5% compared to the corresponding period last year, but compared to 2021, consumption decreased by more than a third or 34%. A decrease in consumption has also been observed elsewhere in Europe, including neighbouring countries Lithuania and Estonia. The decrease is mainly attributable to low activity in the industrial sector, lower demand in the power sector (falling prices of alternative energy resources such as coal), warm weather conditions and overall slowdown of the economic activity in the eurozone. Also, a commitment has been established in the European Union to voluntarily reduce natural gas consumption by 15% in the period from 1 April 2023 to 31 March 2024, which is in accordance with the European Union Council Regulation (EU) 2023/706 (it amends Council Regulation (EU) 2022/1369, which stipulated a voluntary reduction of natural gas consumption by 15% in the period from 1 August 2022 to 31 March 2023).

One of the biggest challenges for the Company in 2023 was the opening of the household natural gas market from the first of May. Despite the competitors' aggressive marketing campaigns and pricing policies, the Company has done extensive work on the development of new products, sales activities, as well as notably changed the customer service model, which has provided results - after the opening of the household natural gas market, the Company has retained 86% of the household customer portfolio compared to the number of customers at the beginning of 2023.

In 2023, the Company operated with 56.9 million EUR losses, compared to 40.8 million EUR net profit in 2022. The results can be explained by the fact that, firstly, the Company made corporate income tax payments to the State budget in the amount of 30.5 million EUR for calculated dividends to the Company’s shareholders. Secondly, the Company has carried out a revaluation of natural gas (inventory), which was purchased at the end of 2022 at a price corresponding to the market situation at that time, thus fulfilling the obligations set out in the Cabinet of Ministers Regulations No. 503 “On the Supply of Energy Users During the Declaration of Early Warning and Alarm Level” (hereinafter – Regulations). In accordance with the Regulations, the public trader (the Company) was obliged to maintain 1 150 GWh of natural gas reserves in the IUGS for household supply during the period from 10 August 2022 till 30 April 2023, reducing the reserved 1 150 GWh each month by the natural gas quantity actually supplied to households in the previous month. Despite the fact that quantity required for the supply of households was 20% lower both in 2022 and 2023 compared to previous three year average consumption, as a result of the Regulations, as at 30.04.2023 the Company had 236 GWh of natural gas in its balance sheet reserved only for

1 https://data.stat.gov.lv/pxweb/lv/OSP_PUB/START__NOZ__EN__ENB/ENB020m/

household supply, which could not be sold to other customers for market prices. As a result of the fulfilment of the Regulations, after the revaluation of natural gas inventory, the losses incurred by the Company amount to EUR 16.86 million. Also, on 14 July 2022, the Saeima (Parliament of the Republic of Latvia) adopted the law "Amendments to the Energy Law", which foresaw the exclusion of the public trader definition from the Energy Law from 1 May 2023. The Company, as a public trader, was obliged to sell natural gas at a regulated tariff from 1 January 2023, when the tariff was approved, until 30 April 2023. According to the tariff methodology, losses incurred by the public trader are compensated by including the price difference in the next tariff period. The next tariff period did not start due to the amendments to the aforementioned law, nor was the transition set from the regulated industry to market condition that would compensate for the losses caused to the Company in the regulated market. Respectively, the Company, according to the legal norms valid until 30 April 2023, had the right to receive compensation for the losses, but the Company has not been compensated. At the moment, the Company continues talks with the institutions responsible for the energy sector about the possible solution of the mentioned issue. The Company's losses resulting from the difference between tariff and actual price of natural gas in the period (January – April 2023) are 5.02 million EUR. Taking into account the above mentioned information, a total of 21.88 million EUR should be compensated by the Latvian Government. This amount makes up the largest part of the 29.4 million EUR losses from inventory revaluation.

Company's key financial figures	**2023**	**2022**
	EUR'000	EUR'000
Net turnover	**159 819**	**702 604**
EBITDA	**(26 698)**	**43 775**
EBITDA, %	(16.7)	6.2
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	(1 166)	(1 380)
EBIT	**(27 864)**	**42 395**
EBIT, %	(17.4)	6.0
Financial revenues	1 473	-
Financial expenses	(3)	(392)
Corporate income tax	(30 517)	(1 179)
Net profit / (losses)	**(56 911)**	**40 824**
Net profit margin, %	(35.6)	5.81
Profit per share, EUR	(1.43)	1.02
P/E	(6.53)	8.33
Current ratio	4.08	5.57
ROCE	(0.22)	0.14
Dividends / net profit	-	0.87

Alternative Performance Measures (APM)	**Formulas**
EBITDA *(Profit before income tax, interest, depreciation and amortization)*	EBITDA = Profit of the year + Corporate income tax + Financial expense - Financial income + Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets
EBITDA, % *(or EBITDA margin)*	EBITDA, % = $\frac{EBITDA}{Revenue\ from\ contracts\ with\ customers}$ x 100%
EBIT *(Profit before income tax and interest)*	EBIT= Profit of the year + Corporate income tax + Financial expense - Financial income

EBIT, % *(or EBIT margin)*	EBIT,% = $\frac{EBIT}{Revenue\ from\ contracts\ with\ customers}$ x 100%
Net profitability *(or Commercial profitability)* The indicator reflects how much the company earns from each of the EUR received from customers	Net profitability, %= $\frac{Profit\ of\ the\ year}{Revenue\ from\ contracts\ with\ customers}$ x 100%
P/E Ratio *(Relationship between Share Price and Earnings per Share)*	P/E=$\frac{Last\ share\ price}{Earnings\ per\ share for\ the\ reporting\ year}$
Current ratio The indicator measures Company's ability to pay short-term obligations that matures within one year.	Current ratio = $\frac{Current\ assets}{Current\ liabilities}$
Return on capital employed (ROCE) The indicator measures the effective use of available capital by the company.	Return on capital employed = $\frac{EBIT}{Capital\ employed}$
Dividend payout ratio The indicator reflects total amount of dividends paid out to shareholders relative to the net income of the company.	Dividend payout ratio = $\frac{Dividends\ paid}{Net\ income}$

The management of the Company uses the above-described alternative performance measures to evaluate the Company's performance for a particular financial period as well as to make decisions and allocate resources.

GENERAL MARKET AND INDUSTRY ENVIRONMENT

In 2023, natural gas markets showed a stagnant (or even declining) demand and low price (compared to 2022) trend. If low prices are beneficial for end consumers, then for natural gas traders such market situation when, in parallel with price decrease, due to various factors (low activity in the industrial sector, falling prices of alternative energy resources such as coal, warm weather conditions and overall slowdown of the economic activity in the eurozone, including in the largest European economies – Germany and France) there is also a drop in demand, creates significant challenges and uncertainty about the future. The situation at the beginning of 2023 showed that natural gas traders must be prepared for various financial and supply risks and find ways to mitigate these risks in a timely manner. For example, in February 2023, prices fell by almost 50% compared to January 2023, creating a situation where inventory of natural gas traders lost half of its value in one month. Such price fluctuations are currently mainly impacted by the availability of natural gas in the specific region and various socio-economic developments - the weather is no longer the determining factor in the price of natural gas. Provided that (a) natural gas supplies to Europe from Russia continue to decrease, (b) demand for natural gas in China fully recovers (which will reduce the flow of liquefied natural gas to Europe), there is a reasonable risk that natural gas prices may increase again in the future. Also, military conflicts in Ukraine and the Middle East, as well as disruptions to European energy infrastructure (for example, damage to the Balticconnector pipeline) may contribute to volatility in natural gas markets.

The latest economic report by the International Monetary Fund[2] forecasts a positive global economic growth of 3.1% in 2023 (0.1 percentage point increase compared to the previous forecast). In 2024, the global economy is expected to grow by 3.1%, which is a 0.2 percentage points increase

2 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

compared to the previous forecast. Increase reflects upgrades in China, the United States, and large emerging markets and developing economies. In 2025, the global economy is expected to grow by 3.2%. The forecast for 2024–25 is, however, below the historical (2000–19) average of 3.8%, which is mainly explained by elevated central bank interest rates to fight inflation. Inflation is estimated at 6.8% in 2023 (0.1 percentage point decrease compared to the previous report) and is expected to fall to 5.8% in 2024 (no change compared to the previous report), and 4.4% in 2025 (0.2 percentage points decrease compared to the previous report). The drivers of declining inflation differ by country but generally reflect lower core inflation as a result of still-tight monetary policies (high central bank interest rates) and decline in energy prices.

According to the latest macroeconomic forecasts by the Bank of Latvia [3] (LB) as revised in December 2023, Latvia's GDP for 2023 is expected to decrease by 0.4% (a decrease by 1 percentage point as compared to the September 2023 report), however is forecasted to grow by 2.0% in 2024 which is 1 percentage point lower compared to the September report. The decrease is mostly explained due to the revisions of the previous data by the Central Statistical Bureau of Latvia at the end of September shortly after the publication of Latvijas Banka's September forecast. However, the global global geopolitical situation, the deterioration of the consumer confidence and the weak growth of the other Baltic States do not give grounds for optimism either. The GDP projection period can be divided into two groups: a period of weak activity (the end of 2023 and the first half of 2024) will be followed by stronger growth (from the second half of 2024) as the already growing domestic demand will also be accompanied by more rapid export growth. The GDP growth is expected to increase by 3.6% in 2025 and by 3.8% in 2026. The restrictive monetary policy significantly reduces inflation in the euro area and Latvia. Inflation in Latvia has returned to a low level and is lower than the EU average. The inflation estimate for Latvia in 2023 stands at 9.0%, which corresponds to the previous Latvijas Banka's report, published in September. And it is expected to be at around 2% over the next three years (2.0%, 2.3% and 1.8% in 2024 – 2026 respectively). The government's decisions on raising indirect tax rates and on limiting the increase in electricity distribution tariffs are among the factors affecting inflation. However, the assumptions about lower than previously estimated global prices of natural gas, oil and food have affected both the downward revision of inflation forecasts and also the passthrough of global prices to core inflation. Core inflation will remain persistently higher (3%–5%) than headline inflation throughout the entire projection period due to the robust wage growth. In the medium term, economic activity will spur the demand for labour. Owing to this demand, the wage growth will remain persistently high (above 7%) amid labour shortage. Such long-lasting sharp wage increases that are higher than those recorded by trade partners and that exceed productivity growth reduce the cost competitiveness and increase the risk of a weaker performance of exports.

KEY EVENTS DURING THE REPORTING PERIOD

- **As of 1 January 2023,** natural gas supplies from Russia to Latvia are prohibited.
- **On 1 January 2023**, new Company's natural gas tariffs for households for the period from January 1 to April 30, as well as new JSC "Gaso" distribution tariffs entered into force, which foresaw changes in all user groups, both for the variable and fixed part. The increase in tariffs of the natural gas system operator Gaso from 1 January 2023 had an impact on the final trade tariffs for natural gas ranging from 1.7% to 3.2% depending on the consumption group of users, while the differentiated final trade tariffs for natural gas of the Company with excise tax and value added tax (VAT) ranged from -11% to +11%, depending on the annual consumption of the user.

3 https://www.macroeconomics.lv/latvias-macro-profile/latvias-macro-profile-december-2023

- **In February of 2023** the wholesale price ceiling for natural gas set by the European Union (EU) on the Dutch "Title Transfer Facility" (TTF) exchange came into force - 180 euros per MWh under certain conditions. They will come into effect if the price of 180 euros is exceeded for three days in a row.
- **On 14 April 2023**, the Company and JSC "Eesti Gaas" signed an agreement on the acquisition of 100% shares of JSC “Gaso”.
- **On 28 April 2023**, in accordance with the procedure provided for in the legislation, JSC "Eesti Gaas" submitted an application to the Competition Council of Latvia and to the Cabinet of Ministers of the Republic of Latvia, asking for permission to acquire a significant stake in JSC "Gaso".
- **Since 1 May 2023**, in accordance with the amendments to the Energy Law, the natural gas market is fully open to households – natural gas price is no longer charged according to the methodology approved by the Public Utilities Commission.
- **On 15 June 2023**, the Cabinet of Ministers of the Republic of Latvia issued a permission to JSC "Eesti Gaas" to acquire a significant stake in JSC "Gaso".
- **On 27 June 2023**, the Competition Council of Latvia issued an approval for JSC "Eesti Gaas" to acquire a significant stake in JSC "Gaso".
- **On 17 July 2023**, the final preconditions for the completion of the transaction of sale of the 100% subsidiary of the Company JSC “Gaso” were met, and on 24 July 2023 the change of ownership was registered with the Commercial Register of the Republic of Latvia, with AS “Eesti Gaas” becoming holder of 100% of shares in the JSC “Gaso”.
- **On 24 November 2023,** as part of the ongoing management buy-out process, Members of the Board of the Company Aigars Kalvītis, Elita Dreimane and Egīls Lapsalis, via their special purpose vehicle Energy Investments, acquired a substantial stake in the Company. The deal was struck between the Luxembourg-based investment fund “Marguerite Gas II S.À.R.L” and Energy Investments for the purchase of all 28.97% of shares owned by the Marguerite fund. The financier of the deal is Rietumu Banka.
- **On 6 December 2023,** in order to raise funds for further stages of share acquisition, Energy Investments, as part of financing the management buy-out project, sold the Company’s shares (28,97%) purchased in the first stage of management buy-out to Rietumu Banka as financier, with a right to repurchase. The financial instrument sale contract envisages buy-back conditions for a 3-year period. Such financing model is widespread across the major finance and energy markets of the European Union. During the said period, Rietumu Banka will be an investor and a full-fledged shareholder of the Company.

NATURAL GAS SUPPLIES

The Company purchases natural gas of other than Russian origin from alternative suppliers (bilateral contracts with suppliers from EU countries, LNG deliveries, GET Baltic natural gas exchange).

FINANCIAL RISK MANAGEMENT

The Company is exposed to credit, liquidity and market risks.

As in previous periods, Latvijas Gāze faced a high customer concentration risk with only a few customers accounting for a significant share of overall sales volumes. To mitigate ***credit risk*** customers are subject to individual credit risk evaluation, which include a number of practices, such as evaluation of credit limits, a detailed supervision of financial figures, and ongoing billing control and monitoring to avoid the accumulation of debt.

The Company's ***liquidity risk*** mainly stems from the seasonal nature of the natural gas business. To ensure security of supply for the winter months the Company usually injects significant natural gas quantities into the IUGS during the injection season starting in early summer. While the Company needs to ensure the availability of respective cash reserves to finance the injection of natural gas into the storage during the summer months, customers will typically consume and subsequently pay most of the natural gas only during the winter period. In order to mitigate liquidity risk, Company prioritized natural hedge (internal market risk mitigation). Currently, Company operates without borrowed capital, short-term liquidity is good.

Following the liberalisation of the Latvian natural gas market in 2017, the natural gas sales and trading segment continues to be exposed to ***market risks***. Particularly the greater variety of pricing structures requested by customers and high price volatility have created new risk positions. To manage and mitigate these risks, the Company established a separate Risk Management function. Company continuously monitors and develops further its risk management policies and strategies. Internal market risk mitigation ("natural hedge"), e.g. through negotiating supply agreement terms and working with the sales portfolio, is the preferred risk mitigation option.

Other risks are associated with regulatory changes. On 10 August 2022, Cabinet Regulations No. 503 "On the Supply of Energy Users During the Declaration of Early Warning and Alarm Level" (hereinafter – the Regulations) took effect stipulating that from 10.08.2022 till 30.09.2022 the public trader has to keep in the IUGS natural gas reserves of 1.150 TWh designed for the supply of household customers from 01.10.2022 till 30.04.2023. According to Article 2.1 of the Regulations, the total reserved natural gas quantity is calculated as an average of the household consumers' consumption between 1 October and 30 April in the last three years. The Public trader could only use these reserves for supplying household customers. In fulfilment of this obligation, the Company as Public trader purchased natural gas and it was reserved in the IUGS for the needs of households in the 2022/2023 heating season. The Company paid for these reserves at the best time – December 2022, at a price of 119.51 EUR/MWh. The TTF forward prices at the time ranged between 123 and 146 EUR/MWh. The supervisory authorities were submitted both data on the previous three year historical actual natural gas deliveries to household consumers for October-December period and a natural gas sales forecast for 2023 with a 20% reduction of the quantity required for the needs of household consumers. However, despite the information provided, under the current wording of the Regulations, any natural gas quantity above the forecast for household consumers from 1 October 2022 till 30 April 2023 was blocked. As a result of the fulfilment of the Regulations, after the revaluation of natural gas inventory, the losses incurred by the Company amount to EUR 16.86 million. Also, on 14 July 2022, the Saeima (Parliament of the Republic of Latvia) adopted the law "Amendments to the Energy Law", which foresaw the exclusion of the public trader definition from the Energy Law from 1 May 2023. The Company, as a public trader, was obliged to sell natural gas at a regulated tariff from 1 January 2023, when the tariff was approved, until 30 April 2023. According to the tariff methodology, losses incurred by the public trader are compensated by including the price difference in the next tariff period. The next tariff period did not start due to the amendments to the aforementioned law, nor was the transition set from the regulated industry to market condition that would compensate for the losses caused to the Company in the regulated market. Respectively, the Company, according to the legal norms valid until 30 April 2023, had the right to receive compensation for the losses, but the Company has not been compensated. The Company's losses resulting from the difference between tariff and actual price of natural gas in the period (January – April 2023) are 5.02 million EUR.

CORPORATE MANAGEMENT REPORT AND REMUNERATION REPORT

Available: www.lg.lv

FUTURE PROSPECTS

Under the amendments to the Energy Law, the natural gas market has been fully open for households since 1 May 2023. The natural gas trading service is provided in line with the content of the universal service and the principles of its application, offering a fixed price for 6 months. Clients are also offered the opportunity to conclude a contract for natural gas supplies at a fixed price for 12 months. Starting from 1 October 2023, household customers are also offered the opportunity to conclude an open-ended contract with a variable price which can be revised with 30 days' notice to the customer. The Company continues trading natural gas to households and commercial customers, investing in the modernisation and digitalisation of customer service processes and the development of new products and services. Furthermore, in order to streamline billing processes, the Company will continue rolling out new functionalities in its billing system and customer portal.

Pursuant to the climate neutrality goals set by the European Union for 2050, the Company focuses on offsetting the environmental impact caused by customers by carrying out projects that allow reducing GHG emissions. In line with the European Union's "Fit for 55" proposal package, the European Commission's Hydrogen and Gas Market Decarbonisation Package, the Methane Strategy, and the targets set in the Renewable Energy Directive, the Company plans to develop renewable energy projects. The Company's objective is to increase the use of natural gas in areas where other fossil resources are currently preferred.

One of the ways in which the Company can achieve sustainability is by implementing the objective of biogas production/trading which is aligned with the business development directions set out in the Company's strategy. Other renewable resource development projects are also evaluated.

The Company's energy management system has been certified and on 11 February 2022 successfully passed recertification under the LVS EN ISO 50001:2018 standard. In addition, attention is paid to a good management of buildings, and those managed by the Company will undergo green office certification. There has been an environment management system implemented, certified under the ISO 14001:2015 standard, and a calculation of CO2 emissions has been made. Based on the environment policy and the CO2 calculations, the Company has planted 2000 birches, thus offsetting 560 tons of CO2 emissions in the coming years. A reduction of CO2 and other emissions can also be achieved through replacing petrol and diesel cars with cars that use compressed natural gas (CNG) as fuel. Transport that uses CNG emits up to 30% less CO2 than diesel or petrol and up to 90% less other harmful substances. Hence, one of the Company's current objectives is to actively promote the development of CNG infrastructure in Latvia, providing technical support and other competences to companies that invest in building CNG filling stations.

In 2023, the Company completed 9 energy efficiency tasks, and as a result energy savings reached 83.4 MWh per year. In March 2023, solar panels with a total capacity of 23 kilowatts were installed on the roof of the Company's office building in Riga, Aristida Briāna Street 6. The electricity produced in an environmentally friendly way is used for the Company's own needs and covers about 25% of the total electricity consumption.

SUBSEQUENT EVENTS

Latvija Gāze Council consists of 11 Council members. On November 24, 2023, due to the changes in the shareholder structure of Latvijas Gāze, Council members N. Merigo Cook, H. Peter Floren and E. Atvars have resigned. Latvijas Gāze Council continued its work in the (incomplete) composition of 8 members until the next shareholders' decision on February 22, 2024, when the new Latvijas Gāze Council was elected in the following composition: V. Blugers, N. Dorofejevs, G. Reidzans (Chairman of the Council), E. Buncis, M. Kohlenbach (Vice-Chairman of the Council), K. Janzen, E. Mikhaylova, Y. Ivanov, K. Seleznev, V. Khatkov and K. Neyimin (Vice-Chairman of the Council).

In the period after 31 December 2023, no other events have occurred that would affect the Company's financial position or financial results as of the balance sheet date.

On behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board

STATEMENT OF BOARD RESPONSIBILITY

The Board of the Company is responsible for the preparation of Latvijas Gāze financial statements for 2023 (further – Financial statements), which consist of the Company's financial statements.

Financial statements for 2023 have been prepared in accordance with the IFRS Accounting Standards adopted by the European Union.

According to the information available to the management of the Company, the Financial statements are prepared in accordance with the requirements of the applicable laws and regulations and provide a true and fair view of the Company's assets, liabilities, financial position, operational results and cash flows. The management report contains a clear overview of the business development and operational results of the capital company.

The Financial statements were approved by the Board of Latvijas Gāze on 19 April 2024, and they are signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board

FINANCIAL STATEMENTS

Prepared in compliance with the IFRS Accounting Standards as Adopted by the European Union

CORPORATE INFORMATION

Company	Latvijas Gāze, Joint Stock Company
LEI code	097900BGMO0000055872
Registration number, date and place of registration	Unified registration number 40003000642 Riga, Latvia, 25 March 1991, re-registered in the Commercial Register on 20 December 2004
Address	A.Briāna 6, Riga, Latvia, LV-1001
Major shareholders	PJSC Gazprom (34.0%) AS Rietumu banka (28.97%) Uniper Ruhrgas International GmbH (18.26%) ITERA Latvija SIA (16.0%)
Financial period	1 January – 31 December 2023
Name and address of the auditor	Nexia Audit Advice, JSC 1 Mihaila Tala street Riga, LV-1045, Latvia License No. 134 Responsible certified auditor: Marija Jansone Certificate No. 25

STATEMENT OF PROFIT OR LOSS

	Note	2023	2022
		EUR'000	EUR'000
Revenue from contracts with customers	**2**	**159 819**	**702 604**
Other income	3	2 353	1 174
Raw materials and consumables used	4	(174 878)	(562 020)
Personnel expenses	5	(5 837)	(6 458)
Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets	6	(1 166)	(1 380)
Net fair value losses on financial derivatives	7	-	(10 633)
Other operating expenses	8	(8 155)	(8 358)
Revaluation expenses of related companies		-	(72 534)
Gross profit		**(27 864)**	**42 395**
Financial revenues		1 473	-
Financial expenses		(3)	(392)
Profit before taxes		**(26 394)**	**42 003**
Corporate income tax		(30 517)	(1 179)
Profit/(losses) for the period before extraordinary dividends		**(56 911)**	**40 824**
Extraordinary dividends		-	(15 000)
Profit/(losses) for the period		**(56 911)**	**25 824**

	EUR	EUR
Earnings/(losses) per share	(1.426)	1.023
Earnings/(losses) per share before extraordinary dividends (basic and diluted)	(1.426)	1.023
Earnings/(losses) per share after extraordinary dividends (basic and diluted)	(1.426)	0.647

Aigars Kalvītis
Chairman of the Board

Elita Dreimane
Member of the Board

Egīls Lapsalis
Member of the Board

Laima Dudiča
Chief Accountant, Head of the Accounting and Reporting department

STATEMENT OF COMPREHENSIVE INCOME

	Note	2023	2022
		EUR'000	EUR'000
Profit/(losses) for the period		**(56 911)**	**25 824**
Other comprehensive income - items that will not be reclassified to profit or loss			
Revaluation of post-employment benefit obligations		(47)	4
Total other comprehensive income/(losses)		**(47)**	**4**
Total comprehensive income/(losses) for the period		**(56 958)**	**25 828**

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Elita Dreimane
Member of the Board

Egīls Lapsalis
Member of the Board

Laima Dudiča
Chief Accountant, Head of the Accounting and Reporting Department

BALANCE SHEET

	Note	31.12.2023	31.12.2022
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Intangible assets	9	4 001	4 333
Property, plant and equipment	10	2 293	2 371
Right-of-use assets		3	119
Trade receivables	12	16	25
Total non-current assets		**6 313**	**6 848**
Current assets			
Inventories	11	54 649	120 509
Pre-payments for inventories		297	63
Trade receivables	12	21 737	81 951
Other financial assets at amortised cost	13	1 775	5 850
Other current assets	14	628	554
Investments held for sale		-	122 000
Cash and cash equivalents		78 328	41 237
Total current assets		**157 414**	**372 164**
TOTAL ASSETS		**163 727**	**379 012**

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board	Laima Dudiča Chief Accountant, Head of the Accounting and Reporting Department

BALANCE SHEET (continued)

	Note	2023	2022
		EUR'000	EUR'000
LIABILITIES AND EQUITY			
Equity			
Share capital	16	55 860	55 860
Share premium		20 376	20 376
Reserves		(67)	(20)
Retained earnings		48 918	235 903
Total equity		**125 087**	**312 119**
Liabilities			
Non-current liabilities			
Lease liabilities		-	51
Employee benefit obligations	17	76	39
Total non-current liabilities		**76**	**90**
Current liabilities			
Trade payables	18	5 492	37 327
Lease liabilities		-	89
Corporate income tax	15	55	-
Other liabilities	19	9 805	26 987
Dividends unpaid		23 212	2 400
Total current liabilities		**38 564**	**66 803**
Total liabilities		**38 640**	**66 893**
TOTAL LIABILITIES AND EQUITY		**163 727**	**379 012**

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Laima Dudiča
Chief Accountant, Head of the Accounting and Reporting Department

COMPANY`S STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2021	**55 860**	**20 376**	**204 521**	**5 534**	**286 291**
Transactions with owners					
Extraordinary dividends	-	-	-	(15 000)	(15 000)
Total transactions with owners	**-**	**-**	**-**	**(15 000)**	**(15 000)**
Other comprehensive income					
Profit for the year	-	-	-	40 824	40 824
Other comprehensive income	-	-	4	-	4
Total comprehensive income	**-**	**-**	**4**	**40 824**	**40 828**
Reclassification of reorganisation reserves	-	-	(204 545)	204 545	-
31 December 2022	**55 860**	**20 376**	**(20)**	**235 903**	**312 119**
Transactions with owners					
Dividends	-	-	-	(130 074)	(130 074)
Transactions with owners	-	-	-	**(130 074)**	**(130 074)**
Comprehensive income					
Profit/losses for the year	**-**	**-**	**-**	(56 911)	(56 911)
Other comprehensive income/(losses)	-	-	(47)	-	(47)
Total comprehensive income	**-**	**-**	**(47)**	**(56 911)**	**(56 958)**
31 December 2023	**55 860**	**20 376**	**(67)**	**48 918**	**125 087**

Aigars Kalvītis
Chairman of the Board

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Member of the Board

Egīls Lapsalis
Member of the Board

Laima Dudiča
Chief Accountant, Head of the Accounting and Reporting department

STATEMENT OF CASH FLOWS

	Note	2023	2022
		EUR'000	EUR'000
Cash flow from operating activities			
Profit/ (losses) before tax		**(26 394)**	**42 003**
Adjustments:			
- depreciation of property, plant and equipment and right-of-use assets	10	377	365
- amortisation of intangible assets	9	792	1 014
- changes in provision		(10)	13
- profit/losses from long-term asset exclusions		(68)	5
- interest expenses		3	286
- interest income		(1 185)	-
- losses on impairment of investments		-	72 534
- losses from sale of property, plant and equipment		13	-
Changes in operating assets and liabilities:			
- in accounts receivable		64 135	128 376
- in inventories		65 860	1 769
- in advances for inventories		(234)	29 234
- in accounts payable		(49 017)	(181 568)
- corporate income tax paid		(30 462)	(1 179)
Net cash inflow from operating activities		**23 810**	**92 852**
Cash flow from investing activities			
Payments for property, plant and equipment	10	(350)	(402)
Payments for intangible assets	9	(460)	(421)
Proceeds from sale of property, plant and equipment		154	52
Assets held for sale		122 068	-
Net cash outflow from investing activities		**121 412**	**(771)**
Cash flow from financing activities			
Overdraft/factoring received		-	(38 994)
Leases paid		(51)	(51)
Interest paid		(3)	(286)
Interest received		1 185	-
Dividends paid		(109 262)	(12 600)
Net cash outflow from financing activities		**(108 131)**	**(51 931)**
Net cash flow		**37 091**	**40 150**
Cash and cash equivalents at the beginning of the reporting period		**41 237**	**1 087**
Cash and cash equivalents at the end of the reporting period		**78 328**	**41 237**

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board	Laima Dudiča Chief Accountant, Head of the Accounting and Reporting Department

NOTES

1. Segment information

On 17 July 2023, under the agreement signed in April 2023, the final preconditions for the completion of the transaction of sale of the 100% subsidiary of the Company JSC "Gaso" were met, and on 24 July 2023 the change of ownership was registered with the Commercial Register of the Republic of Latvia, with AS "Eesti Gaas" becoming holder of 100% of shares in the JSC "Gaso". As a result, Latvijas Gāze group ceased to exist, and further in the financial report only the results of natural gas trading segment will be reviewed.

The Company provides services related to the purchase, trade and sale of natural gas in Latvia, Lithuania, Estonia and Finland. These services include the wholesale and sale of natural gas to industrial and commercial customers as well as to households.

2. Revenue from contracts with customers

	Gas trade		
2023	**Latvia**	**Other countries**	**Total**
	EUR'000	EUR'000	EUR'000
Segment revenue	140 474	17 677	158 151
Other revenue (balancing services)	1 508	160	1 668
	141 982	**17 837**	**159 819**

	Gas trade		
2022	**Latvia**	**Other countries**	**Total**
	EUR'000	EUR'000	EUR'000
Segment revenue	356 212	334 953	691 165
Other revenue (balancing services)	6 630	4 809	11 439
	362 842	**339 762**	**702 604**

3. Other income

	2023	**2022**
	EUR'000	EUR'000
Penalties collected from customers	1 384	917
Other	969	257
	2 353	**1 174**

4. Raw materials and consumables used

	2023	2022
	EUR'000	EUR'000
Natural gas purchase	174 813	561 954
Costs of materials, spare parts and fuel	65	66
	174 878	**562 020**

5. Personnel expenses

	2023	2022
	EUR'000	EUR'000
Wages and salaries	4 419	4 943
State social insurance contributions	1 003	1 116
Life, health and pension insurance	217	216
Other personnel costs	198	183
	5 837	**6 458**

Average number of employees	2023	2022
Members of the Council	10	11
Members of the Board	4	4
Other employees	105	107
TOTAL	**119**	**122**

Salaries of the Council and the Board	2023	2022
	EUR'000	EUR'000
Wages and salaries	1 191	1 376
State social insurance contributions	203	243
Life, health and pension insurance	49	49
Other personnel costs	-	-
	1 443	**1 668**

6. Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets

	2023	2022
	EUR'000	EUR'000
Amortisation of intangibles	792	1 014
Depreciation and impairment of property, plant and equipment	261	279
Depreciation of rights to use assets	113	87
	1 166	**1 380**

7. Derivative financial instruments

	2023	2022
	EUR'000	EUR'000
Net fair value losses on financial derivatives	-	(10 633)
	-	**(10 633)**

In 2022, net fair value losses on financial derivatives amounted to 10 633 thousand EUR and resulted from financial hedging activities. The entire amount refers to principal operations in the 2022 reporting period calculated as (110 897) thousand EUR (reversal of previous year's provisions), plus the net amount of 121 530 thousand EUR paid in 2022. As at 31 December 2023, the Company has no current natural gas swap deals / derivative financial instruments.

8. Other operating expenses

	2023	2022
	EUR'000	EUR'000
Increase in provisions for bad debts, net	361	3 343
Office and other administrative costs	1 806	1 531
Donations, financial support	2 525	1 059
Costs of IT system maintenance, communications and transport	1 213	969
Selling and advertising costs	1 122	828
Taxes and duties	837	245
Expenses related to premises (rent, electricity, security and other services)	245	261
Other costs	46	65
Losses from write-off and sale of property, plant and equipment	-	57
	8 155	**8 358**

9. Intangible assets

	2023	2022
	EUR'000	EUR'000
Cost		
As at the beginning of period	**7 656**	**7 235**
Additions	460	421
As at the end of period	**8 116**	**7 656**
Accumulated amortisation		
As at the beginning of period	**3 323**	**2 309**
Amortisation	792	1 014
As at the end of period	**4 115**	**3 323**
Net book value as at the end of period	**4 001**	**4 333**

10. Property, plant and equipment

	Land, buildings, constructions	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount				
31.12.2022	**1 811**	**1 755**	**140**	**3 706**
Additions	18	192	-	210
Relocated	109	31	(140)	-
Disposals	-	(172)	-	(172)
31.12.2023	**1 938**	**1 806**	**-**	**3 744**
Accumulated depreciation				
31.12.2022	**234**	**1 101**	**-**	**1 335**
Calculated	76	185	-	261
Disposals	-	(145)	-	(145)
31.12.2023	**310**	**1 141**	**-**	**1 451**
Net book value as of 31.12.2023	**1 628**	**665**	**-**	**2 293**
Net book value as of 31.12.2022	**1 577**	**654**	**140**	**2 371**

	Land, buildings, constructions	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount				
31.12.2021	**1 811**	**1 760**	**-**	**3 571**
Additions	-	262	140	402
Disposals	-	(267)	-	(267)
31.12.2022	**1 811**	**1 755**	**140**	**3 706**
Accumulated depreciation				
31.12.2021	**162**	**1 105**	**-**	**1 267**
Calculated	72	206	-	278
Disposals	-	(210)	-	(210)
31.12.2022	**234**	**1 101**	**-**	**1 335**
Net book value as of 31.12.2022	**1 577**	**654**	**140**	**2 371**
Net book value as of 31.12.2021	**1 649**	**655**	**-**	**2 304**

11. Inventories

	31.12.2023	31.12.2022
	EUR'000	EUR'000
Natural gas and fuel	54 649	120 509
	54 649	**120 509**

12. Trade receivables

Debitori	31.12.2023	31.12.2022
	EUR'000	EUR'000
Long-term receivables (nominal value)	16	25
	16	**25**
Short-term receivables (nominal value)	30 412	90 437
Allowance for impairment of short-term receivables	(8 675)	(8 486)
	21 737	**81 951**

Allowance for impairment of bad and doubtful receivables	2023	2022
	EUR'000	EUR'000
Allowance at the beginning of the year	**8 486**	**5 369**
Expense included in profit or loss statement	1 928	6 098
Income included in profit or loss statement	(1 567)	(2 756)
Net changes included in profit or loss statement	**361**	**3 342**
Bad debts written off	(172)	(225)
Allowance at the end of the year	**8 675**	**8 486**

Provisions for debts were made based on an assessment of financial position and business activity of certain customer segments. The final losses may differ from those currently estimated because the particular amounts are periodically revised and changes are reflected in the profit or loss statement.

13. Other financial assets at amortised cost

	31.12.2023	31.12.2022
	EUR'000	EUR'000
Accrued income	-	4
Reserved funds	1 775	5 846
	1 775	**5 850**

14. Other current assets

	31.12.2023	31.12.2022
	EUR'000	EUR'000
Deferred charges	628	554
	628	**554**

15. Taxes

Tax movement	Liabilities 31.12.2022	Overpayment 31.12.2022	Calculated 2023	Paid 2023	Liabilities 31.12.2023	Overpayment 31.12.2023
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Value added tax	12 346	-	41 555	(51 252)	2 649	-
Excise tax	457	-	2 475	(2 569)	363	-
Social security contributions	139	-	1 628	(1 614)	153	-
Corporate income tax	-	-	30 517	(30 462)	55	-
Personal income tax	111	-	976	(1 004)	83	-
	13 053	**-**	**77 151**	**(86 901)**	**3 303**	**-**

Nodokļu kustība	Liabilities 31.12.2021	Overpayment 31.12.2021	Calculated 2022	Paid 2022	Liabilities 31.12.2022	Overpayment 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Value added tax	19 597	-	63 379	(70 630)	12 346	-
Excise tax	841	-	4 011	(4 395)	457	-
Social security contributions	116	-	1 556	(1 533)	139	-
Corporate income tax	-	-	1 179	(1 179)	-	-
Personal income tax	62	-	932	(883)	111	-
	20 616	**-**	**71 057**	**(78 620)**	**13 053**	**-**

16. Shares and shareholders

	31.12.2023 % of total share capital	31.12.2023 Number of shares	31.12.2022 % of total share capital	31.12.2022 Number of shares
Share capital				
Registered (closed issue) shares	36.52	14 571 480	36.52	14 571 480
Bearer (public issue) shares	63.48	25 328 520	63.48	25 328 520
	100.00	**39 900 000**	**100.00**	**39 900 000**
Shareholders				
Uniper Ruhrgas International GmbH (including registered (closed issue) shares 7 285 740)	18.26	7 285 740	18.26	7 285 740
Marguerite Gas II S. à r.l. (public issue shares 11 560 645)	-	-	28.97	11 560 645
AS Rietumu banka (public issue shares 11 560 645)	28.97	11 560 645	-	-
LLC Itera Latvija (public issue shares 6 384 001)	16.00	6 384 001	16.00	6 384 001
PJSC "Gazprom" (including registered (closed issue) shares 7 285 740)	34.00	13 566 701	34.00	13 566 701
Bearer (public issue) shares 6 260 961	2.77	1 102 913	2.77	1 102 913
	100.00	**39 900 000**	**100.00**	**39 900 000**

As at 31 December 2023 and 31 December 2022, the registered, signed and paid-up share capital is EUR 55 860 000 and consisted of 39 900 000 shares, with a nominal value of EUR 1.40 per share.. Shares in the Company give their owners equal rights to dividends and liquidation quota and voting rights at shareholders' meetings. 14 571 480 (fourteen million five hundred seventy one thousand four hundred eighty) shares of the Company are registered shares. 25 328 520 (twenty five million three hundred twenty eight thousand five hundred twenty) shares of the Company are bearer shares in public circulation. All shares of the Company are dematerialised shares.

The company determines, calculates and pays out dividends in accordance with the Commercial Law.

In 2023, dividends for 2022 and from the undistributed profit of previous years were distributed in the amount of EUR 130 074 thousand (EUR 3.26 per share).

Earnings per share	Earnings/(loss) per share 2023	2022
Net profit attributable to shareholders (a) EUR ‘000	**(56 911)**	**25 824**
Ordinary shares as at 1 January (number, thousand)	39 900	39 900
Ordinary shares as at 31 December (number, thousand)	39 900	39 900
Weighted average number of ordinary shares outstanding during the year (b)	39 900	39 900
Basic earnings per share during the year (a/b) EUR	**(1.426)**	**0.647**

17. Employment and post-employment benefit obligations

	31.12.2023	31.12.2022
	EUR'000	EUR'000
Obligations at the beginning of the reporting year	**39**	**29**
Recognised in profit or loss statement	(8)	16
Paid	(2)	(2)
Revaluations due to changes in actuarial assumptions – other comprehensive income	47	(4)
Obligations at the end of the reporting year	**76**	**39**

Assumptions used in calculations of obligations	2023	2022
Discount rates, %	0.039085%	0.031855%
Company’s employee rotation rate,%	9.71%	23.90%
Employee retirement age, years	64.75-65	64-65
Wage growth,%	4.00%	4.00%
Contributions to private pension fund,%	5.00%	5.00%
Compulsory social security contributions (employees),%	23.59%	23.59%
Compulsory social security contributions (retired),%	20.77%	20.77%

Assumptions used in calculations of obligations			Assumption changes effect on accruals 31.12.2023	31.12.2022
Changes in assumptions, pp				
Discount rate	+ 0.5p.p.	Accruals decrease by	0.139%	0.033%
Employee rotation rate	+ 0.5p.p.	Accruals decrease by	0.42%	0.36%
Employee retirement age	+1 gads	Accruals decrease by	17.10%	27.24%
Wage growth	+0.5p.p.	Accruals increase by	0.13%	0.04%
Contributions to private pension fund	+0.5p.p.	Accruals increase by	0.02%	0.02%
Compulsory social security contributions	+0.5p.p.	Accruals increase by	0.09%	0.09%

Assumptions used in calculations of obligations			Assumption changes effect on accruals 31.12.2023	31.12.2022
Changes in assumptions, pp				
Discount rate	- 0.5p.p.	Accruals increase by	0.140%	0.033%
Employee rotation rate	- 0.5p.p.	Accruals increase by	0.43%	0.37%
Employee retirement age	-1 gads	Accruals increase by	21.91%	20.11%
Wage growth	-0.5p.p.	Accruals decrease by	0.13%	0.04%
Contributions to private pension fund	-0.5p.p.	Accruals decrease by	0.02%	0.02%
Compulsory social security contributions	-0.5p.p.	Accruals decrease by	0.09%	0.09%

The calculations were made using an assumption that the discount rate was 0.039085% in 2023 and 0.031855% in 2022, i.e., equal to the average annual rate of return on treasury securities with an initial maturity of five years or more as per last two issues of such securities (source: State Treasury).

The 9,71% (23.90% in 2022) assumption of the employee turnover rate was calculated by a methodology based on the proportion between the number of employees having left the company (by own initiative) and the number of employees in the reporting period.

The assumption of employee retirement age is based on Article 8.1 of the Transitional Provisions of the Law On State Pensions (hereinafter – the Law) adopted on 2 November 1995 whereby the age of eligibility for old-age pension set out in Section 11 Paragraph one of the Law – 62 to 65 years – shall increase gradually and be specified for each year individually. As at 31 December 2023, it is 64.75 years (as at 31 December 2022 – 64.5 years).

The assumption of salary increase is consistent with the inflation rate for the next year as forecast by the Bank of Latvia, i.e., 8.0% in 2024, assuming that it may only be variable for the next six years and remains constant thereafter and considering the increase in the Company's personnel costs. At the Company, this assumption has now been unchanged at 4% for several year. The 5% assumption of contributions to a private pension fund is based on the Company's Collective agreement.

The assumptions of mandatory state social security contributions for employees and pensioners have been made pursuant to the general terms of the calculation methodology which use the next year's rates of mandatory state social security contributions as per Cabinet Regulations No. 786 "Regulations on the distribution of the rate of mandatory state social security contributions among types of social security" adopted at the government meeting of 17.12.2020 where these rates have been set at 23.59% and 20.77% respectively.

18. Trade payables

	31.12.2023	31.12.2022
	EUR'000	EUR'000
Payables to related parties*	-	3 908
Payables to third parties	5 492	33 419
	5 492	**37 327**

*JSC Gaso is not a related party from 17.07.2023.

19. Other liabilities

	31.12.2022	31.12.2021
	EUR'000	EUR'000
Prepayments received	5 069	11 784
Value added tax	2 649	12 345
Accrued costs	958	1 609
Excise tax	363	457
Vacation pay reserve	375	359
Salaries	135	158
Social security contributions	153	139
Personnel income tax	83	111
Other current liabilities	20	25
	9 805	**26 987**

20. Related party transactions

During the reporting period, the Company had transactions with the following related parties:

With the PJSC "Gazprom" – under the Agency contract signed in 2017 – on the transportation of natural gas over the territory of the Republic of Latvia and the storage of natural gas in the Inčukalns Underground Gas Storage Facility;

With the JSC "Gaso" – a contract on natural gas trading; non-residential premises lease contract No. 57 on the lease of the immovable property at 20 Vagonu Street owned by the JSC "Gaso" for the Company's needs; cooperation agreement on the provision of services for business needs.

Income or expenses	2023*	2022
	EUR'000	EUR'000
Income from provision of services (incl. balancing services, natural gas for own use and other)		
JSC "Gaso"	3 219	13 076
PJSC "Gazprom"	2 266	8 111
Natural gas purchases		
PJSC "Gazprom"	-	201 294
Expenses on natural gas distribution and other related services		
JSC "Gaso"	15 940	30 920
Net fair value losses on financial derivatives		
"SEFE Marketing & Trading Limited"	-	4 435

Related party payables and receivables	2023*	2022
	EUR'000	EUR'000
Receivables from related companies		
JSC "Gaso"	-	5 081
Payables to related companies for natural gas and services		
JSC "Gaso"	-	3 908

*JSC Gaso is not a related party from 17.07.2023. Transactions with JSC Gaso are indicated for the period from 01.01.2023. until 17.07.2023.

21. Financial risk management

Fair value

Financial assets and liabilities	Level	31.12.2023	31.12.2022
		EUR'000	EUR'000
Trade receivables	3	21 737	81 951
Accrued income	3	-	4
Reserved funds	2	1 775	5 846
Cash and cash equivalents	2	78 328	41 237
Financial assets		**101 840**	**129 038**
Lease liabilities	3	-	140
Accrued expenses	3	958	1 609
Trade payables	3	5 492	37 327
Financial liabilities		**6 450**	**39 076**

The fair value of derivative financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In order to arrive at the fair value of a derivative financial instrument, different methods are used: quoted prices, valuation techniques incorporating observable data, and valuation techniques based on internal models. These valuation methods are divided into Level 1, Level 2 and Level 3 according with the fair value hierarchy and in accordance with the IFRS Accounting Standards, .

The level in the fair value hierarchy, within which the fair value of a financial instrument is categorised, shall be determined on the basis of the lowest level input that is significant to the fair value in its entirety.

The classification of financial assets in the fair value hierarchy is a two-step process:

1. Classifying each input used to determine the fair value into one of the three levels;
2. Classifying the entire financial instrument based on the lowest level input that is significant to the fair value in its entirety.

Quoted market prices – Level 1

Valuations in Level 1 are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques using observable inputs – Level 2

Valuation techniques in Level 2 are models where all significant inputs are observable for the asset or liability, either directly or indirectly. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as price) or indirectly (that is, derived from prices).

Valuation technique using significant unobservable inputs - Level 3

A valuation technique that incorporates significant inputs not based on observable market data (unobservable inputs) is classified in Level 3. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Level 3 inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

The fair value of long-term loans from credit institutions is measured by discounting future cash flows with market interest rates. As the interest rates applied to loans from credit institutions are variable and loans received as recent transactions and do not substantially differ from the market rates, the fair value of non-current liabilities approximately corresponds to their carrying amount.

Financial assets of the Company fall under Level 3, except cash and cash equivalents and derivative financial instruments, which fall under Level 2.

Credit risk

The Company are exposed to credit risk, which is a risk of material losses arising in case of a counterparty not being able to fulfil its contractual obligations to the Company. Credit risks arise from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables.

Trade receivables and accrued income	31.12.2023	31.12.2022
	EUR'000	EUR'000
Trade receivables and accrued income		
Impaired	8 446	8 162
Not overdue	20 411	74 750
Overdue less than 90 days, but not impaired	1 520	7 453
Overdue more than 90 days, but not impaired	51	97
Trade receivables and accrued income, gross	**30 428**	**90 462**
Allowance for impairment of bad and doubtful debts	(8 675)	(8 486)
Trade receivables and accrued income, net	**21 753**	**81 976**
Total exposure to credit risk	**21 753**	**81 976**

Credit risk management practices

In order to mitigate credit risk, the Company introduced a number of credit risk management procedures. For the largest customers, the Company uses individual credit risk assessment which includes several practices, such as initial credit limit assessment, detailed monitoring of financial figures as well as frequent billing to avoid debt accumulation. In case of initial doubts, customers are subject to regular monitoring at the Board level and, if necessary, additional collateral is required to secure the provision of services and the sale of natural gas. For smaller customers, the Company has approved a detailed credit control process describing the basic steps of progress monitoring and the mandatory communication with customers to avoid debt accumulation. Provisions are made based on accounting standards. Receivables that are not individually assessed for impairment are classified into groups by number of days overdue and collectively assessed for impairment.

For managing the credit risk associated with cash and cash equivalents, the Company has approved a financial asset management policy. Based on the internal guidelines, all credit institutions which the Company deals with are quarterly graded by their financial and non-financial indicators. Based on the assessment, limits for current accounts with one institution are set and regularly monitored.

Liquidity risk

Liquidity risk is associated with the Company's ability to settle their obligations within the agreed due dates. Due to the distinct seasonality of the Company's business, cash inflows are exposed to major fluctuations within a year, and most of revenue is gained in the first and fourth quarter while the operating costs associated with maintenance are spread evenly throughout the year, and dividends for the previous year are normally paid out in the third quarter.

In order to manage liquidity risk, the Company use cash flow planning tools. The Company prepare yearly, quarterly and monthly cash flows to identify operational cash flow requirements.

Division of financial liabilities by maturity date, as at 31 December 2023:

	2022	2-5 years	Total	Carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000
Trade payables and accrued costs	6 450	-	6 450	6 450
	6 450	**-**	**6 450**	**6 450**

Division of financial liabilities by maturity date, as at 31 December 2022:

	2023	2-5 years	Total	Carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000
Leases	89	51	140	140
Trade payables and accrued costs	35 028	-	35 028	35 028
	35 117	**51**	**35 168**	**35 168**

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. The Company perform management of the capital, based on proportion of borrowed capital against total capital. This indicator is calculated as proportion of total liabilities, less cash and cash equivalents, to the total capital of the Company. Liabilities include all long term and short-term liabilities, but total capital includes all liabilities and equity. This indicator is used to evaluate the Company's capital structure as well as their solvency.

As at 31 December 2023 and 31 December 2022 the proportion of borrowed capital to total capital was as follows:

	31.12.2023	31.12.2022
	EUR'000	EUR'000
Total liabilities	38 640	66 893
(Cash and cash equivalents)	(78 328)	(41 237)
(Deferred income)	(1 775)	(5 846)
Net total liabilities	**(41 463)**	**19 810**
Total equity and liabilities	163 727	379 012
Borrowed capital proportion to total	**(25,32%)**	**5.23%**

Market risk

Market risk is the risk that changes in market factors, such as foreign currency rates, interest rates or commodity prices, may affect the Company's profit. As at 31 December 2023, the Company has no cash balances in foreign currencies. The Company has no other assets or liabilities in foreign currencies.

In its business, the Company faces market risk resulting from natural gas price fluctuations, differences between the time of sale and the time of purchase, and differences between the sale and purchase pricing models. The JSC "Latvijas Gāze" prioritises internal market risk mitigation through revising the supply agreement and managing its trading portfolio as far as possible.

Interest rate risk

Interest rate risk is not material for the Company.

22. Other risk management

Compliance risk

Compliance risk is the risk that the Company may incur losses, be subject to legal obligations, be subject to sanctions, or be in bad standing due to the Company's 's failure to comply or violate compliance laws, regulations and standards. The Management Board of the Company closely monitor changes in regulatory enactments, as well as the operation of the Company's internal control processes in order to ensure compliance with existing regulatory requirements and timely preparation of necessary future business changes.

The following approaches are used to manage compliance risk:

- regular monitoring of regulatory enactments, changes and amendments thereto, implementing the relevant requirements in the Company's operation and updating the internal regulatory enactments as appropriate;
- coordination of cooperation agreements and regular performance monitoring;
- timely preparation and submission of summaries and reports, processing and fulfilment of requests from supervisory authorities and other external institutions;
- updating of the Company's internal regulatory enactments and assessment of the actual compliance, monitoring of execution of Board resolutions and orders, elimination of faults found during internal and external inspections;
- introduction of whistleblowing system at the Company – reporting of violations that extend beyond infringements of personal interests and concern the Company and the interests or its employees or general public;
- timely identification and elimination of conflicts of interest;
- tax risk management.

23. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in the process of applying the Company's accounting policies.

This note provides information about the areas that involved higher degree of judgment or complexity which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

Impairment of trade receivables and accrued income

The loss allowance for financial assets, including trade receivables and accrued income, is based on assumptions about risk of default and the expected loss rates. The Company use their judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. As individual assessment is not possible due to the large number of individual client balances, only the significant debtors are assessed individually. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment. Details of the key assumptions and inputs used to estimate expected credit losses are disclosed in Note 21 Credit risk section.

Post-employment benefit obligations

Based on the conditions of the Company's Collective agreements as to the post-employment benefits expected to be paid to employees in future, the Company has calculated the accrued post-employment benefit obligations pursuant to a methodology developed on the basis of the actuarial mathematics methods and the IFRS using the prospective calculation method and the projected unit method. The calculations use a discount rate equal to the annual average rate of return on the Latvian treasury securities with an initial maturity of five years or more as per last two issues of such securities. Accruals are calculated for each employee individually based on the situation as at 31 December of each reporting year and annually updated, including an update for 31 December 2023. Along with the calculation of post-employment benefit obligations, there are accruals made for the employer's compulsory state social security contributions and contributions to private pension funds.

Determination whether the entity acts as a principal or agent in collecting and paying excise duty

The management has determined that with regard to excise duty, the Company acts as an agent by collecting the excise duty on behalf of the government. As a result, the excise tax is deducted from the net revenue (similar to other sales taxes) rather than included in both revenue and cost of sales as such a presentation reflects the substance of the arrangements.

The following considerations support the judgements made by the management:

- Although the "production" and "sale" (a transfer to the end-user) are not really separated due to the nature of business, the triggering event to pay the excise tax is a "delivery" to the end user. This indicates that the excise duty is paid close to the transfer to end customer and therefore it is closer in nature to a sales tax.
- The excise duty is clearly separate from the selling price and it is shown separately on the invoices to commercial clients.

24. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during all years presented, unless otherwise stated.

Basis of preparation

The separate financial statements of the JSC "Latvijas Gāze" are prepared in accordance with the IFRS Accounting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted for use in the European Union on a going concern basis.

The financial statements are prepared on a historical cost basis.

All amounts shown in these financial statements are presented in thousands of Euros (EUR), unless identified otherwise. Euros (EUR) is the functional and presentational currency of the Company.

The company has chosen to classify its costs in the income statement by types of expenses. The company prepares a cash flow statement using the indirect method.

The financial statements were approved for publishing by the Company's Board on 19 April 2024. Under the Commercial Law, the Company announces a general meeting of shareholders following the receipt of the auditor's opinion and the Council report, also sending the annual report to the Company's shareholders.

Implementation of new IFRS Accounting standards, amendments and interpretations

IFRS Accounting Standards and amendments effective for accounting years beginning on or after 1 January 2023

There have been new or revised IFRS Accounting Standards issued which are mandatory for accounting periods beginning on or after 1 January 2023, and which have not been early adopted by the Company. These standards are not expected to have a significant impact on the Company's financial statement.

1) ***New standards:***

- **IFRS 17 Insurance Contracts** (issued on 18 May 2017); including **Amendments to IFRS 17** (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2023).

2) ***Amendments:***

- **Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information** (issued on 9 December 2021) (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (issued on 7 May 2021) (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies** (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates** (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules** (issued on 23 May 2023) (effective immediately and for annual periods beginning on or after 1 January 2023).

IFRS Accounting Standards and amendments that have been issued and adopted by the EU but have not yet entered into force

IFRS Accounting Standards that have been issued but have not yet entered into force by the date of issuance of the Company's financial statements are reflected below. The Company intends to implement these standards (if applicable) when they become effective, but the initial assessment of the potential impact of the standards on the financial statements has not yet been completed:

1) ***Amendments to standards:***

- **Amendments to IAS 1 Presentation of Financial Statements** (effective for annual periods beginning on or after 1 January 2024):
  - **Classification of Liabilities as Current or Non-current** (issued on 23 January 2020)**.**
  - **Classification of Liabilities as Current or Non-current - Deferral of Effective Date** (issued on 15 July 2020).
  - **Non-current Liabilities with Covenants** (issued on 31 October 2022).
- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (issued on 22 September 2022) (effective for annual periods beginning on or after 1 January 2024).

IFRS Accounting Standards and amendments issued but not yet adopted by the EU

1) ***Amendments to standards:***

- **Amendments to IAS 21 "Effects of Changes in Foreign Exchange Rates": Lack of Exchangeability** (issued on 15 August 2023) (effective for reporting periods beginning on or after 1 January 2025).
- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures": Supplier Financing Arrangements** (issued on 25 May 2023) (effective for annual periods beginning on or after 1 January 2024) .

Financial instruments

Financial assets classification

The Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. All Company's and Company's debt instruments are classified in the amortised cost measurement category.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented within other income /(expenses) in the statement of profit or loss.

The following financial assets of the Company were classified in this category:

— trade receivables;
— accrued income;
— reserved funds;
— cash and cash equivalents.

Equity instruments

The Company have no investments in equity instruments.

Derivative financial instruments

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the reporting period. The Company do not apply hedge accounting.

Impairment of financial assets

The Company assess on a forward-looking basis the expected credit losses ("ECL") associated with their debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects:

— an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
— time value of money and
— all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and accrued income without a significant financing component, the Company apply a simplified approach permitted by IFRS 9 and measure the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. As individual assessment is not possible due to the large number of individual balances, only the significant debtors are assessed individually. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment.

Recognition and derecognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company have transferred substantially all the risks and rewards or ownership.

Revenue from contracts with customers

Revenue is income arising in the course of the Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expect to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Company recognise revenue when it transfers control of a good or service to a customer.

Sale of natural gas – wholesale

The Company sell natural gas in the wholesale market. Revenue is recognized at the point in time when the product (natural gas) is delivered to the wholesaler (buyer) and he has full discretion as to the place and price of the products, and the wholesaler (buyer) has no claim for performance of the contract that could affect the acceptance of the products from the wholesaler (buyer). Delivery takes place when products are delivered to a particular location, the prescription and limitation risks are passed on to the wholesaler (buyer), and the Company have objective evidence that all acceptance-transfer criteria are met.

Natural gas wholesale is deemed to have no financing element because the sale is made with a credit term of 10-30 days which is in line with the established or generally accepted market practice.

Sale of natural gas to end users – commercial customers and households

The Company sells natural gas to end users – corporate customers and households. Revenue is recognised based on the actual quantities delivered up to the end of the reporting period, normally one month, as the gas sold is priced on a per quantity basis.

Households settle their debts according to equalized payment schedules with end-dates not necessarily coinciding with calendar year-end, based on the actual consumption during previous settlement year.

Excise duty

The excise duty is levied on the natural gas delivered to the end user and is calculated on the basis of fixed rate per quantity delivered depending upon purpose of use of natural gas by the end user.

Contract assets and contract liabilities related to contracts with customers

Due to equalised invoicing and settlement arrangements with household customers, these customers routinely are in the position of over-payment in relation to their actual consumption. It is also common for households to make an advance payment for the whole year ahead, based on the actual consumption of prior settlement year. There are also corporate customers who have overpaid to the Company for the goods and services received. The balances of overpaid amounts that represent contract liabilities are offset against future consumption. They are reported within other liabilities as prepayments received.

Contract assets that relate to contract with the natural gas transmission and storage operator, where the Company have undertaken commitment to store an agreed quantity of natural gas in the underground storage for a particular period of time, are reported as accrued income within other current assets. The revenue is receivable when all the conditions of the contract are fulfilled.

Financing component

The Company do not adjust any of the transaction prices for the time value of money.

Property plant and equipment

Fixed assets are long-term tangible assets that are used for the provision of services or for economic needs, and which meet the criteria for the classification of fixed assets and the conditions for recognizing an asset.

The main groups of fixed assets of the company are buildings and constructions and their useful life is longer than one year.

Assets purchased, but not ready for the intended use or under installation process are classified under “Assets under construction”. This group is measured at cost less accumulated impairment losses. Subsequent costs are included in the asset’s carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss statement for the financial period when they incurred.

Land and assets under construction are not depreciated. The fixed assets are presented at their net value in the balance sheet, after deducting accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated according to the straight-line method. Depreciation is calculated with the next month when the fixed asset is ready for its intended use.

Useful life:

Buildings:	20 – 80 years
Other fixed assets :	2 – 10 years

The assets' useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the profit or loss statement during the period when they are incurred.

Intangible assets

Intangible assets primarily consist of software licences and patents. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and impairment loss.

Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their useful lives. Generally, intangible assets are amortised over a period of 5 to 10 years.

Impairment of non-financial assets

All the Company's non-financial assets, except for land, have a finite useful life. Assets subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets having suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated in the balance sheet at the lower of cost and net realisable value. The cost of natural gas is composed of the gas purchase price and is determined using FIFO (first in first out) method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leases

The Company is lessee. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease duration used in the calculation is based on signed agreements for external lease and 5 years for intragroup lease.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- Right-of-use assets are measured at cost comprising the following;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the expected lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalue its land and buildings that are presented within property, plant and equipment, they have chosen not to do so for the right-of-use buildings held by the Company.

Cash and cash equivalents

Cash consists of current account balances and short-term deposits, if any, with an initial maturity of up to 90 days that are easily convertible into cash and not exposed to a material risk of changes in value.

For non-cash payments, the Company uses debit cards issued by the credit institution.

Cash in foreign currencies are recalculated into EUR by the exchange rate set by the European Central Bank.

Equity

Equity includes share capital, share premium, reorganisation reserve, asset revaluation reserve, post-employment benefit revaluation reserve, other statutory reserves, and retained earnings.

Other reserves are subject to consent of the Council.

Assets held for sale

Non-current assets whose book value, under a management decision on their sale, will be recovered via sale transaction rather than via long-term use are classified as “Assets held for sale”.

A disposal group is a group of assets that are set to be sold or otherwise disposed of under a management decision in a single transaction as group and the liabilities directly attributable to these assets that are set to be transferred as a result of the transaction.

In order for non-current assets or a disposal group to be classified as held for sale, they have to meet the following criteria:

- the assets have to be available for immediate sale in their current condition;
- the sale of assets has to be highly probable.

Non-current assets classified as assets held for sale as well as discontinued operations are measured at the lowest between:

- book value;
- fair value less selling costs.

The fair value of assets in subsidiary held for sale is assessed and approved at the Board meeting.

Prior to reclassifying to a disposal group, losses from such valuation are recognised in profit or loss.

Impairment upon initial reclassification to assets held for sale is recognised in profit or loss even if the asset itself was previously measured at revalued cost.

Share capital and dividend authorised

The Company's share capital consists of 39 900 000 shares. All shares give their owners equal rights, specifically to dividends and liquidation quota, and voting at shareholders' meetings. 14 571 480 shares of the Company are registered shares. 25 328 520 shares of the Company are bearer shares in public circulation. All shares of the Company are dematerialised shares. The Company may issue shares and convertible bonds. The volumes, terms, conditions and other matters pertaining to the issue of the Company's securities are decided by the shareholders' meeting. Incremental external costs directly attributable to the issues of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting period which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition with an exception of personnel related accruals where the payment terms might be up to 12 months. If the payment is not due within 12 months after the reporting period, such payables are presented as non-current. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

The Company only recognises provisions if all the following recognition criteria are met:

Firstly, the Company has a current obligation (legal or constructive) caused by a past event. Secondly, the fulfilment of this obligation is likely to require an outflow of economic benefits from the company. Thirdly, the amount necessary to fulfil the obligation can be credibly estimated. Provisions are not recognised for future operating losses.

Provisions are measured at present value based on the management's best estimate of the costs necessary to fulfil the current obligation at the end of the reporting period.

Employee benefits

Wages, salaries and bonus plans

Liabilities for wages and salaries, including non-monetary benefits, annual leave and bonuses that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The Company recognise a liability and expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognise liability where contractually obliged or where there is a past practice that has created a constructive obligation. The liabilities are presented as Other liabilities in the balance sheet.

Social security and pension contributions

The Company pay social security contributions for state pension insurance to the state funded pension scheme in compliance with the Latvian legislation. The state funded pension scheme is a fixed-contribution pension plan whereby the Company have to make payments in an amount specified by law. They also pay contributions to an external fixed-contribution private pension plan. They do not incur legal or constructive obligations to pay further contributions if the state funded pension scheme or private pension plan are unable to meet their liabilities towards employees. The social security and pension contributions are recognised as an expense on an accrual basis and are included within staff costs.

Vacation pay accrual

The amount of accrual for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting year by the amount of accrued but unused annual leave at the end of the reporting year.

Post-employment and other employee benefits

Under the Collective Agreement, the Company provide certain defined benefits over employment and upon termination of employment to employees whose employment conditions meet certain criteria. The amount of benefit liability is calculated annually based on the current salary level and the number of employees who are entitled to receive those payments, as well as based on actuarial assumptions, using the projected unit credit method.

The present value of the benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Re-measurement gains and losses arisen from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they occur within separate reserve "Employee benefits revaluation reserve". They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Income tax

The corporate income tax is calculated for distributed profits (20/80 from the net amount payable to shareholders). The tax on the distributed profit is recognised when the Company's shareholders decide upon distribution. Corporate income tax is also paid on conditionally distributed profits (non-business related disbursements, entertainment and donation costs exceeding certain criteria and similar). Such tax is not regarded as income tax in the context of IAS 12 as it is calculated on the gross rather than net amounts, and recognised in the statement of profit or loss as other operating cost.

Related parties

Related parties are defined as the Company's shareholders with a significant influence and the entities where these shareholders have control or joint control, as well as members of the Council and the Board of the Company or its subsidiary, their close relatives and entities in which they have a significant influence or control.

25. Remuneration of certified auditors company

	2022	2021
	EUR'000	EUR'000
Mandatory audit of financial statement and consolidated financial statement	28	28
Performance of non-audit assignments	-	-
	28	**28**

26. Contingent liabilities

The Company has a valid long-term contract with the PJSC "Gazprom" on "take or pay" conditions which specify the minimum quantity to be bought over a given period. In 2022, the parties signed an agreement on not raising complaints against each other over failure to meet obligations under this contract.

Proposal for profit distribution or loss coverage and possible liabilities related to corporate income tax from the Company's distributable profit

The Company closed the year 2023 with losses, which will be covered from the retained earnings of previous years. Due to the fact that there is no profit distribution, no corporate income tax liability is expected from the profit distribution.

27. Subsequent events

Latvija Gāze Council consists of 11 Council members. On November 24, 2023, due to the changes in the shareholder structure of Latvijas Gāze, Council members N. Merigo Cook, H. Peter Floren and E. Atvars have resigned. Latvijas Gāze Council continued its work in the (incomplete) composition of 8 members until the next shareholders' decision on February 22, 2024, when the new Latvijas Gāze Council was elected in the following composition:

V. Blugers, N. Dorofejevs, G. Reidzans (Chairman of the Council), E. Buncis, M. Kohlenbach (Vice-Chairman of the Council), K. Janzen, E. Mikhaylova, Y. Ivanov, K. Seleznev, V. Khatkov and K. Neyimin (Vice-Chairman of the Council).

In the period after 31 December 2023, no other events have occurred that would affect the Company's financial position or financial results as of the balance sheet date.

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board	Laima Dudiča Chief Accountant, Head of the Accounting and Reporting Department

CORPORATE SOCIAL RESPONSIBILITY REPORT (NON FINANCIAL REPORT)

Prepared under Section 56.3 of the Financial Instrument Market Law

JSC "Latvijas Gāze"

Place of registration	Riga, Latvia
Registration number	40003000642
Address	Aristida Briāna iela 6, Riga, Latvia, LV-1001
Website	www.lg.lv

Abbreviations

UN	United Nations
CNG	Compressed natural gas
CSB	Central Statistics Bureau
EU	European Union
CSR	Corporate social responsibility
ILO	International Labour Organisation
GHG	Greenhouse gases

Contact details

E-mail address for suggestions and questions regarding the report: investor.relations@lg.lv

BOARD STATEMENT

For many years already, the JSC “Latvijas Gāze” has been the leading and most stable natural gas supplier in Latvia, actively expanding its presence in other countries of the region to become the customers’ first choice in the Baltic and Finnish natural gas market.

The JSC “Latvijas Gāze” has prepared its seventh corporate social responsibility report (non-financial statement). The report explains the key risks and measures taken and assesses the impact of the measures. By corporate social responsibility the JSC “Latvijas Gāze” understands a systematic process analysis where it assesses the impact of its actions upon the environment, employees, customers, business and society and sets the principles that follow from the company’s impact assessment and values. The analysis of the existing processes of corporate social responsibility and the implementation of new processes at the company is a kind of brand of the company’s reputation and quality, ensuring as transparent corporate environment as possible and thus enhancing the company’s reputation, recognition and staff satisfaction, reducing the business risks, and raising the company’s value. The JSC “Latvijas Gāze” fully supports the values of the UN Global Compact in the domains of human rights, labour rights, environment and anti-corruption and is committed to continue devoting attention to improving the company’s performance as far as the matters discussed in the report are concerned.

The non-financial statement was reviewed and approved by the Board of the JSC “Latvijas Gāze” on April 19, 2024 as part of the Annual report and its preparation in accordance with the law has been verified by a certified auditor.

The report is signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board

INTRODUCTION

The Corporate social responsibility report of the JSC "Latvijas Gāze" for the year 2023 follows the guidelines of the UN Global Compact ((www.unglobalcompact.org) and contains the non-financial information set out in Directive 2014/95/EU of the European Parliament and of the Council and the Financial Instrument Market Law. This report, as the methodology of its preparation evolves, uses a number of new key performance indicators, also considering the recommendations included in Nasdaq ESG Reporting Guide 2.0 (2019) for companies listed on stock exchange1.

The description of the business model of the JSC "Latvijas Gāze" and other general information regarding the company and its operations is included in the Management report of the financial statement. Information on the corporate governance model of the JSC "Latvijas Gāze" and its elements is presented in the Corporate governance report (available on the company's website along with the Management report of the financial statement for 2023).

The Corporate social responsibility report details the company's policy in the respective domain, the main risks, the measures for prevention or mitigation thereof, and the relevant performance indicators. The report is connected with other documents of the JSC "Latvijas Gāze" where the values of the UN Global Compact are integrated, such as the Employees' Code of Conduct and the Whistleblowing system, the Sanction risk assessment and the Risk management and governance policy. The report has been prepared in Latvian, English and Russian and is published on Nasdaq Baltic as well as permanently available on the company's website along with the Management report of the financial statement for 2023.

In regard to the obligation to disclose information on compliance with sustainable investments and meeting the criteria of sustainable business under the EU regulatory framework on sustainability in investment and disclosure, a reference needs to made to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2022 on the establishment of a framework to facilitate sustainable investment (hereinafter – the Sustainable investment regulation). The new Regulation (EU) 2020/852 amends Regulation (EU) 2019/2088, and both documents apply to the EEA countries. At the beginning of the 2023 reporting period, there were natural gas distribution and trading services provided for almost 7 months. However, since July 21 of 2023, when the sale of the distribution operator JSC "Gaso" was completed, the JSC "Latvijas Gāze" has only been providing natural gas trading services.

The performance indicators refer to a five- or two-year period depending on data availability. The data calculation methods have not been substantially changed from the previous report. However, given the termination of the group status upon completion of the sale of the JSC "Gaso" on July 21, 2023, the report will only cover and analyse the statistical data and performance indicators of the JSC "Latvijas Gāze", with those of the JSC "Gaso" fully excluded from the report.

[1]The report presents the following indicators of Nasdaq ESG Metrics: E3, E5, E7, S3, S4, S6 – S10, G4, G7, G9.

10 PRINCIPLES OF UN GLOBAL COMPACT

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 make sure that they are not complicit in human rights abuses.

EMPLOYEES

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labour;

Principle 5 the effective abolition of child labour; and

Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges;

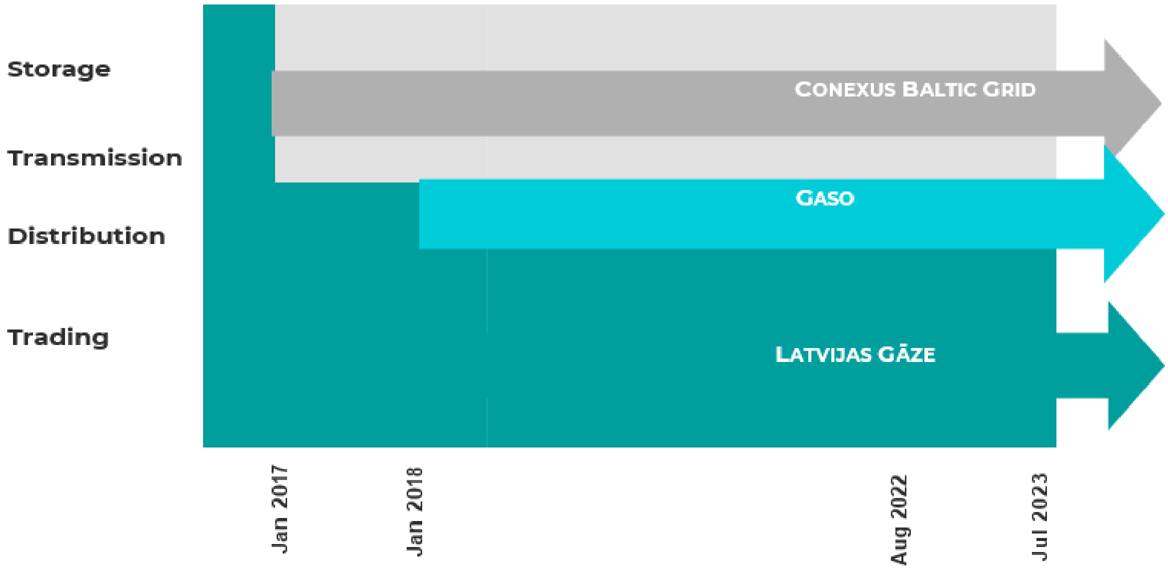
Principle 8 undertake initiatives to promote greater environment responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

REORGANISATION OF THE JSC "LATVIJAS GĀZE"



The last seven years represent three major stages of development of the JSC "Latvijas Gāze" – (1) operation as a monopoly, (2) unbundling into a transmission operator, distribution operator and natural gas trader, (3) the present operation in the open market.

From its foundation in 1991 onwards, the JSC "Latvijas Gāze" operated as the sole and unified natural gas storage, transmission, distribution and trading operator. Since January 1 of 2017, in fulfilment of the natural gas market transformation requirements of the European Union, natural gas transmission and storage has been unbundled into the JSC "Conexus Baltic Grid" which is unaffiliated to the JSC "Latvijas Gāze". Furthermore, since December 1 of 2017, natural gas distribution has been entirely transferred to the JSC "Gaso" whose sole owner till mid-2023 was the JSC "Latvijas Gāze" which, in turn, remains active in natural gas trading.

On August 8 of 2022, the shareholders of the JSC "Latvijas Gāze" adopted a decision on launching the company's reorganisation process or reduction of its equity capital. In execution of the shareholders" decision dated August 8 of 2022, the Board of the JSC "Latvijas Gāze" launched the process of selling the gas distribution system operator JSC "Gaso" which was completed on July 21 of 2023, with all shares of the distribution operator sold to the Estonian company AS "Eesti Gaas". Thus, as from July 22 of 2023, the main activity of the JSC "Latvijas Gāze" is natural gas trading.

The JSC "Latvijas Gāze" sells natural gas in both household and commercial segments. Up to April 30 of 2023, household customers were sold natural gas at a state-regulated rate. From May 1 of 2023, the regulated rate is no longer offered, and household customers are sold natural gas on a universal service basis or at a freely set market price with a fixed or variable rate.

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 make sure that they are not complicit in human rights abuses.

RESPECT FOR HUMAN RIGHTS AT THE COMPANY

POLICY AND RISKS

The Latvian regulatory framework of human rights is essentially designed to be directly applied within organisations, and the JSC "Latvijas Gāze" fully meets these requirements.

The company's objective is to disallow any violations of human rights in its business, to take an active stance towards customers, partners, and employees, and to facilitate eradication of such violations in any action or partnership via the Corporate social responsibility report (non-financial statement) as well as the Code of Conduct and the Whistleblowing system.

Respect for human rights is closely linked with the company's effectiveness and substantially reduces the company's operational risks.

MEASURES

The JSC "Latvijas Gāze" sees respect for human rights as the very minimum of any company's standard of conduct. The company fully complies with the regulatory framework of Latvia, the European Union, the Council of Europe, and the UN (contained by the Universal Declaration of Human Rights) that meets the highest human rights standards. The company does not in any way engage in and is opposed to any violations of human rights and takes an active stance in this regard towards its customers, partners and employees as well.

The professional qualification and experience of the JSC "Latvijas Gāze" Board members proves the management's profound understanding of the role of human rights in the company's work. The company fully ensures the protection of first-generation (right to life, health and political beliefs), second-generation (socioeconomic rights), and third generation (solidarity, right to environment, personal data protection etc.) human rights in respect of both its employees and customers.

In addition to the regulatory stipulations, the company regularly conducts working environment quality measurements at workplaces. As concerns customers, in order to enable disabled persons to enter all facilities, environment reconstruction and improvement takes place on a regular basis.

The JSC "Latvijas Gāze" has implemented a Whistleblowing system which provides an option to report violations, including those of human rights.

Under Section 1 of the current "Whistleblowing Law", a whistleblower is a natural person who provides information on a possible violation which may harm the public interests if the person considers this information to be true and it has been obtained while fulfilling the work duties or establishing legal relations related to the fulfilment of work duties or while being in traineeship, and who might be subjected to adverse effects due to the provision of such information. Thus, by implementing the Whistleblowing system, the JSC "Latvijas Gāze" both ensures compliance with the regulatory requirements and creates an effective mechanism for a prompt reporting of possible violations that may cause severe consequences to the company and the society in general.

STAFF HEALTH AND SAFETY

WORKING HOURS, REMUNERATION AND ABSENCES

POLICY AND RISKS

The Latvian regulatory framework of labour protection is directly applicable, and the company devotes substantial resources towards fully meeting these requirements. This is one of the company's priority areas of corporate social responsibility.

The company's objective is to provide a safe working environment so as to avoid any working environment risk or mitigate its impact to the extent possible.

MEASURES

Employees are ensured a safe working environment that is harmless to health, including appropriate workplaces, technical resources, and individual means of protection. As required under regulations, the company develops a labour protection and fire safety plan and conducts the internal monitoring of working environment. Employees are instructed on labour protection and fire safety pursuant to a schedule depending on work specifics. At least once per year there is training held on how to act in the event of fire. An assessment of working environment risks is also conducted once per year. Based on such assessments, the deficiencies found are either eliminated or mitigated.

Accidents at work are always registered and analysed. Employees undergo mandatory health checks pursuant to a schedule depending on work specifics. Furthermore, once per 5 years, it is mandatory to visit an occupational physician who advises on delaying the progression of occupational diseases and conducts prevention thereof. Employees are provided with health and accident insurance. Work equipment is regularly inspected in compliance with the ergonomic and labour protection requirements.

Under the Whistleblowing system introduced at the company, it is also possible to report violations that endanger staff health and safety.

In 2020, the JSC "Latvijas Gāze" successfully implemented – and in 2021-2023 further improved – a number of measures that have enabled employees to work remotely. This was achieved by providing them with the necessary technical supply and professional advice. Hence, in 2023, employees mostly combined in-office work with remote work facilities.

PRIVACY AND DATA SECURITY

POLICY AND RISKS

Having regard to the substantial number of employees and customers, the company pays special attention to privacy and personal data protection and security. When it comes to personal data protection, Latvia has a stringent regulatory framework based on the directly applicable EU General Data Protection Regulation 2016/679. In line with the principles of the regulation, the company has developed an internal Procedure of personal data protection which encompasses the policy of personal data protection and the rules of implementation thereof.

The company's objective is to ensure a full protection and security of personal data for both employees and customers.

MEASURES

The company both complies with the regulatory requirements and takes reasonable and proactive measures to streamline the work processes. As a result of a personal data processing audit, the necessary improvements identified therein were implemented, and various assessments of legitimacy and protection of personal data processing are conducted on a regular basis. There are internal regulatory enactments in place governing the processes of personal data protection, as are the necessary processes and their control mechanisms. Much attention is devoted to staff training in the field of personal data protection, explaining the regulatory requirements and analysing examples and case studies. The company employs an IT security manager and personal data protection specialists who regulatory analyse the personal data protection management system and take the measures needed for its improvement.

The company systematically analyses the contractual obligations previously entered into, updating the contracting parties' duties in terms of personal data protection where necessary.

The JSC "Latvijas Gāze" has annually instructed all employees on personal data protection, discussing issues relevant to the company, especially in the segment of (individual) customer service. As part of the induction training of new employees, each employee having started working for the company undergoes a test of knowledge on personal data protection, followed by additional individual training if necessary.

The Whistleblowing system implemented at the company envisages an option of reporting violations of personal data protection and security.

PERFORMANCE INDICATORS

VIOLATIONS

In 2023, there were no complaints received, including from whistleblowers, over general human rights infringements in the field of staff health and labour safety or personal data protection and data security.

According to the assessment by data security specialists, no major data security incidents have occurred at the company. Nor were there infringements found by the supervisory authorities.

ACCIDENTS AT WORK

In 2023, there were no injuries suffered by employees of the JSC “Latvijas Gāze” while performing their professional duties in-office or remotely, or in traffic accidents on their way to work.

EMPLOYEES

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.

TRADE UNIONS

POLICY AND RISKS

The employees' rights to engage in trade unions and collectively bargain employment matters are ensured and bolstered.

The company's objective is to ensure a mutually beneficial cooperation and collective consent in respect of decisions on the social protection of employees.

MEASURES

In 2022, the JSC "Latvijas Gāze" developed and approved an internal regulatory enactment "Procedure how the Joint Stock Company "Latvijas Gāze" provides employees with social guarantees" (approved at the JSC "Latvijas Gāze" Board meeting No. 49 (2022) on 08.12.2022). The said procedure laid down the employees' rights and guarantees of social support which improve their position compared with the external regulatory framework (additional off-days, additional leaves of absence, monetary bonuses to employees on important life events, and other benefits).

On November 1 of 2023, the new collective agreement was approved and took effect. It runs till December 31 of 2024 (with an option of extension) and includes all the same social benefits as set out in the internal regulatory enactment "Procedure how the Joint Stock Company "Latvijas Gāze" provides employees with social guarantees" (approved at the JSC "Latvijas Gāze" Board meeting No. 49 (2022) on 08.12.2022), which lapsed with the coming into force of the collective agreement. The original copy of the collective agreement is stored at the company's Personnel Department and is available to employees electronically through the staff portal.

FORCED AND CHILD LABOUR

POLICY AND RISKS

Forced and compulsory labour is nationally prohibited, as is forced child labour. The company is firmly opposed to such forms of employment and strictly adheres to such policy.

EMPLOYMENT CONDITIONS

POLICY AND RISKS

The high-intensity routine of employees directly tasked with customer service is a challenge for a successful organisation of work in this field. Furthermore, both the implementation of a new billing system and the adaptation of work to the CoViD-19 pandemic exposed employees to increased stress, also affecting staff turnover. Losing qualified specialists may jeopardise compliance with the obligations set out in the industry standards and operational continuity, thus causing both quality risks and financial burden. In order to mitigate the said risks, the JSC “Latvijas Gāze” has implemented remote work and other forms of performing one’s duties and supplemented the collective agreement with additional options for employees.

Owing to partially remote work arrangements, the JSC “Latvijas Gāze” has managed to recruit qualified employees in regions, away from the JSC “Latvijas Gāze” headquarters. Furthermore, since the spring of 2020, the customer service of the JSC “Latvijas Gāze” has been working entirely remotely and is set to continue doing so.

The measures taken have reduced staff movement, and in 2023, staff turnover rate was much lower than previously.

Employees predominantly have a normal working time of 40 hours per week. Depending on the specifics and need, time credits and shift work are occasionally used. Employees are also afforded appropriate breaks and rest. There is a paid annual leave and, on top of what is stipulated by the state legislation, a paid additional leave for length of service, and additional off-days on important life events (marriage, childbirth (for fathers), children starting or graduating from school).

All employees have written employment contracts prepared, signed and issued, and the taxes pertaining to the employment relationship paid.

The recruitment policy is implemented so as to avoid the risk of lack of qualified specialists jeopardising compliance with the industry standards in terms of labour safety and operational continuity.

Overtime work is strictly limited on a company level. The amount of overtime hours is monitored and controlled, and work is planned so as to avoid overtime as much as possible.

The company’s objective is to maintain a competitive staff motivation system with fair and appropriate remuneration, a balance between work and rest, and targeted social guarantees, including a contract on the health, life and accident insurance of employees. To this end, on November 1 of 2023, the JSC “Latvijas Gāze” signed a collective agreement with its employees.

MEASURES

A number of matters pertaining to the employment relationship and employees' social guarantees are governed by the collective agreement and the internal rules of procedure.

Depending on the specifics and need, time credits are occasionally used. If necessary, employees work overtime and are remunerated for it in the amount and pursuant to the procedure stipulated in the Latvian laws.

Employees are systematically assessed and remunerated based on their work quality, initiative, intensity, and contribution. Furthermore, the company makes monthly contributions for the benefit of employees to a private pension fund via individual payments for each employee.

When rolling out new technologies, improving the information technology systems or taking other similar measures, the employer provides training and/or retraining for employees and supports their continuing education. An employee who studies at any educational establishment without discontinuing work is granted an educational leave of 10 (ten) working days per academic year (without keeping salary). For taking a state exam or writing a diploma paper, an educational leave of 20 (twenty) working days per academic year is granted, keeping salary during that time.

The company's employees and management undergo regular training on matters of labour safety, the safe use of computers, and cyber security. At the beginning of 2023, each employee and executive had to attend 8 instruction modules on information safety and take a test at the end. In the second half of every year, risk management at the company is improved and updated, and training is also held regarding the Whistleblowing system (most recently in December 2023).

In order to improve the quality of governance and reduce the recently increased staff turnover at the JSC "Latvijas Gāze", systematic actions were taken to improve staff management and work organisation. The year 2023 saw implementation of the ISO 9001:2015 quality management standard at two key structural units which employed around half of the company's staff as at the end of 2023. October 26 of 2023, when the JSC "Latvijas Gāze" received the ISO 9001:2015 quality management standard certificate marked the end of a major phase of work in terms of staff training and work organisation improvements at the company. The awarded ISO 9001:2015 quality management standard certificate will be valid till October 25, 2026. Furthermore, the implementation of the ISO 9001:2015 quality management standard at the company not only improved the employees' work but also contributed to providing better-quality services to the company's customers.

PREVENTION OF DISCRIMINATION

POLICY AND RISKS

The Latvian legislation extensively prohibits discrimination, and the company complies with it, making sure that decisions in respect of employees be based on appropriate and objective criteria. Prohibition of discrimination is also stipulated by the internal Employees' Code of Conduct, focusing on the core principles of fair treatment and prohibition of insult. It details the guidelines for building the professional relationship among employees, including attitude and conduct, and models of action for the settlement of possible disagreements and disputes in daily work.

The company sees the risks associated with discrimination as low.

MEASURES

Job advertisements set out specific requirements for candidates based on the professional competences needed by the company and those are worded in a non-discriminatory manner. During recruitment, no sensitive information about applicants, including their religious or political conviction, family status, sexual orientation, ethnic origin, political beliefs etc., is requested.

PERFORMANCE INDICATORS

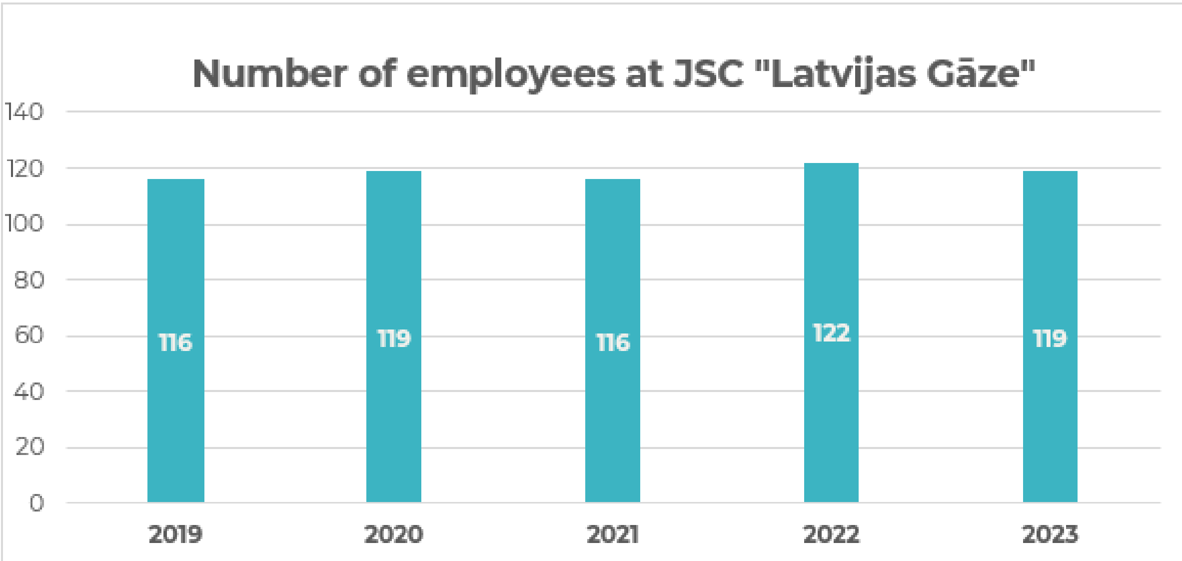
INVOLVEMENT OF TRADE UNIONS

In 2023, there was no need to involve trade unions in the settlement of disagreements between the company and its employees.

NUMBER OF EMPLOYEES IN OPERATING SEGMENTS

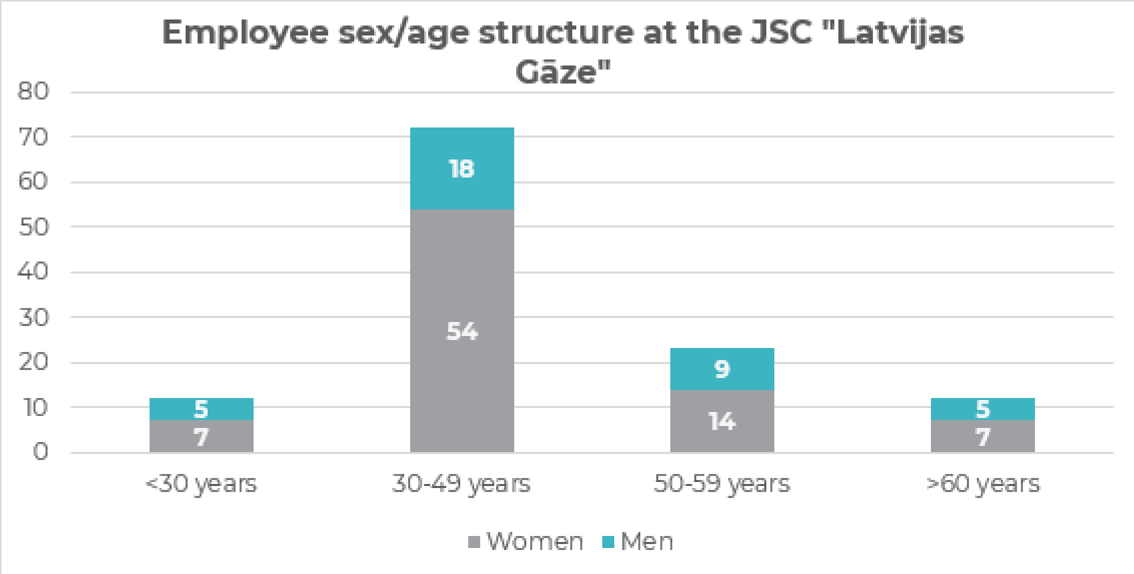
Since July 22 of 2023 (the sale of the distribution operator JSC "Gaso"), the company's employees have only been employed in the natural gas trading segment.

The changes in the number of employees at the JSC "Latvijas Gāze" over the period from 2019 to 2023 are presented in the following chart (Source: the JSC "Latvijas Gāze" Personnel Department).



As evident from the chart, the number of employees at the company has not changed significantly in 5 years. It has slightly fluctuated, but over the entire period there is an increase by 3 employees or nearly 3%. In 2023, all employees worked full time, no employee worked part time. As at the end of 2023, 4 employees were employed on an interim basis and 115 on a permanent basis. Out of the total of 119 employees, 82 were women and 37 were men. Gender equality at the company is addressed in more detail in a separate section.

The age structure of the company's employees is presented in the following chart (Source: the JSC "Latvijas Gāze" Personnel Department).



So, approximately 10% of the company's employees are aged between 20 and 29, while 80% of employees represent the age group of 30-59. Retirement and pre-retirement age employees (the age group over 60) account for approximately 10% of employees at the JSC "Latvijas Gāze". The actual data thus shows that there is no age discrimination at the company, as there are both younger (aged up to 30) and older employees (aged over 60), but the vast majority of employees are aged between 30 and 59.

As for the gender ratio at the company, it is evident that in the age groups of 20-29, 50-59 and over 60, women and men are represented rather equally, with a slight prevalence of women. However, in the age group of 30-49 – the largest one at the company – 75% are women and 25% are men.

NUMBER OF EMPLOYEES SUBJECT TO THE COLLECTIVE AGREEMENT

The collective agreement signed in 2023, which took effect on November 1 of 2023, and will remain in force at least till the end of 2024, applies to all employees of the company. It serves to ensure an equal treatment of employees in terms of social guarantees and envisages additional social guarantees not stipulated in the Labour Law – additional leave, additional off-days, allowances, monetary bonuses and other benefits. The collective agreement also envisages special support for parents of large families and retirement-age employees.

EMPLOYEE TURNOVER RATE

The development of the employer turnover rate reflects the events at the company and the situation in the labour market. The increase in this rate in 2021-2022 stemmed from the major organisational changes at the JSC "Latvijas Gāze" Group in 2017-2022 which resulted in the company's reorganisation.

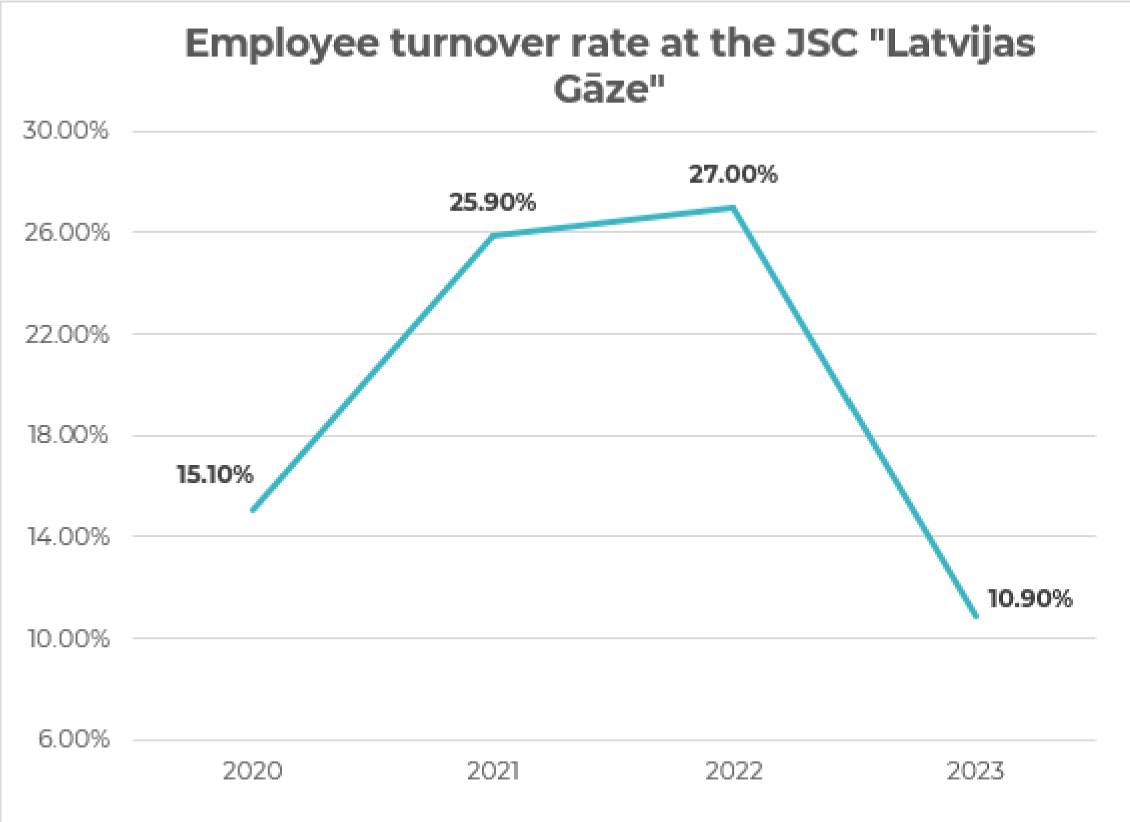
The high employee turnover rate was also down to the frequent change of employees in the customer service sector of the JSC "Latvijas Gāze" where the rapid growth in customer interest (the volume of incoming calls and correspondence almost doubled due to the

CoViD-19 pandemic, the geopolitical situation, the rise in prices in the energy markets and other reasons) caused a rapid increase in staff workload.

Turnover has also been high among the employees representing the information technology sector due to the high demand for these specialists and the intense competition among employers.

The year 2023 therefore saw a number of targeted measures to offer high-quality staff training, improve the motivation system, and streamline work organisation. On November 1, 2023, a new collective agreement was signed as part of these measures. Furthermore, the implementation of the ISO 9001:2015 quality management standard took place throughout 2023 at two key structural units which employed around half of the company's staff as at the end of 2023. The JSC "Latvijas Gāze" was awarded the ISO 9001:2015 quality management standard certificate on October 26 of 2023.

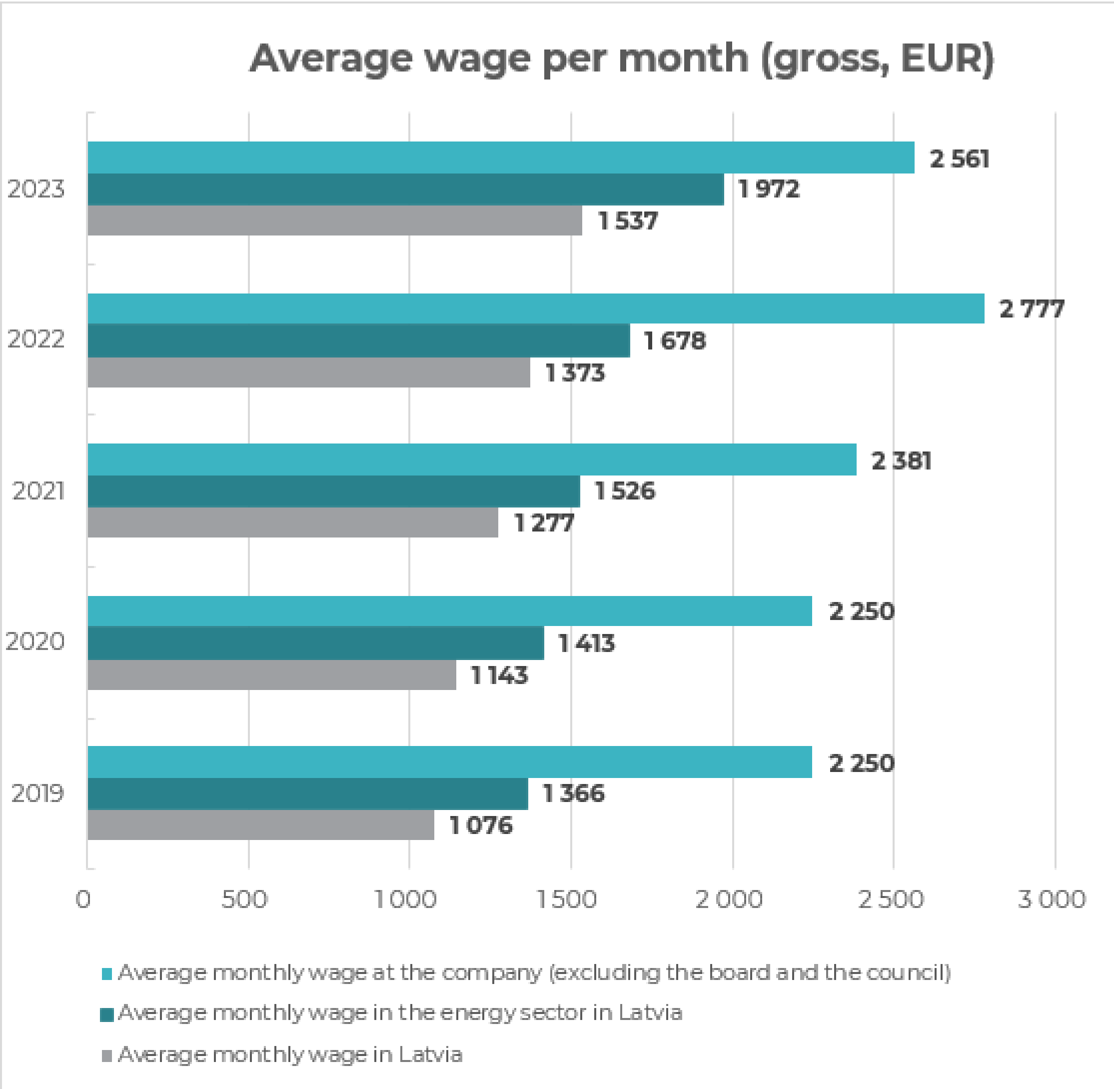
The measures taken have yielded a substantial decrease in employee turnover following the increase in 2021-2022 resulting from CoViD-19 and other events of recent years.



As evident from the chart (Source: the JSC "Latvijas Gāze" Personnel Department), in 2023, the employee turnover rate dropped significantly to 10.90% per year or by approximately two-and-a-half times against 2021 and 2022. Thus, the measures taken have helped reduce the employee turnover rate at the company.

AVERAGE WAGE

The average wage at the company is compared with the average gross wage at energy sector companies and with the average gross monthly wage in Latvia. The data are summarised in a chart based on the information provided by the company's Personnel Department, while the information on the average gross monthly wage in the energy sector and Latvia overall has been acquired from the CSB database.



As evident from the chart (Source: the JSC "Latvijas Gāze" Personnel Department, the CSB database), in 2019-2023, the gross wage at the company was substantially above the average monthly gross wage in Latvia. Compared with the industry average, the average gross wage at the company was substantially higher in 2019-2021, but the recent years have seen the company's average wage move closer to the industry figure, surpassing it by 30% in 2023.

GENDER DIVERSITY – PROPORTION OF WOMEN

The proportion of women at the company is appropriate to the specifics of the industry and the gender structure at other energy trading companies. The data on the gender structure of employees at the JSC "Latvijas Gāze" in 2023 are summarised in the following table.

Position at the company	Total number	Women	Percentage of women	Men	Percentage of men
Council	11	1	9.09%	10	90.91%
Board	4	1	25.00%	3	75.00%
Middle management	14	9	64.29%	5	35.71%
Other	90	71	78.89%	19	21.11%
Total	**119**	**82**	**68.91%**	**37**	**31.09%**

As evident from the table (Source: the JSC "Latvijas Gāze" Personnel Department), the overall proportion of women at the company is approximately 69% or more than two thirds of the total number of employees. In middle management, the proportion of women is consistent with the company's average. In senior management, there is a vast prevalence of men.

VIOLATIONS

In 2023, there were no complaints received, including from whistleblowers, over discrimination at work. Nor were there infringements found by the supervisory authorities.

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote greater environment responsibility;

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

NATURAL GAS USAGE AND SUSTAINABILITY

POLICY AND RISKS

The company both helps its customers acquire an environmentally friendly source of energy – natural gas – and itself takes advantage of the development of environmentally friendly technologies. As natural gas in Latvia is transmitted over pipelines, its delivery does not involve substantial loss of energy and there is less carbon dioxide (CO2) emitted in the process of transportation compared with other fuels (more detailed information is presented in the Biodiversity section). When it comes to usage, natural gas again involves much lower CO2 emissions than other fuels, thus creating less of a greenhouse effect. Specifically, compared with wood products, coal and liquid fuels, natural gas generates a substantially lower permanent pollution of carbon oxide, sulphur oxides, nitrogen oxides, smoke, soot, ash and heavy metals regardless of whether used in local boilers, large boiler houses or cogeneration plants (more detailed information is presented in the Biodiversity section).

The use of natural gas in road transport, too, as replacement of petrol and diesel contributes significantly towards the reduction of carbon dioxide emissions and the improvement of air quality. For instance, natural gas-powered cars generate by as much as 70% lower nitrogen oxide emissions which is important for the health of human lungs2. Thus, the company operates on a sustainable basis and contributes to the environmental protection.

Nationally, the most substantial environmental pollution across the natural gas usage cycle occurs at final consumers where there are natural gas losses in the internal pipeline systems and appliances and where natural gas is combusted and CO2, nitrogen oxide and other emissions are released into the atmosphere. Overall, natural gas as product is the most environmentally friendly fuel and, as replacement of other fossil fuels, improves the quality of the environment.

In line with the above policy, the company strives to increase the use of natural gas in areas where other fossil energy resources with higher environmental pollution are currently preferred.

One of the ways for the JSC “Latvijas Gāze” to achieve sustainability is to accomplish the objective of biomethane production/trading. The company’s management also considers other potential projects in the renewable energy sectors and market segments.

[2]Source: NGVA Europe: https://www.ngva.eu/policy-priorities/air-quality/.

MEASURES

In line with the climate neutrality targets for 2050 set out by the European Union, the JSC "Latvijas Gāze" focuses on offsetting the environmental impact generated by customers through developing projects that reduce the GHG emissions. Having regard to the regulatory package drafted as part of the European Union's "Fit for 55", the European Commission's Hydrogen and Gas Market Decarbonisation Package, the Methane strategy and the objectives set out in the Renewables Directive, the ambition of the JSC "Latvijas Gāze" is to develop renewable energy resource projects.

In order to attain the environmental objectives and accurately assess the results, the JSC "Latvijas Gāze" implemented the key environment management standards – the ISO 50001:2018 international energy management standard and the ISO 14001:2015 environment management standard.

The ISO 50001:2018 international energy management standard was initially implemented at the JSC "Latvijas Gāze" on March 9 of 2016. Recertification for this standard was completed on March 9 of 2022, with its validity extended till March 8 of 2025. Pursuant to the requirements of this standard, the JSC "Latvijas Gāze" set up an energy management system under which the company annually draws up and approves a work programme for the mitigation of environmental impact at the company. The following year, a control and assessment of the measures taken is conducted and a work plan for the year after is drafted.

In 2021, the JSC "Latvijas Gāze" implemented the ISO 14001:2015 international environment management standard. On October 28 of 2021, the JSC "Latvijas Gāze" was awarded the ISO 14001:2015 environment management system compliance certificate. In early October 2023, the company was recertified for the ISO 14001:2015 standard, and the company's environment management standard is valid till October 27 of 2024. Following the implementation of the standard, the company set up an environment management control system and started calculating its CO2 emissions.

In 2021, based on the environmental policy and the results of the CO2 calculations, the JSC "Latvijas Gāze" planted 2,000 birches. Gradually over 40 years, this will neutralise 560 tons of CO2 emissions, and an environmental certificate attesting to it has been received.

Taking responsibility for the environmental impact of the company's business, an Environmental policy and Environmental code has been implemented. It analyses the potential of mitigating the environmental impact of the product sold by the JSC "Latvijas Gāze" – natural gas – and identifies the ensuing objectives. The human impact of the product and services provided is one of the key risks in the domain of corporate social responsibility since natural gas is inflammable, explosive and asphyxiant in enclosed spaces. The consequences of a natural gas explosion are potentially disastrous. The main risks are associated with outdated infrastructure and gas appliances owned by consumers and human action both when consuming natural gas and making unwarranted manipulations of gas appliances.

The final natural gas consumers can contribute significantly to the mitigation of the environmental impact throughout the natural gas supply and usage chain.

The company believes that through educational and informational measures it is possible to achieve a decisive improvement in public awareness of the positive and negative impact of natural gas usage in areas where individual contributions and efforts can yield a material reduction in the environmental impact.

In order to educate its customers and other stakeholders on ways of saving energy resources, including natural gas, the company has drawn up an Energy efficiency brochure and systematically updates the company's employees and followers on social media about specific energy resource saving methods ("education through communication"). On a company level, the website www.lg.lv features a dedicated energy efficiency section.

The company also believes that much difference can be made by replacing inefficient natural gas appliances with more efficient ones, and not just among households but also in the commercial, manufacturing and energy sectors. Hence, customers are regularly informed of the latest developments in the design and construction of gas pipelines and gas-powered facilities. Customers are also encouraged to do a regular maintenance of internal natural gas pipelines and appliances to reduce natural gas losses.

CO2 and other emissions can be further reduced by replacing petrol and diesel cars with ones powered by natural gas. CNG used in transportation generates up to 30% lower CO2 emissions than diesel or petrol, and for other harmful emissions this difference is up to 90%. The company therefore actively promotes the development of CNG infrastructure in Latvia, providing technical support and other competences to businesses who invest in building CNG refuel stations.

Together with a number of energy and transport businesses, the company launched an initiative "Vide rītdienai!" ('Environment for Tomorrow') in order to discuss the use of more cost-effective and environmentally friendly energy in transport and to seek solutions towards accomplishing the global climate policy goals. In May 2019, with a direct involvement of the company through CNG deliveries, a first publicly available CNG refuel station in Latvia in 14 years opened in Jēkabpils. A second such station opened in January 2020 in Riga, continuing a purposeful expansion of CNG facilities in Latvia. The years 2021 and 2022 saw installation of new CNG refuel stations at the regional units of Liepāja, Jūrmala, Ogre, Cēsis, Jelgava and Bauska, bringing potential savings of 10.5 MWh per year. Also, in 2024 and beyond, the company intends to contribute to a wider use of CNG in road transport in Latvia and other Baltic countries.

The company has a number of CNG vehicles of various applications and manufacturers available for use by its employees. The company also has its own CNG refuel station for refilling the company's CNG vehicles. Thus, the JSC "Latvijas Gāze" itself, too, takes advantage of the CNG fuel.

NATURAL RESOURCE CONSUMPTION AND GHG

POLICY AND RISKS

The company's business – natural gas trading – does not require availability of vast natural resources. The company essentially uses energy and water to provide for its daily needs.

A key role in the total consumption of energy resources is played by the energy efficiency of buildings, as heating accounts for approximately 40-50% of the company's energy consumption (information on the company's energy consumption is presented in a separate section Performance indicators). Electricity consuming appliances can be divided into a number of categories – lighting, computer hardware, household appliances, climate control appliances, technical equipment (natural gas filling equipment, compressors, instruments etc.), cathodic protection of gas pipelines. With some categories, such as cathodic protection of gas pipelines, no substantial improvement in energy efficiency is possible, while a systematic selection of, for instance, computer hardware and household appliances yields a reduction in electricity consumption.

The company has low risks when it comes to energy consumption and production since natural gas trading does not require industry-scale manufacturing, just energy consumption for housekeeping purposes – heating, power supply, vehicles.

In the past, substantial resources were spent to send partners information printed on paper (invoices, notices, offers etc.). However, since 2010, in order to attain the environmental protection objectives and save funds, the company has gradually expanded the use of electronic means of communication with customers, including for sending electronic invoices and notices. It was already before the CoViD-19 pandemic that the strategic decision to send customers almost exclusively electronic documents was made, but the CoViD-19 pandemic fast-tracked the switch to essentially using electronic forms of communications only. This has resulted in an almost 80% decrease in the total volume of paper used by the company, contributing to both conservation of environmental resources and savings in the company's costs. Furthermore, there is a fourfold decrease in the volume of paper used for office purposes amid a wide rollout of electronic signature along with staff training.

Nevertheless, switching to communication predominantly via electronic documents involves an increased workload of various electronic means and appliances. The phase-out of paper necessitates a more intensive use of electronic devices and means of communication, leading to an increase in electricity consumption. The JSC "Latvijas Gāze" has therefore taken a number of measures to reduce electricity consumption and uses electricity produced of renewables.

The company's car fleet is renewed on a regular basis to secure mid-term compliance with the European Union's environmental requirements for vehicles.

The JSC "Latvijas Gāze" sees its GHG-related risks as low since it has no industrial sources of pollution, such has high-capacity manufacturing equipment or boiler houses.

MEASURES

The company's energy management system has been certified since 2016. In February 2022, it was recertified as conforming to the LVS EN ISO 50001:2018 standard, receiving a renewed certificate dated March 9, 2022.

As part of the energy management system, the company annually assesses its total resource consumption in the previous year and performance of the energy management plan approved for the previous year. There is also a plan of measures drawn up and approved every year towards preventing the possible threats and reducing the company's resource consumption. The key energy resources consumed by the company are electricity for work purposes, natural gas for the heating of premises and preparation of hot water, heat for the heating of premises and preparation of hot water, as well as motor fuel for the company's car fleet. The company uses a small volume of drinking water for office purposes (under a contract with the water supply and sewerage service provider), as well as waste removal services. Hence, a detailed analysis in the energy management plan is only made for the energy resources consumed – natural gas for the heating of premises, heat for the heating of premises, electricity for lighting and work purposes, and motor fuel for vehicles.

Since 2019, the JSC "Latvijas Gāze" has been using an own specialised office building at 6 Aristida Briāna Street, Riga, as its main headquarters. Additional office space is rented. Up to the end of 2023, the company rented premises at 20 Vagonu Street, Riga, for office purposes.

In 2019. the JSC "Latvijas Gāze" office building at 6 Aristida Briāna Street was assessed for energy efficiency and received a valid energy certificate. The office building at 6 Aristida Briāna Street is heated using the environmentally friendly natural gas – it produces all the heat the company needs. The building has its own individual boiler house which has been gradually upgraded over several years to ensure energy efficiency in heating.

The company takes care of the technical condition of the office building and ensures its regulatory compliance in terms of energy efficiency. In addition to the energy management system implemented in conformity to the LVS EN ISO 50001:2018 standard, the company is also committed to a well-considered management of buildings and therefore intends to go for the green office certification of the buildings under its management. It also advises external partners dealing with the maintenance and servicing of buildings in choosing energy-efficient solutions for the supply of goods and services.

In 2021, in order to provide for the use of more environmentally friendly electricity for the company's work, the JSC "Latvijas Gāze" started a solar panel installation project at its office building at 6 Aristida Briāna Street. The actual installation of solar panels at the building became possible in early 2023 following the completion of the installation design and its lengthy approval with authorities.

The installation of solar panels on the roof and the related repairs took place in February 2023, and the installed solar panels started producing electricity in March 2023. The total investments in the installation of solar panels and the related roof repairs amounted to 40,000 EUR. There were 62 solar panels installed with a total capacity of 23.56 kilowatts.

In less than a year – from March till December 2023 – solar panels produced 21,481 kilowatt hours of electricity which was essentially used for the company's own consumption. In 10 months, around 27.60% of the total electricity consumed by the company was produced this way. Based on the result achieved in 2023, it is estimated that going forward the solar panels installed by the company will cover at least 25% of the company's electricity consumption at the office building at 6 Aristida Briāna Street via renewable resources, with the remaining 75% to be purchased from electricity traders (who, too, might partially supply electricity produced of renewables).

Under the energy management programme, there was programme of measures prepared for 2023 including 4 main objectives and 9 energy efficiency tasks that would lead to the objectives if completed. The main objectives put forward for 2023 were:

- to reduce the company's electricity consumption by 1% in 2023 compared to 2022;
- to reduce the heat consumption of the office building at 20 Vagonu Street, Riga, by 1% in 2023 compared to the base consumption of 2020;
- to reduce the company's average fuel consumption (litres per 100km) by 1% in 2023 compared to the base year (2020);
- to promote a change in staff attitude in favour of electricity and fuel saving.

To that end, there were both technical and informational measures taken in 2023. The former included were the annual technical maintenance of the heating system at building No. 2 of 20 Vagonu Street; the annual technical maintenance of the ventilation and conditioning systems at building No. 2 of 20 Vagonu Street; the replacement of T8 daylight bulbs with LED bulbs (24 pcs) at building No. 6 of 20 Vagonu Street; the switching off of outdoor lighting fixtures or floodlights, the installation of floodlights with a motion sensor; the annual technical maintenance of the heating system at the boiler house of 6 A. Briāna Street and the annual technical maintenance of the ventilation and conditioning systems at the building of 6 A. Briāna Street. The latter, in turn, included the introduction of general energy efficiency solutions to employees, and the introduction of general energy efficiency solutions and energy saving options to final consumers.

Out of the 4 initial objectives, 3 were reached fully (with 2 of them, the savings target was even surpassed) and 1 objective was reached partially. For instance, the company's total electricity consumption decreased by 10.5% in a year, and the total amount of heat spent on heating the rented purposes decreased by as much as 30%.

The total energy savings in 2023 against 2020 (base year) reached 83.4 MWh, with the company's total energy consumption in 2023 thus being 2% lower than in 2022 and 10.1% lower than in the base comparison period, 2020. Furthermore, during the CoViD-19 pandemic in 2020, the company's office building was utilised less and consumed less energy than in the pre- or post-pandemic years, so the total 2020 energy consumption was lower than it would normally be and a decrease against this rather low energy consumption constitutes a considerable achievement.

In the 2024 energy management programme, the JSC "Latvijas Gāze" management has approved five main objectives for 2024:

- to reduce the company's electricity consumption by 5% in 2024 compared to the base consumption of 2020;
- to reduce heat consumption by 5% in 2024 compared to the base consumption of 2020;
- to conduct a detailed heat and electricity consumption monitoring at the premises rented by the company in Riga;
- to reduce the average fuel consumption (litres per 100km) by 1% in 2024 compared to the base average consumption in 2020;
- to promote a change in staff attitude in favour of electricity and fuel saving.

In 2024, within the framework of the energy management system, the company intends to complete 9 energy efficiency tasks with total planned energy savings of 47.2 MWh per year. It is planned to consume 3.00% less energy resources in 2024 than in 2023.

The planned reduction in the company's total consumption of energy resources in 2024 against the base year (2020) is 12%.

The technical activities planned for 2024 essentially deal with the company's office premises. The budget of the JSC "Latvijas Gāze" already includes investment expenses for the office building at 6 A. Briāna Street where the heating boiler in the boiler house is set to be replaced and the ventilation system is set to undergo maintenance and upgrade, including a replacement of coolant. Also planned is the annual technical maintenance of the heating systems at the boiler house and the technical maintenance of the ventilation and conditioning systems at the building of 6 A. Briāna Street. Lastly, it is planned to use solar panels at the building of 6 A. Briāna Street for 12 months to produce renewable electricity and make the necessary adjustments for maximising the operational efficiency of the solar panels. The company's rented premises, in turn, are set to undergo the annual maintenance of the heating, ventilation and conditioning systems.

The informational activities planned for 2024 again include the introduction of general energy efficiency solutions to employees and the introduction of general energy efficiency solutions and energy saving options to final consumers (via invoices, notices, on the www.lg.lv website, and with references to other relevant websites).

The company's car fleet is partially renewed on an annual basis, thus ensuring that as a whole it meets the current environmental requirements. Part of the company's cars use compressed natural gas as fuel.

In order to systematise environment management at the JSC "Latvijas Gāze", the company has designated an energy manager, an energy management plan is drawn up on an annual basis, and a standing working group in charge of energy efficiency is in place. The company has also appointed a person in charge of monitoring the environmental issues.

BIODIVERSITY

POLICY AND RISKS

In order to explore the development prospects of and potential future threats to the core business of the JSC "Latvijas Gāze" – natural gas trading –, the regulatory enactments were analysed, and the environmental impact of natural gas usage was assessed. The main conclusions are presented in the following sections.

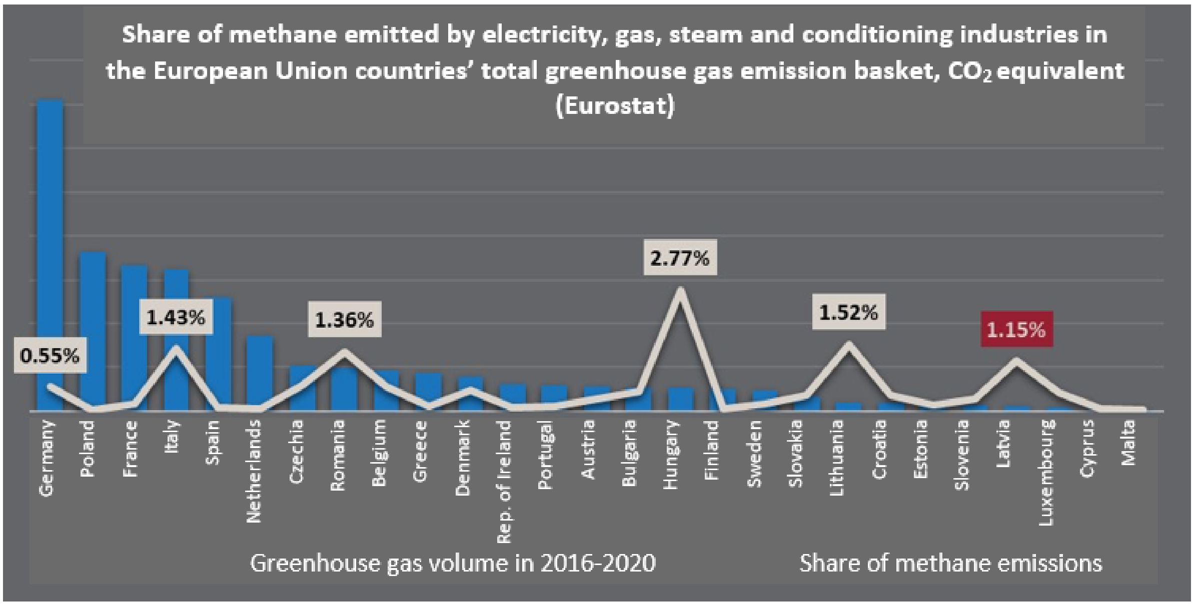
MEASURES

In order to reasonably forecast the future development prospects of natural gas trading, it is necessary to consider the environmental policy which will imminently or soon take effect in the European Union countries, the pollution caused by natural gas in comparison with other fossil energy resources, as well as the supply, demand and market prices of various energy resources.

The following sections will address in detail the pollution caused by natural gas in comparison with other fossil energy resources.

CONTRIBUTION OF NATURAL GAS LEAKAGES TO THE GREENHOUSE EFFECT

Methane (the core element of natural gas) is a greenhouse gas, so its emission into the atmosphere (occurring as continuous losses from the system or leakages upon gas pipeline ruptures or repairs) is recalculated as a carbon dioxide (CO2) emission equivalent. Compared with other European Union member states, Latvia generates low total GHG emissions, and those of methane are also low. As evident from the chart, the methane emissions by the industry represented by the JSC "Latvijas Gāze" account for just 1.55% of Latvia's total CO2 emission equivalent (Source: Eurostat).

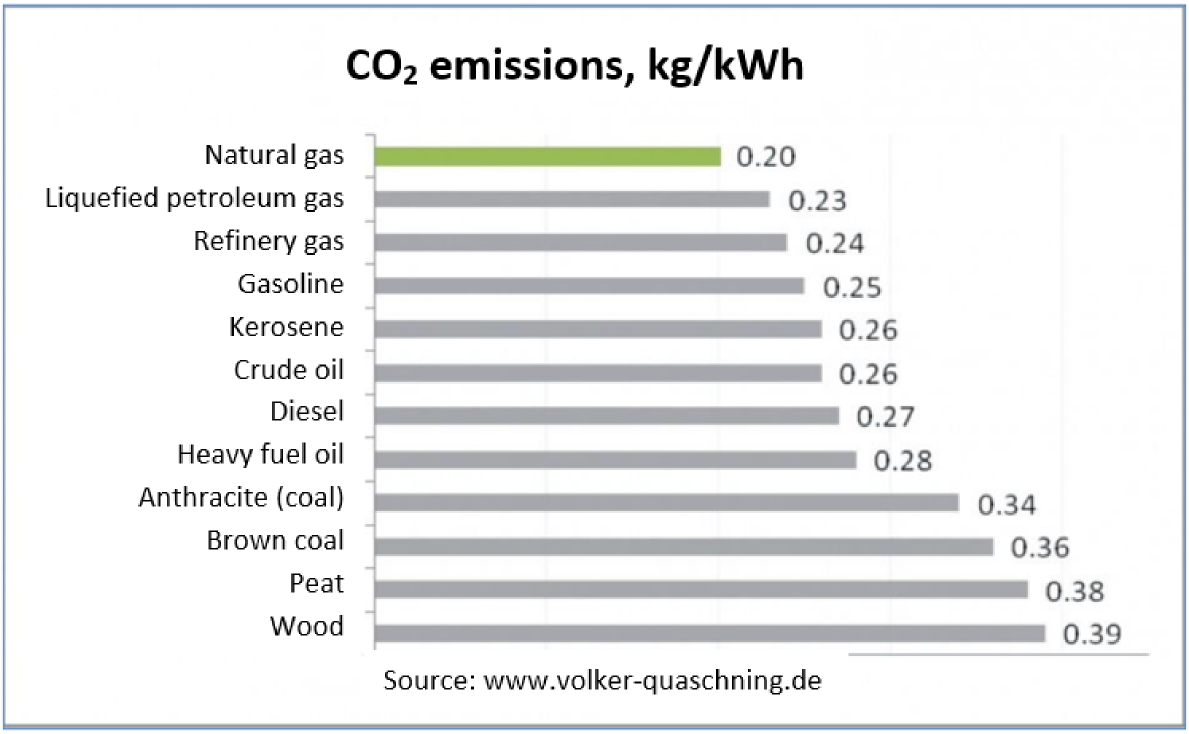


The relatively high proportion of methane emissions in Latvia as compared with the figures of other European Union member states stems not so much from the scale of consuming or transporting natural gas itself (the 2016-2020 average percentage in the total consumption balance 23% both in Latvia and in the European Union4) as from the relatively low CO2 emission volume of other manufacturing sectors in Latvia. Industry in Latvia is relatively small, and the electricity consumed is produced with relatively low CO2 emissions (energy is mostly generated by hydro power plants).

CONTRIBUTION OF NATURAL GAS BURNING TO THE GREENHOUSE EFFECT

Natural gas is the most environmentally friendly fossil fuel, as it has a high heating capacity, does not produce ashes and sulphur compounds, and has the lowest CO2 emissions, so there is little harm to the environment and human health.

Natural gas has just two combustion products – CO2 and water vapour. Per each kWh of energy acquired from natural gas, approximately 0.20 kilograms of CO2, end up in the atmosphere – that is 41% less than for energy acquired from coal and 49% less than for energy acquired from wood. Information about the CO2 emission footprint of different types of fuel is presented in the following chart.

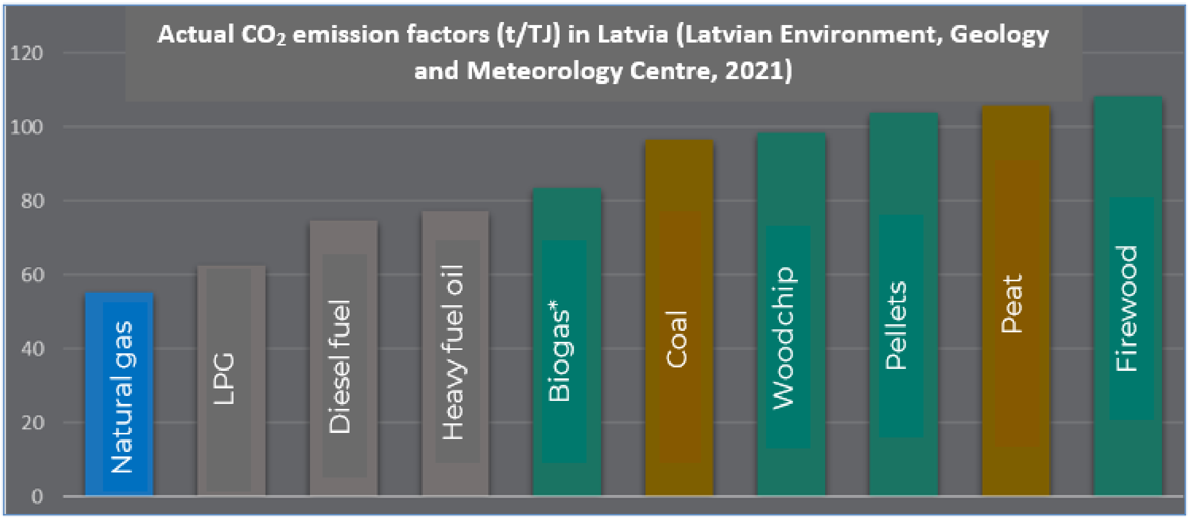


The chart shows that natural gas has lower CO2 emissions than other fossil and renewable energy resources.

Given the properties of natural gas, its way of burning is particularly friendly to the environment. Hence, the JSC "Latvijas Gāze", through developing the availability of natural gas in the country and using natural gas for own consumption, sees itself as a contributor to the quality of the environment and to sustainability.

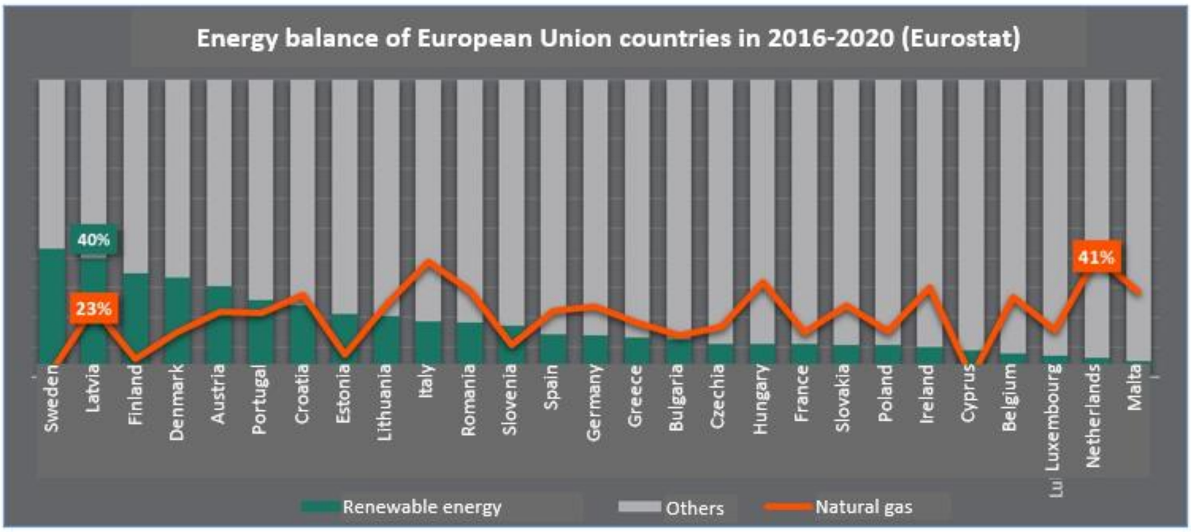
This is especially the case in situations where natural gas replaces other fossil fuels, as the actual CO2 emissions from natural gas burning are lower than those of oil products and substantially lower than those of coal, peat and renewable fuels – biogas and biomass.

The official authorities of the Republic of Latvia have come to a similar qualitative assessment of the CO2 emissions produced by natural gas and other fossil energy resources.



*Based on the Danish example: DANISH EMISSION INVENTORIES FOR STATIONARY COMBUSTION PLANTS, Scientific Report from DCE – Danish Centre for Environment and Energy, No. 102 (2014), p.107.

With at least 41% of renewable energy resources in the total consumption balance, Latvia is among the leaders of the European Union in the use of renewables. However, a major part – about 80% - of the volume of renewables consumed in Latvia is solid biomass fuels which generate a substantial pollution of CO2 and other substances. Meanwhile, emission-free (hydro, solar, wind) consumption in Latvia accounts for just 14% of renewables and 6% of the total consumption.[5]



[3]The calculation uses Eurostat data on Latvia's total CO2 equivalent emissions; the Latvian Environment, Geology and Meteorology Centre report LATVIA'S NATIONAL INVENTORY REPORT, Submission under UNFCCC and the Kyoto Protocol, Common Reporting Formats (CRF), 1990-2017, pp. 167-170 and Emission data appendices https://www.meteo.lv/lapas/sagatavotie-un-iesniegtie-zinojumi?&id=1153&nid=396 (accessed on 08.02.2021)

[4]Eurostat

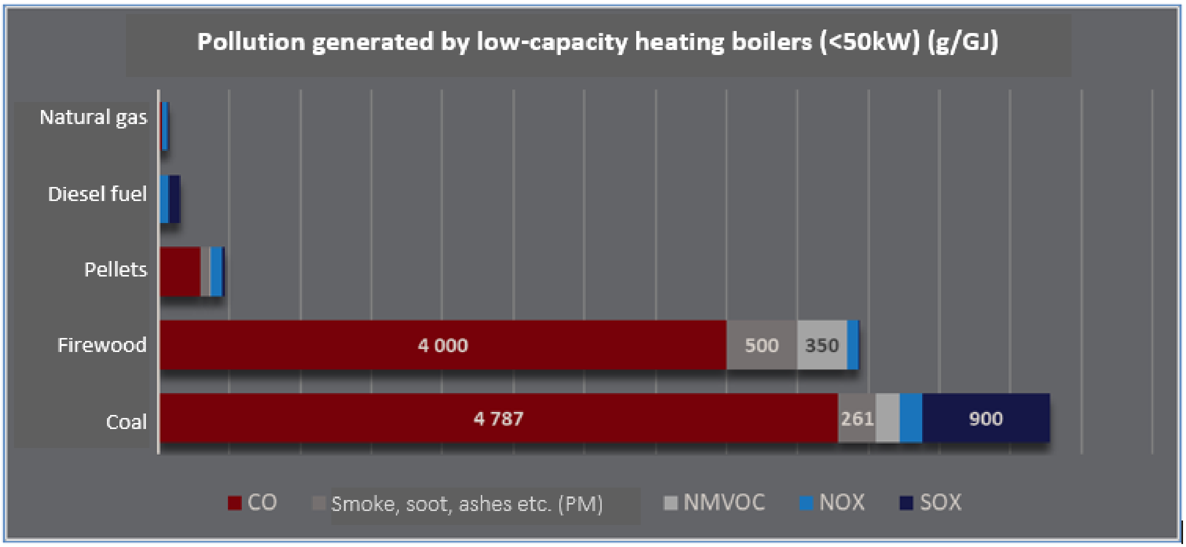
[5]Eurostat; average data for 2016-2020

POLLUTION BY NOx, SOx, PM, HEAVY METALS AND OTHER SUBSTANCES

The burning of fuels not only generates GHG emissions and contributes to the greenhouse effect but also has a direct adverse impact locally upon human health and biological organisms, as fuel combustion results in a number of other emissions.

There can be identified several categories of elements of pollution that pose threat to one's health or even life in high concentrations. CO or carbon monoxide in a closed space is a direct threat to human life6, PM or particulate matter pollution (smoke, soot, ashes etc.) are a major contributor to human respiratory diseases7, NMVOS or non-methane volatile organic compounds directly affect one's health in closed spaces and contribute to smog in the atmosphere8, NOx or nitrogen oxides in high concentrations cause respiratory inflammations and contribute to smog and particulate matter pollution9, while SOx or sulphur oxides contribute to acid precipitation and particulate matter pollution10.

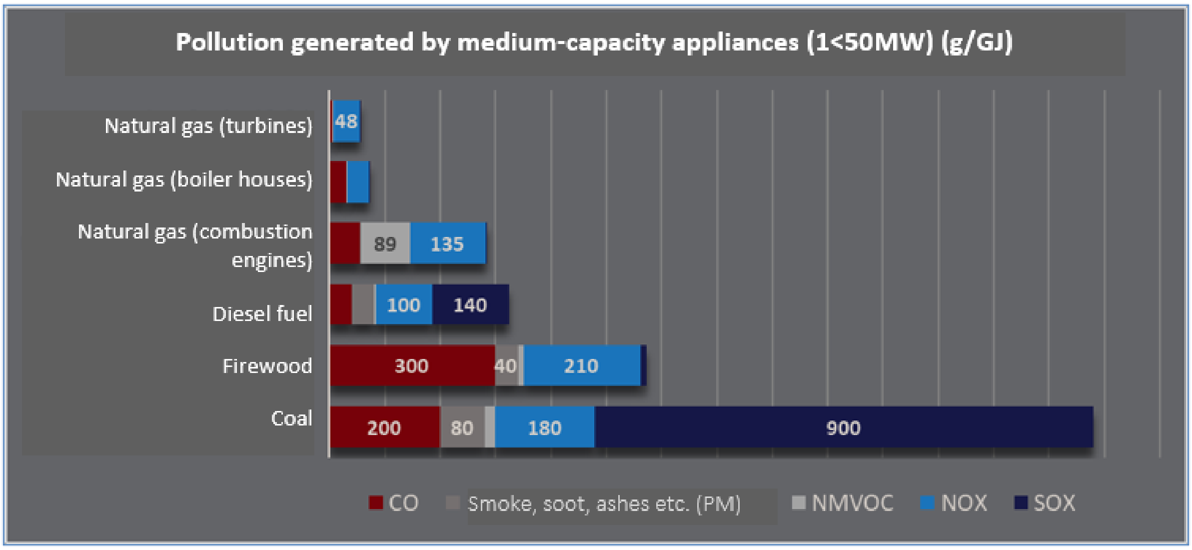
According to the data collected by the European Environment Agency, pellets and especially firewood – both widespread in Latvia – cause a substantial local pollution when used in the heating of private houses and other small areas, whereas natural gas essentially does not cause such pollution.



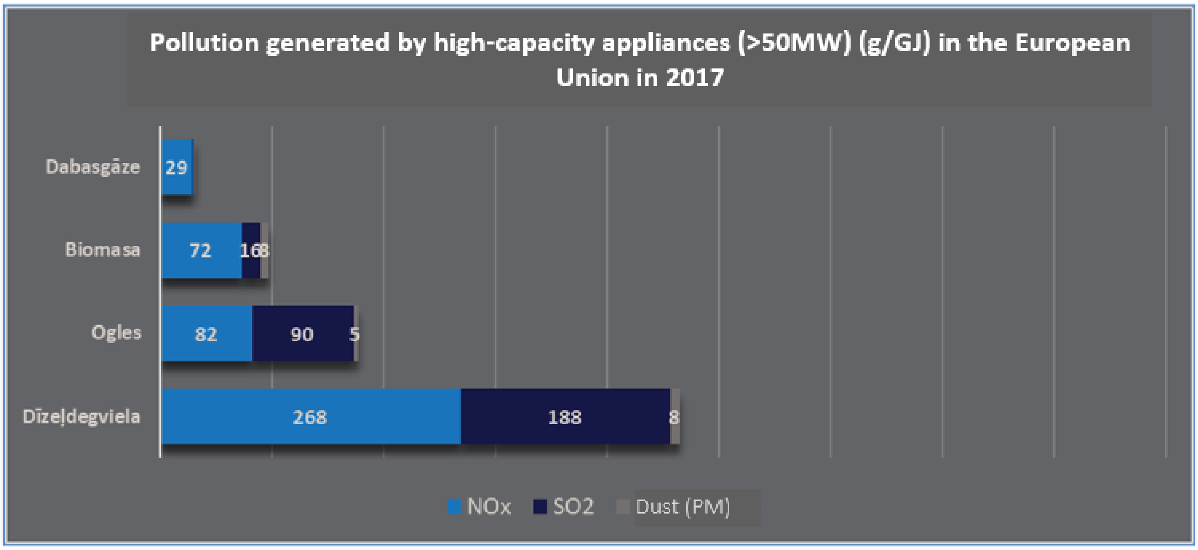
Source: European Environment Agency, Small combustion, EMEP/EEA air pollutant emission inventory guidebook 2016

[6] European Environment Agency, https://www.eea.europa.eu/publications/2-9167-057-X
[7] European Environment Agency, https://www.eea.europa.eu/data-and-maps/indicators/emissions-of- primary-particles-and-5
[8] European Commission, Science for Environment Policy, Individual non-methane VOCs have large impacts on human health, 10 April 2014, Issue 369, https://ec.europa.eu/environment/integration/research/newsalert/pdf/369na5_en.pdf
[9] European Environment Agency, https://www.eea.europa.eu/data-and-maps/indicators/eea-32-nitrogen-oxides-nox-emissions-1
[10] European Environment Agency, https://www.eea.europa.eu/data-and-maps/indicators/eea-32-sulphur-dioxide-so2-emissions-1

In terms of local pollution, the same goes for medium- and high-capacity appliances – natural gas generates a lower overall pollution than other fossil fuels and biomass.



Source: European Environment Agency, Small combustion, EMEP/EEA air pollutant emission inventory guidebook 2016



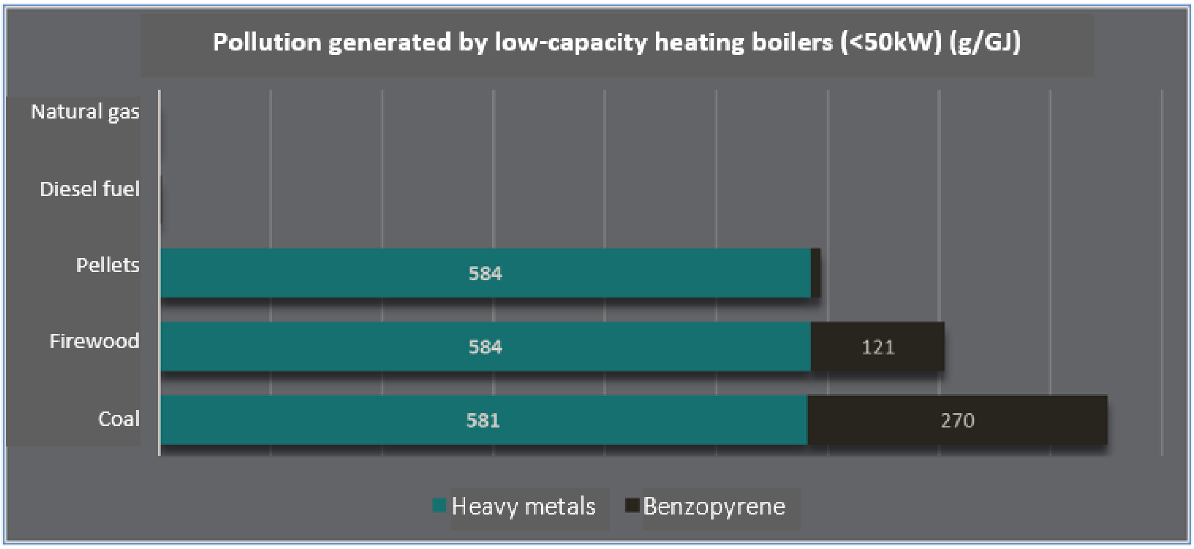
Source: European Environment Agency, https://www.eea.europa.eu/data-and-maps/daviz/evolution-of- environmental-performance-of-14#tab-dashboard-01

There is another kind of pollution brought by the burning process – heavy metals, dioxins, polychlorinated biphenyls (hydrocarbon and chlorine compounds) and other substances. In the energy sector overall, the emission of these substances does not pose a substantial harm to the environment and human health, but the scale of emissions differs greatly among different kinds of fuel. In order to acquire a general idea of the extent and impact of such pollution, one can take a look at the group of heavy metals and one hazardous substance – benzopyrene.

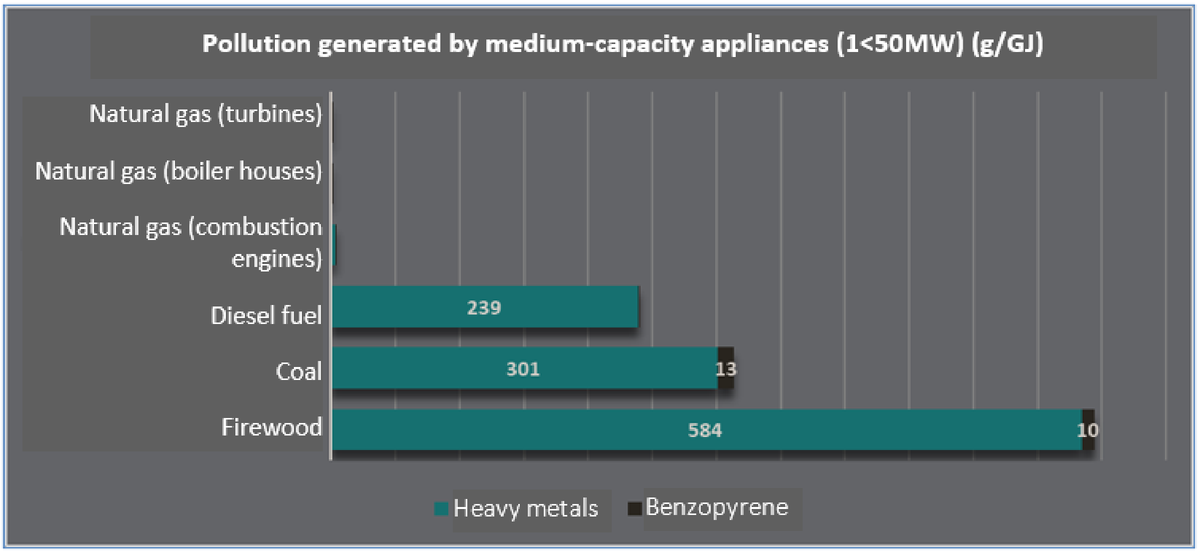
Heavy metals (lead, cadmium, mercury, arsenic, chromium, copper, nickel, selenium and zinc) affect ecosystems where they accumulate in the food chain and end up in the human body to the detriment of health.11 Overall, natural gas burning does not cause a considerable heavy metal pollution on an individual or national scale, as the emission of heavy metals depends directly on the presence of these materials in the raw material and there is very little of them in natural gas.

Benzopyrene (C20H12) affects human health, for instance, as a carcinogen12. Hence, there is attention paid to its emissions. Overall, natural gas burning does not cause a considerable benzopyrene pollution on an individual or national scale.

As evident from the charts, natural gas essentially does not cause heavy metal and benzopyrene pollution, and the same is true in respect of emissions of other substances. The burning of biomass, in turn, results in pollution of heavy metals. benzopyrene, and other elements.



Source: European Environment Agency, Small combustion, EMEP/EEA air pollutant emission inventory guidebook 2016



Source: European Environment Agency, Small combustion, EMEP/EEA air pollutant emission inventory guidebook 2016

[11] European Environment Agency, https://www.eea.europa.eu/data-and-maps/indicators/eea32-heavy-metal- hm-emissions-1/assessment-9
[12] https://pubchem.ncbi.nlm.nih.gov/compound/benzo%28a%29pyrene

CHEMICAL SUBSTANCES AND WASTE

POLICY AND RISKS

The company generates various kinds of waste through its business – municipal, constructional and biological. No waste is generated in the course of its direct business activity – natural gas trading.

The JSC "Latvijas Gāze" holds one category C environmental pollution permit – for the boiler house at 6 Aristida Briāna Street, Riga.

When it comes to waste management, the regulatory requirements are met, but in some areas a goal has been set to reduce the volume of waste, for instance, by reducing the circulation of paper through facilitating the implementation of an electronic document circulation system.

MEASURES

Every year, there is data submitted to the State Environmental Service on the category C pollution generated by the boiler house. Quarterly reports are made on the hazardous waste (such as accumulators) and packaging used in the company's operations, for which it pays natural resource tax.

The following waste is also sorted and separately submitted for recycling: computer hardware, scrap metal, construction materials, tyres and batteries. Paper and plastic, too, is sorted and submitted for recycling.

Thus, the JSC "Latvijas Gāze" does not generate hazardous waste in its business activity.

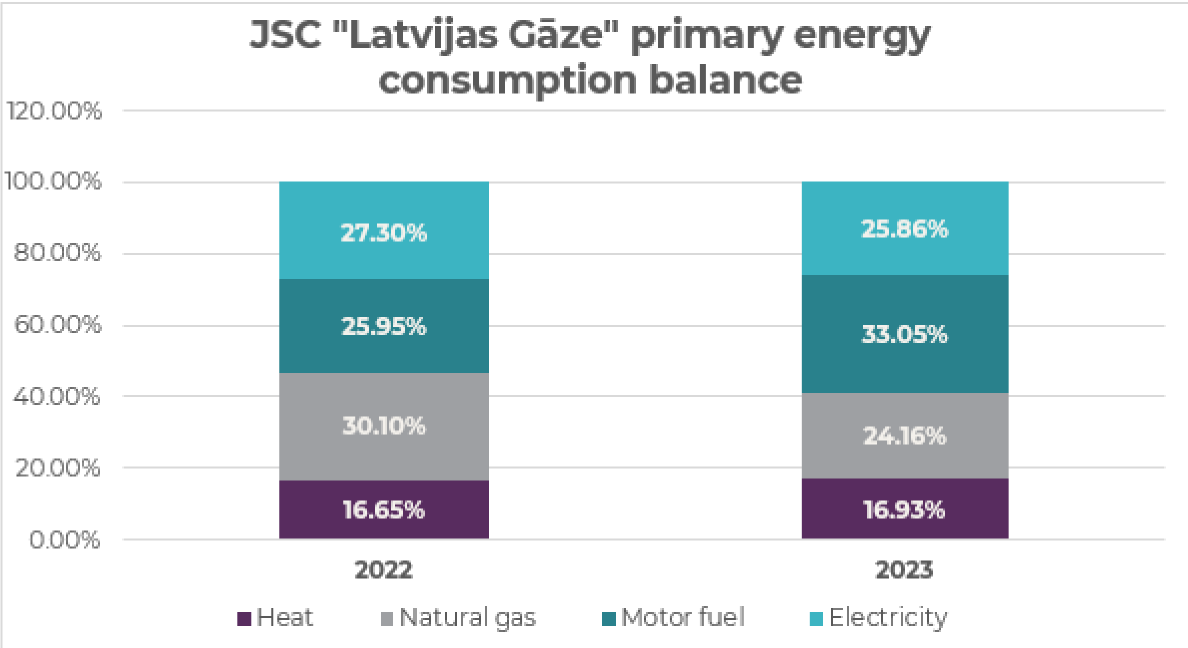
PERFORMANCE INDICATORS

VIOLATIONS

In 2023, there were no complaints received, including from whistleblowers, over environmental infringements. Nor were there any found by the supervisory authorities.

PRIMARY ENERGY CONSUMPTION BALANCE

In 2023, the company's energy consumption balance was made up of only the energy resource consumption by the JSC "Latvijas Gāze" as a trading company. Both in 2023 and previous years, the company's energy consumption included 4 types of energy resources: heat consumed for heating the rented premises, natural gas consumed for heating the company's office at 6 Aristida Briāna Street, Riga, various types of fuel for the company's vehicles, and electricity for work purposes.



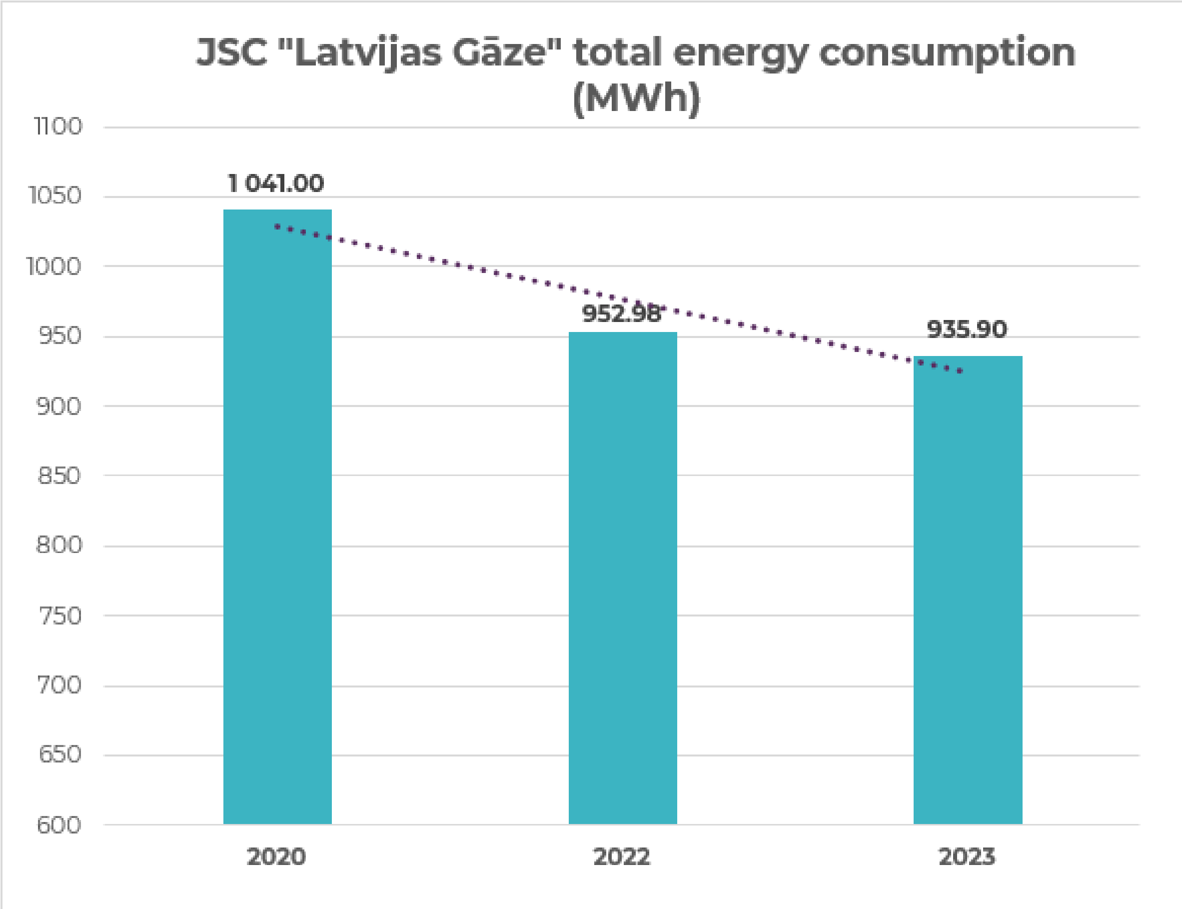
In 2022-2023, as evident from the chart (Source: The Energy management programme), the consumption of heat and electricity changed rather little. However, the proportion of motor fuel in the company's energy balance increased by as much as 7%, while the proportion of natural gas decreased by 6%.

Such changes were down to the company essentially switching to in-person work in 2023 which contributed to a substantial increase in motor fuel consumption.

Natural gas consumption, in turn, decreased as a result of both the energy efficiency improvements made at the office building and the relatively high air temperatures in 2023 (against 2022) – less fuel was needed for heating.

TOTAL ENERGY CONSUMPTION

Using the data from the energy management programme, the total energy consumption by the JSC "Latvijas Gāze" in the base or reference year 2020 was calculated and compared with the company's energy consumption figures for 2022-2023. The results are summarised in the following chart.



As evident from the chart (Source: Energy management programme), the company's energy consumption is gradually decreasing compared with 2020. Since other conditions (premises, number of employees) have not changed much, the decrease in the company's energy consumption might be down to more favourable weather conditions and certainly also the energy efficiency measures taken. The effect of the latter appears gradually and contributes to a reduced energy resource consumption and to the company's sustainability.

INCIDENTS INVOLVING HAZARDOUS WASTE

There were no incidents involving hazardous waste in the reporting period.

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

COMPANY'S CULTURE, PROCEDURES AND MEASURES

POLICY AND RISKS

Compliance with the regulatory requirements is one of the cornerstones of the corporate governance of the JSC "Latvijas Gāze" and encompasses implementation of anti-corruption requirements. The company does not engage in corruption or commercial bribery, fully condemns such actions, and makes a clear statement thereof to its customers, partners and employees through this report and the Employees' Code of Conduct and Business Code of Conduct. The ethical principles enshrined in the said codes are binding to all employees of the company, and the company also urges its partners to observe equivalent principles insofar as possible.

When it comes to procurements regarding captive household consumers, the JSC "Latvijas Gāze" was a public service provider till 30.04.2023 and applied procurement procedures in respect of supplier selection pursuant to the Law on Procurements of Public Service Providers if the expected contract price exceeded the threshold set by the Cabinet of Ministers. With supplies of goods and services where the expected contract price was below this threshold, the company applied its internal regulatory framework which lays down a detailed procedure of supplier selection, ensuring process transparency.

The company's general approach envisages no use of intermediaries where the company has the required competence, while agents and advisors are only hired for clear purposes defined in mutual contracts (debt collection etc.).

There is an internal regulatory framework applied whereby multiple people are involved in decision-making, thus reducing corruption risks in procurements or supplier selection and in the rendering of services.

Overall, potential risks of commercial bribery are present in two areas – services provided and procurements. Crucially, as concerns natural gas trading to households, this service was fully regulated by the state, including common service rates, till 30.04.2023. Hence, the risks associated with corrupt dealings involving these services are very low. As of May 1, 2023, the regulated rate for household customers has been abolished.

In order to prevent a poor bid selection in tenders and, consequently, an adverse impact on the company's reputation, effectiveness and service prices, the field of procurements has always been subject to detailed regulation for a transparent process of supplier selection, contract awarding and performance control. The measures implemented by the company substantially reduce the risks of commercial bribery.

MEASURES

There are specific internal procedures and requirements in place that substantially reduce the risks of corruption and commercial bribery. As part of good corporate governance, particular attention is devoted to precluding corruption or commercial bribery in every facet of business activity in respect of both services provided and services received.

Under the Articles of Association of the JSC "Latvijas Gāze", the company is represented by the Chairman of the Board or at least two Members of the Board together.

Both financial and human resources are allotted towards maintaining the company's compliance with the regulatory requirements and reducing the probability of the risks of non-conformity materialising. The company regularly and actively keeps track of legislative changes using the public participation options in the process of drafting of regulatory enactments, attends public meetings, and cooperates with the responsible authorities. The JSC "Latvijas Gāze" takes an active part in the work of both major organisations of Latvian entrepreneurs – the Latvian Confederation of Employers and the Latvian Chamber of Trade and Commerce. Furthermore, there are internal regulatory documents for operational compliance drawn up and maintained.

As an issuer of publicly traded shares, the JSC "Latvijas Gāze" is subject to and strictly observes a number of requirements in respect of transparency and openness of corporate governance and circulation and disclosure of inside information.

Given the increased attention paid in Latvia to compliance with the global economic sanctions and to the field of anti-money laundering, the company has followed the statutory procedure in disclosing information on the ultimate beneficial owners, assessed the risks of sanctions and money laundering, prepared a Sanction risk policy, and conducted a Sanction risk assessment covering international and national sanction risks. In this regard, the JSC "Latvijas Gāze" as a company listed on stock exchange (participant of the financial market) is monitored by the Bank of Latvia.

The JSC "Latvijas Gāze" has approved an updated general Risk management and governance policy with a view to support the company's Council, Board, heads of structural units and employees in running an effective risk management system. It defines a variety of strategic, operational and compliance risks as material to the company, lays down specific service provision and costing procedures and documentation, and establishes internal control mechanisms for identifying and managing such risks.

The company has implemented a Whistleblowing system enabling anyone to report possible compliance issues without fear of identification.

PERFORMANCE INDICATORS

VIOLATIONS

In 2023, there were no complaints received, including from whistleblowers, over possible infringements in the field of corruption, commercial bribery, procurements, conflicts of interest, sanctions and money laundering or competition, or manipulations on the natural gas wholesale market, and no such cases were found.

There are no legal proceedings against the JSC "Latvijas Gāze" resolved in 2023 or currently pending over anti-competitive or competition-respective behaviour.

TRAINING

In 2023, all employees of the JSC "Latvijas Gāze" were provided training on the whistleblowing system and possibilities as well as on the main duties of employees of a company being an issuer of publicly traded shares.

Also in 2023, all employees and management underwent detailed training in the safe use of computers and in the prevention of cyber security threats, with each employee taking a test at the end.

By a decision of the Board of the JSC "Latvijas Gāze", there has been a person put in charge of the company's compliance with sanctions.

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INDEPENDENT AUDITOR'S REPORT

To the stockholders of
Joint Stock Company "Latvijas Gāze"

Report on the Audit of the Financial Statements

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Joint Stock Company "Latvijas Gāze", reg.No. 40003000642 ("the Company") set out on pages 21 to 54 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2023,
- the statement of profit and loss and statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	Our response
Valuation of inventories	

The carrying amount of the inventories (natural gas) in the Company's balance sheet as at 31 December 2023: EUR 54 649 thousand; losses from inventory revaluation recognized in 2023: EUR 29 424 thousand.
 	
Reference to the Notes to the Company's financial statements: Note 11 "Inventories" and Note 24 "Summary of significant accounting policies" – Inventories, as well as the explanatory information specified in the Management Report.
 	
Valuation of inventories is considered a key audit matter due to the nature of the activity of the Company that depends primarily on the sale of inventory in generating revenues and the extent of its impact on business results. Valuation of inventories and determination of its impairment require using assumptions and estimates that may have material impact on the Company's financial statements.
	Our procedures included, among others:
	• assessed whether the Company's accounting policies for valuation of inventories, which is lower of cost or net realizable value (NRV) at the reporting date, correspond to the IFRS Accounting Standards as adopted by the European Union and were consistently applied;
	• analysed the trends and forecasts of natural gas prices in Latvia and Europe in 2023 and at the beginning of 2024, also taking into account a significant event in the natural gas industry in Latvia - the opening of the household market from 1 May 2023;
	• discussed with the management / responsible employees the calculation for a lower of cost and net realizable value (NRV) adjustment to inventory carrying value methodology, the basis for inventory write-down and the process with respect to inventory write-down;
	• reviewed, whether relevant market data (TTF) was used by the Company in its calculation for inventory carrying value adjustment at the reporting date to ensure appropriate basis of valuation;
	• recalculated the Company's inventory carrying value adjustment (write-down) at the reporting date;
	• evaluated, whether inventories were stated at the lower of cost or net realizable value at the reporting date by comparing on a sample basis the sales prices of inventories subsequent to the reporting date, taking into account the following factors:
	  - seasonality of the natural gas market;
	  - natural gas price trends;
	  - sources of supply;
	  - sales volumes, revenues and costs;
	• evaluated the appropriateness of the management's assumptions and judgements used based on our knowledge and information about the Company and the industry.

Nexia Audit Advice

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- information about council, as set out on page 6 of the accompanying Annual Report,
- information about management board, as set out on page 7 of the accompanying Annual Report,
- information about Company in brief, strategy and objectives, shares and shareholders, as set out on pages 8-11 of the accompanying Annual Report,
- the Management Report, as set out on pages 12-19 of the accompanying Annual Report,
- the Statement on Board Responsibility, as set out on page 20 of the accompanying Annual Report,
- the Non-financial Statement, as set out on pages 55-96 of the accompanying Annual Report,
- the Statement on Corporate Governance, prepared as a separate part of the annual report, indicating in the Management Report the website address on the Internet, where the Statement on Corporate Governance is available to the public in electronic form,
- the Remuneration Report, indicating in the Management Report the website address on the Internet, where the Remuneration Report is available to the public in electronic form.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement on Corporate Governance includes the information required in section $56.^1$, first paragraph, clause 3, 4, 6, 8 and 9, as well as section $56.^2$, second paragraph, clause 5 and if it includes the information stipulated in section $56.^2$ second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement on Corporate Governance includes the information required in section $56.^{1}$, first paragraph, clause 3, 4, 6, 8 and 9, as well as section $56.^{2}$, second paragraph, clause 5 and it includes the information stipulated in section $56.^{2}$ second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Non-financial Statement, our responsibility is to consider whether the Company has prepared the Non-financial Statement and whether the Non-financial Statement is included in the Management Report or prepared as a separate part of the Annual Report.

We report that the Company has prepared the Non-financial Statement as a separate part of the Annual Report.

Furthermore, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information required in section $59.^{4}$ of the Financial Instruments Market Law, and whether material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the annual report.

In our opinion, the Remuneration Report includes the information required in section $59.^{4}$ of the Financial Instruments Market Law, and no material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the annual report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed by the ordinary shareholders' meeting on 19 June 2023 to audit the financial statements of Joint Stock Company "Latvijas Gāze" for the year ended 31 December 2023. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2022 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in paragraph 37.[6] of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU

Regulation (EU) No. 537/2014. We also remained independent of the audited Company in conducting the audit.

For the period to which our statutory audit relates, in addition to the audit, we have not provided any services to the Company other than those disclosed in the Management Report or the Company's financial statements.

The responsible certified auditor on the audit resulting in this independent auditors' report is Marija Jansone.

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The Firm of Sworn Auditors, Licence No. 134

Marija Jansone
Member of the Board, the responsible Certified Auditor,
Certificate No. 25

Andrejs Ponomarjovs
Chairman of the Board

Riga, Latvia
19 April 2024