



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

## **Unaudited Financial Report of 12 months of 2013**

Prepared in accordance with the International Financial Reporting Standards

Riga, 2014






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## Information on the Company

Name of the Company	JSC Latvijas Gāze
Legal status of the Company	Joint Stock Company
Registration number, venue and date	000300064 Riga, March 25, 1991
	Reregistered in the Commercial Register December 20, 2004 with common registration No 40003000642
Address	Vagonu Street 20 Riga, LV – 1009 Latvia
Major shareholders	E.ON Ruhrgas International GmbH (47.2 %) Gazprom OJSC (34.0 %) ITERA Latvija LLC (16.0 %)
Reporting period	January 1 – December 31, 2013

Board members (term of office of the Board – August 16, 2012 to August 16, 2015, for Mario Nullmeier term is January 1, 2014 to December 31, 2016) - names, surnames, posts, recent professional experience and education

	<b>Adrians Dāvis – Chairman of the Board</b>  <b>Since 1997</b> – Chairman of the Board of the JSC “Latvijas Gāze”; involved in gas industry since <b>1965</b>  <b>1997</b> Physical Energy Institute of Latvian Science Academy, academic degree of doctor in engineering (Dr.sc.ing.).		<b>Alexander Miheyev (Александр Михеев) – Board member, Vice-Chairman of the Board</b>  <b>Since 2003</b> First Deputy Head of the Marketing, Gas and Liquid Hydrocarbon Processing Department of the OJSC Gazprom; involved in gas industry since <b>1968</b>  <b>1968</b> Graduated from the Moscow Oil and Gas Industry Institute named after I. M. Gubkin and obtained the qualifications of engineer in design and operation of oil and gas pipelines, gas storage facilities and oil tanks
	<b>Mario Nullmeier – Board member, Vice-Chairman of the Board</b>  <b>Since 2005</b> Head of the Baltic Office of E.ON Ruhrgas International AG in Tallinn, Estonia  <b>2000</b> Master Degree in Global Business Administration		<b>Anda Ulpe – Board member</b>  <b>Since 1997</b> Board member of the JSC “Latvijas Gāze”; involved in gas industry since <b>1984</b>  <b>2002</b> the University of Latvia, Master Degree of Social Sciences in Economics
	<b>Gints Freibergs – Board member</b>  <b>Since 1997</b> Board member of the JSC “Latvijas Gāze”; involved in gas industry since <b>1984</b>  <b>1984</b> Polytechnical Institute of Riga, engineer in industrial heat power	Names, surnames and posts of Council members (before January 1, 2014)	Adrians Dāvis – Chairman of the Board Alexander Miheyev (Александр Михеев) – Board member, Vice-Chairman of the Board Jörg Tumat - Board member, Vice-Chairman of the Board Anda Ulpe - Board member Gints Freibergs - Board member

**JSC “Latvijas Gāze”**  
**Unaudited financial report**  
**12 months 2013**

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

	<p><b>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council</b></p> <p><b>Since March 20, 2003</b> Head of the Gas and Liquid Hydrocarbon Sales and Processing Department, OJSC Gazprom; Member of Management Committee, OJSC Gazprom</p> <p><b>1997</b> Graduated from Baltic State Technical University of St. Petersburg named after D. F. Ustinov – Engineering of Impulse Devices and Automated Rotation Lines</p> <p><b>2002</b> Graduated from St. Petersburg State University – Credit Theory and Finance Management</p>		<p><b>Juris Savickis – Vice-Chairman of the Council</b></p> <p><b>Since 1996</b> LLC “ITERA Latvija”, president</p> <p><b>1970 – 1972</b> Polytechnical Institute of Riga, Graduate school</p> <p><b>1983 - 1984</b> University of Qualification Raising for Executives, Faculty of International Relations</p>
	<p><b>Achim Saul - Vice-Chairman of the Council</b></p> <p><b>Since May 2013</b> CEO Essen Operations, E.ON Global Commodities SE; Chairman of the Management Board, E.ON Ruhrgas International GmbH</p> <p><b>2012 – 2013</b> Member of the Board of Management, E.ON Ruhrgas AG</p> <p>Degree of doctor in Engineering</p>		<p><b>Matthias Kohlenbach – Council member</b></p> <p><b>Since July 2012</b> Member of the Board of Management of E.ON Ruhrgas International GmbH</p> <p><b>2009 – 2012</b> Head of Corporate Law Department of E.ON Ruhrgas</p> <p>Degree of doctor in Law</p>
	<p><b>Jörg Tumat - Council member</b></p> <p><b>Since 2013</b> Member of the Board of E.ON Russia</p> <p><b>2006 – 2013</b> Member of the Board, Vice-chairman of the Board of JSC „Latvijas Gāze”</p> <p><b>2001 – 2004</b> the University of Hagen, Diploma in Business Administration (Dipl.-Betriebswirt)</p>		<p><b>Uwe H. Fip – Council member</b></p> <p><b>Since 2002</b> E.ON Ruhrgas AG – Senior Vice-President, Head of Eastern Department of Gas Supplies</p> <p>Master in Oil Engineering, Degree in Business Management (Diploma – Merchant)</p>
	<p><b>Rainer Link – Council member</b></p> <p><b>Since 2013</b> Member of the Management Board of Essen Operations, E.ON Global Commodities SE, Germany</p> <p>Member of the Management Board of E.ON Ruhrgas International GmbH, Germany</p> <p><b>Since 2012</b> Member of the Management Board of E.ON Ruhrgas Portfolio GmbH, Germany</p> <p><b>2012 – 2013</b> Head of Portfolio Development Division, E.ON Ruhrgas AG, Germany</p> <p>Degree of doctor in Economics</p>		<p><b>Vlada Rusakova (Влада Русакова) – Council member</b></p> <p><b>Since 2013</b> Vice president of OJSC Rosneft, Head of gas business development department</p> <p><b>2003-2012</b> Board member of the OJSC Gazprom</p> <p><b>1977</b> Graduated from the Moscow Oil and Gas Industry Institute named after I. M. Gubkin and obtained the qualifications of engineer in design, planning and operation of oil and gas pipelines, gas storage facilities and oil tanks</p>
	<p><b>Nikolay Dubik (Николай Дубик) – Council member</b></p> <p><b>Since 2008</b> Member of Management Committee of JSC “Gazprom”, Head of legal Department</p> <p>MBA degree at the Academy of National Economy under the Russian Federation Government</p> <p>Graduated from Lomonosov Moscow State University in majoring law</p>		<p><b>Elena Karpel (Елена Карпель) – Council member</b></p> <p><b>Since 2004</b> Gazprom’s Council Member by the resolution of the Company’s Shareholders’ Meeting</p> <p><b>1968</b> Korotchenko Kiev Institute of National Economy getting specialty in Industry Planning</p>
	<p><b>Elena Mikhaylova (Елена Михайлова) - Council member</b></p> <p><b>Since 2012</b> Member of the Gazprom Management Committee, Head of the Asset Management and Corporate Relations Department of Gazprom</p> <p><b>2011 – 2012</b> Head of the Asset Management and Corporate Relations Department of Gazprom</p> <p>MBA degree at the Academy of National Economy under the Russian Federation Government</p> <p>Law degree at the Moscow State Industrial University</p>	<p>Names, surnames and posts of Council members (before January 1, 2014)</p>	<p>Kirill Seleznev (Кирилл Селезнев) – Chairman of the Council</p> <p>Juris Savickis – Vice-Chairman of the Council</p> <p>Achim Saul - Vice-Chairman of the Council</p> <p>Matthias Kohlenbach – Council member</p> <p>Rainer Link – Council member</p> <p>Mario Nullmeier – Council member</p> <p>Uwe H. Fip – Council member</p> <p>Vlada Rusakova (Влада Русакова) – Council member</p> <p>Nikolay Dubik (Николай Дубик) – Council member</p> <p>Elena Karpel (Елена Карпель) – Council member</p> <p>Elena Mikhaylova (Елена Михайлова) – Council member</p>

## Report of the Board of Directors

The Joint Stock Company "Latvijas Gāze" (hereinafter – the Company) is the only natural gas transmission, storage, distribution and sale operator in Latvia. The company supplies natural gas to 442.5 thousand customers in Latvia, and in winter – also to Estonia, the Northwestern part of Russia and Lithuania from the Inčukalns Underground Gas Storage Facility (hereinafter – Inčukalns UGS).

The goal of the Company is to strengthen its leading position in the fuel market of Latvia by enhancing the accessibility of natural gas, facilitating the diversity of its consumption and ensuring for consumers in Latvia one of the most stable supplies in Europe.

The vision of the Company is to make Latvia one of the largest natural gas storage hubs in Europe by using the unique geological structures of our country.

The mission of the Company is to contribute to the economy of the Baltic region by ensuring the security of energy supplies, the development of the industry and the competitiveness of prices.

The underlying principles of financial activity of the Company are as follows:

- investments in modernization of the infrastructure related to natural gas supply stability and security;
- investments in the development of infrastructure and the quality of service;
- competitive price of natural gas and services;
- profit that enables the company to make investments and pay dividends in compliance with the international natural gas industry practice. Such amount of profit is regulated by the Public Utility Commission of the Republic of Latvia by setting the level of capital return (currently the capital return is set to 8.0 % of the regulated asset basis).

### 1. Operation of the Company in the reporting period

In 12 months of the year 2013, the Company sold to the consumers 1451.9 million m<sup>3</sup> of natural gas. In comparison with the respective period of 2012, the natural gas sales decreased by 0.8 % due to the differences in outdoor air temperature and investments by heat supply companies in the use of renewable energy resources and a partial replacement of fossil fuels with woodchip.

The gas injection season at the Inčukalns UGS began on April 17, 2013. Upon starting natural gas injection, the reserves of active gas at the Inčukalns UGS were 182.35 million nm<sup>3</sup>.

The injection season at the Inčukalns UGS was completed on October 14, 2013, and 2 136.7 million nm<sup>3</sup> of natural gas was injected over the season, reaching 2 300.0 million nm<sup>3</sup> at the end of the season.

Over 12 months of 2013, the consumers were sold natural gas and provided services for LVL 403.4 million (EUR 574.0 million), which is by 5,6 % less than in the respective period of 2012.

The decrease of income year-on-year stems from the lower natural gas sales volume and fact that during 12 months of 2013, due to changes in oil product quotations and currency rates, the residential and industrial customers were applied differential natural gas sale end-user tariffs corresponding to a natural gas sale price 4.1% below that of the 12 months of 2012. The income saw decrease both in the industrial and household sector.

The Company completed 12 months of 2013 with a profit of LVL 22.6 million (EUR 32.2 million), which is 1.3% lower than in the respective period 2012 when the Company profited LVL 22.9 million (EUR 32.6 million).

Within the framework of the capital investment programme, LVL 19.8 million (EUR 28.2 million) of investment funds was spent over 12 months of 2013, mostly on the renovation of gas

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

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

transmission and distribution pipelines, the modernization of technological equipment and the reconstruction of wells.

**Inčukalns UGS**

Over the reporting period, the Inčukalns UGS saw completion of the modernization of 8 production wells, with LVL 3.4 million (EUR 4.8 million) spent. The gas compression unit of compressor station CS-2 underwent a capital repair, which cost LVL 1.3 million (EUR 1.8 million).

**Operation Unit “Gas Transport”**

The elimination of damage found in the diagnostics of gas transmission pipelines is in progress. LVL 1.7 million (EUR 2.4 million) has been spent on the renovation of gas pipelines.

In 2013, the construction of new passages of gas transmission pipelines Pskov-Riga and Izborsk-Inčukalns UGS across the River Gauja began. The project envisages moving inverted siphons and cables to a safer and more flood-proof location using the sloped drilling method. LVL 1.5 million (EUR 2.1 million) has been spent during 2013, and completion is expected in 2016, with the total project costs estimated to LVL 9.4 million (EUR 13.4 million).

The reconstruction of the gas metering station “Korneti” with the construction of a gas flow adjustment unit was also completed during the reporting period. The total costs are EUR 0.78 million (EUR 1.11 million), and the object was put into operation in January 2014.

**Distribution system**

In 2013, LVL 0.9 million (EUR 1.3 million) was spent on the construction of gas distribution pipelines and LVL 1.4 million (EUR 2.0 million) – on the renovation of existing pipelines.

The replacement and reconstruction of electrical protection equipment is in progress, and LVL 0.42 million (EUR 0.6 million) has been spent for this purpose.

The key indices of the Company:

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>LVL'000</b>	<b>LVL'000</b>	<b>LVL'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Net turnover	403 384	427 413	353 338	573 964	608 154	502 755
Profit before income tax, interest payments, depreciation and amortization (EBITDA)	47 738	53 584	50 102	67 925	76 244	71 290
Profit before income tax, interest payments, depreciation and amortization to net turnover (EBITDA %)	11.83%	12.54%	14.18%	11.83%	12.54%	14.18%
Profit of operational activity	24 472	24 448	28 888	34 821	34 787	41 105
Profitability of operational activity (%)	6.07%	5.72%	8.18%	6.07%	5.72%	8.18%
Profit of reporting period	20 702	21 201	25 729	29 457	30 167	36 610
Commercial profitability (%)	5.13%	4.96%	7.28%	5.13%	4.96%	7.28%

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

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>LVL'000</b>	<b>LVL'000</b>	<b>LVL'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
Total liquidity	1.78	1.94	2.15	1.78	1.94	2.15
Total assets	610 193	582 793	463 777	868 226	829 240	659 895
Equity	427 811	426 795	345 537	608 721	607 275	491 655
Return on assets (ROA)	3.47%	4.05%	5.76%	3.47%	4.05%	5.76%
Return on equity (ROE)	4.84%	5.49%	7.52%	4.84%	5.49%	7.52%
Number of shares	39 900	39 900	39 900	39 900	39 900	39 900

	<b>LVL</b>	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Profit per share	0.519	0.531	0.645	0.738	0.756	0.918
P/E	12.72	11.31	8.76	12.72	11.31	8.76
BV	10.72	10.70	8.66	15.26	15.22	12.32
P/BV	0.62	0.56	0.65	0.62	0.56	0.65
Dividends per share	-	0.50	0.60	-	0.71	0.85
Return on dividends (dividends per share/ profit per share)	-	0.94	0.93	-	0.94	0.93
Share price at the end of the period	6.60	6.01	5.65	9.39	8.55	8.04

**2. Research and development**

In order to ensure a continuous natural gas supply to the customers and a safe operation of the gas supply system, the Company has developed the “Plan of measures for improvement of gas supply system safety of Joint Stock Company “Latvijas Gāze” in 2010 to 2015”. It has been drawn up on the basis of opinions of the Russian companies “Gazobezopasnostj” and “Ļentransgaz”, the institutes “VNIIGAZ” and “Giprospepgaz”, as well as the German companies “Pipeline Engineering GmbH”, “Untergrundspeicher und Geotechnologie – Systeme GmbH”, “E.ON Engineering GmbH”, “E.ON Ruhrgas International AG” and other partners regarding the technical condition of equipment and the modernization options. The plan of measures envisages investments in the improvement of safety in the total amount of LVL 50.6 million (EUR 72.0 million).

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

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



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

### **3. International cooperation**

Project EERP-INTG-RF-LV-LT was ended in year 2013. On August 17, 2010, the Company received the resolution No. C(2010) 5554 of the European Commission dated 13.08.2010 on the award of a financial grant to the Action No. EEPR-2009-INTg-RF-LV-LT-SI2.566527/SI2.566531/SI2. 566541/SI2.566543 in compliance with the EC Regulation No. 663/2009 on gas and electricity interconnections. Under this resolution, a total of EUR 10.0 million was granted – EUR 7.5 million for the modernization of wells at the Inčukalns UGS and LVL 2.5 million for a gas passage across the River Daugava and the construction of pig receiver with a view to stabilize natural gas supplies between Lithuania and Latvia in emergency situations. The planned works were completed in 2011, and two more wells of the Inčukalns UGS were modernized in 2012 using the funds granted but not spent.

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

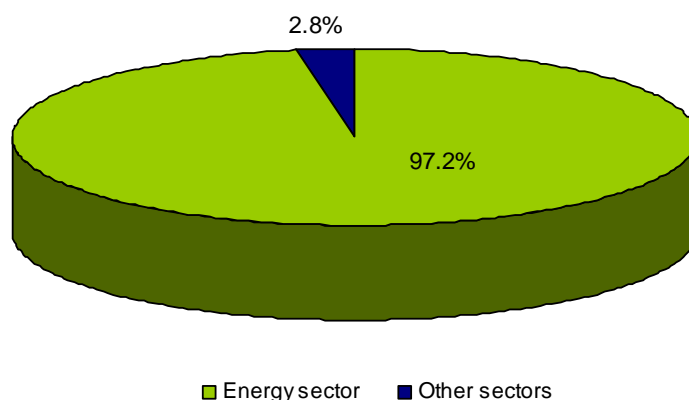
On the 1<sup>st</sup> August 2013, has been received last payment from the European Commission - EUR 3.0 million. The rest amount of totally granted EUR 10.0 million has been received on April 17, 2011 – EUR 1.95 million and on April 1, 2012 – EUR 5.05 million.

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

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

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

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



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



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

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

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

<b>Board members</b>		<b>Number of shares</b>
Chairman of the Board	Adrians Dāvis	<b>417</b>
Vice-Chairman of the Board	Joerg Tumat	<b>0</b>
Vice-Chairman of the Board	Alexander Miheyev	<b>0</b>
Board member	Anda Ulpe	<b>729</b>
Board member	Gints Freibergs	<b>416</b>
<b>Council members</b>		<b>Number of shares</b>
Chairman of the Council	Kirill Seleznev	<b>0</b>
Vice-Chairman of the Council	Juris Savickis	<b>0</b>
Vice-Chairman of the Council	Achim Saul	<b>0</b>
Council member	Matthias Kohlenbach	<b>0</b>
Council member	Rainer Link	<b>0</b>
Council member	Mario Nullmeier	<b>0</b>
Council member	Uwe H. Fip	<b>0</b>
Council member	Vlada Rusakova	<b>0</b>
Council member	Nikolay Dubik	<b>0</b>
Council member	Elena Karpel	<b>0</b>
Council member	Elena Michaylova	<b>0</b>

As from February 15, 1999, the shares of the Company are quoted at the NASDAQ OMX Riga exchange, and their trading code as from August 1, 2004 is GZE1R.

ISIN	LV0000100899
Exchange code	GZE1R
List	Second list
Nominal value	1.00 LVL
Total number of securities	39 900 000
Number of securities in public trading	25 328 520
Guaranteers of liquidity	None

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<u>Share price (LVL):</u>					
First	6.110	5.895	4.800	4.57	4.55
Highest	6.930	6.350	7.000	6.00	6.00
Lowest	6.030	5.380	4.601	4.57	3.32
Average	6.360	5.863	5.320	5.15	4.31
Last	6.600	6.010	5.651	4.90	4.10
Change	8.02%	1.95%	17.73%	7.22%	-9.89%
Number of transactions	1 479	1 767	1 284	988	1 267
Number of shares traded	121 774	168 115	218 132	85 493	64 319
Turnover (million LVL)	0.774	0.986	1.160	0.440	0.277
Capitalization (million LVL)	263.340	239.799	225.475	195.510	163.590

Source: NASDAQ OMX Riga

## Report of the Board of Directors (continued)

### 4. Shares and shareholders (continued)

The capitalization value of the Company in 12 months of 2013 reached LVL 263.34 million (EUR 374,7 million) - by LVL 23.54 million (EUR 33,5 million) more than in 12 months of the previous reporting period. By share market capitalization the Company took the 1<sup>st</sup> place among companies quoted at NASDAQ OMX RIGA and the 4<sup>th</sup> place among companies quoted at NASDAQ OMX Baltic (2012: accordingly 1<sup>st</sup> and 4<sup>th</sup>).

The dynamics of the Company share price and indexes.

The shares of the Company are included in the following index baskets	OMXBGI, OMXBPI, OMXRGI
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#### OMX Baltic

An index of all shares, Baltic-wide. Its basket consists of the shares of the Official and Second list of the Baltic exchanges. The index reflects the current situation and changes in the Baltic market overall.

#### OMX Riga

An index of all shares, local. Its basket consists of the shares of the Official and Second list of the NASDAQ OMX Riga exchange. The index reflects the current situation and changes in the NASDAQ OMX Riga exchange.

The Company share price and changes of OMX Riga GI and OMX Baltic GI (01.01.2011. - 31.12.2013.)



Source: NASDAQ OMX Riga

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

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

Indexes/Shares	01.01.2011.	31.12.2013.	Change
OMX Riga	393.53	460.13	16.92%
OMX Baltic GI	421.36	463.36	10.21%
GZE1R (LVL)	4.90	6.60	34.69%

Chairman of the Board

A. Dāvis

Board meeting minutes No. 6 (2014)  
Riga, February 13, 2014

## **Statement of Director's responsibility**

The Board of Directors of the Joint Stock Company "Latvijas Gāze" (hereinafter – the Company) is responsible of the preparation of the interim financial statements of the Company. Interim financial statements of the Company are not audited.

The financial statements on pages 13 to 19 are prepared in accordance with the underlying accounting records and source documents and present fairly the financial position of the Company as of 31 December 2013 and the result of its operations and cash flows for the period ended 31 December 2013.

The financial statements are prepared in accordance with International Financial Reporting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The Board of Directors in the preparation of the financial statements has made prudent and reasonable judgements and estimates.

The Board of Directors of JSC "Latvijas Gāze" is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board of Directors is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the Board of Directors,

Adrians Dāvis  
Chairman of the Board

Riga, 13<sup>th</sup> February 2014

## Balance sheet

	Note	31.12.2013. LVL'000	31.12.2012. LVL'000	31.12.2013. EUR'000	31.12.2012. EUR'000
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment		397 863	402 397	566 108	572 559
Intangible assets		1 961	2 119	2 790	3 015
Trade receivables		6	2 113	9	3 007
<b>Total non-current assets</b>		<b>399 830</b>	<b>406 629</b>	<b>568 907</b>	<b>578 581</b>
<u>Current assets</u>					
Inventories	1	130 136	93 276	185 167	132 719
Trade receivables		27 734	57 253	39 462	81 464
Current income tax receivable		1 186	1 734	1 688	2 467
Other current assets		27 725	1 317	39 448	1 875
Cash and cash equivalents		23 582	22 584	33 554	32 134
<b>Total current assets</b>		<b>210 363</b>	<b>176 164</b>	<b>299 319</b>	<b>250 659</b>
<b>TOTAL ASSETS</b>		<b>610 193</b>	<b>582 793</b>	<b>868 226</b>	<b>829 240</b>
<b>EQUITY AND LIABILITIES</b>					
<u>Equity</u>					
Share capital		39 900	39 900	56 773	56 773
Share premium		14 320	14 320	20 376	20 376
Revaluation reserve	2	265 732	267 362	378 103	380 422
Other reserves		80 040	78 639	113 887	111 893
Retained earnings	3	27 819	26 574	39 582	37 811
<b>Total equity</b>		<b>427 811</b>	<b>426 795</b>	<b>608 721</b>	<b>607 275</b>
<u>Liabilities</u>					
<u>Non-current liabilities</u>					
Deferred income tax liabilities		39 671	40 237	56 447	57 252
Accruals for post employment benefits and other employee benefits		4 085	4 581	5 812	6 518
Deferred income		20 215	20 363	28 763	28 974
<b>Total non-current liabilities</b>		<b>63 971</b>	<b>65 181</b>	<b>91 022</b>	<b>92 744</b>
<u>Current liabilities</u>					
Trade payables		91 114	61 440	129 643	87 421
Deferred income		816	794	1 161	1 130
Other current liabilities		26 481	28 583	37 679	40 670
<b>Total current liabilities</b>		<b>118 411</b>	<b>90 817</b>	<b>168 483</b>	<b>129 221</b>
<b>Total liabilities</b>		<b>182 382</b>	<b>155 998</b>	<b>259 505</b>	<b>221 965</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>610 193</b>	<b>582 793</b>	<b>868 226</b>	<b>829 240</b>

## Income statement

	Note	31.12.2013. LVL'000	31.12.2012. LVL'000	31.12.2013. EUR'000	31.12.2012. EUR'000
Revenue	4	403 384	427 413	573 964	608 154
Cost of sales	5	(365 491)	(394 693)	(520 047)	(561 597)
<b>Gross profit</b>		<b>37 893</b>	<b>32 720</b>	<b>53 917</b>	<b>46 557</b>
Administrative expenses	6	(12 664)	(9 084)	(18 019)	(12 926)
Other income	7	3 179	5 383	4 523	7 660
Other expenses	8	(3 936)	(4 571)	(5 600)	(6 504)
<b>Operating profit</b>		<b>24 472</b>	<b>24 448</b>	<b>34 821</b>	<b>34 787</b>
Finance income	9	109	286	155	407
Finance expenses	9	-	-	-	-
Finance income, net	9	109	286	155	407
<b>Profit before income tax</b>		<b>24 581</b>	<b>24 734</b>	<b>34 976</b>	<b>35 194</b>
Income tax expense		(3 879)	(3 533)	(5 519)	(5 027)
<b>Profit for the period</b>		<b>20 702</b>	<b>21 201</b>	<b>29 457</b>	<b>30 167</b>

## Statement of comprehensive income

### Other comprehensive income

<b>Tax sections, net</b>					
Revaluation of property, plant and equipment - gross	2	311	98 820	443	140 608
Deffered income tax liability arising on the revaluation of property, plant and equipment	2	(47)	(14 823)	(67)	(21 091)
<b>Other comprehensive income for the period, net of tax</b>		<b>264</b>	<b>83 997</b>	<b>376</b>	<b>119 517</b>
Profit for the period		20 702	21 201	29 457	30 167
<b>Total comprehensive income for the period</b>		<b>20 966</b>	<b>105 198</b>	<b>29 833</b>	<b>149 684</b>

## Statement of cash flows

	31.12.2013. LVL'000	31.12.2012. LVL'000	31.12.2013. EUR'000	31.12.2012. EUR'000
<b>Cash flow from operating activities</b>				
Cash generated from operations	69 246	32 843	98 528	46 731
Interest received	272	713	387	1 015
Income tax paid	(3 609)	(3 557)	(5 135)	(5 061)
<b>Net cash generated from operating activities</b>	<b>65 909</b>	<b>29 999</b>	<b>93 780</b>	<b>42 685</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(19 055)	(18 337)	(27 113)	(26 091)
Purchase of intangible assets	(751)	(851)	(1 068)	(1 211)
Proceeds from sale of property, plant and equipment	55	69	78	98
Received term deposits	-	9 207	-	13 100
Term deposits	(27 339)	-	(38 900)	-
<b>Net cash used in investing activities</b>	<b>(47 090)</b>	<b>(9 912)</b>	<b>(67 003)</b>	<b>(14 104)</b>
<b>Cash flow from financing activities</b>				
EC funding received	2 129	1 380	3 029	1 964
Dividends paid	(19 950)	(23 940)	(28 386)	(34 064)
<b>Net cash (used in) / generated from financing activities</b>	<b>(17 821)</b>	<b>(22 560)</b>	<b>(25 357)</b>	<b>(32 100)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>998</b>	<b>(2 473)</b>	<b>1 420</b>	<b>(3 519)</b>
Cash and cash equivalents at the beginning of the year	22 584	25 057	32 134	35 653
<b>Cash and cash equivalents at the end of the year</b>	<b>23 582</b>	<b>22 584</b>	<b>33 554</b>	<b>32 134</b>



## Statement of changes in equity

	Share capital LVL'000	Share premium LVL'000	Revaluation reserve LVL'000	Other reserves LVL'000	Retained earnings LVL'000	Total LVL'000
<b>31 December, 2011</b>	<b>39 900</b>	<b>14 320</b>	<b>185 105</b>	<b>76 883</b>	<b>29 329</b>	<b>345 537</b>
Income in year 2012, total	-	-	82 256	-	22 942	105 198
Transfer to reserves	-	-	-	1 756	(1 756)	-
Dividends for 2011	-	-	-	-	(23 940)	(23 940)
Rounding	-	-	1	-	(1)	-
<b>31 December, 2012</b>	<b>39 900</b>	<b>14 320</b>	<b>267 362</b>	<b>78 639</b>	<b>26 574</b>	<b>426 795</b>
<b>31 December, 2012</b>	<b>39 900</b>	<b>14 320</b>	<b>267 362</b>	<b>78 639</b>	<b>26 574</b>	<b>426 795</b>
Income in year 2013, total	-	-	(1 630)	-	22 596	20 966
Transfer to reserves	-	-	-	1 401	(1 401)	-
Dividends for 2012	-	-	-	-	(19 950)	(19 950)
Rounding	-	-	-	-	-	-
<b>31 December, 2013</b>	<b>39 900</b>	<b>14 320</b>	<b>265 732</b>	<b>80 040</b>	<b>27 819</b>	<b>427 811</b>

	Share capital EUR'000	Share premium EUR'000	Revaluation reserve EUR'000	Other reserves EUR'000	Retained earnings EUR'000	Total EUR'000
<b>31 December, 2011</b>	<b>56 773</b>	<b>20 376</b>	<b>263 381</b>	<b>109 395</b>	<b>41 730</b>	<b>491 655</b>
Income in year 2012, total	-	-	117 040	-	32 644	149 684
Transfer to reserves	-	-	-	2 499	(2 499)	-
Dividends for 2011	-	-	-	-	(34 064)	(34 064)
Rounding	-	-	1	(1)	-	-
<b>31 December, 2012</b>	<b>56 773</b>	<b>20 376</b>	<b>380 422</b>	<b>111 893</b>	<b>37 811</b>	<b>607 275</b>
<b>31 December, 2012</b>	<b>56 773</b>	<b>20 376</b>	<b>380 422</b>	<b>111 893</b>	<b>37 811</b>	<b>607 275</b>
Income in year 2013, total	-	-	(2 318)	-	32 151	29 833
Transfer to reserves	-	-	-	1 993	(1 993)	-
Dividends for 2012	-	-	-	-	(28 386)	(28 386)
Rounding	-	-	(1)	1	(1)	(1)
<b>31 December, 2013</b>	<b>56 773</b>	<b>20 376</b>	<b>378 103</b>	<b>113 887</b>	<b>39 582</b>	<b>608 721</b>

## Notes to the financial statements

	31.12.2013. LVL'000	31.12.2012. LVL'000	31.12.2013. EUR'000	31.12.2012. EUR'000
<b>1 INVENTORIES</b>				
Materials and spare parts (at net realisable value)	5 081	3 217	7 230	4 577
Gas and fuel (at cost)	125 055	90 059	177 937	128 142
	<b>130 136</b>	<b>93 276</b>	<b>185 167</b>	<b>132 719</b>
<b>2 REVALUATION RESERVE</b>				
At the beginning of the period	267 362	185 105	380 422	263 381
Revaluation of property, plant and equipment	311	98 820	443	140 608
Deferred income tax liability arising on the revaluation of property, plant and equipment	(47)	(14 823)	(67)	(21 091)
Disposal of revalued property, plant and equipment	(2 228)	(2 048)	(3 170)	(2 914)
Deferred income tax from excluded revaluated fixed assets	334	307	476	437
Rounding	-	1	(1)	1
<b>At the end of the period</b>	<b>265 732</b>	<b>267 362</b>	<b>378 103</b>	<b>380 422</b>
<b>3 RETAINED EARNINGS</b>				
At the beginning of the period	26 574	29 329	37 811	41 730
Disposal of revalued property, plant and equipment	1 894	1 741	2 695	2 477
Profit for the period	20 702	21 201	29 457	30 167
Transfer to reserves	(1 401)	(1 756)	(1 993)	(2 499)
Dividends for previous period	(19 950)	(23 940)	(28 386)	(34 064)
Rounding	-	(1)	(2)	-
<b>At the end of the period</b>	<b>27 819</b>	<b>26 574</b>	<b>39 582</b>	<b>37 811</b>
<b>4 REVENUE</b>				
Sales per customers' groups are as follows:				
Income from natural gas sales to industrial customers	345 106	363 270	491 042	516 886
Income from natural gas sales to residential customers	44 176	46 841	62 857	66 649
Income from transmission and storage of natural gas	13 396	16 548	19 061	23 546
Other services	706	754	1 004	1 073
	<b>403 384</b>	<b>427 413</b>	<b>573 964</b>	<b>608 154</b>
<b>5 COST OF SALES</b>				
Purchase of natural gas	314 634	335 949	447 684	478 012
Salaries	11 716	12 102	16 670	17 220
Social insurance contributions	2 783	2 865	3 960	4 077
Life, health and pension insurance	798	852	1 136	1 212
Materials and spare parts	7 385	9 013	10 508	12 824
Depreciation and amortisation	22 617	28 425	32 181	40 445
Other	5 558	5 487	7 908	7 807
	<b>365 491</b>	<b>394 693</b>	<b>520 047</b>	<b>561 597</b>

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**6 ADMINISTRATIVE EXPENSES**

Salaries	3 619	3 393	5 149	4 828
Social insurance contributions	790	765	1 124	1 088
Life, health and pension insurance	145	153	206	218
Maintenance and utilities	671	744	955	1 059
Real estate tax	763	769	1 086	1 094
Depreciation and amortisation	576	573	820	815
Bank charges	86	88	122	125
Provisions for impairment of bad and doubtful debts, net	2 275	1 264	3 237	1 799
Other expenses	3 739	1 335	5 320	1 900
	<b>12 664</b>	<b>9 084</b>	<b>18 019</b>	<b>12 926</b>

**7 OTHER INCOME**

Penalties from customers	993	953	1 413	1 356
Income from contribution to financing of construction works	615	592	875	843
Provisions for slow moving and obsolete inventories impairment	74	208	105	296
Other income	693	1 207	986	1 718
Income from increase in exchange rates, net	666	2 093	948	2 978
Interest income	138	330	196	469
	<b>3 179</b>	<b>5 383</b>	<b>4 523</b>	<b>7 660</b>

**8 OTHER EXPENSES**

Materials	27	28	38	40
Salaries	197	215	280	306
Social insurance contributions	25	28	36	40
Depreciation and amortisation	73	138	104	196
Sponsorship	2 104	2 183	2 994	3 106
Loss from sale of fixed assets	1 190	1 683	1 693	2 395
Other expense	320	296	455	421
	<b>3 936</b>	<b>4 571</b>	<b>5 600</b>	<b>6 504</b>

**EXPENSES BY NATURE**

Purchase of natural gas	314 634	335 949	447 684	478 012
Depreciation and amortisation	23 266	29 136	33 105	41 456
Employee benefit expense	20 073	20 373	28 561	28 989
Material and spare parts	7 412	9 041	10 546	12 864
Net provisions for impaired receivables	2 275	1 264	3 237	1 799
Other expenses	14 431	12 585	20 533	17 907
	<b>382 091</b>	<b>408 348</b>	<b>543 666</b>	<b>581 027</b>

**9 FINANCE INCOME, NET**

**Finance income**

- Interest income

109	286	155	407
<b>109</b>	<b>286</b>	<b>155</b>	<b>407</b>

**Finance expenses**

- Interest expenses

-	-	-	-
-	-	-	-

**Finance income, net**

<b>109</b>	<b>286</b>	<b>155</b>	<b>407</b>
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