

# 2023



## **JSC "LATVIJAS GĀZE" UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR 2023**

Prepared in accordance with the International Accounting Standards 34 "Interim Financial Reporting" as adopted by the European Union

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# 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. Dorofjevs, G. Reidzans, E. Buncis, M. Kolenbach, K. Janzen, E. Mikhaylova, Y. Ivanov, K. Seleznev, V. Khatkov and K. Neyimin.

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 Хатков), 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

# 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 JSC “Latvijas Gāze” (hereinafter – “the Company”) JSC “Gasol” 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 “Gasol”. 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 the JSC “Latvijas Gāze” as a leader in the Latvian and Baltic energy market by becoming the natural gas supplier of first choice for customers.



### OUR MISSION

To contribute to the Baltic region's economy by ensuring the reliable, safe and flexible supply of natural gas to households and enterprises 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 JSC “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 the JSC “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 the JSC “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 the JSC “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)

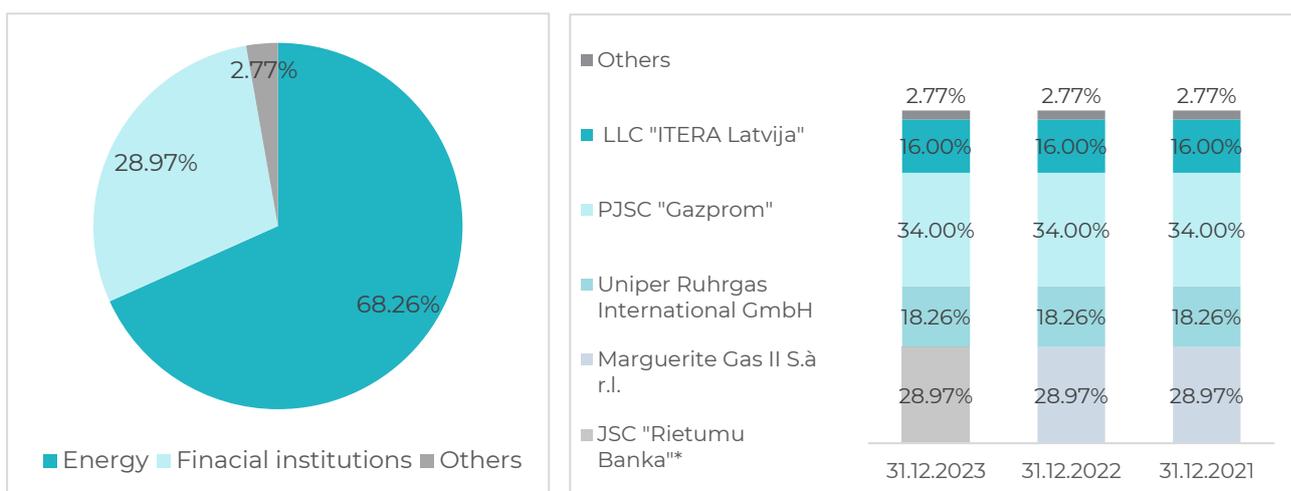


Source: Nasdaq Baltic

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

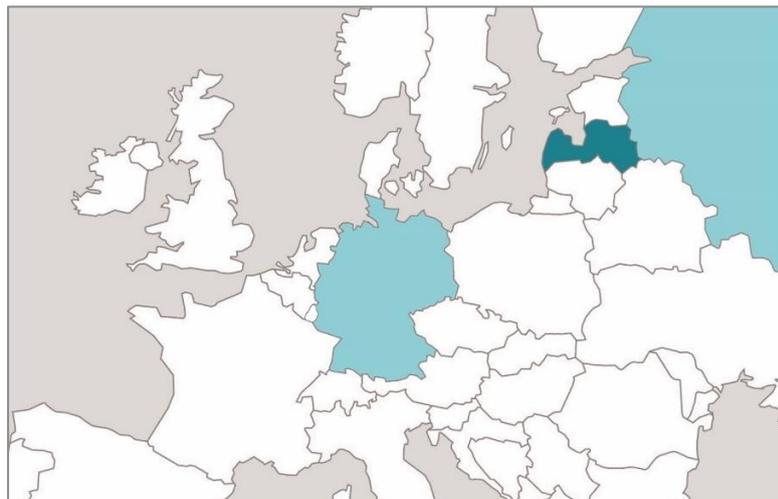
	12M 2023	12M 2022	12M 2021
Share price (EUR):			
First	8.60	10.60	10.50
Highest	12.95	11.10	11.10
Lowest	8.04	6.20	10.10
Average	9.27	8.58	10.71
Last	9.34	8.50	10.70
Change (from first to last share price)	8.60%	-19.81%	1.90%
Number of transactions	5 206	3 844	3 030
Number of shares traded	119 466	84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

## SHAREHOLDER STRUCTURE AS AT 31.12.2023



\*JSC "Rietumu Banka" became a shareholder of JSC "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
		Number of shares
<b>Board</b>		
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
<b>Council</b>		
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 favorable 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<sup>1</sup>, 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 aggressive 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

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<sup>1</sup> [https://data.stat.gov.lv/pxweb/lv/OSP\\_PUB/START\\_NOZ\\_EN\\_ENB/ENB020m/](https://data.stat.gov.lv/pxweb/lv/OSP_PUB/START_NOZ_EN_ENB/ENB020m/)

at 30.04.2023 the Company had 236 GWh of natural gas in its balance sheet reserved only for 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. 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, most of the 29.4 million EUR losses from inventory revaluation should be compensated by the Latvian Government.

Company's key financial figures	2023	2022
	EUR'000	EUR'000
<b>Net turnover</b>	<b>159 819</b>	<b>702 604</b>
<b>EBITDA</b>	<b>(26 698)</b>	<b>43 775</b>
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)
<b>EBIT</b>	<b>(27 864)</b>	<b>42 395</b>
EBIT, %	(17.4)	6.0
Financial revenues	1 473	-
Financial expenses	(3)	(392)
Corporate income tax	(30 517)	(1 179)
<b>Net profit / (losses)</b>	<b>(56 911)</b>	<b>40 824</b>
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 ( <i>Profit before income tax, interest, depreciation and amortization</i> )	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, % ( <i>or EBITDA margin</i> )	$\text{EBITDA, \%} = \frac{\text{EBITDA}}{\text{Revenue from contracts with customers}} \times 100\%$
EBIT ( <i>Profit before income tax and interest</i> )	EBIT = Profit of the year + Corporate income tax + Financial expense - Financial income
EBIT, % ( <i>or EBIT margin</i> )	$\text{EBIT, \%} = \frac{\text{EBIT}}{\text{Revenue from contracts with customers}} \times 100\%$

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

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<sup>2</sup> 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 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

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

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<sup>3</sup> (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 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 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.
- **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

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<sup>3</sup> <https://www.macroekonomics.lv/latvias-macro-profile/latvias-macro-profile-december-2023>

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 "Gasol".
- **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 "Gasol".
- **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 "Gasol".
- **On 27 June 2023**, the Competition Council of Latvia issued an approval for JSC "Eesti Gaas" to acquire a significant stake in JSC "Gasol".
- **On 17 July 2023**, the final preconditions for the completion of the transaction of sale of the 100% subsidiary of the Company JSC "Gasol" 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 "Gasol".
- **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 SIA "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 SIA "Energy Investments" for the purchase of all 28.97% of shares owned by the Marguerite fund. The financier of the deal is JSC "Rietumu Banka".
- **On 6 December 2023**, in order to raise funds for further stages of share acquisition, SIA "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 JSC "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, JSC "Rietumu Banka" will be an investor and a full-fledged shareholder of JSC "Latvijas Gāze".

## 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, JSC "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, 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 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](http://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 CO<sub>2</sub> emissions has been made. Based on the environment policy and the CO<sub>2</sub> calculations, the Company has planted 2000 birches, thus offsetting 560 tons of CO<sub>2</sub> emissions in the coming years. A reduction of CO<sub>2</sub> 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 CO<sub>2</sub> 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**

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

# STATEMENT OF BOARD RESPONSIBILITY

The Board of the Joint Stock Company "Latvijas Gāze" is responsible for the preparation of the JSC "Latvijas Gāze" unaudited interim condensed 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 International Accounting Standards 34 "Interim Financial Reporting" adopted by the European Union.

According to the information available to the management of the Company, the Financial statements 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 the JSC "Latvijas Gāze" on 1 March 2024, and they are signed on behalf of the Board by:

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Aigars Kalvītis  
Chairman of the Board

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Elita Dreimane  
Member of the Board

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Egīls Lapsalis  
Member of the Board

# FINANCIAL STATEMENTS

Prepared in accordance with the International Accounting Standards 34 "Interim Financial Reporting as Adopted by the European Union"

## CORPORATE INFORMATION

<b>Company</b>	Latvijas Gāze, Joint Stock Company
<b>LEI code</b>	097900BGMO0000055872
<b>Registration number, date and place of registration</b>	Unified registration number 40003000642 Riga, Latvia, 25 March 1991, re-registered in the Commercial Register on 20 December 2004
<b>Address</b>	A.Briāna 6, Riga, Latvia, LV-1001
<b>Major shareholders</b>	PJSC Gazprom (34.0%) AS Rietumu banka (28.97%) Uniper Ruhrgas International GmbH (18.26%) ITERA Latvija SIA (16.0%)
<b>Financial period</b>	1 January – 31 December 2023

## STATEMENT OF PROFIT OR LOSS

	Note	Company 2023	Company 2022
		EUR'000	EUR'000
<b>Revenue from contracts with customers</b>	<b>2</b>	<b>159 819</b>	<b>702 604</b>
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		(1 166)	(1 380)
Net fair value losses on financial derivatives	6	-	(10 633)
Other operating expenses	7	(8 155)	(8 358)
Revaluation expenses of related companies		-	(72 534)
<b>Gross profit</b>		<b>(27 864)</b>	<b>42 395</b>
Financial revenues		1 473	-
Financial expenses		(3)	(392)
<b>Profit before taxes</b>		<b>(26 394)</b>	<b>42 003</b>
Corporate income tax		(30 517)	(1 179)
<b>Profit/(losses) for the period</b>		<b>(56 911)</b>	<b>40 824</b>
Extraordinary dividends		-	(15 000)
<b>Profit/(losses) for the period</b>		<b>(56 911)</b>	<b>25 824</b>
		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

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Aigars Kalvītis  
Chairman of the  
Board

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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

## STATEMENT OF COMPREHENSIVE INCOME

Pielikums	Company 2023	Company 2022
	EUR'000	EUR'000
<b>Profit/(losses) for the period</b>	<b>(56 911)</b>	<b>25 824</b>
<b>Other comprehensive income - items that will not be reclassified to profit or loss</b>		
<b>Total other comprehensive income</b>	<b>(47)</b>	<b>4</b>
<b>Total comprehensive income/(losses) for the period</b>	<b>(56 958)</b>	<b>25 828</b>

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

## BALANCE SHEET

	Note	Company 31.12.2023	Company 31.12.2022
		EUR'000	EUR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	4 001	4 333
Property, plant and equipment	9	2 293	2 371
Right-of-use assets		3	119
Trade receivables		16	25
<b>Total non-current assets</b>		<b>6 313</b>	<b>6 848</b>
<b>Current assets</b>			
Inventories	10	54 649	120 509
Pre-payments for inventories		297	63
Trade receivables	11	21 737	81 951
Other financial assets at amortised cost		1 775	5 850
Other current assets		628	554
Investments held for sale		-	122 000
Cash and cash equivalents		78 328	41 237
<b>Total current assets</b>		<b>157 414</b>	<b>372 164</b>
<b>TOTAL ASSETS</b>		<b>163 727</b>	<b>379 012</b>

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

## BALANCE SHEET (continued)

	Note	Company 2023	Company 2022
		EUR'000	EUR'000
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Share capital	13	55 860	55 860
Share premium		20 376	20 376
Reserves		(67)	(20)
Retained earnings		48 918	235 903
<b>Total equity</b>		<b>125 087</b>	<b>312 119</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		-	51
Employee benefit obligations		76	39
<b>Total non-current liabilities</b>		<b>76</b>	<b>90</b>
<b>Current liabilities</b>			
Trade payables	14	5 492	37 327
Lease liabilities		-	89
Corporate income tax		55	-
Other liabilities	15	9 805	26 987
Dividends unpaid		23 212	2 400
<b>Total current liabilities</b>		<b>38 564</b>	<b>66 803</b>
<b>Total liabilities</b>		<b>38 640</b>	<b>66 893</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>163 727</b>	<b>379 012</b>

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

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Head of the  
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Reporting department

## STATEMENT OF CASH FLOWS

	Note	Company 2023	Company 2022
		EUR'000	EUR'000
<b>Cash flow from operating activities</b>			
<b>Profit/ (losses) before tax</b>		<b>(26 394)</b>	<b>42 003</b>
<i>Adjustments:</i>			
- depreciation of property, plant and equipment and right-of-use assets	9	377	365
- amortisation of intangible assets	8	792	1 014
- changes in provision		(10)	13
- profit/losses from long-term asset exclusions		-	5
- interest expenses		-	286
- losses on impairment of investments		-	72 534
- losses from sale of property, plant and equipment		13	-
<i>Changes in operating assets and liabilities:</i>			
- 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)
<b>Net cash inflow from operating activities</b>		<b>25 060</b>	<b>92 852</b>
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment	9	(350)	(402)
Payments for intangible assets	8	(460)	(421)
Proceeds from sale of property, plant and equipment		154	52
<b>Net cash outflow from investing activities</b>		<b>(656)</b>	<b>(771)</b>
<b>Naudas plūsma no finanšu darbības</b>			
Overdraft/factoring received		-	(38 994)
Leases paid		(51)	(51)
Interest paid		-	(286)
Dividends paid		12 738	(12 600)
<b>Net cash outflow from financing activities</b>		<b>12 687</b>	<b>(51 931)</b>
<b>Net cash flow</b>		<b>37 091</b>	<b>40 150</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>41 237</b>	<b>1 087</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>78 328</b>	<b>41 237</b>

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## 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 JSC "Latvijas Gāze" (hereinafter – "the Company") JSC "Gasol" were met. 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

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

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

### 3. Other income

	Company 2023	Company 2022
	EUR'000	EUR'000
Penalties collected from customers	1 384	917
Other	969	257
	<b>2 353</b>	<b>1 174</b>

#### 4. Raw materials and consumables used

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

#### 5. Personnel expenses

	Company 2023	Company 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
	<b>5 837</b>	<b>6 458</b>
Average number of employees	119	122

Salaries of the Council and the Board	Company 2023	Company 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	-	-
	<b>1 443</b>	<b>1 668</b>

#### 6. Derivative financial instruments

	Company 2023	Company 2022
	EUR'000	EUR'000
Net fair value losses on financial derivatives	-	(10 633)
	-	<b>(10 633)</b>

## 7. Other operating expenses

	Company 2023	Company 2022
	EUR'000	EUR'000
Selling and advertising costs	1 122	828
Expenses related to premises (rent, electricity, security and other services)	245	260
Donations, financial support	2 525	1 059
Office and other administrative costs	1 806	1 531
Taxes and duties	837	245
Costs of IT system maintenance, communications and transport	1 213	969
Losses from write-off and sale of property, plant and equipment	-	57
Other costs	407	3 407
	<b>8 155</b>	<b>8 358</b>

	Company 2023	Company 2022
	EUR'000	EUR'000
<b>Other costs</b>		
Provisions for doubtful debtors	361	3 342
Other costs	46	65
	<b>407</b>	<b>3 407</b>

## 8. Intangible assets

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

## 9. Property, plant and equipment

Company	Land, buildings, constructions	Machinery and equipment	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>Cost or revalued amount</b>					
<b>31.12.2022</b>	<b>1 811</b>	<b>-</b>	<b>1 755</b>	<b>140</b>	<b>3 706</b>
Additions	127	-	223	-	350
Disposals	-	-	(172)	(140)	(312)
<b>31.12.2023</b>	<b>1 938</b>	<b>-</b>	<b>1 806</b>	<b>-</b>	<b>3 744</b>
<b>Accumulated depreciation</b>					
<b>31.12.2022</b>	<b>234</b>	<b>-</b>	<b>1 101</b>	<b>-</b>	<b>1 335</b>
Calculated	76	-	185	-	261
Disposals	-	-	(145)	-	(145)
<b>31.12.2023</b>	<b>310</b>	<b>-</b>	<b>1 141</b>	<b>-</b>	<b>1 451</b>
<b>Net book value as of 31.12.2023</b>	<b>1 628</b>	<b>-</b>	<b>665</b>	<b>-</b>	<b>2 293</b>
<b>Net book value as of 31.12.2022</b>	<b>1 577</b>	<b>-</b>	<b>654</b>	<b>140</b>	<b>2 371</b>

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

## 10. Inventories

	Company 2023	Company 2022
	EUR'000	EUR'000
Natural gas and fuel	54 649	120 509
	<b>54 649</b>	<b>120 509</b>

## 11. Trade receivables

Trade receivables	Company 2023	Company 2022
	EUR'000	EUR'000
Long-term receivables (nominal value)	16	25
	<b>16</b>	<b>25</b>
Short-term receivables (nominal value)	30 412	90 437
Allowance for impairment of short-term receivables	(8 675)	(8 486)
	<b>21 737</b>	<b>81 951</b>

## 12. Taxes

Company Tax movement	Liabilities 31.12.2022	Receivabl 31.12.2022	Calculated 2023	Paid 2023	Liabilities 31.12.2023	Receivable 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	-
	<b>13 053</b>	-	<b>77 151</b>	<b>(86 901)</b>	<b>3 303</b>	-

Company Tax movement	Liabilities 31.12.2021	Receivabl 31.12.2021	Calculated 2022	Paid 2022	Liabilities 31.12.2022	Receivable 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	-
	<b>20 616</b>	-	<b>71 057</b>	<b>(78 620)</b>	<b>13 053</b>	-

### 13. 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
<b>Share capital</b>				
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
	<b>100.00</b>	<b>39 900 000</b>	<b>100.00</b>	<b>39 900 000</b>
<b>Shareholders</b>				
Uniper Ruhrgas International GmbH (including registered (closed issue) shares 7 285 740)	18.26	7 285 740	18.26	7 285 740
AS Rietumu banka. (public issue shares 11 560 645)	28.97	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
	<b>100.00</b>	<b>39 900 000</b>	<b>100.00</b>	<b>39 900 000</b>

As at 31 December 2022 and 31 December 2023, the registered, signed and paid-up share capital consisted of 39 900 000 shares with a nominal value of 1.40 EUR each. 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.

### 14. Trade payables

	Company 2023	Company 2022
	EUR'000	EUR'000
Payables to related parties*	-	3 908
Payables to third parties	5 492	33 419
	<b>5 492</b>	<b>37 327</b>

\*JSC Gaso is not Company related part from 17.07.2023.

## 15. Other liabilities

	Company 2023	Company 2022
	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
	<b>9 805</b>	<b>26 987</b>

## 16. 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 “Gasol” – 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 “Gasol” for the Company’s needs; cooperation agreement on the provision of services for business needs.

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

	Sabiedrība	Sabiedrība
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Related party payables and receivables	2023*	2022
	EUR'000	EUR'000
<b>Receivables from related companies</b>		
JSC "Gasol"	-	5 081
<b>Payables to related companies for natural gas and services</b>		
JSC "Gasol"	2 129	3 908

\*JSC Gasol is not Company related part from 17.07.2023. Transactions with JSC Gasol are indicated for the period from 01.01.2023 to 17.07.2023.

## 17. Financial risk management

### Fair value

Financial assets and liabilities	Level	Company 2023	Company 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
<b>Financial assets</b>		<b>101 840</b>	<b>129 038</b>
Lease liabilities	3	-	140
Accrued expenses	3	958	1 609
Trade payables	3	5 492	37 327
Assets held for sale	3	-	122 000
<b>Financial liabilities</b>		<b>6 450</b>	<b>161 076</b>

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 according with the fair value hierarchy into Level 1, Level 2 and Level 3.

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.

## 18. Summary of significant accounting policies

The interim financial report follows the same accounting policies and calculation methods as used in the last year's financial report.

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Aigars Kalvītis  
Chairman of the  
Board

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Elita Dreimane  
Member of the  
Board

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Egīls Lapsālis  
Member of the  
Board

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