

# 2023



## **LATVIJAS GĀZE GROUP CONSOLIDATED AND JSC "LATVIJAS GĀZE" UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 3-MONTHS PERIOD ENDED 31 MARCH 2023**

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



# CONTENTS

COUNCIL OF THE JSC "LATVIJAS GĀZE" .....	3
MANAGEMENT BOARD OF THE JSC "LATVIJAS GĀZE" .....	4
LATVIJAS GĀZE GROUP IN BRIEF.....	5
STRATEGY AND OBJECTIVES.....	5
SHARES AND SHAREHOLDERS OF THE JSC "LATVIJAS GĀZE" .....	7
MANAGEMENT REPORT .....	10
STATEMENT OF BOARD RESPONSIBILITY .....	17
FINANCIAL STATEMENTS.....	18
CORPORATE INFORMATION.....	18
STATEMENT OF PROFIT OR LOSS.....	19
STATEMENT OF COMPREHENSIVE INCOME.....	19
BALANCE SHEET .....	20
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	22
COMPANY'S STATEMENT OF CHANGES IN EQUITY.....	23
STATEMENT OF CASH FLOWS .....	24
NOTES .....	26

# COUNCIL OF THE JSC “LATVIJAS GĀZE”

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



**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



**Nicolàs Merigó Cook**, 1963  
Member of the Council

Chief Executive Officer, Marguerite Adviser S.A. (Luxemburg)



**Matthias Kohlenbach**, 1969  
Member of the Council

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



**Hans-Peter Floren**, 1961  
Member of the Council

Owner and Chief Executive Officer, FLORENGY AG (Essen, Germany)



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

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



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

Head of Department 817, PJSC “Gazprom”



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

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



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

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



**Ēriks Atvars**, 1972  
Member of the Council

Unicredit Corporate and Investment Banking (Germany)

# 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 Egils 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



**Egils Lapsalis, 1979**  
Member of the Board

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

# LATVIJAS GĀZE GROUP IN BRIEF

The Latvijas Gāze group consists of two business segments – natural gas trading and natural gas distribution operator services.

The natural gas sales & trading segment comprises the purchase, trade and sale of natural gas. This business, which includes the wholesale and sale of natural gas to industrial and commercial customers as well as to households, is operated by the JSC “Latvijas Gāze” (hereinafter – “the Company”).

The natural gas distribution services segment provides natural gas distribution services in Latvia. This business is operated by the JSC “Gasol”, which holds an exclusive license for the provision of natural gas distribution services in the territory of Latvia, valid till 6 December 2037. The JSC “Gasol” owns and operates all the distribution assets necessary to provide the respective services to approximately 400 thousand customers.

The JSC “Gasol” fully complies with the requirements of the Energy Law which foresee a full legal, structural and operational separation of the distribution business from the sales & trading activities. The Board and Council of the JSC “Gasol” are fully independent of the sales & trading business of the JSC “Latvijas Gāze”.

In 2022, the Company’s shareholders adopted a decision on launching the Company’s reorganisation process or the reduction of its share capital. Implementing the shareholders’ decision, the process of selling the natural gas distribution system operator JSC “Gasol” has been launched and is set to be completed in 2023. For this reason, the natural gas distribution service segment will from now onwards be treated as discontinued operation in the financial statement, while the natural gas sales & trading segment – as continuing operation.

## STRUCTURE OF THE LATVIJAS GĀZE GROUP AS AT 31 DECEMBER 2022

	Countries of operation	Type of business	Share of participation
JSC “Latvijas Gāze”	Latvia, Lithuania, Estonia and Finland	Sales & trading of natural gas	
JSC “Gasol”	Latvia	Distribution of natural gas	100%

## STRATEGY AND OBJECTIVES



### OUR OBJECTIVE

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



### OUR MISSION

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



## **OUR VISION**

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

# SHARES AND SHAREHOLDERS OF THE JSC “LATVIJAS GĀZE”

## SHARES AND SHAREHOLDERS

The shares of the 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 March 2023 was 6 764.

## COMPANY’S SHARE PRICE, OMX RIGA GI AND OMX BALTIC GI INDEX CHANGES (01.01.2021-31.03.2023)

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 March 2023, the market capitalisation of the JSC “Latvijas Gāze” amounted to 339.95 million EUR, which is 7% less than in the respective period of 2022.

## SHARE PRICE DEVELOPMENT AND SHARE TURNOVER (01.01.2021-31.03.2023)

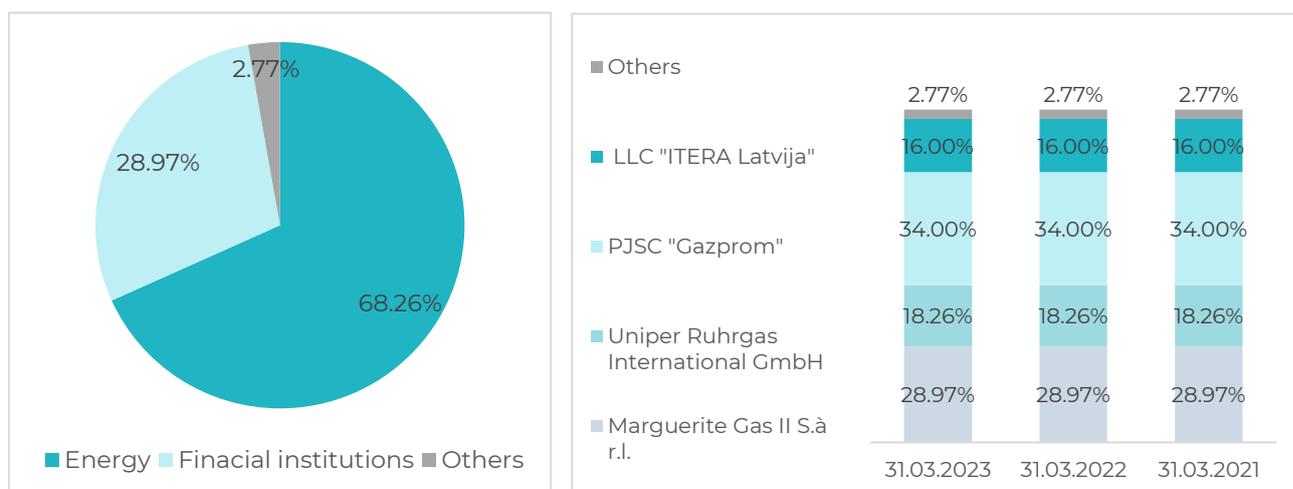


Source: Nasdaq Baltic

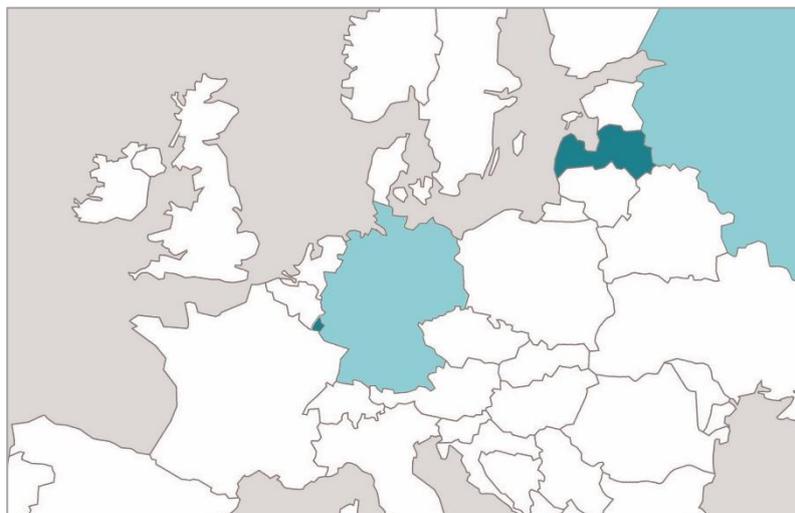
## INFORMATION ON SHARE TRANSACTIONS (3M 2021 – 3M 2023)

	3M 2023	3M 2022	3M 2021
Share price (EUR):			
First	8.60	10.60	10.50
Highest	9.10	11.10	10.90
Lowest	8.50	7.90	10.20
Average	8.81	10.08	10.61
Last	8.52	9.20	10.30
Change (from first to last share price)	-0.93%	-13.21%	-1.90%
Number of transactions	635	919	827
Number of shares traded	8 512	25 724	20 928
Turnover (million EUR)	0.08	0.25	0.22
Capitalisation (million EUR)	340	367	411

## SHAREHOLDER STRUCTURE AS AT 31.03.2023



## GEOGRAPHICAL DISTRIBUTION OF MAJOR SHAREHOLDERS



- Russia (PJSC Gazprom)
- Luxemburg (Marguerite Gas II S.à r.L.)
- Germany (Uniper Ruhrgas International GmbH)
- Latvia (LLC Itera Latvija)

## 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	Nicolas Merigo Cook	None
Member of the Council	Matthias Kohlenbach	None
Member of the Council	Hans-Peter Floren	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
Member of the Council	Ēriks Atvars	None

# MANAGEMENT REPORT

Latvijas Gāze Group continued to face various challenges in the first quarter of 2023, mainly in connection with significant natural gas price fluctuations. Thanks to the experience accumulated over the years and extensive knowledge of the natural gas market in Latvia and Europe, Latvijas Gāze continued its operations, ensuring an uninterrupted supply of gas to its customers, including fulfilling its obligations as Public Trader towards more than 340 000 household clients.

During the first quarter of 2023, JSC "Latvijas Gāze" actively prepared for the opening of the household market from 1 May 2023, and continued work on retaining existing household segment customers.

Latvijas Gāze Group's net profit in the first quarter of 2023 reached 12 million EUR, which was 85% lower compared to the corresponding period of 2022, when the net profit was 77.5 million EUR. The significant decrease in profit can be explained by the fact that the result of the economic activity of the first quarter of 2022, due to the accounting methodology of financial derivative transactions, actually reflected the results of the economic activity of both 2021 and the first quarter of 2022. However, in the first quarter of 2023 such situation was not observed.

JSC "Latvijas Gāze" subsidiary JSC "Gasol" receives its main revenue from the regulated natural gas distribution services, according to the tariffs approved by the Public Utilities Commission. The economic performance of the natural gas distribution service segment operated by JSC "Gasol" depends on the overall demand for natural gas and the volumes transported through the natural gas distribution network over the year. Net profit of JSC "Gasol" reached 5 million EUR in the first quarter of 2023, which is 44% higher compared to the first quarter of 2022. The profit partially compensates the losses incurred in 2022. Likewise, JSC "Gasol" continued to develop safe and available natural gas distribution infrastructure, with major investments made in construction and reconstruction of gas pipelines and shut-off devices, reconstruction of technological equipment and development of information systems and computing equipment.

The economic activities of JSC "Latvijas Gāze" are still affected by the Cabinet of Ministers Regulations No. 503 "On the Supply of Energy Users During the Declaration of Early Warning and Alarm Level" (entered into force on 10 August 2022). They imposed an obligation on the public trader (JSC "Latvijas Gāze") to maintain 1150 GWh of natural gas reserves in the Inčukalna Underground Gas Storage Facility for household supply during the period from 10 August 2022 till 30 April 2023, reducing the reserved 1150 GWh each month by the natural gas quantity actually supplied to households in the previous month. Due to these regulations, as at 31.03.2023 JSC "Latvijas Gāze" had 314 GWh of natural gas reserved only for household supply, which could not be sold to other customers for market prices, 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.

Group's key financial figures	3M 2023	3M 2022 reclassified
	EUR'000	EUR'000
<b>Net turnover</b>	<b>82 581</b>	<b>302 911</b>
<b>EBITDA</b>	<b>15 202</b>	<b>81 101</b>
EBITDA, %	18.4	26.8
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	(3 203)	(3 444)
<b>EBIT</b>	<b>11 999</b>	<b>77 657</b>
EBIT, %	14.5	25.6
Financial revenues	46	-
Financial expenses	(7)	(183)
<b>Net profit</b>	<b>12 038</b>	<b>77 474</b>
Net profit margin, %	14.6	25.6
Profit per share, EUR	0.3	1.94
P/E	28.4	4.74
Current ratio	4.24	2.71
ROCE	0.04	0.17

Key financial figures from continuing operations	3M 2023	3M 2022
	EUR'000	EUR'000
<b>Net turnover</b>	<b>85 750</b>	<b>307 168</b>
<b>EBITDA</b>	<b>7 269</b>	<b>74 507</b>
EBITDA, %	8.5	24.3
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	(302)	(346)
<b>EBIT</b>	<b>6 967</b>	<b>74 161</b>
EBIT, %	8.1	24.1
Financial revenues	45	-
Financial expenses	(1)	(177)
<b>Net profit</b>	<b>7 011</b>	<b>73 984</b>
Net profit margin, %	8.2	24.1

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 ( <i>or Commercial profitability</i> ) The indicator reflects how much the company earns from each of the EUR received from customers	$\text{Net profitability, \%} = \frac{\text{Profit of the year}}{\text{Revenue from contracts with customers}} \times 100\%$

P/E Ratio ( <i>Relationship between Share Price and Earnings per Share</i> )	$P/E = \frac{\text{Last share price}}{\text{Earnings per share for the reporting year}}$
Current ratio The indicator measures Company's ability to pay short-term obligations that matures within one year.	$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$
Return on capital employed (ROCE) The indicator measures the effective use of available capital by the company.	$\text{Return on capital employed} = \frac{\text{EBIT}}{\text{Capital employed}}$
Dividend payout ratio The indicator reflects total amount of dividends paid out to shareholders relative to the net income of the company.	$\text{Dividend payout ratio} = \frac{\text{Dividends paid}}{\text{Net income}}$

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

## GENERAL MARKET AND INDUSTRY ENVIRONMENT

Following a year of upheaval and uncertainty in the European and global natural gas markets, natural gas prices have experienced a significant decline since the beginning of 2023, which may present both significant challenges and opportunities for natural gas traders. Europe's winter-ending gas stocks are unusually high, while Chinese liquefied natural gas demand remains low - these factors indicate that natural gas prices in Europe and Asia could continue to decline in the summer months. However, it should be taken into account that the currently observed price decrease does not guarantee that the natural gas prices will remain at such a low level in the future.

The latest economic report by the International Monetary Fund<sup>1</sup> forecasts a positive global economic growth in 2023 (+2.8%), which is 0.1% below the previous forecast. In 2024, the global economy is expected to grow by 3% (a 0.1% decrease compared to the previous forecast). Inflation is forecast to decrease from 8.7% in 2022 to 7% in 2023 (a 0.4% increase compared to the previous report) on the back of lower commodity prices but core inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases. The forecast is uncertain again amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID.

According to the latest macroeconomic forecasts by the Bank of Latvia<sup>2</sup> (LB) as revised in March 2023, Latvia's GDP will grow by 0.5% in 2023 (an increase by 0.8% as compared to the December 2022 report, where a 0.3% fall was projected). This in turn reduces the GDP growth in the coming years: to 3.7% for 2024 (a 4.4% rise was projected in December) and to 3.3% for 2025 (a 3.5% rise was projected in December). Forecasts have been drawn up amid persistently high uncertainty. The recession experienced by Latvia's economy in 2022 was shallow; however, the end of the year came as a surprise with a resilient consumption increase. With the absorption of EU funds becoming more active and input prices normalising, 2024–2025 is expected to witness economic growth above 3%. The inflation forecast has been revised downwards for the entire projection horizon: to 10% for 2023 (10.9% in the December 2022 forecast), to 2.7% for 2024 (4.4% in the December 2022

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>

<sup>2</sup> <https://www.macroekonomics.lv/macroeconomic-forecasts-latvijas-banka-march-2023>

forecast) and to 2.6% for 2025 (3% in the December 2022 forecast). Lower energy and food prices and assumptions about their developments allow a downward revision of the inflation forecast, however inflation in Latvia remains high – it was the highest among the euro area countries in February.

## KEY EVENTS DURING THE REPORTING PERIOD

- **As of 1 January 2023**, natural gas supplies from Russia are prohibited.
- **On 1 January 2023**, new JSC "Latvijas gāze" natural gas tariffs for households for the period from January 1 to April 30, as well as new JSC "Gasol" 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 Gasol 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 JSC "Latvijas Gāze" 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 MWh under certain conditions. They will come into effect if the price of 180 euros is exceeded for three days in a row.

## PERFORMANCE OF OPERATING SEGMENTS

**The sales & trading segment (continuing operations):** In the first quarter of 2023, the segment's net turnover reached 85.8 million EUR, which was 72% lower than in the first quarter of 2022 when net turnover was 307.2 million EUR. In the first three months of 2023, the segment's EBITDA reached 4.1 million EUR, profit before taxes reached 3.8 million EUR, while in the first three months of 2022 EBITDA was 70.2 million EUR and profit before taxes was 69.7 million EUR.

**The distribution segment (discontinued operations):** In the first quarter of 2023, the segment's net turnover reached 18.3 million EUR and EBITDA reached 11.1 million EUR (an increase compared to the first quarter of 2022 by 3% and 2% respectively). Natural gas distribution services are regulated and constitute the main source of revenue for JSC "Gasol".

## NATURAL GAS SUPPLIES

From January till March 2022, the Company purchased natural gas from the PJSC "Gazprom" under the long-term natural gas supply agreement. From April till October 2022, within the regulatory framework, the Company purchased natural gas, including of Russian origin, from alternative suppliers. From October 2022 onwards, the Company purchases natural gas of other than Russian origin from alternative suppliers (bilateral contracts with suppliers from EU countries, LNG deliveries, GetBaltic natural gas exchange).

## FINANCIAL RISK MANAGEMENT

The JSC "Latvijas Gāze" 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 group'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 Inčukalns Underground Gas Storage ("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, Latvijas Gāze operates without borrowed capital because on 25 November 2022 it reached an agreement with the Latvian branch of OP Corporate Bank plc on an early termination of the overdraft contract. Short-term liquidity is good and the early termination of the contract has not adversely affected the Company.

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 Inčukalns Underground Gas Storage Facility (hereinafter – 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 may 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. 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 is blocked. The supervisory authorities were submitted both data on the historical actual natural gas deliveries to household consumers for October-November 2022 and a natural gas sales forecast for 2023 with a 20% reduction of the quantity required for the needs of household consumers.

## **CORPORATE MANAGEMENT REPORT AND REMUNERATION REPORT**

Available: [www.lg.lv](http://www.lg.lv)

## **FUTURE PROSPECTS**

On 11 August 2022, amendments to the Energy Law took effect whereby natural gas supplies from Russia are prohibited as of 1 January 2023. Despite this, the Company managed to restructure its

supply chains in 2022 and secure natural gas deliveries from other countries – there have been contracts signed with multiple alternative natural gas suppliers.

Under the amendments to the Energy Law, the natural gas market will be fully open for households as of 1 May 2023. The natural gas trading service will be provided in line with the content of the universal service and the principles of its application. Despite the regulatory changes, the Company will continue 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 JSC “Latvijas Gāze” will continue rolling out new functionalities in the new billing system and customer portal.

On 8 August 2022, the shareholders of the JSC “Latvijas Gāze” adopted a decision on launching the Company’s reorganisation process or the reduction of its share capital. In execution of the shareholder’s decision, the process of selling the natural gas distribution system operator JSC “Gasos” has been launched and is set to be completed in 2023.

On 16 June 2022, the Parliament adopted amendments to the National Security Law in the 2nd and final reading. As a result of the amendments, the law is supplemented with transitional provisions (Section 21) whereby persons belonging to the Russian Federation who have qualifying holding or decisive influence or are the beneficial owners of a commercial company of significance to national security are prohibited from exercising their voting rights. Having regard to this, the Company has launched the process of selling the JSC “Gasos” and intends to complete it within 2023.

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 creating 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 Group’s ambition is to develop renewable energy projects, including by using the natural gas network infrastructure and its capabilities. The Group’s objective is to increase the use of natural gas in areas where other fossil resources are currently preferred. According to the criteria set out in the Sustainable investment regulation, the JSC “GASO” can achieve sustainability through building systems of hydrogen or other low-emission gases or adapting the existing systems for the transportation of such gases.

The Company can achieve sustainability by accomplishing the objective of biogas production/trading which is aligned with the business development directions set out in the Company’s strategy. The Group’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 to the energy system implemented in compliance with the LVS EN ISO 5001 standard, attention is paid to a good management of buildings, and those managed by the Group will undergo green office certification. There has been an environment management system implemented, certified under the ISO 14 001 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 JSC “Latvijas Gāze” has planted 2000 birches, thus offsetting CO<sub>2</sub> emissions of 3 years. A reduction of CO<sub>2</sub> and other emissions can also be achieved through replacing petrol and diesel cars with natural gas counterparts. Using CNG in transport 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 Group’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 2022, as part of the energy management system, the Group completed 41 energy efficiency tasks with planned energy savings of 1140 MWh per year. Such activities yield a decrease in the total energy consumption by approximately 11.7%.

In 2023, the company intends to complete 31 energy efficiency tasks with planned energy savings of 1935 MWh per year.

### **SUBSEQUENT EVENTS**

JSC "Latvijas Gāze" announced on 14 April 2023 that it has signed a final agreement on the sale of JSC "Gasol" to the Estonian company JSC "Eesti Gaas". Completion of the transaction still requires the government's approval for the takeover of national security assets and the permission of the competition authority. The transaction is expected to close by the end of 2023, subject to the fulfillment of closing conditions. The signing of the aforementioned agreement does not affect the financial results of JSC "Latvijas Gāze" or JSC "Gasol" and the continuation of the Group's operations.

In the period after March 31, 2023, no other events have occurred that would affect the Group'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 “Latvijas Gāze” Group consolidated and the JSC "Latvijas Gāze" unaudited interim condensed financial statements for 3-months period ended 31 March 2023 (further – Financial statements), which consist of the Company’s and the Company’s and its subsidiary (further - Group’s) financial statements.

Financial statements for the 3-months period ended 31 March 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 Group’s and 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 and the consolidation group, as well as the substantial risks and unclear circumstances faced by the consolidation group.

The Financial statements were approved by the Board of the JSC “Latvijas Gāze” on 25 May 2023, and they are signed on behalf of the Board by:

---

Aigars Kalvītis  
Chairman of the Board

---

Elita Dreimane  
Member of the Board

---

Egīls Lapsalis  
Member of the Board

# FINANCIAL STATEMENTS

Prepared in 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%) Marguerite Gas II.S.a.r.l. (28.97%) Uniper Ruhrgas International GmbH (18.26%) ITERA Latvija SIA (16.0%)
<b>Financial period</b>	1 January – 31 March 2023

## STATEMENT OF PROFIT OR LOSS

	Note	Group 01.01- 31.03.2023	Group (reclassified) 01.01- 31.03.2022	Company 01.01- 31.03.2023	Company 01.01- 31.03.2022
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Revenue from contracts with customers</b>	2	<b>82 581</b>	<b>302 911</b>	<b>85 750</b>	<b>307 168</b>
Other income	3	363	244	363	244
Raw materials and consumables used	4	(76 274)	(216 595)	(76 196)	(216 499)
Personnel expenses	5	(1 384)	(1 359)	(1 384)	(1 360)
Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets		(285)	(329)	(302)	(346)
Net fair value losses on financial derivatives	6	-	(10 982)	-	(10 982)
Other operating expenses	7	(1 213)	(4 035)	(1 264)	(4 064)
<b>Gross profit</b>		<b>3 788</b>	<b>69 855</b>	<b>6 967</b>	<b>74 161</b>
Financial revenues		45	-	45	-
Financial expenses		(1)	(177)	(1)	(177)
<b>Profit before taxes</b>		<b>3 832</b>	<b>69 678</b>	<b>7 011</b>	<b>73 984</b>
<b>Profit for the period for continuing operations</b>		<b>3 832</b>	<b>69 678</b>	<b>7 011</b>	<b>73 984</b>
Profit or loss from discontinued operations	8	8 206	7 796	-	-
<b>Profit for the period</b>		<b>12 038</b>	<b>77 474</b>	<b>7 011</b>	<b>73 984</b>

## STATEMENT OF COMPREHENSIVE INCOME

	Note	Group 01.01- 31.03.2023	Group reclassified 01.01- 31.01.2022	Company 01.01- 31.03.2023	Company 01.01- 31.03.2022
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Profit for the period</b>		<b>12 038</b>	<b>77 474</b>	<b>7 011</b>	<b>73 984</b>
<b>Other comprehensive income - items that will not be reclassified to profit or loss</b>					
<b>Total other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>12 038</b>	<b>77 474</b>	<b>7 011</b>	<b>73 984</b>

Aigars Kalvītis  
Chairman of the  
Board

Elita Dreimane  
Member of the  
Board

Egīls Lapsalis  
Member of the  
Board

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

## BALANCE SHEET

	Note	Group 31.03.2023	Group 31.12.2022	Company 31.03.2023	Company 31.12.2022
		EUR'000	EUR'000	EUR'000	EUR'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	9	4 168	4 333	4 168	4 333
Property, plant and equipment	10	2 321	2 371	2 321	2 371
Right-of-use assets		-	-	102	119
Trade receivables		40	25	40	25
<b>Total non-current assets</b>		<b>6 529</b>	<b>6 729</b>	<b>6 631</b>	<b>6 848</b>
<b>Current assets</b>					
Inventories	11	76 113	120 509	76 113	120 509
Pre-payments for inventories		9 875	63	9 875	63
Trade receivables	12	37 292	76 870	38 260	81 951
Other financial assets at amortised cost		3 575	5 850	3 575	5 850
Other current assets		415	554	415	554
Investments held for sale	8	166 891	170 225	122 000	122 000
Cash and cash equivalents		115 052	41 237	115 052	41 237
<b>Total current assets</b>		<b>409 213</b>	<b>415 308</b>	<b>365 290</b>	<b>372 164</b>
<b>TOTAL ASSETS</b>		<b>415 742</b>	<b>422 037</b>	<b>371 921</b>	<b>379 012</b>

---

Aigars Kalvītis  
Chairman of the  
Board

---

Elita Dreimane  
Member of the  
Board

---

Egīls Lapsalis  
Member of the  
Board

---

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

## BALANCE SHEET (continued)

	Note	Group 31.03.2023	Group 31.12.2022	Company 31.03.2023	Company 31.12.2022
		EUR'000	EUR'000	EUR'000	EUR'000
<b>LIABILITIES AND EQUITY</b>					
<b>Equity</b>					
Share capital	13	55 860	55 860	55 860	55 860
Share premium		20 376	20 376	20 376	20 376
Reserves		(20)	(20)	(20)	(20)
Retained earnings		242 914	235 903	242 914	235 903
<b>Total equity</b>		<b>319 130</b>	<b>312 119</b>	<b>319 130</b>	<b>312 119</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Lease liabilities		-	-	34	51
Employee benefit obligations		39	39	39	39
<b>Total non-current liabilities</b>		<b>39</b>	<b>39</b>	<b>73</b>	<b>90</b>
<b>Current liabilities</b>					
Trade payables	14	33 327	33 419	37 105	37 327
Lease liabilities		21	21	89	89
Other liabilities	15	13 124	26 987	13 124	26 987
Dividends unpaid		2 400	2 400	2 400	2 400
Liabilities directly related to investments held for sale	8	47 701	47 052	-	-
<b>Total current liabilities</b>		<b>96 573</b>	<b>109 879</b>	<b>52 718</b>	<b>66 803</b>
<b>Total liabilities</b>		<b>96 612</b>	<b>109 918</b>	<b>52 791</b>	<b>66 893</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>415 742</b>	<b>422 037</b>	<b>371 921</b>	<b>379 012</b>

Aigars Kalvītis  
Chairman of the  
Board

Elita Dreimane  
Member of the  
Board

Egīls Lapsalis  
Member of the  
Board

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

## CONSOLIDATED 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>182 940</b>	<b>110 126</b>	<b>369 302</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>Comprehensive income</b>					
Profit for the year	-	-	-	39 073	39 073
Other comprehensive income	-	-	4	-	4
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>39 073</b>	<b>39 077</b>
Impairment of investment held for sale	-	-	(81 095)	-	(81 095)
Reclassification of reserves and held for sale investments	-	-	(101 869)	101 704	(165)
<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>Comprehensive income</b>					
Profit for the year	-	-	-	12 038	12 038
Correction of discontinued operations	-	-	-	(5 027)	(5 027)
<b>31 March 2023</b>	<b>55 860</b>	<b>20 376</b>	<b>(20)</b>	<b>242 914</b>	<b>319 130</b>

\_\_\_\_\_  
Aigars Kalvītis  
Chairman of the  
Board

\_\_\_\_\_  
Elita Dreimane  
Member of the  
Board

\_\_\_\_\_  
Egīls Lapsalis  
Member of the  
Board

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

## 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>Other comprehensive income</b>					
Profit for the year	-	-	-	7 011	7 011
<b>31 March 2023</b>	<b>55 860</b>	<b>20 376</b>	<b>(20)</b>	<b>242 914</b>	<b>319 130</b>

Aigars Kalvītis  
Chairman of the  
Board

Elita Dreimane  
Member of the  
Board

Egīls Lapsālis  
Member of the  
Board

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

## STATEMENT OF CASH FLOWS

	Note	Group	Group (reclassified)	Company	Company
		01.01- 31.03.2023	01.01- 31.03.2022	01.01- 31.03.2023	01.01- 31.03.2022
		EUR'000	EUR'000	EUR'000	EUR'000
<b>Cash flow from operating activities</b>					
<b>Profit before tax from continuing operations</b>		<b>3 832</b>	<b>69 678</b>	<b>7 011</b>	<b>73 984</b>
<b>Profit before tax from discontinued operations</b>	8	<b>8 206</b>	<b>7 796</b>	-	-
<b>Consolidation correction</b>	8	<b>3 179</b>	<b>4 306</b>	-	-
<b>Profit before tax</b>		<b>12 038</b>	<b>77 474</b>	<b>7 011</b>	<b>73 984</b>
<i>Adjustments:</i>					
- depreciation of property, plant and equipment and right-of-use assets	10	81	94	81	94
- amortisation of intangible assets	9	221	252	221	252
- interest expenses		-	121	-	121
<i>Changes in operating assets and liabilities:</i>					
- in accounts receivable		46 124	119 674	46 124	119 674
- in inventories		44 396	8 919	44 396	8 919
- in advances for inventories		(9 812)	28 236	(9 812)	28 236
- in accounts payable		(14 085)	(188 053)	(14 085)	(188 053)
Net cash flow from operating activities of discontinued operations		4 771	6 313	-	-
<b>Net cash inflow from operating activities continuing operations</b>		<b>73 936</b>	<b>43 227</b>	<b>73 936</b>	<b>43 227</b>
<b>Cash flow from investing activities</b>					
Payments for property, plant and equipment	10	(61)	(19)	(61)	(19)
Payments for intangible assets	9	(56)	(171)	(56)	(171)
Proceeds from sale of property, plant and equipment		47	1	47	1
Net cash flow from investing activities of discontinued operations		(1 170)	(2 596)	-	-
<b>Net cash outflow from investing activities continuing operations</b>		<b>(70)</b>	<b>(189)</b>	<b>(70)</b>	<b>(189)</b>
<b>Cash flow from financing activities</b>					
Overdraft/factoring received		-	(38 994)	-	(38 994)
Leases paid		(51)	(17)	(51)	(17)
Interest paid		-	(121)	-	(121)
Net cash flow from financing activities discontinued operations		389	(1 212)	-	-
<b>Net cash outflow from financing activities continuing operations</b>		<b>(51)</b>	<b>(39 132)</b>	<b>(51)</b>	<b>(39 132)</b>
<b>Net cash flow from continuing operations</b>		<b>73 815</b>	<b>3 906</b>	<b>73 815</b>	<b>3 906</b>
<b>Net cash flow from discontinued operations</b>		<b>3 990</b>	<b>2 505</b>	-	-
<b>Cash and cash equivalents</b>		<b>41 237</b>	<b>1 087</b>	<b>41 237</b>	<b>1 087</b>

<b>at the beginning of the reporting period from continuing operations</b>				
<b>Cash and cash equivalents</b>				
<b>at the beginning of the reporting period from discontinued operations</b>	<b>11 678</b>	<b>9 875</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents</b>				
<b>at the end of the reporting period from discontinued operations</b>	<b>15 668</b>	<b>12 380</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents</b>				
<b>at the end of the reporting period from continuing operations</b>	<b>115 052</b>	<b>4 993</b>	<b>115 052</b>	<b>4 993</b>

---

Aigars Kalvītis  
Chairman of the  
Board

---

Elita Dreimane  
Member of the  
Board

---

Egīls Lapsalis  
Member of the  
Board

---

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

## NOTES

### 1. Segment information

The Latvijas Gāze group consists of two segments – the natural gas sales & trading segment and the distribution segment. In 2022, the distribution segment is presented as discontinued operation and the natural gas sales & trading segment is presented as continuing operation.

The natural gas sales & trading segment comprises the purchase, trade and sale of natural gas. This business, which includes the wholesale and sale of natural gas to industrial and commercial customers as well as to households, is operated by the Company.

The distribution segment provides natural gas distribution services in Latvia. The JSC “Gasol” holds an exclusive license for the distribution of natural gas on the territory of Latvia. JSC “Gasol” owns and operates all distribution assets.

The information included in the operating segments corresponds to the information used by the Board of the Company for the gas sales & trading segment and the Board of the JSC “Gasol” for the gas distribution segment in making operational decisions and allocating resources. Given the regulatory requirements provided in the Energy Law, the segments are managed separately.

The Board of each company assesses the performance of each respective segment based on EBITDA (adjusted earnings before interest, tax, depreciation and amortisation) and monitors profit before taxes. As the segments are based on legal entities, transactions between entities are eliminated.

Consolidated	Gas trade 3 months 2023	Gas distribution 3 months 2023 (discontinued operation)	Group 3 months 2023 (reclassified)
	EUR'000	EUR'000	EUR'000
<b>Total segment EBITDA</b>	<b>4 073</b>	<b>11 129</b>	<b>15 202</b>
Depreciation and amortisation	(285)	(2 918)	(3 203)
Financial revenues	45	1	46
Financial expenses	(1)	(6)	(7)
Reclassified to discontinued operations	-	(8 206)	(8 206)
<b>Net profit before taxes</b>	<b>3 832</b>	<b>-</b>	<b>3 832</b>

Consolidated	Gas trade 2022 3 months	Gas distribution 2022 3 months (discontinued operation)	Group 3 months 2022 (reclassified)
	EUR'000	EUR'000	EUR'000
<b>Total segment EBITDA</b>	<b>70 184</b>	<b>10 917</b>	<b>81 101</b>
Depreciation and amortisation	(329)	(3 115)	(3 444)
Financial expenses	(177)	(6)	(183)
Reclassified to discontinued operations	-	(7 796)	(7 796)
<b>Net profit before taxes</b>	<b>69 678</b>	<b>-</b>	<b>69 678</b>

## 2. Revenue from contracts with customers

Consolidated	Gas trade 3 months 2023	Gas distribution 3 months 2023 (discontinued operation)	Group 3 months 2023
	EUR'000	EUR'000	EUR'000
Revenue from external customers	85 750	18 309	104 059
- Latvia	81 078	18 309	99 387
- Other countries	4 672	-	4 672
<b>Total segment revenue</b>	<b>85 750</b>	<b>18 309</b>	<b>104 059</b>
Inter-segment revenue	(3 169)	-	(3 169)
Reclassified to discontinued operations	-	(18 309)	(18 309)
<b>Total consolidation revenue</b>	<b>82 581</b>	<b>-</b>	<b>82 581</b>

Consolidated	Gas trade 3 months 2022	Gas distribution 3 months 2022 (discontinued operation)	Group 3 months 2022
	EUR'000	EUR'000	EUR'000
Revenue from external customers	307 168	17 839	325 007
- Latvia	204 804	17 839	222 643
- Other countries	102 364	-	102 364
<b>Total segment revenue</b>	<b>307 168</b>	<b>17 839</b>	<b>325 007</b>
Inter-segment revenue	(4 257)	-	(4 257)
Reclassified to discontinued operations	-	(17 839)	(17 839)
<b>Total consolidation revenue</b>	<b>302 911</b>	<b>-</b>	<b>302 911</b>

## 3. Other income

	Group 3 months 2023	Group (reclassified) 3 months 2022	Company 3 months 2023	Company 3 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Penalties collected from customers	283	184	283	184
Other	80	60	80	60
	<b>363</b>	<b>244</b>	<b>363</b>	<b>244</b>

#### 4. Raw materials and consumables used

	Group 3 months 2023	Group (reclassified) 3 months 2022	Company 3 months 2023	Company 3 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Natural gas purchase	76 260	216 583	76 182	216 487
Costs of materials, spare parts and fuel	14	12	14	12
	<b>76 274</b>	<b>216 595</b>	<b>76 196</b>	<b>216 499</b>

#### 5. Personnel expenses

	Group 3 months 2023	Group (reclassified) 3 months 2022	Company 3 months 2023	Company 3 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Wages and salaries	999	900	999	900
State social insurance contributions	249	245	249	246
Life, health and pension insurance	50	47	50	47
Other personnel costs	86	167	86	167
	<b>1 384</b>	<b>1 359</b>	<b>1 384</b>	<b>1 360</b>

#### 6. Derivative financial instruments

	Group 3 months 2023	Group 3 months 2022	Company 3 months 2023	Company 3 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Net fair value losses on financial derivatives	-	(10 982)	-	(10 982)
	-	<b>(10 982)</b>	-	<b>(10 982)</b>

## 7. Other operating expenses

	Group 3 months 2023	Group (reclassified) 3 months 2022	Company 3 months 2023	Company 3 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Selling and advertising costs	328	182	328	182
Expenses related to premises (rent, electricity, security and other services)	46	32	69	50
Donations, financial support	8	4	8	4
Office and other administrative costs	270	172	298	183
Taxes and duties	218	64	218	64
Costs of IT system maintenance, communications and transport	276	219	276	219
Other costs	67	3 362	67	3 362
	<b>1 213</b>	<b>4 035</b>	<b>1 264</b>	<b>4 064</b>

	Group 3 months 2023	Group (reclassified) 3 months 2022	Company 3 months 2023	Company 3 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
<b>Other costs</b>				
Provisions for doubtful debtors	50	3 289	50	3 289
Other costs	17	73	17	73
	<b>67</b>	<b>3 362</b>	<b>67</b>	<b>3 362</b>

## 8. Operations to be discontinued

In 2022, following a decision on reorganisation by the Company's shareholders, it was decided to sell the Company's 100% investment in the JSC "Gasol".

Hence, as of 31 December 2022 the investment is classified in the Company's separate financial statements and the Group's consolidated statement as "Investments held for sale" and is accounted pursuant to International Financial Reporting Standard 5 (hereinafter – IFRS 5).

Under IFRS 5, the investment in the JSC "Gasol" is accounted as follows:

- The Company's holding in the JSC "Gasol" as an individual asset in the Company's separate financial statements – "Investments held for sale";
- The assets and liabilities of the JSC "Gasol" as a disposal group in the consolidated financial statements, or "Investments held for sale" and "Liabilities directly associated with investments held for sale".
- The assets are measured at the lowest between their book value and fair value less selling costs.

The JSC "Gasol" represents a separate significant business segment of the Group – natural gas distribution. In the consolidated 2022 statements, the distribution segment is classified as discontinued operations and the comparable figures in the 2021 statement of profit or loss and statement of cash flows have been reclassified accordingly.

	JSC "Gasol" 3 months 2023	JSC "Gasol" 3 months 2022
Profit or loss from operations to be discontinued	EUR'000	EUR'000
<b>Revenue from contracts with customers</b>	<b>18 309</b>	<b>17 839</b>
Other income	352	365
Raw materials and consumables used	(3 487)	(4 309)
Personnel expenses	(5 826)	(5 745)
Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets	(2 919)	(3 116)
Other operating expenses	(1 397)	(1 538)
<b>Operating profit / (loss)</b>	<b>5 032</b>	<b>3 496</b>
Financial revenues	1	-
Financial expenses	(6)	(6)
<b>Profit / (loss) before taxes</b>	<b>5 027</b>	<b>3 490</b>
Consolidation adjustments	3 179	4 306
<b>Consolidated revenues from discontinued operation</b>	<b>8 206</b>	<b>7 796</b>
<b>Profit or loss from discontinued operation</b>	<b>8 206</b>	<b>7 796</b>

#### Reclassification of balance sheet items of operations to be discontinued

Discontinued operation 3 months 2023	Discontinued assets and liabilities	Transactions excluded from consolidation	Group
	EUR'000	EUR'000	EUR'000
<b>Discontinued operations assets, incl.:</b>	<b>329 278</b>	<b>(3 776)</b>	<b>325 502</b>
- Long-term assets	302 590	-	302 590
- Short-term assets	26 688	(3 776)	22 912
<b>Held for sale in statement of changes in equity</b>	<b>(158 611)</b>	<b>-</b>	<b>(158 611)</b>
<b>Assets held for sale</b>	<b>170 668</b>	<b>(3 777)</b>	<b>166 891</b>
<b>Liabilities directly associated with assets held for sale, incl.:</b>	<b>(48 668)</b>	<b>967</b>	<b>(47 701)</b>
- Long-term liabilities	(35 452)	-	(35 452)
- Short-term liabilities	(13 216)	967	(12 249)
<b>Net value of assets held for sale</b>	<b>122 000</b>	<b>(2 810)</b>	<b>119 190</b>

## 9. Intangible assets

	Group 3 months 2023	Group 2022	Company 3 months 2023	Company 2022
	EUR'000	EUR'000	EUR'000	EUR'000
<b>Cost</b>				
<b>As at the beginning of period</b>	<b>27 943</b>	<b>26 471</b>	<b>7 656</b>	<b>7 235</b>
Additions	239	1 472	56	421
Disposals	-	-	-	-
<b>As at the end of period</b>	<b>28 182</b>	<b>27 943</b>	<b>7 712</b>	<b>7 656</b>
<b>Accumulated amortisation</b>				
<b>As at the beginning of period</b>	<b>19 376</b>	<b>16 832</b>	<b>3 323</b>	<b>2 309</b>
Amortisation	449	2 544	221	1 014
<b>As at the end of period</b>	<b>19 825</b>	<b>19 376</b>	<b>3 544</b>	<b>3 323</b>
<b>Reclassified to discontinued operations</b>	<b>(4 189)</b>	<b>(4 234)</b>	-	-
<b>Net book value as at the end of period</b>	<b>4 168</b>	<b>4 333</b>	<b>4 168</b>	<b>4 333</b>

## 10. Property, plant and equipment

Group	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>1 755</b>	<b>140</b>	<b>3 706</b>
Additions	655	40	202	989	1 886
Disposals	(154)	(93)	(192)	(883)	(1 322)
Reclassified to discontinued operations	(501)	53	19	(153)	(582)
<b>31.03.2023</b>	<b>1 811</b>	-	<b>1 784</b>	<b>93</b>	<b>3 688</b>
<b>Accumulated depreciation</b>					
<b>31.12.2022</b>	<b>234</b>	-	<b>1 101</b>	-	<b>1 335</b>
Calculated	2 041	401	311	-	2 753
Disposals	(104)	(92)	(185)	-	(381)
Reclassified to discontinued operations	(1 919)	(309)	(112)	-	(2 340)
<b>31.03.2023</b>	<b>252</b>	-	<b>1 115</b>	-	<b>1 367</b>
<b>Net book value as of 31.03.2023</b>	<b>1 559</b>	-	<b>669</b>	<b>93</b>	<b>2 321</b>
<b>Net book value as of 31.12.2022</b>	<b>1 577</b>	-	<b>654</b>	<b>140</b>	<b>2 371</b>

Group	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>658 876</b>	<b>41 759</b>	<b>18 069</b>	<b>1 894</b>	<b>720 598</b>
Additions	4 278	643	895	799	6 615
Disposals	(1 210)	(816)	(958)	-	(2 984)
<b>Reclassified to discontinued operations</b>	<b>(660 133)</b>	<b>(41 586)</b>	<b>(16 251)</b>	<b>(2 553)</b>	<b>(720 523)</b>
<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>372 352</b>	<b>27 121</b>	<b>13 679</b>	<b>-</b>	<b>413 152</b>
Calculated	8 133	1 692	1 273	-	11 098
Disposals	(800)	(795)	(898)	-	(2 493)
<b>Reclassified to discontinued operations</b>	<b>(379 451)</b>	<b>(28 018)</b>	<b>(12 953)</b>	<b>-</b>	<b>(420 422)</b>
<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>286 524</b>	<b>14 638</b>	<b>4 390</b>	<b>1 894</b>	<b>307 446</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>31.12.2022</b>	<b>1 811</b>	<b>-</b>	<b>1 755</b>	<b>140</b>	<b>3 706</b>
Additions	-	-	61	-	61
Disposals	-	-	(32)	(47)	(79)
<b>31.03.2023</b>	<b>1 811</b>	<b>-</b>	<b>1 784</b>	<b>93</b>	<b>3 688</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	18	-	46	-	64
Disposals	-	-	(32)	-	(32)
<b>31.03.2022</b>	<b>252</b>	<b>-</b>	<b>1 115</b>	<b>-</b>	<b>1 367</b>
<b>Net book value as of 31.03.2023</b>	<b>1 559</b>	<b>-</b>	<b>669</b>	<b>93</b>	<b>2 321</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>1 760</b>	-	<b>3 571</b>
Additions	-	-	262	140	402
Disposals	-	-	(267)	-	(267)
<b>31.12.2022</b>	<b>1 811</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>1 105</b>	-	<b>1 267</b>
Calculated	72	-	206	-	278
Disposals	-	-	(210)	-	(210)
<b>31.12.2022</b>	<b>234</b>	-	<b>1 101</b>	-	<b>1 335</b>
<b>Net book value as of 31.12.2022</b>	<b>1 577</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>655</b>	-	<b>2 304</b>

## 11. Inventories

	Group 31.03.2023	Group 31.12.2022	Company 31.03.2023	Company 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000
Natural gas and fuel	76 113	120 509	76 113	120 509
	<b>76 113</b>	<b>120 509</b>	<b>76 113</b>	<b>120 509</b>

## 12. Trade receivables

Trade receivables	Group 31.03.2023	Group 31.12.2022	Company 31.03.2023	Company 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000
Long-term receivables (nominal value)	40	25	40	25
	<b>40</b>	<b>25</b>	<b>40</b>	<b>25</b>
Short-term receivables (nominal value)	45 822	85 356	46 789	90 437
Allowance for impairment of short-term receivables	(8 530)	(8 486)	(8 529)	(8 486)
	<b>37 292</b>	<b>76 870</b>	<b>38 260</b>	<b>81 951</b>

### 13. Shares and shareholders

	31.03.2023 % of total share capital	31.03.2023 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
Marguerite Gas II S. à r.l. (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 2021, 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

	Group 31.03.2023	Group 31.12.2022	Company 31.03.2023	Company 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000
Payables to related parties	-	-	3 778	3 908
Payables to third parties	33 327	33 419	33 327	33 419
	<b>33 327</b>	<b>33 419</b>	<b>37 105</b>	<b>37 327</b>

## 15. Other liabilities

	Group 31.03.2023	Group 31.12.2022	Company 31.03.2023	Company 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000
Prepayments received	6 018	11 784	6 018	11 784
Value added tax	4 427	12 345	4 427	12 345
Accrued costs	1 597	1 609	1 597	1 609
Excise tax	327	457	327	457
Vacation pay reserve	359	359	359	359
Salaries	196	158	196	158
Social security contributions	122	139	122	139
Personnel income tax	65	111	65	111
Other current liabilities	13	25	13	25
	<b>13 124</b>	<b>26 987</b>	<b>13 124</b>	<b>26 987</b>

## 16. Financial risk management

### Fair value

Financial assets and liabilities	Level	Group 31.03.2023	Group 31.12.2022	Company 31.03.2023	Company 31.12.2022
		EUR'000	EUR'000	EUR'000	EUR'000
Trade receivables	3	37 292	76 870	38 260	81 951
Accrued income	3	4	4	4	4
Reserved funds	2	3 572	5 846	3 572	5 846
Cash and cash equivalents	2	115 052	41 237	115 052	41 237
<b>Financial assets</b>		<b>155 920</b>	<b>123 957</b>	<b>156 888</b>	<b>129 038</b>
Lease liabilities	3	21	21	123	140
Accrued expenses	3	1 598	1 609	1 598	1 609
Trade payables	3	33 327	33 419	37 105	37 327
Assets held for sale	3	166 891	170 225	-	-
Liabilities directly associated with assets held for sale	3	47 701	47 052	-	-
<b>Financial liabilities</b>		<b>249 538</b>	<b>252 326</b>	<b>38 826</b>	<b>39 076</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).

The quoted market price used for derivative financial assets and liabilities held by the Group and the Company are based on observable market data including current bid and ask prices, that are estimated by trading counterparties, Argus Media group (Commodity and Energy Price Benchmark agency), Intercontinental Exchange.

### **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 Group and the Company fall under Level 3, except cash and cash equivalents and derivative financial instruments, which fall under Level 2.

## 17. 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.

---

Aigars Kalvītis  
Chairman of the  
Board

---

Elita Dreimane  
Member of the  
Board

---

Egīls Lapsālis  
Member of the  
Board

---

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