

2023



LATVIJAS GĀZE GROUP CONSOLIDATED AND JSC "LATVIJAS GĀZE" UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6-MONTHS PERIOD ENDED 30 JUNE 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.



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

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



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 “Gasos”, 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 “Gasos” owns and operates all the distribution assets necessary to provide the respective services to approximately 400 thousand customers.

The JSC “Gasos” 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 “Gasos” 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 “Gasos” 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 30 JUNE 2023

	Countries of operation	Type of business	Share of participation
JSC “Latvijas Gāze”	Latvia, Lithuania, Estonia and Finland	Sales & trading of natural gas	
JSC “Gasos”	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 30 June 2023 was 6 753.

COMPANY’S SHARE PRICE, OMX RIGA GI AND OMX BALTIC GI INDEX CHANGES (01.01.2021-30.06.2023)

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 30 June 2023, the market capitalisation of the JSC “Latvijas Gāze” amounted to 416.96 million EUR, which is 16% more than in the respective period of 2022.

SHARE PRICE DEVELOPMENT AND SHARE TURNOVER (01.01.2021-30.06.2023)

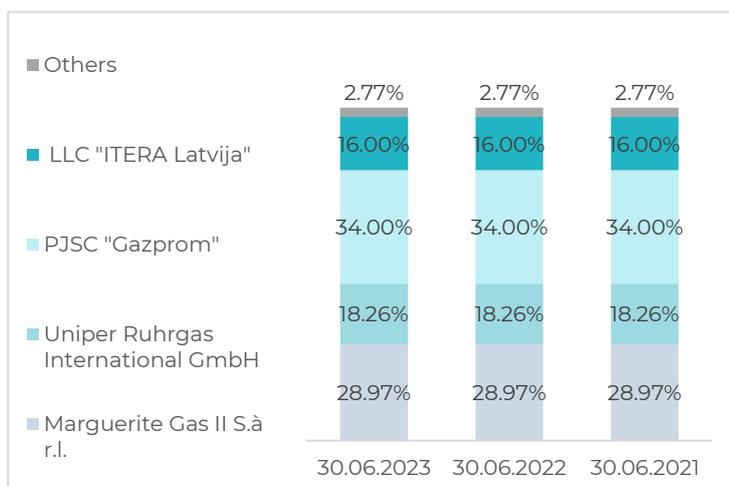
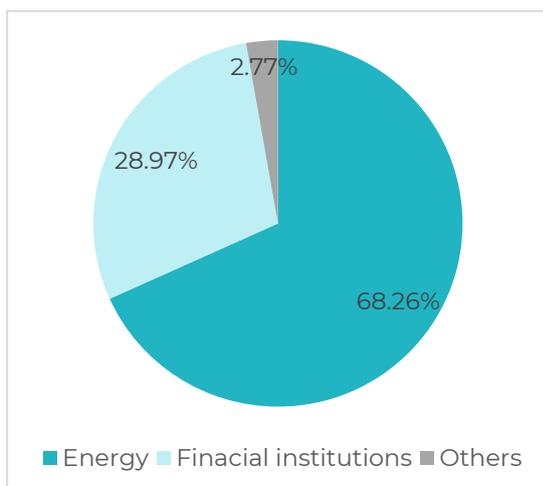


Source: Nasdaq Baltic

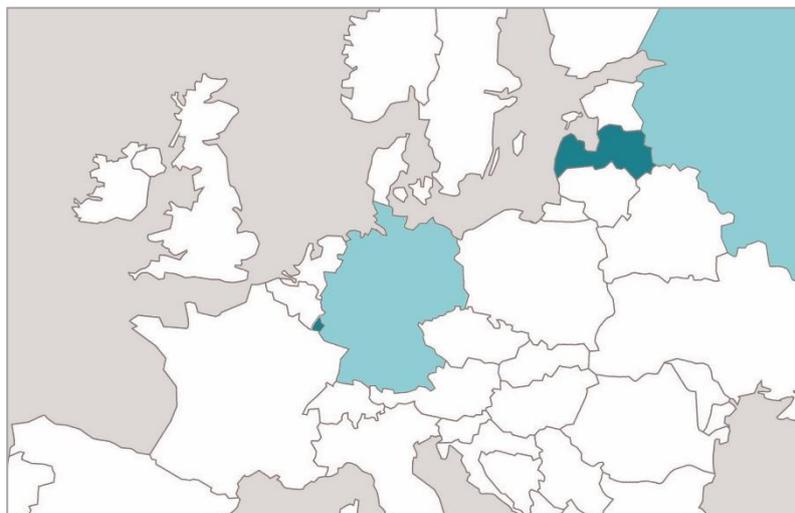
INFORMATION ON SHARE TRANSACTIONS (6M 2021 – 6M 2023)

	6M 2023	6M 2022	6M 2021
Share price (EUR):			
First	8.60	10.60	10.50
Highest	10.70	11.10	11.10
Lowest	8.04	6.20	10.20
Average	8.75	9.11	10.67
Last	10.45	9.02	11.00
Change (from first to last share price)	21.51%	-14.91%	4.76%
Number of transactions	1 656	2 286	1 490
Number of shares traded	35 252	62 014	41 763
Turnover (million EUR)	0.33	0.54	0.44
Capitalisation (million EUR)	417	360	439

SHAREHOLDER STRUCTURE AS AT 30.06.2023



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
Board		
Chairman of the Board	Aigars Kalvītis	None
Member of the Board, Vice-Chairman of the Board	Denis Emelyanov	None
Member of the Board	Elita Dreimane	None
Member of the Board	Egīls Lapsalis	None
Council		
Chairman of the Council	Kirill Seleznev	None
Vice-Chairman of the Council	Juris Savickis	None
Vice-Chairman of the Council	Oliver Giese	None
Member of the Council	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

Compared to the record high prices in 2022, a significant drop in natural gas prices has been observed both in Latvia and in Europe in the first half of 2023. Although under normal market conditions, a drop in prices would result in an increase in natural gas consumption, both in Latvia and in Europe, a decrease in demand for natural gas can still be observed. According to the data published by the Central Statistical Bureau of Latvia¹, the amount of natural gas consumed in Latvia in the first six months of this year decreased by 10.7% compared to the corresponding period last year. JSC "Latvijas Gāze" experience that has been accumulated over the years and extensive knowledge of the natural gas market in Latvia and Europe plays an important role in such market conditions. As a result, despite all the challenges, Latvijas Gāze Group has achieved strong profit figures, as well as continued its operations, ensuring an uninterrupted supply of gas to its customers. In addition, as of 30 June 2023, JSC "Latvijas Gāze" has contracted all the necessary natural gas supplies for the upcoming heating season, which provides additional security and stability for customers.

The active preparation for the opening of the household market from 1 May 2023, as well as the extensive work done on retaining existing household segment customers has provided results - after the opening of the household market, JSC "Latvijas Gāze" has retained more than 90% of the household customer portfolio.

Latvijas Gāze Group's net profit in the first half of 2023 reached 12.5 million EUR, which was 85% lower compared to the corresponding period of 2022, when the net profit was 84.5 million EUR. The significant decrease in profit can be explained by the fact that the result of the economic activity of the first half 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 half of 2022. However, in the first half of 2023 such situation was not observed. At the same time, the profit in the first half of 2023 is above the historical average – in 2021, Group's net profit was 5.4 million EUR, in 2020 it was 16.6 million EUR and in 2019 it was 2.7 million EUR.

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 5.7 million EUR in the first half of 2023, which is 35% higher compared to the first half of 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 Inčukalns Underground Gas Storage Facility for household supply during the period from 10 August 2022 till

¹ https://data.stat.gov.lv/pxweb/lv/OSP_PUB/START_NOZ_EN_ENB/ENB020m/table/tableViewLayout/

30 April 2023, reducing the reserved 1 150 GWh each month by the natural gas quantity actually supplied to households in the previous month. Due to these regulations, as at 30.04.2023 JSC “Latvijas Gāze” had 236 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	6M 2023	6M 2022 reclassified
	EUR'000	EUR'000
Net turnover	103 504	404 843
EBITDA	18 712	94 707
EBITDA, %	18.1	23.4
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	(6 411)	(6 907)
EBIT	12 301	87 800
EBIT, %	11.9	21.7
Financial revenue	158	-
Financial expenses	(2)	(302)
Corporate income tax	-	(2 951)
Net profit	12 457	84 547
Net profit margin, %	12.0	20.9
Profit per share, EUR	0.31	2.12
P/E	33.71	4.25
Current ratio	6.29	2.74
ROCE	0.04	0.20
Dividends / net profit	-	0.18

Key financial figures from continuing operations	6M 2023	6M 2022
	EUR'000	EUR'000
Net turnover	106 704	408 984
EBITDA	7 181	84 235
EBITDA, %	6.7	20.6
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	(572)	(694)
EBIT	6 609	83 541
EBIT, %	6.2	20.4
Financial revenues	131	-
Financial expenses	(2)	(285)
Corporate income tax	-	(2 951)
Net profit	6 738	80 305
Net profit margin, %	6.3	19.6

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	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>)	$\text{P/E} = \frac{\text{Last share price}}{\text{Earnings per share for the reporting year}}$
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

As a result of decrease in demand for natural gas in Europe, in the second quarter of 2023 natural gas prices continued to decline. Non-weather-related factors explain the bulk of this demand reduction - the decline in gas use for power generation, subdued activity in industrial sector, as well as continued improvements in energy efficiency and behavioural changes. In addition, stronger renewable power output and improving nuclear availability further reduced the call on coal-fired and gas-fired power plants². 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 and the improved outlook for gas markets in 2023 is no guarantee against future volatility and should not be a distraction from measures to mitigate potential risks related to natural gas price fluctuations and availability of the resource.

² <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/natural-gas/071823-iea-cuts-european-gas-demand-forecast-for-2023-now-sees-7-decline>

The latest economic report by the International Monetary Fund³ forecasts a positive global economic growth in 2023 (+3%), which is 0.2% above the previous forecast. In 2024, the global economy is expected to grow by 3% (no change compared to the previous forecast). Inflation is forecast to decrease from 8.7% in 2022 to 6.8% in 2023 (a 0.2% decrease compared to the previous report) and to 5.2% in 2024. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. Inflation could remain high and even rise if further shocks occur, including those from an intensification of the war in Ukraine and extreme weather-related events, triggering more restrictive monetary policy. Financial sector turbulence could resume as markets adjust to further policy tightening by central banks.

According to the latest macroeconomic forecasts by the Bank of Latvia⁴ (LB) as revised in June 2023, Latvia's GDP will grow by 1.2% in 2023 (an increase by 0.7% as compared to the March 2023 report). Compared to the March forecast GDP growth in 2024 is revised downwards to 3.1% (the March forecast was 3.7%), while GDP growth forecast for 2025 is 3.5% (the March forecast stood at 3.3%). The surprisingly vigorous private consumption seen at the end of 2022 and better growth observed early this year, primarily due to growing investments, change the outlook of developments taking place this year. Faster upswing in consumption will begin only in 2024 when inflation rates moderate, and Latvia's economic growth will also accelerate in 2024–2025. Latvia's inflation projections for 2023 and 2024 have been revised downwards to 8.5% and 2.4% respectively (the March 2023 projections were 10.0% and 2.7% respectively). For 2025, inflation has been revised slightly upwards – to 3.0% (the March projection – 2.6%). The steep fall in energy prices reduces inflation in Latvia, and global energy prices are expected to be lower than previously estimated. In addition, major global central banks, in response to the high inflation, continued raising interest rates since the previous forecasts.

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 "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 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.
- **On 14 April 2023**, JSC "Latvijas Gāze" and JSC "Eesti Gaas" signed an agreement on the acquisition of 100% shares of JSC "Gaso".
- **On 28 April 2023**, in accordance with the procedure provided for in the legislation, JSC "Eesti Gaas" submitted an application to the Competition Council of Latvia and to the Cabinet of Ministers of the Republic of Latvia, asking for permission to acquire a significant stake in JSC "Gaso".

³ <https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023>

⁴ <https://www.macroekonomics.lv/latvijas-banka-has-revised-its-macroeconomic-forecasts-june-2023>

- **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".

PERFORMANCE OF OPERATING SEGMENTS

The sales & trading segment (continuing operations): In the first half of 2023, the segment's net turnover reached 106.7 million EUR, which was 74% lower than in the first half of 2022 when net turnover was 409 million EUR. In the first half of 2023, the segment's EBITDA reached 4.1 million EUR, profit before taxes reached 3.7 million EUR, while in the first half of 2022 EBITDA was 80.1 million EUR and profit before taxes was 79.1 million EUR.

The distribution segment (discontinued operations): In the first half of 2023, the segment's net turnover reached 29.3 million EUR, that is an increase compared to the first half of 2022 by 2%, and EBITDA reached 14.6 million EUR, which is at the level of the first half of 2022. 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, 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 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 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.

CORPORATE MANAGEMENT REPORT AND REMUNERATION REPORT

Available: www.lg.lv

FUTURE PROSPECTS

Under the amendments to the Energy Law, the natural gas market has been fully open for households since 1 May 2023. The natural gas trading service is provided in line with the content of the universal service and the principles of its application, as well as clients are offered the opportunity to conclude a contract for natural gas supplies at a fixed price for 12 months. 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 JSC “Latvijas Gāze” will continue rolling out new functionalities in the new billing system and customer portal.

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 launched the process of selling the JSC “Gaso”, which was finished in July 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 CO2 emissions has been made. Based on the environment policy and the CO2 calculations, the JSC "Latvijas Gāze" has planted 2000 birches, thus offsetting CO2 emissions of 3 years. A reduction of CO2 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 CO2 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 2023, the company intends to complete 31 energy efficiency tasks with planned energy savings of 1 935 MWh per year.

SUBSEQUENT EVENTS

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 JSC "GasO" were met, and on 24 July 2023 the change of ownership was registered with the Commercial Register of the Republic of Latvia, with AS "Eesti Gaas" becoming holder of 100% of shares in the JSC "GasO". The JSC "GasO" is the only natural gas distribution operator in Latvia. The JSC "GasO" operates independently of the JSC "Latvijas Gāze" and the change of ownership will not affect the provision of the companies' services to the customers of the JSC "Latvijas Gāze" in the future.

In the period after 30 June 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 6-months period ended 30 June 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 6-months period ended 30 June 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 30 August 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

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FINANCIAL STATEMENTS

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

CORPORATE INFORMATION

Company	Latvijas Gāze, Joint Stock Company
LEI code	097900BGMO0000055872
Registration number, date and place of registration	Unified registration number 40003000642 Riga, Latvia, 25 March 1991, re-registered in the Commercial Register on 20 December 2004
Address	A.Briāna 6, Riga, Latvia, LV-1001
Major shareholders	PJSC Gazprom (34.0%) Marguerite Gas II.S.a.r.l. (28.97%) Uniper Ruhrgas International GmbH (18.26%) ITERA Latvija SIA (16.0%)
Financial period	1 January – 30 June 2023

STATEMENT OF PROFIT OR LOSS

	Note	Group	Group (reclassified)	Company	Company
		01.01- 30.06.2023	01.01- 30.06.2022	01.01- 30.06.2023	01.01- 30.06.2022
		EUR'000	EUR'000	EUR'000	EUR'000
Revenue from contracts with customers	2	103 504	404 843	106 704	408 984
Other income	3	1 116	567	1 116	567
Raw materials and consumables used	4	(95 180)	(306 630)	(95 180)	(306 534)
Personnel expenses	5	(2 787)	(2 543)	(2 787)	(2 543)
Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets		(538)	(660)	(572)	(694)
Net fair value losses on financial derivatives	6	-	(11 147)	-	(11 147)
Other operating expenses	7	(2 589)	(5 033)	(2 672)	(5 092)
Gross profit		3 526	79 397	6 609	83 541
Financial revenues		131	-	131	-
Financial expenses		(2)	(285)	(2)	(285)
Profit before taxes		3 655	79 112	6 738	83 256
Corporate income tax		-	(2 951)	-	(2 951)
Profit for the period for continuing operations		3 655	76 161	6 738	80 305
Profit or loss from discontinued operations	8	8 802	8 386	-	-
Profit for the period		12 457	84 547	6 738	80 305

STATEMENT OF COMPREHENSIVE INCOME

	Note	Group	Group reclassified	Company	Company
		01.01- 30.06.2023	01.01- 30.06.2022	01.01- 30.06.2023	01.01- 30.06.2022
		EUR'000	EUR'000	EUR'000	EUR'000
Profit for the period		12 457	84 547	6 738	80 305
Other comprehensive income - items that will not be reclassified to profit or loss					
Total other comprehensive income		-	-	-	-
Total comprehensive income for the period		12 457	84 547	6 738	80 305

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BALANCE SHEET

	Note	Group 30.06.2023	Group 31.12.2022	Company 30.06.2023	Company 31.12.2022
		EUR'000	EUR'000	EUR'000	EUR'000
ASSETS					
Non-current assets					
Intangible assets	9	4 120	4 333	4 120	4 333
Property, plant and equipment	10	2 311	2 371	2 311	2 371
Right-of-use assets		8	-	93	119
Trade receivables		5	25	5	25
Total non-current assets		6 444	6 729	6 529	6 848
Current assets					
Inventories	11	95 713	120 509	95 713	120 509
Pre-payments for inventories		24 468	63	24 468	63
Trade receivables	12	7 563	76 870	7 563	81 951
Other financial assets at amortised cost		3 616	5 850	3 616	5 850
Other current assets		299	554	299	554
Investments held for sale	8	166 175	170 225	122 000	122 000
Cash and cash equivalents		73 656	41 237	73 656	41 237
Total current assets		371 490	415 308	327 315	372 164
TOTAL ASSETS		377 934	422 037	333 844	379 012

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BALANCE SHEET (continued)

	Note	Group 30.06.2023	Group 31.12.2022	Company 30.06.2023	Company 31.12.2022
		EUR'000	EUR'000	EUR'000	EUR'000
LIABILITIES AND EQUITY					
Equity					
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		242 641	235 903	242 641	235 903
Total equity		318 857	312 119	318 857	312 119
Liabilities					
Non-current liabilities					
Lease liabilities		-	-	17	51
Employee benefit obligations		39	39	39	39
Total non-current liabilities		39	39	56	90
Current liabilities					
Trade payables	14	1 075	33 419	3 204	37 327
Lease liabilities		-	21	68	89
Other liabilities	15	9 259	26 987	9 259	26 987
Dividends unpaid		2 400	2 400	2 400	2 400
Liabilities directly related to investments held for sale	8	46 304	47 052	-	-
Total current liabilities		59 038	109 879	14 931	66 803
Total liabilities		59 077	109 918	14 987	66 893
TOTAL LIABILITIES AND EQUITY		377 934	422 037	333 844	379 012

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2021	55 860	20 376	182 940	110 126	369 302
Extraordinary dividends	-	-	-	(15 000)	(15 000)
Total transactions with owners	-	-	-	(15 000)	(15 000)
Comprehensive income					
Profit for the year	-	-	-	39 073	39 073
Other comprehensive income	-	-	4	-	4
Total comprehensive income	-	-	4	39 073	39 077
Impairment of investment held for sale	-	-	(81 095)	-	(81 095)
Reclassification of reserves and held for sale investments	-	-	(101 869)	101 704	(165)
31 December 2022	55 860	20 376	(20)	235 903	312 119
Comprehensive income					
Profit for the year	-	-	-	12 457	12 457
Correction of discontinued operations	-	-	-	(5 719)	(5 719)
30 June 2023	55 860	20 376	(20)	242 641	318 857

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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
31 December 2021	55 860	20 376	204 521	5 534	286 291
Transactions with owners					
Extraordinary dividends	-	-	-	(15 000)	(15 000)
Total transactions with owners	-	-	-	(15 000)	(15 000)
Other comprehensive income					
Profit for the year	-	-	-	40 824	40 824
Other comprehensive income	-	-	4	-	4
Total comprehensive income	-	-	4	40 824	40 828
Reclassification of reorganisation reserves	-	-	(204 545)	204 545	-
31 December 2022	55 860	20 376	(20)	235 903	312 119
Other comprehensive income					
Profit for the year	-	-	-	6 738	6 738
30 June 2023	55 860	20 376	(20)	242 641	318 857

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STATEMENT OF CASH FLOWS

	Note	Group	Group (reclassified)	Company	Company
		01.01- 30.06.2023	01.01- 30.06.2022	01.01- 30.06.2023	01.01- 30.06.2022
		EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Profit before tax from continuing operations		3 655	79 112	6 738	83 256
Profit before tax from discontinued operations	8	8 802	8 386	-	-
Consolidation correction	8	3 083	4 144	-	-
Profit before tax		12 457	84 546	6 738	83 256
<i>Adjustments:</i>					
- depreciation of property, plant and equipment and right-of-use assets	10	154	186	154	186
- amortisation of intangible assets	9	420	507	420	507
- interest expenses		-	121	-	121
- losses from sale of property, plant and equipment		13	-	13	-
<i>Changes in operating assets and liabilities:</i>					
- in accounts receivable		76 893	172 637	76 893	172 637
- in inventories		24 796	71 807	24 796	71 807
- in advances for inventories		(24 405)	17 830	(24 405)	17 830
- in accounts payable		(51 851)	(217 188)	(51 851)	(217 188)
- corporate income tax paid		-	(5)	-	(5)
Net cash flow from operating activities of discontinued operations		7 702	7 831	-	-
Net cash inflow from operating activities continuing operations		32 758	129 151	32 758	129 151
Cash flow from investing activities					
Payments for property, plant and equipment	10	(229)	(27)	(229)	(27)
Payments for intangible assets	9	(207)	(252)	(207)	(252)
Proceeds from sale of property, plant and equipment		148	1	148	1
Net cash flow from investing activities of discontinued operations		(2 580)	(2 266)	-	-
Net cash outflow from investing activities continuing operations		(288)	(278)	(288)	(278)
Cash flow from financing activities					
Overdraft/factoring received		-	-	-	-
Overdraft/factoring payed		-	(38 994)	-	(38 994)
Leases paid		(51)	(17)	(51)	(17)
Interest paid		-	(121)	-	(121)
Net cash flow from financing activities discontinued operations		1 246	(2 136)	-	-
Net cash outflow from financing activities continuing operations		(51)	(39 132)	(51)	(39 132)
Net cash flow from continuing operations		32 419	89 741	32 419	89 741

Net cash flow from discontinued operations	6 368	3 429	-	-
Cash and cash equivalents at the beginning of the reporting period from continuing operations	41 237	1 087	41 237	1 087
Cash and cash equivalents at the beginning of the reporting period from discontinued operations	11 678	9 875	-	-
Cash and cash equivalents at the end of the reporting period from discontinued operations	18 046	13 304	-	-
Cash and cash equivalents at the end of the reporting period from continuing operations	73 656	90 828	73 656	90 828

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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 6 months 2023	Gas distribution 6 months 2023 (discontinued operation)	Group 6 months 2023 (reclassified)
	EUR'000	EUR'000	EUR'000
Total segment EBITDA	4 098	14 614	18 712
Depreciation and amortisation	(572)	(5 839)	(6 411)
Financial revenues	131	27	158
Financial expenses	(2)	-	(2)
Reclassified to discontinued operations	-	(8 802)	(8 802)
Net profit before taxes	3 655	-	3 655

Consolidated	Gas trade 6 months 2022	Gas distribution 6 months 2022 (discontinued operation)	Group 6 months 2022 (reclassified)
	EUR'000	EUR'000	EUR'000
Total segment EBITDA	80 091	14 615	94 707
Depreciation and amortisation	(694)	(6 213)	(6 907)
Financial expenses	(285)	(17)	(302)
Reclassified to discontinued operations	-	(8 385)	(8 386)
Net profit before taxes	79 112	-	79 112

2. Revenue from contracts with customers

Consolidated	Gas trade 6 months 2023	Gas distribution 6 months 2023 (discontinued operation)	Group 6 months 2023
	EUR'000	EUR'000	EUR'000
Revenue from external customers	106 704	29 250	135 954
- Latvia	101 112	29 250	130 362
- Other countries	5 592	-	5 592
Total segment revenue	106 704	29 250	135 954
Inter-segment revenue	(3 200)	-	(3 200)
Reclassified to discontinued operations	-	(29 250)	(29 250)
Total consolidation revenue	103 504	-	103 504

Consolidated	Gas trade 6 months 2022	Gas distribution 6 months 2022 (discontinued operation)	Group 6 months 2022
	EUR'000	EUR'000	EUR'000
Revenue from external customers	408 984	28 556	437 540
- Latvia	232 874	28 556	261 430
- Other countries	176 110	-	176 110
Total segment revenue	408 984	28 556	437 540
Inter-segment revenue	(4 141)	-	(4 141)
Reclassified to discontinued operations	-	(28 556)	(28 556)
Total consolidation revenue	404 843	-	404 843

3. Other income

	Group 6 months 2023	Group (reclassified) 6 months 2022	Company 6 months 2023	Company 6 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Penalties collected from customers	780	455	780	455
Other	336	112	336	112
	1 116	567	1 116	567

4. Raw materials and consumables used

	Group 6 months 2023	Group (reclassified) 6 months 2022	Company 6 months 2023	Company 6 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Natural gas purchase	95 151	306 600	95 151	306 504
Costs of materials, spare parts and fuel	29	30	29	30
	95 180	306 630	95 180	306 534

5. Personnel expenses

	Group 6 months 2023	Group (reclassified) 6 months 2022	Company 6 months 2023	Company 6 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Wages and salaries	2 044	1 819	2 044	1 819
State social insurance contributions	504	458	504	458
Life, health and pension insurance	103	95	103	95
Other personnel costs	136	171	136	171
	2 787	2 543	2 787	2 543

6. Derivative financial instruments

	Group 6 months 2023	Group 6 months 2022	Company 6 months 2023	Company 6 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Net fair value losses on financial derivatives	-	(11 147)	-	(11 147)
	-	(11 147)	-	(11 147)

7. Other operating expenses

	Group 6 months 2023	Group (reclassified) 6 months 2022	Company 6 months 2023	Company 6 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Selling and advertising costs	642	326	642	326
Expenses related to premises (rent, electricity, security and other services)	86	68	123	105
Donations, financial support	19	11	19	11
Office and other administrative costs	631	529	677	551
Taxes and duties	422	124	422	124
Costs of IT system maintenance, communications and transport	551	452	551	452
Other costs	238	3 523	238	3 523
	2 589	5 033	2 672	5 092

	Group 6 months 2023	Group (reclassified) 6 months 2022	Company 6 months 2023	Company 6 months 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Other costs				
Provisions for doubtful debtors	226	3 422	226	3 422
Other costs	12	101	12	101
	238	3 523	238	3 523

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 statements, the distribution segment is classified as discontinued operations and the comparable figures in profit or loss and statement of cash flows have been reclassified accordingly.

	JSC "Gasol" 6 months 2023	JSC "Gasol" 6 months 2022
Profit or loss from operations to be discontinued	EUR'000	EUR'000
Revenue from contracts with customers	29 250	28 556
Other income	676	695
Raw materials and consumables used	(3 720)	(4 349)
Personnel expenses	(11 870)	(11 419)
Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets	(5 839)	(6 213)
Other operating expenses	(2 805)	(3 011)
Operating profit / (loss)	5 692	4 259
Financial revenues	27	-
Financial expenses	-	(17)
Profit / (loss) before taxes	5 719	4 242
Consolidation adjustments	3 083	4 144
Consolidated revenues from discontinued operation	8 802	8 386
Profit or loss from discontinued operation	8 802	8 386

Reclassification of balance sheet items of operations to be discontinued

Discontinued operation 6 months 2023	Discontinued assets and liabilities	Transactions excluded from consolidation	Group
	EUR'000	EUR'000	EUR'000
Discontinued operations assets, incl.:	327 588	(2 129)	325 459
- Long-term assets	301 801	-	301 801
- Short-term assets	25 787	(2 129)	23 658
Held for sale in statement of changes in equity	(159 284)	-	(159 284)
Assets held for sale	168 304	(2 129)	166 175
Liabilities directly associated with assets held for sale, incl.:	(46 304)	-	(46 304)
- Long-term liabilities	(36 113)	-	(36 113)
- Short-term liabilities	(10 191)	-	(10 191)
Net value of assets held for sale	122 000	(2 129)	119 871

9. Intangible assets

	Group 6 months 2023	Group 2022	Company 6 months 2023	Company 2022
	EUR'000	EUR'000	EUR'000	EUR'000
Cost				
As at the beginning of period	27 943	26 471	7 656	7 235
Additions	782	1 472	207	421
Disposals	(1)	-	-	-
As at the end of period	28 724	27 943	7 863	7 656
Accumulated amortisation				
As at the beginning of period	19 376	16 832	3 323	2 309
Amortisation	893	2 544	420	1 014
Disposals	(1)	-	-	-
As at the end of period	20 268	19 376	3 743	3 323
Reclassified to discontinued operations	(4 336)	(4 234)	-	-
Net book value as at the end of period	4 120	4 333	4 120	4 333

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
Cost or revalued amount					
31.12.2022	1 811	-	1 755	140	3 706
Additions	968	331	321	1 380	3 000
Disposals	(217)	(210)	(382)	(140)	(949)
Reclassified to discontinued operations	(624)	(121)	75	(1 380)	(2 050)
30.06.2023	1 938	-	1 769	-	3 707
Accumulated depreciation					
31.12.2022	234	-	1 101	-	1 335
Calculated	4 084	796	610	-	5 490
Disposals	(144)	(205)	(354)	-	(703)
Reclassified to discontinued operations	(3 903)	(591)	(232)	-	(4 726)
30.06.2023	271	-	1 125	-	1 396
Net book value as of					
30.06.2023	1 667	-	644	-	2 311
Net book value as of					
31.12.2022	1 577	-	654	140	2 371

Group	Land, buildings, constructions	Machinery and equipment	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount					
31.12.2021	658 876	41 759	18 069	1 894	720 598
Additions	4 278	643	895	799	6 615
Disposals	(1 210)	(816)	(958)	-	(2 984)
Reclassified to discontinued operations	(660 133)	(41 586)	(16 251)	(2 553)	(720 523)
31.12.2022	1 811	-	1 755	140	3 706
Accumulated depreciation					
31.12.2021	372 352	27 121	13 679	-	413 152
Calculated	8 133	1 692	1 273	-	11 098
Disposals	(800)	(795)	(898)	-	(2 493)
Reclassified to discontinued operations	(379 451)	(28 018)	(12 953)	-	(420 422)
31.12.2022	234	-	1 101	-	1 335
Net book value as of 31.12.2022	1 577	-	654	140	2 371
Net book value as of 31.12.2021	286 524	14 638	4 390	1 894	307 446

Company	Land, buildings, constructions	Machinery and equipment	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount					
31.12.2022	1 811	-	1 755	140	3 706
Additions	127	-	102	-	229
Disposals	-	-	(88)	(140)	(228)
30.06.2023	1 938	-	1 769	-	3 707
Accumulated depreciation					
31.12.2022	234	-	1 101	-	1 335
Calculated	37	-	91	-	128
Disposals	-	-	(67)	-	(67)
30.06.2022	271	-	1 125	-	1 396
Net book value as of 30.06.2023	1 667	-	644	-	2 311
Net book value as of 31.12.2022	1 577	-	654	140	2 371

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

11. Inventories

	Group 30.06.2023	Group 31.12.2022	Company 30.06.2023	Company 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000
Natural gas and fuel	95 713	120 509	95 713	120 509
	95 713	120 509	95 713	120 509

12. Trade receivables

Trade receivables	Group 30.06.2023	Group 31.12.2022	Company 30.06.2023	Company 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000
Long-term receivables (nominal value)	5	25	5	25
	5	25	5	25
Short-term receivables (nominal value)	16 248	85 356	16 248	90 437
Allowance for impairment of short-term receivables	(8 685)	(8 486)	(8 685)	(8 486)
	7 563	76 870	7 563	81 951

13. Shares and shareholders

	30.06.2023 % of total share capital	30.06.2023 Number of shares	31.12.2022 % of total share capital	31.12.2022 Number of shares
Share capital				
Registered (closed issue) shares	36.52	14 571 480	36.52	14 571 480
Bearer (public issue) shares	63.48	25 328 520	63.48	25 328 520
	100.00	39 900 000	100.00	39 900 000
Shareholders				
Uniper Ruhrgas International GmbH (including registered (closed issue) shares 7 285 740)	18.26	7 285 740	18.26	7 285 740
Marguerite Gas II S. à r.l. (public issue shares 11 560 645)	28.97	11 560 645	28.97	11 560 645
LLC Itera Latvija (public issue shares 6 384 001)	16.00	6 384 001	16.00	6 384 001
PJSC "Gazprom" (including registered (closed issue) shares 7 285 740)	34.00	13 566 701	34.00	13 566 701
Bearer (public issue) shares 6 260 961	2.77	1 102 913	2.77	1 102 913
	100.00	39 900 000	100.00	39 900 000

As at 31 December 2022 and 30 June 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

	Group 30.06.2023	Group 31.12.2022	Company 30.06.2023	Company 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000
Payables to related parties	-	-	2 129	3 908
Payables to third parties	1 075	33 419	1 075	33 419
	1 075	33 419	3 204	37 327

15. Other liabilities

	Group 30.06.2023	Group 31.12.2022	Company 30.06.2023	Company 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000
Prepayments received	6 777	11 784	6 777	11 784
Value added tax	481	12 345	481	12 345
Accrued costs	767	1 609	767	1 609
Excise tax	67	457	67	457
Vacation pay reserve	358	359	358	359
Salaries	183	158	183	158
Social security contributions	358	139	358	139
Personnel income tax	210	111	210	111
Other current liabilities	58	25	58	25
	9 259	26 987	9 259	26 987

16. Financial risk management

Fair value

Financial assets and liabilities	Level	Group 30.06.2023	Group 31.12.2022	Company 30.06.2023	Company 31.12.2022
		EUR'000	EUR'000	EUR'000	EUR'000
Trade receivables	3	7 563	76 870	7 563	81 951
Accrued income	3	39	4	45	4
Reserved funds	2	3 572	5 846	3 572	5 846
Cash and cash equivalents	2	73 656	41 237	73 656	41 237
Financial assets		84 830	123 957	84 836	129 038
Lease liabilities	3	-	21	85	140
Accrued expenses	3	767	1 609	767	1 609
Trade payables	3	1 075	33 419	3 204	37 327
Assets held for sale	3	166 175	170 225	122 000	122 000
Liabilities directly associated with assets held for sale	3	46 304	47 052	-	-
Financial liabilities		214 321	252 326	126 056	161 076

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

In order to arrive at the fair value of a derivative financial instrument, different methods are used: quoted prices, valuation techniques incorporating observable data, and valuation techniques based on internal models. These valuation methods are divided 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 Lapsalis
Member of the
Board

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

* DOCUMENT SIGNED WITH SECURE ELECTRONIC SIGNATURE AND CONTAINS TIME STAMP

