

INDEPENDENT AUDITOR'S REPORT

To the stockholders of
Joint Stock Company "Latvijas Gāze"

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of Joint Stock Company "Latvijas Gāze", reg.No. 40003000642 ("the Company") and accompanying consolidated financial statements of the Company and its subsidiary ("the Group") set out on pages 24 to 70 of the accompanying separate and consolidated annual report, which comprise:

- the separate and consolidated balance sheet as at 31 December 2022,
- the separate and consolidated statement of profit and loss and statement of comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group, respectively, as at 31 December 2022, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

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

Emphasis of Matter

We draw attention to the information indicated in the separate and consolidated financial statements, as well as in the management report, that in 2022 the Company faced various challenges, including a 53% decrease in natural gas sales volume compared to 2021. On August 11, 2022, the "Amendments to the Energy Law" entered into force, whereby natural gas supplies from the Russian Federation are prohibited as of January 1, 2023. However, the Company managed to restructure its supply chains in 2022 and continues to provide natural gas supplies from other countries. According to the amendments to the "Energy Law", the natural gas market will be fully open for households as of May 1, 2023. It is not predictable how the situation could develop in the future and the impact of future events on the Company's operations in the future may differ from the management's assessment. Our opinion is not modified in respect of these matters.

Key Audit Matters

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

In addition to the matters described in the *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matter	Our response
Measurement and presentation of investment held for sale (investment in subsidiary) (separate financial statement)	
<p><i>The carrying amount of the investment held for sale (investment in subsidiary) in the Company's balance sheet as at 31 December 2022: EUR 122 000 thousand; impairment losses from the measurement of investments held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" recognized in 2022: EUR 72 534 thousand.</i></p> <p><i>Reference to the Notes to the Company's financial statements: Note 9 "Operations to be discontinued" and Note 27 "Summary of significant accounting policies" – Assets held for sale and discontinued operations.</i></p> <p>In the reporting year, the Company's shareholders made a decision to sell 100% of the Company's investment in JSC "Gasol", therefore, the investment in subsidiary was reclassified to investments held for sale in the Company's balance sheet.</p> <p>Investment held for sale (investment in subsidiary) was tested for impairment in accordance with IAS 36 "Impairment of Assets" and measured in accordance with IFRS 5 at the lower of its carrying amount and fair value less costs to sell.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> assessed whether the Company's accounting policies for classification and measurement of investments held for sale correspond to IFRS; assessed whether the management has made appropriate judgments regarding the reclassification of the investment in subsidiary to the investment held for sale; discussed with the management the possible impairment of the investment held for sale in accordance with IAS 36 and evaluated the estimates made by the management regarding its measurement in accordance with IFRS 5; reviewed that the disclosure of information about the investment held for sale in the Company's separate financial statements is in accordance with the requirements of IFRS.

Key audit matter	Our response
<p>Management's judgement is involved in respect of whether the requirements for classification as held for sale under IFRS 5 have been met. Taking into account also that in the Company's balance sheet as at 31 December 2022 the investment held for sale amounts to 32.2% of total assets, we considered this issue to be one of our key audit matters.</p>	
<p>Measurement and presentation of discontinued operations (consolidated financial statements)</p>	
<p><i>The carrying amount of the investment held for sale in the Group's consolidated balance sheet as at 31 December 2022: EUR 170 225 thousand; the carrying amount of the liabilities directly related to investments held for sale in the Group's consolidated balance sheet as at 31 December 2022: EUR 47 052 thousand; losses from discontinued operations for 2022: EUR 61 442 thousand (profit for 2021: EUR 16 389 thousand).</i></p> <p><i>Reference to the Notes to the Group's consolidated financial statements: Note 9 "Operations to be discontinued" and Note 27 "Summary of significant accounting policies" – Assets held for sale and discontinued operations.</i></p> <p>Due to the decision of the Company's shareholders to sell 100% of the Company's investment in JSC "Gasol", the assets and liabilities of JSC "Gasol" (as a disposal group) are classified in the Group's consolidated balance sheet as investments held for sale and liabilities directly related to investments held for sale, while profit or losses from discontinued operations are separately presented in the Group's consolidated statement of profit or loss for the reporting year and for the previous reporting year.</p> <p>Investments held for sale were tested for impairment in accordance with IAS 36 "Impairment of Assets" and measured in accordance with IFRS 5 at the lower of their carrying amount and fair value less costs to sell.</p> <p>Given the size of the assets and liabilities held for sale and the judgments required in respect of whether the requirements for classification under IFRS 5 have been met, we considered this issue as a key audit matter.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> assessed whether the Group's accounting policies for classification and valuation of investments held for sale and discontinued operations correspond to IFRS; assessed the management's conclusion regarding the classification of assets and liabilities of JSC "Gasol" (as a disposal group) as held for sale; discussed with the management the possible impairment of the investments held for sale in accordance with IAS 36 and evaluated the estimates made by the management regarding its measurement in accordance with IFRS 5; reviewed that the disclosure of information about the investments held for sale and discontinued operations in the Group's consolidated financial statements is in accordance with the requirements of IFRS.

Other Matter

The separate and consolidated financial statements of Joint Stock Company "Latvijas Gāze" for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on April 20, 2022.

Reporting on Other Information

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

- information about council, as set out on page 5 of the accompanying Annual Report,
- information about management board, as set out on page 6 of the accompanying Annual Report,
- information about Group in brief, strategy and objectives, Group's focus, shares and shareholders, Group's facts and figures, as set out on pages 7-14 of the accompanying Annual Report,
- the Management Report, as set out on pages 15-22 of the accompanying Annual Report,
- the Statement on Board Responsibility, as set out on page 23 of the accompanying Annual Report,
- the Consolidated Non-financial Statement, as set out on pages 71-110 of the accompanying Annual Report,
- the Statement on Corporate Governance, prepared as a separate part of the annual report, indicating in the Management Report the website address on the Internet, where the Statement on Corporate Governance is available to the public in electronic form,
- the Remuneration Report, indicating in the Management Report the website address on the Internet, where the Remuneration Report is available to the public in electronic form.

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

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

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

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

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

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement on Corporate Governance includes the information required in section 56.¹, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.², second paragraph, clause 5 and if it includes the information stipulated in section 56.² second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement on Corporate Governance includes the information required in section 56.¹, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.², second paragraph, clause 5 and it includes the information stipulated in section 56.² second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information required in section 59.⁴ of the Financial Instruments Market Law, and whether material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the consolidated annual report.

In our opinion, the Remuneration Report includes the information required in section 59.⁴ of the Financial Instruments Market Law, and no material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the consolidated annual report.

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

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

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

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

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

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

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

We were appointed by the ordinary shareholder's meeting on 27 June 2022 to audit the separate and consolidated financial statements of Joint Stock Company "Latvijas Gāze" for the year ended 31 December 2022. Our total uninterrupted period of engagement is 1 year, covering the period ending 31 December 2022.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in paragraph 37.⁶ of the Law on Audit Services of the Republic of Latvia we have not provided to the Company and Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No. 537/2014. We also remained independent of the audited Company and Group in conducting the audit.

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

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

AS "Nexia Audit Advice"

The Firm of Sworn Auditors, Licence No. 134

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



Andrejs Ponomarjovs
Chairman of the Board,
Director General



Riga, Latvia
19 April 2023