2023

JSC "LATVIJAS GĀZE" UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 9-MONTHS PERIOD ENDED 30 SEPTEMBER 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 Egīls Lapsalis runs from 1 November 2022 till 15 August 2024.

Aigars Kalvītis, 1966
Chairman of the Board

Latvian University of Agriculture,
Master’s Degree in Economics

Denis Emelyanov, 1979
Member of the Board, Vice-Chairman of the Board

Gubkin Russian State University of Oil and Gas, Faculty of Economics and Management – Economist-Manager, Economics and Oil and Gas Enterprise Management

Elita Dreimane, 1968
Member of the Board

University of Latvia, Faculty of Law,
Master’s Degree of Social Sciences in Law

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

Egīls Lapsalis, 1979
Member of the Board

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

LATVIJAS GĀZE GROUP IN BRIEF

On 17 July 2023, under the agreement signed in April 2023, the final preconditions for the completion of the transaction of sale of the 100% subsidiary of JSC “Latvijas Gāze” (hereinafter – “the Company”) JSC “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”. As a result, Latvijas Gāze group ceased to exist, and further in the financial report only the results of natural gas trading segment will be reviewed.

The Company provides services related to the purchase, trade and sale of natural gas in Latvia, Lithuania, Estonia and Finland. These services include the wholesale and sale of natural gas to industrial and commercial customers as well as to households.

STRATEGY AND OBJECTIVES

OUR OBJECTIVE

To strengthen the position of the JSC “Latvijas Gāze” as a leader in the Latvian and Baltic energy market by becoming the natural gas supplier of first choice for customers.

OUR MISSION

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

OUR VISION

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

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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 September 2023 was 6 913.

COMPANY’S SHARE PRICE, OMX RIGA GI AND OMX BALTIC GI INDEX CHANGES (01.01.2021-30.09.2023)

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

INDEX | EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
OMX_Baltic_Benchmark_GI	1,104.74	1,467.6	+32.85
OMX_Baltic_GI	871	1,078.96	+23.88
GZE1R - Latvijas Gāze	10.5	8.86	-15.62

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 September 2023, the market capitalisation of the JSC “Latvijas Gāze” amounted to 353.51 million EUR, which is 18% more than in the respective period of 2022.

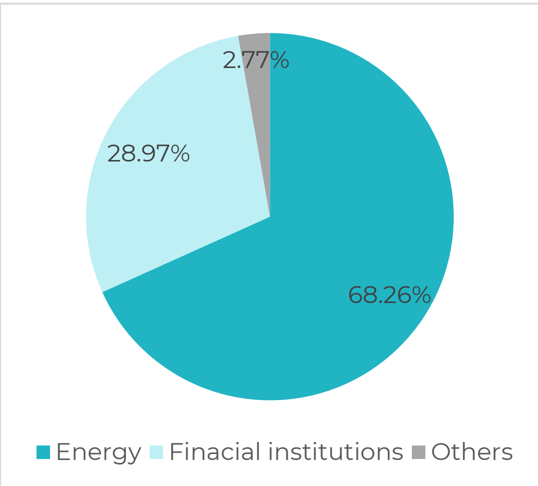
SHARE PRICE DEVELOPMENT AND SHARE TURNOVER (01.01.2021-30.09.2023)

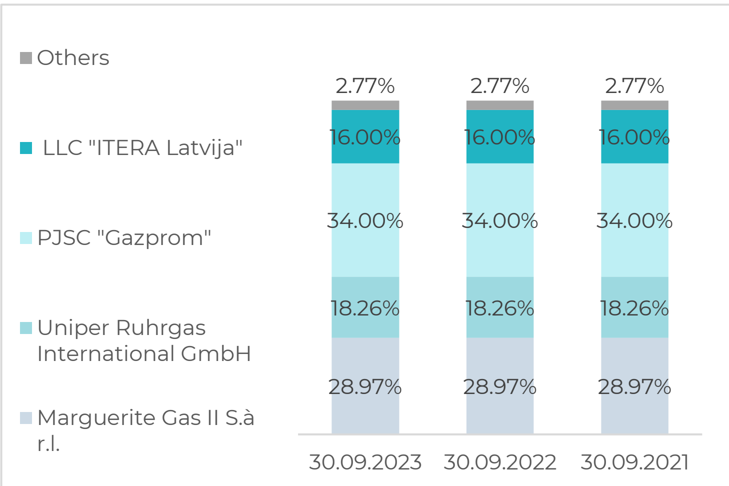
Source: Nasdaq Baltic

INFORMATION ON SHARE TRANSACTIONS (9M 2021 – 9M 2023)

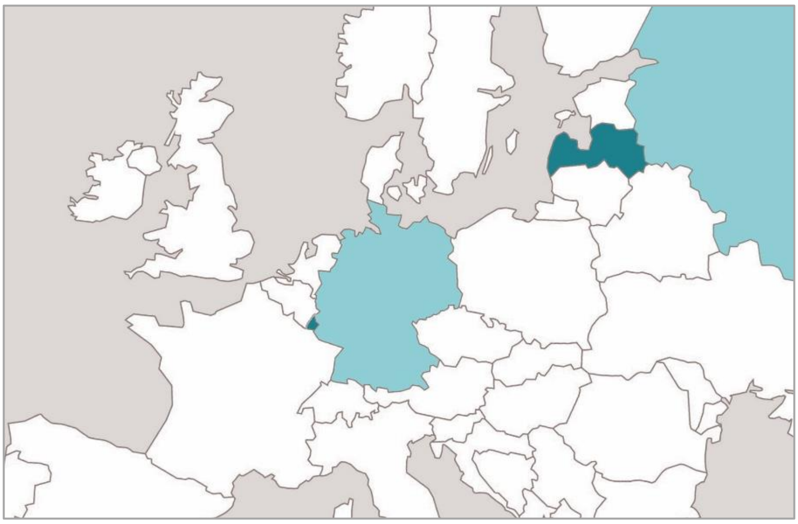
	9M 2023	9M 2022	9M 2021
Share price (EUR):			
First	8.60	10.60	10.50
Highest	12.95	11.10	11.10
Lowest	8.04	6.20	10.10
Average	9.20	8.79	10.72
Last	8.86	7.52	10.90
Change (from first to last share price)	3.02%	-29.06%	3.81%
Number of transactions	4 202	3 170	2 276
Number of shares traded	101 777	73 944	56 878
Turnover (million EUR)	1.04	0.63	0.61
Capitalisation (million EUR)	354	300	435

SHAREHOLDER STRUCTURE AS AT 30.09.2023





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
Board		**Number of shares**
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

Tension and uncertainty in the natural gas markets in the nine months of 2023 has significantly decreased compared to 2022. There are high inventory levels in the European natural gas storages (including Latvia), and natural gas prices are notably lower (in August 2023 they reached the lowest level since July 2021). Despite this, the consumption of natural gas is still low - according to the data published by the Central Statistical Bureau of Latvia[1], the amount of natural gas consumed in Latvia in the nine months of this year decreased by 6.9% compared to the corresponding period last year. A drop in consumption has also been observed elsewhere in Europe, mainly due to low activity in the industrial sector. In addition, the fourth quarter in the natural gas markets started with significant challenges - the military conflict between Israel and Palestine, as well as the damage to the Balticconnector pipeline, have created volatility in the natural gas markets in the world, which affects both natural gas supplies and prices. Despite all the above-mentioned challenges, in the summer of 2023, the Company has carried out the necessary work to create additional safety and stability for its customers – all the required natural gas amount for uninterrupted supply of gas, including 2023/2024 heating season has been injected in the Inčukalns underground gas storage (hereinafter – IUGS).

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, the Company has retained more than 90% of the household customer portfolio compared to the number of customers at the beginning of this year.

In the nine months of 2023, the Company operated with 24.9 million EUR losses, compared to 95.4 million EUR net profit in the corresponding period of 2022. Corporate income tax payments to the State budget in the amount of 30.5 million EUR for calculated dividends to the Company's shareholders have affected the Company's losses. At the same time, the Company's profit before taxes was 5.5 million EUR in the nine months of 2023, which is above the historical average – in 2022, the Company's profit before taxes in the corresponding period was 96.5 million EUR, in 2021 the Company's losses before tax were 169.5 million EUR, in 2020 profit before taxes was 14.6 million EUR and in 2019 losses before tax were 0.7 million EUR. As mentioned in the previous quarterly financial statements, the results of 2022 reflected the results of the economic activity of both 2021 and 2022 due to the accounting methodology of financial derivative transactions. In nine months of 2023, such situation was not observed.

The economic activities of the Company 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 (the Company) to maintain 1 150 GWh of natural gas reserves in the IUGS for household supply during the period from 10 August 2022 till 30 April 2023, reducing the reserved 1 150 GWh each month by the natural gas quantity actually supplied to households in the previous month. Due to these regulations, as at 30.04.2023 the Company 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.

1 https://data.stat.gov.lv/pxweb/lv/OSP_PUB/START__NOZ__EN__ENB/ENB020m/table/tableViewLayout1/

Company's key financial figures	9M 2023	9M 2022
	EUR'000	EUR'000
Net turnover	**120 544**	**548 034**
EBITDA	**5 635**	**97 924**
EBITDA, %	4.7	17.9
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	(862)	(1 045)
EBIT	**4 773**	**96 879**
EBIT, %	4.0	17.7
Financial revenues	764	-
Financial expenses	(2)	(346)
Corporate income tax	(30 459)	(1 179)
Net profit / (losses)	**(24 924)**	**95 354**
Net profit margin, %	20.7	17.4
Profit per share, EUR	-0.62	2.39
P/E	-14.29	3.15
Current ratio	5.24	4.53
ROCE	0.03	0.26
Dividends / net profit	-	0.16

Alternative Performance Measures (APM)	Formulas
EBITDA *(Profit before income tax, interest, depreciation and amortization)*	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, % *(or EBITDA margin)*	EBITDA, % = $\frac{EBITDA}{Revenue\ from\ contracts\ with\ customers}$ x 100%
EBIT *(Profit before income tax and interest)*	EBIT= Profit of the year + Corporate income tax + Financial expense - Financial income
EBIT, % *(or EBIT margin)*	EBIT,% = $\frac{EBIT}{Revenue\ from\ contracts\ with\ customers}$ x 100%
Net profitability *(or Commercial profitability)* The indicator reflects how much the company earns from each of the EUR received from customers	Net profitability, %= $\frac{Profit\ of\ the\ year}{Revenue\ from\ contracts\ with\ customers}$ x 100%
P/E Ratio *(Relationship between Share Price and Earnings per Share)*	P/E=$\frac{Last\ share\ price}{Earnings\ per\ share for\ the\ reporting\ year}$
Current ratio The indicator measures Company's ability to pay short-term obligations that matures within one year.	Current ratio = $\frac{Current\ assets}{Current\ liabilities}$
Return on capital employed (ROCE) The indicator measures the effective use of available capital by the company.	Return on capital employed = $\frac{EBIT}{Capital\ employed}$
Dividend payout ratio The indicator reflects total amount of dividends paid out to shareholders relative to the net income of the company.	Dividend payout ratio = $\frac{Dividends\ paid}{Net\ income}$

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

GENERAL MARKET AND INDUSTRY ENVIRONMENT

Previously weather conditions were the main demand driver for natural gas, however year 2022 (Russia's invasion of Ukraine) showed that nowadays socio-economic developments impact natural gas demand and prices far more. According to International Energy Agency[2] growth in global gas demand is set to slow down significantly over the medium term (2022-2026). Overall gas consumption across the markets of Asia Pacific, Europe and North America peaked in 2021 and is set to decline over the medium term as a result of the rapid deployment of renewables and improved energy efficiency standards. Demand in Europe is further decreased by subdued activity in industrial sector.

While market tensions have eased in the first three quarters of 2023, gas supplies remain relatively tight and prices continue to experience strong volatility. High storage levels in the European Union allow for cautious optimism ahead of the 2023-24 heating season. Nevertheless, full storage sites are no guarantee against winter volatility – a cold winter together with lower liquefied natural gas (hereinafter – LNG) availability and a further decline in Russian piped gas deliveries could renew market tensions, especially towards the end of the 2023-24 winter. In addition, a range of risk factors (for example, further escalation in the ongoing military conflicts in Ukraine and the Middle East, prolonged repairs to the damaged Balticconnector pipeline etc.) could renew market tensions.

The latest economic report by the International Monetary Fund[3] forecasts a positive global economic growth of 3% in 2023 (no change compared to the previous forecast). In 2024, the global economy is expected to grow by 2.9%, which is 0.1% below the previous forecast. Inflation is forecast to decrease from 8.7% in 2022 to 6.9% in 2023 (a 0.1% increase compared to the previous report) and to 5.8% in 2024 (a 0.6% increase compared to the previous report). Near-term inflation expectations have risen and could contribute — along with tight labour markets — to core inflation pressures persisting and requiring higher policy rates than expected. More climate and geopolitical shocks could cause additional food and energy price spikes.

According to the latest macroeconomic forecasts by the Bank of Latvia[4] (LB) as revised in September 2023, Latvia's GDP will grow by 0.6% in 2023 (a decrease by 0.6% as compared to the March 2023 report). Tighter financing conditions observed in the euro area as a result of monetary policy tightening reduce demand, and weaker economic activity of Latvia's trade partners also affects the Latvian economy. In line with previous forecasts, it is expected that Latvia's economic growth will accelerate in 2024–2025, with its GDP growing by 3.0% and 3.6% respectively (according to the June forecast – by 3.1% and 3.5% respectively). While the baseline scenario involves the recovery of healthy economic growth, concerns persist about the adverse effects of the increase in labour costs on Latvia's competitiveness and thus the return to a sluggish economic growth. Weaknesses lie in both the labour market characterised by labour shortages and firms' investment opportunities hampered by barriers stemming from lending and the construction process. The most recent inflation data point to a stronger-than-projected rise in prices of energy, services and industrial goods. Thus, the inflation forecast for 2023 has been revised up to 9.0% (the June forecast

2 https://www.iea.org/reports/medium-term-gas-report-2023
3 https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023
4 https://www.macroeconomics.lv/latvias-macro-profile-september-2023

– 8.5%). At the same time, the core inflation is expected to remain elevated in 2023 and beyond due to the strong wage growth affecting both demand and costs in the price-setting process. Meanwhile, assumptions about lower food and natural gas prices allow for downward revisions of inflation forecasts for the next years: to 2.3% for 2024 (the June forecast – 2.4%), and to 2.5% for 2025 (the June forecast – 3.0%). The core inflation will decrease more gradually from 8.2% in 2023 to 4.2% in 2025.

KEY EVENTS DURING THE REPORTING PERIOD

- **As of 1 January 2023,** natural gas supplies from Russia are prohibited.
- **On 1 January 2023**, new Company's natural gas tariffs for households for the period from January 1 to April 30, as well as new JSC "Gaso" distribution tariffs entered into force, which foresaw changes in all user groups, both for the variable and fixed part. The increase in tariffs of the natural gas system operator Gaso from 1 January 2023 had an impact on the final trade tariffs for natural gas ranging from 1.7% to 3.2% depending on the consumption group of users, while the differentiated final trade tariffs for natural gas of the Company with excise tax and value added tax (VAT) ranged from -11% to +11%, depending on the annual consumption of the user.
- **In February of 2023** the wholesale price ceiling for natural gas set by the European Union (EU) on the Dutch "Title Transfer Facility" (TTF) exchange came into force - 180 euros per MWh under certain conditions. They will come into effect if the price of 180 euros is exceeded for three days in a row.
- **On 14 April 2023**, the Company and JSC "Eesti Gaas" signed an agreement on the acquisition of 100% shares of JSC "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".
- **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 "Gaso".
- **On 27 June 2023**, the Competition Council of Latvia issued an approval for JSC "Eesti Gaas" to acquire a significant stake in JSC "Gaso".
- **On 17 July 2023**, the final preconditions for the completion of the transaction of sale of the 100% subsidiary of the Company 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".

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, GET Baltic natural gas exchange).

FINANCIAL RISK MANAGEMENT

The Company is exposed to credit, liquidity and market risks.

As in previous periods, JSC “Latvijas Gāze” faced a high customer concentration risk with only a few customers accounting for a significant share of overall sales volumes. To mitigate ***credit risk*** customers are subject to individual credit risk evaluation, which include a number of practices, such as evaluation of credit limits, a detailed supervision of financial figures, and ongoing billing control and monitoring to avoid the accumulation of debt.

The 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 IUGS during the injection season starting in early summer. While the Company needs to ensure the availability of respective cash reserves to finance the injection of natural gas into the storage during the summer months, customers will typically consume and subsequently pay most of the natural gas only during the winter period. In order to mitigate liquidity risk, Company prioritized natural hedge (internal market risk mitigation). Currently, Company operates without borrowed capital, short-term liquidity is good.

Following the liberalisation of the Latvian natural gas market in 2017, the natural gas sales and trading segment continues to be exposed to ***market risks***. Particularly the greater variety of pricing structures requested by customers and high price volatility have created new risk positions. To manage and mitigate these risks, the Company established a separate Risk Management function. Company continuously monitors and develops further its risk management policies and strategies. Internal market risk mitigation, e.g. through negotiating supply agreement terms and working with the sales portfolio, is the preferred risk mitigation option.

Other risks are associated with regulatory changes. On 10 August 2022, Cabinet Regulations No. 503 “On the Supply of Energy Users During the Declaration of Early Warning and Alarm Level” (hereinafter – the Regulations) took effect stipulating that from 10.08.2022 till 30.09.2022 the public trader has to keep in the IUGS natural gas reserves of 1.150 TWh designed for the supply of household customers from 01.10.2022 till 30.04.2023. According to Article 2.1 of the Regulations, the total reserved natural gas quantity is calculated as an average of the household consumers’ consumption between 1 October and 30 April in the last three years. The Public trader could only use these reserves for supplying household customers. In fulfilment of this obligation, the Company as Public trader purchased natural gas and it was reserved in the IUGS for the needs of households in the 2022/2023 heating season. The Company paid for these reserves at the best time – December 2022, at a price of 119.51 EUR/MWh. The TTF forward prices at the time ranged between 123 and 146 EUR/MWh. The supervisory authorities were submitted both data on the historical actual natural gas deliveries to household consumers for October-December period and a natural gas sales forecast for 2023 with a 20% reduction of the quantity required for the needs of household consumers. However, despite the information provided, under the current wording of the Regulations, any natural gas quantity above the forecast for household consumers from 1 October 2022 till 30 April 2023 was blocked.

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, offering a fixed price for 6 months. Clients are also offered the opportunity to conclude a contract for natural gas supplies at a fixed price for 12 months. Starting from 1 December 1 2023, household customers are also offered the opportunity to conclude an open-ended contract with a variable price linked to the natural gas index. The Company continues trading natural gas to households and commercial customers, investing in the modernisation and digitalisation of customer service processes and the development of new products and services. Furthermore, in order to streamline billing processes, the Company will continue rolling out new functionalities in the new billing system and customer portal.

Pursuant to the climate neutrality goals set by the European Union for 2050, the Company focuses on offsetting the environmental impact caused by customers by carrying out projects that allow reducing GHG emissions. In line with the European Union's "Fit for 55" proposal package, the European Commission's Hydrogen and Gas Market Decarbonisation Package, the Methane Strategy, and the targets set in the Renewable Energy Directive, the Company plans to develop renewable energy projects. The Company's objective is to increase the use of natural gas in areas where other fossil resources are currently preferred.

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 Company's energy management system has been certified and on 11 February 2022 successfully passed recertification under the LVS EN ISO 50001:2018 standard. In addition, attention is paid to a good management of buildings, and those managed by the Company will undergo green office certification. There has been an environment management system implemented, certified under the ISO 14001:2015 standard, and a calculation of CO2 emissions has been made. Based on the environment policy and the CO2 calculations, the Company 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 cars that use compressed natural gas (CNG) as fuel. Transport that uses CNG emits up to 30% less CO2 than diesel or petrol and up to 90% less other harmful substances. Hence, one of the Company's current objectives is to actively promote the development of CNG infrastructure in Latvia, providing technical support and other competences to companies that invest in building CNG filling stations.

In 2023, the company intends to complete 31 energy efficiency tasks with planned energy savings of 1 935 MWh per year. In March 2023, solar panels with a total capacity of 23 kilowatts were installed on the roof of the Company's office building in Riga, Aristida Briāna Street 6. The electricity produced in an environmentally friendly way is used for the Company's own needs and covers about 25% of the total electricity consumption.

SUBSEQUENT EVENTS

As part of the ongoing management buy-out process, Company's Members of the Board Aigars Kalvītis, Elita Dreimane and Egīls Lapsalis have, via their special purpose vehicle SIA "Energy Investments", acquired a substantial stake in JSC "Latvijas Gāze". The deal has been struck between the Luxembourg-based investment fund "Marguerite Gas II S.À.R.L" and SIA "Energy Investments" for the purchase of all 28.97% of shares owned by the Marguerite fund.

In the period after 30 September 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 JSC "Latvijas Gāze" unaudited interim condensed financial statements for 9-months period ended 30 September 2023 (further – Financial statements), which consist of the Company’s financial statements.

Financial statements for the 9-months period ended 30 September 2023 have been prepared in accordance with the International Accounting Standards 34 “Interim Financial Reporting” adopted by the European Union.

According to the information available to the management of the Company, the Financial statements provide a true and fair view of the Company’s assets, liabilities, financial position, operational results and cash flows. The management report contains a clear overview of the business development and operational results of the capital company.

The Financial statements were approved by the Board of the JSC “Latvijas Gāze” on 30 November 2023, and they are signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Elita Dreimane 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

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 September 2023

STATEMENT OF PROFIT OR LOSS

	Note	Company 01.01.-30.09.2023	Company 01.01.-30.09.2022
		EUR'000	EUR'000
Revenue from contracts with customers	**2**	**120 544**	**548 034**
Other income	3	1 853	894
Raw materials and consumables used	4	(105 853)	(429 104)
Personnel expenses	5	(4 098)	(3 819)
Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets		(862)	(1 045)
Net fair value losses on financial derivatives	6	-	(10 630)
Other operating expenses	7	(6 821)	(7 451)
Gross profit		**4 773**	**96 879**
Financial revenues		764	-
Financial expenses		(2)	(346)
Profit before taxes		**5 535**	**96 533**
Corporate income tax		(30 459)	(1 179)
Profit/(losses) for the period		**(24 924)**	**95 354**
Extraordinary dividends		-	(15 000)
Profit/(losses) for the period		**(24 924)**	**80 354**

STATEMENT OF COMPREHENSIVE INCOME

	Pielikums	Company 01.01.-30.09.2023	Company 01.01.-30.09.2022
		EUR'000	EUR'000
Profit/(losses) for the period		**(24 924)**	**80 354**
Other comprehensive income - items that will not be reclassified to profit or loss			
Total other comprehensive income		**-**	**-**
Total comprehensive income/(losses) for the period		**(24 924)**	**80 354**

Aigars Kalvītis
Chairman of the Board

Elita Dreimane
Member of the Board

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

BALANCE SHEET

	Note	Company 30.09.2023	Company 31.12.2022
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Intangible assets	9	4 004	4 333
Property, plant and equipment	10	2 306	2 371
Right-of-use assets		74	119
Trade receivables		5	25
Total non-current assets		**6 389**	**6 848**
Current assets			
Inventories	11	118 622	120 509
Pre-payments for inventories		1 882	63
Trade receivables	12	8 357	81 951
Other financial assets at amortised cost		3 563	5 850
Other current assets		373	554
Investments held for sale		-	122 000
Cash and cash equivalents		53 498	41 237
Total current assets		**186 295**	**372 164**
TOTAL ASSETS		**192 684**	**379 012**

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Elita Dreimane
Member of the Board

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

BALANCE SHEET (continued)

	Note	Company 30.09.2023	Company 31.12.2022
		EUR'000	EUR'000
LIABILITIES AND EQUITY			
Equity			
Share capital	12	55 860	55 860
Share premium		20 376	20 376
Reserves		(20)	(20)
Retained earnings		80 906	235 903
Total equity		**157 122**	**312 119**
Liabilities			
Non-current liabilities			
Lease liabilities		-	51
Employee benefit obligations		39	39
Total non-current liabilities		**39**	**90**
Current liabilities			
Trade payables	13	3 387	37 327
Lease liabilities		68	89
Corporate income tax		1	-
Other liabilities	14	8 855	26 987
Dividends unpaid		23 212	2 400
Total current liabilities		**35 523**	**66 803**
Total liabilities		**35 562**	**66 893**
TOTAL LIABILITIES AND EQUITY		**192 684**	**379 012**

Aigars Kalvītis Chairman of the Board	Elita Dreimane 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
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**
Transactions with owners					
Dividends	-	-	-	(130 073)	(130 073)
Transactions with owners	-	-	-	**(130 073)**	**(130 073)**
Comprehensive income					
Profit/losses for the year	**-**	**-**	**-**	(24 924)	(24 924)
30 September 2023	**55 860**	**20 376**	**(20)**	**80 906**	**157 122**

Aigars Kalvītis
Chairman of the Board

Elita Dreimane
Member of the Board

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

STATEMENT OF CASH FLOWS

	Note	Company 01.01-30.09.2023	Company 01.01-30.09.2022
		EUR'000	EUR'000
Cash flow from operating activities			
Profit before tax		**5 535**	**96 533**
Adjustments:			
- depreciation of property, plant and equipment and right-of-use assets	9	237	280
- amortisation of intangible assets	8	625	765
- changes in provision		-	(1)
- interest expenses		-	286
- losses from sale of property, plant and equipment		13	5
Changes in operating assets and liabilities:			
- in accounts receivable		76 061	140 068
- in inventories		1 887	65 418
- in advances for inventories		(1 819)	(20 489)
- in accounts payable		(52 072)	(199 722)
- corporate income tax paid		(30 458)	(1 179)
Net cash inflow from operating activities		**9**	**81 964**
Cash flow from investing activities			
Payments for property, plant and equipment		(293)	(159)
Payments for intangible assets		(296)	(286)
Proceeds from sale of property, plant and equipment		153	34
Proceeds from the sale of shares in a subsidiary		122 000	-
Net cash outflow from investing activities		**121 564**	**(411)**
Naudas plūsma no finanšu darbības			
Overdraft/factoring paid		-	(38 994)
Leases paid		(51)	(51)
Interest paid		-	(286)
Dividends paid		(109 261)	(12 600)
Net cash outflow from financing activities		**(109 312)**	**(51 931)**
Net cash flow		**12 261**	**29 622**
Cash and cash equivalents at the beginning of the reporting period		**41 237**	**1 087**
Cash and cash equivalents at the end of the reporting period		**53 498**	**30 709**

Aigars Kalvītis
Chairman of the Board

Elita Dreimane
Member of the Board

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

NOTES

1. Segment information

On 17 July 2023, under the agreement signed in April 2023, the final preconditions for the completion of the transaction of sale of the 100% subsidiary of JSC "Latvijas Gāze" (hereinafter – "the Company") JSC "Gaso" were met. As a result, Latvijas Gāze group ceased to exist, and further in the financial report only the results of natural gas trading segment will be reviewed.

The Company provides services related to the purchase, trade and sale of natural gas in Latvia, Lithuania, Estonia and Finland. These services include the wholesale and sale of natural gas to industrial and commercial customers as well as to households.

2. Revenue from contracts with customers

Company 9 months 2023	Gas trade Latvia	Other countries	Total
	EUR'000	EUR'000	EUR'000
Segment revenue	108 662	10 729	119 391
Other revenue (balancing services)	993	160	1 153
	109 655	**10 889**	**120 544**

Company 9 months 2022	Gas trade Latvia	Other countries	Total
	EUR'000	EUR'000	EUR'000
Segment revenue	380 988	158 607	539 595
Other revenue (balancing services)	8 439	-	8 439
	389 427	**158 607**	**548 034**

3. Other income

	Company 9 months 2023	Company 9 months 2022
	EUR'000	EUR'000
Proceeds from the sale of shares in a subsidiary	122 068	-
Expenses from the sale of shares in a subsidiary	(122 000)	-
Penalties collected from customers	1 165	726
Other	630	168
	1 863	**894**

4. Raw materials and consumables used

	Company 9 months 2023	Company 9 mēneši 2022
	EUR'000	EUR'000
Natural gas purchase	105 804	429 055
Costs of materials, spare parts and fuel	49	49
	105 853	**429 104**

5. Personnel expenses

	Company 9 months 2023	Company 9 months 2022
	EUR'000	EUR'000
Wages and salaries	3 061	2 806
State social insurance contributions	738	685
Life, health and pension insurance	161	154
Other personnel costs	138	174
	4 098	**3 819**

6. Derivative financial instruments

	Company 9 months 2023	Company 9 months 2022
	EUR'000	EUR'000
Net fair value losses on financial derivatives	-	(10 630)
	-	**(10 630)**

7. Other operating expenses

	Company 9 months 2023	Company 9 months 2022
	EUR'000	EUR'000
Selling and advertising costs	875	500
Expenses related to premises (rent, electricity, security and other services)	173	181
Donations, financial support	2 518	1 014
Office and other administrative costs	1 538	841
Taxes and duties	630	185
Costs of IT system maintenance, communications and transport	781	679
Other costs	306	4 051
	6 821	**7 451**

Other costs	Company 9 months 2023	Company 9 months 2022
	EUR'000	EUR'000
Provisions for doubtful debtors	274	3 947
Other costs	32	104
	306	**4 051**

8. Intangible assets

	Company 9 months 2023	Company 2022
	EUR'000	EUR'000
Cost		
As at the beginning of period	**7 656**	**7 235**
Additions	297	421
Disposals	-	-
As at the end of period	**7 953**	**7 656**
Accumulated amortisation		
As at the beginning of period	**3 323**	**2 309**
Amortisation	626	1 014
Disposals	-	-
As at the end of period	**3 949**	**3 323**
Net book value as at the end of period	**4 004**	**4 333**

9. Property, plant and equipment

Company	Land, buildings, constructions	Machinery and equipment	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount					
31.12.2022	**1 811**	**-**	**1 755**	**140**	**3 706**
Additions	127	-	166	-	293
Disposals	-	-	(106)	(140)	(246)
30.09.2023	**1 938**	**-**	**1 815**	**-**	**3 753**
Accumulated depreciation					
31.12.2022	**234**	**-**	**1 101**	**-**	**1 335**
Calculated	56	-	136	-	192
Disposals	-	-	(80)	-	(80)
30.09.2023	**290**	**-**	**1 157**	**-**	**1 447**
Net book value as of 30.09.2023	**1 648**	**-**	**658**	**-**	**2 306**
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**

10. Inventories

	Company 30.09.2023	Company 31.12.2022
	EUR'000	EUR'000
Natural gas and fuel	118 622	120 509
	118 622	**120 509**

11. Trade receivables

Trade receivables	Company 30.09.2023	Company 31.12.2022
	EUR'000	EUR'000
Long-term receivables (nominal value)	5	25
	5	**25**
Short-term receivables (nominal value)	16 977	90 437
Allowance for impairment of short-term receivables	(8 620)	(8 486)
	8 357	**81 951**

12. Shares and shareholders

	30.09.2023 % of total share capital	30.09.2023 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 September 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.

13. Trade payables

	Company 30.09.2023	Company 31.12.2022
	EUR'000	EUR'000
Payables to related parties*	-	3 908
Payables to third parties	3 387	33 419
	3 387	**37 327**

*JSC Gaso is not Company related part from 17.07.2023.

14. Other liabilities

	Company 30.09.2023	Company 31.12.2022
	EUR'000	EUR'000
Prepayments received	7 018	11 784
Value added tax	483	12 345
Accrued costs	572	1 609
Excise tax	69	457
Vacation pay reserve	359	359
Salaries	188	158
Social security contributions	99	139
Personnel income tax	54	111
Other current liabilities	13	25
	8 855	**26 987**

15. Financial risk management

Fair value

Financial assets and liabilities	Level	Company 30.09.2023	Company 31.12.2022
		EUR'000	EUR'000
Trade receivables	3	8 357	81 951
Accrued income	3	41	4
Reserved funds	2	3 522	5 846
Cash and cash equivalents	2	53 498	41 237
Financial assets		**65 418**	**129 038**
Lease liabilities	3	68	140
Accrued expenses	3	572	1 609
Trade payables	3	3 387	37 327
Assets held for sale	3	-	122 000
Financial liabilities		**4 027**	**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.

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