LATVIJAS GĀZE GROUP CONSOLIDATED AND JSC "LATVIJAS GĀZE" ANNUAL REPORT FOR 2020

Prepared in compliance with the International Financial Reporting Standards as adopted by the European Union

Riga 2021

CONTENTS

LETTER TO SHAREHOLDERS

Dear shareholder,

In 2020, Latvijas Gāze group succeeded in attaining a positive result despite the challenges brought on by the market conditions. The COVID-19 pandemic and a consecutive warm winter in Europe have caused a significant natural gas demand drop. As a result, natural gas prices dived to multi-year low levels in summer. Liquefied natural gas ("LNG") deliveries to Europe increased substantially, as Europe became a swing buyer during natural gas oversupply period. Continuous low natural gas price environment eventually forced multiple LNG suppliers to cancel an ample amount of LNG loadings in order to minimize losses associated with LNG deliveries. LNG cancellation in summer and economic recovery in 2H 2020 brought balance to the natural gas market and natural gas prices commenced a rapid recovery in autumn.

Higher winter-summer spread intensified competition for capacity at the Inčukalns Underground Gas Storage Facility. Regulated storage tariff for one year bundled unit capacity product was multiple times lower compared to winter-summer spread and costs for storing natural gas in other European countries. The storage capacity was allocated based on the number of participants and the requested volume, rather than the price offered. Consequently, slightly less storage capacity was allocated to JSC "Latvijas Gāze" compared to last year. Natural gas forwards demonstrated a significantly tighter market in 2021, thus a decision was taken to defer the injected underground storage inventory to next year. However, this had a negative impact on Q4 2020, as JSC "Latvijas Gāze" decided to use pipeline supply instead of storage supply. Nonetheless, this decision will ultimately improve future period results in future periods.

Competition in the Baltic region has intensified to high levels during summer as LNG supply increased dramatically. LNG oversupply in the world pushed producers to deliver gas in Europe and Baltic region at sunk costs. Despite the fact that 2020 showed high price magnitude within a year and extreme daily volatility, it was observed that business players offered aggressive pricing during summer when lower natural gas prices prevailed. JSC "Latvijas Gāze" for the first time in history implemented profit over volume strategy and decreased long term sales contracts in the portfolio during low price environment. Apart from warmer winter, this was the second factor that decreased natural gas sales.

The opening of the Finish gas market since 1st January 2020 provided both opportunities and challenges for all natural gas traders. Balticconnector pipeline has not even come close to reaching its announced technical capacity during 2020. As a result, deliveries from Baltic region to Finland were heavily congested during winter season months. Our risk management approach limited committed sales to Finland and most of sales agreements were structured in a flexible way - taking into account potential congestion. Despite congestion the company successfully sold sizeable amount of natural gas in Finland.

JSC "Latvijas gaze" successfully implemented up-to-date IT solutions, including customer portal and new billing system. The migration of 442 thousand customers' contracts to new billing system was finalised, providing a competitive solution for customer service. The new IT solutions will allow significantly cut operating expenses in the medium term while staying customer oriented and focusing to increase the customer satisfaction at the same time.

In the strive to contribute to greenhouse carbon reduction Latvijas Gāze group continues to develop CNG business in transport sector as CNG emits less CO_2 than liquid fossil fuels. Furthermore, our strong team continues to exploit opportunities in renewable projects despite the fact that government incentives remain limited at present.

Yours sincerely,
Aigars Kalvītis

COUNCIL OF THE JSC “LATVIJAS GĀZE”

Council’s term of office from 9 October 2019 till 8 October 2022.

Kirill Seleznev
(Кирилл Селезнев), 1974
Chairman of the Council

Since 2003, Head of Gas and Liquid Hydrocarbon Marketing and Processing Division, Member of the Management Committee at PJSC “Gazprom”

Juris Savickis, 1946
Vice-Chairman of the Council

Since 1996, President of LLC “ITERA Latvija”

Oliver Giese, 1967
Vice-Chairman of the Council

Since 2016, Senior Vice President for Infrastructure Management at Uniper SE (formerly E.ON Global Commodities SE, Düsseldorf, Germany)

Matthias Kohlenbach, 1969
Member of the Council

Since 2016 Legal Department of Uniper SE, Germany; responsible for international projects

David Stephen Harrison, 1970
Member of the Council

Since 2010, Member of the Board of Marguerite Adviser S.A. (Luxembourg)

Nicolàs Merigó Cook, 1963
Member of the Council

Since 2010, Chief Executive Officer of Marguerite Adviser S.A. (Luxemburg)

Hans-Peter Floren, 1961
Member of the Council

Since 2014, Owner and Chief Executive Officer of FLORENGY AG (Essen, Germany)

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

Since 2014, Head of the Department for Gas Business Planning, Efficiency Management and Development at PJSC “NK Rosneft”

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

Since 2015, Head of the Department for Pricing and Economic Expert Analysis at PJSC “Gazprom”

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

Since 2012, Member of the Management Committee, Head of the Asset Management and Corporate Relations Department at PJSC “Gazprom”

Sergey Kuznets
(Сергей Кузнец), 1970
Member of the Council

Since 2015, Member of the Board of Directors, Head of the Department at PJSC “Gazprom”

MANAGEMENT BOARD OF THE JSC "LATVIJAS GĀZE"

Management Board's term of office from 16 August 2018 till 15 August 2021.

Board member's Inga Āboliņa's term of office from 17 August 2020 till 16 August 2023.

Aigars Kalvītis, 1966
Chairman of the Board

Latvian University of Agriculture,
Master's Degree in Economics

Denis Emelyanov, 1979
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 enterprises management

Elita Dreimane, 1968
Member of the Board

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

Inga Āboliņa, 1974
Member of the Board

Stockholm School of Economics in Riga, Executive MBA

Sebastian Gröblinghoff, 1979
Vice-Chairman of the Board
(term of office from September 1, 2016 till June 30, 2020)

Maastricht University / Netherlands
Master's Degree in Economics

LATVIJAS GĀZE GROUP IN SHORT

Latvijas Gāze group is fully committed to ensuring safe and stable natural gas supplies to its customers as well as to strengthening its position as a leader in the Latvian and Baltic energy market. Latvijas Gāze group consists of two business segments:

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

The natural gas distribution segment provides natural gas distribution services in Latvia.

The JSC “Gaso” holds an exclusive license for the distribution of natural gas on the territory of Latvia. The license is valid until 6 December 2037. The JSC “Gaso” owns and operates all distribution assets necessary to provide the respective services to its approximately 400 thousand customers.
The JSC “Gaso” fully complies with the requirements of the Energy Law, which foresees a full legal, structural, and operational separation of the distribution business from the sales & trading activities. The JSC “Gaso” has an own Board of Management and Council that are fully independent from the sales & trading business of the JSC “Latvijas Gāze

STRUCTURE OF LATVIJAS GĀZE GROUP AS OF 31 DECEMBER 2020

	Countries of operation	Type of business operation	Participation share
JSC “Latvijas Gāze”	Latvia, Lithuania, Estonia, Finland	Sales & trading of natural gas	
JSC “Gaso”	Latvia	Distribution of natural gas	100%

STRATEGY AND OBJECTIVES

OUR OBJECTIVE

To strengthen the position of *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 people’s life through delivering natural gas for a variety of purposes in different segments and to promote the advancement of natural gas as a key source of energy for the benefit of society.

LATVIJAS GĀZE GROUP`S FOCUS

Latvijas Gāze group comprising the natural gas sales & trading segment and the natural gas distribution segment is fully committed to the objective of strengthening its position as a leader in the Latvian and Baltic energy market and ensuring safe and stable supplies through:

1. **PRICE COMPETITIVENESS**
   We continuously work towards improving the competitiveness of our natural gas purchase portfolio as well as to improve our cost efficiency and effectiveness with regard to the provision of our products and services. We are dedicated to offering competitive natural gas prices and to ensuring affordable distribution tariffs to all our customers.

2. **QUALITY OF PRODUCT**
   Natural gas is a product of invariably high quality with the lowest environmentally harmful emissions among all types of fossil fuel. Our goal is to promote a more widespread use of high-efficiency heating systems and cogeneration, thus inflicting less harm on the environment and saving our customers' resources.

3. **QUALITY OF SERVICE**
   Latvijas Gāze group is continuously working on improving the quality and availability of its products and services. We regularly review and improve our business and sales processes with the aim to make the provision of products and services to our customers faster and simpler.

4. **EFFECTIVE MANAGEMENT**
   Latvijas Gāze group is governed in compliance with the principles of good corporate governance, ensuring the equality of all shareholders, a professional supervision, and transparency. The group's development and financial management takes place in line with respective risk management policies. A key role in our business is played by IT systems that facilitate an effective management of both the distribution infrastructure as well as the natural gas sales & trading business.

5. **PROFESSIONAL PERSONNEL – FONTS**
   Latvijas Gāze group employs a large staff of specialists with many different professional backgrounds. Given the paramount role of safety and security of gas supply, we pay particular attention to the qualification of our technical specialists and to labour safety. The sales & trading segment as well as the distribution segment provide their employees with a modern working environment and operate in compliance with clearly defined personnel policies to ensure an efficient performance and recruitment.

6. **SAFETY AND SECURITY OF GAS SUPPLY**
   In its gas distribution segment Latvijas Gāze group strives to ensure both the physical safety of the infrastructure, as well as to guarantee the distribution capacity necessary to satisfy the natural gas demand in Latvia. Commercially Latvijas Gāze group focuses on ensuring trustful, safe and flexible gas supplies at competitive prices.

7. **SUSTAINABLE INVESTMENT**
Investments in gas supply safety are closely related to the improvement of efficiency and environmental factors. The distribution segment observes high standards for the diagnostics of the natural distribution network, thus reducing the risk of an emergency and leaking of methane and defining as main priorities the implementation of safe and reliable infrastructure of the system operator, securisation of smart distribution service, paying attention towards the digitalisation of customer service, day-to-day maintenance, development of distribution assets processes and promotion of natural gas as an efficient source of energy.

8. **SUSTAINABILITY**
Taking into consideration the European Union climate neutrality objectives for 2050, Latvijas Gāze focus is directed towards the offsetting customers' environmental impact, creating projects that allow capturing of GHG emissions. In accordance with the European Methane Strategy and aims set forth in EU Renewables Directive, the ambition of Latvijas Gāze is to become biomethane producer and inject it into natural gas grid. On top of the already acquired ISO 50 0001 standard of energy management, Latvijas Gāze seeks a green office certificate for the buildings it manages. By seeing hydrogen as a possibility to reach climate neutrality, Latvijas Gāze evaluates hydrogen production possibilities.

9. **NETWORK DEVELOPMENT AND CUSTOMER ATTRACTION**
The distribution segment of Latvijas Gāze group plans to develop further the distribution network and to attract new customers through the realization of new gasification projects in populated areas and analysing options for the implementation of off-grid solution.

SHARES AND SHAREHOLDERS OF THE JSC "LATVIJAS GĀZE"

SHARES AND SHAREHOLDERS

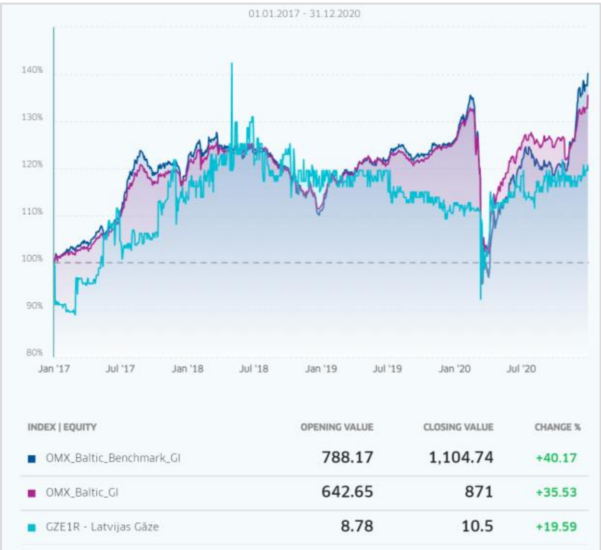
The shares of the JSC "Latvijas Gāze" are listed on the Nasdaq Riga stock exchange since February 15, 1999, and its ticker code is GZE1R since August 1, 2004. The total number of securities has not changed since 1999. The total number of shareholders of JSC "Latvijas Gāze" as of 31.12.2020 was 6 252.

COMPANY'S SHARE PRICE, OMX RIGA GI AND OMX BALTIC GI INDEX CHANGES (01.01.2017. – 31.12.2020.)

ISIN	LV0000100899
Ticker code	GZE1R
List	Second list
Nominal value	1.40 EUR
Total number of securities	39 900 000

Number of securities in public offering	25 328 520
Liquidity provider	None

Source: Nasdaq Baltic



Source: Nasdaq Baltic

The shares of the JSC "Latvijas Gāze" are included in four Baltic country industry indexes, which include public utilities - B7000GI, B7000PI, B7500GI, B7500PI, as well as in several 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-level 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 31st of December 2020, in terms of stock market capitalization, the JSC "Latvijas Gāze", the market capitalization value of the Company amounted to 418.95 million EUR, which is by 6% more, compared to the 2019. After negative impact of coronavirus lockdown measures on stock market during March - April, domestic stock market recovered and the share price of the Company increased by 6.06% during 2020.

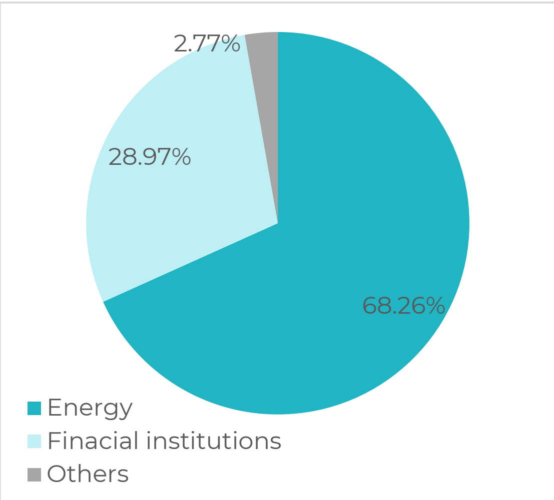
SHARE PRICE DEVELOPMENT AND SHARE TURNOVER (01.01.2017.-31.12.2020.)

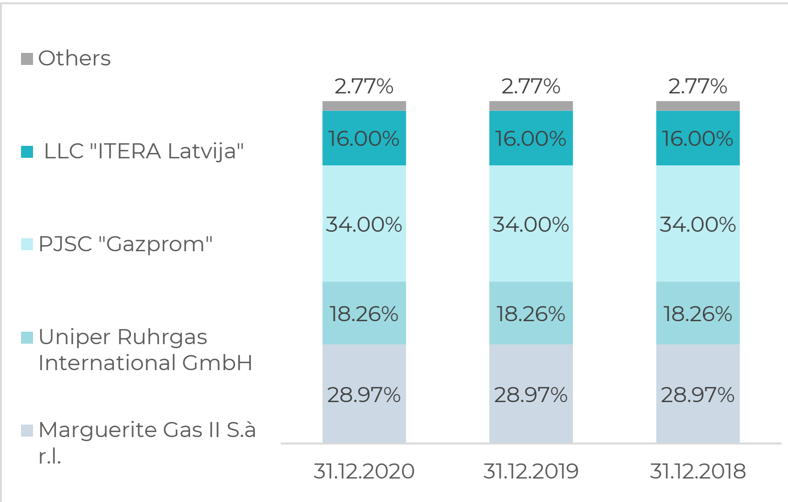
Source: Nasdaq Baltic

INFORMATION ON SHARE TRANSACTIONS (2018 –2020)

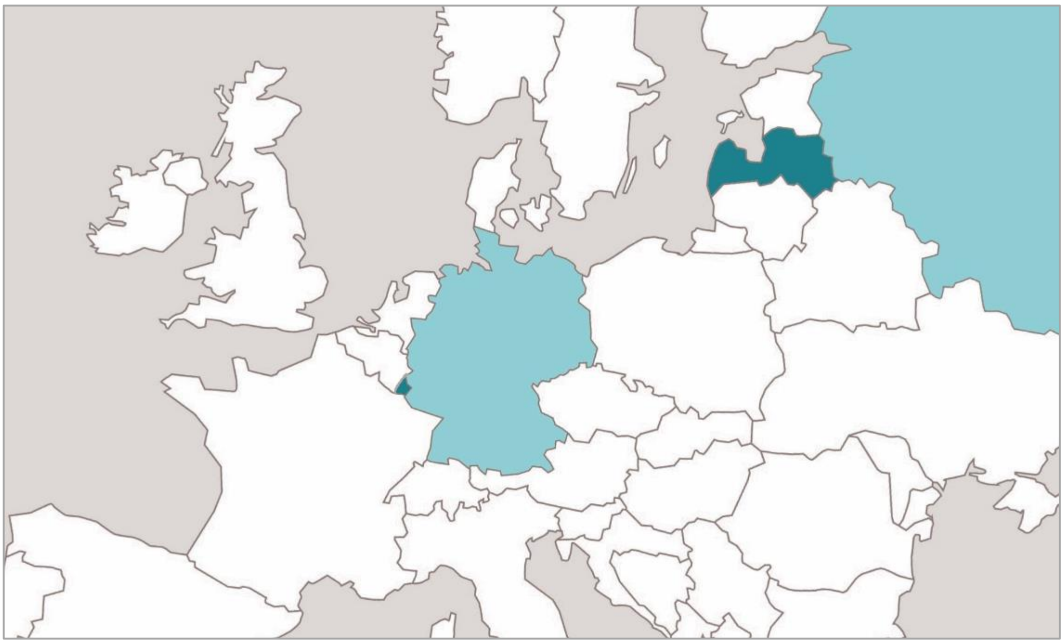
	2020	2019	2018
Share price (EUR)			
First	9.90	10.20	10.00
Highest	10.80	10.60	13.00
Lowest	8.10	9.60	9.90
Average	10.01	10.16	10.60
Last	10.50	9.90	10.10
Change (From First to Last share price)	6.06%	-2.94%	1.00%
Number of transactions	1 800	968	801
Number of shares traded	77 226	85 768	66 262
Turnover (million EUR)	0.77	0.87	0.70
Capitalization (million EUR)	419	395	403

COMPOSITION OF SHAREHOLDERS, 31.12.2020





GEOGRAPHICAL DISTRIBUTION OF THE MAJOR SHAREHOLDERS



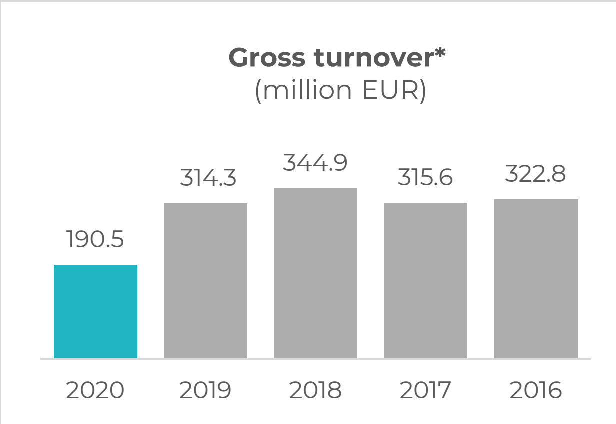
- Russia (PAS Gazprom)
- Luxembourg (Marguerite GAS I S.À R.L.)
- Germany (Uniper Ruhrgas International GMBH)
- Latvia (SIA Itera Latvija)

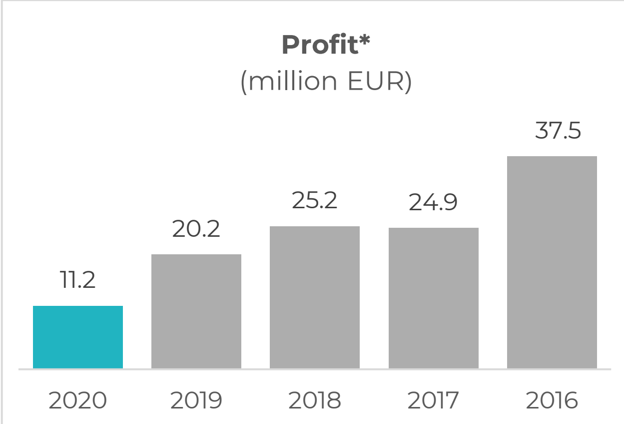
SHARES OWNED BY MEMBERS OF THE GOVERNING BODIES OF THE JSC "LATVIJAS GĀZE"

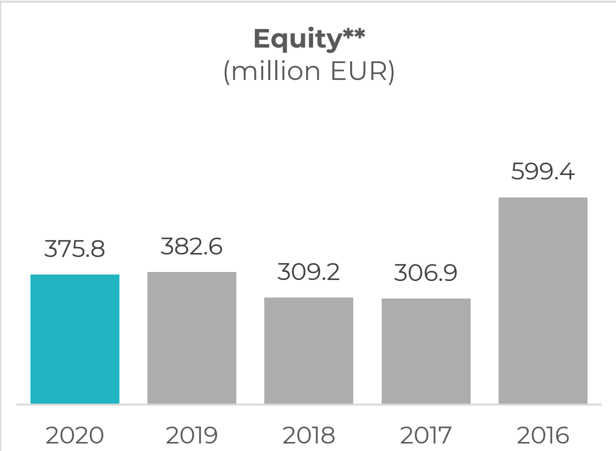
		At the date of signing financial statements
Management Board		**Number of shares**
Chairman of the Board	Aigars Kalvītis	None
Deputy Chairman of the Board	Denis Emelyanov	None
Member of the Board	Elita Dreimane	None
Member of the Board	Inga Āboliņa	None
Council		
Chairman of the Council	Kirill Seleznev	None
Deputy Chairman of the Council	Juris Savickis	None
Deputy Chairman of the Council	Oliver Giese	None
Member of the Council	David Stephen Harrison	None
Member of the Council	Vitaly Khatkov	None
Member of the Council	Oleg Ivanov	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	Sergey Kuznets	None

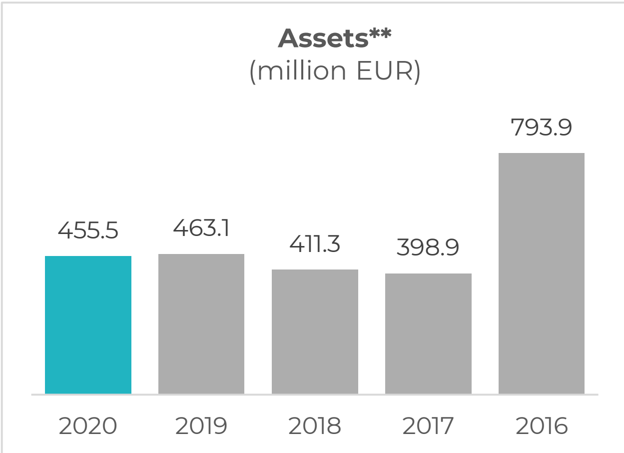
LATVIJAS GĀZE GROUP FACTS AND FIGURES

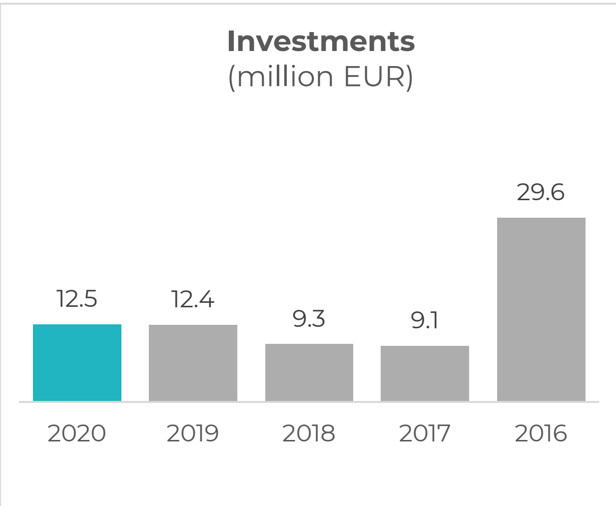
FINANCIAL INDICATORS

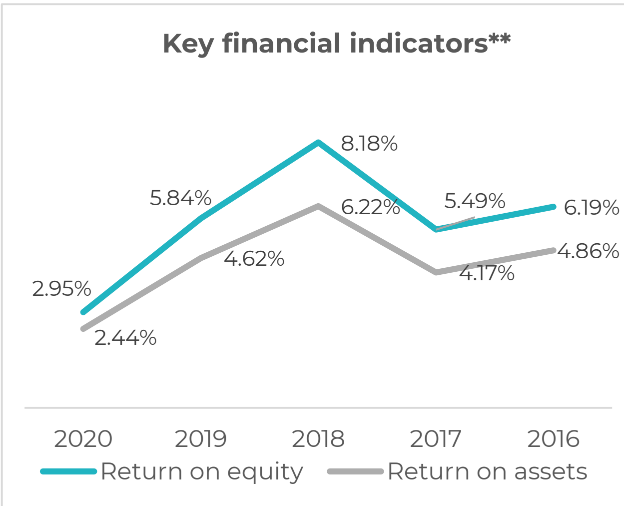






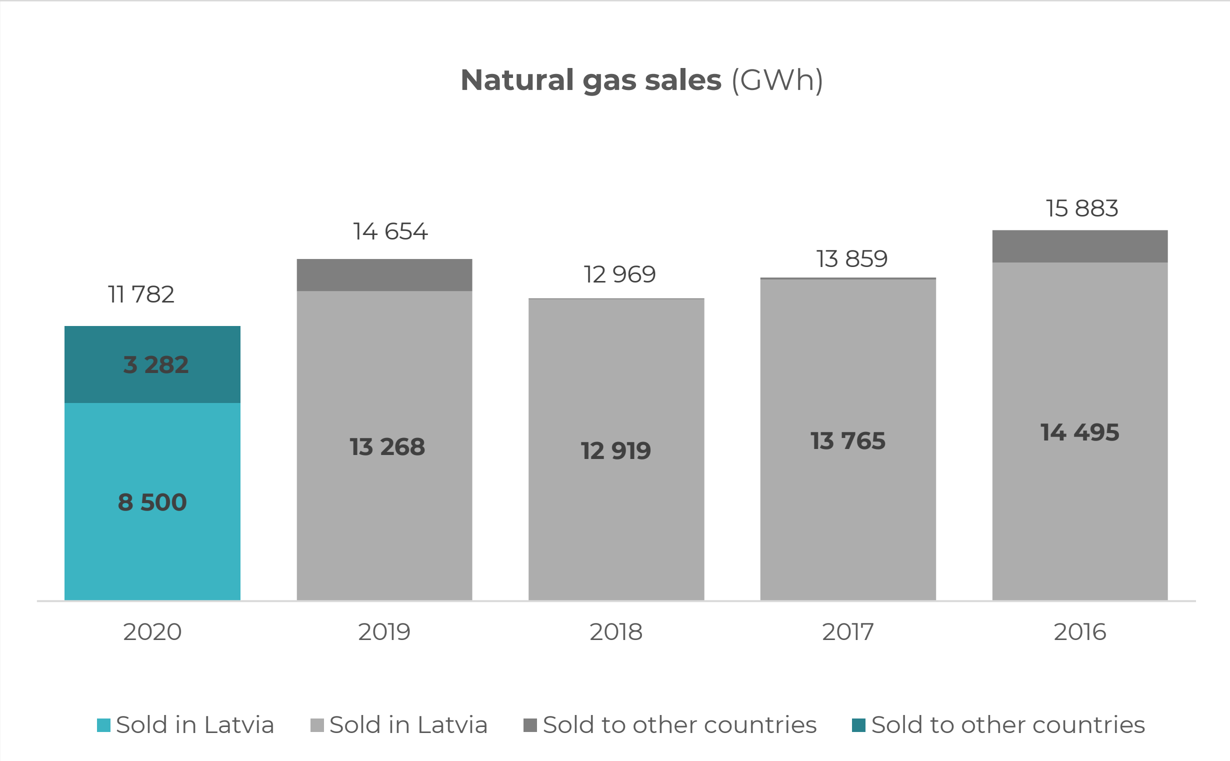




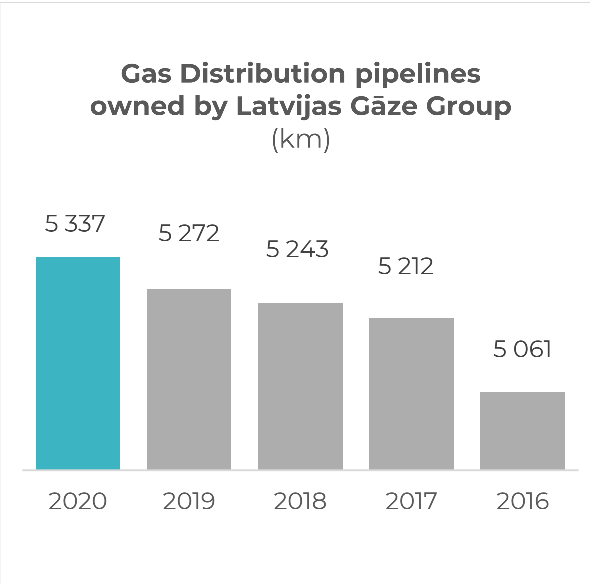


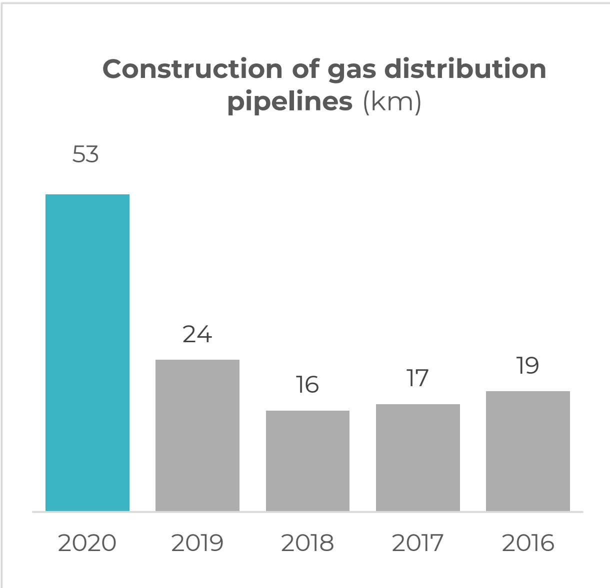
** Year 2017 – restated.*
*** Years 2017, 2018 and 2019 – restated.*

NATURAL GAS VOLUMES

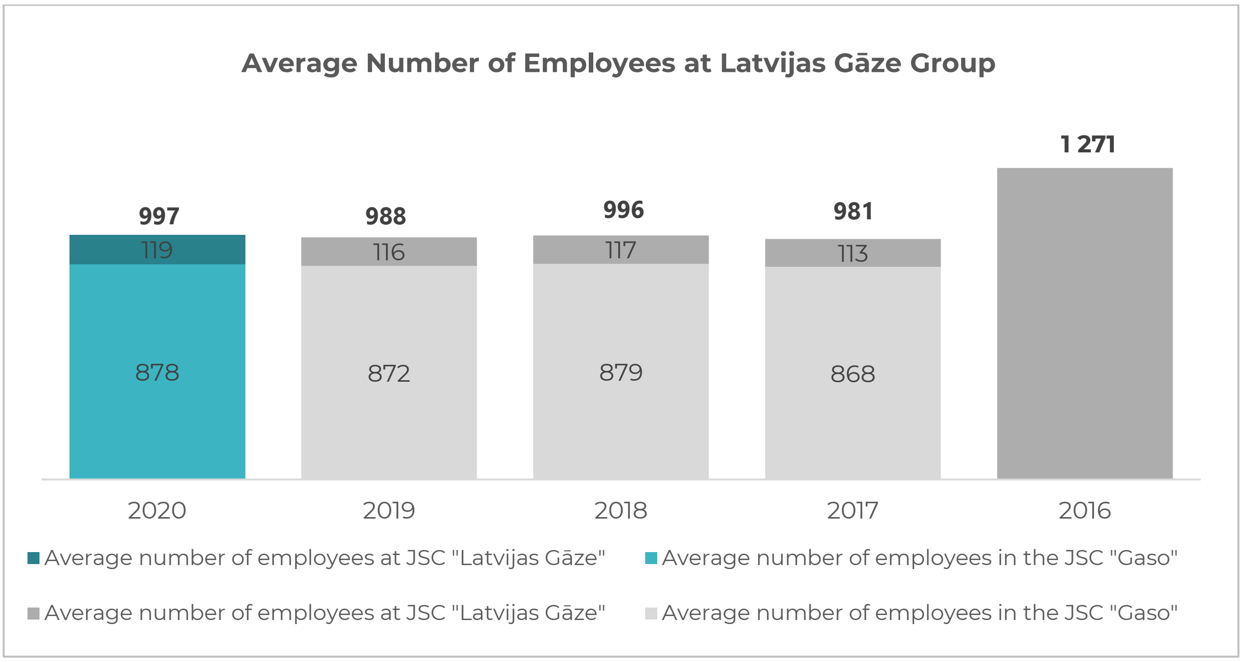


DISTRIBUTION SYSTEM



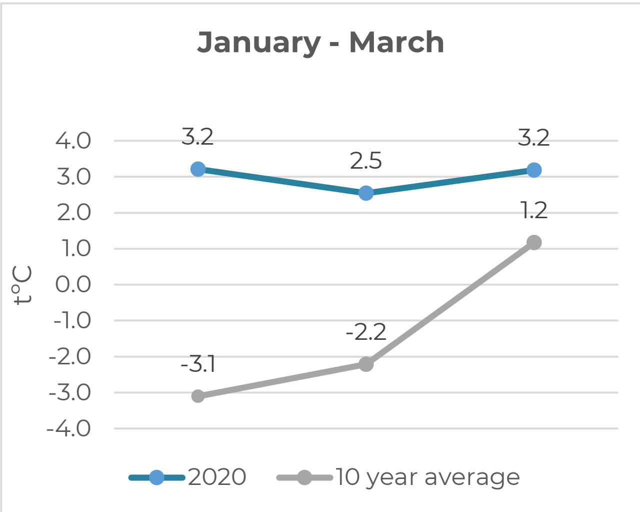


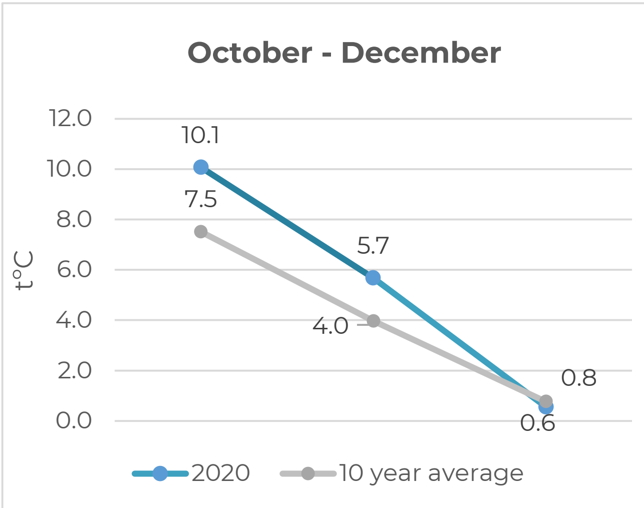
EMPLOYEES



GRAPHICAL REPRESENTATION OF FACTORS INFLUENCING COMPANY' BUSINESS ENVIRONMENT

In Latvia the air temperature is one of the main factors influencing demand patterns during the heating season, as can be seen from the graphical representation below - the air temperature in January-March, 2020 and October-December, 2020 has been higher than the ten-year average.





MANAGEMENT REPORT

The year 2020 has been challenging for both the world as a whole and for the energy industry in particular. Relatively mild air temperatures, strict restrictions due to the spread of the coronavirus, and low level of natural gas prices were the main factors shaping the operating environment for the JSC “Latvijas Gāze”. Generally, the air temperature remained above the long-term seasonal average during winter months, affecting the demand for natural gas in the heating segment in particular. Substantially higher summer-winter spreads compared to the regulated charge for storage capacities led to a high demand for storage services, consequently making the JSC “Latvijas Gāze” have a lower storage availability than in 2019. Furthermore, maintenance of the natural gas transmission systems limited the possibilities of rerouting and optimising natural gas flows.

In March 2020, when a state of emergency was declared in Latvia due to the spread of the coronavirus and which remained in place till June 9, the Latvijas Gāze group decided to only serve customers remotely so as to protect the health of both customers and employees. Given the development of the epidemiological situation and a sequential state of emergency declaration as of November 2020 and its extension to April 2021, the customer service centres of the JSC “Latvijas Gāze” and the JSC “Gaso” are closed to visitors.

In 2020, the JSC “Latvijas Gāze” sold 11 896 GWh of natural gas to customers in Latvia and abroad, with the latter accounting for 28% of the total natural gas sales volumes. Several major customers accumulated substantial natural gas reserves during 2019, thus reducing their natural gas demand in 2020 and adversely affecting the domestic sales volumes of the JSC “Latvijas Gāze”. Another reason for sales volume drop was aggressive pricing by other market players during multi-year low natural gas price environment.

Sales volumes outside Latvia account for 28% of the total sales volumes of the JSC “Latvijas Gāze”.

The Group’s net turnover in 2020 reached 190.5 million EUR – a 39.4% decline year-on-year. This is due to lower sales prices and a decrease in sales volumes compared to 2019. The Group’s net profit for 2020 – 11.2 million EUR – was by 44.6% lower than in the last year when it amounted to 20.2 million EUR primarily due to significantly lower profit from sales and trading segment. In Q4 2020 due to lower storage availability, the JSC “Latvijas Gāze” had to use pipeline supply instead of storage supply in order to maximise long-term value by deferring low cost inventory stored underground for future periods with higher prices. Despite the fact that JSC “Latvijas Gāze” received 9.6 million EUR from its hedging activities in 2020, a 5.7 million EUR gain was already reported in 2019 in the form of accruals for outstanding derivatives and 3.1 million EUR loss was accrued in 2020 for outstanding derivatives attributable to 2021. Therefore the overall “Net fair value gains on financial derivatives” for the year 2020 as seen in the Statement of profit or loss (Other income section) amounts to 0.738 million EUR.

As concerns, the further course of business in 2021, the JSC “Latvijas Gāze” expects the operating environment to remain challenging. Intense competition in Baltic region and Finland will continue to depress further margin and cost reduction is a prerequisite for any market player to operate successfully in trading. Further restrictions related to the spread of the coronavirus might affect customer liquidity and natural gas demand in several industries, adversely affecting the Group’s

2021 financial performance. As has been done before, representatives of the sales and trading segment will maintain active communication with customers regarding possible liquidity issues arising from the coronavirus and jointly seek solutions.

The economic performance of the distribution segment managed by the JSC “Gaso” depends on the overall natural gas demand and volumes transported through the distribution network over the year. In 2020, the JSC “Gaso” continued to develop a safe and available natural gas distribution infrastructure, with the major investments made in the construction and reconstruction of gas pipelines and shut-off devices, the reconstruction of technological equipment, and the development of information technologies and computing equipment.

In 2020, the JSC “Latvijas Gāze” refreshed the Company’s logo and visual identity. The new logotype and visual identity are a modernised version of the previous brand with a view to demonstrate the Company’s contemporary approach to services and the dynamics of process whilst maintaining the stability brought by the Company’s long-time experience. In addition to the visual changes, the customers are also provided with a redesigned portal with enhanced functionality and other modernised services. The JSC “Latvijas Gāze” keeps working on improvements in different areas, including customer care and IT system upgrade. This year saw intense work on improvements in remote customer attendance, enabling multiple options of reaching the Company and receiving services remotely. The improvements include a new informational hotline number replacing the premium-rate number used previously and extended remote payment options.

The sales and trading segment managed to successfully progress with the implementation of the new billing system and customer portal for household segment, which will improve the quality of customer service.

Group`s key figures	**2020**	**2019**	**2018**
Natural gas sales, GWh	11 782	14 654	12 969
Number of employees, average	997	988	996
Length of distribution lines, km	5 337	5 272	5 243

Group`s key financial figures	**2020**	**2019**	**2018**
	EUR'000	EUR'000	EUR'000
Net turnover	**190 494**	**314 349**	**344 902**
EBITDA	**26 462**	**35 627**	**37 427**
EBITDA, %	**13.9**	**11.33**	**10.85**
EBIT	**12 943**	**22 857**	**25 882**
EBIT, %	6.8	7.27	7.50
Net profit	**11 189**	**20 190**	**25 185**
Net profit margin, %	5.9	6.42	7.30
Earnings per share, EUR	0.28	0.51	0.63
P/E	37.50	19.41	16.03
Current ratio	3.76	4.16	3.22
ROCE	0.03	0.05	0.07
Dividends / net profit		0.87	0.87

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=$\frac{Last\ share\ price}{Earnings\ per\ sharefor\ the\ reporting\ year}$
Return on equity (ROE) *(Company's earnings ratio on the company's equity source - shareholders)* The indicator reflects the effective use of equity capital by the company	Return on equity,% = $\frac{Profit\ of\ the\ year}{Average\ annual\ equity\ value*}$ x 100%
Return on assets (ROA) *(The amount of profit earned by the company on the assets used)* The indicator reflects how effectively company is profiting from the use of its assets	Return on assets,% = $\frac{Profit\ of\ the\ year}{Average\ annual\ asset\ value**}$ x 100%
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 = $\frac{Dividends\ paid}{Net\ income}$

** Average equity value is calculated by adding the equity value at the beginning of the financial period and at the end of the financial period and dividing the amount by 2*
*** Average asset value is calculated by adding the value of assets at the beginning of the financial period and at the end of the financial period and dividing the amount by 2*

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

In general, 2020 showed a significant price magnitude throughout the entire year. Such events as the last-minute natural gas transit deal between Russia and Ukraine that eliminated the risk of supply disruption, coupled with a consequent warm winter in North-western Europe, exacerbated by a pandemic driven demand destruction put a dramatic pressure on prices in the first half of 2020. TTF index - the most liquid natural gas price benchmark in Europe - decreased by 66% between January and June 2020. In the second half of 2020, natural gas prices skyrocketed almost three times by year-end from its lowest levels during summer. Natural gas price was supported by LNG cargo cancellation during summer, as well as the economic recovery and unplanned supply maintenance.

Economic recovery might be uneven between countries and it depends on government possibility to effectively manage spread of coronavirus and vaccination pace. The current restrictions in Europe and Latvia are of less impact upon energy consumption than in the spring, and the weather conditions remain decisive factor for consumption.

The latest economic review by the International Monetary Fund (IMF) estimates a negative growth rate of the global economy (-3.5%) in 2020 which is 0.9% higher than projected in the previous forecast (reflecting stronger-than-expected momentum in the second half of 2020). At the same time, amid exceptional uncertainty, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022. The 2021 forecast is revised up 0.3% relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies. According to the latest macroeconomic forecasts of the Bank of Latvia (LB) as revised in December 2020, Latvia’s GDP will drop by -4.7% in 2020 (forecast unchanged from September 2020). However, since part of the renewed restrictions both in Latvia and its trade partners will remain in place until widespread implementation of the first medical solutions, the GDP growth forecast for 2021 is more modest than before, having been revised downwards to 2.8% (from 5.1%).

On a regional level, large LNG deliveries to the Klaipeda LNG terminal in 2020 reflect the vast supply of competitively priced LNG flooding the market, coupled with the pandemic leading to an energy consumption drop in the first half of 2020, simultaneously with new LNG production facilities being launched. Low absolute natural gas prices and the high natural gas availability in nine months of 2020 intensified competition on both domestic and regional levels. The pressure on sales profitability grew, which resulted in a number of customers, in their strive to take advantage of the low market prices, requesting a revision or improvement of their pricing conditions in the existing contracts. The adverse market conditions also contributed to a decline in natural gas demand in the electricity production segment. Competitively priced LNG shall be ample during next summer season, as LNG supply might be still excessive. Although during winter season months LNG market is expected to be tighter and less spot cargo opportunities might be available compared to previous year.

KEY EVENTS DURING THE REPORTING PERIOD

- **Since January 1, 2020,** natural gas users in Finland are able to choose freely their natural gas supplier and to receive natural gas from Baltic natural gas traders through the Balticconnector pipeline linking Finland and Estonia.
- **On March 12, 2020**, the Latvian Public Utilities Commission ("PUC") approved the terms of use for the Inčukalns Underground Gas Storage (IUGS) in the storage season 2020/2021.
- **On March 14, 2020**, due to the Covid-19 pandemic the state of emergency was announced in Latvia, which ended **on June 9, 2020**. JSC "Latvijas Gāze" provided only remote customer service.
- **On March 17, 2020** and **on May 21, 2020** the IUGS storage capacity was sold out. The demand for storage capacity exceeded available storage capacity multiple times.
- **On June 25, 2020** JSC "Latvijas Gāze" held its annual Meeting of Shareholders.
- **Since August 10, 2020** JSC "Latvijas Gāze" has new logo and visual identity.
- **On August 17, 2020** the JSC "Latvijas Gāze" Management Board has joined Inga Āboliņa, who is responsible for Company's finances.
- **On August 21, 2020** the medical equipment purchased using the 100 thousand EUR donated by JSC "Latvijas Gāze" in April 2020 was demonstrated at the Latvian Centre of Infectious Diseases.
- **On August 26, 2020** JSC "Latvijas Gāze" participated in the conference "Heat Supply 2020" organized by "Dienas Bizness".
- **On October 13, 2020** in cooperation with JSC "Latvijas Gāze" shareholders PJSC "Gazprom" and AG "Uniper" JSC "Latvijas Gāze" organized conference "Natural gas and transport. Myths. Reality. Benefits." in order to popularize CNG as future fuel.
- **On October 28, 2020** JSC "Latvijas Gāze" participated in the conference "Energy 2020".
- **On November 9, 2020**, due to the spread of the coronavirus, a state of emergency was again declared in Latvia. It was in place until April 6, 2021. JSC "Latvijas Gāze" continued serving its customers only remotely, with the customer service centre remaining closed.
- **On December 30, 2020**, JSC "Latvijas Gāze" made the final transition to a new billing system MECOMS and a new self-service portal.

OPERATING RESULTS OF THE BUSINESS SEGMENTS

Sales & trading segment: In 2020, the sales & trading segment operated by the JSC "Latvijas Gāze" had an asset value of 130.0 million EUR. In 2020, the segment generated a net turnover of 141.4 million EUR, which was by 46% lower in comparison to 2019. The significantly lower net turnover was mainly attributable to lower sales prices due to developments in global natural gas market, as well as lower sales quantities, compared to 2019. During 2020 segment's EBITDA amounted to 14.4 million EUR and profit before taxes reached 13.0 million EUR, while in 2019 EBITDA was 22.9 million EUR and profit before taxes was 22 million EUR.

Distribution segment: The distribution segment operated by the JSC "Gaso" is the largest business segment within Latvijas Gāze group by its asset value. At the end of 2020, assets of the segment were worth 326.0 million EUR, which represents 72% of the Group's total asset value. In the reporting period, the distribution segment generated a net turnover of 49.1 million EUR and

EBITDA of 20.5 million EUR (decrease by 3% and 7%, compared to the same period of 2019, respectively). Distribution services are regulated and form the main source of revenues for JSC "Gaso". The drop in net turnover was mainly caused by lower utilization of the Latvian natural gas distribution system, because of unusually high temperatures during the heating months. The segment's profit before taxes amounted to 8.1 million EUR in 2020 and was by 17% lower, compared to 2019

LONG-TERM GAS SUPPLIES

JSC "Latvijas Gāze" business portfolio consist of long-term natural gas supplies as well as booked storage and transmission capacities, thus contributing to the Latvia and region long-term stability of gas provision.

The JSC "Latvijas Gāze" procures almost all of its natural gas under a long-term contract with the PJSC "Gazprom". The contract is subject to a take-or-pay obligation that requires the JSC "Latvijas Gāze" to buy a defined amount of natural gas on an annual basis or make a payment for the quantity not taken. Under this type of contracts prices paid for natural gas usually relate to the prices of competing energy sources (e.g. oil and oil products) and/or market reference prices (e.g. hub prices such as TTF or NBP), as dictated by market conditions. Any of the contract parties in regular intervals (usually every two years) may trigger a review of the contract conditions. In case of no agreement after a defined period, the parties may refer the case to a neutral board of arbitration that will make a binding decision.

INVESTMENTS

The JSC "Latvijas Gāze" in 2020 continued to invest towards improving the effectiveness and efficiency of core business and customer care processes. In total the JSC "Latvijas gāze" invested approximately 1.2 million EUR in projects to ensure most efficient operations and services to customers. Out of this amount, the Company invested more than 0.7 million EUR into the implementation of a new billing system and customer portal. The implementation of both the new billing system as well as the customer portal already started in 2018. At the end of December JSC "Latvijas Gāze" made the final transition to a new billing system MECOMS and a new self-service portal. Additionally, the Company spent approximately 0.5 million EUR on other IT-related projects and equipment. The modernization of the existing IT infrastructure and the digitalization of the Company's sales processes will play a key role in serving customers with the best products and services at the most competitive price also in the future.

Apart from its continued investments into upgrading IT systems and infrastructure the Company's budget for 2021 foresees dedicated funds for the further improvement and modernization of customer care operations. Moreover, the JSC "Latvijas Gāze" plans to make selective investments into exploring and developing new business areas towards sustainability and climate neutrality.

FINANCIAL RISK MANAGEMENT

The JSC "Latvijas Gāze" is exposed to credit, liquidity as well as market risks.

As in previous periods, the 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 default risks*** major customers are subject to individual credit risk management policies, which include a number of practices, such as an evaluation of credit limits, a detailed supervision of financial figures, and frequent billing cycles to avoid the accumulation of debt. For transactions with smaller customers Latvijas Gāze group has put in place detailed policies and processes that ensure the continuous monitoring of incoming customer payments and trigger respective customer communication as well as follow-up actions in case of arising credit issues. Apart from that, the Group during 2020 implemented additional measures, to manage the increased credit risk resulting from the coronavirus lockdown measures. To minimize the increased risks resulting from potential liquidity issues of its customers the JSC "Latvijas Gāze" put in place additional review procedures and credit policies to protect its own financial position while still supporting customers where possible.

The group's ***liquidity risk*** mainly stems from the distinct seasonality 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. To actively monitor and manage the liquidity risk the Company continuously improves its internal cash planning tools and instruments. To take account of the increased importance of a systematic and rigorous cash management in a competitive and highly volatile market the Company has in place a dedicated treasury function. Until May 31, 2021 the Company has active overdraft agreement with the Latvian branch of OP Corporate Bank plc. The closed transaction strengthens the overall liquidity of the Company and enables the implementation of a more advanced portfolio optimization strategy.

Following the opening of the Latvian natural gas market to competition 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 actively manage and mitigate these risks, the Company established a separate Risk Management function. Apart from that, the Company continuously monitors and develops further its risk management policies and strategies. Although internal market risk mitigation, e.g. through negotiating supply agreement terms and working with the sales portfolio, is the preferred risk mitigation option, the Company actively uses financial hedging instrument.

FUTURE PROSPECTS

The JSC "Latvijas Gāze" expects that the currently observed market trends will continue in 2021. Competition within Latvia as well as cross-border competition are likely to increase and exert continuous pressure on sales margins. More players will enter the household segment and try to gain market share. Apart from that, the Company expects that competition for corporate customers as well as for small and medium sized customers will be particularly fierce. For 2021, the Company forecasts that global economy will recover and as result there might be less competition from LNG during winter months in the region, however during low demand summer season LNG pricing will be competitive with pipeline gas. In 2020, JSC "Latvijas Gāze" successfully obtained solid market share in Finland, however the company expects that Finish trading companies in their strive to compensate for the domestic market share loss will attempt to seize opportunities in the Baltic region.

Nevertheless, the general market environment will remain challenging going forward. With the Gas Interconnection Poland - Lithuania ("GIPL") under construction and projects such as the Skulte LNG Terminal in Latvia under development, competition on the supply side is set to increase while overall natural gas demand in Latvia will rather stagnate. In the mid-term, the energy strategies recently presented by the Lithuanian and Latvian government foreseeing a reduction in the use of fossil fuels will exert additional downward pressure on natural gas consumption. On top of that, international climate change policies will require a gradual phase out of fossil fuels on a longer time span. Against that background, more market players than in the past will fight for market share in a shrinking overall market.

At the same time JSC "Latvijas Gāze" supports EU policy on climate neutrality objectives for 2050 and plans to contribute achieving the goals of sustainable development. Particularly the Company puts its focus on promoting the CNG use in transport sector thus reducing the greenhouse gas emissions and diminishing environmental footprint. The Company plans to explore additional markets and has set up an internal project group to analyse opportunities for expanding its business into environmentally friendly segments. The analysis puts a particular focus on business opportunities arising around CNG and bio methane production technologies in the Baltic region.

Following the EU Methane strategy and objectives for transportation sector put forward in the Renewables Directive, supporting both a motivational system for organic waste recovery and the demand side for the use of biomethane in transport the Company will respond through economically sustainable answers to the challenge of combating climate change and giving access to energy resources in an efficient and sustainable way, overall.

JSC "Latvijas Gāze" also moves forward to more efficient management of its resources. The Company will show to its customers and the society an example of well-considered building management and will seek for a green office certificate for the building it manages according to the ISO 50 0001 standard of energy management that the company already meets.

The JSC "Latvijas Gāze" will continue to invest consequently into modernization and digitalization of customer care processes as well as into new product and service development. Furthermore, to increase the effectiveness and efficiency of its billing processes the sales & trading segment will continue with the implementation of the new billing system and customer portal for household customers.

Finally, the Company plans to explore additional markets and has set up an internal project group to analyse opportunities for expanding its business into new segments. The analysis puts a particular focus on business opportunities arising around CNG, LNG, and gas powered technologies in the Baltic region.

Despite the above-mentioned challenges, the JSC "Latvijas Gāze" in the recent years has proved its ability to adapt successfully to changing market conditions while delivering value to its shareholders.

Latvijas Gāze group will continue build on its strong reputation in the Latvian market and expanding its activities in the single market area formed by Estonia, Latvian and Finland.

PROPOSED DISTRIBUTION OF PROFIT FOR THE COMPANY

	2020
	EUR
Profit for the reporting year for the Company	11 500 971
Suggested distribution of profit	
Dividends to shareholders (95%)	**10 773 000**
Dividends per share (EUR/1 share)	**0.27**
Transfer to reserves	727 971

TRANSACTIONS WITH RELATED PARTIES

The JSC "Latvijas Gāze" is party to a long-term natural gas sales and purchase agreement ("the Agreement") with the PJSC "Gazprom". Under the Agreement, the Company is obliged to buy a defined annual quantity based on take-or-pay terms. In case JSC "Latvijas Gāze" fails to offtake the defined minimum quantities, it may incur financial and legal obligations. The PJSC "Gazprom" holds 34% of the shares in the JSC "Latvijas Gāze".

CORPORATE MANAGEMENT REPORT AND REMUNERATION REPORT

www.lg.lv

COVID-19 IMPACT

The management of the Latvijas Gāze group complies with all the necessary safety measures to keep its customers and employees safe. There is currently not enough information to reliably measure the impact of the state of emergency upon the Group's financial performance.

SUBSEQUENT EVENTS

As in May 2021 the existing overdraft agreement of the JSC "Latvijas Gāze" with OP Corporate Bank plc will expire, JSC "Latvijas Gāze" has concluded a new overdraft agreement with OP Corporate Bank plc that will be utilized to purchase natural gas during the next two natural gas injection seasons. The new overdraft limit is 30 million EUR and expires on 31 May, 2023. Apart from the above, between 31 December 2020 and the signing of these financial statements there have been no events of impact upon the Company's or the Group's financial position or financial results as at the balance sheet date.

STATEMENT OF THE 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" financial statements for 2020 (further – Financial statements), which consist of the Company’s and the Company’s and its subsidiary (further - Group’s) financial statements.

Financial statements for 2020 have been prepared in compliance with the International Financial Reporting Standards 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 and the Group’s assets, liabilities, financial position, operational results and cash flows in all key aspects.

The Financial statements were approved by the Board of the JSC “Latvijas Gāze” on 21 April 2021, and they are signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Inga Āboliņa Member of the Board	Elita Dreimane Member of the Board

FINANCIAL STATEMENTS

Prepared in compliance with the International Financial Reporting Standards as Adopted by the European Union

CORPORATE INFORMATION

Company	Latvijas Gāze, Joint Stock Company
LEI code	097900BGMO0000055872
Registration number, place and date of registration	Unified registration number 40003000642 Riga, Latvia, 25 March 1991 re-registered in 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 – 31 December 2020
Name and address of the auditor	PricewaterhouseCoopers SIA Kr. Valdemāra street 21-21 Riga, LV-1010, Latvia Responsible certified auditor: Jana Smirnova Certified auditor Certificate No.188

STATEMENT OF PROFIT OR LOSS

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		EUR'000	EUR'000	EUR'000	EUR'000
Revenue from contracts with customers	**2**	**190 494**	**314 349**	**142 708**	**265 995**
Other income	3	2 850	3 513	1 828	1 793
Raw materials and consumables used	4	(131 301)	(247 263)	(129 677)	(245 588)
Personnel expenses	5	(26 331)	(25 852)	(5 277)	(5 033)
Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets	6	(13 519)	(12 770)	(1 183)	(785)
Other operating expenses	7	(9 250)	(9 120)	(3 922)	(4 216)
Dividends received from subsidiary		-	-	8 778	9 975
Operating profit		**12 943**	**22 857**	**13 255**	**22 141**
Financial expense		(260)	(399)	(260)	(173)
Profit before taxes		**12 683**	**22 458**	**12 995**	**21 968**
Corporate income tax		(1 494)	(2 268)	(1 494)	(2 268)
Profit for the period		**11 189**	**20 190**	**11 501**	**19 700**

		EUR	EUR	EUR	EUR
Earnings per share (basic and diluted)	16	0.280	0.506	0.288	0.494

STATEMENT OF COMPREHENSIVE INCOME

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		EUR'000	EUR'000	EUR'000	EUR'000
Profit for the period		**11 189**	**20 190**	**11 501**	**19 700**
Other comprehensive income - items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment	9	-	74 540	-	-
Change in revaluation reserve of property, plant and equipment		-	164	-	-
Remeasurement of post-employment benefit obligations	19	(348)	407	(3)	34
Total other comprehensive income		**(348)**	**75 111**	**(3)**	**34**
Total comprehensive income for the period		**10 841**	**95 301**	**11 498**	**19 734**

The Financial statements were approved by the Board of the JSC “Latvijas Gāze” on 21 April 2021, and they are signed on behalf of the Board by:

Aigars Kalvītis	Inga Āboliņa	Elita Dreimane
Chairman of the Board	Member of the Board	Member of the Board

BALANCE SHEET

	Note	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
		EUR'000	EUR'000	EUR'000	EUR'000
ASSETS			Restated		Restated
Non-current assets					
Intangible assets	8	9 177	8 137	5 057	4 799
Property, plant and equipment	9	309 971	312 650	2 534	2 729
Right-of-use assets		40	384	295	384
Investment in subsidiary	10	-	-	194 534	194 534
Other debtors	12	8	32	5	6
Total non-current assets		**319 196**	**321 203**	**202 425**	**202 452**
Current assets					
Inventories	11	42 220	50 105	40 854	48 872
Pre-payments for inventories		8 046	5 829	8 035	5 828
Trade receivables	12	28 306	25 796	25 339	22 654
Other financial assets at amortised cost	14	1 573	3 250	1 513	3 250
Other current assets	15	1 972	7 901	1 363	7 508
Cash and cash equivalents		54 236	48 995	44 968	38 487
Total current assets		**136 353**	**141 876**	**122 072**	**126 599**
TOTAL ASSETS		**455 549**	**463 079**	**324 497**	**329 051**

The Financial statements were approved by the Board of the JSC “Latvijas Gāze” on 21 April 2021, and they are signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Inga Āboliņa Member of the Board	Elita Dreimane Member of the Board

BALANCE SHEET (continued)

	Note	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
		EUR'000	EUR'000	EUR'000	EUR'000
LIABILITIES AND EQUITY			Restated		Restated
Equity					
Share capital	16	55 860	55 860	55 860	55 860
Share premium		20 376	20 376	20 376	20 376
Reserves		188 432	195 597	204 491	204 494
Retained earnings		111 169	110 719	16 233	22 288
Total equity		**375 837**	**382 552**	**296 960**	**303 018**
Liabilities					
Non-current liabilities					
Provisions		700	-	-	-
Borrowings	17	22 167	25 667	-	-
Lease liabilities		-	292	187	292
Deferred income	18	18 318	18 434	-	-
Employee benefit obligations	19	2 305	1 757	61	57
Total non-current liabilities		**43 490**	**46 150**	**248**	**349**
Current liabilities					
Trade payables	20	5 725	5 489	8 202	8 249
Interest-bearing loans and borrowings	17	3 500	3 500	-	-
Lease liabilities		21	93	89	93
Deferred income	18	1 079	1 138	-	92
Other liabilities	21	25 897	24 157	18 998	17 250
Total current liabilities		**36 222**	**34 377**	**27 289**	**25 684**
Total liabilities		**79 712**	**80 527**	**27 537**	**26 033**
TOTAL LIABILITIES AND EQUITY		**455 549**	**463 079**	**324 497**	**329 051**

The Financial statements were approved by the Board of the JSC "Latvijas Gāze" on 21 April 2021, and they are signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Inga Āboliņa Member of the Board	Elita Dreimane Member of the Board

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reva-luation reserve	Employee benefits revaluation reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000 Restated	EUR'000 Restated
31 December 2018 (restated)	**55 860**	**20 376**	**126 976**	**103**	**105 881**	**309 196**
Transactions with owners						
Dividends (see Note 16)	-	-	-	-	(21 945)	(21 945)
Total transactions with owners	**-**	**-**	**-**	**-**	**(21 945)**	**(21 945)**
Depreciation of revaluation reserve and disposal of revalued assets	-	-	(6 593)	-	6 593	-
Comprehensive income						
Profit for the year	-	-	-	-	20 190	20 190
Other comprehensive income	-	-	74 704	407	-	75 111
Total comprehensive income	**-**	**-**	**74 704**	**407**	**20 190**	**95 301**
31 December 2019 (restated)	**55 860**	**20 376**	**195 087**	**510**	**110 719**	**382 552**
Transactions with owners:						
Dividends (see Note 16)	-	-	-	-	(17 556)	(17 556)
Total transactions with owners	**-**	**-**	**-**	**-**	**(17 556)**	**(17 556)**
Depreciation of revaluation reserve and disposal of revalued assets	-	-	(6 817)	-	6 817	-
Comprehensive income						
Profit for the year	-	-	-	-	11 189	11 189
Other comprehensive income	-	-	-	(348)	-	(348)
Total comprehensive income	**-**	**-**	**-**	**(348)**	**11 189**	**10 841**
31 December 2020	**55 860**	**20 376**	**188 270**	**162**	**111 169**	**375 837**

The Financial statements were approved by the Board of the JSC “Latvijas Gāze” on 21 April 2021, and they are signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Inga Āboliņa Member of the Board	Elita Dreimane Member of the Board

COMPANY'S STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Employee benefits revaluation reserve	Reorgani-sation reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000 Restated	EUR'000 Restated
31 December 2018 (restated)	**55 860**	**20 376**	**(85)**	**204 545**	**24 533**	**305 229**
Transactions with owners						
Dividends (see Note 16)	-	-	-	-	(21 945)	(21 945)
Total transactions with owners	**-**	**-**	**-**	**-**	**(21 945)**	**(21 945)**
Comprehensive income:						
Profit for the year	-	-	-	-	19 700	19 700
Other comprehensive income	-	-	34	-	-	34
Total comprehensive income	**-**	**-**	**34**	**-**	**19 700**	**19 734**
31 December 2019 (restated)	**55 860**	**20 376**	**(51)**	**204 545**	**22 288**	**303 018**
Transactions with owners:						
Dividends (see Note 16)	-	-	-	-	(17 556)	(17 556)
Total transactions with owners	**-**	**-**	**-**	**-**	**(17 556)**	**(17 556)**
Comprehensive income						
Profit for the year	-	-	-	-	11 501	11 501
Other comprehensive income	-	-	(3)	-	-	(3)
Total comprehensive income	**-**	**-**	**(3)**	**-**	**11 501**	**11 498**
31 December 2020	**55 860**	**20 376**	**(54)**	**204 545**	**16 233**	**296 960**

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Aigars Kalvītis Chairman of the Board	Inga Āboliņa Member of the Board	Elita Dreimane Member of the Board

STATEMENT OF CASH FLOWS

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Profit before corporate income tax		**12 683**	**22 458**	**12 995**	**21 968**
Adjustments:					
- depreciation of property, plant and equipment and right-of-use assets	6	11 497	10 870	450	315
- amortisation of intangible assets	6	2 022	1 917	733	470
- movement in provisions		1	(101)	1	(34)
- income from participating interests		-	-	(8 778)	(9 975)
- (profit) / losses from long-term asset exclusions		399	312	(4)	3
- interest expenses		186	398	186	172
Changes in operating assets and liabilities:					
- in accounts receivable		4 937	3 903	5 182	5 857
- in inventories		7 885	53 857	8 018	53 570
- in advances for inventories		(2 216)	(793)	(2 207)	(803)
- in accounts payable		(41)	(10 915)	1 580	(10 637)
Corporate income tax paid		(1 494)	(2 205)	(1 494)	(2 205)
Net cash inflow from operating activities		**35 859**	**79 701**	**16 662**	**58 701**
Cash flow from investing activities					
Payments for property, plant and equipment	9	(7 046)	(9 513)	(205)	(2 177)
Payments for intangible assets	8	(2 242)	(3 304)	(943)	(2 328)
Proceeds from sale of property, plant and equipment		137	83	24	9
Dividends received	22	-	-	8 778	9 975
Net cash outflow from investing activities		**(9 151)**	**(12 734)**	**7 654**	**5 479**
Cash flow from financing activities					
Overdraft paid		-	(8 386)	-	(8 386)
Loan paid		(3 500)	(3 500)	-	-
Leases paid		(25)	(25)	(93)	(37)
Interest paid		(386)	(396)	(186)	(170)
Dividends paid	16	(17 556)	(21 945)	(17 556)	(21 945)
Net cash outflow from financing activities		**(21 467)**	**(34 252)**	**(17 835)**	**(30 538)**
Net cash flow		**5 241**	**32 715**	**6 481**	**33 642**
Cash and cash equivalents at the beginning of the reporting period		**48 995**	**16 280**	**38 487**	**4 845**
Cash and cash equivalents at the end of the reporting period		**54 236**	**48 995**	**44 968**	**38 487**

The Financial statements were approved by the Board of the JSC “Latvijas Gāze” on 21 April 2021, and they are signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Inga Āboliņa Member of the Board	Elita Dreimane Member of the Board

NOTES TO FINANCIAL STATEMENTS

1. Segment information

In 2020 and 2019, Latvijas Gāze group consisted of two segments – the natural gas sales & trading segment and the distribution segment.

The natural gas sales & trading segment comprises the purchase, trade and sale of natural gas. The JSC “Latvijas Gāze” operates the sales & trading business, which includes wholesale trading and the sale of natural gas to industrial and commercial customers as well as to households.

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

The information included in the operating segments corresponds to the information used by the Board of JSC “Latvijas Gāze” for the gas sales & trading segment and the Board of the JSC “Gaso” for the gas distribution segment in making operational decisions and allocating resources. Given the regulatory requirements provided in the Energy Law, 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 (see Note 2).

Group 2020	Gas trade	Gas distribution	Total
	EUR'000	EUR'000	EUR'000
EBITDA	**6 000**	**20 462**	**26 462**
Depreciation and amortisation	(1 115)	(12 404)	(13 519)
Financial expense	(260)	-	(260)
Profit before taxes	**4 625**	**8 058**	**12 683**

Group 2019	Gas trade	Gas distribution	Total
	EUR'000	EUR'000	EUR'000
EBITDA	**13 587**	**22 040**	**35 627**
Depreciation and amortisation	(768)	(12 002)	(12 770)
Financial expense	(173)	(226)	(399)
Profit before taxes	**12 646**	**9 812**	**22 458**

Company / Gas trade	2020	2019
	EUR'000	EUR'000
EBITDA	**14 438**	**22 926**
Depreciation and amortisation	(1 183)	(785)
Financial expense	(260)	(173)
Profit before taxes	**12 995**	**21 968**

Group 2020	Gas trade	Gas distribution	Total
	EUR'000	EUR'000	EUR'000
Purchase of property, plant, equipment and intangible assets	1 177	11 258	12 435
Segment assets 31.12.2020	129 530	326 019	455 549

Group 2019	Gas trade	Gas distribution	Total
	EUR'000	EUR'000	EUR'000
Purchase of property, plant and equipment and intangible assets	4 111	10 068	14 179
Segment assets 31.12.2019 (restated)	134 517	328 562	463 079

Company / Gas trade	2020	2019
	EUR'000	EUR'000
		Restated
Purchase of property, plant and equipment and intangible assets	1 177	4 111
Segment assets 31.12	324 497	329 051

Assets	JSC "Latvijas Gāze"	JSC "Gaso"	Investment	Intercompany receivables/ payables	Rent	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets 31.12.2020	324 497	331 152	(194 534)	(5 310)	(255)	455 549
Assets 31.12.2019	329 051	333 729	(194 534)	(5 167)	-	463 079

2. Revenue from contracts with customers

Group 2020	Gas trade Latvia	Gas trade Other countries	Gas distribution Latvia	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Segment revenue	100 587	41 132	46 967	188 686
Inter-segment revenue	(1 301)	-	-	(1 301)
Connection, balancing and other service fees recognised as revenue	877	112	1 057	2 046
Other revenue	-	-	1 063	1 063
	100 163	**41 244**	**49 087**	**190 494**

Group 2019	Gas trade Latvia	Gas trade Other countries	Gas distribution Latvia	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Segment revenue	242 156	21 227	49 509	312 892
Inter-segment revenue	(2 184)	-	-	(2 184)
Connection, balancing and other service fees recognised as revenue	1 173	1 439	1 029	3 641
	241 145	**22 666**	**50 538**	**314 349**

Company 2020	Gas trade Latvia	Other countries	Total
	EUR'000	EUR'000	EUR'000
Segment revenue	100 587	41 132	141 719
Other revenue (balancing services)	877	112	989
	101 464	**41 244**	**142 708**

The Company`s sales to legal entities comprised 88% and sales to household customers comprised 12% of total sales.

Company 2019	Gas trade Latvia	Other countries	Total
	EUR'000	EUR'000	EUR'000
Segment revenue	242 156	21 227	263 383
Other revenue (balancing services)	1 173	1 439	2 612
	243 329	**22 666**	**265 995**

The Company`s sales to legal entities comprised 87% and sales to household customers comprised 13% of total sales.

3. Other income

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Net fair value gains on financial derivatives	738	276	738	276
Penalties collected from customers	747	905	669	805
Decrease in provisions for bad debts, net	90	-	154	-
Other	1 275	2 332	267	712
	2 850	**3 513**	**1 828**	**1 793**

In 2020 the "Net fair value gains on financial derivatives" includes a net amount of 738 thousand EUR originating from financial hedging activities. 3 803 thousand EUR out of this amount is attributable to operational activities during the 12 months reporting period, calculated as the sum of (5 771) thousand EUR (reverse of previous year accruals), plus the net amount received in 2020 amounting to 9 574 thousand. The remaining amount for outstanding derivatives of (3 065) thousand EUR is evaluated on a mark-to-market basis as of the balance sheet date and is attributable to 2021 operational activity.

4. Raw materials and consumables used

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Natural gas purchase	129 886	245 883	129 628	245 543
Costs of materials, spare parts and fuel	1 415	1 380	49	45
	131 301	**247 263**	**129 677**	**245 588**

5. Personnel expenses

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Wages and salaries	20 031	19 544	4 028	3 835
State social insurance contributions	4 690	4 675	905	886
Life, health and pension insurance	1 324	1 319	189	178
Other personnel costs	286	314	155	134
	26 331	**25 852**	**5 277**	**5 033**
Average number of employees	997	988	119	116

Salaries of the Council and the Board	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Wages and salaries	2 089	2 642	1 258	1 232
State social insurance contributions	478	549	269	228
Life, health and pension insurance	111	129	45	46
Other personnel costs	76	3	-	-
	2 754	**3 323**	**1 572**	**1 506**

6. Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Amortisation of intangibles	2 022	1 917	733	470
Depreciation and impairment of property, plant and equipment	11 515	11 716	361	290
Depreciation of rights to use assets	21	8	89	25
Income from revaluation of property, plant and equipment	-	(2 617)	-	-
Additional depreciation from revaluation of property, plant and equipment	-	1 763	-	-
Capitalised depreciation	(39)	(17)	-	-
	13 519	**12 770**	**1 183**	**785**

7. Other operating expenses

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Selling and advertising costs	799	820	550	536
Expenses related to premises (rent, electricity, security and other services)	1 411	1 382	211	331
Donations, financial support	785	938	712	753
Office and other administrative costs	1 875	1 875	853	849
Taxes and duties	1 005	985	609	611
Costs of IT system maintenance, communications and transport	1 960	1 738	952	800
Losses from exclusion and sale of property, plant and equipment	-	303	-	3
Increase in provisions for bad debts, net	-	541	-	216
Other costs	1 415	538	35	117
	9 250	**9 120**	**3 922**	**4 216**

8. Intangible assets

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Cost				
As at the beginning of period	**20 967**	**17 558**	**5 468**	**3 541**
Additions	3 062	3 410	991	1 928
Disposals	-	(1)	-	(1)
As at the end of period	**24 029**	**20 967**	**6 459**	**5 468**
Amortisation				
As at the beginning of period	**12 830**	**10 914**	**669**	**200**
Amortisation	2 022	1 917	733	470
Disposals	-	(1)	-	(1)
As at the end of period	**14 852**	**12 830**	**1 402**	**669**
Net book value as at the end of the period	**9 177**	**8 137**	**5 057**	**4 799**

The intangible assets include fully depreciated intangible assets with a total historical cost of 7 207 thousand EUR (Group) and 56 thousand EUR (Company) (31.12.2019: 5 017 thousand EUR (Group) and 0.2 thousand EUR (Company)). The most part of intangible assets of the Group and the Company consists of software. As at 31 December 2020 the Group had payables for intangible assets for a total of 1 102 thousand EUR (as at 31 December 2019: 1 003 thousand EUR), and the Company has payables for intangible assets for a total of 330 thousand EUR (as at 31 December 2019: 282 thousand EUR).

9. 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					
31.12.2019	**650 929**	**38 835**	**16 443**	**1 079**	**707 286**
Additions	6 159	2 163	1 051	-	9 373
Transfers	-	-	404	(404)	-
Disposals	(1 374)	(747)	(413)	-	(2 534)
31.12.2020	**655 714**	**40 251**	**17 485**	**675**	**714 125**
Depreciation					
31.12.2019	**358 636**	**23 998**	**12 002**	**-**	**394 636**
Calculated	7 814	2 389	1 312	-	11 515
Disposals	(943)	(669)	(385)	-	(1 997)
31.12.2020	**365 507**	**25 718**	**12 929**	**-**	**404 154**
Net book value as of 31.12.2020	**290 207**	**14 533**	**4 556**	**675**	**309 971**
Net book value as of 31.12.2019	**292 293**	**14 837**	**4 441**	**1 079**	**312 650**

As at 31 December 2020, the Group has payables for property, plant and equipment for a total of EUR 1 350 thousand.

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					
31.12.2018	**545 105**	**32 620**	**15 565**	**393**	**593 683**
Additions	6 325	2 236	1 490	718	10 769
Revaluation	100 552	4 900	-	-	105 452
Disposals	(1 053)	(921)	(612)	(32)	(2 618)
31.12.2019	**650 929**	**38 835**	**16 443**	**1 079**	**707 286**
Depreciation					
31.12.2018	**323 273**	**20 697**	**11 248**	**-**	**355 218**
Calculated	7 206	2 320	1 335	-	10 861
Revaluation	28 913	1 835	-	-	30 748
Disposals	(756)	(854)	(581)	-	(2 191)
31.12.2019	**358 636**	**23 998**	**12 002**	**-**	**394 636**
Net book value as of 31.12.2019	**292 293**	**14 837**	**4 441**	**1 079**	**312 650**
Net book value as of 31.12.2018	**221 832**	**11 923**	**4 317**	**393**	**238 465**

As at 31 December 2019, the Group has payables for property, plant and equipment for a total of EUR 1 395 thousand.

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					
31.12.2019	**1 811**	**-**	**1 593**	**1**	**3 405**
Additions	-	-	186	-	186
Transfer	-	-	1	(1)	-
Disposals	-	-	(59)	-	(59)
31.12.2020	**1 811**	**-**	**1 721**	**-**	**3 532**
Depreciation					
31.12.2019	**18**	**-**	**658**	**-**	**676**
Calculated	72	-	289	-	361
Disposals	-	-	(39)	-	(39)
31.12.2020	**90**	**-**	**908**	**-**	**998**
Net book value as of 31.12.2020	**1 721**	**-**	**813**	**-**	**2 534**
Net book value as of 31.12.2019	**1 793**	**-**	**935**	**1**	**2 729**

As at 31 December 2020, the Company has no payables for 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					
31.12.2018	**-**	**-**	**1 263**	**-**	**1 263**
Additions	1 811	-	371	1	2 183
Disposals	-	-	(41)	-	(41)
31.12.2019	**1 811**	**-**	**1 593**	**1**	**3 405**
Depreciation					
31.12.2018	**-**	**-**	**415**	**-**	**415**
Calculated	18	-	272	-	290
Disposals	-	-	(29)	-	(29)
31.12.2019	**18**	**-**	**658**	**-**	**676**
Net book value as of 31.12.2019	**1 793**	**-**	**935**	**1**	**2 729**
Net book value as of 31.12.2018	**-**	**-**	**848**	**-**	**848**

As at 31 December 2019, the Company has payables for property, plant and equipment for a total of 19 thousand EUR.

The fixed assets include fully depreciated fixed assets with a total historical cost of 12 185 thousand EUR (the Group) and 443 thousand EUR (the Company) (at 31.12.2019: 8 803 thousand EUR (the Group) and 78 thousand EUR (the Company)).

In 2019, the Group carried out the revaluation of buildings, constructions and machinery and equipment.

Included in the tables above within “Land, buildings, constructions” is the land owned by the Group and the Company with the cost and net book value of 1 559 thousand EUR (the Group) as at 31.12.2020 and 110 thousand EUR (the Company) (as at 31.12.2019: 1 680 thousand EUR (the Group) and 110 thousand (the Company)). The land is not subject to revaluation.

Revaluation effect (see Note 25)

In 2019, the Group carried out the revaluation of buildings, constructions, machinery and equipment of the Distribution segment. Considering the unique nature and use of the assets, revaluation was based on Level 3 data, meaning that the data are not freely observable for the relevant type of assets.

The revaluation was performed by an external expert using the depreciated replacement cost method. According to this method, the initial value of assets is determined according to the prices, requirements and applied materials at the time of the valuation. The key assumptions during the revaluation process are associated with the materials cost and the cost of the average construction prices at the time of revaluation. For the determination of values, data available to the Group about similar constructions of facilities in recent years is used. A significant section of the revaluation consists of the revaluation of gas distribution pipelines. In case of an increase in the average construction cost in the country or a significant increase in the cost of materials, the replacement cost will increase, too. If the cost of construction or materials decreases, the replacement cost of the assets will decrease accordingly. No economic obsolescence test was performed as tariffs for services cover all revalued amount.

In the valuation exercise, both the cost and accumulated depreciation are revalued. The asset's physical, functional and technical depreciation are taken into account as key factors.

As a result of the revaluation, in 2019, the gross asset amount was increased by 105 452 thousand EUR and the accumulated depreciation was increased by 30 756 thousand EUR. As a result of the revaluation, a gain of 74 540 thousand EUR was recognised in the statement of comprehensive income, while a gain of 854 thousand EUR was included in the profit and loss account.

The table below presents the approximate estimated carrying amounts for the revalued asset groups if the assets were carried at their historic cost basis:

Group’s revaluated assets at net book value	31.12.2020	31.12.2019
	EUR'000	EUR'000
Buildings	104 508	100 886
Machinery and Equipment	10 481	9 604

10. Investment in subsidiary

	Company
	EUR'000
Invested during reorganisation 01.12.2017	194 534
Balance sheet value 31.12.2020 and 31.12.2019	**194 534**

Shares held	31.12.2020	31.12.2019
JSC "Gaso"	**100%**	**100%**

	Subsidiary's equity 31.12.2020	Subsidiary's equity 31.12.2019	Subsidiary's profit 2020	Subsidiary's profit 2019
	EUR'000	EUR'000	EUR'000	EUR'000
JSC "Gaso"	**273 411**	**274 067**	**8 466**	**10 465**

11. Inventories

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Natural gas and fuel	40 854	48 872	40 854	48 872
Materials and spare parts	1 437	1 304	-	-
Allowance for slow-moving inventory	(71)	(71)	-	-
	42 220	**50 105**	**40 854**	**48 872**

12. Trade receivables

Trade receivables	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
		Restated		Restated
Long-term receivables (nominal value)	8	32	5	6
	8	**32**	**5**	**6**
Short-term receivables (nominal value)	35 896	34 162	32 519	30 674
Allowance for impairment of short-term receivables	(7 590)	(8 366)	(7 180)	(8 020)
	28 306	**25 796**	**25 339**	**22 654**

Allowance for impairment of bad and doubtful receivables	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Allowance at the beginning of the year	**8 366**	**8 128**	**8 020**	**8 107**
Expense included in profit or loss statement	91	547	-	216
Income included in profit or loss statement	(181)	(6)	(154)	-
Net changes included in profit or loss statement	**(90)**	**541**	**(154)**	**216**
Bad debts written off	(686)	(303)	(686)	(303)
Allowance at the end of the year	**7 590**	**8 366**	**7 180**	**8 020**

Provisions for debts were made based on an assessment of financial position and business activity of certain customer segments. The final losses may differ from those currently estimated because the particular amounts are periodically revised and changes are reflected in the profit or loss statement.

13. Taxes

Group Tax movement	Liabilities* 31.12.2019	Receivable 31.12.2019	Calculated 2020	Paid 2020	Liabilities* 31.12.2020	Receivable 31.12.2020
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Value added tax	3 839	-	25 296	(27 287)	1 848	-
Excise tax	892	-	5 983	(5 984)	891	-
Social security contributions	701	-	7 010	(7 015)	696	-
Corporate income tax	-	-	1 494	(1 494)	-	-
Personal income tax	338	-	3 606	(3 591)	353	-
Real estate tax	-	-	194	(194)	-	-
Natural resource tax	6	-	14	(9)	11	-
	5 776	**-**	**43 597**	**(45 574)**	**3 799**	**-**

Group Tax movement	Liabilities* 31.12.2018	Receivable 31.12.2018	Calculated 2019	Paid 2019	Liabilities* 31.12.2019	Receivable 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Value added tax	5 732	-	60 995	(62 888)	3 839	-
Excise tax	1 139	-	7 209	(7 456)	892	-
Social security contributions	620	-	6 904	(6 823)	701	-
Corporate income tax	-	63	2 268	(2 205)	-	-
Personal income tax	313	-	3 572	(3 547)	338	-
Real estate tax	-	-	181	(181)	-	-
Natural resource tax	6	-	8	(8)	6	-
	7 810	**63**	**81 137**	**(83 108)**	**5 776**	**-**

Company Tax movement	Liabilities* 31.12.2019	Receivable 31.12.2019	Calculated 2020	Paid 2020	Liabilities* 31.12.2020	Receivable 31.12.2020
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Value added tax	2 774	-	16 738	(18 613)	899	-
Excise tax	887	-	5 960	(5 958)	889	-
Social security contributions	101	-	1 355	(1 352)	104	-
Corporate income tax	-	-	1 494	(1 494)	-	-
Personal income tax	33	-	801	(780)	54	-
Real estate tax	-	-	13	(13)	-	
	3 795	**-**	**26 361**	**(28 210)**	**1 946**	**-**

Company Tax movement	Liabilities* 31.12.2018	Receivable 31.12.2018	Calculated 2019	Paid 2019	Liabilities* 31.12.2019	Receivable 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Value added tax	4 867	-	51 872	(53 965)	2 774	-
Excise tax	1 137	-	7 168	(7 418)	887	-
Social security contributions	91	-	1 339	(1 329)	101	-
Corporate income tax	-	63	2 268	(2 205)	-	-
Personal income tax	40	-	798	(805)	33	-
	6 135	**63**	**63 445**	**(65 722)**	**3 795**	**-**

* See Note 21.

14. Other financial assets at amortised cost

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Accrued income	1 313	2 105	1 253	2 105
Reserves funds	260	1 145	260	1 145
	1 573	**3 250**	**1 513**	**3 250**

15. Other current assets

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Deferred charges	1 245	674	736	408
Derivative financial instruments	624	7 029	624	7 029
Other receivables	103	198	3	71
	1 972	**7 901**	**1 363**	**7 508**

As at 31 December 2020 and 31 December 2019, derivative financial instruments consist of natural gas swap agreements.

16. Shares and shareholders

	31.12.2020 % of total share capital	31.12.2020 Number of shares	31.12.2019 % of total share capital	31.12.2019 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.	28.97	11 560 645	28.97	11 560 645
Itera Latvija SIA	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	2.77	1 102 913	2.77	1 102 913
	100.00	**39 900 000**	**100.00**	**39 900 000**

As at 31 December 2020 and as at 31 December 2019, the registered, signed and paid share capital consisted of 39 900 000 shares with a par value of 1.40 EUR each. All shares have equal voting rights and rights to dividends. The Company has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as the basic earnings per share. Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue during the year.

Dividends payable are not accounted for until they are declared at the Annual General Meeting. At the Annual General Meeting in 2021, the management will propose a dividend in respect to 2020 amounting to 0.27 EUR per share. These Financial Statements do not reflect any future dividends payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings for 2020. Total dividends paid out to shareholders in 2020 amounted to 17 556 thousand EUR (0.44 EUR per share). In 2019, total dividends paid out to shareholders amounted to 21 945 thousand EUR (0.55 EUR per share).

Earnings per share/ Group	Earnings per share 2020	2019
Net profit attributable to shareholders (a) EUR'000	**11 189**	**20 190**
Ordinary shares as at 1 January (number, thousand)	39 900	39 900
Ordinary shares as at 31 December (number, thousand)	39 900	39 900
Weighted average number of ordinary shares outstanding during the year (b) (number, thousand)	39 900	39 900
Basic earnings per share during the year (a/b) in EUR	**0.280**	**0.506**

Earnings per share / Company	Earnings per share	
	2020	2019
Net profit attributable to shareholders (a) EUR'000	**11 501**	**19 700**
Ordinary shares as at 1 January (number, thousand)	39 900	39 900
Ordinary shares as at 31 December (number, thousand)	39 900	39 900
Weighted average number of ordinary shares outstanding during the year (b) (number, thousand)	39 900	39 900
Basic earnings per share during the year (a/b) in EUR	**0.288**	**0.494**

17. Interest-bearing loans and borrowings

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Loan from JSC "SEB banka"				
Long-term part of the loan	22 167	25 667	-	-
Short-term part of the loan (i.e. less than 12 months)	3 500	3 500	-	-
	25 667	**29 167**	**-**	**-**

In 2017 the Company received a long-term loan of 35 000 thousand EUR for 5 years. Under the reorganisation, the Company transferred this loan to the newly established acquiring JSC "Gaso". The loan is due for repayment starting in April 2018. Loan interest rate is fixed % p.a. plus 6 month EURIBOR. The Company has overdraft possibility. Overdraft interest rate is fixed % p.a. plus 3 month EURIBOR.

18. Deferred income

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Income from residential and corporate customers' contributions to construction of gas pipelines:				
Long-term part	18 318	18 434	-	-
Short-term part	1 079	1 046	-	-
Other deferred income:				
Short-term part	-	92	-	92
	19 397	**19 572**	**-**	**92**

Changes of deferred income

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Balance at the beginning of the year	**19 572**	**19 677**	**92**	**-**
Received from residential and corporate customers during reporting year	974	924	-	92
Included in income of reporting year	(1 149)	(1 029)	(92)	-
Total transfer to next years	**19 397**	**19 572**	**-**	**92**

19. Employment and post-employment benefit obligations

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Obligations at the beginning of the reporting year	**1 757**	**2 264**	**57**	**125**
Recognised in profit or loss statement	355	80	2	(32)
Paid	(154)	(180)	(1)	(2)
Revaluations due to changes in actuarial assumptions – other comprehensive income	347	(407)	3	(34)
Obligations at the end of the reporting year	**2 305**	**1 757**	**61**	**57**

Assumptions used in calculations of obligations	2020	2019
Discount rates, %	0.0025%	0.013-0.0845%
Company's employee rotation rate,%	13.89%	13.39%
Group's employee rotation rate,%	5.01%	6.31%
Employee retirement age, years	63.75-65	63.5-65
Wage growth,%	4.00%	4.00%
Contributions to private pension fund,%	5.00%	5.00%
Compulsory social security contributions (employees),%	23.59%	24.09%
Compulsory social security contributions (retired),%	20.77%	21.31%

Assumptions used in calculations of obligations			Assumption changes effect on accruals Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
Changes in assumptions						
Discount rate	+ 0.5%	Accruals decrease by	0.001%	0.004%	3.95%	3.38%
Employee rotation rate	+ 0.5%	Accruals decrease by	0.26%	0.29%	0.01%	4.00%
Employee retirement age	+1 years	Accruals decrease by	0.73%	1.39%	11.11%	12.60%
Wage growth	+0.5%	Accruals increase by	0.23%	0.16%	3.52%	3.15%
Contributions to private pension fund	+0.5%	Accruals increase by	0.002%	0.02%	0.34%	0.36%
Compulsory social security contributions	+0.5%	Accruals increase by	0.12%	0.09%	0.39%	0.39%

Assumptions used in calculations of obligations			Assumption changes effect on accruals Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
Changes in assumptions						
Discount rate	-0.5%	Accruals increase by	0.0001%	0.004%	4.28%	3.65%
Employee rotation rate	-0.5%	Accruals increase by	0.26%	0.29%	0.01%	4.33%
Employee retirement age	-1 year	Accruals increase by	0.98%	2.89%	3.69%	2.59%
Wage growth	-0.5%	Accruals decrease by	0.18%	0.16%	3.29%	2.94%
Contributions to private pension fund	-0.5%	Accruals decrease by	0.002%	0.02%	0.34%	0.36%
Compulsory social security contributions	-0.5%	Accruals decrease by	0.09%	0.09%	0.39%	0.39%

Accruals were calculated on the assumption that the discount rate in 2020 was 0.0025% (the Group and the Company) (in 2019 was 0.0845% (the Group) and 0.013% (the Company)), i.e., equals to the average annual rate of return of treasury securities with the initial maturity of five years and more, effective in the last two issues of such securities (source: State Treasury).

The 5.01% (the Group) and 13.89% (the Company) (2019: 6.31% (the Group) and 13.39% (the Company)) assumption of employee turnover rate, in turn, resulted from a calculation methodology based on the proportion between the number of employees having left the company (on their own initiative) and the number of employees in the reporting period.

The assumption of employee retirement age is based on Article 8.1 of the transitional provisions of the law "On State Pensions" (hereinafter – the Law) adopted on 2 November 1995 whereby the age of eligibility for retirement pension as per Section 11 Paragraph one of the Law, – 62 to 65 years

– shall increase gradually and is specified for each year individually. As of 31 December 2020, it is 64 years (as of 31 December 2019, it is 63.75 years).

The assumptions concerning the increase of salaries corresponds to the estimated inflation figure for the next year, which, according to the latest forecasts by the Bank of Latvia, will be around 1.8

%. It is also assumed as only variable for up to six years and constant afterwards. And also Group's increase in personnel expenses is taken into account. In the last few years, the Company and the Group kept it at 4%.

The 5% assumption of contributions to private pension fund is based on Group's employee agreement.

The assumptions concerning the mandatory state social security contributions for employees and pensioners have been made pursuant to the general provisions of the calculation methodology using the next year's rates of mandatory state social security contributions as per Cabinet Regulations No. 786 "Regulations on the distribution of the rate of mandatory state social security contributions among types of state social security" approved on 17.12.2020 – 23.59% and 20.77% respectively.

20. Trade payables

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Payables to related parties (Note 22)	-	-	5 132	5 167
Payables to third parties	5 725	5 489	3 070	3 082
	5 725	**5 489**	**8 202**	**8 249**

21. Other liabilities

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Prepayments received	11 872	10 843	11 813	10 793
Derivative financial instruments	3 688	1 258	3 688	1 258
Value added tax	1 848	3 839	899	2 774
Accrued costs	4 324	4 431	1 153	1 081
Excise tax	891	892	889	887
Vacation pay reserve	1 250	901	215	141
Salaries	878	839	169	151
Social security contributions	696	701	104	101
Personnel income tax	353	338	54	33
Natural resource tax	11	6	-	-
Other current liabilities	86	109	14	31
	25 897	**24 157**	**18 998**	**17 250**

22. Related party transactions

No individual entity exercises control over the Company. The Company and the Group engaged in the following transactions with entities disclosed below, which own or owned more than 20% of the shares that deemed to provide a significant influence over the Company – PJSC “Gazprom” and the companies under its control. JSC “Latvijas Gāze” subsidiary JSC “Gaso” was established in 2017.

Income or expenses	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Income from provision of services (incl. balancing services, natural gas for own use and other)				
JSC “Gaso”	-	-	1 567	2 549
Dividend income				
JSC “Gaso”	-	-	8 778	9 975
Purchases of natural gas				
PJSC “Gazprom”	102 199	180 655	102 199	180 655
PJSC “Gazprom Export”	2 248	-	2 248	-
Expenses on natural gas distribution and other related services				
JSC “Gaso”	-	-	32 293	35 332
Financial transactions				
“Gazprom Marketing and Trading Limited”	19	-	19	-

Related party payables and receivables	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Receivables from related companies				
JSC “Gaso”	-	-	178	-
“Gazprom Marketing and Trading Limited”	8	-	8	-
Advance payments to related entities				
PJSC “Gazprom”	6 356	5 827	6 356	5 827
PJSC “Gazprom Export”	1 004	-	1 004	-
Payables to related companies for natural gas and services				
JSC “Gaso”	-	-	5 132	5 167

23. Financial risk management

Financial assets and liabilities	Level	Group 31.12.2020	Group 31.12.2019	Group 31.12.2020	Company 31.12.2019
		EUR'000	EUR'000	EUR'000	EUR'000
			Restated		Restated
Trade receivables	3	28 306	25 796	25 339	22 654
Accrued income	3	1 313	2 105	1 253	2 105
Derivative financial instruments	2	624	7 029	624	7 029
Reserved funds	2	260	1 145	260	1 145
Cash and cash equivalents	2	54 236	48 995	44 968	38 487
Financial assets		**84 739**	**85 070**	**72 444**	**71 420**
Borrowings	3	25 667	29 167	-	-
Lease liabilities	3	21	385	276	385
Accrued expenses	3	4 324	4 431	1 153	1 081
Derivative financial instruments	2	3 688	1 258	3 688	1 258
Trade payables	3	5 725	5 489	8 202	8 249
Financial liabilities		**39 425**	**40 730**	**13 319**	**10 973**

Fair value

The fair value of 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 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.

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.

Description of fair value measurement for buildings, constructions, equipment and machinery is disclosed in Note 25, Revaluation of buildings, constructions, equipment and machinery section.

Credit risk

The Group and the Company are exposed to credit risk, which is a risk of material losses arising in case of a counterparty not being able to fulfil its contractual obligations to the Group and the Company. Credit risks arise from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables.

Concentration of credit risk

Trade receivables and accrued income	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
		Restated		Restated
Impaired	7 507	8 281	7 103	7 935
Not overdue	25 601	25 973	22 601	22 582
Overdue less than 90 days, but not impaired	3 916	1 958	3882	1 921
Overdue more than 90 days, but not impaired	185	341	185	341
Trade receivables and accrued income, gross	**37 209**	**36 553**	**33 771**	**32 779**
Allowance for impairment of bad and doubtful debts	(7 590)	(8 366)	(7 180)	(8 020)
Trade receivables and accrued income, net	**29 619**	**28 187**	**26 591**	**24 759**

In the reporting year, Latvijas Gāze group remained exposed to a high risk of customer concentration – five largest customers together accounted for 63% of the sales volume of 2020 (43% of 2019), from which the single one largest customer accounted for more than 40% (more than 23% in 2019). Despite of that, single customer concentration in receivables is not high, as some of the biggest customers made prepayments.

Credit risk management practices

To minimise credit risks the Company has put in place several risk management measures. For the largest customers the Company uses individual credit risk management policies, which include several practices such as initial credit limit assessment, detailed monitoring of financial measures, as well as a regular billing practice to avoid accumulation of current debt. In case of initial doubts, clients are placed for regular monitoring at the Board level, and, if necessary, additional collaterals are required to secure the provision of services and the sale of natural gas. For smaller customers the Company has approved detailed credit risk management policies, describing the basic steps for monitoring the progress and managing legally mandatory communication with the clients before an insolvency procedure can be initiated. In case of a customer becoming doubtful, the Company establishes provisions and starts legal proceedings to collect the debt. The credit risk of the subsidiary relates mainly to its largest customers. Major part of subsidiary's trade debtors as at 31 December 2020 paid their debts in January 2021. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment.

The expected credit losses (ECL) model is used according to IFRS 9 for the recognition of impairment losses. There is a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. In practice, these rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-

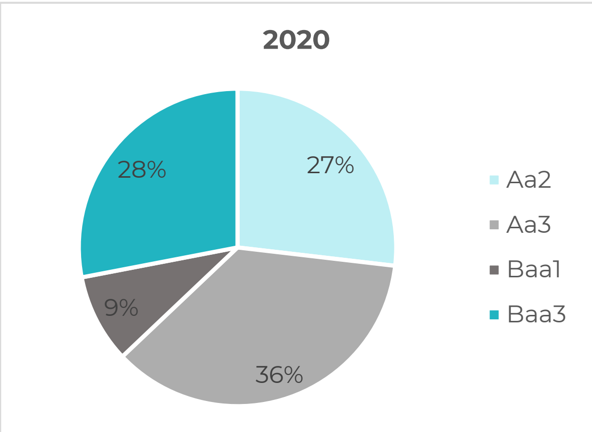
month ECL. For trade receivables the Group and the Company use operational simplifications specified in IFRS 9.

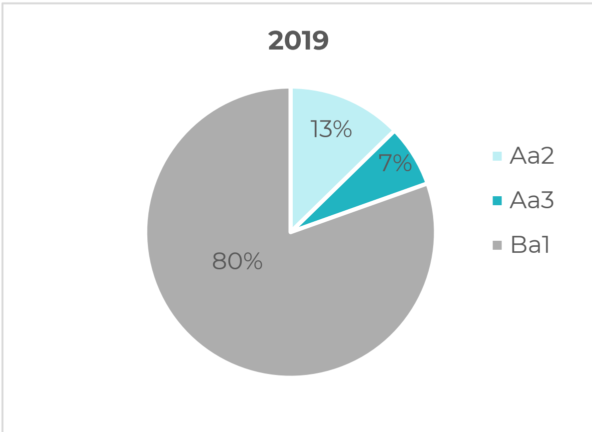
ECL rate applied	31.12.2020	31.12.2019
Receivables from natural gas wholesales and distribution services to the gas traders	0.06%	0.04%
Households	1.3%	1.27%
Distribution other receivables overdue for 1-90 day	7%	21%
Receivables overdue for more than 90 days	100%	100%
Other recoverable receivables	0.02%-0.12%	0.11%

For managing the credit risk associated with cash and cash equivalents, the Company has approved a financial asset management policy. Based on internal guidelines all credit institutions with which the Company cooperates are graded once in a quarter, taking into account their financial measures as well as non-financial indicators. Based on the assessment, limits for current accounts with one institution are defined and regularly monitored.

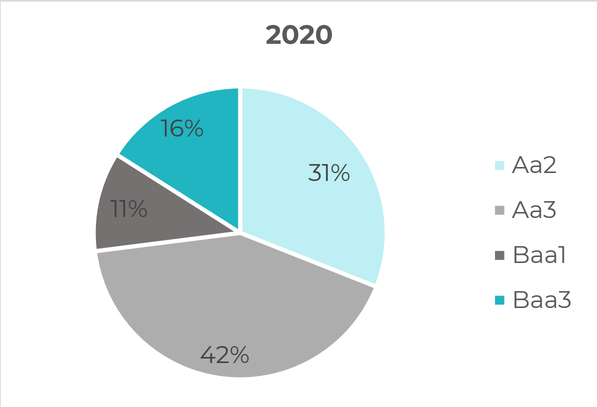
Due to low or even negative interest rates as at 31 December 2020 and 31 December 2019, cash and cash equivalents of the Group and the Company represented only current account balances with credit institutions.

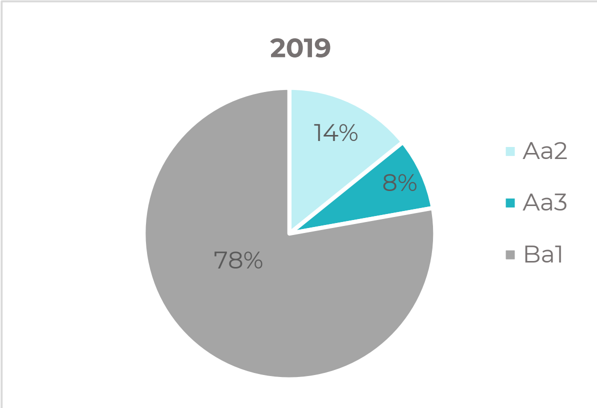
As a part of an internal assessment, the Group and the Company also analyse the Moody's Investor Services credit rating of a particular credit institution or its ultimate parent. Based on such assessment, outstanding cash and cash equivalents of Latvijas Gāze group can be summarised as follows (grouped by long term rating):





The Company's cash and cash equivalents can be summarised as follows (grouped by long-term rating):





Liquidity risk

Liquidity risk is associated with the ability of the Group and the Company to settle their obligations within the agreed due dates. Due to the high seasonality of operations of the Group and the Company, cash inflows are also exposed to high fluctuations within the year and most of revenues are generated during the first and the fourth quarter of the year. At the same time operational costs related to maintenance works are distributed evenly through the year, while dividend payments from the prior year are usually released in the third quarter of the year.

The Group and the Company use cash flow planning tools to manage liquidity risk. The Group and the Company prepare yearly, quarterly and monthly cash flows to identify operational cash flow requirements. In 2020 and 2019 the Group attracted short term credit line and used long term loan.

Division of financial liabilities by maturity date, as at 31 December 2020, Group:

	2021	2-5 years	Total	Carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000
Borrowings	3 673	22 289	25 963	25 667
Leases	21		21	21
Trade payables and accrued costs	10 049	-	10 049	10 049
Derivative financial liabilities	3 688	-	3 688	3 688
	17 431	**22 476**	**39 721**	**39 425**

Division of financial liabilities by maturity date, as at 31 December 2019, Group:

	2020	2-5 years	Total	Carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000
Borrowings	3 994	25 666	29 660	29 167
Leases	89	299	388	385
Trade payables and accrued costs	9 920	-	9 920	9 920
Derivative financial liabilities	1 258	-	1 258	1 258
	15 261	**25 965**	**41 226**	**40 730**

Division of financial liabilities by maturity date, as at 31 December 2020, Company:

	2021	2-5 years	Total	Carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000
Leases	90	187	277	276
Trade payables and accrued costs	9 355	-	9 355	9 355
Derivative financial liabilities	3 688	-	3 688	3 688
	13 133	**187**	**13 320**	**13 319**

Division of financial liabilities by maturity date, as at 31 December 2019, Company:

	2020	2-5 years	Total	Carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000
Leases	89	299	388	385
Trade payables and accrued costs	9 330	-	9 330	9 330
Derivative financial liabilities	1 258	-	1 258	1 258
	10 677	**299**	**10 976**	**10 973**

Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. The Group and the Company perform management of the capital, based on proportion of borrowed capital against total capital. This indicator is calculated as proportion of total liabilities, less cash and cash equivalents, to the total capital of the Group or the Company. Liabilities include all long term and short-term liabilities, but total capital includes all liabilities and equity. This indicator is used to evaluate the Group's and the Company's capital structure as well as their solvency.

As at 31 December 2020 and 31 December 2019 the proportion of borrowed capital to total capital was as follows:

	Group 31.12.2020	Group 31.12.2019	Company 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
		Restated		Restated
Total liabilities	79 712	80 527	27 537	26 033
(Cash and cash equivalents)	(54 236)	(48 995)	(44 968)	(38 487)
(Reserved funds)	(260)	(1 145)	(260)	(1 145)
(Deferred income)	(19 397)	(19 572)	-	(92)
Net total liabilities	**5 819**	**10 815**	**(17 691)**	**(13 691)**
Total equity and liabilities	455 549	463 079	324 497	329 051
Borrowed capital proportion to total capital	**1.28%**	**2.34%**	**(5.45%)**	**(4.16%)**

Market risk

Market risk is the risk that changes due to market factors, such as changes in foreign exchange rates, interest rates and commodity prices can affect the Group's or Company's profits. As at 31.12.2020 the Group and the Company had a cash balance in foreign currencies of 7 thousand USD (6 thousand EUR), as at 31.12.2019 the Group and the Company had a cash balance in foreign currencies of 8 thousand USD (7 thousand EUR). The Group and the Company have no other assets or liabilities in foreign currencies.

The Company faces a certain market risk arising from injecting significant gas quantities into the Inčukalns Underground Gas Storage during the injection season for sale during heating period (calendar spread risk) as well as from the mismatch between purchase and sales pricing concepts. JSC "Latvijas Gāze" prioritizes internal market risk mitigation by negotiating supply agreement terms and working with its sales portfolio to the extent it is possible. In addition, the Company mitigates price risk by entering into derivative transactions.

Other financial assets and liabilities are non-interest bearing or interest rates are fixed, except for borrowings. As the Group and the Company account for all financial assets and liabilities at amortized cost, they are not subject to fair value interest rate risk.

Interest rate risk

The entire Group's and the Company's borrowings are subject to interest rates based on a EURIBOR rate plus a fixed premium.

Interest rate risk is not material for the Group and the Company.

24. Other risk management

Compliance risk

Compliance risk is the risk that the Group and the Company may incur losses, be subject to legal obligations, be subject to sanctions, or be in bad standing due to the Group and the Company's 's failure to comply or violate compliance laws, regulations and standards. The Management Board of the Company and the Management Board of its Subsidiary closely monitor changes in regulatory enactments, as well as the operation of the Company's and its Subsidiary's internal control processes in order to ensure compliance with existing regulatory requirements and timely preparation of necessary future business changes.

The Group and the Company use the following methods to prevent and reduce the compliance risk:

- develop and update regulatory documents in accordance with regulatory enactments of the Republic of Latvia;
- ensure the participation of the Legal Department in the development of the Group's and the Company's regulatory documents;
- if a finding of non-compliance is made, promptly take the necessary measures to remedy the non-compliance;

- use standardized forms and texts for contracts, notices, terms of service and other documents intended for clients in dealings with clients or potential clients;
- where appropriate, train unit staff on compliance risk issues.

25. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in the process of applying the Group's and the Company's accounting policies.

This note provides information about the areas that involved higher degree of judgment or complexity which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

Revaluation of buildings, constructions, equipment and machinery

The management determines the fair value and the remaining useful life of buildings and constructions and equipment and machinery based on valuations performed by independent certified valuators in accordance with real estate valuation standards and based on the average construction costs relevant for the reporting year when valuation is performed, less subsequent depreciation. The Group's internal policy is to perform the revaluations with sufficient regularity, when there are indications that the average construction costs and/or purchase prices related to the buildings, gas distribution system and equipment have changed significantly which could lead to the carrying amount of such assets differing materially from that which would be determined using fair value at the end of the reporting period, but at least once every five years.

At the end of each reporting period, the management updates Its assessment about the changes in the construction costs of the assets subject to periodic revaluation, taking into account the available information such as official statistics data and prices quoted by construction companies in the procurement process. The management determines whether there are such changes in the market prices that would result into material difference between the relevant asset's carrying amount and its fair value. All resulting fair value estimates are included in level 3 (see also Note 23). As in 2019 the average construction costs have substantially changed against the average construction prices used by an independent certified valuator when revaluating assets in 2017, the management of JSC GASO decided to carry out a revaluation of assets in order to measure the asset replacement values as at 1 August 2019.

The revaluation of property, plant and equipment was carried out by independent certified valuators, measuring the initial and residual cost value of each asset under valuation, as well as the replacement value of accumulated depreciation as at 1 August 2019 for buildings, constructions, technological equipment, and vehicles for core business. Out of these categories, the items not valued were land, compensations for land, electricity installations and assets that were set to be written off in 2019 and 2020. The valuation of assets took place in compliance with the International Valuation Standards 2012 (IVS 300 Valuations for financial reporting) using the cost approach.

The cost approach method used in the valuation of immovable property was based on the average construction and purchase prices in Latvia. The measurement of cost replacement values involved an analysis of the construction cost data of Latvian construction companies, the average pipeline costs for gas pipelines, as well as the information available to JSC GASO regarding the construction

works carried out in recent years. The value of basic calculation unit for each specific building or group of buildings depended on its structural design, the quality of works, the degree of improvement, the quality of the construction materials used, the applicability of specific construction conditions, and other factors found on site.

When it came to movable property, a cost approach was used, i.e., obtaining a value indicator based on the economic principle that the buyer will not pay for the asset above the expected acquisition or development costs of an asset of identical utility. This approach is based on the principle that, where there are no issues with the time needed to develop an equivalent asset, inconveniences, risks or other factors, the market price paid by the buyer for the asset under valuation would not be greater than the acquisition or development costs of an equivalent asset.

The depreciated replacement cost value of buildings and constructions was calculated based on the results of inspection and the construction value in the prices at the time of valuation based on the utility of equivalent items in line with the construction requirements and materials used at the time of valuation and considering the technical and functional loss in value over time. The findings were analysed in light of the construction time of the building or construction and the repairs required and completed.

The replacement cost of accumulated depreciation for each asset was also measured, with the asset’s physical, functional and technical depreciation used as key factor. The overall loss in technical value for buildings and constructions was measured as the sum of losses in value of individual structural elements, expressed as percentage and attributed to the building or construction as a whole. With morally obsolete low-quality buildings and constructions, and constructions where full-fledged practical use is problematic, value adjustment factors were used to determine the extent of functional loss in value.

Physical loss in value reflects the aging of real estate over time manifesting as, for instance, defective structural parts and workmanship or incompleteness of structure. It shows the degree of decay of construction structures and materials and, consequently, the losses in value resulting from various physical factors.

Functional loss in value manifests as a loss in the market value of real estate caused by an inappropriate development plan or non-conformity of its other features to the present-day requirements. It shows the incompatibility of buildings and constructions with the existing real estate market standards and conjuncture.

The replacement value was measured using the cost approach method on the basis of the average construction and purchase costs in Latvia. If the figure of average construction and purchase costs in Latvia used in valuation increased by 1%, the value of the assets revalued would increase by 6 765 thousand EUR. Conversely, if the figure of average construction and purchase costs in Latvia used in valuation decreased by 1%, the asset value would decrease by 6 765 thousand EUR.

As in 2020 the average construction costs have not changed significantly compared to the average construction prices, which were taken into account by an independent certified valuator when revaluing the assets in 2019, the management of JSC GASO has decided not to revalue the assets in 2020.

Estimation of remaining useful life

The Group and the Company annually estimate the useful life of intangible assets and property, plant and equipment and make adjustments if the forecasts differ. These estimates are based on the previous experience as well as on the industry practice and revised at the end of every reporting period. In the past, the actual useful life of assets has occasionally exceeded the estimate.

Impairment of trade receivables and accrued income

The loss allowance for financial assets, including trade receivables and accrued income, is based on assumptions about risk of default and the expected loss rates. The Group and the Company use their judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. As individual assessment is not possible due to the large number of individual balances, only the significant debtors are assessed individually. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment. Details of the key assumptions and inputs used to estimate expected credit losses are disclosed in Note 23, Credit risk section.

Determination whether the entity acts as a principal or an agent in provision of certain services

The management has determined that the Group acts as an agent for natural gas transmission services and the Company acts as an agent for natural gas transmission and distribution services as they do not control the respective services before they are transferred to the customer. The following arguments support the above-mentioned conclusion:

- The Group (in relation to transmission services) and the Company (in relation to transmission and distribution services) neither owns nor operates any of the assets necessary to provide respective services.
- The customers do not perceive getting the different elements/services from different providers. From the customer´s perspective, there is no other value added apart from the only one benefit, i.e. a supply of gas (including its transmission and distribution), in particular, there are no alternative service providers, and all gas trading companies must enter into agreements with transmission and distribution operators.
- Any issues related to the physical transportation of natural gas through the distribution or transmission network, the measurement of natural gas transported through the systems, and repairing or modernizing pipes is fully under the control of distribution and transmission operators and cannot be influenced by gas trading companies.
- The moment of the transmission & distribution and the sale and transfer to the end-user are not separated due to the nature of business. Nevertheless, only the providers of transmission and distribution services are capable to track the quantities delivered and they reconcile the quantities between themselves as the infrastructure is fully under the control of transmission and distribution operators.
- Transmission and distribution services are subject to a regulated non-discriminatory tariff approved by a local regulatory body. Any expenditure incurred in providing these services

including the volume of capital expenditure which may impact future tariffs, is the responsibility of transmission and distribution operators.
- The end-users are charged with a transmission and distribution fixed fee calculated based on a formula: regulated tariff for distribution/transmission x quantity delivered. The Company passes on the costs for distribution and transmission services to the customers without adding any additional fees or charges.

Determination whether the entity acts as a principal or agent in collecting and paying excise duty

The management has determined that with regard to excise duty, the Company acts as an agent by collecting the excise duty on behalf of the government. As a result, the excise tax is deducted from the net revenue (similar to other sales taxes) rather than included in both revenue and cost of sales as such a presentation reflects the substance of the arrangements.

The following considerations support the judgements made by the management:

- Although the “production” and “sale” (a transfer to the end-user) are not really separated due to the nature of business, the triggering event to pay the excise tax is a “delivery” to the end user. This indicates that the excise duty is paid close to the transfer to end customer and therefore it is closer in nature to a sales tax.
- The excise duty is clearly separate from the selling price and it is shown separately on the invoices to commercial clients. A change in the tax would result in an equivalent change in the amount passed through to the customer. Even in a non-typical situation when the gas would be given to end-user free of charge, the excise tax needs to be calculated as it follows from the requirement of the law. This is considered a strong indicator that the entity is collecting the tax on behalf of the government.
- One may argue that there are indicators which may support a gross treatment (e.g. the pricing is based on physical quantity, not tied to value of revenue/the selling price or a failure by customer to pay does not provide the rights to claim the tax back). Nevertheless, in the view of management, in the context of the arrangements they do not have to be regarded as superior and decisive in order to conclude on an accounting treatment with respect to the excise duty.

Non-recognition of deferred tax liability

Deferred tax liability is not recognised in the consolidated financial statements of the Group in relation to the taxable temporary differences associated with investment in subsidiary (arising from existence of untaxed with corporate income tax retained earnings in subsidiary, arisen after 1 January 2018) as the management has determined that subsidiary’s profit for the years ended from 31 December 2018 to 31 December 2020 will not be distributed in the foreseeable future. The management exercised significant judgement in interpreting the longevity of the period described as “foreseeable future”. In the management’s opinion, in the current business environment, it is not possible to develop reliable business plans and forecasts for a period of time exceeding 3-5 years, despite the fact that the subsidiary in question operates in a regulated industry with regulated tariffs and is a monopoly provider of natural gas transmission services in Latvia, therefore, the period of foreseeable future cannot exceed 5 years or even less. Management’s judgement is based also on the following considerations:

- The subsidiary will first distribute the retained earnings accumulated till 31 December 2017 to take an advantage of new corporate income tax regime which permits the tax payers to distribute the said retained earnings without levying tax on such distributions (as these retained profits have been taxed under previous tax regime);
- It is estimated that the time period while the “previous” retained earnings are fully distributed will exceed 5 years;
- It is assumed that in the consecutive years, after the distribution of “previous” retained earnings, the subsidiary will distribute dividends from current earnings not exceeding annual profit amount.

Control over subsidiary

While the JSC "Gaso" is given a statutorily independence in terms of running the gas distribution business, the overall corporate control by JSC "Latvijas Gāze", in its capacity as a parent entity, is fully retained. The normal corporate control rights by the parent group entity over the distribution subsidiary are expressly acknowledged in Art 45(3)(3) of the Latvian Energy Law (which provision, in its turn, transposes a rule specified in Art.26(2)(c) of the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC). Particularly, in the context of IFRS 10 “Consolidated financial statements”, the critical aspect of control is ensured by the fact that the power to appoint the Council of JSC “Gaso” lies with the Board of the JSC “Latvijas Gāze” (with the consent of the Council of the Company) acting in its capacity as sole shareholder of JSC “Gaso”. Council of JSC “Gaso”, in its turn, appoints the Board of JSC “Gaso”, which is in charge of operational activities that significantly affect the subsidiary’s returns.

26. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during all years presented, unless otherwise stated.

Basis of preparation

The consolidated and separate financial statements (financial statements) of the JSC “Latvijas Gāze” are prepared in accordance with the International Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted for use in the European Union, and are presented together in one document.

The financial statements are prepared on a historical cost basis, except for derivative financial instruments that are measured at fair value and certain classes of property, plant and equipment that are carried at revalued amount, as disclosed in the notes below.

All amounts shown in these financial statements are presented in thousands of Euros (EUR), unless identified otherwise. Euros (EUR) is the functional and presentational currency of the Group and the Company.

These financial statements have been approved for issue by the Board of Directors of the Company on 21 April 2021. In accordance with the requirements of the Commercial Law, the Company announces the Annual Shareholders' Meeting after receiving the auditor's report and the Supervisory Board's report, simultaneously sending the Annual Report to the Company's shareholders.

Adjustment of opening balances

In 2020 the Company migrated all its balances and settlements with household customers to a new IT system MECOMS. After migration process a difference of 1 159 thousand EUR between accounting records and detailed listing of accounts receivable from households was detected. According to the results of a detailed investigation this difference historically originated from the accounting periods before reorganisation of the Company, which took place according to the requirements included in the Energy Law to ensure operational separation of the distribution business from the sales & trading activities, at the end of 2017. Since the reorganisation sales volume has been recognised based on gas amounts in the distribution system, which was calculated by JSC GASO on a monthly basis based on the Rules of Cabinet of Ministers No 78 dated 7 February 2017 and it fully agrees to the accounting records of the Company. The detected difference was accumulated over a long period of time before the reorganisation and represents a sum of individually insignificant differences between actual gas consumption in Latvia and submitted values of gas counters, which were historically allocated to individual customers balances within the previously used IT system. As this amount of 1 159 thousand EUR relates to the periods before the earliest period reported in these financial statements, the comparative information as of 1 January 2019 and 31 December 2019 has been adjusted retrospectively. The impact of the adjustment is as follows:

	Group 31.12.2019 EUR'000			Company 31.12.2019 EUR'000		
	As originally reported	**Restated**	Change	As originally reported	**Restated**	Change
Accounts receivable	26 955	25 796	(1 159)	23 813	22 654	(1 159)
Retained earnings	(111 878)	110 719	1 159	(23 447)	(22 288)	1 159

New Accounting Pronouncements

Standards or interpretations effective for the first time for the annual periods beginning 1 January 2020

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after January 1, 2020, and which did not have a significant impact on the financial position or operations of the Group and the Company:

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular, the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business - Amendments to IFRS 3 (effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Standards or interpretations effective for the first time for the annual periods beginning on or after 1 January 2021 or not yet adopted by the EU

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2021, and which the Group and the Company have not early adopted. No significant impact on the financial statements of the Group and the Company is expected from these standards or interpretations.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2022, not yet adopted by the EU).

Amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022, not yet adopted by the EU).

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective for annual periods beginning on or after 1 January 2021, not yet adopted by the EU).

There are no new or revised standards or interpretations that are not yet effective that are expected to have a material impact on the Company or the Group.

Financial instruments

Financial assets Classification

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's and Company's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group and Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and Company's business model for managing the asset and the cash flow characteristics of the asset. All Group's and Company's debt instruments are classified in the amortised cost measurement category.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented within other income /(expenses) in the statement of profit or loss.

The following financial assets of the Company and Group were classified in this category:

- trade receivables;
- accrued income;

- reserved funds;
- cash and cash equivalents.

Equity instruments

The Group and the Company have no investments in equity instruments.

Derivative financial instruments

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the reporting period. The Company and the Group do not apply hedge accounting.

Impairment

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECL") associated with their debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and accrued income without a significant financing component, the Group and the Company apply a simplified approach permitted by IFRS 9 and measure the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. As individual assessment is not possible due to the large number of individual balances, only the significant debtors are assessed individually. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment.

Revenue from contracts with customers

Revenue is income arising in the course of the Group's and Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group and the Company recognise revenue when it transfers control of a good or service to a customer.

Sale of natural gas – wholesale

The Group and the Company sell natural gas in the wholesale market. Revenue is recognized at the point in time when the product (natural gas) is delivered to the wholesaler (buyer) and he has full discretion as to the place and price of the products, and the wholesaler (buyer) has no claim for performance of the contract that could affect the acceptance of the products from the wholesaler (buyer). Delivery takes place when products are delivered to a particular location, the prescription and limitation risks are passed on to the wholesaler (buyer), and the Group and the Company have objective evidence that all acceptance-transfer criteria are met.

It is considered that there is no financing element here, because the sale is made with a credit term of 10-30 days, which corresponds to the prevailing market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of natural gas to end users – commercial customers and households

The Group and the Company sell natural gas to end users – corporate customers and households. These sales meet over the time recognition criteria as the customer receives and uses the benefits simultaneously as the gas is delivered. Revenue is recognised based on the actual quantities delivered up to the end of the reporting period, normally one month, as the gas sold is priced on a per quantity basis.

Households settle their debts according to equalized payment schedules with end-dates not necessarily coinciding with calendar year-end, based on the actual consumption during previous settlement year. Management exercises judgement when estimating revenue for quantities delivered but not yet billed to these customers. This is determined using an established methodology within the Group.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Excise duty

The excise duty is levied on the natural gas delivered to the end user and is calculated on the basis of fixed rate per quantity delivered depending upon purpose of use of natural gas by the end user. The Group and the Company act as an agent in collecting the excise duty from customers, and pay it to the government, therefore revenue is recognised net of excise tax levied on the customers.

Sale of services – natural gas distribution

The Group provides natural gas distribution services to the gas traders who sell the natural gas to end users. Revenue from providing services is recognised over time in the period in which the services are rendered. The management exercises judgement related to the quantity of natural gas delivered to the household end-customers of the Group, as explained in the policy “Sale of natural gas to end users – commercial customers and households” above.

Connection fees

When connecting to the gas network, the clients must pay a connection fee based on the actual costs of infrastructure to be built in order to connect them to the network. The management has concluded that the connection fees do not represent a separate performance obligation from the ongoing provision of network distribution services, and thus the revenue from connection fees is deferred and recognised as revenue over the estimated customer relationship period, which, in management's view, approximates 30 years. Connection fees received from customers are carried in the statement of financial position as "Deferred income" within long-term liabilities.

Contract assets and contract liabilities related to contracts with customers

Due to equalised invoicing and settlement arrangements with household customers, these customers routinely are in the position of over-payment in relation to their actual consumption. It is also common for households to make an advance payment for the whole year ahead, based on the actual consumption of prior settlement year. There are also corporate customers who have overpaid to the Group and the Company for the goods and services received. The balances of overpaid amounts that represent contract liabilities are offset against future consumption. They are reported within other liabilities as prepayments received.

Contract asset that relates to contract with the natural gas transmission and storage operator, where the Group and the Company have undertaken commitment to store an agreed quantity of natural gas in the underground storage for particular period of time is reported as accrued income within other current assets. The revenue is receivable when all the conditions of the contract are fulfilled.

Financing component

The Group and the Company do not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group and the Company do not adjust any of the transaction prices for the time value of money.

Property, plant and equipment

Property, plant and equipment are tangibles, which are held for use in the supply of goods and in the provision of services, and used in more than one period. The Group`s and the Company's main asset groups are buildings and constructions, which include distribution gas pipelines, as well as equipment and machinery that is mainly related to technical gas distribution.

The Group's buildings and constructions (including the gas distribution system) and equipment and machinery are recognised at fair value as determined under the policy of revaluation of fixed assets approved by the Board, less accumulated depreciation and impairment loss. Revaluation shall be made with sufficient regularity to ensure the carrying amount does not differ materially from the one, which would be determined using fair value at the end of the reporting period. All other property, plant and equipment groups (including land) are stated at historical cost, less accumulated depreciation and impairment charge. The historical cost includes expenditure directly attributable to the acquisition of the items.

Assets purchased, but not ready for the intended use or under installation process are classified under "Assets under construction". This group is measured at cost less accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss statement for the financial period when they incurred.

Upon revaluation of property, plant and equipment, the accumulated depreciation is changed in proportion to changes in the gross value of the property, plant and equipment revalued. Increases in the carrying amount arising on revaluation of buildings, gas distribution system and equipment are credited to Revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; any further decreases are charged to the profit or loss statement. The revaluation surplus is transferred to retained earnings on the retirement or disposal of the asset. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is reclassified from the property, plant and equipment revaluation reserve to retained earnings.

Land and assets under construction are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful lives, as follows:

	years
Buildings	20 - 100
Constructions, including gas distribution system	20 - 70
Machinery and equipment	5 - 20
Other fixed assets	2 - 10

The assets' useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the profit or loss statement during the period when they are incurred.

Intangible assets

Intangible assets primarily consist of software licences and patents. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and impairment loss.

Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their useful lives. Generally, intangible assets are amortised over a period of 5 to 10 years.

Impairment of non-financial assets

All the Group's and Company's the non-financial assets, except for land, have a finite useful life. Assets subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An

impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets having suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The cost of natural gas is composed of the gas purchase price and is determined using FIFO (first in first out) method. The cost of other materials, spare parts and other inventories is determined using the weighted average method.

The value of outdated, slow-moving or damaged inventories has been provisioned for.

Leases

The Group and Company are lessee. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group and the Company under residual value guarantees;
- the exercise price of a purchase option if the Group and the Company are reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease duration used in the calculation is based on signed agreements for external lease and 5 years for intragroup lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Discount rate applied to measure lease liabilities as at 31 December 2020 and 31 December 2019 is 3.33%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the expected lease term on a straight-line basis. If the Group or the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. While the Group and the Company revalues its land and buildings that are presented within property, plant and equipment, they have chosen not to do so for the right-of-use buildings held by the Group or the Company.

Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in consolidation.

There is only one subsidiary in the consolidated group – JSC “Gaso” which was established on 1 December 2017 as a result of a reorganisation (spun-off of distribution business segment from the parent company JSC “Latvijas Gāze”). The reorganisation was determined to be a transaction among entities under common control and was recorded based on predecessor values. As a result, on the reorganisation date, the assets and liabilities with resulting entries in equity were transferred to the opening balance sheet of subsidiary based on their predecessor amounts in the books of JSC “Latvijas Gāze”. The reorganisation as such did not impact the consolidated financial statements following an establishment of Group as consolidated financial statements continued to report the natural gas trading and distribution business in one consolidated entity.

Reorganisation and investment in subsidiary

In the separate financial statements of the parent company, investment in subsidiary’s capital is accounted at cost less any impairment loss. The cost of investment was determined with the reference to the carrying amount in the predecessor’s (i.e., JSC “Latvijas Gāze”) books of assets and liabilities that were transferred to subsidiary AS “Gaso” as a result of reorganisation.

Reorganisation was determined to be a transaction between entities under common control and accounted for at predecessor values based on the following:

- In the course of the reorganization process, JSC “Latvijas Gāze” acquired ownership of 100% of JSC “Gaso” shares in exchange for the net assets transferred to JSC “Gaso”, thereby acquiring non-monetary assets (shares) in exchange for a combination of non-monetary and monetary assets and liabilities (i.e., JSC ”Gaso” transferable assets according to the asset allocation act).
- The assets and liabilities of the new group immediately after the reorganization were the same as assets and liabilities of JSC “Latvijas Gāze” immediately before the reorganization;
- The absolute and relative participation of JSC “Latvijas Gāze” shareholders in the net assets of the newly created group immediately after the reorganization was the same as their share in the net assets of JSC “Latvijas Gāze” immediately before the reorganization.

As a result of this reorganisation the Company recognised a reorganisation reserve which arose as a result of a difference between the net assets received and transferred within reorganisation process.

Dividends from the subsidiary are recognised in the separate financial statements of the Company when the right to receive the dividend is established. The dividend is recognised in the profit or loss statement.

If there is objective evidence that the carrying amount of the investment in the subsidiary exceeds its recoverable amount, the impairment loss is calculated as the difference between these two amounts and recognised immediately in profit or loss. The recoverable amount of investment is the higher of its fair value less costs of disposal and it value in use. Value in use is the present value of the future cash flows expected to be derived from the investment in subsidiary. Impairment loss with regard to investment in subsidiary is reversed if the recoverable amount of investment has increased above the previously estimated recoverable amount used in measuring the recognised impairment loss, but reversal should not exceed the initial cost of investment.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of each legal entity in the Group (i.e., the parent entity and subsidiary). Although the internal reporting formats are similar for both entities, there is no single chief operating decision-maker for the whole Group, given the legal requirements regarding operational independence of natural gas distribution operator from its vertically integrated parent company – the largest natural gas trader in Latvia. Management Board and Supervisory Board of each entity are regarded as chief operating decision-makers who are responsible for allocating resources and assessing performance of each segment.

Share capital and dividend authorised

Ordinary shares are classified as equity. No preference shares have been issued. Incremental external costs directly attributable to the issues of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution to the Group’s parent company’s shareholders

is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group and the Company prior to the end of the reporting period which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition with an exception of personnel related accruals where the payment terms might be up to 12 months. If the payment is not due within 12 months after the reporting period, such payables are presented as non-current. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and borrowing costs

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Fees paid for establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss statement in the period in which they are incurred.

Provisions

Provisions are recognised when the Group or the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value according to the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Employee benefits

Wages, salaries and bonus plans

Liabilities for wages and salaries, including non-monetary benefits, annual leave and bonuses that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The Group and the Company recognise a liability and expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise liability where contractually obliged or where there is a past practice that has created a constructive obligation. The liabilities are presented as Other liabilities in the balance sheet.

Social security and pension contributions

The Group and the Company pay social security contributions for state pension insurance to the state funded pension scheme in compliance with the Latvian legislation. The state funded pension scheme is a fixed-contribution pension plan whereby the Group and the Company have to make payments in an amount specified by law. The Group and the Company also pay contributions to an external fixed-contribution private pension plan. The Group and the Company do not incur legal or constructive obligations to pay further contributions if the state funded pension scheme or private pension plan are unable to meet their liabilities towards employees. The social security and pension contributions are recognised as an expense on an accrual basis and are included within staff costs.

Vacation pay accrual

The amount of accrual for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting year by the amount of accrued but unused annual leave at the end of the reporting year.

Post-employment and other employee benefits

Under the Collective Agreement, the Group and the Company provide certain defined benefits over employment and upon termination of employment to employees whose employment conditions meet certain criteria. The amount of benefit liability is calculated annually based on the current salary level and the number of employees who are entitled to receive those payments, as well as based on actuarial assumptions, using the projected unit credit method.

The present value of the benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Re-measurement gains and losses arisen from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they occur within separate reserve "Employee benefits revaluation reserve". They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Income tax

The corporate income tax is calculated for distributed profits (20/80 from the net amount payable to shareholders). The tax on the distributed profit is recognised when the Company's shareholders decide upon distribution. Corporate income tax is also paid on conditionally distributed profits (non-business related disbursements, entertainment and donation costs exceeding certain criteria and similar). Such tax is not regarded as income tax in the context of IAS 12 as it is calculated on the gross rather than net amounts, and recognised in the statement of profit or loss as other operating cost.

The Group recognise deferred tax liability for taxable temporary differences associated with investment in subsidiary (arising from existence of untaxed retained earnings arisen after 1 January 2018 in subsidiary) except to the extent that it is probable that the temporary difference will not reverse in the foreseeable future, i.e., the untaxed retained earnings will not be distributed from subsidiary to the parent company in foreseeable future. In the reporting periods ended 31 December 2020 and 31 December 2019 the management of the Group did not recognise the deferred tax liability in the consolidated financial statement related to the above.

Related parties

Related parties are defined as the Company's shareholders with a significant influence and the entities where these shareholders have control or joint control, as well as members of the Council and the Board of the Company or its subsidiary, their close relatives and entities in which they have a significant influence or control.

27. Remuneration of certified auditors company

	Group 2020	Group 2019	Company 2020	Company 2019
	EUR'000	EUR'000	EUR'000	EUR'000
Statutory audit	46	41	31	26
Non-audit services	2	1	1	1
	48	**42**	**32**	**27**

28. Contingent liabilities

The Company has a long-term agreement with PJSC Gazprom based on "take or pay" rules that determine the minimum quantity to be purchased in the respective period. If the entity is not able to consume the agreed volume, legal obligations might arise.

Financial obligations arising from long-term gas purchases are calculated based on the same principles that govern internal budgeting. The resulting long-term obligations as of the balance sheet date amounted to approximately 1.93 billion EUR on 31 December 2020 and to 2.29 billion EUR on 31 December 2019.

According to the Commercial law of Republic of Latvia, in the case of reorganization, the incumbent company bears solidary responsibility together with the newly established company with regard to the liabilities that originated prior to reorganisation and were transferred to the

newly established company, and whose settlement date occurs within five years after the reorganization date. As at 31 December 2020 and 31 December 2019, the Group and the Company are not aware of any existing liabilities that they would be liable for in relation to the above.

As at 31 December 2020 as a part of financial guarantees SEB banka has reserved 260 thousand EUR (31.12.2019: 1 166 thousand EUR and in Swedbanka 30 thousand EUR).

The following table summarised other contracted commitments at the end of reporting year:

Commitments	Group 31.12.2020	Group 31.12.2019	Group 31.12.2020	Company 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000
Contracted and unfinished	**860**	**686**	**696**	**244**

Contingent liabilities related to the corporate income tax from distributable profit of the Company

When the net profit for 2020 will be distributed, corporate income tax liabilities will arise (20/80 from net amount distributed to shareholders). Dividends received from the subsidiary will not give rise to additional tax liability in the hands of the Company when distributed further to the shareholders of the Company. Assuming a proposed distribution of profit for 2020 as disclosed in Note 16 (10 773 thousand EUR or 0.27 EUR per share), taking into account the subsidiary's dividends of 8 778 thousand EUR, the resulting corporate income tax charge will be around 498 thousand EUR, to be recognised in the Group's and the Company's profit or loss when the decision about distribution is approved by the shareholders.

29. Subsequent events

As in May 2021 the existing overdraft agreement of the JSC "Latvijas Gāze" with OP Corporate Bank plc will expire, JSC "Latvijas Gāze" has concluded a new overdraft agreement with OP Corporate Bank plc that will be utilized to purchase natural gas during the next two natural gas injection seasons. The new overdraft limit is 30 million EUR and expires on 31 May, 2023. Apart from the above, between 31 December 2020 and the signing of these financial statements there have been no events of impact upon the Company's or the Group's financial position or financial results as at the balance sheet date.

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Olga Bobrova
Chief Accountant

CONSOLIDATED CORPORATE SOCIAL RESPONSIBILITY REPORT (NON FINANCIAL REPORT)

JSC “Latvijas Gāze”

Place of registration	Riga, Latvia
Registration number	40003000642
Address	Aristida Briāna iela 6, Riga, Latvia, LV-1001
Website	www.lg.lv

AS “Gaso”

Place of registration	Riga, Latvia
Registration number	40203108921
Address	Vagonu iela 20, Riga, Latvia, LV-1009
Website	www.gaso.lv

Abbreviations

UN	United Nations
CNG	Compressed natural gas
CSB	Central Statistics Bureau
EU	European Union
GRP	Gas regulation point
CSR	Corporate social responsibility
ILO	International Labour Organisation
GHG	Greenhouse gases

Contact details

E-mail address for suggestions and questions regarding the report:
investor.relations@lg.lv

BOARD STATEMENT

The JSC “Latvijas Gāze” has been the leading and most reliable natural gas supplier for many years and is now actively expanding its presence in other countries of the region in a bid to become the customers’ first choice in the Baltic and Finnish natural gas market. The subsidiary of Latvijas Gāze, the JSC “Gaso”, is the only natural gas distribution system operator in Latvia.

On a Group level, by corporate social responsibility the JSC “Latvijas Gāze” understands a systematic process analysis where it assesses the impact of its actions upon the environment, employees, customers, business and society and sets the principles that follow from its impact assessment and values. The analysis of the existing processes of corporate social responsibility and the implementation of new processes at the company is a kind of brand of the company’s reputation and quality, ensuring as transparent corporate environment as possible and thus enhancing the company’s reputation, recognition and employees’ satisfaction, reducing the business risks and raising the company’s value. The JSC “Latvijas Gāze” is committed to continue paying attention to improving the performance of the companies covered as far as the matters discussed in the report are concerned.

The report was reviewed and approved by the Board of the JSC “Latvijas Gāze” on April 21st , 2021 as part of the consolidated annual accounts (non-financial report) and its preparation in accordance with the law has been verified by a certified auditor.

The report is signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Inga Āboliņa Member of the Board	Elita Dreimane Member of the Board

INTRODUCTION

The consolidated Corporate social responsibility report of the JSC “Latvijas Gāze” for the year 2020 is its fourth, follows the guidelines of the UN *Global Compact* (*www.unglobalcompact.org*), and contains the non-financial information set out in Directive 2014/95/EU of the European Parliament and of the Council and the Financial Instrument Market Law. This report, as the methodology of its preparation evolves, uses a number of new key performance indicators, also considering the recommendations included in *Nasdaq ESG Reporting Guide 2.0 (2019)* for companies listed on stock exchange[1].

The description of the business model of the JSC “Latvijas Gāze” and the JSC “Gaso” and other general information regarding the Group and its operations is included in the Management report of the consolidated financial statements. Information on the corporate governance model of the JSC “Latvijas Gāze” and its elements is presented in the Corporate governance report. The report details the Group’s policy in the respective domain, the main risks, the measures for prevention or mitigation thereof, and the relevant performance indicators. The report is connected with other documents of the JSC “Latvijas Gāze” where the values of the *UN Global Compact* are integrated, such as the *Employees’ Code of Conduct* and the *Whistleblowing system, the Sanction risk assessment and the Risk management policy*. The Report has been prepared in Latvian, English and Russian and is published on Nasdaq Baltic as well as permanently available on the Latvijas Gāze website.

The performance indicators refer to a five- or two-year period depending on data availability. The data calculation methods have not been substantially changed from the previous report.

[1] The report presents the following indicators of *Nasdaq ESG Metrics*: E3, E5, E7, S3, S4, S6 – S10, G4, G7 – G10

10 PRINCIPLES OF UN GLOBAL COMPACT

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 make sure that they are not complicit in human rights abuses.

EMPLOYEES

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labour;

Principle 5 the effective abolition of child labour; and

Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges;

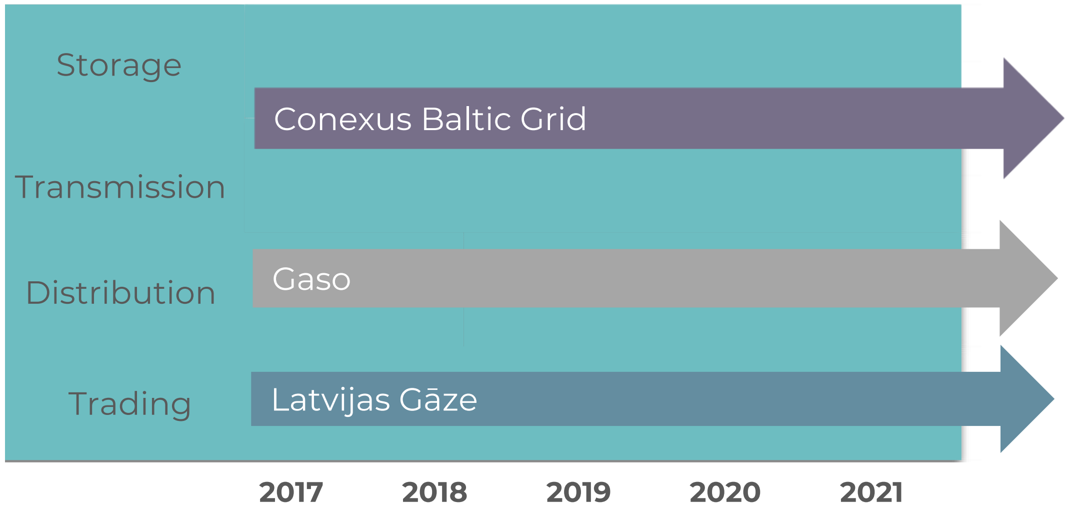
Principle 8 undertake initiatives to promote greater environment responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Reorganisations of Latvijas Gāze



The last five years represent three major stages of development of the JSC "Latvijas Gāze" – (1) operation as a monopoly, (2) unbundling into a transmission operator, distribution operator and natural gas trader, as well as (3) the present operation in the open market.

From its foundation in 1991 onwards, the JSC "Latvijas Gāze" operated as the sole and unified natural gas storage, transmission, distribution and trading operator. In fulfilment of the natural gas market transformation requirements of the European Union, since January 1, 2017, transmission and storage has been unbundled into the JSC "Conexus Baltic Grid" which is currently unrelated to the JSC "Latvijas Gāze" and the JSC "Gaso". Furthermore, since December 1, 2017, natural gas distribution has been entirely transferred to the JSC "Gaso" whose sole owner is the JSC "Latvijas Gāze" which, in turn, remains active in natural gas trading.

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and.

Principle 2 make sure that they are not complicit in human rights abuses.

RESPECT FOR HUMAN RIGHTS AT THE COMPANY

POLICY AND RISKS

The Latvian regulatory framework of human rights is essentially designed to be directly applied within organisations, and both the JSC “Latvijas Gāze” and the JSC “Gaso” fully meet these requirements.

The Group’s objective is not to allow any violations of human rights in its business and to take an active stance towards customers, partners and employees, and to facilitate eradication of such violations in any action and partnership via the Corporate social responsibility report as well as the *Code of Conduct* and the *Whistleblowing system* developed in 2020.

Respect for human rights is closely linked with the Group’s effectiveness and substantially reduces the Group’s operational risks.

MEASURES

The JSC “Latvijas Gāze” and the JSC “Gaso” see respect for human rights as the very minimum of any company’s standard of conduct. The Group fully complies with the regulatory framework of Latvia, the European Union, the Council of Europe, and the UN (contained by the Universal Declaration of Human Rights) that meets the highest human rights standards. The Group does not in any way become involved in and is opposed to any violations of human rights and takes an active stance in this regard towards customers, partners and employees as well.

The professional qualification and experience of the Board members of the JSC “Latvijas Gāze” and the JSC “Gaso” proves the management’s profound understanding of the role of human rights in the Group’s work. The Group fully ensures the protection of first-generation (right to life, health and political beliefs), second-generation (socioeconomic rights), and third-generation (solidarity, right to environment, personal data protection etc.) human rights in respect of both its employees and customers.

In addition to the regulatory stipulations, the Group regularly conducts environment quality measurements at workplaces. As concerns customers, in order to enable disabled persons to enter all facilities, environmental reconstruction and improvement takes place on a regular basis. Such access options are in place at all facilities reconstructed since 2016.

The year 2020 saw implementation of both the *Whistleblowing system* at the JSC "Latvijas Gāze" and the *Whistleblowing procedure* at the JSC "Gaso" which enable sounding alarm over human rights violations, too.

STAFF HEALTH AND SAFETY

WORKING HOURS, REMUNERATION AND ABSENCES

POLICY AND RISKS

The Latvian regulatory framework of labour protection is directly applicable and the Group devotes substantial resources towards fully meeting these requirements. This is one of the Group's priority areas of corporate social responsibility, especially given the specific nature of the JSC "Gaso". Specifically, more than a half of employees at the JSC "Gaso" are tasked with the direct maintenance of the natural gas distribution system which entails an increased risk because of the explosiveness and inflammability of gas and the health impact of other harmful working environment factors.

The Group's objective is to provide a safe working environment so as to avoid any working environment risk or mitigate its impact to the extent possible.

MEASURES

Employees are ensured a safe working environment harmless to health, including appropriate workplaces, technical resources, and individual means of protection. As required under regulations, the Group develops a labour protection and fire safety plan and conducts and internal monitoring of working environment. Employees are instructed on labour protection and fire safety pursuant to a schedule depending on work specifics. At least once per year there is training held on how to act in the event of fire. An assessment of risks of working environment and explosive environment is also conducted once per year. Based on such assessments, the deficiencies found are either eliminated or mitigated.

Accidents at work are constantly registered and analysed. Employees undergo mandatory health checks pursuant to a schedule depending on work specifics. Employees are provided with health and accident insurance. The work equipment and machinery is regularly inspected and serviced in line with the manufacturer requirements.

Under the *Whistleblowing system* introduced at the Group in 2020, it is also possible to report violations that endanger employees' health and safety.

One of the main challenges of 2020 in terms of staff health and safety was the COVID-19 pandemic which left impact upon the internal labour organisation and the organisation of interaction with customers and partners.

On a Group level, the JSC “Latvijas Gāze” has taken a number of measures that have enabled it to prevent the spread of the said disease at the company and expose employees to minimum risk by allowing them to work remotely and providing them with the technical supply necessary. It has also implemented an efficient procedure of reporting possible illness, maintaining the company’s operational effectiveness and continuity.

PRIVACY AND DATA SECURITY

POLICY AND RISKS

Given the substantial number of employees and customers, the Group pays special attention to privacy and personal data protection and security. When it comes to personal data protection, Latvia has a stringent regulatory framework based on the directly applicable EU General Data Protection Regulation 2016/679. In line with the principles of the regulation, the Group has developed an internal procedure of personal data protection that encompasses a policy of personal data protection and rules of its implementation.

The Group's objective is to ensure a full protection and security of personal data for both employees and customers.

Due to the COVID-19 pandemic the Group faces the challenge of balancing a person's right to medical data protection and the public interests. In this situation the Group follows the regulatory framework issued in the country and the recommendations of the Latvian Centre for Disease Prevention and Control (SPKC) and the Data State Inspectorate that envisage a variety of measures to be taken (the necessity to notify SPKC of cases of disease at work, identify the contact persons, notify the head of the structural unit and the Personnel Department of the person's possible illness etc.) and data submission to SPKC.

MEASURES

The Group both complies with the regulatory requirements and takes reasonable and proactive measures to streamline processes. The Group has implemented the improvements put forward following the audit of personal data processing and carries out assessments of legitimacy and protection of personal data processing. The processes envisaged in the internal regulatory enactments governing personal data protection and their control mechanisms have been implemented. Much attention is devoted to staff training in the field of personal data protection, explaining the regulatory requirements and analysing examples and case studies. The Group employs an IT security manager and personal data processing specialists who regularly analyse the personal data protection and security system and take the measures needed for its improvement.

The Group systematically analyses the contractual obligations previously entered into, updating the contracting parties' duties in terms of personal data protection where necessary.

The JSC "Latvijas Gāze" has annually instructed all employees on personal data protection, discussing issues relevant to the company, especially in the segment of (individual) customer attendance. As part of the introductory training of new employees of the JSC "Latvijas Gāze", each employee having started working for the company undergoes a test of knowledge on personal data protection, followed by additional individual training if necessary.

The *Whistleblowing system* implemented at the Group envisages an option of reporting violations of personal data protection and security.

PERFORMANCE INDICATORS

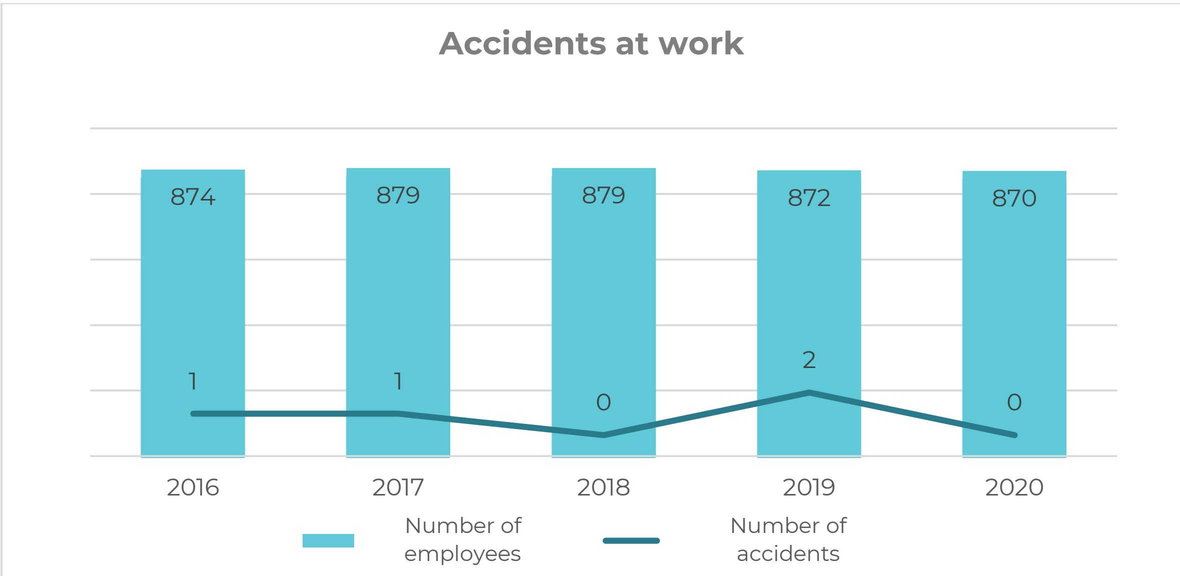
VIOLATIONS

In 2020, there were no complaints received, including from whistleblowers, over general human rights infringements in the field of staff health and labour safety or personal data protection and data security. Nor were there infringements found by the supervisory institutions.

ACCIDENTS AT WORK

In 2020, no employees suffered injuries in a road accident or while performing maintenance of the natural gas distribution network. There have been no lethal accidents in the period covered.

Accidents at work at the Group



EMPLOYEES

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labour;

Principle 5 the effective abolition of child labour; and

Principle 6 the elimination of discrimination in respect of employment and occupation.

TRADE UNIONS

POLICY AND RISKS

The employees' rights to engage in trade unions and collectively bargain employment matters are ensured and bolstered.

The Group's objective is to ensure a mutually beneficial cooperation and collective bargaining in respect of decisions on the social protection of employees.

MEASURES

There are collective agreement discussion meetings held, attended by representatives of the Group's management, employees and trade unions. A labour dispute commission has been set up, featuring representatives of the employer and trade unions. Premises are made available for holding trade union meetings, as are permanent premises and means of communication for the head of the trade union. A representative of the trade union as member of the procurement commission takes part in the selection of health insurance policy for employees.

In late 2020, there were amendments made to the collective agreement signed in 2019 among the JSC "Latvijas Gāze", the JSC "Gaso" and the trade union of Latvian public utility and transport employees "LAKRS", extending it for another year – till the end of 2021. There have been further amendments made to improve the employees' guarantees, stipulating that the employer shall support remote work by employees, and monetary bonuses on employees' life anniversaries are to be allocated in more detail.

FORCED AND CHILD LABOUR

POLICY AND RISKS

Forced and compulsory labour is nationally prohibited, as is forced child labour. The Group is firmly opposed to such forms of employment and strictly adheres to such policy.

EMPLOYMENT CONDITIONS

POLICY AND RISKS

The high-intensity routine and relatively low remuneration of employees directly tasked with customer attendance is a challenge for successful work in this field. Furthermore, both the implementation of a new billing system and the impact of the COVID-19 pandemic exposes employees to increased stress, also affecting staff turnover. As for the company, losing qualified specialists exposes it to threat of failure to meet the industry standards and maintain the operational continuity, thus causing both quality risks and financial burden. In order to mitigate the said risks, the company has implemented remote work and other forms of performing professional duties.

Employees predominantly have a normal working time of 40 hours per week. Depending on the specifics and need, time credits and shift work are occasionally used. Employees are also afforded appropriate breaks and rest. There is a paid annual leave and, on top of what is stipulated by the legislation, a paid additional leave for length of service, dangerous working conditions, and additional off-days to heads of structural units.

All employees have written employment contracts signed and issued and all taxes pertaining to the employment relationship paid.

The recruitment policy is implemented so as to avoid the risk of lack of qualified specialists jeopardising compliance with the industry standards in terms of the safety and operational continuity of the natural gas distribution system.

The Group's objective is to maintain a competitive staff motivation system with fair and appropriate remuneration, balance between work and rest, and targeted social guarantees, including a contract on the health, life and accident insurance of employees.

MEASURES

A number of matters pertaining to employment relationship and employees' social guarantees are governed by the collective agreement and internal rules of procedure.

The JSC "Gaso" has set up a standing pension management committee, composed of two Board members and two staff representatives and tasked with controlling the compliance of 3rd level pension contributions for employees.

Employees are systematically assessed and remunerated based on their work quality, initiative, intensity and contribution.

PREVENTION OF DISCRIMINATION

POLICY AND RISKS

The Latvian legislation extensively prohibits discrimination, and the Group complies with it, making sure that decisions in respect of employees be based on appropriate and objective criteria. A prohibition of discrimination is also stipulated by the Employees' Code of Conduct, focusing on the core principles of fair treatment and prohibition of insult. It details the guidelines for building the professional relationship among employees, including attitude and conduct, and models of actions for the settlement of possible disagreements and disputes in daily work.

The Group sees the risks associated with discrimination as low.

MEASURES

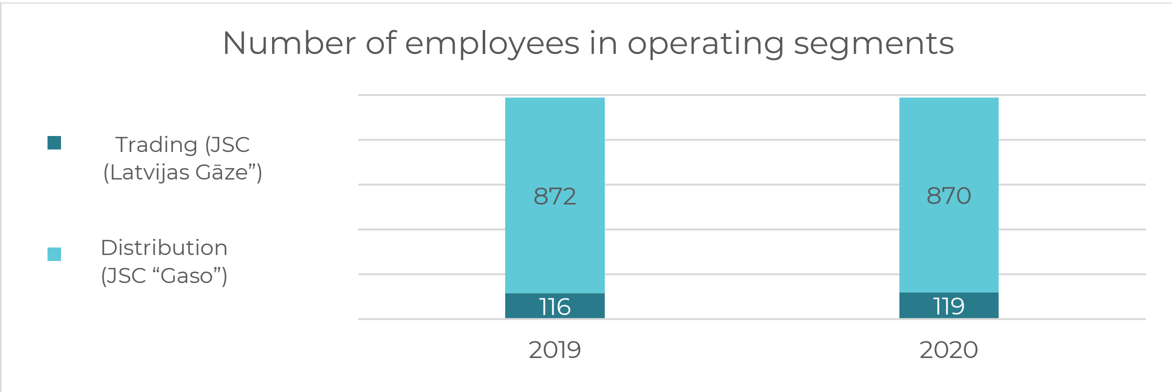
Job advertisements set out specific requirements for candidates based on the professional competences needed by the Group and are worded in a non-discriminatory way. During the recruitment process, no sensitive information about applicants, including their religious or political conviction, family status, sexual orientation, ethnic origin, political beliefs etc., is requested.

PERFORMANCE INDICATORS

INVOLVEMENT OF TRADE UNIONS

In 2020, there was no need to involve trade unions in the settlement of disputes.

NUMBER OF EMPLOYEES IN OPERATING SEGMENTS

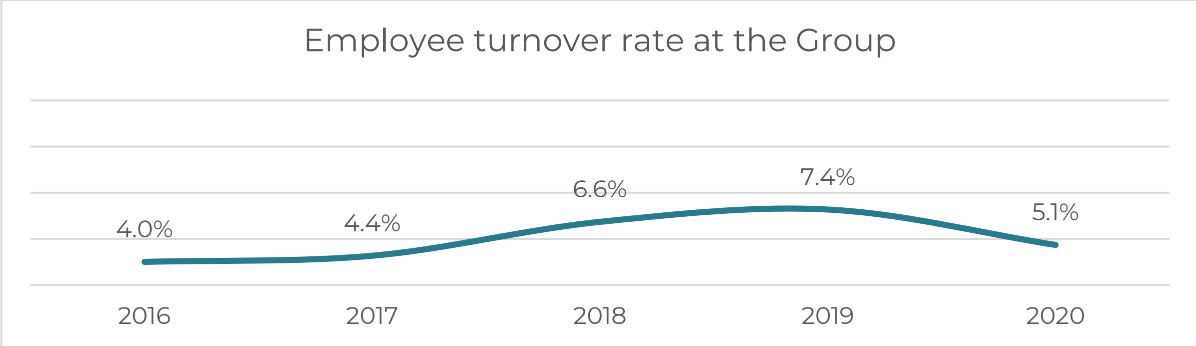


NUMBER OF EMPLOYEES SUBJECT TO THE COLLECTIVE AGREEMENT

The collective agreement is applicable to all employees of the Group. It ensures an equal treatment of employees in terms of social guarantees and envisages additional social guarantees not stipulated in the Labour Law – additional leave, additional off-days, benefits, monetary bonuses etc.

EMPLOYEE TURNOVER RATE

The development of the employee turnover rate reflects the events at the Group and the situation on the labour market. The increased employee turnover results from the reorganisation of the Group.

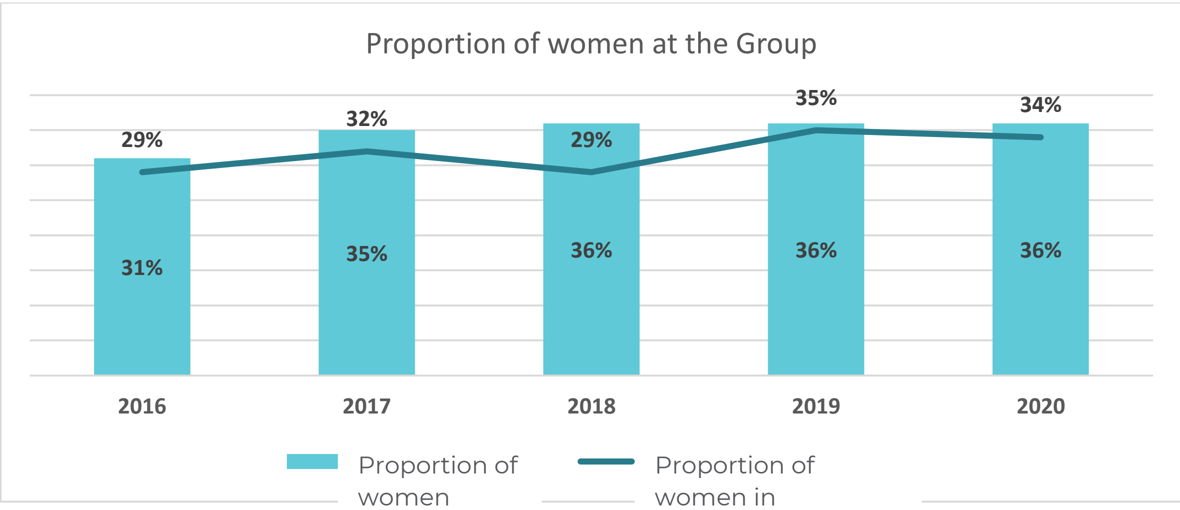


AVERAGE WAGE

The average wage at the Group is on par with the industry level.

GENDER DIVERSITY – PROPORTION OF WOMEN

The proportion of women at the Group is appropriate to the specifics of the industry. The proportion of women in management is consistent with the overall proportion of women at the Group.



VIOLATIONS

In 2020, there were no complaints received, including from whistleblowers, over discrimination at work. Nor were there infringements found by the supervisory institutions.

ENVIRONMENT

Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environment responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.

NATURAL GAS USAGE AND SUSTAINABILITY

POLICY AND RISKS

The Group both helps others acquire an environmentally friendly source of energy – natural gas – and itself takes advantage of the development of environmentally friendly technologies. As natural gas is transmitted over pipelines, its delivery does not involve substantial loss of energy and there is less carbon dioxide (CO_2) emitted in the process of transportation compared to other fuels. When it comes to usage, natural gas again involves much lower CO_2 emissions than other fuels, thus creating less of a greenhouse effect. Specifically, compared to wood products, coal and liquid fuels, natural gas generates a substantially lower permanent pollution of carbon oxide, sulphur oxides, nitrogen oxides, smoke, soot, ash and heavy metals regardless of whether used in local boilers, large boiler houses or cogeneration plants.

The use of natural gas in motor transport, too, as replacement of petrol and diesel contributes significantly towards the reduction of carbon dioxide emissions and the improvement of air quality. For instance, natural gas-powered cars generate by as much as 70% lower nitrogen oxide emissions which is important for the health of human lungs [2]. Thus, the Group works on a sustainable basis and contributes to the environmental protection.

Nationally, the most substantial environmental pollution across the natural gas usage cycle occurs at final consumers where there are natural gas losses in the internal pipeline systems and where natural gas is combusted and CO_2, nitrogen oxide and other emissions are released into the atmosphere. Overall, natural gas as product is the most environmentally friendly fuel and as replacement of other fuels improves the quality of the environment.

In line with the above policy, the Group strives to increase the use of natural gas in areas where other fossil resources are currently preferred.

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[2] Source: *NGVA Europe*: https://www.ngva.eu/policy-priorities/air-quality/.

MEASURES

Taking responsibility for the environmental impact of the Group's business, an *Environmental policy* and *Environmental code* has been implemented. It analyses the potential of mitigating the environmental impact of the product sold by the Group – natural gas – and identifies the resulting objectives. It is the business of the JSC "Gaso" that accounts for almost all environmental impact of the Group. The human impact of the product and the services provided is one of the key risks in the domain of corporate social responsibility since natural gas is inflammable, explosive and asphyxiant in enclosed spaces. The consequences of a natural gas explosion are potentially disastrous. The main risks are associated with outdated infrastructure and gas appliances owned by consumers and human action both when consuming natural gas and making unwarranted manipulations of gas appliances. These risks are minimised through regular and systematic technical supervision of the natural gas distribution system and audits and tightness tests of internal gas pipelines pursuant to the regulatory requirements.

Across the natural gas supply and usage chain, it is the final consumers that can contribute significantly to the mitigation of the environmental impact. The Group believes that through educational and information measures it is possible to achieve a decisive improvement in public awareness of the positive and negative impact of natural gas usage in areas where individual contributions and efforts can yield a material reduction in the environmental impact.

In order to educate its customers and other stakeholders on ways of saving energy resources, including natural gas, the Group has drawn up an *Energy efficiency brochure* and systematically updates its followers on social media about specific energy resource saving methods ("education through communication"). The Group also believes that much difference can be made by replacing inefficient natural gas appliances with more efficient ones, and not just among households but also in the commercial, manufacturing and energy sectors. Hence, customers are regularly informed of the latest developments in the design and construction of gas pipelines and gas-powered facilities. Customers are also encouraged to do a regular maintenance of internal natural gas pipelines and appliances to reduce natural gas loss occurring due to looseness.

CO_2 and other emissions may be further reduced by replacing petrol and diesel cars with ones powered with natural gas. CNG used in transportation generates up to 30% lower CO_2 emissions than diesel or petrol, and for other harmful emissions this difference is up 90%. It is therefore one of the current objectives of the Group to actively promote the development of CNG infrastructure in Latvia, also providing technical support and competences to businesses who invest in building CNG refuel stations.

Together with a number of energy and transport businesses, the Group has launched an initiative "Vide rītdienai!" ('Environment for Tomorrow') in order to discuss the use of more cost-effective and environmentally friendly energy in transport and to seek solutions towards accomplishing the global climate policy goals. In May 2019, with a direct involvement of the Group through CNG deliveries, a first publicly available CNG refuel station in Latvia in 14 years opened in Jēkabpils. A second such station opened in January 2020 in Riga, continuing a purposeful expansion of CNG facilities in Latvia.

The Group has over 70 CNG vehicles of various applications and manufacturers available for use by its employees, as well as its own CNG refuel station.

NATURAL RESOURCE CONSUMPTION AND GHG

POLICY AND RISKS

The Group essentially uses energy and water to provide for daily needs. The Group's business – natural gas distribution and trading – does not necessitate availability of vast natural resources.

A key role in the total consumption of energy resources is played by energy efficiency of buildings, as heating accounts for approximately 50% of the Group's energy consumption. Electricity consuming appliances may be divided into a number of categories – lighting, computer hardware, household appliances, climate control appliances, technical equipment (natural gas filling equipment, compressors, instruments etc.), cathodic protection of gas pipelines. With some categories, such as cathodic protection of gas pipelines, no substantial improvement in energy efficiency is possible, while a systematic selection of, for instance, computer hardware and household appliances yields reduction in electricity consumption.

The Group has low risks when it comes to energy consumption and production, since natural gas distribution and trading does not require industry-scale manufacturing, just energy consumption for housekeeping purposes – heating, electricity supply, vehicles. The JSC "Gaso" has been issued three environmental pollution permits of category C – for the boiler houses and the cogeneration stations in Riga, Bauska and Ogre, but all these facilities produce energy for own consumption.

The key risks of the environmental impact of the JSC "Gaso" are associated with natural gas emission from the distribution systems. The contribution of the main component of natural gas – methane – to the greenhouse effect over 100 years is rated as at least 25 times higher than that of CO_2, which is why its emission into the atmosphere needs to be limited as much as possible. There are three ways how natural gas from the distribution system ends up in the atmosphere: regular losses from the distribution networks, during repairs, and upon accidents. The most substantial pollution occurs in the first scenario. In 2020, methane accounted for 84% of the total GHG emissions of the JSC "Gaso".

Since methane emissions are inevitable, a number of measures are taken to keep them optimally low. The JSC "Gaso" constantly monitors the networks, implements several long-term investment programmes, such as the reconstruction of service pipes and other technological assemblies, and uses state-of-the-art methods and equipment in repairs and accident elimination.

The Group's car fleet is renewed on a regular basis to secure mid-term compliance with the environmental requirements of the European Union for vehicles.

The Group sees its GHG-related risks as low since it has no industrial sources of pollution, such as high-capacity manufacturing equipment or boiler houses.

MEASURES

For heating purposes, the environmentally friendly natural gas is used – the Group produces almost all the heat it needs of natural gas and, through its cogeneration plant, about 30% of the electricity needed for own consumption. The premises at 20 Vagonu Street and 6 Aristida Briāna Street in Riga as well as most the regional units of the JSC "Gaso" have their own individual heating boiler houses that have been gradually upgraded over several years, thus making energy supply efficient.

The Group takes care of the technical condition of buildings as well as their regulatory compliance in terms of energy efficiency. It also advises external partners dealing with the maintenance and servicing of buildings in choosing energy-efficient solutions for the supply of goods and services.

In March 2020, the Group's energy management system was certified as conforming to the new LVS EN ISO 500001:2018 standard. In addition to the energy management system implemented in compliance with the LVS EN ISO 5001 standard, the Group is also committed to a well-considered management of buildings and therefore will go for the green office certification of its buildings.

The management has put forward and approved four main objectives for 2021:

- to reduce the total electricity consumption by 1% in 2021 compared to 2020;
- to reduce the total natural gas consumption by 1% in 2021 compared to 2020;
- to reduce the average fuel consumption (litres per 100 km) by 0.5% in 2021 compared to 2020;
- to promote a change in staff attitude in favour of electricity and fuel saving.

Within the framework of the energy management system the Group completed 25 energy efficiency tasks in 2020 with the planned energy savings of 447.56 MWh per year.

There is an internal energy audit conducted once per year and a standing working in charge of energy efficiency. A person responsible for environmental monitoring has been appointed. Quarterly there is a report prepared on the release of GHG, predominantly methane, into the atmosphere.

In 2019, the Group acquired and late in the year started using for office purposes the administrative building at 6 Aristida Briāna Street, Riga. The building has been assessed for energy efficiency and issued a valid energy certificate. Part of the company's car fleet is systematically renewed on an annual basis, thus ensuring that as a whole it meets the current environmental requirements. About one-fourth of the Group's cars use natural gas as fuel. The Group also uses smart systems for fuel consumption monitoring.

In 2021, the Group intends to install three new automobile gas filling stations at the Liepāja, Jūrmala and Ogre units.

BIODIVERSITY

POLICY AND RISKS

The development of the natural gas distribution infrastructure is subject to extensive regulation, and the JSC "Gaso" complies with all regulatory requirements at the project preparation and construction stage alike. On a daily basis the JSC "Gaso" communicates with a wide range of individuals involved in development projects, gaining support and securing project completion.

When building infrastructure (natural gas distribution networks), the JSC "Gaso" is subject to the private owners' right to property and its usage and may affect protected natural sites. Hence, it is essential to cooperate with the public, the local governments, and the state authorities in charge of environmental matters.

The gasification of new housing estates often requires building gas pipelines through areas where there have been no usage restrictions before, with encumbrance caused to the owners and potential discontent to the public. It is therefore of particular importance to involve all landowners in the process, advising them of the common practical benefits from the infrastructure. The risks associated with the impact of construction of material infrastructure upon animal species, however, are immaterial.

The Group's objectives are to gain broad support for the infrastructure development projects implemented by involving residents, businesses, local governments and the responsible public authorities and to ensure compliance with the environmental impact requirements and consequently a smooth course of projects, as well as to complete the construction of natural gas systems by the beginning of the heating season so as to satisfy the primary need for heating.

MEASURES

The prospective distribution system development plans take into account the municipal territorial plans, the wishes of local governments and their residents and businesses, and the national and municipal restrictions on protected areas.

OPERATION AND POLLUTION OF NATURAL GAS DISTRIBUTION NETWORKS

POLICY AND RISKS

Overall, apart from emissions, the operation of the previously built distribution system has a negligible environmental impact, as the deforestation of protective zones and the cutting of trees takes place during the construction of system facilities and gas pipelines are predominantly located in accessible places outside forests. The key risks of environmental impact lie in natural gas emission from the distribution system. There are three ways how natural gas from the distribution system ends up in the atmosphere: regular losses from the distribution networks, during repairs, and upon accidents. The most substantial pollution occurs in the first scenario. There are no harmful chemicals used, no natural resources used, and no material amounts of waste generated in the operation of the natural gas distribution system. Gas pipeline tightness tests use nitrogen which is lighter than air and therefore vented out.

However, natural gas is a dangerous product when used improperly – the potential danger of natural gas is one of the key aspects in the work of the JSC “Gaso”. It is therefore one of the main tasks of the JSC “Gaso” to instruct people on proper conduct in the event of an accident or threat thereof. Lack of knowledge on the physical properties and use of natural gas may cause adverse consequences to consumers themselves and their property and an increased number of emergency calls and accidents to the JSC “Gaso”. Natural gas is inflammable, explosive and asphyxiant in enclosed spaces. In the event of natural gas leakage, methane release occurs.

The operation of the natural gas distribution system within the meaning of the law “On Pollution” does not constitute a polluting activity and does not require a pollution permit of category A, B or C or a GHG emission permit.

MEASURES

There is only one distribution system operator active throughout the territory of Latvia, taking care of the operation of the system and the elimination of accidents. This has a number of advantages. Firstly, there is a single Emergency service phone number for natural gas system users. Secondly, all processes are managed in a centralised manner which makes it easier to cooperate with different services

and local governments in emergency situations. Thirdly, this allows for an efficient planning of routine events, such as maintenance works, equipment, vehicles etc.

Information on the safety measures to be taken when using natural gas and guidelines on the proper use of gas appliances and instructions for emergency situations are provided on the JSC "Gaso" website and the major media and distributed in the form of booklets. The JSC "Gaso" takes part in events held by local governments, public organisations and operational services to raise public awareness of the safe usage of natural gas. There are educational events held regularly at schools and various forums. The danger and composition of natural gas, conduct in the event of accidents, and other crucial information is published in the *Natural gas safety data sheet*.

A "Gaso gas school" has been established – lectures on the origin, use, appliances and danger of natural gas for three different age groups of children, an interactive mobile stand and informational materials. Part has also been taken in the annual contest for schools "Esi drošs, neesi pārdrošs" ('Be Brave, Not Rash') and twenty similar events across Latvia.

For many years the company has been using technologies that allow installation and repairs of natural gas connections to be done with a negligible release of natural gas into the atmosphere. The technical monitoring of the natural gas distribution system takes place regularly, as do audits and tightness tests of internal pipelines.

At the Riga unit of the JSC "Gaso", which is in charge of more than a half of natural gas consumers, there is a separate emergency service, while other regional units have separate emergency teams. In addition to the common emergency phone 112, there is a dedicated natural gas emergency number 114 where calls are forwarded to the call operators of the Emergency Service of the JSC "Gaso".

Emergency calls and solution of emergency situations are free of charge for consumers.

The Emergency Service and local natural gas supply units of the JSC "Gaso" are under contract with the operational services and communication holders on cooperation in emergency situations. Where there is disruption to a centralised natural gas supply to multiple consumers at a time, the JSC "Gaso" notifies the customers.

The employees of the Emergency Service and the teams regularly undergo certification. Every year there are approximately 400 test calls made that include training together with other operational services. The employees are equipped with modern devices for the detection of gas leakages and the elimination of consequences.

CHEMICAL SUBSTANCES AND WASTE

POLICY AND RISKS

The Group generates various kinds of waste in the course of its business – municipal, constructional, biological, hazardous, and environmentally harmful. However, the hazardous waste is associated with the use of domestic goods – batteries, motor oils, hazardous electrical appliances etc., while the Group's direct business – the construction and running of the natural gas distribution system, and trading in natural gas – does not generate hazardous waste.

The JSC "Gaso" has three environmental pollution permits of category C – for the boiler houses heating the premises of the company's regional units in Riga, Bauska and Ogre. The JSC "Latvijas Gāze" has one – for the boiler house at 6 Aristida Briāna Street, Riga.

When it comes to waste management, the regulatory requirements are met, but in some areas a goal has been set to reduce the amount of waste, for instance, by reducing the circulation of paper through implementing an electronic document circulation system.

MEASURES

Every year there is data submitted to the State Environmental Service on the pollution of category C generated by boiler houses. Quarterly reports are made on the hazardous waste (such as accumulators) and packaging used in business, for which the Group pays natural resource tax.

The following hazardous waste is sorted and separately submitted for recycling: computer hardware, scrap metal, construction materials, tyres and batteries. Paper and plastic, too, is sorted and submitted for recycling.

PERFORMANCE INDICATORS

VIOLATIONS

In 2020, there were no complaints received, including from whistleblowers, over environmental infringements. Nor were there infringements found by the supervisory institutions. No substantial environmental harm has been inflicted and no areas have been deforested in the course of construction and running of the distribution system.

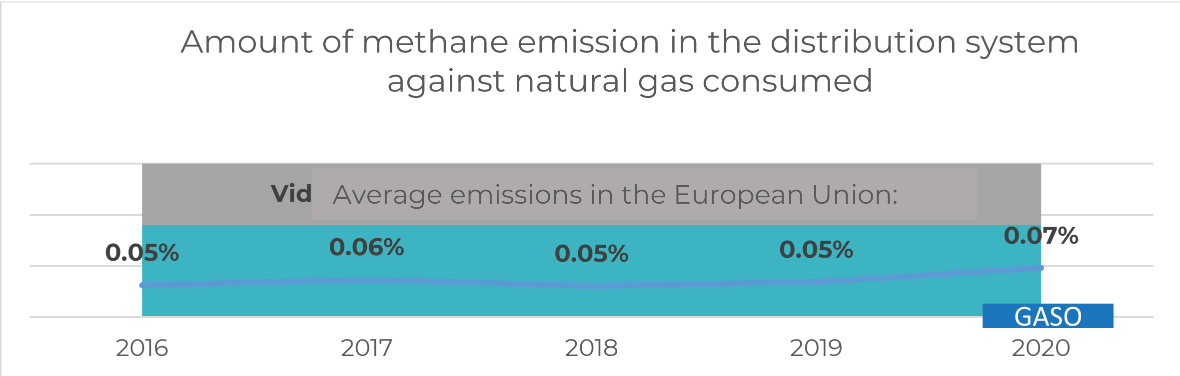
METHANE LOSSES IN THE DISTRIBUTION SYSTEM (COMPARISON WITHIN THE INDUSTRY)

Methane, or natural gas, is a greenhouse gas. Compared to other European Union member states, Latvia generates low emissions of GHG as a whole, and the same goes for methane individually. The calculated amount of methane emission in the

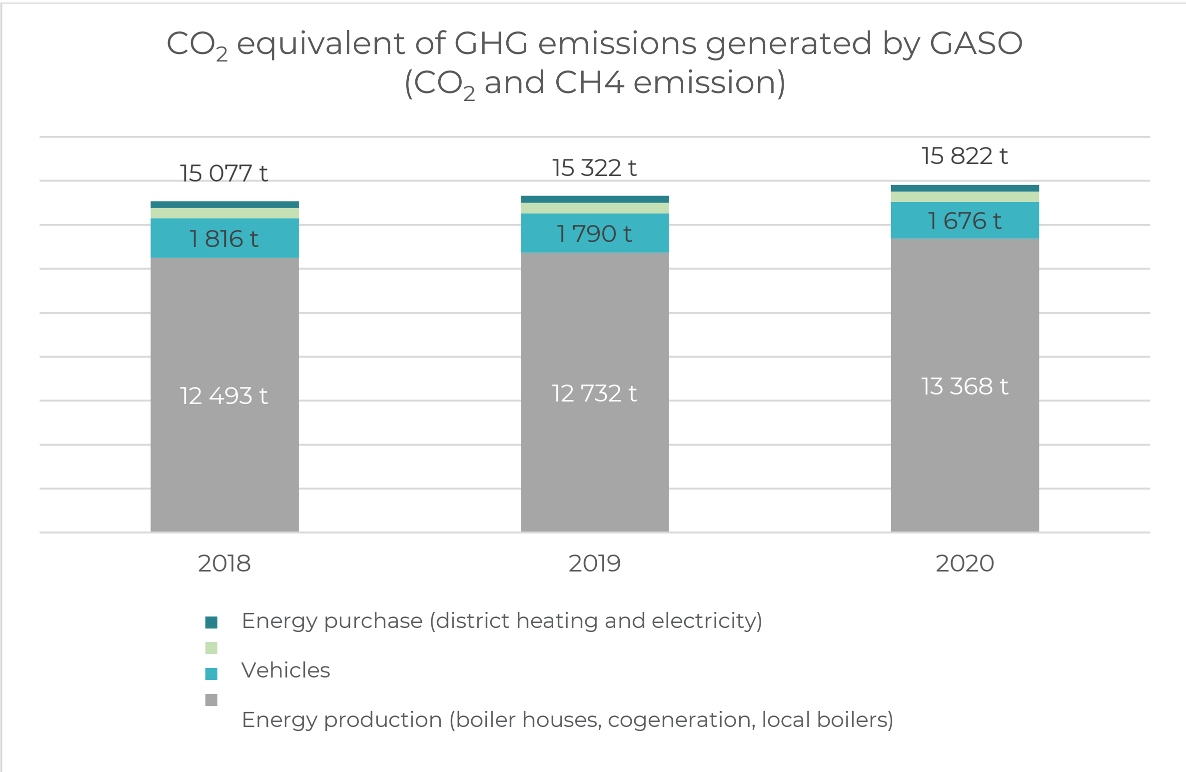
Latvian natural gas distribution system is approximately 2-3 times below the EU average. As natural gas emission from the distribution system is inevitable, only emissions above the EU average would represent a bad result.

The increase in the proportion of methane emission in 2020 stems from the decrease in the natural gas supply volume while the regular emissions changed very little.

Amount of methane emission in the JSC "Gaso" distribution system against natural gas consumed



* Technical Association of the European Natural Gas Industry MARCOGAZ; *Survey methane emissions for gas distribution in Europe, Update 2017*, 2018 (marcogaz.org)



The carbon footprint of the JSC "Gaso" primarily stems from the release of natural gas (methane) into the atmosphere (a CO_2 equivalent factor of 25 has been used for methane in the calculations).

The own-produced heat is much more environmentally friendly that the one supplied.

Overall, the JSC “Gaso” has a small carbon footprint given the relatively low natural gas losses in the system and the use of natural gas in own energy production and vehicles.

The increase in CO_2 emissions in 2020 results from the damage inflicted by third parties (gas pipeline rupture while digging trenches, during construction works etc.).

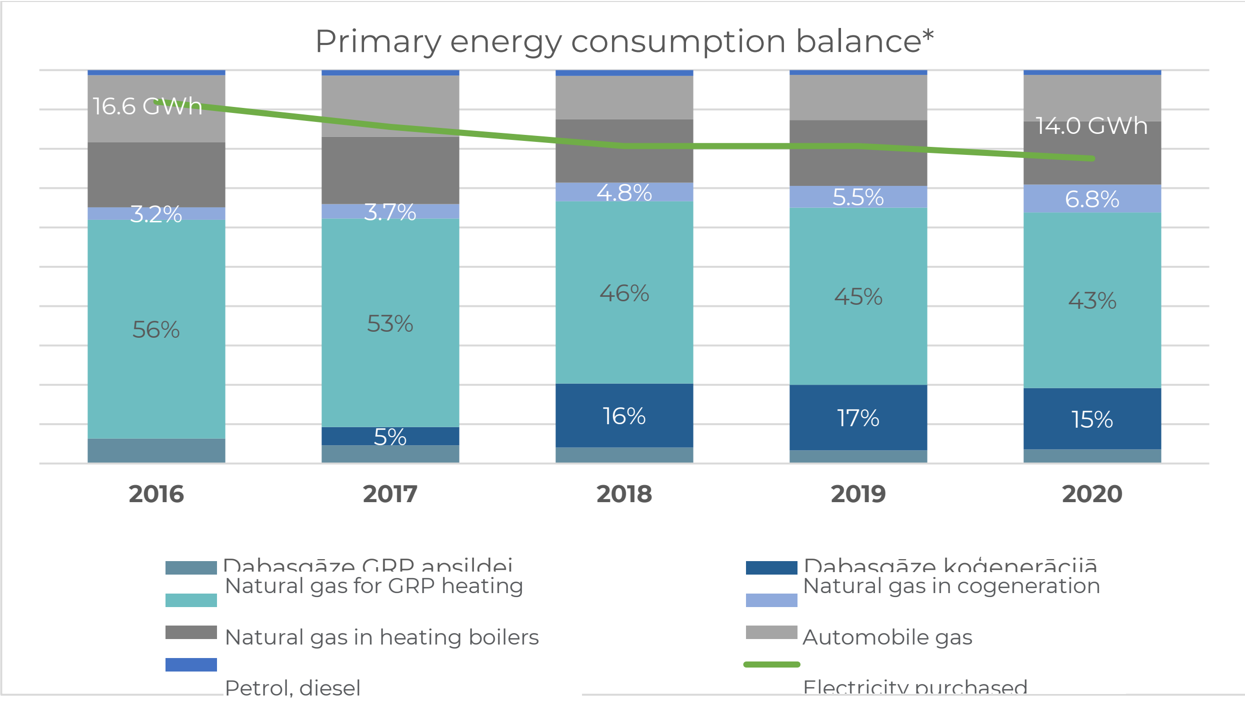
PRIMARY ENERGY CONSUMPTION BALANCE

The Group sees natural gas as a resource for a green and financially efficient housekeeping and therefore purposefully increases the use of natural gas for own consumption. Since 2016, the share of natural gas in the primary energy consumption basket has grown from 64% to 71%.

It also invests in the energy efficiency of buildings and equipment which, in turn, facilitates a decrease in the total energy consumption. Since 2016, the total energy consumption has dropped by 8%, though the weather conditions (the air temperature) have contributed to this.

In 2020, the JSC “Gaso” itself produced of natural gas 98% of its consumed heat and 31% of its consumed electricity. Natural gas also accounted for 30% in the vehicle consumption balance.

The Group also invests in the energy efficiency of buildings and equipment, which contributes to a lower or more efficient consumption. The total energy consumption has decreased by 16% since 2016. It should be noted, though, that the decrease in heat consumption due to an increasingly warm weather in recent years played a key role in this regard.



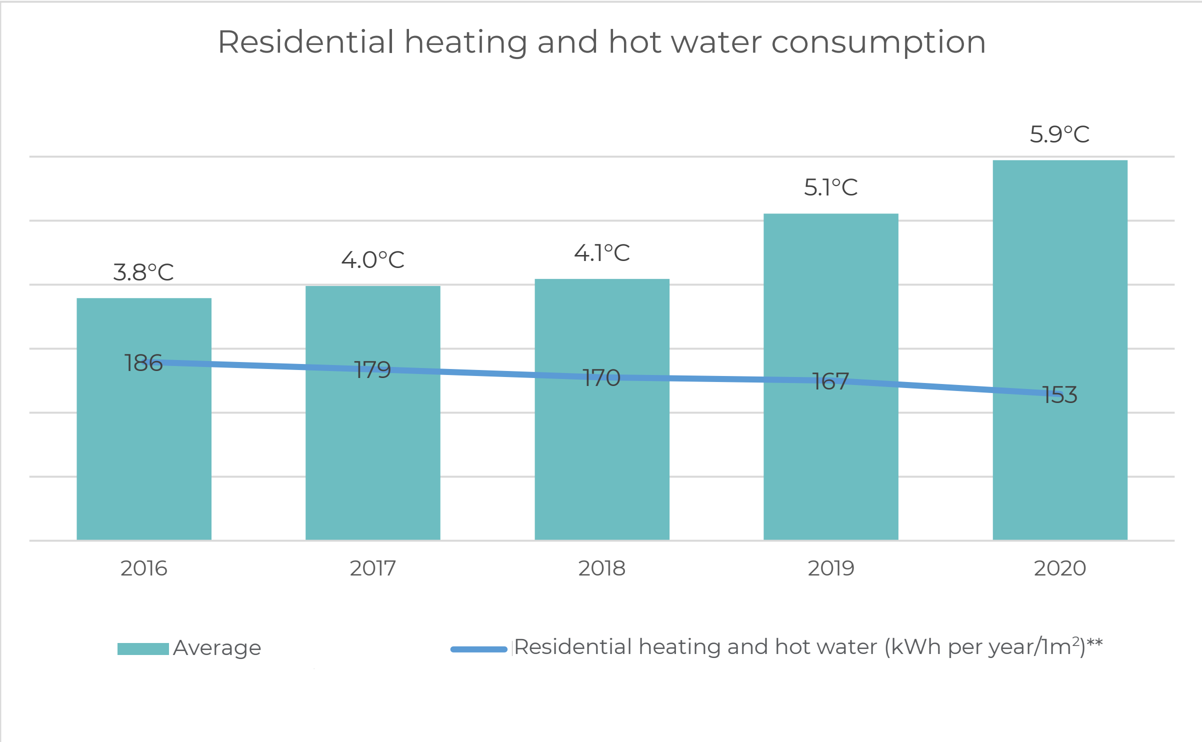
*The primary energy consumption balance shows the energy quantity consumed, so the electricity and heat generated by the cogeneration plant is represented by the natural gas quantity consumed by the cogeneration plant.

Some figures for 2017 and 2018 (“Natural gas in cogeneration”, “Natural gas in heating boilers”, “Electricity purchased”) have been updated from the previous report, thus also affecting other data for this period.

RESIDENTIAL HEATING AND HOT WATER CONSUMPTION

A key role in residential heating and hot water consumption is played by thermal energy in the heating season. Data suggests that overall there is a correlation between the air temperature and the total consumption (a lower air temperature results in a higher consumption).

Residential heating and hot water consumption at the JSC “Gaso”



* Average air temperature in Latvia during the heating season (Jan-May and Sep-Dec); source: CSB

**The index calculation for 2018 has been updated from the 2019 CSR report.

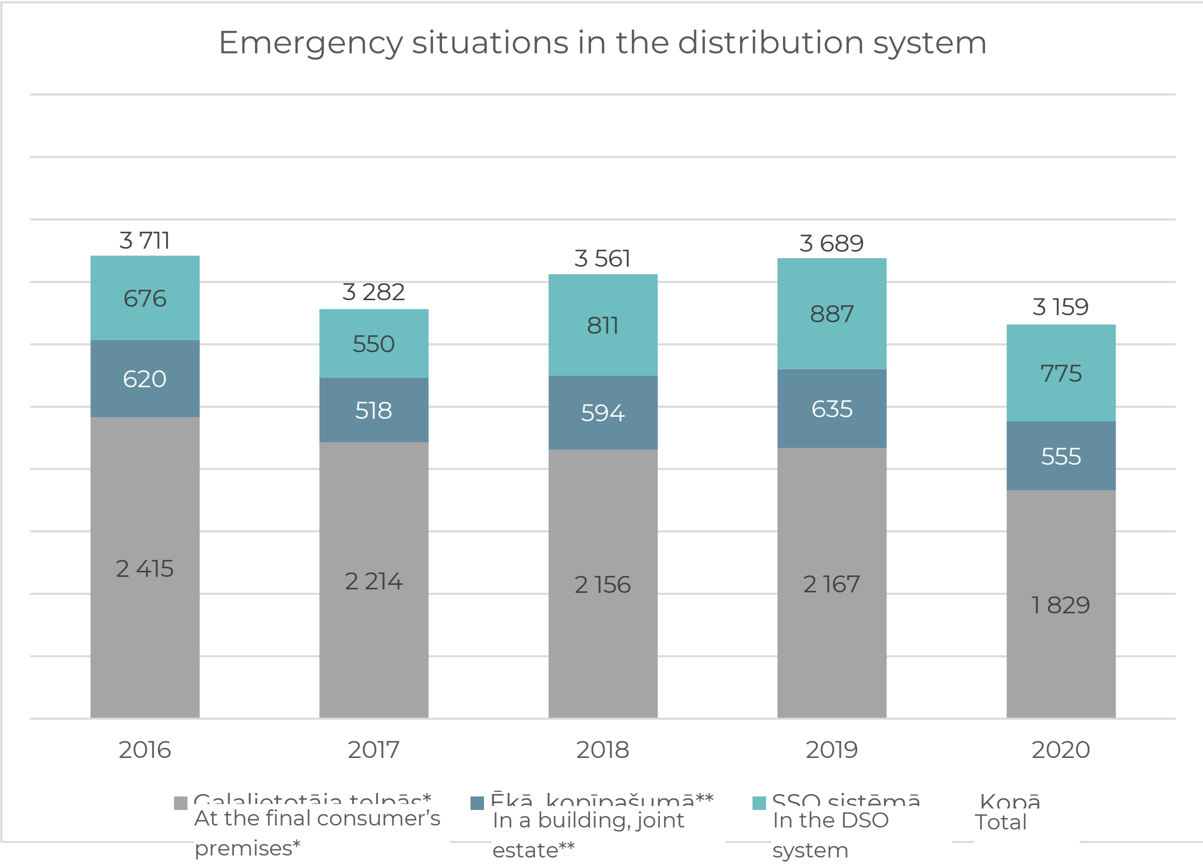
Some figures for 2017 and 2018 (“Natural gas in cogeneration”, “Natural gas in heating boilers”, “Electricity purchased”) have been updated from the previous report, thus also affecting other data for this period.

EMERGENCY SITUATIONS IN THE NATURAL GAS DISTRIBUTION SYSTEM

Since 2016, the number of final natural gas consumers has not changed much, yet the number of emergency calls has dropped. The most part of emergency situations are damages to the equipment owned by final consumers. In 2020, there were 10 emergency calls per day received on average.

Since 2016, the number of final consumers has not changed much, yet the number of emergency calls has varied. The most part of emergency situations are damages to the equipment owned by final consumers. The number of those saw a gradual decrease, possibly due to several reasons, such as a gradual decrease in the number of apartment connections, consumers installing more modern hardware or being better informed how to handle natural gas etc.

Emergency situations in the JSC “Gaso” distribution system



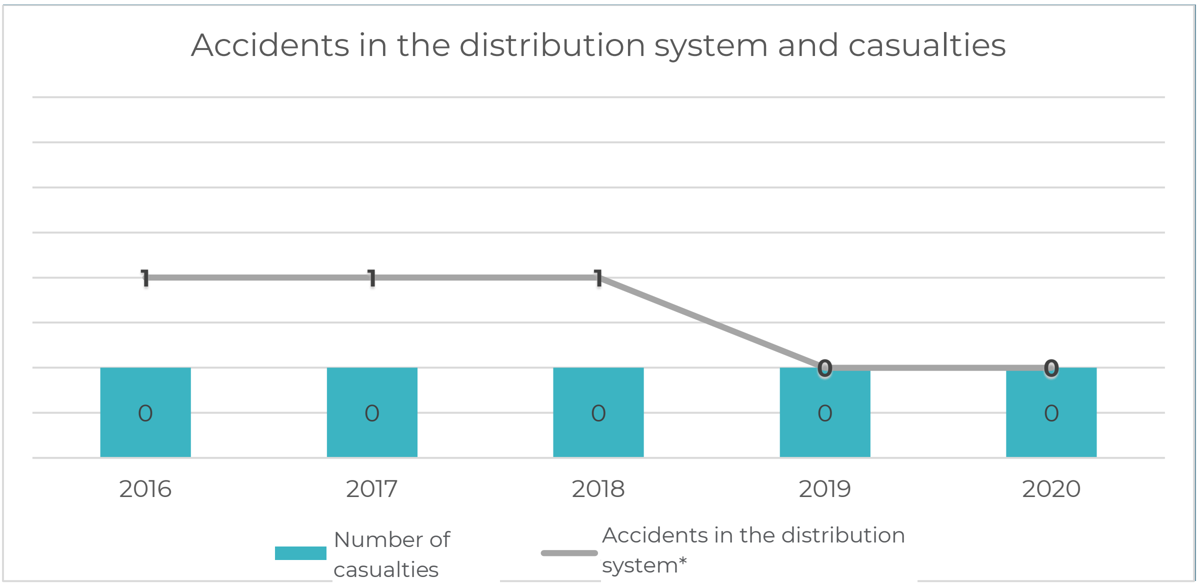
*Includes equipment whose operation falls under the final consumer’s responsibility – the natural gas consumption meter, shut-off devices, natural gas hardware and gas pipelines within the final consumer’s premises

** Includes facade gas pipelines at individual and apartment houses as well as riser and internal pipes up to the meter at apartment houses

ACCIDENTS IN THE DISTRIBUTION SYSTEM AND CASUALTIES

Overall there are very few accidents (emergency situations with severe consequences) in the distribution system. In 2019 and in 2020, there were no emergency situations in Latvia that qualify as accident.

Accidents in the JSC “Gaso” distribution system and casualties



*Accidents are understood as situations where natural gas has caused a fire, an explosion, where there have been substantial supply disruptions, a substantial harm to the environment, where premises have been filled with gas above the lower threshold of explosion hazard or there are human casualties

INCIDENTS INVOLVING HAZARDOUS WASTE

During the reporting period, while replacing a high-pressure shut-off device, there were residues of oil products (23 m^3) found in a natural gas distribution system pipeline and subsequently disposed of. There were no other incidents involving hazardous waste.

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

COMPANY'S CULTURE, PROCEDURES AND MEASURES

POLICY AND RISKS

Compliance with the regulatory requirements is one of the cornerstones of the Group's corporate governance and encompasses implementation of anti-corruption requirements. The Group does not engage in corruption or commercial bribery, fully condemns such actions, and makes a clear statement thereof to its customers, partners and employees through this report and the *Employees' Code of Conduct and Business Code of Conduct*. The ethical principles enshrined in the said codes are binding to all employees of the Group, and the Group also urges its partners to observe equivalent principles.

When it comes to procurements regarding captive household consumers, the JSC "Latvijas Gāze" and the JSC "Gaso" are public utilities and apply procurement procedures in respect of supplier selection pursuant to the Law On Procurements of Public Service Providers if the expected contract price is above the threshold set by the Cabinet of Ministers. With supplies of goods and services where the expected contract price is below this threshold, the companies apply their internal regulatory framework which lays down a detailed procedure of supplier selection, ensuring process transparency.

The Group's general approach envisages no use of intermediaries where the Group has the required competence, while agents and advisors are only hired for clear purposes defined in mutual contracts (debt collection etc.).

There is an internal regulatory framework applied whereby multiple people are involved in decision-making, thus reducing corruption risks in procurements or supplier selection and in the rendering of services. Currently being the sole provider of natural gas distribution system services, the JSC "Gaso" is aware of the risks associated with decisions on building the infrastructure necessary for customers, giving permissions etc.

Overall, potential risks of commercial bribery are present in two areas – services provided and procurements. Crucially, as concerns natural gas distribution and natural gas trading to households, these services are fully regulated by the state, including common service tariffs. Hence, the risks associated with corrupt dealings involving these services are very low.

Risks also exist in the provision of technical services of the natural gas distribution system, but, again, major decisions are not taken by one person, there are specific procedures and documentation of service provision and costing, as well as internal control mechanisms. In order for a poor bid selection in tenders not to adversely affect the company's reputation, effectiveness and service prices, the field of procurements has always been subject to detailed regulation for a transparent process of supplier selection, decision-making, contract award and performance control. The measures implemented by the company substantially reduce the risks of commercial bribery.

MEASURES

There are specific internal procedures and requirements in place that substantially reduce the risks of corruption and commercial bribery. As part of good corporate governance, particular attention is devoted to precluding corruption or commercial bribery in every facet of business in respect of both services provided and services received.

Under the Articles of Association of the JSC "Latvijas Gāze", the company is to be represented by the Chairman of the Board or by at least two Members of the Board together. In the case of the JSC "Gaso", at least two Board members are required for representation.

The JSC "Gaso" has set up standing and *ad hoc* procurement commissions. Open tenders are announced on the company's website and through the Procurement Supervision Bureau's system. The outsourced electronic procurement system MERCELL is now used with most procurements. It gives more transparency and an electronic control over tender stages and information flows, mitigating the risks of unwarranted intervention in the processes.

Both financial and human resources are allotted towards maintaining the Group's compliance with the regulatory requirements and reducing the probability of the risks of non-conformity materialising. The Group regularly and actively keeps track of legislative changes using the public participation options in the process of drafting of regulatory enactments, attends public meetings, and cooperates with the responsible authorities. The Group takes an active part in the work of both major organisations of Latvian entrepreneurs – the Latvian Confederation of Employers and the Latvian Chamber of Trade and Commerce. Furthermore, there are internal regulatory documents for operational compliance drawn up and maintained.

As an issuer of publicly traded shares, the JSC "Latvijas Gāze" is subject to and strictly observes a number of requirements in respect of transparency and openness of corporate governance and circulation and disclosure of inside information.

Given the increased attention paid to Latvia in the context of compliance with global economic sanctions and prevention of money laundering, the Group has followed the statutory procedure in disclosing information on the ultimate beneficial owners, assessed the risks of sanctions and money laundering, and prepared a *Sanction risk policy* and a Sanction risk assessment covering international and national sanction risks. In this regard, the JSC “Latvijas Gāze” as a company listed on stock exchange (participant of the financial market) is monitored by the Financial and Capital Market Commission.

In 2020, the JSC “Latvijas Gāze” approved an updated general *Risk management policy* with a view to support the company’s Council, Board, heads of structural units, and employees in running an effective risk management system. It defines a variety of strategic, operational and compliance risks as material to the company and lays down specific service provision and costing procedures and documentation, and establishes internal control mechanisms for identifying and managing such risks.

The risk management policy is integrated in the Company’s organisational structure and decision-making processes and applies to all structural units of the Company.

The Group has implemented a whistleblowing scheme enabling anyone to report possible compliance issues without fear of identification.

PERFORMANCE INDICATORS

VIOLATIONS

In 2020, there were no complaints received, including from whistleblowers, over possible infringements in the field of corruption, commercial bribery, procurements, conflicts of interest, sanctions and money laundering or competition, or manipulations on the natural gas wholesale market, and no such cases were found. There are no legal proceedings against the JSC “Latvijas Gāze” and/or the JSC “Gaso” resolved in 2020 or currently pending over anti-competitive or competition-restrictive behaviour.

TRAINING

In 2020, all employees of the JSC “Latvijas Gāze” were provided in-person training on the whistleblowing system and possibilities as well as on the main duties of the employees of the company as issuer of publicly traded shares. The employees subject to monitoring for compliance with sanctions were provided a number of courses on the system of sanctions and money laundering prevention and the measures and actions to be taken.

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Independent Auditor's Report

To the Shareholders of AS "Latvijas Gāze"

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of AS Latvijas Gāze (the "Company") and its subsidiary (together – "the Group") as at 31 December 2020, and of the Company's and Group's separate and consolidated financial performance and the Company's and Group's separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee on 21 April 2021.

What we have audited

The Company's separate and the Group's consolidated financial statements (together: the "financial statements") comprise:

- the separate and consolidated statement of profit or loss for the year then ended 31 December 2020;
- the separate and consolidated statement of comprehensive income for the year then ended;
- the separate and consolidated balance sheet as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the separate 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 financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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 responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiary are in accordance with the applicable law and regulations in Republic

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Translation note: This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

of Latvia and that we have not provided non-audit services that are prohibited under Article 37.[6] of Law on Audit Services of the Republic of Latvia.

The non-audit services that we have provided to the Company and its subsidiary, in the period from 1 January 2020 to 31 December 2020, are disclosed in Note 27 to the financial statements.

Our audit approach

Overview

- Overall Company materiality: EUR 1,427 thousand.
- Overall Group materiality: EUR 1,905 thousand.

- We conducted a full scope audit of the Company and its subsidiary, both of them are in Latvia.
- Our audit scope covered 100% of the Group's revenues and 100% of the Group's total assets.

- Revenue recognition (the Group and the Company)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality separately for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company and Group materiality	Overall materiality applied to the Company was EUR 1,427 thousand and overall materiality applied to the Group was EUR 1,905 thousand.
How we determined it	1% of net turnover of the Company and the Group, respectively.

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Rationale for the materiality benchmark applied	We chose net turnover as the base benchmark because, in our view, it is the benchmark against which the performance of the Company and the Group is most commonly measured by users of the financial statements, considering that the Group's profit has significantly fluctuated in recent years and is no longer a determining factor in financial performance. We chose 1%, as based on our professional judgment this is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them the misstatements identified during our audit above EUR 143 thousand for the Company and EUR 190 thousand for the Group, as well as the misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (the Group and the Company) As disclosed in Note 2, during the year the Group has recognised revenue of EUR 190 million from which EUR 141 million is related to the sale of natural gas, EUR 47 million is derived from regulated natural gas distribution services, and remaining EUR 2 million represents other revenue streams. The Company's revenue from sale of natural gas constituted EUR 142 million and EUR 1 million represents other revenue streams. Determining the appropriate accounting policies for recognition of revenue involves some judgment as explained below. As disclosed in Note 2 with regard to Company's revenue from sale of natural gas for 2020 approximately 87% are sales to corporate customers and 13% of revenues are derived from households. As described in notes 24 and 25, the Company, a gas trading operator, considers itself as an agent in relation to the supply of natural gas transmission and distribution services to the end customers. The Group is considered to be an agent in respect of natural gas transmission services. In addition, based on management's assessment, the excise tax does not form a part of revenue and, instead, the Company and the Group acts as a collection agent, in collecting the excise duty on behalf of the Government. Management judgments on whether the Company and Group act as a	We assessed the design and operating effectiveness of the controls over revenue recognition. We have compared, on a sample basis, the revenue recognised to amounts invoiced to corporate customers and the subsequent receipt of payment from those customers. As well as compared the prices in corporate client's contracts and in issued invoices. With respect to revenue from wholesalers, we obtained turnover confirmations from the major clients at invoice level. For selected amounts receivable that were outstanding at the end of the year, we confirmed the balance with customers, and where no confirmation was received, reconciled the amounts to subsequent cash receipts. With respect to unbilled revenue to households, we tested management's assumptions in relation to consumption by reference to historical data as well as specific current year factors, including weather patterns. On a sample basis, we reconciled unbilled revenue to the subsequently billed revenue, and tested billed revenue to subsequent payments.

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principal or an agent, significantly affect the determination of the amount of revenue from contracts with customers. Management also exercises certain degree of judgment when estimating gas trade revenue for quantities delivered but not yet billed to household customers who settle their debts according to equalized payment schedules. Such revenue is determined using an established methodology within the Group. The judgment explained above also relates to the distribution revenue derived from the household customers of the Group. Revenue recognition requires significant time and resource to audit due to the magnitude, therefore we have determined this as key audit matter.	With regard to significant judgments made by the management in determination of whether the Company or the Group act as an agent or principal, we considered the indicators in the context of updated guidance provided in IFRS 15. As a part of our analysis, we considered the facts and circumstances surrounding the provision of services in question, such as, primary responsibility for fulfilling the promise to provide the specified good or service; bearing of inventory risk before the specified good or service has been transferred to a customer, and discretion in establishing the prices for the specified goods or services. We also evaluated disclosures of key assumptions and judgments as well as other disclosures as required by IFRS 15.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We are the statutory auditors of the Group's only subsidiary, Joint Stock Company GASO. For the purposes of the Group audit, we performed a full scope audit of the Company and Joint Stock Company GASO thus covering 100% of the Group's revenues and total assets.

Reporting on other information including the Management Report of the Company

Management is responsible for the other information. The other information comprises:

- the Management Report of the Company as set out on pages 15 to 23 of the accompanying Annual Report
- the Statement of the Board Responsibility as set out on page 24 of the accompanying Annual Report,
- the Statement of Corporate Governance, set out in separate statement prepared by the Company's management and available on the Company's website http://www.lg.lv/ as at the date of this audit report,
- the Remuneration report, set out in separate statement prepared by the Company's management and available on the Company's website http://www.lg.lv/ as at the date of this audit report,
- Information on the Composition of the Council and the Board of the Company, as set out on pages 4 to 5 of the accompanying Annual Report,
- Consolidated Non-financial Report as set out on pages 75 to 105 of the accompanying Annual Report, and
- other disclosed information including Summary Information on the Group, Information on Strategy and Objectives of the Group, Shares and Shareholders of the Company, as set out on pages 6 to 14 of the accompanying Annual Report,

but does not include the financial statements and our auditor's report thereon.

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Our opinion on the financial statements does not cover the other information identified above.

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

With respect to the Management Report of the Company, we also performed the procedures required by Law on Audit Services. Those procedures include considering whether the Management Report of the Company is prepared in accordance with the requirements of the applicable legislation.

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 of Corporate Governance includes the information required in accordance with Article 56.[1], section 1, clauses 3, 4, 6, 8 and 9, as well as Article 56.[2], section 2, clause 5 of the Financial Instruments Market Law and whether it includes the information stipulated in Article 56.[2], section 2, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Furthermore, 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 Remuneration Report, includes the information in accordance with the requirements of Article 59.4 of the Financial Instruments Market Law.

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Management Report of the Company has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia; and
- the Statement of Corporate Governance, available on the Company's website http://www.lg.lv/ as at the date of this audit report, includes the information in accordance with Article 56.[1], section 1, clauses 3, 4, 6, 8 and 9, as well as Article 56.[2], section 2, clause 5 of the Financial Instruments Market Law and whether it includes the information stipulated in Article 56.[2], section 2, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.
- the Remuneration Report, available on the Company's website http://www.lg.lv/ as at the date of this audit report, includes the information in accordance with Article 59.4 of the Financial Instruments Market Law.

Furthermore, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Non-financial Statement, our responsibility is to report 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 element of the Annual Report.

We hereby report that the Group has prepared a Consolidated Non-financial Statement, and it is prepared as a separate element of the Consolidated and Company's Annual Report.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report of the Company or other information identified above that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the 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 or the 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 the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the 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 the 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 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 or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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

Appointment

We were first appointed as auditors of the Company and the Group for the audit of the financial statements for the year ended 31 December 1997. Our appointment has been renewed annually by shareholders' resolution representing a total period of uninterrupted engagement appointment of 24 years. Our appointment for the year ended 31 December 2020 was by resolution of general meeting of shareholders dated 25 June 2020.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Eva Jansen-Diener
Persona per procura

Jana Smirnova
Certified auditor in charge
Certificate No. 188

Riga, Latvia
21 April 2021

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