2024

JSC "LATVIJAS GĀZE" ANNUAL REPORT FOR 2024

Prepared in accordance with the IFRS Accounting Standards as adopted by the European Union

*Translation from Latvian original

CONTENTS

COUNCIL OF THE JSC "LATVIJAS GĀZE"

On November 24, 2023, following changes in the shareholder structure of Latvijas Gāze, Council members N. Merigo Cook, Ē. Atvars and H.P. Floren left their positions. The Council of Latvijas Gāze continued with a reduced number of members (K. Seleznev (Chairman of the Council), J. Savickis (Deputy Chairman of the Council), O. Gīze (Deputy Chairman of the Council), Council members – V. Khatkov, Y. Ivanov, O. Ivanov, M. Kohlenbach, E. Mikhaylova) until the next shareholders' decision, and the changes in the composition of the Council of Latvijas Gāze did not affect the decision-making process in the day-to-day operations of Latvijas Gāze, as the Council remained quorate under the Articles of Association of Latvijas Gāze.

On February 22, 2024, the following Council was elected: G. Reidzāns (Chairman of the Council), M. Kohlenbach (Vice-Chairman of the Council), K. Neuymin (Vice-Chairman of the Council), Members of the Council V. Bļugers, E. Buncis, N. Dorofejevs, C. Janzen, E. Mikhaylova, Y. Ivanov, K. Seleznev, V. Khatkov.

On November 12, 2024, as the shareholder structure of Latvijas Gāze changed again, Vice-Chairman of the Council K. Neuymin and Members of the Council K. Seleznev, V. Khatkov, Y. Ivanov, E. Mikhaylova left their positions. The Council of Latvijas Gāze continued with a reduced number of members until the next shareholders' decision, and the changes in the composition of the Council of Latvijas Gāze did not affect the decision-making process in the day-to-day operations of Latvijas Gāze, as the Council remained quorate under the Articles of Association of Latvijas Gāze.

On December 19, 2024, the following Council was elected: G. Reidzāns (Chairman of the Council), V. Bļugers (Vice-Chairman of the Council), Members of the Council M. Kohlenbach, E. Buncis and N. Dorofejevs.

Latvijas Gāze Council composition as of 31.12.2024:

The Council's term of office runs from 19 December 2024 till 19 December 2027.

Guntars Reidzāns, 1970
Chairman of the Council

AS «Amber Latvijas Balzams» Member of the Supervisory Council

GRINVEST SIA Member of the Board

Valentīns Bļugers, 1959
Vice-Chairman of the Council

Member of the Remuneration Committee, AS "Rietumu Banka" Chairman of the Nomination Committee, AS "Rietumu Banka" Member of the Council Risk Committee, AS "Rietumu Banka" Chairman of the Audit Committee, AS "Rietumu Banka" Member of the Council

Law office "Bļugers & Plaude" Founder, Member, Senior Partner, Chairman of the Board

Matthias Kohlenbach, 1969
Member of the Council

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

Edgars Buncis, 1975
Member of the Council

Latvian Hockey Federation, Member of the board

Nikolajs Dorofejevs, 1982
Member of the Council

Head of Corporate Finance Department Energy Sector, Real Estate Development, Metalworking, Project Management, Business Analysis, Financial Analysis, Market Research, Project Financing, Distressed Asset Management, AS “Rietumu Banka”

MANAGEMENT BOARD OF THE JSC “LATVIJAS GĀZE”

The Management Board’s term of office runs from 16 August 2024 till 15 August 2025.

Aigars Kalvītis, 1966
Chairman of the Board

Latvian University of Agriculture, Master’s Degree in Economics

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

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

Elita Dreimane, 1968
Member of the Board

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

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

Egīls Lapsalis, 1979
Member of the Board

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

JSC "LATVIJAS GĀZE" IN BRIEF

JSC "Latvijas Gāze" (hereinafter - Latvijas Gāze or the Company) provides services related to the purchase, trade and sale of natural gas in Latvia, Lithuania, Estonia and Finland. These services include the wholesale and sale of natural gas to industrial and commercial customers as well as to households.

STRATEGY AND OBJECTIVES

OUR OBJECTIVE

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

OUR MISSION

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

OUR VISION

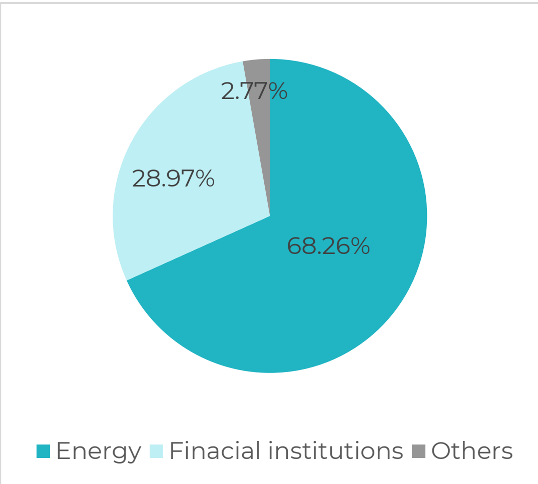
To improve the societies' well-being by promoting the use of natural gas as a source of clean and high-efficiency energy towards the climate neutrality

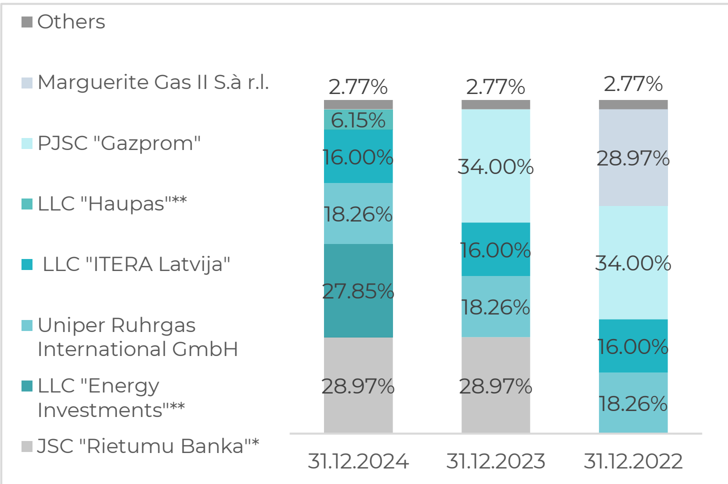
SHARES AND SHAREHOLDERS OF THE JSC "LATVIJAS GĀZE"

At the ordinary shareholders' meeting of 19 June 2024 a decision was made to exclude Latvijas Gāze shares from the Baltic Secondary List of JSC "Nasdaq Riga". In accordance with the decision of Latvijas Gāze shareholders, Latvijas Gāze was approved as the entity who will make an offer to buy back the shares of those shareholders of the Company who voted against this decision or did not vote at all. On 24 July 2024, the Supervisory Committee of the Bank of Latvia adopted a decision to allow Latvijas Gāze to make a share buyback offer to the shareholders of the Company in connection with the exclusion of the Company's shares from the regulated market (hereinafter – the Offer). The Offer period ended on 7 August 2024. Number of shares offered for sale: 5 553 shares. Latvijas Gāze has 5 553 shares at its disposal after the completion of the Offer, but the exercise of voting rights on these shares is not possible in accordance with Article 240, Part Seven of the Commercial Law.

After the exclusion of Latvijas Gāze shares from the Baltic Secondary List of JSC "Nasdaq Riga", significant changes occurred in the Company's shareholder structure. In November 2024, as part of the management buyout process, the members of the Company's Management Board Aigars Kalvītis, Elita Dreimane and Egīls Lapsalis, via their special purpose entity LLC "Energy Investments" and the Lithuanian company LLC "Haupas" acquired 34% of Latvijas Gāze shares from the company "Qudrah International SPC" that were previously owned by the Russian company "Gazprom". LLC "Energy Investments" acquired 27.85%, while LLC "Haupas" acquired 6.15%.

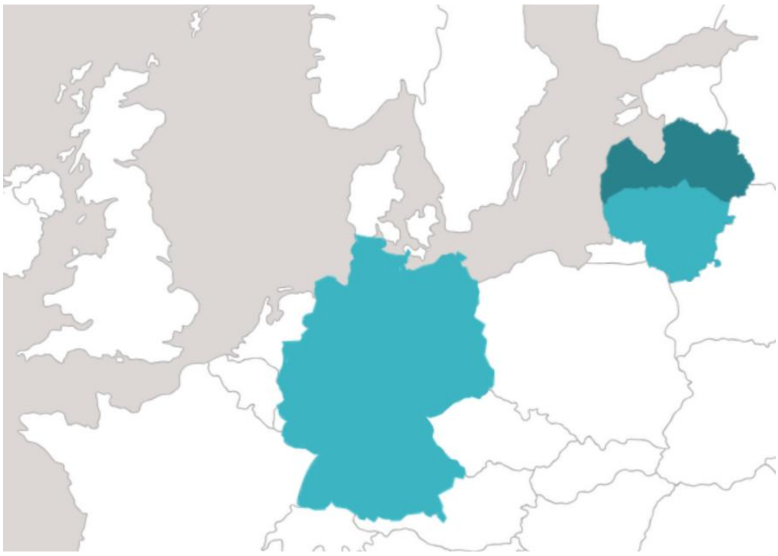
SHAREHOLDER STRUCTURE AS AT 31.12.2024





*JSC "Rietumu Banka" became a shareholder of Latvijas Gāze on 6 December 2023.
**LLC "Haupas" and LLC "Energy Investments" became shareholders of Latvijas Gāze on 8 November 2024.

GEOGRAPHICAL DISTRIBUTION OF MAJOR SHAREHOLDERS AS AT 31.12.2024



- Latvia (JSC Rietumu Banka, LLC Itera Latvija, LLC Energy Investments)
- Lithuania (LLC Haupas)
- Germany (Uniper Ruhrgas International GmbH)

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

		At the date of signing financial statements
Board		**Number of shares**
Chairman of the Board	Aigars Kalvītis	7 778 589 (indirect shareholding)
Member of the Board, Vice-Chairman of the Board	Denis Emelyanov	None
Member of the Board	Elita Dreimane	1 666 841 (indirect shareholding)
Member of the Board	Egīls Lapsalis	1 666 841 (indirect shareholding)
Council		
Chairman of the Council	Guntars Reidzāns	None
Vice-Chairman of the Council	Valentīns Bļugers	None
Member of the Council	Matthias Kohlenbach	None
Member of the Council	Edgars Buncis	None
Member of the Council	Nikolajs Dorofejevs	None

MANAGEMENT REPORT

Year 2024 in the natural gas markets has shown that, despite lower uncertainty in terms of both natural gas supplies and prices compared to the last two years, factors that force natural gas traders to be proactive in their operations and constantly adapt their trading strategies to changing market conditions still remain in the natural gas markets. For example, although natural gas prices in March 2024 were at their lowest level since June 2021, prices have increased notably since then. The price increase is based on various events and factors both in Europe and globally, which also directly affect the price of natural gas for end consumers in Latvia, as the price of natural gas in Latvia is tied to the indexes of Western European natural gas exchanges.

One of the main factors that still affects natural gas prices are the European Union regulations, which, based on the conditions set out in the European Union Council Regulation (EU) 2022/1032, imposes an obligation to fill gas storage facilities to at least 90% of their capacity by 1 November of a given year in order to ensure security of natural gas supplies (since during the heating season gas storage facilities provide up to 30% of the total natural gas consumption in Europe). The impact of this regulation on the market is that there is an increase in the demand for natural gas regardless of actual needs, as natural gas traders, including the Company, must purchase gas regardless of the price prevailing in the market. For this reason, an unusual situation is observed at the beginning of 2025, when traditional seasonality (when gas prices in spring and summer are lower than in winter) is not observed. Hopes for a change in this situation are raised by proposals prepared by the European Commission in early March 2025 for changes to the existing regulation, proposing to allow European Union countries to fill gas storage facilities all year round, thus allowing the market to self-regulate, which could ensure more favourable natural gas prices for end consumers. In addition, the price of natural gas is both directly and indirectly affected by weather conditions. Colder weather conditions in Europe in the fourth quarter of 2024, as well as low wind power generation in the first half of November 2024, notably increased natural gas demand, leading to rapid withdrawal of natural gas from gas storage facilities.

Geopolitical events also have an impact on natural gas prices and the market. The natural gas transit agreement between Ukraine and Russia expired on 31 December 2024, meaning that the landlocked Central European countries must rely on the natural gas transmission systems of neighbouring countries and alternative sources of natural gas supply. Political events and statements from the United States, Ukraine and Russia, and possible peace talks between Ukraine and Russia, also have a significant impact.

Although the number of liquified natural gas (hereinafter – LNG) terminals and LNG export projects is increasing every year, natural gas traders in Europe still have to compete for LNG supplies with traders in Asia to ensure the necessary natural gas import volumes and replace the volumes that were purchased from Russia before the war in Ukraine. In addition, the European Union approved a ban on the re-export of Russian LNG into European Union waters and banned new investments and provision of services in LNG production projects on 26 June 2024. The restrictions are part of the European Union's 14th package of sanctions, which aims to limit Russia's revenues from natural gas exports, given the significant increase in natural gas imports to Europe from Russia in the first half of this year. Natural gas prices are also affected by planned and unplanned interruptions in natural gas supplies from Europe's main natural gas supplier, Norway, as well as extensive maintenance and repair works on energy sector infrastructure that take place every year.

One of the main challenges for natural gas traders, including the Company, remains the low consumption of natural gas compared to the pre-war level. Although natural gas consumption in Latvia, according to the data published by the Central Statistical Bureau of Latvia[1], increased by 6.6% in 2024 compared to the corresponding period last year, it has still not returned to pre-war levels. A similar situation has been observed elsewhere in Europe, where, despite lower natural gas prices than in the last two years, household consumption remains low, which was additionally affected by both warmer weather conditions in the first quarter of 2024 (the period with the highest demand for natural gas for heating) and austerity measures. Consumption has also decreased in gas-fired thermal power plants, which is affected by the increasing production capacity of renewable energy sources. Although consumption in the industrial sector has slightly increased compared to last year, it has still not returned to pre-war levels. This is further affected by weak overall economic activity in the Eurozone. In addition, the commitment at the European Union level to voluntarily reduce natural gas consumption by 15% until 31 March 2025, and the targets set in "Fit for 55" and "REPowerEU" plans, reduce the chances of natural gas consumption increasing in the near future and returning to pre-war levels.

In such dynamic and challenging market conditions, the Company's years of experience and knowledge of the natural gas markets in Latvia and Europe, as well as its ability to be proactive in its operations in changing market conditions, play a significant role. As a result, the Company has achieved stable profit figures in 2024. In 2024, the Company operated with a net profit of 13.2 million EUR.

At the ordinary shareholders' meeting of 19 June 2024 a decision was made to exclude Latvijas Gāze shares from the Baltic Secondary List of JSC "Nasdaq Riga". In accordance with the decision of Latvijas Gāze shareholders, Latvijas Gāze was approved as the entity who will make an offer to buy back the shares of those shareholders of the Company who voted against this decision or did not vote at all. On 24 July 2024, the Supervisory Committee of the Bank of Latvia adopted a decision to allow Latvijas Gāze to make a share buyback offer to the shareholders of the Company in connection with the exclusion of the Company's shares from the regulated market (hereinafter – the Offer). The Offer period ended on 7 August 2024. Number of shares offered for sale: 5 553 shares. Latvijas Gāze has 5 553 shares at its disposal after the completion of the Offer, but the exercise of voting rights on these shares is not possible in accordance with Article 240, Part Seven of the Commercial Law.

After the exclusion of Latvijas Gāze shares from the Baltic Secondary List of JSC "Nasdaq Riga", significant changes occurred in the Company's shareholder structure. In November 2024, as part of the management buyout process, the members of the Company's Management Board Aigars Kalvītis, Elita Dreimane and Egīls Lapsalis, via their special purpose entity LLC "Energy Investments" and the Lithuanian company LLC "Haupas" acquired 34% of Latvijas Gāze shares from the company "Qudrah International SPC" that were previously owned by the Russian company "Gazprom". LLC "Energy Investments" acquired 27.85%, while LLC "Haupas" acquired 6.15%.

The Company still continues talks with the institutions responsible for the energy sector regarding the compensation of losses in the amount of 21.88 million EUR, which were incurred in 2023 by fulfilling the obligations set out in the Cabinet of Ministers Regulations No. 503 "On the Supply of Energy Users During the Declaration of Early Warning and Alarm Level", as well as the losses resulting from the difference between tariff and actual price of natural gas in the last regulated tariff period from January to April 2023 before the opening of the natural gas market from 1 May

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

2023, when the Company performed the duties of a Public trader in accordance with the law “Amendments to the Energy Law”.

Company’s key financial figures	2024	2023
	EUR'000	EUR'000
Net turnover	**91 068**	**159 819**
EBITDA	**11 499**	**(26 698)**
EBITDA, %	12.6	(16.7)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	(1 259)	(1 166)
EBIT	**10 240**	**(27 864)**
EBIT, %	11.2	(17.4)
Financial revenues	3 088	1 473
Financial expenses	(23)	(3)
Corporate income tax	(71)	(30 517)
Net profit / (losses)	**13 234**	**(56 911)**
Net profit margin, %	14.5	(35.6)
Profit per share, EUR	0.33	(1.43)
P/E	-	(6.53)
Current ratio	4.6	4.08
ROCE	0.07	(0.22)
Dividends / net profit	-	-

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

Dividend payout ratio The indicator reflects total amount of dividends paid out to shareholders relative to the net income of the company.	Dividend payout ratio = $\frac{Dividends\ paid}{Net\ income}$

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

GENERAL MARKET AND INDUSTRY ENVIRONMENT

According to International Energy Agency "Gas Market Report, Q1-2025"[2], following the supply shock of 2022/23 due to war in Ukraine, natural gas markets moved towards a gradual rebalancing and returned to growth in 2024. Global gas demand reached a new all-time high in 2024 and is expected to increase further in 2025, primarily supported by some fast-growing markets in Asia. From a sectoral perspective, global gas consumption growth was largely supported by industrial sector and energy own use, accounting for around 45% of gas demand in 2024. This was partly supported by continued economic expansion in Asia, as well as recovery in Europe's industrial gas demand, which nonetheless remains well below its pre-war levels. The sensitivity of natural gas demand to changes in weather patterns, including cold snaps and heatwaves, is increasing. Climate change is driving more extreme weather events, while in markets with a growing share of variable renewables, gas-based generation plays an increasingly important backup role in ensuring electricity supply security at times when wind and/or solar output is low. Meanwhile, the global gas market balance remains fragile. Below-average growth in LNG output has kept supply tight, while extreme weather events have fuelled steep withdrawals from gas storages in Q4 2024. Geopolitical tensions have continued to fuel price volatility. Though the halt of Russian piped gas transit via Ukraine on 1 January 2025 does not pose an imminent supply security risk for the European Union, it could increase LNG import requirements in 2025 at the time when Europe is still continuing competition with Asia for LNG cargoes.

The latest economic report by the International Monetary Fund[3] forecasts a positive global economic growth of 3.3% both in 2025 and 2026, below the historical (2000–2019) average of 3.7%. The forecast for 2025 is broadly unchanged from that in the October 2024, primarily on account of an upward revision in the United States offsetting downward revisions in other major economies. In the United States, underlying demand remains robust, reflecting a less restrictive monetary policy stance, and supportive financial conditions. In the Eurozone, growth is expected to pick up but at a more gradual pace than anticipated in October, with geopolitical tensions continuing to weigh on sentiment, as well as weaker-than-expected momentum at the end of 2024, especially in manufacturing, and heightened political and policy uncertainty. Global inflation is expected to decline to 4.2% in 2025 and to 3.5% in 2026, converging back to target earlier in advanced economies than in developing economies. Although core goods price inflation has fallen back to or below trend, services price inflation is still running above pre–Covid-19 averages in many economies, most notably the United States and the Eurozone. Where inflation is not declining at the expected pace, central banks are moving more cautiously in the easing cycle while keeping a close eye on activity and labour market indicators as well as exchange rate movements. A few central banks are raising rates, marking a point of difference in monetary policy in different countries.

2 https://www.iea.org/reports/gas-market-report-q1-2025
3 https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025

The latest macroeconomic forecasts by the Bank of Latvia[4] (LB) as revised in December 2024, indicate a weak GPD growth of 0.1% in 2024, primarily attributed to weak past performance, while the future outlook remains largely unchanged. Although consumer sentiment and financial well-being are improving, private consumption is still weak as households are opting to replenish their savings depleted by inflation. Government consumption remains a stable pillar of the economy; however, it cannot maintain growth for an extended period. The prolonged delays in implementing projects funded by the European Union (EU) are further weakening the already low overall investment levels. In the coming years, the situation could improve as domestic demand strengthens, supported by faster export growth. Thus, GDP is expected to grow by 2.1% in 2025, 3.0% in 2026, and 3.3% in 2027. The inflation data correspond to forecast in October, with the outlook for the year 2024 remaining at 1.3%. While inflation is projected to stay below 2% in the next two years (1.4% in 2025 and 1.5% in 2026), it could reach 2.1% in 2027. Global prices for energy resources and food are expected to increase somewhat in the medium term. Among the inflation-raising factors are also the government decisions to increase excise taxes, gradually implementing the national ETS2 scheme for fuel and gas. However, the expected more moderate increase in wages will mitigate the price rise.

KEY EVENTS DURING THE REPORTING PERIOD

- **On 22 February 2024**, the new Council of the Company was elected in the following composition: G. Reidzans (Chairman of the Council), M. Kohlenbach (Vice-Chairman of the Council), K. Neyimin (Vice-Chairman of the Council), V. Blugers, N. Dorofeyev, E. Buncis, K. Janzen, E. Mikhaylova, Y. Ivanov, K. Seleznev, V. Khatkov. The Council's term of office runs from 22 February 2024 till 22 February 2027.
- **On 19 June 2024**, at the ordinary shareholders' meeting a decision was made to exclude Latvijas Gāze shares from the Baltic Secondary List of JSC "Nasdaq Riga". In accordance with the decision of Latvijas Gāze shareholders, Latvijas Gāze was approved as the entity who will make an offer to buy back the shares of those shareholders of the Company who voted against this decision or did not vote at all. On 24 July 2024, the Supervisory Committee of the Bank of Latvia adopted a decision to allow Latvijas Gāze to make a share buyback offer to the shareholders of the Company in connection with the exclusion of the Company's shares from the regulated market (hereinafter – the Offer). The Offer period ended on 7 August 2024. Number of shares offered for sale: 5 553 shares. Latvijas Gāze has 5 553 shares at its disposal after the completion of the Offer, but the exercise of voting rights on these shares is not possible in accordance with Article 240, Part Seven of the Commercial Law.
- **On 16 August 2024**, elections of the Members of the Management Board of the Company were held. The current Members of the Management Board were re-elected as follows: A. Kalvītis (Chairman of the Board), D. Emelyanov (Vice-Chairman of the Board), E. Dreimane and E. Lapsalis, setting the term of office of the Management Board from 16 August 2024 to 15 August 2025.
- **On 1 November 2024**, the Company's shareholder PJSC "Gazprom" sold its 34% shares and Council members K. Neyimin, E. Mikhaylova, K. Seleznev, V. Khatkov, Y. Ivanov submitted letters of resignation from the duties of Council Members with effect from 11 November 2024.
- **On 8 November 2024**, LLC "Energy Investments" and LLC "Haupas" become shareholders of the Company, respectively acquiring 27.85% and 6.15% of the shares previously owned by PJSC "Gazprom".

4 https://www.macroeconomics.lv/forecasts/latvijas-banka-has-revised-its-macroeconomic-forecasts-december-2024

- **On 19 December 2024**, the new Council of the Company was elected in the following composition: G. Reidzans (Chairman of the Council), V. Blugers (Vice-Chairman of the Council), M. Kohlenbach, N. Dorofeyev, E. Buncis, setting the term of office of the Council from 19 December 2024 till 19 December 2027.

NATURAL GAS SUPPLIES

The Company purchases natural gas of other than Russian origin from alternative suppliers (bilateral contracts with suppliers from EU countries, LNG deliveries, GET Baltic natural gas exchange).

FINANCIAL RISK MANAGEMENT

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

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

The Company's ***liquidity risk*** mainly stems from the seasonal nature of the natural gas business. To ensure security of supply for the winter months the Company usually injects significant natural gas quantities into the IUGS during the injection season starting in early summer. While the Company needs to ensure the availability of respective cash reserves to finance the injection of natural gas into the storage during the summer months, customers will typically consume and subsequently pay most of the natural gas only during the winter period. In order to mitigate liquidity risk, Company prioritized natural hedge (internal market risk mitigation). Currently, Company operates without borrowed capital, short-term liquidity is good.

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

Other risks are associated with regulatory changes. On 10 August 2022, Cabinet Regulations No. 503 "On the Supply of Energy Users During the Declaration of Early Warning and Alarm Level" (hereinafter – the Regulations) took effect stipulating that from 10.08.2022 till 30.09.2022 the public trader has to keep in the IUGS natural gas reserves of 1.150 TWh designed for the supply of household customers from 01.10.2022 till 30.04.2023. According to Article 2.1 of the Regulations, the total reserved natural gas quantity is calculated as an average of the household consumers' consumption between 1 October and 30 April in the last three years. The Public trader could only use these reserves for supplying household customers. In fulfilment of this obligation, the Company as Public trader purchased natural gas and it was reserved in the IUGS for the needs of households in the 2022/2023 heating season. The Company paid for these reserves at the best time – December 2022, at a price of 119.51 EUR/MWh. The TTF forward prices at the time ranged between 123 and 146 EUR/MWh. The supervisory authorities were submitted both data on the previous three year historical actual natural gas deliveries to household consumers for October-December period and a natural gas sales forecast for 2023 with a 20% reduction of the quantity required for the needs of household consumers. However, despite the information provided, under the current wording of the Regulations, any natural gas quantity above the forecast for household consumers from 1 October 2022 till 30 April 2023 was blocked. As a result of the fulfilment of the Regulations, after the revaluation of natural gas inventory, the losses incurred by the Company amount to EUR 16.86 million. Also, on 14 July 2022, the Saeima (Parliament of the Republic of Latvia) adopted the law "Amendments to the Energy Law", which foresaw the exclusion of the public trader definition from the Energy Law from 1 May 2023. The Company, as a public trader, was obliged to sell natural gas at a regulated tariff from 1 January 2023, when the tariff was approved, until 30 April 2023. According to the tariff methodology, losses incurred by the public trader are compensated by including the price difference in the next tariff period. The next tariff period did not start due to the amendments to the aforementioned law, nor was the transition set from the regulated industry to market condition that would compensate for the losses caused to the Company in the regulated market. Respectively, the Company, according to the legal norms valid until 30 April 2023, had the right to receive compensation for the losses, but the Company has not been compensated. The Company's losses resulting from the difference between tariff and actual price of natural gas in the period (January – April 2023) are 5.02 million EUR. The Company still continues talks, which began in 2022, with the institutions responsible for the energy sector regarding the compensation of losses and is considering options for defending its legal interests.

FUTURE PROSPECTS

Under the amendments to the Energy Law, the natural gas market has been fully open for households since 1 May 2023. The natural gas trading service is provided in line with the content of the universal service and the principles of its application, offering a fixed price for 6 months. Clients are also offered the opportunity to conclude a contract for natural gas supplies at a fixed price for 12 months. Starting from 1 October 2023, household customers are also offered the opportunity to conclude an open-ended contract with a variable price which can be revised with 30 days' notice to the customer. The Company continues trading natural gas to households and commercial customers, investing in the modernisation and digitalisation of customer service processes and the development of new products and services. Furthermore, in order to streamline billing processes, the Company will continue rolling out new functionalities in its billing system and customer portal.

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

One of the ways in which the Company can achieve sustainability is by implementing the objective of biogas production/trading which is aligned with the business development directions set out in the Company's strategy. Other renewable resource development projects are also evaluated.

The Company's energy management system has been certified and on 11 February 2022 successfully passed recertification under the LVS EN ISO 50001:2018 standard for a period of 3 years. In the Company attention is paid to a good management of buildings, and those managed by the Company will undergo green office certification. There has been an environment management system implemented, certified under the ISO 14001:2015 standard, and a calculation of CO_2

emissions has been made. Based on the environment policy and the CO_2 calculations, the Company has planted 2000 birches, thus offsetting 560 tons of CO_2 emissions over the next 40 years. A reduction of CO_2 and other emissions can also be achieved through replacing petrol and diesel cars with cars that use compressed natural gas (CNG) as fuel. Transport that uses CNG emits up to 30% less CO_2 than diesel or petrol and up to 90% less other harmful substances. Hence, one of the Company’s current objectives is to actively promote the development of CNG infrastructure in Latvia, providing technical support and other competences to companies that invest in building CNG filling stations.

Within the framework of the energy management system, in 2024 the Company completed 8 energy efficiency tasks, and as a result energy savings reached 98.5 MWh per year. In March 2023, 62 solar panels with a total capacity of 23.56 kilowatts were installed on the roof of the Company's office building in Riga, Aristida Briāna Street 6. The electricity produced in an environmentally friendly way is used for the Company's own needs and covers about 27% of the total electricity consumption.

SUBSEQUENT EVENTS

In the period after 31 December 2024, no events have occurred that would affect the Company's financial position or financial results as of the balance sheet date.

On behalf of the Board by:

Aigars Kalvītis	Elita Dreimane	Egīls Lapsalis
Chairman of the Board	Member of the Board	Member of the Board

STATEMENT OF BOARD RESPONSIBILITY

The Board of the Company is responsible for the preparation of Latvijas Gāze financial statements for 2024 (further – Financial statements), which consist of the Company's financial statements.

Financial statements for 2024 have been prepared in accordance with the IFRS Accounting Standards adopted by the European Union.

According to the information available to the management of the Company, the Financial statements are prepared in accordance with the requirements of the applicable laws and regulations and provide a true and fair view of the Company's assets, liabilities, financial position, operational results and cash flows. The management report contains a clear overview of the business development and operational results of the capital company.

The Financial statements were approved by the Board of Latvijas Gāze on 22 April 2025, and they are signed on behalf of the Board by:

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board

FINANCIAL STATEMENTS

Prepared in compliance with the IFRS Accounting Standards as Adopted by the European Union

CORPORATE INFORMATION

Company	Latvijas Gāze, Joint Stock Company
LEI code	097900BGMO0000055872
Registration number, date and place of registration	Unified registration number 40003000642 Riga, Latvia, 25 March 1991, re-registered in the Commercial Register on 20 December 2004
Address	A.Briāna 6, Riga, Latvia, LV-1001
Major shareholders	AS Rietumu Banka (28.96%) Energy Investments LLC (27.857%) Uniper Ruhrgas International GmbH (18.26%) ITERA Latvija LLC (16.0%) UAB HAUPAS (6.15%)
Financial period	1 January – 31 December 2024
Name and address of the auditor	Nexia Audit Advice, JSC 1 Mihaila Tala street Riga, LV-1045, Latvia License No. 134 Responsible certified auditor: Marija Jansone Certificate No. 25

STATEMENT OF PROFIT OR LOSS

	Note	2024	2023
		EUR'000	EUR'000
Revenue from contracts with customers	**2**	**91 068**	**159 819**
Other income	3	2 304	2 353
Raw materials and consumables used	4	(70 949)	(174 878)
Personnel expenses	5	(5 916)	(5 837)
Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets	6	(1 259)	(1 166)
Other operating expenses	7	(5 008)	(8 155)
Gross profit		**10 240**	**(27 864)**
Financial revenues		3 088	1 473
Financial expenses		(23)	(3)
Profit before taxes		**13 305**	**(26 394)**
Corporate income tax		(71)	(30 517)
Profit/(losses) for the period		**13 234**	**(56 911)**

	EUR	EUR
Earnings/(losses) per share	0.332	(1.426)
Earnings/(losses) per share before extraordinary dividends (basic and diluted)	0.332	(1.426)
Earnings/(losses) per share after extraordinary dividends (basic and diluted)	0.332	(1.426)

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board	Laima Dudiča Chief Accountant, Head of the Accounting and Reporting department

STATEMENT OF COMPREHENSIVE INCOME

	Note	2024	2023
		EUR'000	EUR'000
Profit/(losses) for the period		**13 234**	**(56 911)**
Other comprehensive income - items that will not be reclassified to profit or loss			
Revaluation of post-employment benefit obligations		5	(47)
Total other comprehensive income/(losses)		**5**	**(47)**
Total comprehensive income/(losses) for the period		**13 239**	**(56 958)**

Aigars Kalvītis
Chairman of the Board

Elita Dreimane
Member of the Board

Egīls Lapsalis
Member of the Board

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

BALANCE SHEET

	Note	31.12.2024	31.12.2023
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Intangible assets	8	3 341	4 001
Property, plant and equipment	9	2 142	2 293
Right-of-use assets		314	3
Trade receivables	11	-	16
Total non-current assets		**5 797**	**6 313**
Current assets			
Inventories	10	30 714	54 649
Pre-payments for inventories		3 828	297
Trade receivables	11	16 969	21 737
Other financial assets at amortised cost	12	3 089	1 775
Other current assets	13	643	628
Cash and cash equivalents		114 470	78 328
Total current assets		**169 713**	**157 414**
TOTAL ASSETS		**175 510**	**163 727**

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board	Laima Dudiča Chief Accountant, Head of the Accounting and Reporting Department

BALANCE SHEET (continued)

	Note	2024	2023
		EUR'000	EUR'000
LIABILITIES AND EQUITY			
Equity			
Share capital	15	55 860	55 860
Share premium		20 376	20 376
Own shares		(19)	-
Reserves		(62)	(67)
Retained earnings		62 152	48 918
Total equity		**138 307**	**125 087**
Liabilities			
Non-current liabilities			
Lease liabilities		251	-
Employee benefit obligations	16	80	76
Total non-current liabilities		**331**	**76**
Current liabilities			
Trade payables	17	5 476	5 492
Lease liabilities		64	-
Corporate income tax	14	48	55
Other liabilities	18	8 072	9 805
Dividends unpaid		23 212	23 212
Total current liabilities		**36 872**	**38 564**
Total liabilities		**37 203**	**38 640**
TOTAL LIABILITIES AND EQUITY		**175 510**	**163 727**

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board	Laima Dudiča Chief Accountant, Head of the Accounting and Reporting Department

COMPANY`S STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Own shares	Reserves	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2022	**55 860**	**20 376**	**-**	**(20)**	**235 903**	**312 119**
Transactions with owners						
Extraordinary dividends	-	-	-	-	(130 074)	(130 074)
Total transactions with owners	**-**	**-**	**-**	**-**	**(130 074)**	**(130 074)**
Other comprehensive income						
Profit for the year	-	-	-	-	(56 911)	(56 911)
Other comprehensive income	-	-	-	(47)	-	(47)
Total comprehensive income	**-**	**-**	**-**	**(47)**	**(56 911)**	**(56 958)**
31 December 2023	**55 860**	**20 376**	**-**	**(67)**	**48 918**	**125 087**
Transactions with owners						
Dividends	-	-	-	-	-	-
Own shares purchased	-	-	(19)	-	-	(19)
Transactions with owners	**-**	**-**	**(19)**	**-**	**-**	**(19)**
Comprehensive income						
Profit/losses for the year	-	-	-	-	13 234	13 234
Other comprehensive income/(losses)	-	-	-	5	-	5
Total comprehensive income	**-**	**-**	**-**	**5**	**13 234**	**13 239**
31 December 2024	**55 860**	**20 376**	**(19)**	**(62)**	**62 152**	**138 307**

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Chief Accountant, Head of the Accounting and Reporting department

STATEMENT OF CASH FLOWS

	Note	2024	2023
		EUR'000	EUR'000
Cash flow from operating activities			
Profit/ (losses) before tax		**13 305**	**(26 394)**
Adjustments:			
- depreciation of property, plant and equipment and right-of-use assets	9	349	377
- amortisation of intangible assets	8	910	792
- changes in provision		9	(10)
- profit/losses from long-term asset exclusions		-	(68)
- interest expenses		23	3
- interest income		(3 088)	(1 185)
- losses from sale of property, plant and equipment		1	13
Changes in operating assets and liabilities:			
- in accounts receivable		3 497	64 135
- in inventories		23 935	65 860
- in advances for inventories		(3 531)	(234)
- in accounts payable		(1 365)	(49 017)
- corporate income tax paid		(78)	(30 462)
Net cash inflow from operating activities		**33 967**	**23 810**
Cash flow from investing activities			
Payments for property, plant and equipment	9	(510)	(350)
Payments for intangible assets	8	(250)	(460)
Proceeds from sale of property, plant and equipment		-	154
Assets held for sale		-	122 068
Net cash outflow from investing activities		**(760)**	**121 412**
Cash flow from financing activities			
Leases paid		(88)	(51)
Interest paid		(23)	(3)
Interest received		3 046	1 185
Dividends paid		-	(109 262)
Net cash outflow from financing activities		**2 935**	**(108 131)**
Net cash flow		**36 142**	**37 091**
Cash and cash equivalents at the beginning of the reporting period		**78 328**	**41 237**
Cash and cash equivalents at the end of the reporting period		**114 470**	**78 328**

Aigars Kalvītis
Chairman of the Board

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Member of the Board

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

NOTES

1. Segment information

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

2. Revenue

	Gas trade		
2024	**Latvia**	**Other countries**	**Total**
	EUR'000	EUR'000	EUR'000
Segment revenue	67 701	21 855	89 556
Other revenue (balancing services)	1 457	55	1 512
	69 158	**21 910**	**91 068**

	Gas trade		
2023	**Latvia**	**Other countries**	**Total**
	EUR'000	EUR'000	EUR'000
Segment revenue	140 474	17 677	158 151
Other revenue (balancing services)	1 508	160	1 668
	141 982	**17 837**	**159 819**

3. Other income

	2024	**2023**
	EUR'000	EUR'000
Penalties collected from customers	932	1 384
Other	1 372	969
	2 304	**2 353**

4. Raw materials and consumables used

	2024	**2023**
	EUR'000	EUR'000
Natural gas purchase	70 890	174 813
Costs of materials, spare parts and fuel	59	65
	70 949	**174 878**

5. Personnel expenses

	2024	2023
	EUR'000	EUR'000
Wages and salaries	4 309	4 419
State social insurance contributions	1 007	1 003
Life, health and pension insurance	242	217
Other personnel costs	358	198
	5 916	**5 837**

Average number of employees	**2024**	**2023**
Members of the Council	10	10
Members of the Board	4	4
Other employees	101	105
TOTAL	**115**	**119**

Salaries of the Council and the Board	**2024**	**2023**
	EUR'000	EUR'000
Wages and salaries	1 176	1 191
State social insurance contributions	204	203
Life, health and pension insurance	52	49
	1 432	**1 443**

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

	2024	2023
	EUR'000	EUR'000
Amortisation of intangibles	910	792
Depreciation and impairment of property, plant and equipment	278	261
Depreciation of rights to use assets	71	113
	1 259	**1 166**

7. Other operating expenses

	2024	2023
	EUR'000	EUR'000
Increase in provisions for bad debts, net	979	361
Office and other administrative costs	956	1 806
Donations, financial support	63	2 525
Costs of IT system maintenance, communications and transport	1 044	1 213
Selling and advertising costs	937	1 122
Taxes and duties	778	837
Expenses related to premises (rent, electricity, security and other services)	214	245
Other costs	36	46
Losses from write-off and sale of property, plant and equipment	1	-
	5 008	**8 155**

8. Intangible assets

	2024	2023
	EUR'000	EUR'000
Cost		
As at the beginning of period	**8 116**	**7 656**
Additions	250	460
As at the end of period	**8 366**	**8 116**
Accumulated amortisation		
As at the beginning of period	**4 115**	**3 323**
Amortisation	910	792
As at the end of period	**5 025**	**4 115**
Net book value as at the end of period	**3 341**	**4 001**

9. Property, plant and equipment

	Land, buildings, constructions	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount				
31.12.2023	**1 938**	**1 806**	**-**	**3 744**
Additions	3	75	50	128
Disposals	-	(79)	-	(79)
31.12.2024	**1 941**	**1 802**	**50**	**3 793**
Accumulated depreciation				
31.12.2023	**310**	**1 141**	**-**	**1 451**
Calculated	78	200	-	278
Disposals	-	(78)	-	(78)
31.12.2024	**388**	**1 263**	**-**	**1 651**
Net book value as of 31.12.2024	**1 553**	**539**	**50**	**2 142**
Net book value as of 31.12.2023	**1 628**	**665**	**-**	**2 293**

	Land, buildings, constructions	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount				
31.12.2022	**1 811**	**1 755**	**140**	**3 706**
Additions	18	192	-	210
Relocated	109	31	(140)	-
Disposals	-	(172)	-	(172)
31.12.2023	**1 938**	**1 806**	**-**	**3 744**
Accumulated depreciation				
31.12.2022	**234**	**1 101**	**-**	**1 335**
Calculated	76	185	-	261
Disposals	-	(145)	-	(145)
31.12.2023	**310**	**1 141**	**-**	**1 451**
Net book value as of 31.12.2023	**1 628**	**665**	**-**	**2 293**
Net book value as of 31.12.2022	**1 577**	**654**	**140**	**2 371**

10. Inventories

	31.12.2024	31.12.2023
	EUR'000	EUR'000
Natural gas and fuel	30 714	54 649
	30 714	**54 649**

11. Trade receivables

Debitori	**31.12.2024**	**31.12.2023**
	EUR'000	EUR'000
Long-term receivables (nominal value)	-	16
	-	**16**
Short-term receivables (nominal value)	23 950	30 412
Allowance for impairment of short-term receivables	(6 981)	(8 675)
	16 969	**21 737**

Allowance for impairment of bad and doubtful receivables	**2024**	**2023**
	EUR'000	EUR'000
Allowance at the beginning of the year	**8 675**	**8 486**
Expense included in profit or loss statement	2 026	1 928
Income included in profit or loss statement	(1 047)	(1 567)
Net changes included in profit or loss statement	**979**	**361**
Bad debts written off	(2 673)	(172)
Allowance at the end of the year	**6 981**	**8 675**

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.

12. Other financial assets at amortised cost

	31.12.2024	31.12.2023
	EUR'000	EUR'000
Reserved funds	3 089	1 775
	3 089	**1 775**

13. Other current assets

	31.12.2024	31.12.2023
	EUR'000	EUR'000
Deferred charges	583	628
Non-eligible tax contributions	60	-
	583	**628**

14. Taxes

Nodokļu kustība	Liabilities 31.12.2023	Overpayment 31.12.2023	Calculated 2024	Paid 2024	Liabilities 31.12.2024	Overpayment 31.12.2024
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Value added tax	2 649	-	24 411	(25 461)	1 599	-
Excise tax	363	-	2 095	(2 197)	261	-
Social security contributions	153	-	1 506	(1 485)	174	-
Corporate income tax	55	-	71	(78)	48	-
Personal income tax	83	-	913	(889)	107	-
	3 303	**-**	**28 996**	**(30 110)**	**2 189**	**-**

Tax movement	Liabilities 31.12.2022	Overpayment 31.12.2022	Calculated 2023	Paid 2023	Liabilities 31.12.2023	Overpayment 31.12.2023
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Value added tax	12 346	-	41 555	(51 252)	2 649	-
Excise tax	457	-	2 475	(2 569)	363	-
Social security contributions	139	-	1 628	(1 614)	153	-
Corporate income tax	-	-	30 517	(30 462)	55	-
Personal income tax	111	-	976	(1 004)	83	-
	13 053	**-**	**77 151**	**(86 901)**	**3 303**	**-**

15. Shares and shareholders

	31.12.2024 % of total share capital	31.12.2024 Number of shares	31.12.2023 % of total share capital	31.12.2023 Number of shares
Share capital				
Shares	**100.00**	**39 900 000**	**100.00**	**39 900 000**
Shareholders				
Uniper Ruhrgas International GmbH	18.26	7 285 740	18.26	7 285 740
Energy Investments LLC	27.85	11 112 271	-	-
AS Rietumu banka	28.97	11 559 495	28.97	11 560 645
LLC Itera Latvija	16.00	6 384 001	16.00	6 384 001
UAB HAUPAS	6.15	2 455 590	-	-
PJSC "Gazprom"	-	-	34.00	13 566 701
Registered shares	2.77	1 102 903	2.77	1 102 913
	100.00	**39 900 000**	**100.00**	**39 900 000**

As at 31 December 2024 and 31 December 2023, the registered, signed and paid-up share capital is EUR 55 860 000 and consisted of 39 900 000 shares, with a nominal value of EUR 1.40 per share. Shares in the Company give their owners equal rights to dividends and liquidation quota and voting rights at shareholders' meetings.

The company determines, calculates and pays out dividends in accordance with the Commercial Law.

Earnings per share	**Earnings/(loss) per share 2024**	**2023**
Net profit attributable to shareholders (a) EUR '000	**13 238**	**(56 911)**
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)	39 900	39 900
Basic earnings per share during the year (a/b) EUR	**0.332**	**(1.426)**

16. Employment and post-employment benefit obligations

	31.12.2024	31.12.2023
	EUR'000	EUR'000
Obligations at the beginning of the reporting year	**76**	**39**
Recognised in profit or loss statement	11	(8)
Paid	(2)	(2)
Revaluations due to changes in actuarial assumptions – other comprehensive income	(5)	47
Obligations at the end of the reporting year	**80**	**76**

Assumptions used in calculations of obligations	2024	2023
Discount rates, %	0.02943%	0.039085%
Company's employee rotation rate,%	11.37%	9.71%
Employee retirement age, years	65	64.75-65
Wage growth,%	4%	4.00%
Contributions to private pension fund,%	6.00%	5.00%
Compulsory social security contributions (employees),%	23.59%	23.59%
Compulsory social security contributions (retired),%	20.77%	20.77%

Assumptions used in calculations of obligations			Assumption changes effect on accruals	
			31.12.2024	31.12.2023
Changes in assumptions, pp				
Discount rate	+ 0.5p.p.	Accruals decrease by	0.086%	0.139%
Employee rotation rate	+ 0.5p.p	Accruals decrease by	0.41%	0.42%
Employee retirement age	+ 1 year	Accruals decrease by	15.70%	17.10%
Wage growth	+ 0.5p.p.	Accruals increase by	0.10%	0.13%
Contributions to private pension fund	+ 0.5p.p.	Accruals increase by	0.02%	0.02%
Compulsory social security contributions	+ 0.5p.p.	Accruals increase by	0.09%	0.09%

Assumptions used in calculations of obligations			Assumption changes effect on accruals	
			31.12.2024	31.12.2023
Changes in assumptions, pp				
Discount rate	- 0.5p.p.	Accruals increase by	0.086%	0.140%
Employee rotation rate	- 0.5p.p	Accruals increase by	0.41%	0.43%
Employee retirement age	- 1 year	Accruals increase by	2.37%	21.91%
Wage growth	- 0.5p.p.	Accruals decrease by	0.10%	0.13%
Contributions to private pension fund	- 0.5p.p.	Accruals decrease by	0.02%	0.02%
Compulsory social security contributions	- 0.5p.p.	Accruals decrease by	0.09%	0.09%

The calculations were made using an assumption that the discount rate was 0.02943% in 2024 and 0.039085% in 2023, i.e., equal to the average annual rate of return on treasury securities with an initial maturity of five years or more as per last two issues of such securities (source: State Treasury).

The 11.37% (9.71% in 2023) assumption of the employee turnover rate was calculated by a methodology based on the proportion between the number of employees having left the company (by 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 old-age pension set out in Section 11 Paragraph one of the Law – 62 to 65 years – shall increase gradually and be specified for each year individually. As at 31 December 2024, it is 65 years (as at 31 December 2023 – 64.75 years).

The assumption of salary increase is consistent with the inflation rate for the next year as forecast by the Bank of Latvia, i.e., 1.5% in 2025, assuming that it may only be variable for the next six years and remains constant thereafter and considering the increase in the Company's personnel costs. At the Company, this assumption has now been unchanged at 4% for several year. The 6% assumption of contributions to a private pension fund is based on the Company's Collective agreement.

The assumptions of mandatory state social security contributions for employees and pensioners have been made pursuant to the general terms of the calculation methodology which use 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 social security" adopted at the government meeting of 17.12.2020 where these rates have been set at 23.59% and 20.77% respectively.

17. Trade payables

	31.12.2024	31.12.2023
	EUR'000	EUR'000
Payables to third parties	5 476	5 492
	5 476	**5 492**

18. Other liabilities

	31.12.2024	31.12.2023
	EUR'000	EUR'000
Prepayments received	4 414	5 069
Value added tax	1 599	2 649
Accrued costs	1 007	958
Excise tax	261	363
Vacation pay reserve	302	375
Salaries	189	135
Social security contributions	174	153
Personnel income tax	107	83
Other current liabilities	19	20
	8 072	**9 805**

19. Related party transactions

During the reporting period, the Company had transactions with the following related parties:

AS "Rietumu banka" is a shareholder of Latvijas Gāze since December 6, 2023.

With the PJSC "Gazprom" – under the Agency contract signed in 2017 – on the transportation of natural gas over the territory of the Republic of Latvia and the storage of natural gas in the Inčukalns Underground Gas Storage Facility;

With the JSC "Gaso" – a contract on natural gas trading; non-residential premises lease contract No. 57 on the lease of the immovable property at 20 Vagonu Street owned by the JSC "Gaso" for the Company's needs; cooperation agreement on the provision of services for business needs.

Income or expenses	2024	2023*
	EUR'000	EUR'000
Income from provision of services (incl. balancing services, natural gas for own use and other)		
JSC "Gaso"	-	3 219
PJSC "Gazprom"	952	2 266
JSC Rietumu banka	783	36
Expenses on natural gas distribution and other related services		
JSC "Gaso"	-	15 940
JSC Rietumu banka	14	-

*JSC Gaso is not a related party from 17.07.2023. Transactions with JSC Gaso are indicated for the period from 01.01.2023. until 17.07.2023.

20. Financial risk management

Fair value

Financial assets and liabilities	Level	31.12.2024	31.12.2023
		EUR'000	EUR'000
Trade receivables	3	16 969	21 737
Reserved funds	2	3 089	1 775
Cash and cash equivalents	2	114 470	78 328
Financial assets		**134 528**	**101 840**
Lease liabilities	3	315	-
Accrued expenses	3	1 007	958
Trade payables	3	5 476	5 492
Financial liabilities		**6 798**	**6 450**

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

In order to arrive at the fair value of a derivative financial instrument, different methods are used: quoted prices, valuation techniques incorporating observable data, and valuation techniques based on internal models. These valuation methods are divided into Level 1, Level 2 and Level 3 according with the fair value hierarchy and in accordance with the IFRS Accounting Standards, .

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).

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

Credit risk

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 Company. Credit risks arise from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables.

Trade receivables and accrued income	31.12.2024	31.12.2023
	EUR'000	EUR'000
Trade receivables and accrued income		
Impaired	6 816	8 446
Not overdue	15 828	20 411
Overdue less than 90 days, but not impaired	1 281	1 520
Overdue more than 90 days, but not impaired	25	51
Trade receivables and accrued income, gross	**23 950**	**30 428**
Allowance for impairment of bad and doubtful debts	(6 981)	(8 675)
Trade receivables and accrued income, net	**16 969**	**21 753**
Total exposure to credit risk	**16 969**	**21 753**

Credit risk management practices

In order to mitigate credit risk, the Company introduced a number of credit risk management procedures. For the largest customers, the Company uses individual credit risk assessment which includes several practices, such as initial credit limit assessment, detailed monitoring of financial figures as well as frequent billing to avoid debt accumulation. In case of initial doubts, customers are subject to regular monitoring at the Board level and, if necessary, additional collateral is required to secure the provision of services and the sale of natural gas. For smaller customers, the Company has approved a detailed credit control process describing the basic steps of progress monitoring and the mandatory communication with customers to avoid debt accumulation. Provisions are made based on accounting standards. Receivables that are not individually assessed for impairment are classified into groups by number of days overdue and collectively assessed for impairment.

For managing the credit risk associated with cash and cash equivalents, the Company has approved a financial asset management policy. Based on the internal guidelines, all credit institutions which the Company deals with are quarterly graded by their financial and non-financial indicators. Based on the assessment, limits for current accounts with one institution are set and regularly monitored.

Liquidity risk

Liquidity risk is associated with the Company's ability to settle their obligations within the agreed due dates. Due to the distinct seasonality of the Company's business, cash inflows are exposed to major fluctuations within a year, and most of revenue is gained in the first and fourth quarter while the operating costs associated with maintenance are spread evenly throughout the year, and dividends for the previous year are normally paid out in the third quarter.

In order to manage liquidity risk, the Company use cash flow planning tools. The Company prepare yearly, quarterly and monthly cash flows to identify operational cash flow requirements.

Division of financial liabilities by maturity date, as at 31 December 2024:

	2025	2-5 years	Total	Carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000
Leases	64	251	315	315
Trade payables and accrued costs	6 483	-	6 483	6 483
	6 547	**251**	**6 798**	**6 798**

Division of financial liabilities by maturity date, as at 31 December 2023:

	2024	2-5 years	Total	Carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000
Trade payables and accrued costs	6 450	-	6 450	6 450
	6 450	**-**	**6 450**	**6 450**

Capital risk management

The Company's objectives when managing capital are to safeguard 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 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 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 Company's capital structure as well as their solvency.

As at 31 December 2024 and 31 December 2023 the proportion of borrowed capital to total capital was as follows:

	31.12.2024	31.12.2023
	EUR'000	EUR'000
Total liabilities	37 203	38 640
(Cash and cash equivalents)	(114 470)	(78 328)
(Deferred income)	(3 089)	(1 775)
Net total liabilities	**(80 356)**	**(41 463)**
Total equity and liabilities	175 510	163 727
Borrowed capital proportion to total	**(45,78%)**	**(25,32%)**

Market risk

Market risk is the risk that changes in market factors, such as foreign currency rates, interest rates or commodity prices, may affect the Company's profit. As at 31 December 2024, the Company has no cash balances in foreign currencies. The Company has no other assets or liabilities in foreign currencies.

In its business, the Company faces market risk resulting from natural gas price fluctuations, differences between the time of sale and the time of purchase, and differences between the sale and purchase pricing models. The JSC "Latvijas Gāze" prioritises internal market risk mitigation through revising the supply agreement and managing its trading portfolio as far as possible.

Interest rate risk

Interest rate risk is not material for the Company.

21. Other risk management

Compliance risk

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

- regular monitoring of regulatory enactments, changes and amendments thereto, implementing the relevant requirements in the Company's operation and updating the internal regulatory enactments as appropriate;
- coordination of cooperation agreements and regular performance monitoring;
- timely preparation and submission of summaries and reports, processing and fulfilment of requests from supervisory authorities and other external institutions;
- updating of the Company's internal regulatory enactments and assessment of the actual compliance, monitoring of execution of Board resolutions and orders, elimination of faults found during internal and external inspections;
- introduction of whistleblowing system at the Company – reporting of violations that extend beyond infringements of personal interests and concern the Company and the interests or its employees or general public;
- timely identification and elimination of conflicts of interest;
- tax risk management.

22. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards 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 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.

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 Company use their judgement in making these assumptions and selecting the inputs to the impairment calculation, based on 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 client 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 21 Credit risk section.

Post-employment benefit obligations

Based on the conditions of the Company's Collective agreements as to the post-employment benefits expected to be paid to employees in future, the Company has calculated the accrued post-employment benefit obligations pursuant to a methodology developed on the basis of the actuarial mathematics methods and the IFRS using the prospective calculation method and the projected unit method. The calculations use a discount rate equal to the annual average rate of return on the Latvian treasury securities with an initial maturity of five years or more as per last two issues of such securities. Accruals are calculated for each employee individually based on the situation as at 31 December of each reporting year and annually updated, including an update for 31 December 2024. Along with the calculation of post-employment benefit obligations, there are accruals made for the employer's compulsory state social security contributions and contributions to private pension funds.

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.

23. 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 separate financial statements of the JSC "Latvijas Gāze" are prepared in accordance with the IFRS Accounting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted for use in the European Union on a going concern basis.

The financial statements are prepared on a historical cost basis.

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 Company.

The company has chosen to classify its costs in the income statement by types of expenses. The company prepares a cash flow statement using the indirect method.

The financial statements were approved for publishing by the Company's Board on 19 April 2024. Under the Commercial Law, the Company announces a general meeting of shareholders following the receipt of the auditor's opinion and the Council report, also sending the annual report to the Company's shareholders.

Implementation of new IFRS Accounting standards, amendments and Interpretations

Application of new and/or amended standards and interpretations in 2024

Revised IFRS Accounting Standards have been issued, which are mandatory for reporting periods beginning in 2024. These standards are not expected to have a significant impact on the Company's financial statements.

1) Amendments to IAS 7 "Cash Flow Statement" and **IFRS 7 "Financial Instruments: Disclosures"**: Supplier Financing Arrangements (issued on 25 May 2023) (effective for reporting periods beginning on or after 1 January 2024);

2) Amendments to IAS 1 "Presentation of Financial Statements" *(effective for reporting periods beginning on or after 1 January 2024):*

- *Classification of Liabilities as Current or Non-Current (issued on 23 January 2020);*
- *Classification of liabilities as current or non-current - postponement of effective date (issued on 15 July 2020);*
- *Non-current liabilities with conditions (issued on 31 October 2022);*

3) Amendments to IFRS 16 Leases. *Lease Obligations in Sale and Leaseback Transactions (issued on 22 September 2022) (effective for annual periods beginning on or after 1 January 2024)*

IFRS Accounting Standards, Amendments and Interpretations issued and adopted by the EU but not yet effective:

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: *Lack of Exchangeability (issued on 15 August 2023) (effective for annual periods beginning on or after 1 January 2025)*

IFRS Accounting Standards, Amendments and Interpretations issued and not yet adopted by the EU

1) ***IFRS 19 Non-Public Subsidiaries:*** *Disclosures (issued on 9 May 2024) (effective for annual periods beginning on or after 1 January 2027)**;***

2) ***IFRS 18 Presentation and Disclosures in Financial Statements*** *(issued on 9 April 2024) (effective for annual periods beginning on or after 1 January 2027);*

3) ***Amendments to IFRS 9 and IFRS 7 – Contracts for Nature-Dependent Electricity (****issued on 18 December 2024) (effective for annual periods beginning on or after 1 January 2026);*

4) ***Annual Improvements,*** *Volume 11 (issued on 18 July 2024) (effective for annual periods beginning on or after 1 January 2026);*

5) ***Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments*** *(issued on 30 May 2024) (effective for annual periods beginning on or after 1 January 2026).*

Financial instruments

Financial assets classification

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.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which 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 Company have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the 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 Company's business model for managing the asset and the cash flow characteristics of the asset. All Company'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 were classified in this category:

- trade receivables;
- accrued income;
- reserved funds;
- cash and cash equivalents.

Equity instruments

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 do not apply hedge accounting.

Impairment of financial assets

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 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.

Recognition and derecognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits 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 Company have transferred substantially all the risks and rewards or ownership.

Revenue from contracts with customers

Revenue is income arising in the course of the Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which 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 Company recognise revenue when it transfers control of a good or service to a customer.

Sale of natural gas – wholesale

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 Company have objective evidence that all acceptance-transfer criteria are met.

Natural gas wholesale is deemed to have no financing element because the sale is made with a credit term of 10-30 days which is in line with the established or generally accepted market practice.

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

The Company sells natural gas to end users – corporate customers and households. 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.

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.

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

Financing component

The Company do not adjust any of the transaction prices for the time value of money.

Property plant and equipment

Fixed assets are long-term tangible assets that are used for the provision of services or for economic needs, and which meet the criteria for the classification of fixed assets and the conditions for recognizing an asset.

The main groups of fixed assets of the company are buildings and constructions and their useful life is longer than one year.

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 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.

Land and assets under construction are not depreciated. The fixed assets are presented at their net value in the balance sheet, after deducting accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated according to the straight-line method. Depreciation is calculated with the next month when the fixed asset is ready for its intended use.

Useful life:

Buildings:	20 – 80 years
Other fixed assets :	2 – 10 years

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 Company's 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. The cost of natural gas is composed of the gas purchase price and is determined using FIFO (first in first out) method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leases

The Company is 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 Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease duration used in the calculation is based on signed agreements for external lease and 5 years for intragroup lease.

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:
- Right-of-use assets are measured at cost comprising the following;
- 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 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 Company revalue 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 Company.

Cash and cash equivalents

Cash consists of current account balances and short-term deposits, if any, with an initial maturity of up to 90 days that are easily convertible into cash and not exposed to a material risk of changes in value.

For non-cash payments, the Company uses debit cards issued by the credit institution.

Cash in foreign currencies are recalculated into EUR by the exchange rate set by the European Central Bank.

Equity

Equity includes share capital, share premium, reorganisation reserve, asset revaluation reserve, post-employment benefit revaluation reserve, other statutory reserves, and retained earnings.

Other reserves are subject to consent of the Council.

Assets held for sale

Non-current assets whose book value, under a management decision on their sale, will be recovered via sale transaction rather than via long-term use are classified as “Assets held for sale”.

A disposal group is a group of assets that are set to be sold or otherwise disposed of under a management decision in a single transaction as group and the liabilities directly attributable to these assets that are set to be transferred as a result of the transaction.

In order for non-current assets or a disposal group to be classified as held for sale, they have to meet the following criteria:

- the assets have to be available for immediate sale in their current condition;
- the sale of assets has to be highly probable.

Non-current assets classified as assets held for sale as well as discontinued operations are measured at the lowest between:

- book value;
- fair value less selling costs.

The fair value of assets in subsidiary held for sale is assessed and approved at the Board meeting.

Prior to reclassifying to a disposal group, losses from such valuation are recognised in profit or loss.

Impairment upon initial reclassification to assets held for sale is recognised in profit or loss even if the asset itself was previously measured at revalued cost.

Share capital and dividend authorised

The Company’s share capital consists of 39,900,000 shares. All shares of the Company grant their owners equal rights, namely: rights to receive dividends and liquidation quotas, as well as voting rights at the Shareholders’ meeting. All shares of the Company are registered shares. The Company may issue shares and convertible bonds. On August 19, 2024, Nasdaq Riga decided to approve the application by Latvijas Gāze for delisting its shares (ISIN LV0000100899, ticker code GZE1R) from the Second Baltic list, with August 23, 2024 as the final listing day. At the regular Shareholders’ meeting held on June 19, 2024, the shareholders of Latvijas Gāze decided to delist the Company’s shares from the regulated market. A share buyback offer was made for the purposes of delisting from the regulated market. After the execution of the buyback offer, the Company holds 5,553 shares, but the voting rights of these shares cannot be exercised by virtue of Section 240 Paragraph seven of the Commercial Law. The volume, timing, conditions and other matters pertaining to the issue of the Company’s securities are decided by the Shareholders’ meeting. External incremental costs directly attributable to the issue of new shares are presented under equity as a deduction, net of taxes, from the proceeds. Dividend distribution to the 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 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.

Provisions

The Company only recognises provisions if all the following recognition criteria are met:

Firstly, the Company has a current obligation (legal or constructive) caused by a past event. Secondly, the fulfilment of this obligation is likely to require an outflow of economic benefits from the company. Thirdly, the amount necessary to fulfil the obligation can be credibly estimated. Provisions are not recognised for future operating losses.

Provisions are measured at present value based on the management's best estimate of the costs necessary to fulfil the current 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 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 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 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 Company have to make payments in an amount specified by law. They also pay contributions to an external fixed-contribution private pension plan. They 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 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.

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.

24. Remuneration of certified auditors company

	2024	2023
	EUR'000	EUR'000
Mandatory audit of financial statements	25	28
Performance of non-audit assignments	-	-
	25	**28**

25. Contingent liabilities

The Company has a valid long-term contract with the PJSC "Gazprom" on "take or pay" conditions which specify the minimum quantity to be bought over a given period. In 2022, the parties signed an agreement on not raising complaints against each other over failure to meet obligations under this contract.

Proposal for profit distribution or loss coverage and possible liabilities related to corporate income tax from the Company's distributable profit

The Company closed 2024 with a profit that will be retained. Due to the fact that no profit distribution is planned, no corporate income tax liabilities are expected from the profit distribution.

26. Subsequent events

In the period after 31 December 2024, no events have occurred that would affect the Company's financial position or financial results as of the balance sheet date.

Aigars Kalvītis Chairman of the Board	Elita Dreimane Member of the Board	Egīls Lapsalis Member of the Board	Laima Dudiča Chief Accountant, Head of the Accounting and Reporting Department