



LATVIJAS GĀZE GROUP CONSOLIDATED AND JSC "LATVIJAS GĀZE" UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2020

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

Riga 2021



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COUNCIL OF THE JSC “LATVIJAS GĀZE”

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



Kirill Seleznev

(Кирилл Селезнев), 1974
Chairman of the Council

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



Juris Savickis, 1946
Vice-Chairman of the Council

Since 1996, President of LLC “ITERA Latvija”



Oliver Giese, 1967
Vice-Chairman of the Council

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



Matthias Kohlenbach, 1969
Member of the Council

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



David Stephen Harrison, 1970
Member of the Council

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



Nicolàs Merigó Cook, 1963
Member of the Council

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



Hans-Peter Floren, 1961
Member of the Council

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



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

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



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

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



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

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



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

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

MANAGEMENT BOARD OF THE JSC “LATVIJAS GĀZE”

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

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



Aigars Kalvītis, 1966
Chairman of the Board

Latvian University of Agriculture,
Master's Degree in Economics



Denis Emelyanov, 1979
Vice-Chairman of the Board

Gubkin Russian State University of
Oil and Gas, Faculty of Economics
and Management – Economist -
manager; Economics and oil and
gas enterprises management



Elita Dreimane, 1968
Member of the Board

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



Inga Āboliņa, 1974
Member of the Board

Stockholm School of Economics in
Riga, Executive MBA



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

Maastricht University / Netherlands
Master's Degree in Economics

LATVIJAS GĀZE GROUP IN SHORT

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

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

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

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

STRUCTURE OF LATVIJAS GĀZE GROUP AS OF 31 DECEMBER 2020

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

STRATEGY AND OBJECTIVES



OUR OBJECTIVE

To strengthen the position of *Latvijas Gāze* group as a leader in the Latvian and Baltic energy market by becoming the natural gas supplier of first choice for customers and by ensuring the most stable supply of natural gas for the Baltic region.



OUR MISSION

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



OUR VISION

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



LATVIJAS GĀZE GROUP`S FOCUS

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

1. PRICE COMPETITIVENESS

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

2. QUALITY OF PRODUCT

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

3. QUALITY OF SERVICE

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

4. EFFECTIVE MANAGEMENT

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

5. PROFESSIONAL PERSONNEL – FONTS

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

6. SAFETY AND SECURITY OF GAS SUPPLY

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



7. SUSTAINABLE INVESTMENT

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

8. SUSTAINABILITY

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

9. NETWORK DEVELOPMENT AND CUSTOMER ATTRACTION

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

SHARES AND SHAREHOLDERS OF THE JSC “LATVIJAS GĀZE”

SHARES AND SHAREHOLDERS

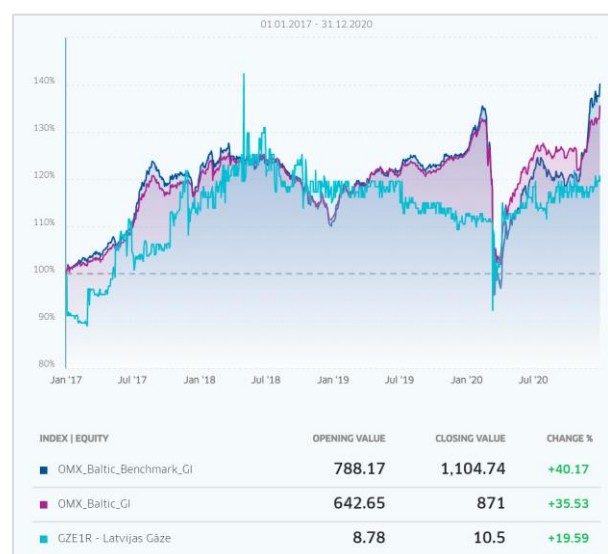
The shares of the JSC “Latvijas Gāze” are listed on the Nasdaq Riga stock exchange since February 15, 1999, and its ticker code is GZE1R since August 1, 2004. The total number of securities has not changed since 1999. The total number of shareholders of JSC “Latvijas Gāze” as of 31.12.2020 was 6 252.

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

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

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

Source: Nasdaq Baltic



Source: Nasdaq Baltic

The shares of the JSC “Latvijas Gāze” are included in four Baltic country industry indexes, which include public utilities - B7000GI, B7000PI, B7500GI, B7500PI, as well as in several geographical indexes - OMXBGI, OMXBPI, OMXRGI.

OMX RIGA (OMXR.) – a domestic index of all shares. Its basket consists of the shares of the Official and Second list of Nasdaq Riga. The index reflects the current situation and changes at Nasdaq Riga.

OMX BALTIC (OMXB.) – a Baltic-level index of all shares. Its basket consists of the shares of the Official and Second list of Baltic exchanges. The index reflects the current situation and changes on the Baltic market overall.

On 31st of December 2020, in terms of stock market capitalization, the JSC “Latvijas Gāze”, the market capitalization value of the Company amounted to 418.95 million EUR, which is by 6% more, compared to the 2019. After negative impact of coronavirus lockdown measures on stock market during March - April, domestic stock market recovered and the share price of the Company increased by 6.06% during 2020.

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

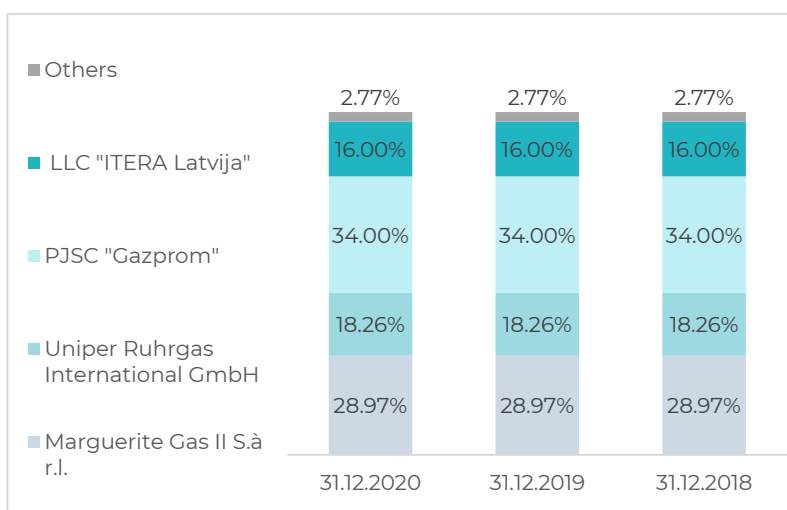
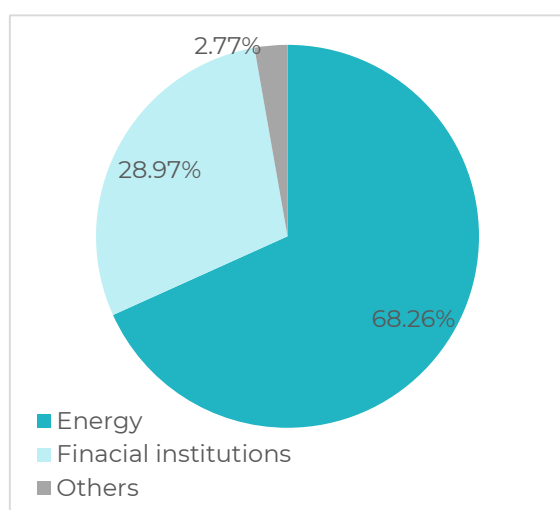


Source: Nasdaq Baltic

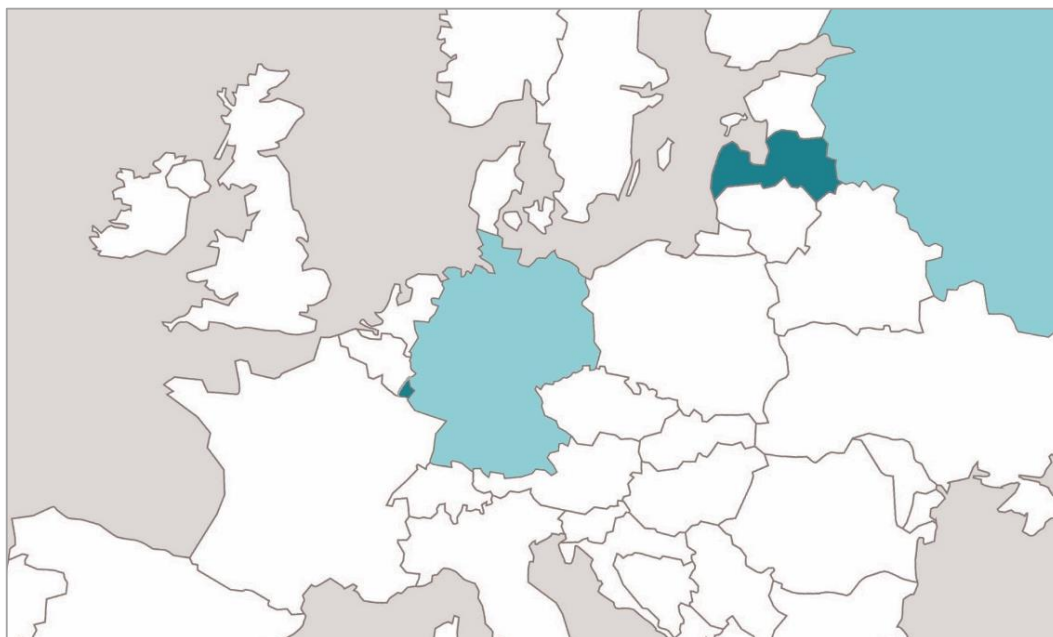
INFORMATION ON SHARE TRANSACTIONS (2018 –2020)

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

COMPOSITION OF SHAREHOLDERS, 31.12.2020



GEOGRAPHICAL DISTRIBUTION OF THE MAJOR SHAREHOLDERS



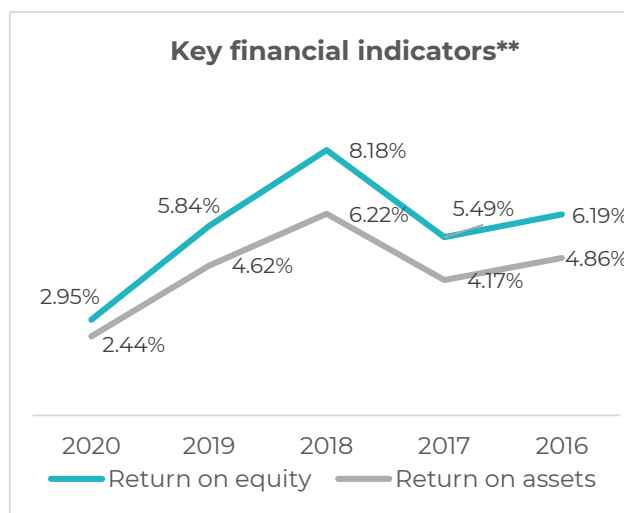
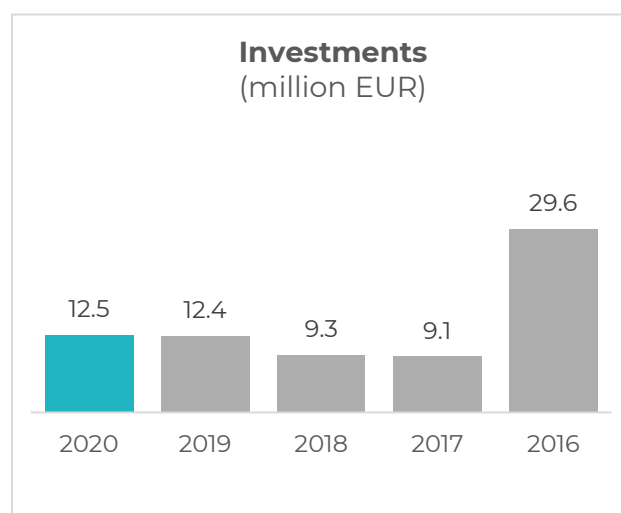
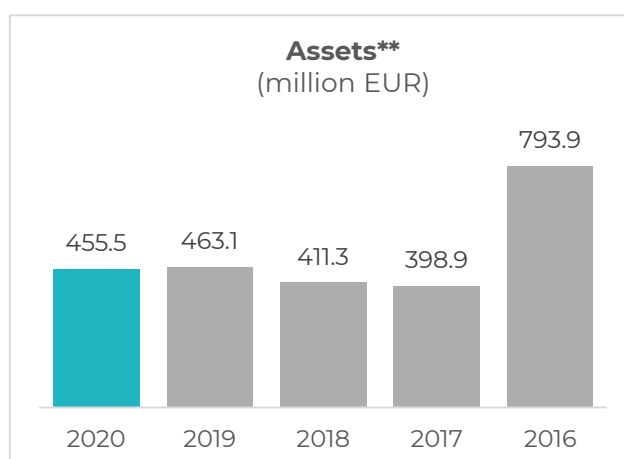
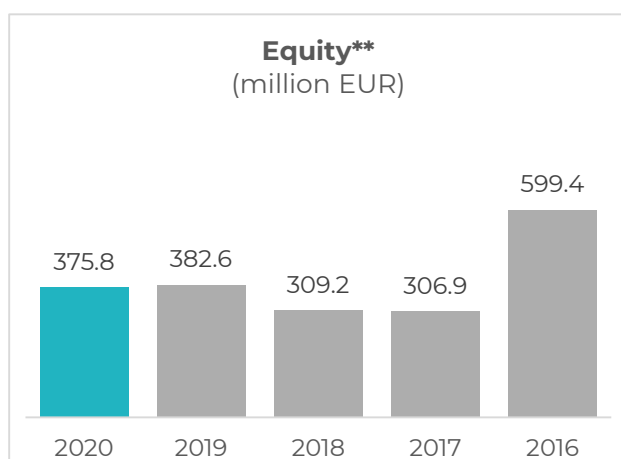
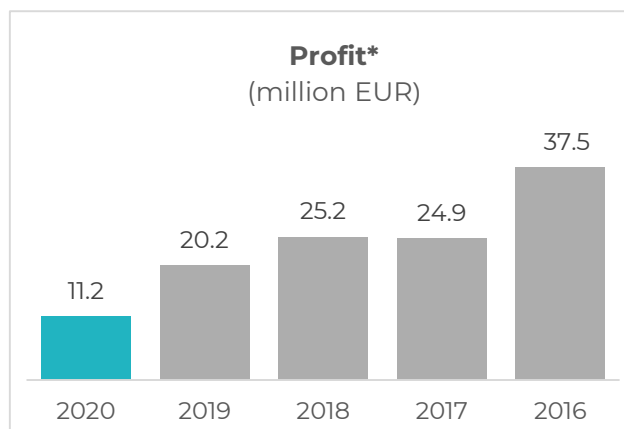
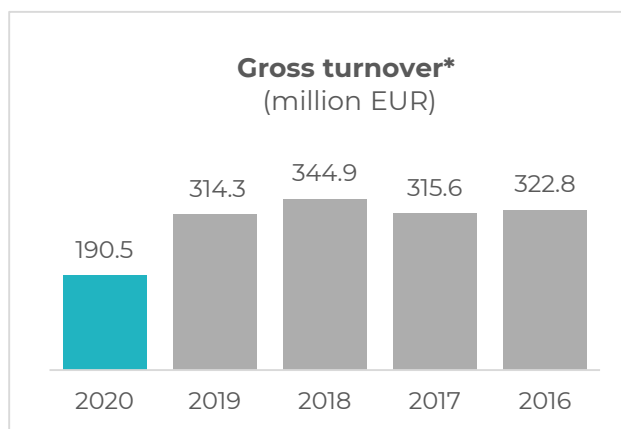
- Russia (PAS Gazprom)
- Luxembourg (Marguerite GAS I S.À R.L.)
- Germany (Uniper Ruhrgas International GMBH)
- Latvia (SIA Itera Latvija)

SHARES OWNED BY MEMBERS OF THE GOVERNING BODIES OF THE JSC “LATVIJAS GĀZE”

		At the date of signing financial statements
Management Board		Number of shares
Chairman of the Board	Aigars Kalvītis	None
Deputy Chairman of the Board	Denis Emelyanov	None
Member of the Board	Elita Dreimane	None
Member of the Board	Inga Āboliņa	None
Council		
Chairman of the Council	Kirill Seleznev	None
Deputy Chairman of the Council	Juris Savickis	None
Deputy Chairman of the Council	Oliver Giese	None
Member of the Council	David Stephen Harrison	None
Member of the Council	Vitaly Khatkov	None
Member of the Council	Oleg Ivanov	None
Member of the Council	Nicolas Merigo Cook	None
Member of the Council	Matthias Kohlenbach	None
Member of the Council	Hans-Peter Floren	None
Member of the Council	Elena Mikhaylova	None
Member of the Council	Sergey Kuznets	None

LATVIJAS GĀZE GROUP FACTS AND FIGURES

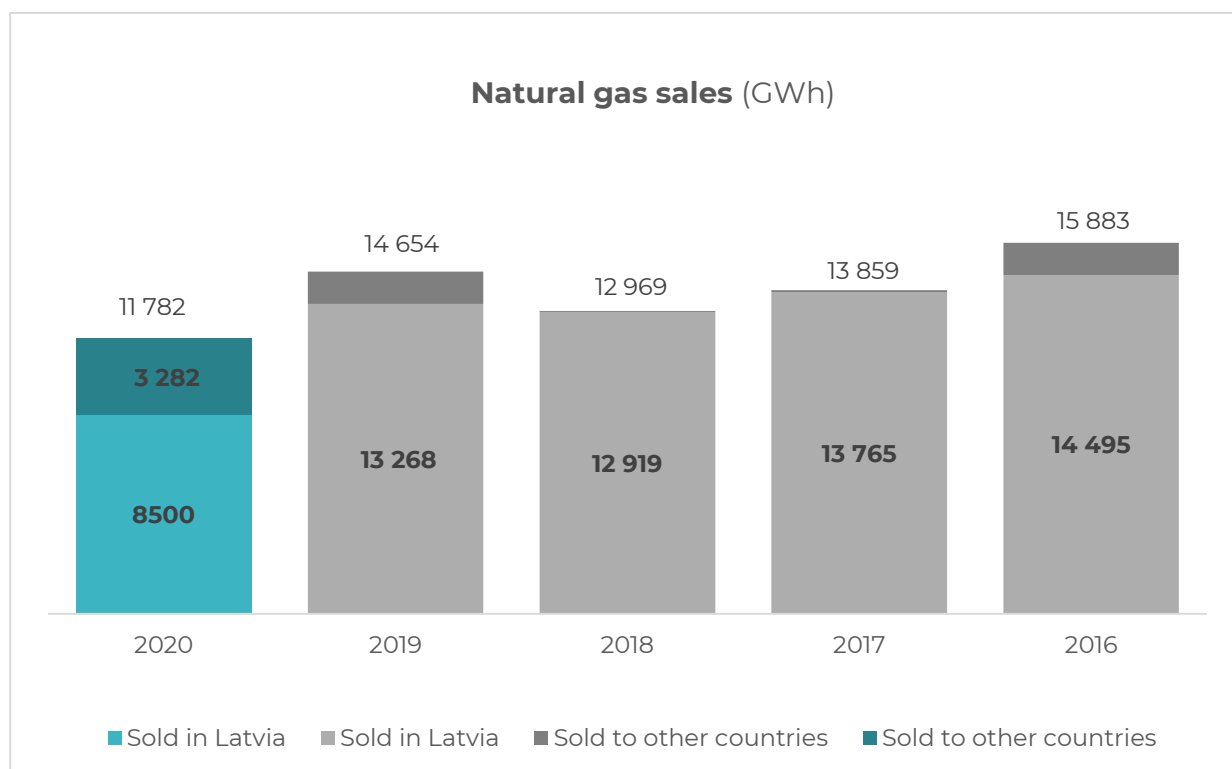
FINANCIAL INDICATORS



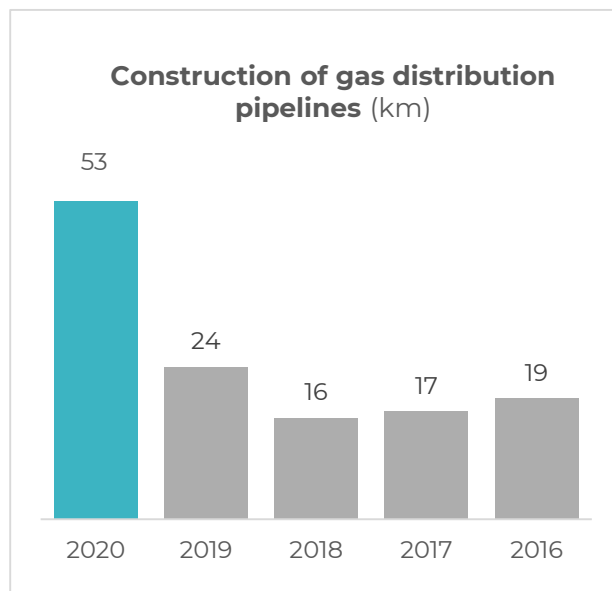
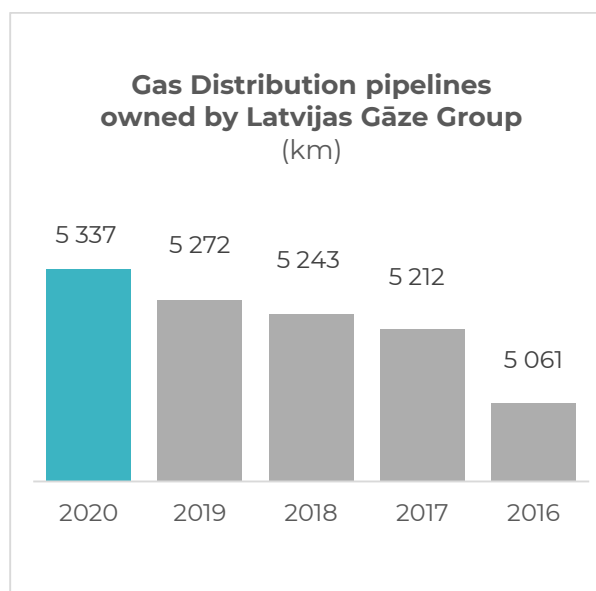
* Year 2017 – restated.

** Years 2017, 2018 and 2019 – restated.

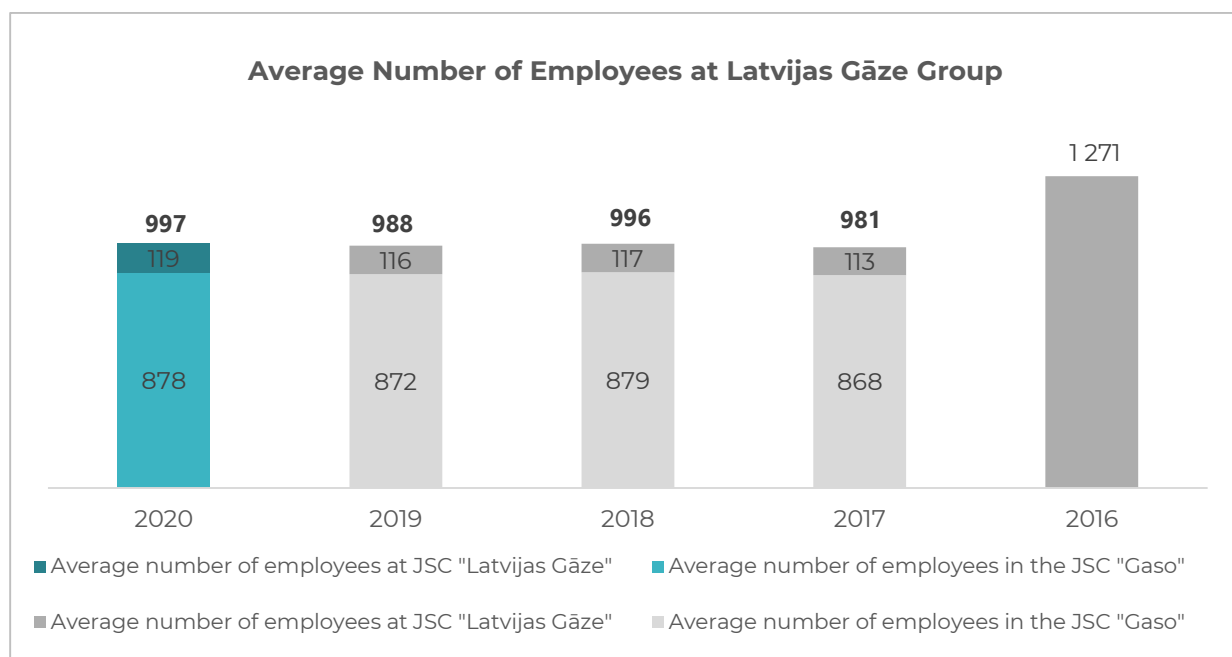
NATURAL GAS VOLUMES



DISTRIBUTION SYSTEM

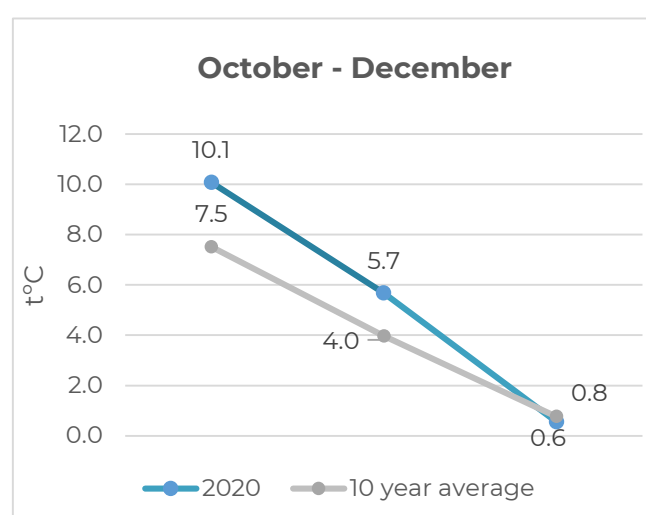
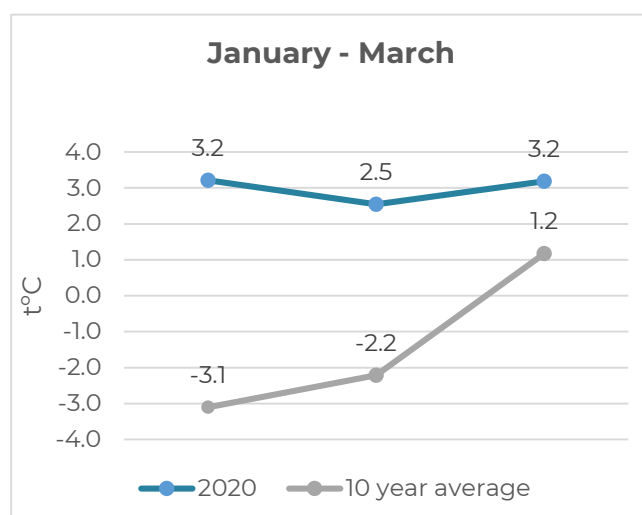


EMPLOYEES



GRAPHICAL REPRESENTATION OF DIFFERENT FACTORS INFLUENCING COMPANY' BUSINESS ENVIRONMENT

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





MANAGEMENT REPORT

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

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

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

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

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

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

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

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

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

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

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

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

Alternative Performance Measures (APM)	Formulas
EBITDA (<i>Profit before income tax, interest, depreciation and amortization</i>)	EBITDA = Profit of the year + Corporate income tax + Financial expense - Financial income + Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of use assets
EBITDA,% (or EBITDA margin)	$\text{EBITDA, \%} = \frac{\text{EBITDA}}{\text{Revenue from contracts with customers}} \times 100\%$
EBIT(<i>Profit before income tax and interest</i>)	EBIT= Profit of the year + Corporate income tax + Financial expense - Financial income
EBIT,% (or EBIT margin)	$\text{EBIT, \%} = \frac{\text{EBIT}}{\text{Revenue from contracts with customers}} \times 100\%$
Net profitability (<i>or Commercial profitability</i>) The indicator reflects how much the company earns from each of the EUR received from customers	$\text{Net profitability, \%} = \frac{\text{Profit of the year}}{\text{Revenue from contracts with customers}} \times 100\%$
P/E Ratio (<i>Relationship between Share Price and Earnings per Share</i>)	$\text{P/E} = \frac{\text{Share price 31.12.2019}}{\text{Earnings per share for the reporting year}}$
Return on equity (ROE) (<i>Company's earnings ratio on the company's equity source - shareholders</i>) The indicator reflects the effective use of equity capital by the company	$\text{Return on equity, \%} = \frac{\text{Profit of the year}}{\text{Average annual equity value*}} \times 100\%$
Return on assets (ROA) (<i>The amount of profit earned by the company on the assets used</i>) The indicator reflects how effectively company is profiting from the use of its assets	$\text{Return on assets, \%} = \frac{\text{Profit of the year}}{\text{Average annual asset value**}} \times 100\%$
Current ratio The indicator measures Company's ability to pay short-term obligations that matures within one year.	$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$
Return on capital employed (ROCE) The indicator measures the effective use of available capital by the company.	$\text{Return on capital employed} = \frac{\text{EBIT}}{\text{Capital employed}}$
Dividend payout ratio The indicator reflects total amount of dividends paid out to shareholders relative to the net income of the company.	$\text{Dividend payout ratio} = \frac{\text{Dividends paid}}{\text{Net income}}$

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

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

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



GENERAL MARKET AND INDUSTRY ENVIRONMENT

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

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

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

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


KEY EVENTS DURING THE REPORTING PERIOD

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

OPERATING RESULTS OF THE BUSINESS SEGMENTS

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

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



reporting period, the distribution segment generated a net turnover of 49.1 million EUR and EBITDA of 20.5 million EUR (decrease by 3% and 7%, compared to the same period of 2019, respectively). Distribution services are regulated and form the main source of revenues for JSC “Gaso”. The drop in net turnover was mainly caused by lower utilization of the Latvian natural gas distribution system, because of unusually high temperatures during the heating months. The segment's profit before taxes amounted to 8.1 million EUR in 2020 and was by 17% lower, compared to 2019

LONG-TERM GAS SUPPLIES

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

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

INVESTMENTS

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

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



FINANCIAL RISK MANAGEMENT

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


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

The group’s **liquidity risk** mainly stems from the distinct seasonality of the natural gas business. To ensure security of supply for the winter months the Company usually injects significant natural gas quantities into the Inčukalns Underground Gas Storage (“IUGS”) during the injection season starting in early summer. While the Company needs to ensure the availability of respective cash reserves to finance the injection of natural gas into the storage during the summer months, customers will typically consume and subsequently pay most of the natural gas only during the winter period. To actively monitor and manage the liquidity risk the Company continuously improves its internal cash planning tools and instruments. To take account of the increased importance of a systematic and rigorous cash management in a competitive and highly volatile market the Company has in place a dedicated treasury function. Until May 31, 2021 the Company has active overdraft agreement with the Latvian branch of OP Corporate Bank plc. The closed transaction strengthens the overall liquidity of the Company and enables the implementation of a more advanced portfolio optimization strategy.

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

FUTURE PROSPECTS

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



market share in Finland, however the company expects that Finish trading companies in their strive to compensate for the domestic market share loss will attempt to seize opportunities in the Baltic region.

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

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

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

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

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

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

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

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



TRANSACTIONS WITH RELATED PARTIES

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

SUBSEQUENT EVENTS

In light of the increasing risks of spread of the coronavirus, a state of emergency has again been put in place in Latvia till 6 April 2021. The management of the Latvijas Gāze group intends to comply with all the necessary safety measures to keep its customers and employees safe. There is currently not enough information to reliably measure the impact of the state of emergency upon the Group's financial performance. As in May 2021 the existing overdraft agreement of the JSC "Latvijas Gāze" with OP Corporate Bank plc will expire, JSC "Latvijas Gāze" has concluded a new overdraft agreement with OP Corporate Bank plc that will be utilized to purchase natural gas during the next two natural gas injection seasons. The new overdraft limit is 30 million EUR and expires on 31 May, 2023. Apart from the above, between 31 December 2020 and the signing of these financial statements there have been no events of impact upon the Company's or the Group's financial position or financial results as at the balance sheet date.



STATEMENT OF THE BOARD RESPONSIBILITY

The Board of the Joint Stock Company "Latvijas Gāze" is responsible for the preparation of the "Latvijas Gāze" Group consolidated and the JSC "Latvijas Gāze" unaudited condensed financial statements for 2020 (further – Financial statements), which consist of the Company's and the Company's and its subsidiary (further - Group's) financial statements.

Financial statements for 2020 have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union.

According to the information available to the management of the Company, the Financial statements provide a true and fair view of the Company's and the Group's assets, liabilities, financial position, operational results and cash flows in all key aspects.

The Financial statements were approved by the Board of the JSC "Latvijas Gāze" on 24 February 2021, and they are signed on behalf of the Board by:

Aigars Kalvītis
Chairman of the Board

Inga Āboliņa
Member of the Board

Elīta Dreimane
Member of the Board



FINANCIAL STATEMENTS

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

CORPORATE INFORMATION

Company	Latvijas Gāze, Joint Stock Company
LEI code	097900BGMO0000055872
Registration number, place and date of registration	Unified registration number 40003000642 Riga, Latvia, 25 March 1991 re-registered in Commercial Register on 20 December 2004
Address	A.Briāna 6, Riga, Latvia, LV-1001
Corporate management report and Non-financial report	www.lg.lv
Major shareholders	PJSC Gazprom (34.0%) Marguerite Gas II.S.a.r.l. (28.97%) Uniper Ruhrgas International GmbH (18.26%) ITERA Latvija SIA (16.0%)
Financial period	1 January – 31 December 2020

STATEMENT OF PROFIT OR LOSS

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

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

STATEMENT OF COMPREHENSIVE INCOME

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

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Member of the Board

Elita Dreimane
Member of the Board

BALANCE SHEET

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

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Member of the Board

BALANCE SHEET (continued)

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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Elita Dreimane
Member of the Board

COMPANY'S STATEMENT OF CHANGES IN EQUITY

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

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Elita Dreimane
Member of the Board

STATEMENT OF CASH FLOWS

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

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NOTES TO FINANCIAL STATEMENTS

1. Segment information

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

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

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

The information included in the operating segments corresponds to the information used by the Board of JSC “Latvijas Gāze” for the gas sales & trading segment and the Board of the JSC “Gasol” for the gas distribution segment in making operational decisions and allocating resources. Given the regulatory requirements provided in the Energy Law, segments are managed separately.

The Board of each company assesses the performance of each respective segment based on EBITDA (adjusted earnings before interest, tax, depreciation and amortisation) and monitors profit before taxes. As the segments are based on legal entities, transactions between entities are eliminated (see Note 2).

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

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

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

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

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

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

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

2. Revenue from contracts with customers

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

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

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

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

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

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

3. Other income

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

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

4. Raw materials and consumables used

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

5. Personnel expenses

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

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

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

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

7. Other operating expenses

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

8. Intangible assets

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

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

9. Property, plant and equipment

Group	Land, buildings, constructions	Machinery and equipment	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount					
31.12.2019	650 929	38 835	16 443	1 079	707 286
Additions	6 159	2 163	1 051	-	9 373
Transfers	-	-	404	(404)	-
Disposals	(1 374)	(747)	(413)	-	(2 534)
31.12.2020	655 714	40 251	17 485	675	714 125
Depreciation					
31.12.2019	358 636	23 998	12 002	-	394 636
Calculated	7 814	2 389	1 312	-	11 515
Disposals	(943)	(669)	(385)	-	(1 997)
31.12.2020	365 507	25 718	12 929	-	404 154
Net book value as of 31.12.2020	290 207	14 533	4 556	675	309 971
Net book value as of 31.12.2019	292 293	14 837	4 441	1 079	312 650

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

Group	Land, buildings, constructions	Machinery and equipment	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount					
31.12.2018	545 105	32 620	15 565	393	593 683
Additions	6 325	2 236	1 490	718	10 769
Revaluation	100 552	4 900	-	-	105 452
Disposals	(1 053)	(921)	(612)	(32)	(2 618)
31.12.2019	650 929	38 835	16 443	1 079	707 286
Depreciation					
31.12.2018	323 273	20 697	11 248	-	355 218
Calculated	7 206	2 320	1 335	-	10 861
Revaluation	28 913	1 835	-	-	30 748
Disposals	(756)	(854)	(581)	-	(2 191)
31.12.2019	358 636	23 998	12 002	-	394 636
Net book value as of 31.12.2019	292 293	14 837	4 441	1 079	312 650
Net book value as of 31.12.2018	221 832	11 923	4 317	393	238 465

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

Company	Land, buildings, constructions	Machinery and equipment	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount					
31.12.2019	1 811	-	1 593	1	3 405
Additions	-	-	187	-	187
Transfer	-	-	-	(1)	(1)
Disposals	-	-	(59)	-	(59)
31.12.2020	1 811	-	1 721	-	3 532
Depreciation					
31.12.2019	18	-	658	-	676
Calculated	72	-	289	-	361
Disposals	-	-	(39)	-	(39)
31.12.2020	90	-	908	-	998
Net book value as of 31.12.2020	1 721	-	813	-	2 534
Net book value as of 31.12.2019	1 793	-	935	1	2 729

As at 31 December 2020, the Company has no payables for property, plant and equipment.

Company	Land, buildings, constructions	Machinery and equipment	Other fixed assets	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount					
31.12.2018	-	-	1 263	-	1 263
Additions	1 811	-	371	1	2 183
Disposals	-	-	(41)	-	(41)
31.12.2019	1 811	-	1 593	1	3 405
Depreciation					
31.12.2018	-	-	415	-	415
Calculated	18	-	272	-	290
Disposals	-	-	(29)	-	(29)
31.12.2019	18	-	658	-	676
Net book value as of 31.12.2019	1 793	-	935	1	2 729
Net book value as of 31.12.2018	-	-	848	-	848

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

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

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

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

10. Investment in subsidiary

Company		
EUR'000		
Invested during reorganisation 01.12.2017		
194 534		
Balance sheet value 31.12.2020 and 31.12.2019		
194 534		
Shares held	31.12.2020	31.12.2019
JSC "Gaso"	100%	100%

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

11. Inventories

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

12. Trade receivables

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

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

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

13. Taxes

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

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

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

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

* See Note 21.

14. Other financial assets at amortised cost

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

15. Other current assets

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

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

16. Shares and shareholders

	31.12.2020 % of total share capital	31.12.2020 Number of shares	31.12.2019 % of total share capital	31.12.2019 Number of shares
Share capital				
Registered (closed issue) shares	36.52	14 571 480	36.52	14 571 480
Bearer (public issue) shares	63.48	25 328 520	63.48	25 328 520
	100.00	39 900 000	100.00	39 900 000
Shareholders				
Uniper Ruhrgas International GmbH (including registered (closed issue) shares 7 285 740)	18.26	7 285 740	18.26	7 285 740
Marguerite Gas II S. à r.l.	28.97	11 560 645	28.97	11 560 645
Itera Latvija SIA	16.00	6 384 001	16.00	6 384 001
PJSC "Gazprom" (including registered (closed issue) shares 7 285 740)	34.00	13 566 701	34.00	13 566 701
Bearer (public issue) shares	2.77	1 102 913	2.77	1 102 913
	100.00	39 900 000	100.00	39 900 000

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

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

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

17. Interest-bearing loans and borrowings

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

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

18. Deferred income

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

Changes of deferred income

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

19. Employment and post-employment benefit obligations

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

20. Trade payables

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

21. Other liabilities

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

22. Related party transactions

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

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

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

23. Summary of significant accounting policies

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

Basis of preparation

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

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

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

Restatements of opening balances

In 2020 the Company migrated all its balances and settlements with household customers to new IT system MECOMS. After migration process the difference of 1 159 thousand EUR between accounting records and actual accounts receivable from households appeared. According to detailed investigation results this difference originated in accounting periods before reorganisation of the Company, which took place according to the requirements included in the Energy Law to ensure operational separation of the distribution business from the sales & trading activities, at the end of 2017. After reorganisation sales volume was recognised based on gas amounts in the distribution system, which was calculated by JSC GASO on a monthly basis based on the Rules of Cabinet of Ministers Nr 78 dated 7 February 2017 and fully agrees to accounting records of the Company. The difference was accumulated during long period before reorganisation due to the differences between actual gas consumption in Latvia and submitted values of gas counters, which were allocated to individual customers. As this 1 159 thousand EUR will not be recovered in next years and relates to the periods before these financial statements,

then comparative information of 31 December 2019 is adjusted retrospectively. The impact of restatement is as follows:

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

New Accounting Pronouncements


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

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

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

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

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have



the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

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

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

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

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

Financial instruments

Financial assets Classification

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

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

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

Recognition and de-recognition

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

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

Measurement

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



Debt instruments

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

Amortised cost

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

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

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

Equity instruments

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

Derivative financial instruments


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

Impairment

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

The measurement of ECL reflects:

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



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

Revenue from contracts with customers

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

Sale of natural gas – wholesale

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


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

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

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

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

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



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

Excise duty

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

Sale of services – natural gas distribution

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

Connection fees

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


Contract assets and contract liabilities related to contracts with customers

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

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

Financing component

The Group and the Company do not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.



Consequently, the Group and the Company do not adjust any of the transaction prices for the time value of money.

Property, plant and equipment

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


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

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

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

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

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



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

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

Intangible assets

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

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

Impairment of non-financial assets

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

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

Inventories


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

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

Leases (accounting policy applied since 1 January 2019)

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

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

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

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

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

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

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

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

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



Principles of consolidation

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

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

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


Reorganisation and investment in subsidiary

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

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

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

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



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

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

Segment reporting

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

Share capital and dividend authorised


Ordinary shares are classified as equity. No preference shares have been issued. Incremental external costs directly attributable to the issues of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution to the Group's parent company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Trade and other payables

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

Borrowings and borrowing costs

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Fees paid for establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are derecognised when



the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

Provisions

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

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

Employee benefits

Wages, salaries and bonus plans

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

Social security and pension contributions

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



Vacation pay accrual

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

Post-employment and other employee benefits

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

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

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

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

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

Income tax

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

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



Related parties

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

24. Contingent liabilities

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

According to the Commercial law of Republic of Latvia, in the case of reorganization, the incumbent company bears solidary responsibility together with the newly established company with regard to the liabilities that originated prior to reorganisation and were transferred to the newly established company, and whose settlement date occurs within five years after the reorganization date. As at 31 December 2020 and 31 December 2019, the Group and the Company are not aware of any existing liabilities that they would be liable for in relation to the above.

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

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

When the net profit for 2020 is distributed, corporate income tax liabilities will arise (20/80 from net amount distributed to shareholders). Dividends received from the subsidiary will not give rise to additional tax liability in the hands of the Company when distributed further to the shareholders of the Company. Assuming a proposed distribution of profit for 2020 as disclosed in Note 16 (10 374 thousand EUR or 0.26 EUR per share), taking into account the subsidiary's dividends of 8 778 thousand EUR, the resulting corporate income tax charge will be around 399 thousand EUR, to be recognised in the Group's and the Company's profit or loss when the decision about distribution is approved by the shareholders.

25. Subsequent events

In light of the increasing risks of spread of the coronavirus, a state of emergency has again been put in place in Latvia till 6 April 2021. The management of the Latvijas Gāze group intends to comply with all the necessary safety measures to keep its customers and employees safe. There is currently not enough information to reliably measure the impact of the state of emergency upon the Group's financial performance. As in May 2021 the existing overdraft agreement of the JSC "Latvijas Gāze" with OP Corporate Bank plc will expire, JSC "Latvijas Gāze" has concluded a new overdraft agreement with OP Corporate Bank plc that will be utilized to purchase natural gas during the next two natural gas injection seasons. The new overdraft limit is 30 million EUR and expires on 31 May, 2023. Apart from the above, between 31 December 2020 and the signing of these financial statements there have been no events of impact upon the Company's or the Group's financial position or financial results as at the balance sheet date.