

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2017**

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

**Riga
2017**

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COUNCIL

(Term of office from August 15, 2017 till August 15, 2020)



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

Since 2003, Head of Gas and Liquid Hydrocarbon Marketing and Processing Division 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 2011, Senior Vice President for Infrastructure Management at E.ON Global Commodities SE/E.ON Ruhrgas, Düsseldorf/Essen, Germany



Matthias Kohlenbach, 1969
Member of the Council

From 2012 till 2015, Member of the Board at E.ON Ruhrgas International GmbH, Germany



Guillaume Rivron, 1972
Member of the Council

Since 2010, Investment Director of Marguerite Adviser S.A. (France)



Nicolàs Merigó Cook, 1963
Member of the Council

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



Hans-Peter Floren, 1961
Member of the Council

Since 2014, Chief Executive Officer of FAKT Energy AG (Essen, Germany)



Viktor Valov (Виктор Валов), 1958
Member of the Council

Since 2011, Head of Directorate of Department for External Economic Affairs at PJSC "Gazprom"



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"



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"

Council members no longer in office as of August 15, 2017: Nikolay Dubik and Jörg Tumat.

BOARD

(Term of office from August 16, 2015 till August 15, 2018)



Aigars Kalvītis, 1966
Chairman of the Board

Latvian University of Agriculture -
Master's Degree in Economics



Alexander Frolov (Александр Фролов),
1980

Vice-Chairman of the Board

MBA of Applied Administration under the
programme "Administration of Oil and Gas
Corporation in Global Environment",
graduated from the St. Petersburg State
University of Economics (Higher School of
Economics), St. Petersburg, Russia



Sebastian Gröblichhoff, 1979

Vice-Chairman of the Board

(term of office from September 1, 2016 till August
31, 2019)

Maastricht University / Netherlands
Master's Degree in Economics



Zane Kotāne, 1977
Member of the Board

Riga Business School, Master's Degree in
Business Administration



Gints Freibergs, 1959
Member of the Board

Riga Polytechnic Institute, Engineer of
Heat Power Industry

SHARES AND SHAREHOLDERS

Shares and shareholders

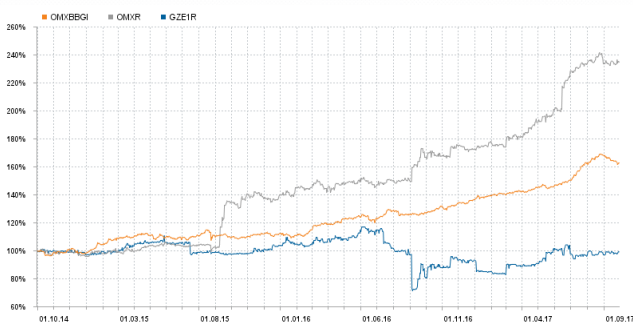
The shares of the Joint Stock Company "Latvijas Gāze" (hereinafter – the Company) have been listed on the Nasdaq Riga stock exchange since February 15, 1999, and its ticker code has been GZE1R since August 1, 2004. The total number of securities has not changed since 1999.

Company's share price, changes of OMX Riga GI and OMX Baltic GI indexes (01.01.2014–30.09.2017)

ISIN	LV0000100899	Number of securities traded	
Exchange code	GZE1R	in a public market	25'328'520
List	Secondary listing	Liquidity providers	None
Nominal value	1.40 EUR		
Total number of securities	39'900'000		

Source: Nasdaq Riga

The Company's shares are included in four Baltic industry indexes which include public utilities - B7000GI, B7000PI, B7500GI, B7500PI, as well as in three geographic indexes - OMXBGI, OMXBPI, OMXRGI.



OMX RIGA - 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 - 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.

In terms of stock market capitalisation, the Company ranked number one among companies listed on Nasdaq Riga and number six among companies listed on Nasdaq Baltic. The Company's capitalisation value at the end of September 2017 was 372 million EUR.

January 4, 2017 saw completion of the process of reorganisation of Latvijas Gāze, with the natural gas transmission and storage segments spun off. This resulted in the Company's share price on the stock exchange dropping by 8.1%. However, after the Company's results of 2016 were published, the share price rose by 9.0%. There was a further rise after the market opening on April 3, 2017, followed by a slight drop after the payment of dividends in early July. Overall, from January till the end of September the Company's share price has increased by 9.9%.

Changes in the Company's share price and turnover (30.09.2014-30.09.2017)

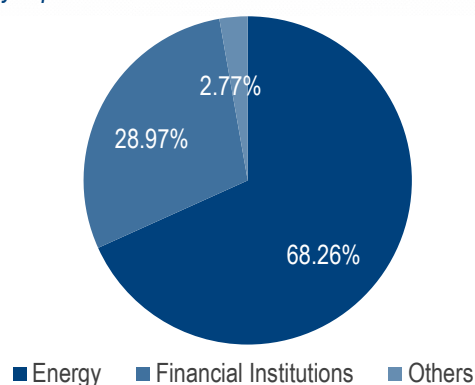


Source: Nasdaq Riga

Share trading information (30.09.2015-30.09.2017)

	2015 9M	2016 9M	2017 9M
Share price (EUR):			
First	9.14	9.79	8.78
Highest	10.40	11.10	9.82
Lowest	9.11	5.55	7.76
Average	9.60	9.63	8.77
Last	9.18	7.60	9.33
Change	0.44%	-22.37%	6.26%
Number of transactions	1,004	1,881	1,144
Number of shares traded	111,256	193,054	133,081
Turnover (million EUR)	1.068	1.860	1.161
Capitalisation (million EUR)	366.28	303.24	372.27

Composition of shareholders by industry represented as at 30.09.2017



Shares owned by management and supervision bodies

		As at the day of signing of financial statements
Board		Number of shares
Chairman of the Board	Aigars Kalvītis	None
Vice-Chairman of the Board	Alexander Frolov	None
Vice-Chairman of the Board	Sebastian Groeblichhoff	None
Member of the Board	Gints Freibergs	416
Member of the Board	Zane Kotāne	None
Council		
Chairman of the Council	Kirill Seleznev	None
Vice-Chairman of the Council	Juris Savickis	None
Vice-Chairman of the Council	Oliver Giese	None
Member of the Council	Matthias Kohlenbach	None
Member of the Council	Viktor Valov	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	Guillaume Rivron	None
Member of the Council	Hans-Peter Floren	None
Member of the Council	Elena Mikhaylova	None

MANAGEMENT REPORT

Key figures

In 2017 there are substantial changes from the previous year in the Company's business area. While in 2016 the customers were sold gas only for the price set by the regulator, the opening of the Latvian natural gas market in the first half of 2017 made it possible not only to freely set the natural gas price whilst offering a much broader range of products, but also to trade natural gas across a variety of consumer segments. Since the market opening the Company has become the most active wholesaler in Latvia and also retained its position as the most reliable natural gas supplier for market customers and households alike.

In the first nine months the Company supplied natural gas to 424 thousand customers in Latvia and further expanded its presence in the natural gas wholesale segment and natural gas trading abroad, registering a year-on-year increase in the natural gas sales volume.

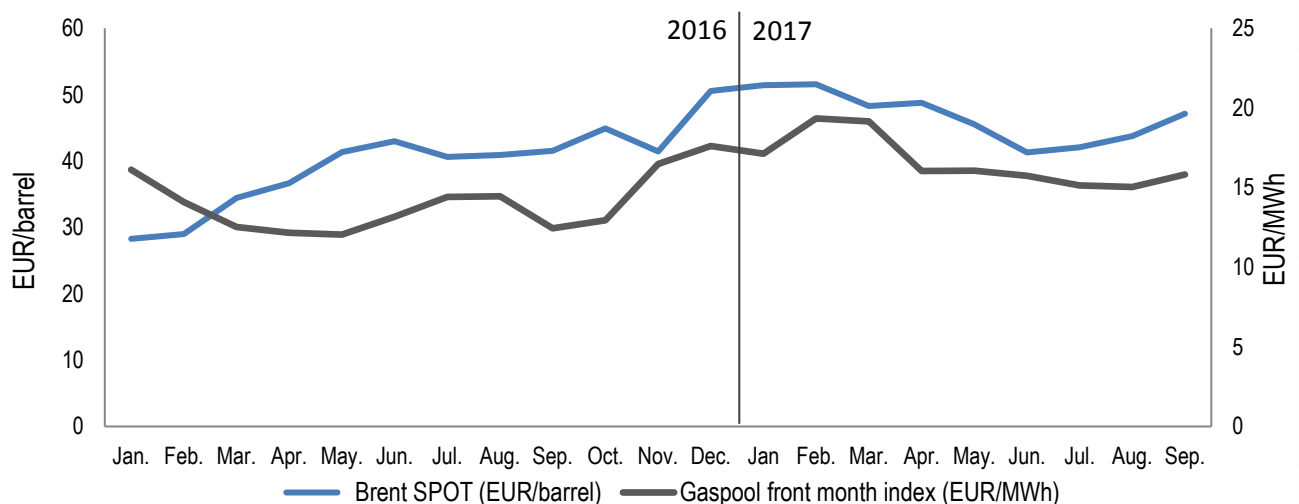
The third quarter of 2017 is the last for the Company as an integrated natural gas distribution system operator and natural gas trader. In order to meet the requirements of the Energy Law, an active process of separation of natural gas distribution system operator and natural gas trader was launched in 2017 and is due for completion on January 1, 2018. The distribution system operator will be spun off into a subsidiary, thus maintaining a vertically integrated group. The distribution system operator's name will be JSC "GASO" (hereinafter – GASO).

Key financial figures (thous. EUR)	2017 Q3	2016 Q3*
Net turnover	245,373	217,242
EBITDA	23,958	27,665
EBITDA, %	9.8	12.7
EBIT	14,763	18,351
EBIT, %	6.0	8.4
Net profit	17,551	15,370
Net profitability, %	7.2	7.1
Profit per share, EUR	0.44	0.39
P/E	21.21	25.00

EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortisation
 EBIT - Earnings Before Interest, Taxes
 P/E - price over earnings ratio

Key operational figures	2017 Q3	2016 Q3*
Natural gas sales, GWh	10,961	9,711
Number of customers (addresses), thousand	424	426
Number of customers, average	977	962
Length of gas distribution lines, km	5,206	5,053

Gaspool and Brent oil sale prices 01.01.2016-30.09.2017



Description of operation environment

- The Company's total sales quantity in the first nine months of 2017 reached 10,961 GWh, which is a 12.9% increase year-on-year. The growth stems from the Company's presence in the wholesale segment, selling natural gas both at the Virtual Trading Point and at the Inčukalns Underground Gas Storage Facility.
- In the third quarter of 2017, compared with the previous year, the Company's EBITDA margin has fallen 2.9% to 9.8% because of costs related to the marketing opening.

The Company ensures a continuous supply of natural gas to its customers during the heating season by building up natural gas stocks at the Inčukalns UGS

- In the first nine months of 2017 the net profitability was on par with that of the first nine months of 2016.
- On July 28, 2017 there were amendments passed to the Corporate Income Tax (CIT) law with changes in the

procedure of calculation and collection of the CIT. The changes also affect the recognition of tax depreciation, deferred tax and revaluation reserves. Consequently, in the third quarter of 2017 the Company has recognised an income of tax accrual recognition in the amount of 6.1 million EUR.

- The Company treats the supply of market customers responsibly, so in the autumn of 2017 it purchased natural gas for the next heating season which is kept at the Inčukalns Underground Gas Storage Facility. The Company's customers are thus guaranteed a continuous supply of natural gas. In order to ensure a sufficient liquidity for natural gas purchases, on September 22 there was an overdraft contract signed with the Latvian branch of OP Corporate Bank plc on the granting of a 35 million EUR credit line. The duration of the contract is 18 months.
- Legal customers are participants of the open natural gas market since April 3, 2017, while households still remain eligible to receive natural gas for the prices set by the Public Utilities Commission.

Financial risk management

In 2017 the Company continued and further improved the control mechanisms to reduce the credit risk which its financial assets are exposed to.

During the reporting year the Company remains exposed to a high customer concentration risk, with five customers accounting for 57% of the nine-month sales quantity in 2017. The major customers are applied individual credit risk management policies which include several practices such as initial credit limit assessment, detailed monitoring of financial measures, as well as a frequent billing practice to avoid debt accumulation. For smaller customers the Company has approved detailed credit risk

management policies, describing basic steps for monitoring the progress and managing the legally mandatory communication with the customers. Under the financial asset policy, for the purposes of management of the credit risk associated with cash and its equivalents, the Company quarterly assessed all corporate credit institutions by their financial and non-financial indicators.

The Company's liquidity risk arising from the substantial dependence of natural gas consumption on the outdoor air temperature was controlled using cash flow planning tools of various terms.

Subsequent events

On October 24 the Company signed a contract with the JSC "SEB Banka" on the receipt of a 35,000,000 EUR loan for the refinancing of the capital investments made in the distribution segment in 2012-2017 with a term of 5

years. When GASO is registered with the Register of Enterprises, the liabilities will be novated for the benefit of GASO through an asset distribution agreement.

Future prospects

At the extraordinary meeting held on August 15, 2017 the shareholders adopted the reorganisation decision whereby the JSC "Latvijas Gāze" shall spin off the distribution services by January 1, 2018. A new entity, the

distribution system operator GASO, is set to be founded on November 22, 2017 and become a 100% subsidiary of the Company. Latvijas Gāze from then onwards will be the group's parent company active in natural gas trading.

Transactions with related parties

The Company is under a long-term agreement with the PJSC Gazprom on "take or pay" conditions whereby there is a minimum quantity to be purchased in a given period. If the company fails to take the contracted quantity, it may incur legal obligations.

Joint Stock Company "Latvijas Gāze" is liable for the obligations (incurred before reorganisation) of the operating segments of natural gas transmission and storage transferred by way of reorganisation to the Joint Stock Company "Conexus Baltic Grid", registration number 40203041605, for 5 years from the effective date of the reorganisation of the Joint Stock Company "Latvijas Gāze". The reorganisation took effect on January 2, 2017.

Under Section 20 Paragraph one and Section 351 Paragraph two and three of the Commercial Law, the

STATEMENT OF BOARD RESPONSIBILITY

The Board of the Joint Stock Company "Latvijas Gāze" (hereinafter – the Company) is responsible for the preparation of the Company's financial statements.

The unaudited interim condensed financial statements for the 9-month period ended 30 September 2017 have been prepared in compliance with the International Financial Reporting Standards as adopted by the European Union.

According to the information available to the board of the capital company, the financial information has been prepared in compliance with the effective legislation and provides a true and fair view of the capital company's assets, liabilities, financial standing and profit or losses. The principles of recognition and valuation of items observed in the preparation of financial information were the same as in the annual accounts.

The Company's unaudited interim condensed financial statements for the 9-month period ended 30 September 2017 were approved by the Board of Directors on November 15, 2017.

The financial statements were approved by the Board of the JSC "Latvijas Gāze" on November 15, 2017 and they are signed on behalf of the Board by:

Aigars Kalvītis
Chairman of the Board

Zane Kotāne
Member of the Board

FINANCIAL STATEMENTS

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

CORPORATE INFORMATION

Company	JSC Latvijas Gāze
LEI code	097900BGMO0000055872
Registration number, place and date of registration	Re-registered in Commercial Register December 20, 2004 with common registration number No 40003000642 Riga, March 25, 1991
Address	Vagonu street 20, Riga, LV-1009, Latvia www.lg.lv
Major shareholders	PAS Gazprom (34,0%) Marguerite Gas II S.à r.l. (28,97%) Uniper Ruhrgas International GmbH (18,26%) ITERA Latvija SIA (16,0%)
Corporate Governance Report	www.lg.lv
Financial Year	January 1 - September 30, 2017

STATEMENT OF PROFIT OR LOSS

	Note	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016 (Restated)
		EUR'000	EUR'000
Revenue	2	245,373	217,242
Other income		2,157	3,154
Raw materials and consumables used	3	(201,501)	(171,846)
Personnel expenses	4	(14,830)	(15,905)
Depreciation, amortisation and impairment of property, plant and equipment		(9,195)	(9,314)
Other operating expenses	5	(7,241)	(4,980)
Operating profit		14,763	18,351
Financial income, costs net		(1,285)	68
Profit before taxes		13,478	18,419
Corporate income tax	6	4,073	(3,049)
Profit from continuing operations		17,551	15,370
Profit from discontinued operations		-	2,890
Profit for the period		17,551	18,260

STATEMENT OF OTHER COMPREHENSIVE INCOME

	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016 (Restated)
	EUR'000	EUR'000
Profit for the year	17,551	18,260
Other comprehensive income - items that will not be reclassified to profit or loss in subsequent periods		
Revaluation of property, plant and equipment	10,178	99
Deferred tax liability from revaluation of property, plant and equipment	18,289	-
Net income recognised as other comprehensive income from continuing operations	28,467	99
Net income from discontinued operations	-	7,564
Total comprehensive income for the period	46,018	25,923

The Notes on pages 16-29 are integral part of these Financial Statements

The financial statements were approved by the Board of the JSC "Latvijas Gāze" on November 15, 2017 and they are signed on behalf of the Board by:

 Aigars Kalvītis
 Chairman of the Board

 Zane Kotāne
 Member of the Board

BALANCE SHEET

	Note	30.09.2017	31.12.2016
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Intangible assets	7	2,646	2,182
Property, plant and equipment	8	243,135	237,519
Other debtors		8	8
Total non-current assets		245,789	239,709
Current assets			
Inventories	9	109,118	3,902
Advances for inventories		16,752	1,236
Trade receivables		19,853	28,285
Current income tax receivable		5,549	988
Other current assets		381	540
Term deposits		17,038	-
Cash and cash equivalents		2,905	167,630
Assets held for distribution		-	351,668
Total current assets		171,596	554,249
TOTAL ASSETS		417,385	793,958
LIABILITIES			
Equity			
Share capital	12	55,860	55,860
Share premium		20,376	20,376
Reserves	12	142,572	485,624
Retained earnings		115,383	37,506
Total equity		334,191	599,366
Non-current liabilities			
Deferred income	10	18,890	19,195
Employee benefit obligations		3,778	3,731
Deferred tax liabilities		-	24,423
Total non-current liabilities		22,668	47,349
Current liabilities			
Loans from credit institutions		22,813	-
Trade payables		8,608	2,392
Deferred income	10	989	974
Unpaid dividends		-	35,112
Other liabilities	11	28,116	31,183
Liabilities held for distribution		-	77,582
Total current liabilities		60,526	147,243
TOTAL LIABILITIES		417,385	793,958

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 Chairman of the Board

 Zane Kotāne
 Member of the Board

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
December 31, 2015	55,860	20,376	504,650	30,517	611,403
<i>Transactions with owners:</i>					
Dividends	-	-	-	(30,324)	(30,324)
Transferred to unpaid dividend	-	-	(35,112)	-	(35,112)
<i>Total transactions with owners</i>	-	-	(35,112)	(30,324)	(65,436)
Transfers to reserves / reclassification	-	-	625	(193)	432
<i>Other comprehensive income:</i>					
Other comprehensive income	-	-	15,461	-	15,461
Profit for the year	-	-	-	37,506	37,506
<i>Total other comprehensive income</i>	-	-	15,461	37,506	52,967
December 31, 2016	55,860	20,376	485,624	37,506	599,366
Reserves of discontinued operations	-	-	(274,086)	-	(274,086)
<i>Transactions with owners:</i>					
Dividends	-	-	-	(37,107)	(37,107)
<i>Total transactions with owners</i>	-	-	-	(37,107)	(37,107)
Reclassification	-	-	(26,385)	26,385	-
Reduction of fixed asset revaluation reserve	-	-	(71,048)	71,048	-
<i>Other comprehensive income:</i>					
Other comprehensive income	-	-	28,467	-	28,467
Profit for the year	-	-	-	17,551	17,551
<i>Total other comprehensive income</i>	-	-	28,467	17,551	46,018
September 30, 2017	55,860	20,376	142,572	115,383	334,191

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 Chairman of the Board

 Zane Kotāne
 Member of the Board

STATEMENT OF CASH FLOW

	30.09.2017	30.09.2016 (Restated)
	EUR'000	EUR'000
Cash flows from operating activities		
Profit before corporate income tax from continuing operations	13,478	18,419
Profit before corporate income tax from discontinued operations	-	3,684
<i>Adjustments:</i>		
- depreciation of property, plant and equipment	8,507	24,359
- amortisation of intangible assets	692	763
- movement in provisions	(1,504)	303
- proceeds from sale of property, plant and equipment	86	265
<i>Changes in operating assets and liabilities:</i>		
- in accounts receivable	8,592	(3,225)
- in advances for inventories	(15,516)	(18,403)
- in inventories	(105,216)	28,860
- in accounts payable	2,347	13,418
Corporate income tax paid	(4,561)	(4,674)
Net cash flow from operating activities	(93,095)	63,769
Cash flow from investing activities		
Payments for property, plant and equipment	(4,077)	(3,410)
Payments for intangible assets	(1,155)	(1,231)
Proceeds from sale of property, plant and equipment	46	39
Term deposits	(17,038)	-
Purchase of property, plant, equipment and intangible assets of discontinued operations	-	(12,596)
Net cash outflow from investing activities	(22,224)	(17,198)
Cash flow from financing activities		
Borrowings received	22,813	-
Dividends paid	(72,219)	(30,324)
Net cash inflow / (outflow) from financing activities	(49,406)	(30,324)
Net cash flow	(164,725)	16,247
Cash and cash equivalents at the beginning of the reporting year	167,630	79,207
Cash and cash equivalents at the end of the reporting year	2,905	95,454

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 Chairman of the Board

 Zane Kotāne
 Member of the Board

NOTES TO THE FINANCIAL STATEMENTS

Segment reporting

In the three quarters of 2017 the Company had two operating segments: gas distribution (includes the transmission of natural gas through high-, mid- and low-pressure pipelines to the final consumer) and gas trade (includes the purchase of natural gas for sale and retail to natural gas consumers and wholesale to other natural gas traders).

The information included in the operating segments corresponds to the information used by the Board in the making of operational decisions and the allocation of resources.

1. Segment reporting

30.09.2017	Gas distribution	Gas sale	TOTAL
	EUR'000	EUR'000	EUR'000
Revenue from external customers	2,283	243,090	245,373
<i>including Latvia</i>	2,283	241,626	243,909
<i>Other countries</i>	-	1,464	1,464
Internal revenue/expenses	32,589	(32,589)	-
Total revenue	34,872	210,501	245,373
EBITDA	17,118	6,840	23,958
Depreciation and amortisation	8,722	473	9,195
Segment profit before taxes	8,397	5,081	13,478
Purchase of property, plant and equipment and intangible assets	4,393	844	5,237
Segment assets	246,569	150,873	397,442

30.09.2016 (Restated)	Gas distribution	Gas sale	TOTAL
	EUR'000	EUR'000	EUR'000
Revenue from external customers	626	216,616	217,242
<i>including Latvia</i>	626	216,587	217,213
<i>Other countries</i>	-	30	30
Internal revenue/expenses	33,006	(33,006)	-
Total revenue	33,632	183,610	217,242
EBITDA	16,432	11,233	27,665
Depreciation and amortisation	8,860	454	9,314
Segment profit before taxes	7,622	10,797	18,419
Purchase of property, plant and equipment and intangible assets	4,350	111	4,461
Segment assets 31.12.2016	247,811	79,829	327,640

Segment information collation

	30.09.2017	31.12.2016
	EUR'000	EUR'000
Segment assets	397,442	626,328
Cash and cash equivalents	2,905	167,630
Term deposits	17,038	
Total assets	417,385	793,958

Statement of profit or loss

2. Revenues

Revenues	30.09.2017	30.09.2016
	EUR'000	EUR'000
Natural gas trade	244,715	216,585
Other revenue	658	657
	245,373	217,242

3. Raw materials and consumables used

Raw materials and consumables used	30.09.2017	30.09.2016
	EUR'000	EUR'000
Natural gas purchase	198,482	169,202
Natural gas for technological purposes	1,842	1,561
Costs of materials, spare parts and fuel	1,177	1,083
	201,501	171,846

4. Personnel expenses

Personnel expenses	30.09.2017	30.09.2016
	EUR'000	EUR'000
Wages and salaries	11,297	12,046
State social insurance contributions	2,620	2,857
Life, health and pension insurance	781	864
Other personnel costs	132	138
	14,830	15,905

5. Other operating expenses

Other operating expenses	30.09.2017	30.09.2016
	EUR'000	EUR'000
Sale and advertising costs	2,059	1,001
Office and other administrative costs	1,409	1,058
Expenses for maintenance of premises and other services	1,202	1,028
Other costs	1,095	705
Taxes and duties	788	654
Costs of IT system maintenance, communications and transport	688	534
	7,241	4,980

6. Corporate income tax

Corporate income tax	30.09.2017	30.09.2016
	EUR'000	EUR'000
Corporate income tax	(2,061)	(3,049)
Deferred tax liability*	6,134	-
	4,073	(3,049)

*On July 28, 2017 the Parliament passed the new Corporate Income Tax Law whereby all temporary differences between the financial accounting value of assets and liabilities and the tax base are abolished. This means that the deferred tax liabilities incurred as a result of temporary differences of fixed assets will no longer be recognized in the Company's financial statements. The Company partially writes off deferred tax liabilities to reserves and partially to the profit or loss account, recognizing them as income.

Balance sheet

7. Intangible assets

Intangible assets	30.09.2017	31.12.2016
	EUR'000	EUR'000
Cost		
As at the beginning of period	11,306	14,346
Additions	1,155	2,320
Disposals	(571)	(8)
Intangible assets held for distribution	-	(5,352)
As at the end of period	11,890	11,306
Amortisation		
As at the beginning of period	9,124	12,064
Amortisation	692	1,084
Disposals	(572)	(7)
Intangible assets held for distribution	-	(4,017)
As at the end of period	9,244	9,124
Net book value as at the end of the period	2,646	2,182

8. Property, plant and equipment

	Land	Buildings, constructions	Machinery and equipment	Other fixed assets	Costs of items under construction	TOTAL
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount						
31.12.2016	1,534	485,724	30,869	11,955	463	530,545
Additions	-	216	401	403	3,057	4,077
Reclassified	-	435	(1,768)	2,046	(713)	-
Revaluated	-	53,824	2,224	-	-	56,048
Disposals	-	(418)	(363)	(559)	-	(1,340)
30.06.2017	1,534	539,781	31,363	13,845	2,807	589,330
Depreciation						
31.12.2016	-	264,970	19,247	8,809	-	293,026
Calculated	-	6,094	1,436	838	-	8,368
Reclassified	-	-	(1,114)	1,114	-	-
Revaluated	-	46,744	(677)	-	-	46,067
Disposals	-	(298)	(411)	(557)	-	(1,266)
30.06.2017	-	317,510	18,481	10,204	-	346,195
Net book value as 30.06.2017	1,534	222,271	12,882	3,641	2,807	243,135
Net book value as 31.12.2016	1,534	220,754	11,622	3,146	463	237,519

Buildings and constructions in their residual book value as at 30 September 2017 include gas distribution pipelines worth 192,551 thousand EUR primarily related to technical gas distribution.

8. Property, plant and equipment (continued)

	Land	Buildings, constructions	Machinery and equipment	Other fixed assets	Costs of items under construction	TOTAL
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost or revalued amount						
31.12.2015	11,961	1,077,534	135,018	20,961	12,482	1,257,956
Additions	-	307	1,137	1,200	24,554	27,198
Reclassified	-	20,558	8,818	(5,225)	(24,151)	-
Revaluated	-	16,749	(5,469)	-	-	11,280
Disposals	-	(4,585)	(2,976)	(650)	(3)	(8,214)
Assets held for distribution	(10,427)	(624,839)	(105,659)	(4,331)	(12,419)	(757,675)
31.12.2016	1,534	485,724	30,869	11,955	463	530,545
Depreciation						
31.12.2015	-	607,880	77,319	15,307	-	700,506
Calculated	-	21,308	7,001	2,153	-	30,462
Revaluated	-	3,618	(9,587)	-	-	(5,969)
Calculated	-	(3,436)	(2,789)	(640)	-	(6,865)
Reclassified	-	1,726	3,297	(5,023)	-	-
Assets held for distribution	-	(366,126)	(55,994)	(2,988)	-	(425,108)
31.12.2016	-	264,970	19,247	8,809	-	293,026
Net book value as 31.12.2016	1,534	220,754	11,622	3,146	463	237,519
Net book value as 31.12.2015	11,961	469,654	57,699	5,654	12,482	557,450

During the reporting period ended 30 September 2017, the Company carried out a revaluation of buildings, constructions, and technological equipment and devices. The revaluation was done by an external expert using the amortised replacement cost method, and the level of the assumption data used has not been changed.

9. Inventories

Inventories	30.09.2017	31.12.2016
	EUR'000	EUR'000
Natural gas and fuel	107,723	2,593
Materials and spare parts	1,477	1,607
Allowance for slow-moving inventory	(82)	(298)
	109,118	3,902

Allowance for impairment of slow-moving and obsolete inventories	30.09.2017	31.12.2016
	EUR'000	EUR'000
Allowance at the beginning of the year	298	421
Released in profit or loss statement from continuing operations	(12)	(19)
Released in profit or loss statement from discontinued operations	-	(11)
Costs included in profit or loss statement	2	-
Written down	(206)	(7)
Assets held for distribution	-	(86)
Allowance at the end of the period	82	298

10. Deferred income

Deferred income	30.09.2017	31.12.2016
	EUR'000	EUR'000
<i>Income from residential and corporate customers' contributions to construction of gas pipelines:</i>		
Long-term part	18,890	19,195
Short-term part	989	974
	19,879	20,169

Changes of deferred income	30.09.2017	31.12.2016
	EUR'000	EUR'000
Balance at the beginning of the year	20,169	29,161
Received from residential and corporate customers during reporting year	441	562
Included in income of reporting year	(731)	(951)
Liabilities held for distribution	-	(8,603)
Total transfer to next period	19,879	20,169

11. Other liabilities

Other liabilities	30.09.2017	31.12.2016
	EUR'000	EUR'000
Prepayments received	12,270	12,273
Value added tax	9,047	7,852
Accrued costs	2,180	3,088
Provision for taxes	2,061	-
Vacation pay reserve	1,002	1,002
Salaries	542	828
Social security contributions	386	1,553
Excise tax	359	2,636
Personnel income tax	158	899
Other current liabilities	62	1,016
Real estate tax	49	-
Natural resource tax	-	36
	28,116	31,183

Other information

12. Shares and shareholders

Equity	30.09.2017 % of total share capital	30.09.2017 Number of shares	31.12.2016 % of total share capital	31.12.2016 Number of shares
Equity				
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 (<i>including registered (closed issue) shares 7,285,740</i>)	18.26	7,285,740	18.26	7,285,740
Marguerite Gas I S.à r.l.	-	-	28.97	11,560,645
Marguerite Gas II S.à r.l.	28.97	11,560,645	-	-
Itera Latvija SIA	16.00	6,384,001	16.00	6,384,001
PJSC "Gazprom" (<i>including registered (closed issue) shares 7,285,740</i>)	34.00	13,566,701	34.00	13,566,701
State-owned shares*	0.00	117	0.00	117
Bearer (public issue) shares	2.77	1,102,796	2.77	1,102,796
	100.00	39,900,000	100.00	39,900,000

* The state-owned shares are held by the Ministry of Economy of the Republic of Latvia.

On March 23, 2017, Marguerite Gas II S.à r.l. received all the shares owned by Marguerite Gas I S.à r.l., thus becoming the holder of 28.97% of the Company's shares. Both companies have the same chain of controlling owners – "MARGUERITE HOLDINGS S.à.r.l." and "2020 European Fund for Energy, Climate Change and Infrastructure".

As at September 30, 2017, the registered, signed and paid share capital consists of 39,900,000 shares with a par value of EUR 1.40 each. All shares have equal voting rights and rights to dividends.

Reserves	30.09.2017 EUR'000	31.12.2016 EUR'000
Revaluation reserve	133,723	176,564
Employee benefits revaluation reserve	(503)	(503)
Other reserves	9,352	35,477
<i>Reserves of discontinued operations</i>	-	274,086
	142,572	485,624

13. Related party transactions

No individual entity exercises control over the Company. The Company has 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.

Income or expenses	30.09.2017	31.12.2016
	EUR'000	EUR'000
<i>Income from provision of services</i>		
PJSC "Gazprom"	-	7,817
JSC "Conexus Baltic Grid"	2,920	-
	2,920	7,817
<i>Expenses on purchase of services from companies controlled by related companies</i>		
PJSC "Gazprom"	287,182	203,034
JSC "Conexus Baltic Grid"	27,489	-
Companies controlled by PJSC "Gazprom"	-	5,466
	314,671	208,500

Related party payables and receivables	30.09.2017	31.12.2016
	EUR'000	EUR'000
<i>Receivables from related companies</i>		
JSC "Conexus Baltic Grid"	1,259	-
	1,259	-
<i>Advance payment to related entities</i>		
PJSC "Gazprom"	16,750	1,236
	16,750	1,236
<i>Payables to related companies for natural gas and services</i>		
PJSC "Gazprom"	4,181	1
JSC "Conexus Baltic Grid"	3,223	-
	7,404	1

14. Financial risk management

The Company is exposed to credit risk on its financial assets and to liquidity risk due to high seasonality of natural gas sales. The Company acquires and sells most of the services and goods in Euros, while short-term deposits are held in USD, so there is a likelihood that currency fluctuations will affect the Company's financial position.

The Company is financed from own funds or overdraft available to its use. Financial assets and liabilities arise from core business activities of the Company and are all measured at amortised cost.

14. Financial risk management (continued)

Credit risk

The Company is exposed to credit risk, which is a risk of material losses arising in a case when a counterparty is not able to fulfil its contractual obligations to the Company. The credit risk is critical to the operations of the Company, so it is important to manage this risk effectively. The credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Concentration of credit risk

Similarly to the Company's sales, its outstanding receivables are exposed to a high concentration risk, thus the source of credit risk is mainly associated with top five customers of the Company. Debts of five largest clients are not overdue and are not impaired as of 30 September 2017.

Credit risk management practices

The credit risk management is performed by the trading segment of the Company under supervision of the management board member responsible for commercial operations. For the largest customers the Company uses individual credit risk management policies, which include several practices such as initial credit limit assessment, detailed monitoring of financial measures, as well as a frequent billing practice to avoid accumulation of current debt. In case of initial doubts, clients are placed for regular monitoring at the Board level, and, if required, additional collaterals are required to secure provision of services and sale of natural gas. For smaller customers the Company has approved detailed credit risk management policies, describing basic steps for monitoring the progress and managing legally mandatory communication with the clients before an insolvency procedure can be initiated. In case of customer becoming doubtful, the Company establishes provisions and starts legal proceeding to collect the debt.

For managing the credit risk associated with cash and cash equivalents, the Company has approved a financial asset management policy. Based on internal guidelines all credit institutions with which the Company cooperates are graded once in a quarter, taking into account their financial measures as well as non-financial indicators. Based on the assessment, limits for current accounts with one institution as well as deposit limits are defined and regularly monitored. Cash and cash equivalents comprise cash on hand, balances of current accounts with banks and deposits held at call with banks with original term less than 90 days, which can be easily converted to cash and are not subject of significant change in value.

Liquidity risk

Liquidity risk is associated with the Company's ability to meet its obligations in due time. Owing to the high seasonality of the Company's business, cash inflow is subject to substantial fluctuations during a year. Most revenues are earned in the first and fourth quarter, while the operating costs associated with maintenance spread evenly throughout the year, but natural gas purchases for the following heating season are predominantly made in the third quarter, as is the payment of dividends for the preceding year.

The Company uses a credit line to manage liquidity risk. It draws up annual, quarterly and monthly cash flows to identify the operating cash flow requirements.

15. Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. IFRS requires that in preparing the financial statements, management of the Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The areas involving a higher degree of judgment and thus having significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are revaluation of property, plant and equipment, determination of frequency of revaluations, the management assumptions and estimates in determination of useful lives of property, plant and equipment and recoverable amount of accounts receivable and inventories.

Revaluation of property, plant and equipment

The management determines the fair value and the remaining useful life of buildings and constructions and equipment and machinery based on valuations performed by independent certified valuers in accordance with real estate valuation standards and based on the average construction costs relevant for the reporting year. The Company's internal policy is to perform the revaluations when there are indications that the average construction costs and/or purchase prices related to the buildings, gas distribution system and equipment have changed significantly.

Recoverable amount of trade 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, using historical loss experience.

Inventory valuation

Upon valuation of inventories, the management relies on its best knowledge taking into consideration historical experience, general background information and potential assumptions and conditions of future events. In determining the impairment of inventories, the sales potential as well as the net realisable value of inventory is taken into consideration.

Recognition of revenues using the leveraged consumption payment scheme

Customers who settle payments using the leveraged consumption payment scheme when paying bills (commercial users and private persons who perform an operating activity) perform the readings of meters twice a year and determine the leveraged consumption for the winter season (November to April) and summer season. Customers are invoiced on a monthly basis. Customers who are residents (household customers) settle accounts using the leveraged consumption payment scheme in self-service order. Customers perform the readings of meters (depending on consumption) once a year or when tariffs are changed. All household customers are invoiced on a monthly basis by summing the leveraged consumption for which a seasonal rate is applied.

16. Key accounting policies

The key accounting policies applied in the preparation of these financial accounts are set out below. These policies have been consistently applied to all years presented unless otherwise stated. When preparing the unaudited interim profit or loss statement for the 9-month period ended 30 September 2017, the comparatives of 2016 have been reclassified to ensure the comparability of the statements.

Basis of preparation

The financial statements are prepared in accordance with the International Reporting Standards (IFRS) as adopted for use in the European Union.

16. Key accounting policies (continued)

The financial statements are prepared under historical cost convention, as modified by revaluation of property, plant and equipment as disclosed in the note below.

All amounts shown in these financial statements are presented in thousands of Euros (EUR), unless identified otherwise.

Property, plant and equipment

Fixed assets 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 Company's main asset groups are buildings and structures, which include distribution gas pipelines, as well as equipment and machinery mainly related to the operation of gas facilities and the maintenance of gas distribution.

The Company's buildings and constructions (including the gas distribution system) and equipment and machinery are stated at revalued amount as determined under the policy of revaluation of fixed assets approved by the Board, less accumulated depreciation and impairment charge. Revaluation shall be made with sufficient regularity to ensure the carrying amount not differs materially from that which would be determined using fair value at the end of the reporting period. All other property, plant and equipment groups (including land and cushion gas) 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 yet 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 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 are 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 transmission and 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. During the use of a revaluated fixed asset and as a result of removal, the revaluation reserve pertaining to that fixed asset is removed from the revaluation reserve and included in the retained earnings.

Land, advances 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	40 - 60
Machinery and equipment	5 - 30
Other fixed assets	3.33 – 10

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. When the revaluated assets are sold, the amounts included in Revaluation reserve are transferred to retained earnings.

16. Key accounting policies (continued)

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.

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 Company's non-financial assets have a finite useful life (except land and cushion gas). 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 to sell 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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

The Company classifies all its financial assets as Loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Receivables are classified as 'trade receivables', 'other current assets' and 'cash and cash equivalents' in the balance sheet.

Inventories

The cost of natural gas is accounted separately on a first-in first-out (FIFO) basis. The cost of natural gas is composed of the gas purchase cost. The cost of materials, spare parts and other inventories is determined using the weighted average method. Inventories are recorded at the lowest of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less completion and selling expenses. The value of outdated, slow-moving or damaged inventories has been provisioned for.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of trade receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the allowances are included in the profit or loss statement. If, in the subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the profit or loss statement.

16. Key accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current accounts with banks and deposits held at call with banks with original term less than 90 days and other short-term highly liquid investments.

Share capital and dividend authorised

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

Provisions

Provisions for legal claims are recognised when the Company has 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.

Vacation pay reserve

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.

Employee benefits

Bonus plans

The Company recognises a liability and expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Social security and pension contributions

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

Post-employment and other employee benefits

Under the Collective Agreement, the Company provides certain benefits upon termination of employment and over the rest of life to employees whose employment conditions meet certain criteria. The amount of benefit liability is calculated based on the current salary level and the number of employees who are entitled or may become entitled to receive those payments, as well as based on actuarial assumptions. The benefit obligation is calculated once per year.

The present value of the benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds. Actuarial gains and losses arisen from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise.

16. Key accounting policies (continued)

Current income tax

Income tax is assessed for the period in accordance with Latvian tax legislation. The tax rate stated by Latvian tax legislation is 15 percent.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from trade of natural gas

Sales are recognised upon delivery of gas, net of value added tax and discounts, but including the excise tax. Sales of natural gas to residential customers are recorded on the basis of meter readings reported by customers. Where relevant, this includes an estimate of the sales volume of gas supplied between the date of the last meter reading and the year-end. Natural gas sales to corporate customers are recognised based on invoice issued according to meter reading of customers.

Interest income

Interest income is recognised using the effective interest rate method. Interest income on term deposits is classified as Other income and interest on cash balances is classified as Finance income.

Penalties income

Contractual penalties, incl. periodic penalties for late payments for natural gas supplied, are recognised when it is certain that the economic benefits associated with the transaction will flow to the Company. Hence, recognition usually coincides with the receipt of penalty.

Income from residents' and enterprises' contribution to financing of construction works

The income from residents' and enterprises' contribution to financing of construction works of gas pipelines is accounted for as deferred income and gradually included in the profit or loss statement over the useful life of the fixed assets, 30 to 40 years on average.

Other income

Income from the rendering of services are recognised when rendered.

16. Key accounting policies (continued)

Related parties

Related parties are defined as the Company's major shareholders, members of the Council and the Board, their close relatives and companies in which they have a significant influence or control.

Discontinued operations

As described in notes to the Financial Statements and in the management report, the Company in 2016 had launched the reorganization, and in January 2017 it transferred natural gas transmission and storage activities to the newly established JSC Conexus Baltic Grid.

Application of IFRS 5

The income and expense items of the profit or loss statement for the year 2016 only include the income and expenses from continuing operations. The income and expenses from discontinued operations are presented net as profit from discontinued operations. In the balance sheet there is an asset item among current assets - "Assets held for distribution" and a new liability item among current liabilities - "Liabilities held for distribution". These include the totals of the assets and liabilities transferred to the JSC "Conexus Baltic Grid" at their book value.