

**Joint Stock Company "Latvijas Gāze"
COUNCIL REPORT
for the year 2019**

The year 2019 saw major fluctuations in the natural gas markets. Between January and July the natural gas prices on exchanges worldwide dropped by over 40%, maintaining a distinct short-term volatility with price movements of more than one euro per MWh on some days. Despite the highly challenging market environment, in 2019 the Joint Stock Company "Latvijas Gāze" (hereinafter – the Company or Latvijas Gāze) sold 14,654 GWh of natural gas, which represents a year-on-year increase of 13%. The Company's net profit amounted to 19.7 million EUR, while that of the Latvijas Gāze Group reached 20.2 million EUR.

The main achievements of the Latvijas Gāze Group in 2019 were the coming into force of the new distribution network tariffs of the Company's subsidiary Joint Stock Company "Gasol" (hereinafter – Gasol) on January 1 and a number of contracts for natural gas deliveries starting January 1, 2020 entered into by Latvijas Gāze with Finnish customers late in the year, marking a further expansion into the neighbouring natural gas markets.

Last year saw changes in the composition of the Council. Igor Fedorov resigned from the Council and was replaced by Sergey Kuznets. The Council pays gratitude to former Council member I.Fedorov for this contribution to the Company's development.

In 2019, during its meetings, the Council discussed the monthly reports on the performance of the Company prepared by the Board, reviewed and accepted the 2018 annual report and the 2020 budgets drafted for both the Company and its subsidiary Gasol.

In between the Council meetings an active role was played by the Advisory group set up by the Council to deal with the Company's strategic matters. Before the Council meetings it discussed all major issues. The Council gave directions and recommendations to the Board for the improvement of the Company's operation. The Council also accepted and recommended for election the auditor of the Company's financial statements. The Council has gotten acquainted with the Corporate Governance Report for last year prepared by the Board in compliance with the "Principles of Corporate Governance and Recommendations on the Implementation thereof" issued by the Joint Stock Company "Nasdaq Riga" and holds a view that the Board has done significant work to ensure that the Company comply with the recommended principles of corporate governance. The Council follows the same principles.

In the reporting period the Council regularly received Board reports regarding the operational, economic and financial standing of the Company. The Council supervised the operation of the Board in all key aspects and made sure the Company work in compliance with the legislation, the Company's Articles of Association, and the resolutions of the Shareholders' meeting. The Council also verified and accepted the budget submitted by the Company and made proposals for improving the Company's work.

The 2019 annual accounts of the Company and the Latvijas Gāze Group were audited by the international auditor company “PricewaterhouseCoopers” LLC. The Council has received the auditor’s report attesting that the financial statement provides a fair and clear presentation of the Company and its financial results and cash flows in 2019 in compliance with the International Financial Reporting Standards as approved by the European Union. The Council has reviewed and accepted the Board report on the performance of the Company and the Group in the reporting year, the financial risk management, and the suggestions as to the distribution of the 2019 profit.

The Council of the Company acknowledges the successful performance of the Board and employees in 2019 and wishes success and progress in future as well.

Chairman of the Council

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K.Seleznev