

JSC “LATVIJAS GĀZE” AUDIT COMMITTEE

6 A. Briāna Street, Riga

REPORT OF THE AUDIT COMMITTEE TO THE SHAREHOLDERS OF THE JSC LATVIJAS GĀZE FOR THE APPROVAL OF THE 2019 ANNUAL ACCOUNTS

Pursuant to the requirements of Article 41(2) of Directive 2006/43/EC of the European Parliament and of the Council and Section 55³ of the Financial Instruments Market Law of Latvia and in compliance with Paragraph one of that Section, last year the Audit Committee of the Joint Stock Company “Latvijas Gāze” performed the duties stipulated by the Financial Instruments Market Law, including:

- supervision of the preparation of the financial statements of the Joint Stock Company „Latvijas Gāze” (hereinafter also the Company) prepared in accordance with the law “On Accounting” and the “Law On the Annual Financial Statements and Consolidated Financial Statements” of the Republic of Latvia, the Cabinet Regulations No.775 “Regulations on the Application of the Law On the Annual Financial Statements and Consolidated Financial Statements” dated 22.12.2015, and the financial statements prepared in accordance with the requirements of the International Financial Reporting Standards as to the preparation of financial statements approved by the European Union;
- supervision of the efficiency of the internal control, risk management and internal audit system of the Joint Stock Company „Latvijas Gāze” in terms of ensuring credibility and impartiality of annual accounts;
- supervision of the procedure of audit of the annual accounts of the Joint Stock Company “Latvijas Gāze”;
- verification whether before and during the audit of the annual accounts of the Joint Stock Company “Latvijas Gāze” the certified auditor elected by Company complies with the independence and impartiality requirements prescribed by the Law On Audit Services, the provisions of Article 6 of Regulation No.537/2014 on preparation for the said audit and assessment of threats to independence, and the prohibition of the provision of non-audit services under Article 5 of the said Regulation;
- verification and supervision of the independence of the elected certified auditor of the Joint Stock Company „Latvijas Gāze” – the Commercial Company “PricewaterhouseCoopers LLC” – for the purposes of the “Law On Audit Services”.

The Audit Committee has also gotten acquainted with the operation of the internal control and risk management system of the Joint Stock Company „Latvijas Gāze” and finds it effective and compliant with the standards of good practice.

During the reporting period the Audit Committee of the JSC “Latvijas Gāze” was composed of 3 members: chairman Juris Savickis, members Anīta Kaņeņa and Benita Kudore. There were 7 Audit Committee meetings held between April 1, 2019 and March 30, 2020.

The Audit Committee holds that the 2019 financial statements of the Joint Stock Company “Latvijas Gāze” prepared in accordance with the law “On Accounting” and the “Law On the Annual Financial Statements and Consolidated Financial Statements” of the Republic of Latvia and the financial statements prepared in accordance with the requirements of the International Financial Reporting Standards approved by the European Union have been drawn up observing all regulatory enactments and the audit of the financial statements of the Joint Stock Company “Latvijas Gāze” has taken place in compliance with the regulatory enactments. The deficiencies found during the audit have been eliminated quickly and efficiently.

While supervising the drafting of the financial statements and the audit thereof, we made sure that the audit aided the credibility and impartiality of the financial statements prepared by the Joint Stock Company “Latvijas Gāze”.

In the course of its duties, the Audit Committee held a competitive dialogue with 4 international auditor companies and received 2 bids (the LLC “PricewaterhouseCoopers” and the LLC “Deloitte Latvia”) while 2 auditor companies (the LLC “KPMG Baltics” and the LLC “Ernst & Young Baltics”) declined to submit bids.

The Audit Committee of the JSC “Latvijas Gāze” recommends electing the LLC “PricewaterhouseCoopers” as the auditor of the 2020 financial statements:

- The audit team of the LLC “PricewaterhouseCoopers” has accrued substantial experience and knowledge on the JSC “Latvijas Gāze” and the JSC “Gasol” as auditors of these companies for a number of years with competence in the operational and accounting specifics of the natural gas distribution and trading sector.

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- The LLC "PricewaterhouseCoopers" has acquired a good understanding of all new or amended processes and the related risks, and has drawn up appropriate and effective audit procedures that allow for an efficient planning of the 2020 audit.
 - The Joint Stock Company "Latvijas Gāze" started listing its shares on NASDAQ Riga on February 15, 1999 (according to the information available on the stock exchange's website). Based on this date and the transitional provisions of the aforementioned regulation, the last financial year that the LLC "PricewaterhouseCoopers" may audit is 2023 as long as they are appointed as auditors until June 17, 2023. Hence, the appointment of the LLC "PricewaterhouseCoopers" as auditors in respect of the reporting year 2020 is not contrary to the requirements of the relevant EU regulation.

The Audit Committee does not object to a further co-operation with the Commercial Company of Certified Auditors „PricewaterhouseCoopers LLC”. There will be no violation of the Financial Instruments Market Law and the Law On Audit Services if they are elected auditors of the 2020 accounts. They have a sufficient experience, resources, and understanding of the company, and has ensured the independence of auditors when auditing the JSC "Latvijas Gāze" in previous years.

Chairman of the JSC "Latvijas Gāze" Audit Committee:

/Juris Savickis/

Riga, May 16, 2020