

COUNCIL REPORT

The year 2015 surprised the world with a substantial drop in the price of oil products. Consequently, the natural gas price dropped, too, aiding market development. Latvia saw a further economic growth. The JSC “Latvijas Gāze” (hereinafter – the Company) was among those contributing to this growth by supplying 1.32 billion m³ of natural gas to its more than 443.6 thousand customers. The Company’s net profit of 2015 according to the international accounting standards reached 30.5 million EUR, slightly surpassing that of the previous year.

The priority of the Company in 2015, just as in previous years, was a continuous and safe natural gas supply to customers both in Latvia and the neighbouring countries – Russia, Estonia and Lithuania – for competitive prices.

The state authorities recurred to the issue of amendments to the Energy Law to stipulate the unbundling of the Company and the liberalisation of the Latvian gas market. Despite the Company’s objections citing the Share sale and purchase agreement of April 2, 1997 and other legal acts, the Parliament passed the draft law.

Last year saw changes in the composition of both the Council and the Board. A. Saul and R.Link resigned from the Council and were replaced by O.Giese and D.Bunyan. O.Giese was also elected Vice-Chairman of the Council. The Council pays gratitude to both former Council members and wishes success in their new work. Also Chairman of the Board A.Dāvis and Members of the Board A.Ulpe and A.Miheyev, all having worked at the Board since 1997, opted to resign. The Council pays special thanks to A.Dāvis, A.Ulpe and A.Miheyev for the enormous contribution to the Company’s development and for the honest work. The Council elected A.Kalvītis Chairman of the Board, A.Frolov and M.Nullmeier Vice-Chairmen of the Board, and Z.Kotāne and G.Freibergs Members of the Board.

In 2015, during its meetings, the Council discussed the reports on the operation of the Company prepared by the Board, reviewed and accepted the draft annual report of 2014 and the draft budget of 2016. The Council set up a Consultative group to deal with the Company’s unbundling and strategic matters related to it, gave to the Board directions and recommendations on improving the Company’s operation. The Council reviewed and recommended for the Shareholders’ meeting to approve the changes in the Company’s Articles of Association, as well as accepted and recommended for election the auditor of the Company’s financial accounts and the Audit Committee. The Council has become acquainted with the Corporate Governance Report for the last year prepared by the Board in compliance with the “Principles of Corporate Governance and Recommendations on the Implementation thereof” issued by the JSC “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.

Over the reporting period, the Council regularly received reports by the Board regarding the operation, 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 laws, 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 Annual Accounts 2015 of the Company were audited by the International Auditor Company "PricewaterhouseCoopers" LLC. The Council has received the auditor's reports attesting that the financial statements provide a fair and clear presentation of the JSC "Latvijas Gāze" and its financial results and cash flows in 2015 in compliance with the International Financial Reporting Standards approved in the European Union. The Council has reviewed and accepted the Board report on the operation of the Company in the reporting year, financial risk management and suggestions as to the distribution of the profit of 2015.

The Council of the Company acknowledges the successful performance of the Board and employees in 2015 and wishes success and progress in future as well.

Chairman of the Council:

K. Seleznev