

**Joint Stock Company "Latvijas Gāze"
COUNCIL REPORT
for the year 2020**

The year 2020 was full of challenges for the group of the Joint Stock Company "Latvijas Gāze" (hereinafter – the Company or Latvijas Gāze). The COVID-19 pandemic and the warm weather in Europe caused a substantial drop in natural gas demand. In summer, under the influence of these events, the natural gas prices fell to their lowest point of several years. The opening of the Finnish natural gas market as of January 1, 2020 enabled Latvijas Gāze to expand its presence, but throughout 2020 the Balticconnector pipeline did not come even close to its announced technical capacity. Despite all challenges, the Latvijas Gāzes group managed to achieve positive results. The Company's net profit in 2020 amounted to 11.5 million EUR, while that of the Latvijas Gāze group reached 11.2 million EUR. The decrease in profit against 2019 primarily stems from a substantially lower profit from the sales and trading segment due to the warm weather and less available storage capacity. The latter also led to the use of direct natural gas supplies from Russia in the 4th quarter of 2020, keeping low-priced inventories in the storage to maximise their long-term value for future periods.

Last year saw changes in the composition of the Company's Board. Vice-Chairman of the Board, Member of the Board Sebastian Groeblichhoff left the Board, and a new member Inga Āboliņa was elected. The Council pays gratitude to the former Board member for his work and personal contribution to the Company's development.

In 2020, during its meetings, the Council reviewed and approved the corporate strategy of Latvijas Gāze, the remuneration policy for Board and Council members, the monthly reports on the performance of the Company prepared by the Board. The Council also reviewed and accepted the 2019 annual report and the 2021 budgets drafted for both the Company and its subsidiary Joint Stock Company "Gasol", re-elected the Audit Committee for further approval at the Shareholders' meeting, and supported the election of the candidates nominated by the shareholders of Latvijas Gāze into the Council of the Joint Stock Company "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, including new international business directions and projects in context with the Company's corporate strategy. 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 that 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 2020 annual report of the Company and the Latvijas Gāze Group was audited by the international auditor company LLC "PricewaterhouseCoopers". 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 2020 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 2020 profit.

The Council of the Company acknowledges the successful performance of the Board and employees in 2020 and wishes success and progress in future as well.

Chairman of the Council
Seleznev

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