

Joint Stock Company "Latvijas Gāze"

COUNCIL REPORT

for the year 2022

Under the influence of the geopolitical developments and regulatory changes, the European natural gas markets in 2022 saw demand substantially surpass supply, which led to a rapid price rise and fluctuations and forced the JSC "Latvijas Gāze" (hereinafter – the Company or Latvian Gas) to reorient natural gas supplies within a short period of time. Despite these challenges, the year 2022 proved Latvian Gas to be capable of operating successfully even amid high uncertainty, reaching all-time best financial results, and Latvian Gas continued to ensure an uninterrupted supply of gas to its customers, including fulfilment of its obligations as Public Trader towards captive consumers, more than 340,000 households.

In 2022, the net profit of the Latvian Gas group amounted to 39.1 million EUR, which is 35.9 million EUR more than in 2021. The Company's net profit reached 40.8 million euros thanks to the disciplined trading and risk management strategy of Latvian Gas in 2021 and 2022. The economic figures of the natural gas distribution service segment run by the Company's subsidiary JSC "Gasol" (hereinafter – Gasol) depend on the overall natural gas demand and the natural gas quantity transmitted over the natural gas distribution network during the year. As natural gas consumption in Latvia in 2022 was more than 30% lower than in 2021, the quantity transmitted over the natural gas distribution network dropped significantly as well. This adversely affected the financial results of Gasol – the year 2022 ended with losses of 1.8 million EUR as opposed to a profit of 11.5 million EUR in 2021. For this reason, in December 2022, in order for Gasol to be able to continue developing a safe and available natural gas distribution infrastructure going forward, the Public Utilities Commission adopted a decision on raising the natural gas distribution system service tariffs as of January 1, 2023.

Last year saw changes in the composition of the Company's Board. In August 2022, Inga Āboliņa left the position of Member of the Board, and in November 2022, Egīls Lapsālis was appointed. The Board is now composed as follows: Chairman of the Board – Aigars Kalvītis, Vice-Chairman of the Board – Denis Emelyanov, Member of the Board – Elita Dreimane, and Member of the Board – Egīls Lapsālis.

During its meetings in 2022, the Council reviewed and approved the updated JSC "Latvian Gas" Risk management and governance policy and the monthly reports to the Council on the Company's performance prepared by the Board. The Council also reviewed and approved the JSC "Latvian Gas" annual report and consolidated annual report for 2021 and reviewed the draft 2022 budget of the Company and the report on the efficiency of the Risk control system and the performance of the Internal audit working plan for 2022 and the Internal audit working plan for 2023 prepared by the Company's Internal Audit Department.

On September 23, 2022, Juris Lapše left the position of Member of the Audit Committee. The Audit Committee continued with three members: Anton Belevitin, Juris Savickis and Anita Kaņepa.

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 matters pertaining to the decision on launching the Company's

reorganisation or share capital reduction adopted by the Company's shareholders in 2022. The Company's Board started and continued work on the assessment of multiple scenarios of governance of the JSC "Gaso". As a result, it was decided to sell the JSC "Gaso", with the sale set to be completed within 2023. The Council gave directions and recommendations to the Board for the improvement of the Company's operation. The Council also approved 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 Corporate governance code (Recommendations of good corporate governance for companies in Latvia) updated in late 2020 by the Advisory board of corporate governance, with explanations where appropriate based on the "observe or explain" principle.

The Council 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 areas 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, and made proposals for improving the Company's work.

The 2022 annual report of the Company and the JSC "Latvijas Gāze" group was audited by the international auditor company JSC "Nexia Audit Advice". 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 2022 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 and the suggestions as to the distribution of the 2022 profit.

The Council of the Company acknowledges the successful performance of the Board and employees in 2022 and wishes success and progress in future as well.

Chairman of the Council



Kirill Seleznev