

Council Report on Operational Results 2019

The year 2019 was significant for Joint Stock Company "Conexus Baltic Grid": the Company successfully continued implementation of strategic objectives, which were set by the Council and are based on the key values of the Company, namely, secure operation of the system, professional and unified team, flexibility and openness through competent solutions, and sustainable development.

Last year, the Council worked hard to make sure the Baltic single market starts operating on 1 January 2020; this ensures the development of the natural gas market in the region and promotes sustainable operation of the Inčukalns UGS and regional energy market. In 2019, with the support of the Council, all the necessary legal documents and digital solutions for the launch of the single market were prepared and coordinated with all parties involved.

In order to further develop a secure, accessible and market-compliant infrastructure, the Company prepared and submitted to the European Commission the project "Enhancement of Latvia-Lithuania interconnection" for the receipt of the funding for the Connecting Europe Facility (CEF). The European Commission has supported the co-financing of this project while the Council has approved the agreement on the receipt of funding concluded by the Company and has issued its instructions for the implementation of this project. The Council also continued monitoring of the Inčukalns storage modernisation project. Funds for the implementation of this project were received in the beginning of 2019. Within this project, the first activity – modernization of six wells – was concluded in the reporting year.

The Council actively participated in the supervision of the Company's operational activities paying attention to the Company's internal processes and their compliance with legislative requirements. In each of the five Council meetings held in the year 2019, the Management Board reported to the Council on the implementation of the objectives 2019 set by the Council, with a particular focus on the performance of operational security indicators. The Council considers that a number of significant improvements in the functioning of internal processes have been made during the reporting year, and they were mainly targeted to the digitalization in this period. At the end of the year, the Company started to use actively a management system that allows planning, implementing and monitoring of technical maintenance processes in digital environment.

Good governance is the highest priority in the Company operation. A corporate government system was created under direct supervision of the Council. This system includes all of the essential elements: the Company's strategy, process management, policies, risk management, internal control and internal audit, ensuring quality management and enhancing the achievement of strategic and financial objectives of the Company. During effectuation of the objective of implementation of sustainable management of internal and external resources, the Company established a three-level process management system, which includes the distribution of responsibilities, process procedures and schemas, and thirteen management policies, which have been diligently analysed and, consequently, approved by the Council. The Council has also approved the Internal Audit Plan and followed its execution closely. According to the annual internal audit report to the Council, the control environment in the Company is considered reasonable.

In the last year, the very successful implementation of the Company's financial objectives was ensured by the increase of the total volume of the transported natural gas, mainly due to the flows to Inčukalns UPG in the summer, which were contributed both by the gas market development tendencies and efficient regulatory and technical solutions found through competent decisions of the Management Board and the Council's support to such decisions.

The audit of the Company's annual report 2019 was carried out by international auditing company KPMG Baltics. The Council has received the auditor's report recognising that the financial statements give a true and fair view on JSC "Conexus Baltic Grid" and on financial results of its operation and cash flows in 2019 in compliance with the International Financial Reporting Standards adopted by the European Union. The Council is acquainted with the annual report 2019 of JSC "Conexus Baltic Grid" and the profit distribution proposal prepared by the Management Board and recommends both documents for approval to the shareholders' meeting.

Chairman of the Council



Kaspars Āboliņš