

Council Report on Results of 2018

In 2018, Joint Stock Company "Conexus Baltic Grid" faced many challenges and changes, which required an active participation of the Council in the strengthening of the Company's governance principles and significant decisions on the activities related to the regional natural gas market development.

In the beginning of the year, the Council approved the Company's medium-term strategy drafted by the Management Board. The strategy clearly identifies priorities for the improvement of market, infrastructure and internal processes in the next few years. The key values of the Company operation are safety and sustainable development, which include implementation of digital solutions and a broader view on the energy sector as a whole.

The Council emphasized that the Management Board has to prioritize the establishment of operational safety performance monitoring system, which comprises accounting and analysis of the operational safety indicators along with the system development. Similarly, upon an assignment of the Council, in 2018 the Management Board assessed the technical condition of the Company infrastructure and identified the adaptations required for efficient use of the infrastructure in the new market conditions. An international company carried out the technical audit of the storage operation and supplemented the storage operation improvement project, which was submitted to the European Commission for receipt of co-financing of the Connecting Europe Facility (CEF); and, in the beginning of 2019, a 50% EU funding for the project implementation was approved.

In order to understand the infrastructure significance and future role, the Council carefully studied the priorities of the European Energy Strategy 2020 including the interconnection strengthening and establishing of a single energy market. During the reporting year, the Council supported the signing of the Poland-Lithuania (GIPL) Cooperation Agreement and establishing of the single natural gas market in Latvia, Estonia and Finland. This is an essential step towards the implementation of the market promotion objectives.

The Council actively participated in the supervision of the Company's operational activities and followed-up the Company's internal processes and its compliance with legislative requirements. The Council supported the Management Board in the Company reorganization process, which was mainly focused on centralising and unifying the processes between different Company segments. The Council considers that during 2018, the Company has experienced a number of improvements of substantial internal processes, which proves the successful cooperation between the Management Board and the Council.

A good governance is the highest priority in the Company operation. During the reporting year, the Council and the Management Board exchanged the information on regular basis, eight Council meetings were held and the Council regularly received information to analyse the Company operation dynamics and to make important decisions in the scope of the Council competence. The Council was regularly informed also about the natural gas global price dynamics and the updates in the European politics and economy, which has a significant impact on the storage operation and the Company's financial results after the market opening.

The audit of the Company's annual report 2018 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 financial results of its operation and cash flows in 2018 in compliance with the International Financial Reporting Standards adopted by the European Union. The Council is acquainted with the annual report 2018 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:



K. Āboliņš