

# Interim unaudited financial statements for the 6-months period ended 30 June 2022



## Main activities (1 of 4)



### **Decrease of natural gas consumption in Latvia impacts turnover and profit of Conexus**

Natural gas consumption in Latvia reached 4,8 TWh, which is by one third lower than the same period of the previous year. Natural gas consumption was impacted by both the outdoor temperature, which during winter months was higher than in the same period of 2021, and by the reduction of gas-to-electricity power generation by two-thirds in country's largest power plants. As a result, users need for natural gas was lower than during the corresponding period of the previous year, which decreased revenue for the use of exit point for supply of consumers of Latvia by 4816 thousand EUR.



### **Booked capacity of Inčukalns UGS**

In 2022/2023 storage cycle Inčukalns UGS capacity products amounted to 24.1 TWh, which is the largest amount of storage booking in the history of Conexus.

During the reporting period, a total capacity of 19.6 TWh were granted at the Inčukalns UGS capacity auctions. After the closing auction of the grouped capacity products held on 2 August 2022, all available capacity is fully booked.



### **Volume of natural gas stored in Inčukalns UGS**

On 30 June 2022, Inčukalns UGS holds a volume of 9.7 TWh of natural gas stored by system users. In response to the geopolitical situation in Europe, the injection of natural gas into the Inčukalns UGS was started at the end of February 2022, it is well ahead of the end of withdrawal season.

## Main activities (2 of 4)



### **Tariffs for storage capacity products for the 2022/2023 storage cycle**

In 2022/2023 storage cycle, tariff values for capacity products remain unchanged, with exception of the stock transfer product with a tariff (excluding VAT) of 1.8081 EUR/MWh/storage cycle.



### **Natural gas transmission system tariffs**

The current tariffs on the natural gas transmission system service will apply until the beginning of a new regulatory period, the date of entry into force of which is not currently set but is expected to be 1 October 2023.



### **Allocation of transmission system capacity and Inčukalns UGS injection capacity**

Conexus has established the procedure for allocation of natural gas transmission system capacity and injection capacity of the Inčukalns UGS in order to ensure injection of gas transported from Klaipeda LNG terminal and Poland-Lithuania natural gas interconnection to the storage as much as possible.



### **Work continues on implementation of European projects of common interest**

Work continues on the enhancement of Inčukalns UGS project and on the increase of Latvia-Lithuania transmission gas pipe capacity project (ELLI). During the reporting period, investments were made in amount of 5.9 mio EUR, 44% of them were European projects of common interest.



### **On May 1<sup>st</sup> 2022, the Gas Interconnection Poland-Lithuania (GIPL) started operating**

The new interconnection will integrate the Baltics and Finland single gas market into EU common gas market. It will give opportunity to system users to differentiate sources of gas supply and will positively affect the security of gas supply.



### **Energy Law amendments**

Amendments were made to the Energy Law to establish energy security reserves to be stored in Inčukalns UGS to ensure the continuous supply of natural gas. Reserves are to be maintained at the level of 1.8-2.2 TWh in 2023, which will be purchased by Latvenergo on behalf of the state.

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## Main activities (3 of 4)



### **Latvia has complied with the new requirements of the European Union Gas Storage Regulation**

In order to comply with the Gas Storage Regulation, Latvia must store 35% of its average consumption over the last five years, which Conexus calculates at 4.5 TWh. As of 30 June 2022, the total storage capacity of the Inčukalns UGS facility is 9.7 TWh, while the storage capacity of users registered in Latvia is 4.9 TWh.



### **Ban on natural gas supplies from Russia from 1 January 2023**

On 14 July 2022, the Parliament of the Republic of Latvia adopted amendments to the Energy Law, which set a ban on natural gas supplies from Russia starting from 1 January 2023. After this date, Latvia will be able to receive natural gas either from the Klaipeda LNG terminal or from the newly built Paldiski LNG terminal.



### **Finland and Baltics gas transmission system operators continue regional market integration**

Further to the regional market integration initiated in 2019, the transmission system operators of Latvia, Lithuania, Estonia and Finland are working on a solution to include Lithuania in the zone without internal tariff barriers. This would create better conditions for market participants to operate across the region while providing more added value to the end consumers of natural gas.



### **Conexus has joined the European Hydrogen Backbone (EHB) initiative**

EBH is working towards meeting the proposed hydrogen targets of the REPowerEU plan for 2030. At present, a vision is being devised within the initiative for 28 thousand km hydrogen infrastructure in 2030 and 53 thousand km infrastructure in 2040, including 28 European countries in the project.

## Main activities (4 of 4)

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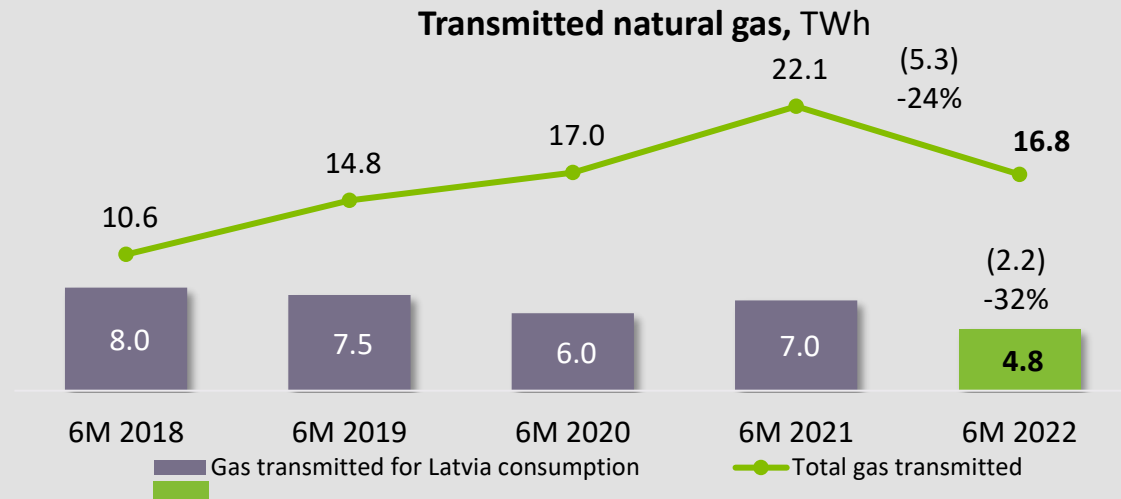


### **Energy Law will ensure the establishment of a guarantee of origin system for gas**

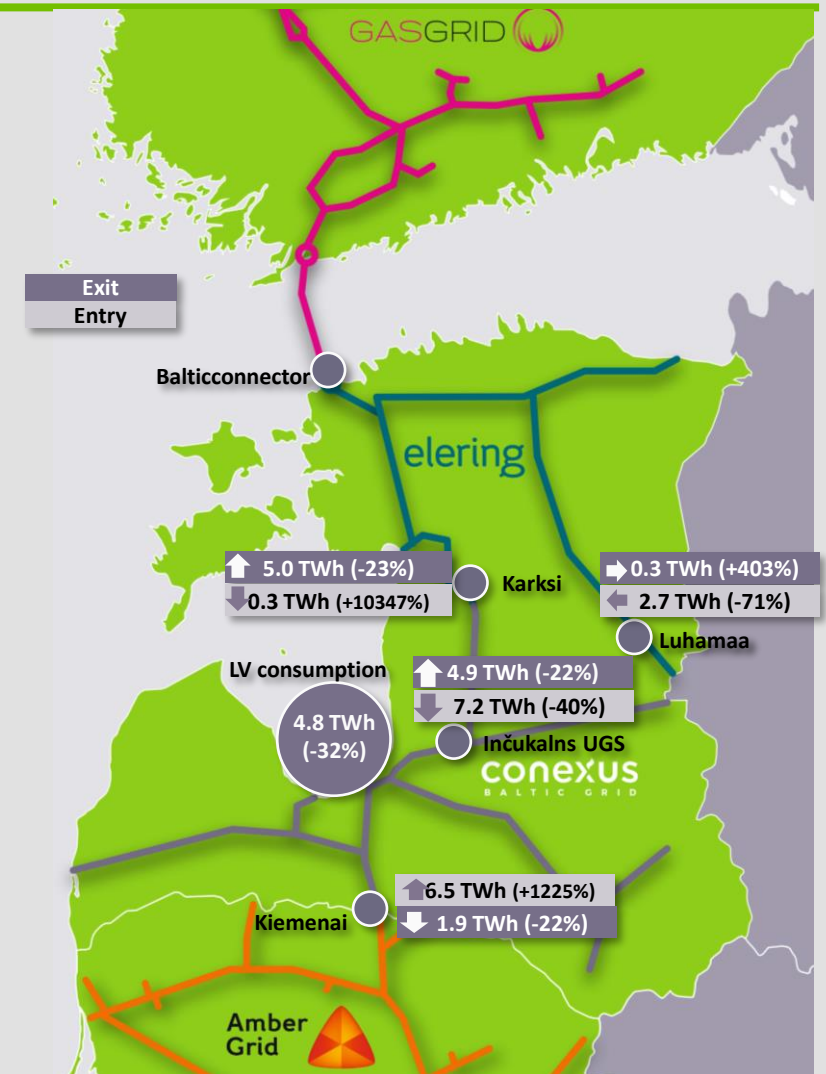
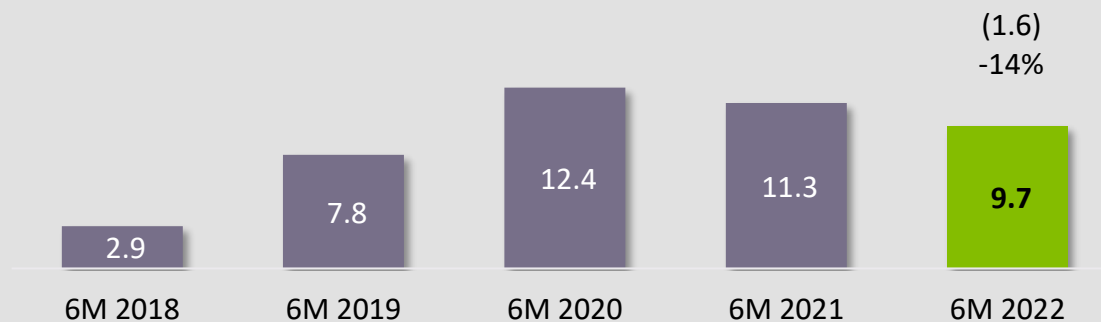
The amendments to the Energy Law provide for the establishment of gas guarantee of origin system in Latvia and designates Conexus to become issuing body and registry administrator for guarantees of origin. This is an important step for the development of renewable gases, because after the implementation of the guarantees of origin system in Latvia, it will give local renewable gas producers the opportunity to obtain guarantees of origin. In the near future, the necessary steps will be taken, so that guarantee of origin system for gas could become operational on 1 July 2023.

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## Main facts

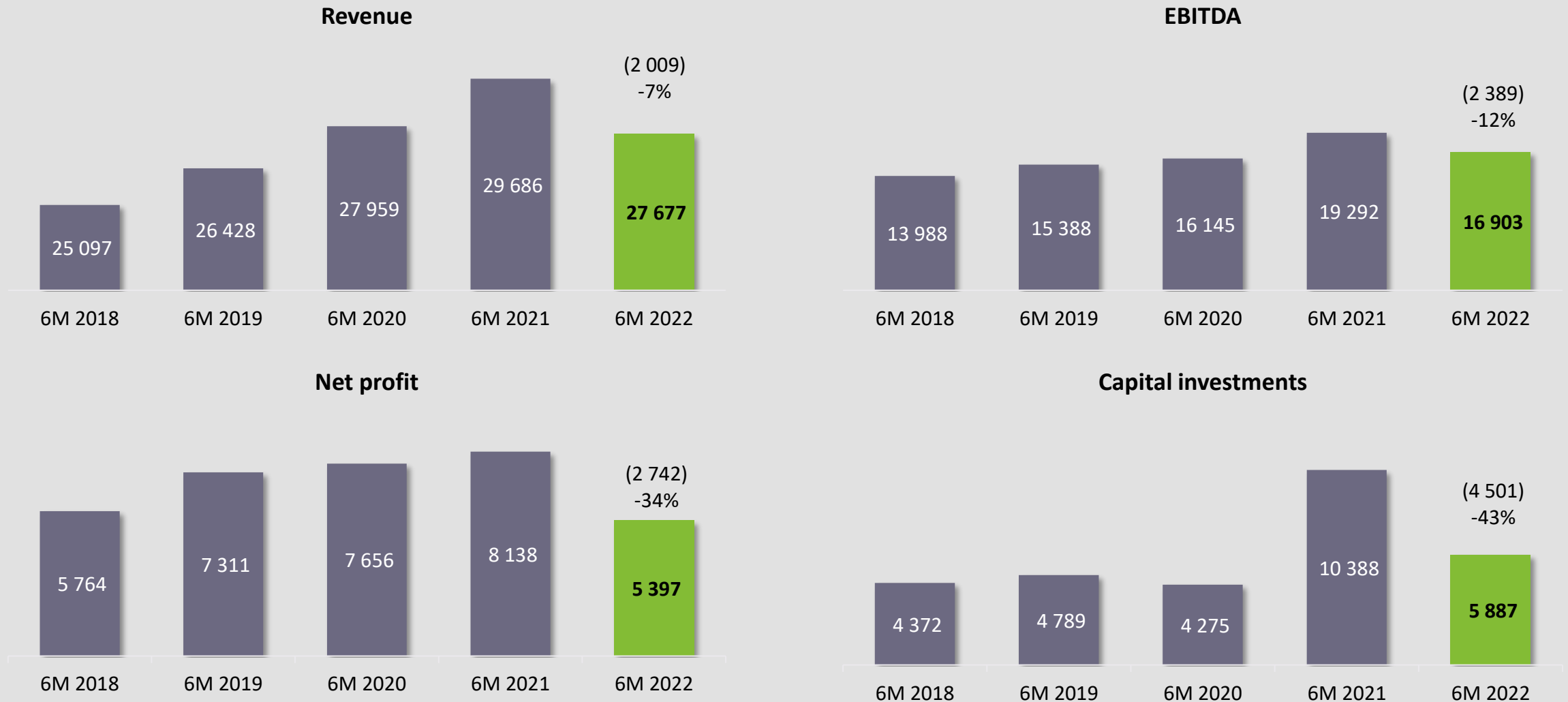


**Amount of natural gas stored in Inčukalns UGS at the end of reporting period, TWh**



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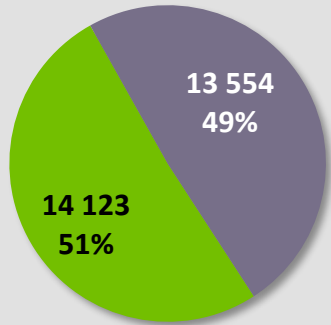
## Main financial indicators, `000 EUR



# Interim unaudited financial statements for the 6-months period ended 30 June 2022

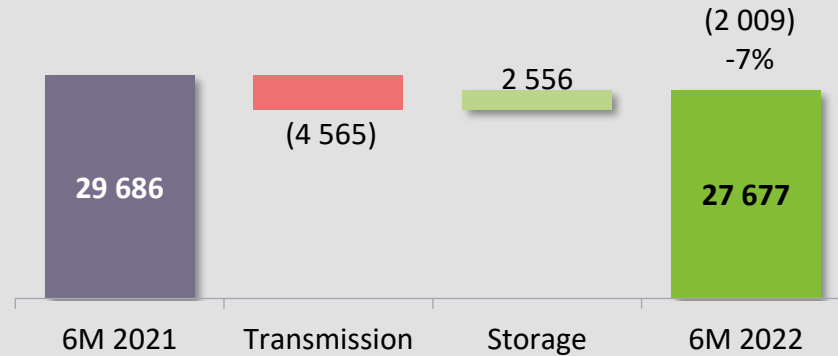
## EBITDA and segment split, `000 EUR

Revenue by segments



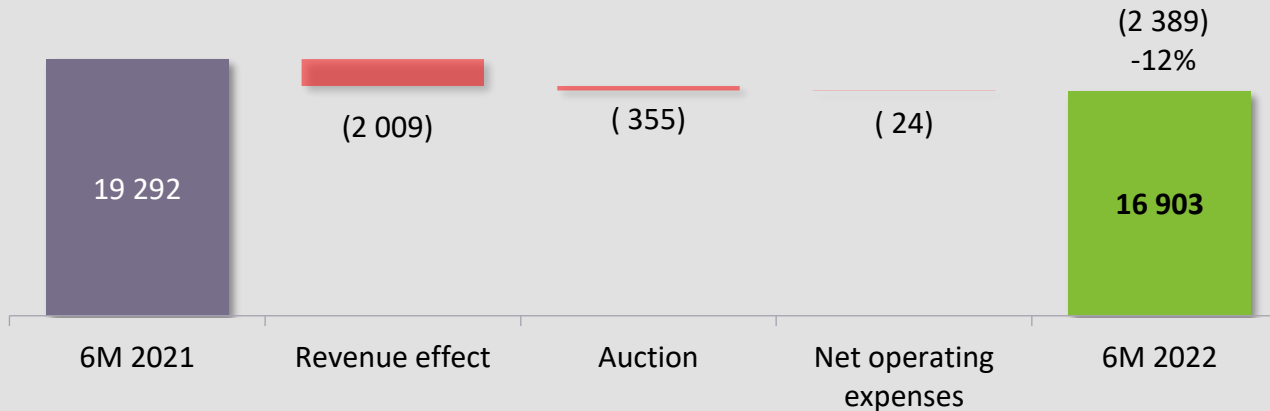
■ Transmission ■ Storage

Net revenue



- EBITDA decreased by 12%, reached 16.9 mio EUR;
- The main impact - revenue decrease (2.0 mio EUR) mainly due to lower natural gas consumption and the higher auction expenses (335 kEUR);
- Net profit 2.7 mio EUR (-34%) lower, reaching 5.4 mio EUR.

EBITDA



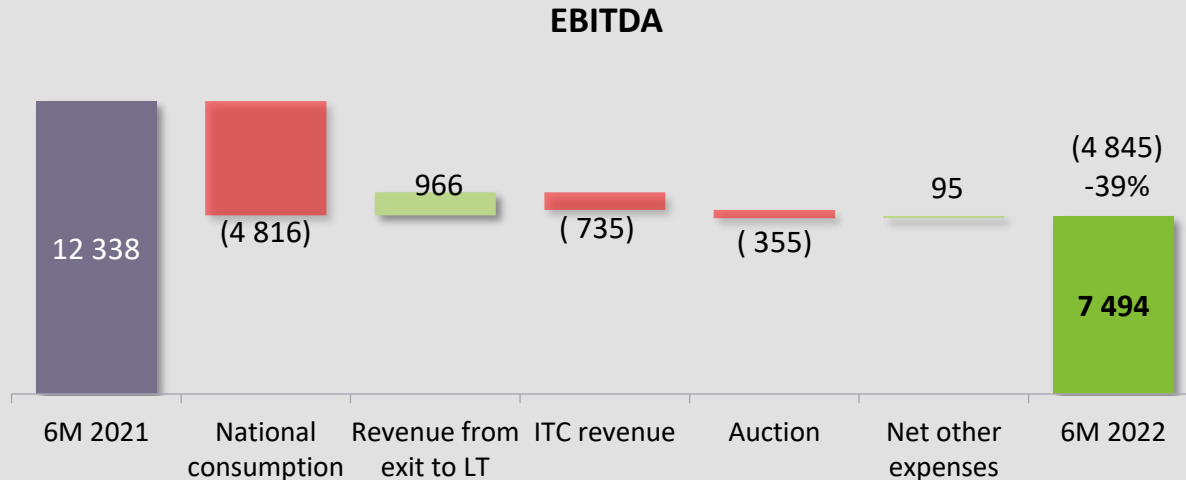


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## Transmission, `000 EUR

	6M 2022	6M 2021	+/-	%
Net sales	14 123	18 689	(4 565)	-24%
EBITDA	7 494	12 338	(4 845)	-39%
Segment Net Profit	768	5 765	(4 996)	-87%
Segment assets	228 001	231 600	(3 599)	-2%
Depreciation and amortisation	5 105	5 084	21	0%
Investments made	2 164	2 738	(574)	-21%

- Actual transmission revenue reached 14.1 mio EUR, decrease by 24% or 4.6 mio EUR. It was affected by decrease in natural gas for consumption in Latvia by 2.2 TWh (-32%) due to both the warmer weather in winter months as well as by the reduction of gas to power electricity generation by two-thirds in country's largest power plants in comparison to the respective period of 2021.



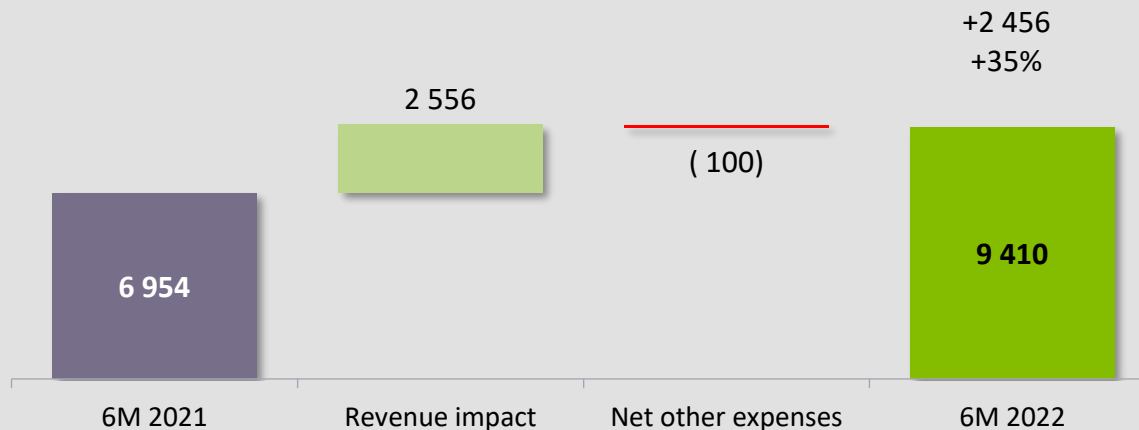
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## Storage, `000 EUR

	6M 2022	6M 2021	+/-	%
<b>Net sales</b>	<b>13 554</b>	<b>10 998</b>	2 556	23%
EBITDA	9 410	6 954	2 456	35%
<b>Segment Net Profit</b>	<b>4 628</b>	<b>2 374</b>	2 255	95%
Segment assets	215 867	210 676	5 191	2%
Depreciation and amortisation	3 823	3 699	124	3%
Investments made	3 723	7 650	(3 927)	-51%

- Total amount of reserved capacity at Inčukalns UGS in 2021/2022 storage cycle: 18.9 TWh;
- Total amount of reserved capacity at Inčukalns UGS increased to 24.1 TWh (+27%) in 2021/2022 storage cycle;
- Revenue was positively affected by the different types of products reserved by the market participants, storage tariffs and applicable auction premiums.

### EBITDA



### Storage reservations by products, TWh

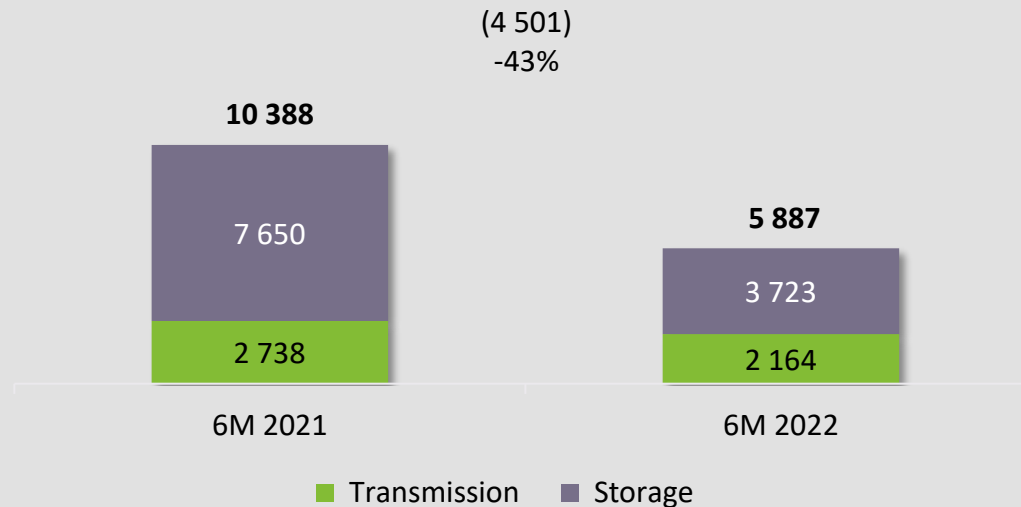


BCP – bundled capacity product; IC – interruptible capacity product; STP – stock transfer product; MP – market product

# Interim unaudited financial statements for the 6-months period ended 30 June 2022

## Capital investments, `000 EUR

Investments by segments



➤ Storage segment largest project:

- "8.2.4. Enhancement of Inčukalns UGS" - total investments 88 mio EUR for the modernization of the storage facility (50% of which co-financed by the EU). Implementation years 2018 – 2025. During the reporting period investments made in amount of 2.1 mio EUR.

➤ Transmission segment largest projects:

- "8.2.1. Enhancement of Latvia-Lithuania interconnection" (ELLI) – total investments of 5.5 mio EUR are to be made by Conexus (50% of which co-financed by the EU). Implementation years 2019 – 2023. During the reporting period investments made in amount of 545 kEUR;
- Transmission gas pipelines repairs - investments made in amount of 417 kEUR;
- Izborska – Inčukalns UGS insulation replacement – 452 kEUR.

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## Available funds and borrowings, `000 EUR

<b>Cash position</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
Cash surplus / (shortage)	(6 816)	(10 274)
Credit line utilized	7 080	24 950
<b>Total</b>	<b>264</b>	<b>14 676</b>

<b>Outstanding loans</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
Long term loans	58 052	60 283
Short term loans	8 964	12 823
Credit line	7 080	24 950
<b>Total</b>	<b>74 096</b>	<b>98 056</b>

<b>Financial covenants</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
Shareholders' equity ratio > 50%	74%	71%
Net Debt to EBITDA ratio < 5	2.9	3.0
Debt-Service Coverage Ratio (DSCR) > 1.2x	2.4	3.7

- At the end of the reporting period, the total amount of borrowings is 74 096 kEUR, including overdraft in amount of 7 080 kEUR. From the total amount of overdraft facilities available to Conexus at 65 000 kEUR, 57 920 kEUR are unused at the end of the reporting period, which ensures a significant liquidity reserve. The duration of agreements for the overdraft facilities in amount of 65 000 kEUR reaches beyond 1 year.
- All financial covenants set in the Conexus loan agreements have been complied with during the reporting period.

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**Thank you!**