

Joint-stock company

conexus
B A L T I C G R I D

Condensed interim financial statements

FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2022
(UNAUDITED)

Prepared in accordance with the International Accounting Standard
No. 34 “Interim Financial reporting” as adopted by the European Union

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INFORMATION ON THE COMPANY

Company	Joint Stock Company (JSC) "Conexus Baltic Grid"	
Registration number	40203041605	
LEI code	485100YDVP9E8GT6PJ90	
Date and place of registration	2 January 2017, Riga	
Address	Stigu Street 14, Riga, LV-1021, Latvia www.conexus.lv	
Major shareholders	JSC „Augstsprieguma tīkls”	(68.46%)
	“MM Infrastructure Investments Europe Limited”	(29.06 %)
Financial statements period	1 January 2022 – 30 June 2022	

Joint stock company (JSC) Conexus Baltic Grid (hereinafter referred to as the Company, or as Conexus) is a unified natural gas transmission and storage operator in Latvia that manages one of the most modern natural gas storage facilities in Europe, the Inčukalns Underground Storage Facility (hereinafter referred to as the Inčukalns UGS, or as the storage facility), and the main natural gas transmission system, which directly connects Latvia's natural gas market with Lithuania, Estonia, and the north-west of Russia.

Conexus customers – users of the natural gas transmission and storage system – represent several countries of the Baltic Sea region – Finland, Estonia, Latvia, Lithuania and Poland; as well as other European countries – Norway, the Czech Republic and Switzerland. The users are both private local companies and state-owned and multinational companies representing various business sectors – natural gas wholesalers and retailers, energy producers, heating operators and manufacturing companies.

Conexus natural gas transmission and storage services are regulated by the Public Utilities Commission (hereinafter referred to as PUC, or as the Regulator).

Conexus offers its clients natural gas transmission and storage services, subject to the tariffs determined by the PUC.

Conexus takes care of the sustainability and safety of the infrastructure, high quality of services, which promotes market development and provides economic value to customers and society as a whole.

Conexus is a socially responsible company that, by creating added economic value, ensures the overall development of the industry, growth of employees, sustainable employment, while ensuring minimal impact of technological processes on the environment.

WHO DO WE WANT TO BE?

Vision

To become the most reliable energy source in the region.

WHY DO WE EXIST?

Mission

To promote sustainable energy market in the region, offering reliable operation of natural gas transmission and storage system.

WHAT IS IMPORTANT TO US?

Values



Secure operation of the system



Professional and united team



Flexibility and openness through competent solutions



Sustainable development

Goals of Conexus

Medium-term (2019-2023) key goals of Conexus are related to three areas: **Market development, provision of infrastructure and operational development.** The Company's strategic goals are set in accordance with Conexus values, vision and mission – **to promote sustainable energy market in the region, offering reliable operation of natural gas transmission and storage system.**

1 Development of regional natural gas market to achieve sustainable operation of Inčukalns UGS in market conditions

2 Provide safe, accessible and market-based infrastructure

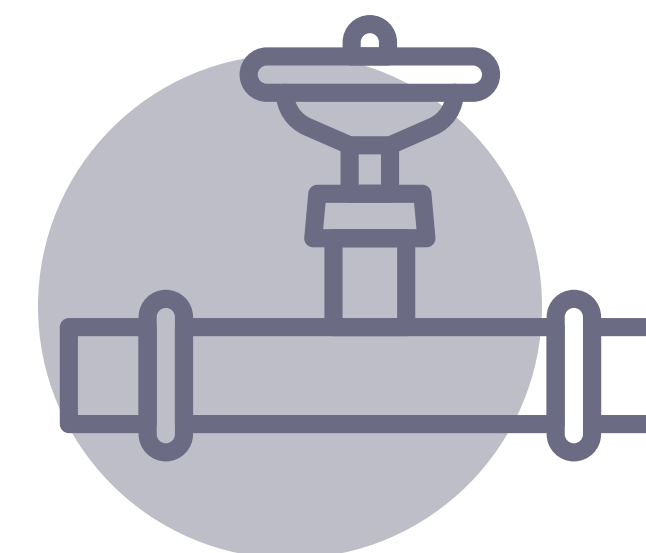
3 Implement sustainable management of the working capacity of internal and external resources

In addition to its strategic goals, Conexus has identified three developmental motives that spread across all medium-term activities planned. These motives add to the strategic goals, facilitate their implementation and are determined as follow:



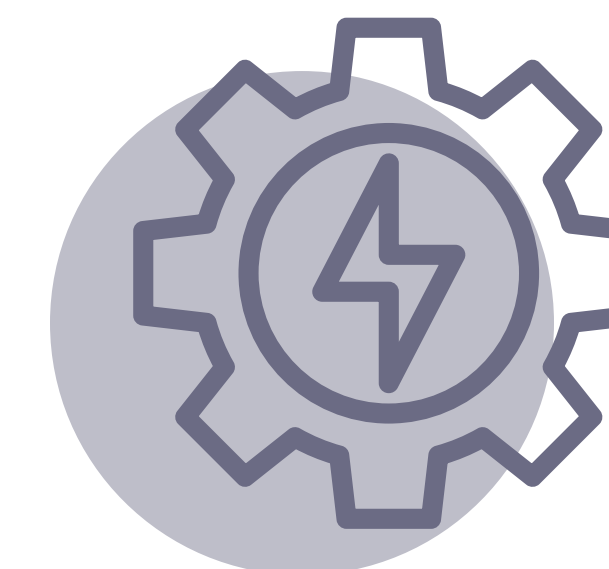
DIGITISATION

Conexus will focus on modernisation and development of technologies as well as centralized asset, personnel and financial management and implementation of effective resource management



COOPERATION WITH OTHER REGIONAL TSOs

In the medium term, Conexus plans to facilitate cooperation with other TSOs in the region by coordinating operational cooperation and introducing a periodic benchmarking system with other regional TSOs



CONEXUS – ENERGY PROVIDER

To become the most reliable energy source in the region and gradually introduce services not only for natural gas users, but also for electricity users.

Shareholders

The main Conexus governance institution is shareholders' meeting, which appoints Conexus council.

Conexus is a closed-emission joint stock company with 100% registered shares. The total number of shares is 39 786 089, with a nominal value of EUR 1.00. The total number of shareholders exceeds 4,8 thousand. 97,52% of the total number of shares belong to two largest shareholders - JSC „Augstsprieguma tīkls” (68,46 %), MM Infrastructure Investments Europe Limited (29,06 %).

Shareholders' registry is maintained electronically by Nasdaq CSD SE, in accordance with the concluded contract.

Shareholders as of 30 June 2022:

JSC „AUGSTSPRIEGUMA TĪKLS”

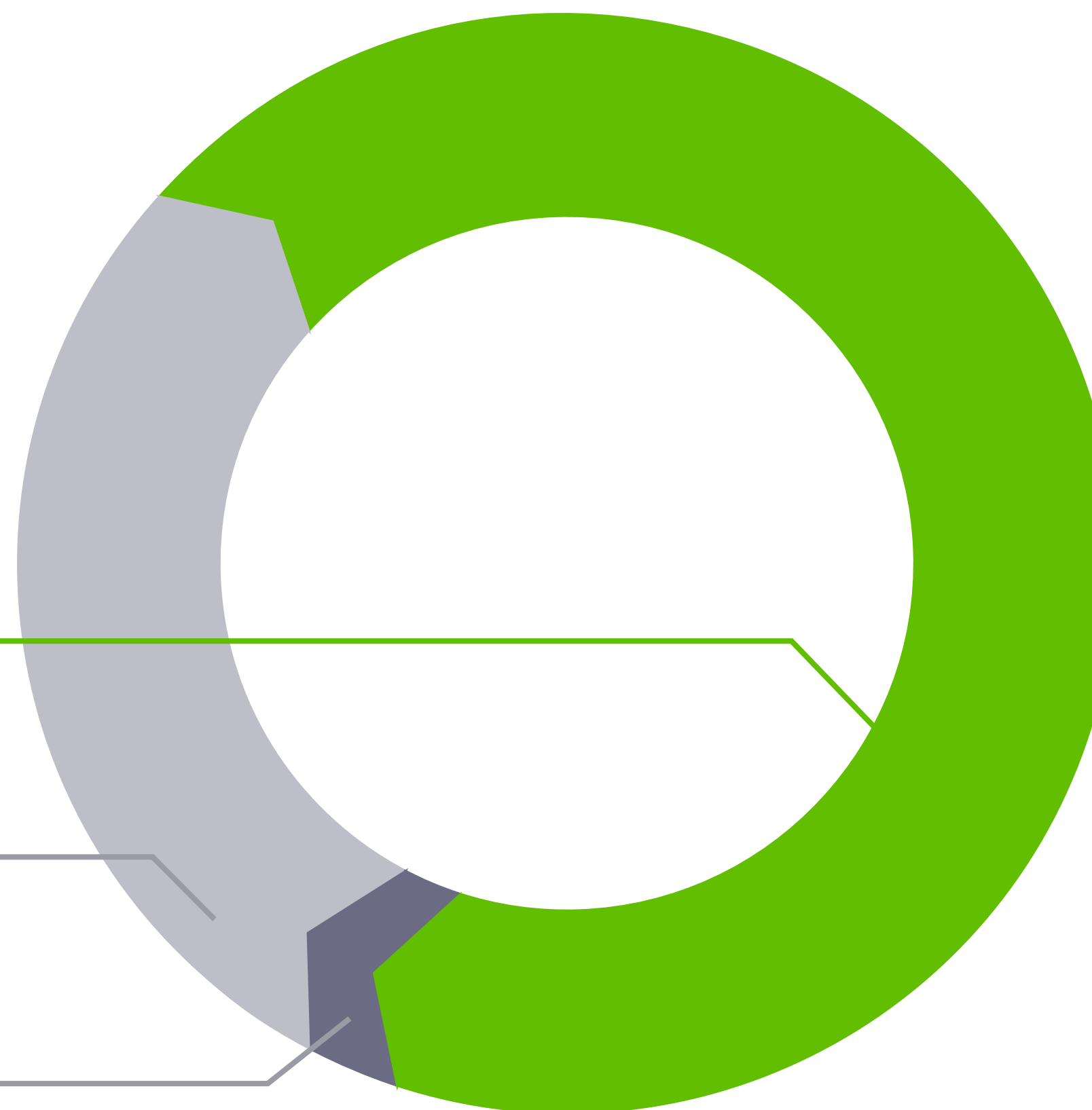
68,46%

MM INFRASTRUCTURE
INVESTMENTS EUROPE LIMITED

29,06%

OTHER SHAREHOLDERS

2,48%



The Council

Term of office from 28 April 2022 until 27 April 2025



(In Council since 3 January 2018)

ILMĀRS ŠŅUCINS
Chairman of the Council



(In Council since 30 April 2020)

TOMOHIDE GOTO
Deputy Chairman of the Council



(In Council since 28 April 2022)

IVARS MOISEJS
Member of the Council



(In Council since 12 May 2021)

VIKTORS SENTUHOVSKIS
Member of the Council



(In Council since 30 April 2020)

ZANE ĀBOLIŅA
Member of the Council



(In Council since 28 April 2021)

YUKIKO FUJII
Member of the Council



(In Council since 30 April 2020)

NORMUNDS ŠUKSTS
Member of the Council

Term of office until 28 April 2022

ILMĀRS ŠŅUCINS
Chairman of the Council

(in Council from 3 January 2018)

TOMOHIDE GOTO
Vice-Chairman of the Council

(in Council from 30 April 2020)

ZANE ĀBOLIŅA
Member of the Council

(in Council from 30 April 2020)

ILZE ALEKSANDROVIČA
Member of the Council

(in Council from 30 April 2020)

NORMUNDS ŠUKSTS
Member of the Council

(in Council from 30 April 2020)

TAKUMI SASAKI
Member of the Council

(In Council from 12 May 2021)

VIKTORS SENTUHOVSKIS
Member of the Council

(In Council from 12 May 2021)

The Board



ULDIS BARISS

JOINT-STOCK COMPANY
"CONEXUS BALTIC GRID"
CHAIRMAN OF THE BOARD

Born on 29 April 1965
valde@conexus.lv

Term of office:
from 16 November 2020 until 15 November 2023.
Does not hold shares in JSC "Conexus Baltic Grid"



GINTS FREIBERGS

JOINT-STOCK COMPANY
"CONEXUS BALTIC GRID"
MEMBER OF THE BOARD

Born on 23 August 1959
valde@conexus.lv

Term of office:
from 22 December 2016 until 31 December 2017,
from 31 December 2017 until 31 December 2020 and
from 1 January 2021 until 31 December 2023.
Holds 416 shares in JSC "Conexus Baltic Grid"



MĀRTIŅŠ GODE

JOINT-STOCK COMPANY
"CONEXUS BALTIC GRID"
MEMBER OF THE BOARD

Born on 17 August 1976
valde@conexus.lv

Term of office:
from 31 December 2017 until 31 December 2020 and
from 1 January 2021 until 31 December 2023.
Does not hold shares in JSC "Conexus Baltic Grid"

MANAGEMENT REPORT

Main activities

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

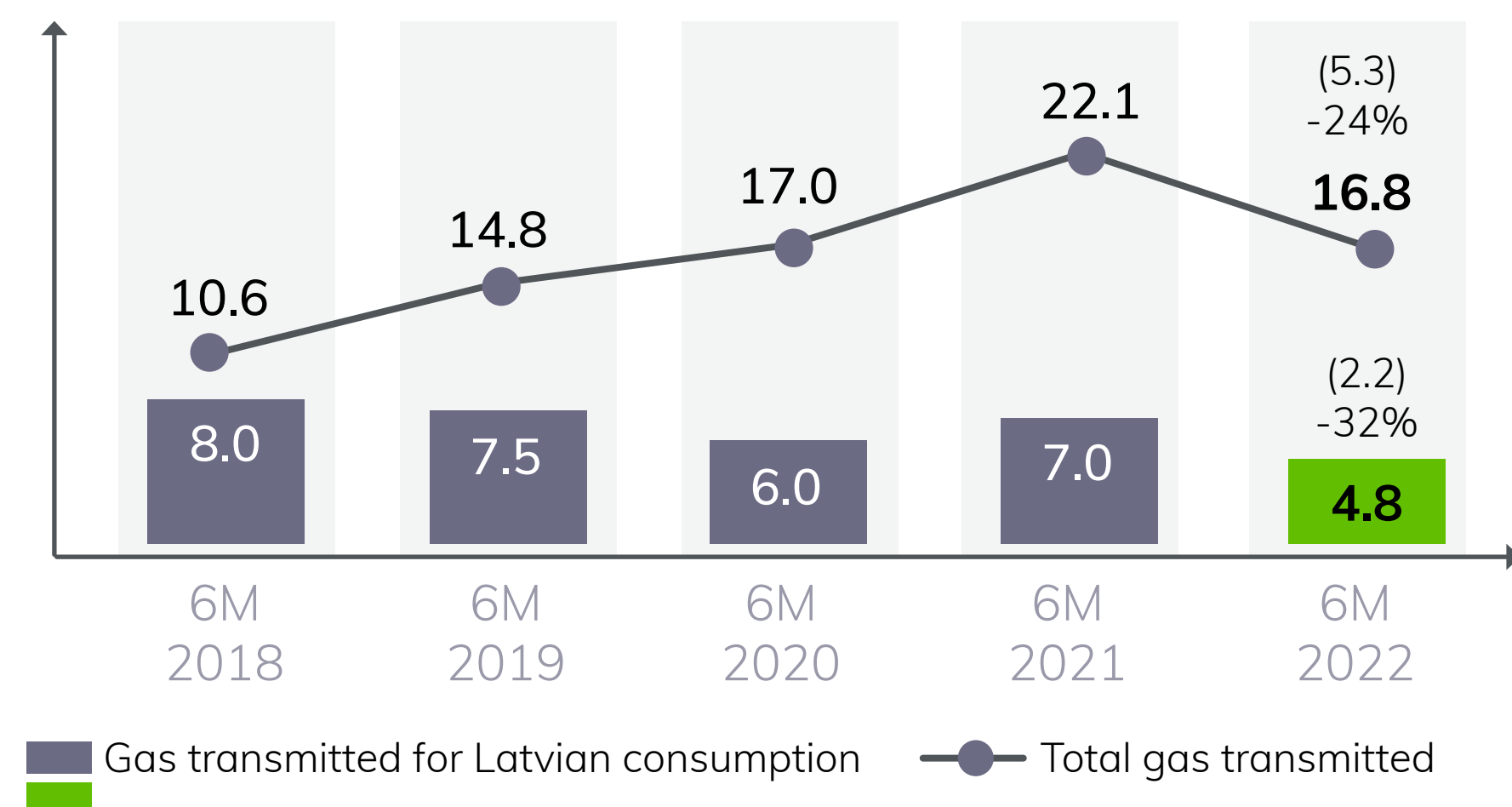
Natural gas consumption in Latvia reached 4,8 TWh, which is by one third lower than the same period of the previous year. Natural gas consumption was impacted by both the outdoor temperature, which during winter months was higher than in the same period of 2021, and by the reduction of gas-to-electricity power generation by two-thirds in country's largest power plants¹. 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 4 816 thousand EUR. The decrease of natural gas consumption has allowed to reduce the amount withdrawn from Inčukalna UGS. In the first 6 months of 2022, 7,2 TWh of natural gas were withdrawn, which is 40% less than the year before.

During the first 6 months of 2022, Conexus provided safe and uninterrupted natural gas supply for the consumption of Latvia, Lithuania, Estonia and Finland. Total volume of gas transmitted in Latvia reached 16,8 TWh, which is 24% less than in prior year's respective period.

The largest decrease is due to the lower volume of natural gas received from Russia. 2,7 TWh of natural gas was received from Russia in the first 6 months of this year, representing a 71% decrease compared to the volume of 9,6 TWh received in the first 6 months of last year. This decrease is attributable to both financial settlements with Russia being significantly burdensome, which prevents the payment for natural gas supplied, and the high price of natural gas on global markets, which makes the purchase of natural gas commercially disadvantageous for natural gas traders.

¹ <https://ast.lv/lv/electricity-market-review>

Transmitted gas, TWh

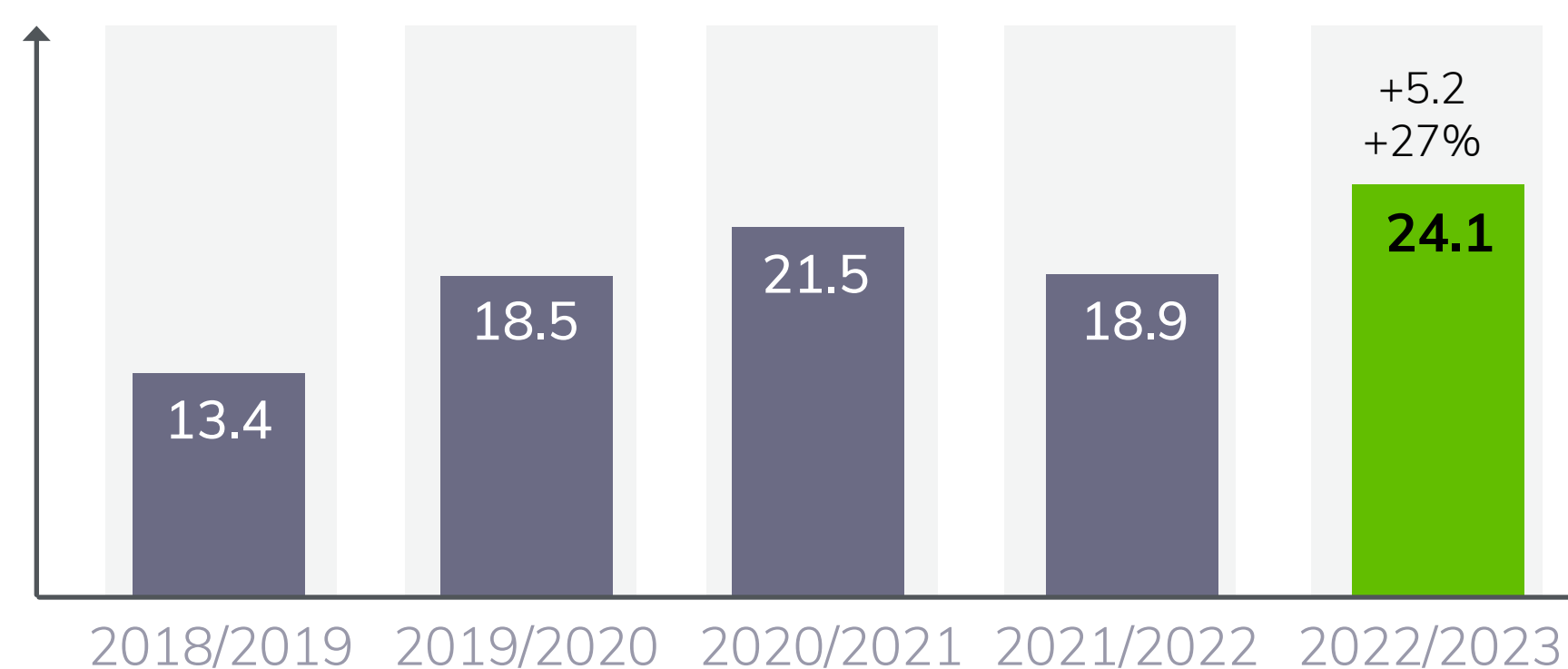


To ensure the safe and predictable availability of natural gas, natural gas traders are diversifying sources of natural gas supply. Natural gas traders have actively launched natural gas supplies from Klaipeda's liquefied gas terminal. In the 6 months of this year, the volume of natural gas received from Lithuania is 6,5 TWh, 13 times more than in the six months of last year.

Booked capacity of Inčukalns UGS

In 2022/2023 storage cycle Inčukalns UGS capacity products amounted to 24,1 TWh, which is 27% more than the year before. All available capacity of Inčukalns UGS 2022/2023 storage cycle is fully booked. This is the largest amount of storage booking reached in the history of Conexus.

Volume of booked capacity in Inčukalns UGS, TWh/storage cycle



During the reporting period, several Inčukalns UGS capacity auctions were held, as a result, system users were granted 19,6 TWh – 15,6 TWh for one year bundled capacity product of 2022/2023 storage cycle, 4 TWh for two year bundled capacity product of 2022/2024 storage cycle. After the closing auction of the grouped capacity products, held on 2 August 2022, all available capacity is fully booked.

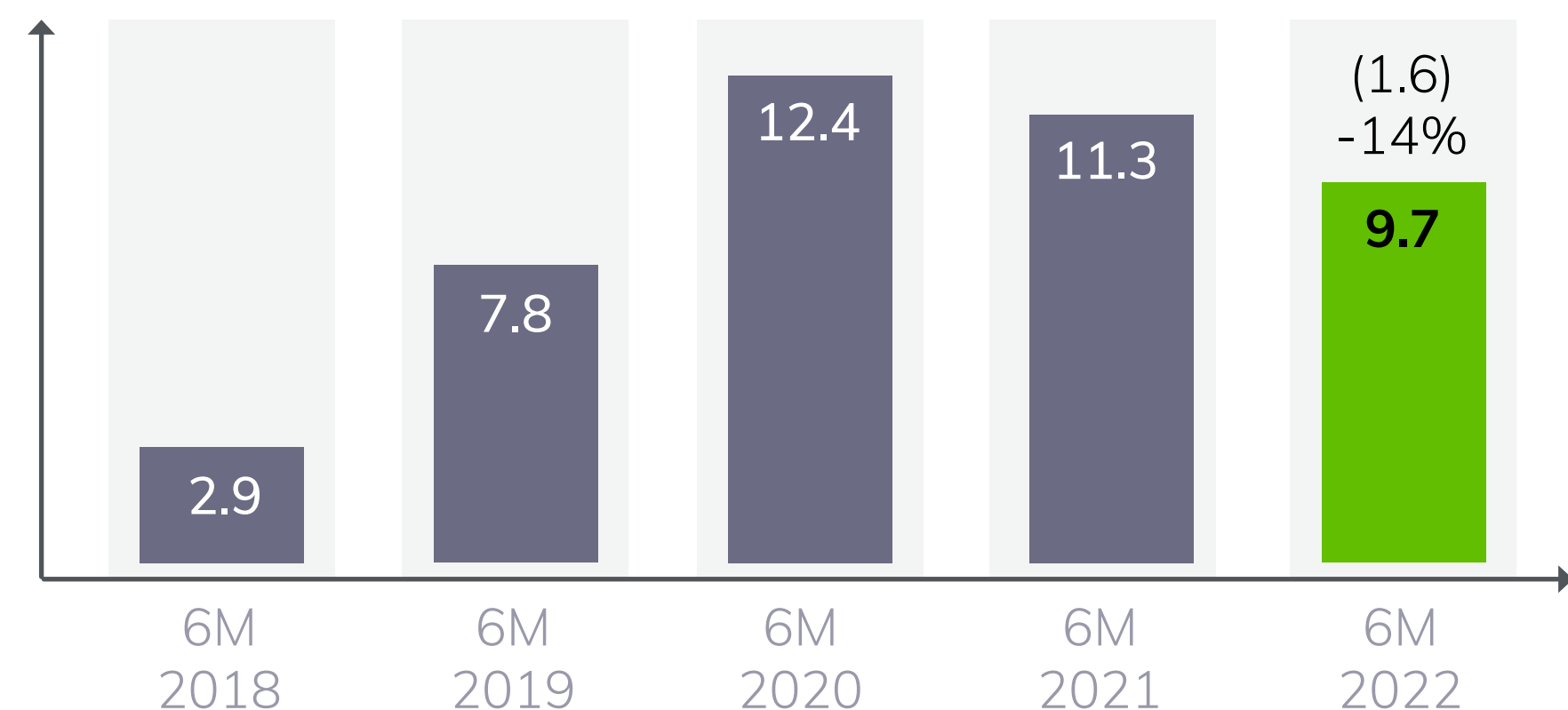


Volume of natural gas stored in Inčukalns UGS

On 30 June 2022, Inčukalns UGS holds a volume of 9,7 TWh of natural gas stored by system users, it is 14% less than the volume stored on 30 June last year in Inčukalns UGS.

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. Usually, the injection into the Inčukalns UGS is started only after the end of withdrawal season, which is set for 30 April 2022.

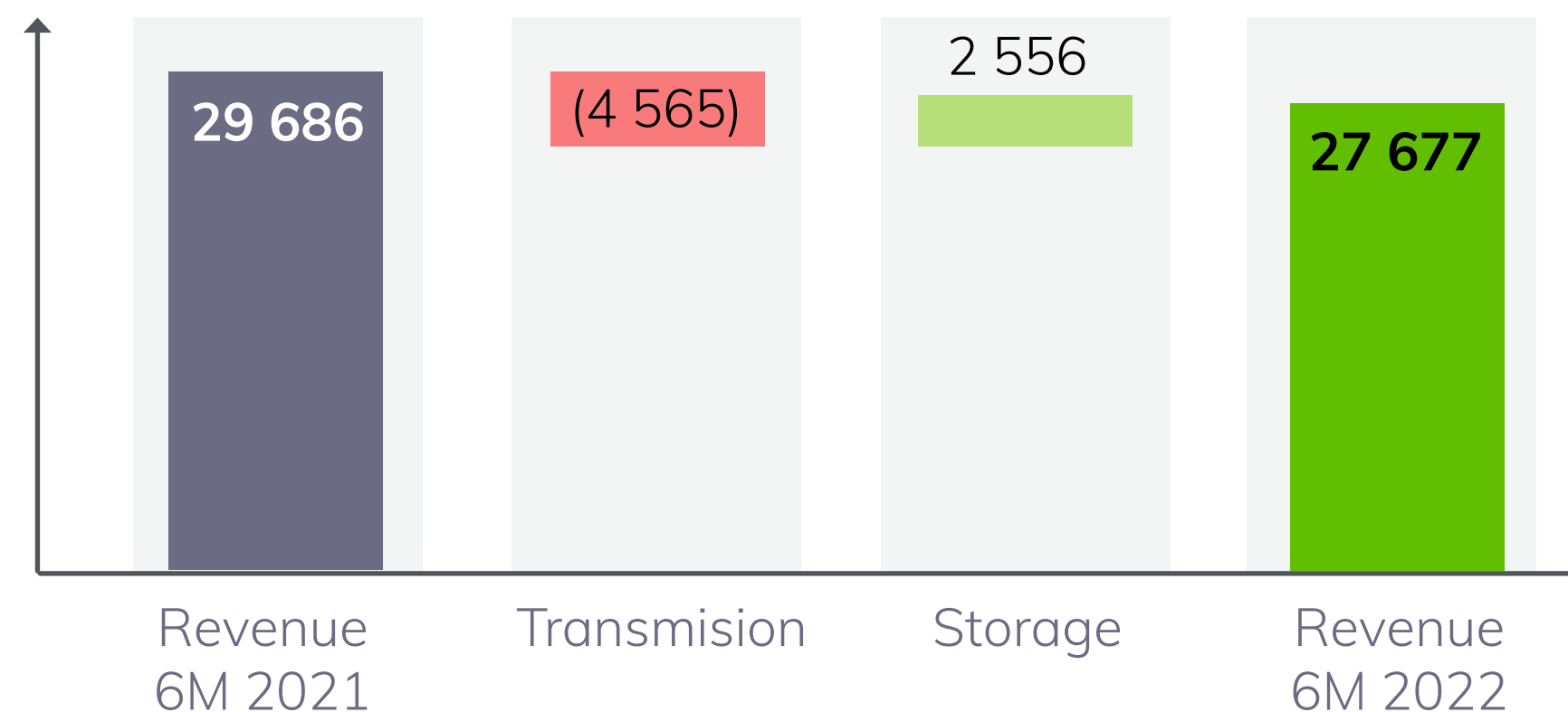
Total amount of natural gas stored by system users in Inčukalns UGS at the end of reporting period, TWh



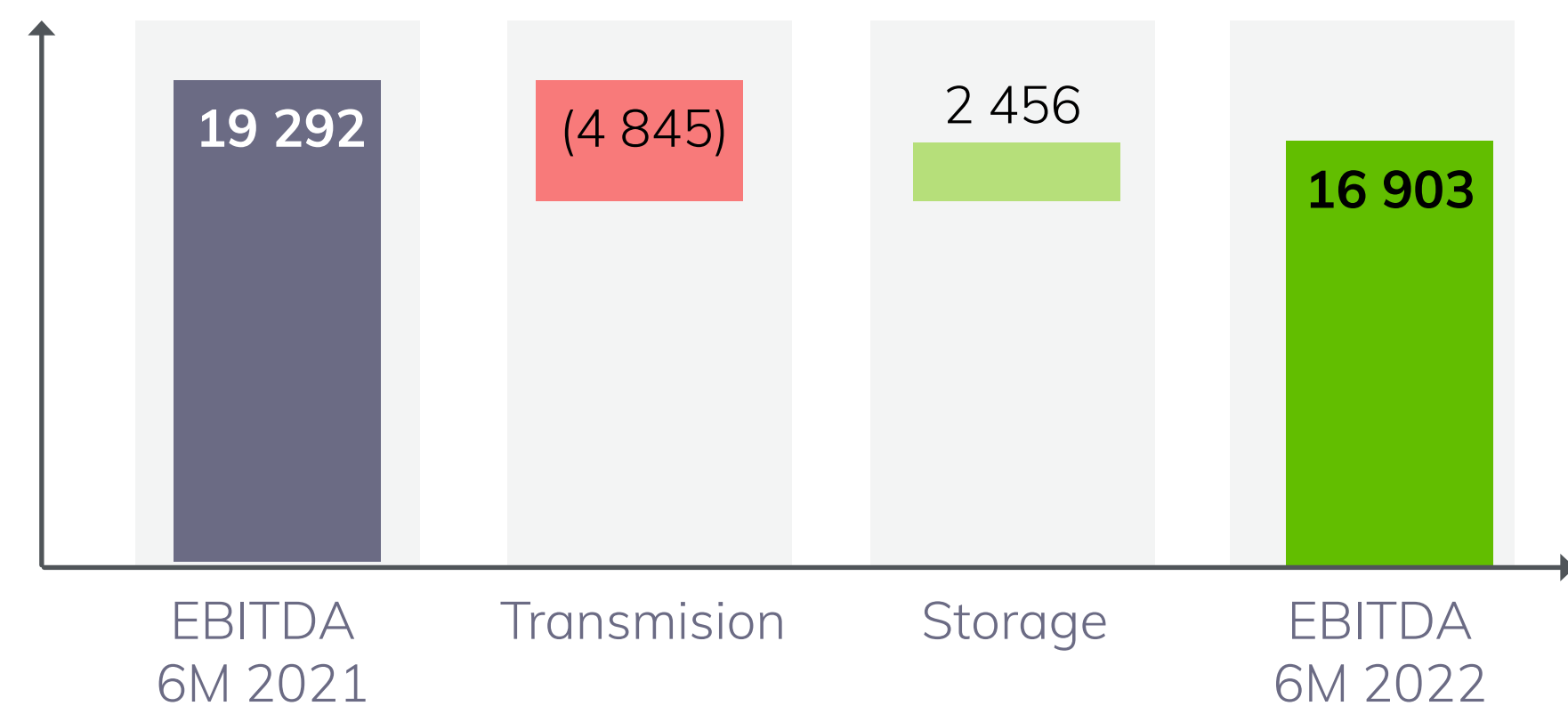
Conexus financial results

The net turnover in the reporting period was 27 677 thousand EUR, which is 7% less than in the prior year's respective period. The Conexus EBITDA during the reporting period decreased by 12% in comparison to respective period of 2021, reaching 16 903 thousand EUR. Both revenue and EBITDA were negatively affected by decrease in the volume of transmission services. However, the storage service's revenue and EBITDA exceed the corresponding period of the previous year.

Conexus revenue `000 EUR



Conexus EBITDA, '000 EUR



During the reporting period, Conexus net profit was 5 397 thousand EUR, which is 2 742 thousand EUR less than in the prior year's respective period.

MAIN FINANCIAL INDICATORS	6M 2022 or 30.06.2022	6M 2021 or 30.06.2021	+/-	%
	EUR'000	EUR'000		
Net turnover	27 677	29 686	(2 009)	-7%
EBITDA	16 903	19 292	(2 389)	-12%
Net profit	5 397	8 138	(2 742)	-34%
Segment assets	443 869	442 277	1 592	0%
Investments	5 887	10 388	(4 501)	-43%

Financing and liquidity

The financial assets at the Conexus disposal are sufficient to meet Conexus finance needs. At the end of the reporting period, the total amount of the Conexus borrowings is 74 096 thousand EUR, including overdraft in amount of 7 080 thousand EUR. From the total amount of overdraft facilities at 65 000 thousand EUR, 57 920 thousand EUR 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 thousand EUR reaches beyond 1 year.

At the end of the reporting period the weighted average interest rate of long-term borrowings is 0.50% (31.12.2021: 0.37%).

All financial covenants set in the Conexus loan agreement have been complied with during the reporting period.

CONEXUS FINANCIAL COVENANTS	30.06.2022	31.12.2021
Shareholders' equity ratio (>50%)	74%	71%
Net debt to EBITDA ratio (<5)	2.9	3.0
Debt-Service Coverage Ratio (DSCR) (>1.2)	2.4	3.7

Regulatory activities

Conexus determines the 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 Lithuanian-Polish natural gas interconnection to the storage as much as possible. The capacity allocation procedure developed by Conexus can be found on the Conexus website:

https://www.conexus.lv/uploads/filedir/Aktualitates/Komercdala/Incukalna_jaudas_sadales_kartiba.pdf

This obligation was imposed on Conexus on 8 March 2022 by Cabinet of Minister's decision providing for the declaration of an early warning in the natural gas supply sector.

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

Assessing the results of the previous storage cycle, storage capacity forecasts for the next storage cycle and the natural gas market situation, PUC hasn't objected Conexus' proposal for the 2022/2023 storage cycle to maintain the tariff values of the following capacity products unchanged:

- the bundled capacity product tariff (excluding VAT): 1,0226 EUR/MWh/storage cycle;
- the two-year bundled capacity product tariff (excluding VAT): 1,0865 EUR/MWh/for one year period;

- the interruptible capacity product tariff (excluding VAT): 0,8147 EUR/MWh/storage cycle;

- the virtual reverse flow product tariff (excluding VAT): 0,3471 EUR/MWh/storage cycle.

In accordance with the current regulatory framework, the tariff for the stock transfer product shall be set in such a way as to ensure that it would be more cost-effective for the users of the natural gas storage system to plan the amount of stored natural gas accurately or purchase the two-year bundled capacity product. Accordingly, the tariff value of the stock transfer product for the 2022/2023 storage cycle has been harmonized with the result of the two-year bundled capacity product auctions of the 2021/2022 storage cycle. Consequently, the tariff for the stock transfer product (excluding VAT) is 1,8081 EUR/MWh/storage cycle.

Natural gas transmission system service tariffs will remain unchanged

In accordance with the Regulator's decision No 171 of 27 November 2019, existing transmission service tariffs have been approved for the period from 1 January 2020 to 30 September 2022. Since no new tariffs on the natural gas transmission system service are expected to take effect from 1 October 2022, the current tariffs on the natural gas transmission system service will apply until the beginning of a new regulatory period.

Tariff for the use of the exit point for supply of consumers of Latvia will remain unchanged, as well as the annual standard capacity product tariffs, short term standard capacity product tariffs, interruptible capacity product tariffs and interruptible virtual counterflow product tariffs.

The date of entry into force of the new regulatory period is not currently set but is expected to be October 1, 2023. This date depends on both the decision on Lithuania joining the single natural gas transmission entry-exit system of Finland, Estonia and Latvia, and the revision of the methodology for calculating tariffs for the natural gas transmission system scheduled for this year.

Legal events

- ◆ On 18 September 2018 Conexus filed an application to the District administrative court against the decision No. 69 of the PUC council “On JSC “Conexus Baltic Grid” natural gas transmission system tariffs” dated 18 June 2018, in relation to expenses not being included in the transmission system tariff project and issuance of a new administrative act, intending to include the excluded expenses in tariff project in the next period. With the decision of the District administrative dated on 7 April 2020 the application was rejected. Conexus submitted an appeal in cassation to the Department of Administrative Cases of the Senate on 7 May 2020 and the cassation proceedings have been initiated, but the date of the hearing is not known at this time;
- ◆ On 28 September 2020 Conexus filed an application to the Administrative District Court regarding cancellation of the PUC Council’s decision No 109 dated 20 August 2020 on the capital rate of return for the calculation of the tariff project for natural gas transmission system, natural gas distribution system and natural gas storage services. The decision to refer the question to the Court of Justice of the European Union on the interpretation of the European Union law applicable in the case will be drawn up in the Administrative District Court on 21 September 2022.

Other activities

Active work continues on implementation of European projects of common interest

In 2022, active work continues on the project “Enhancement of Inčukalns UGS”, during which by 2025 it is planned to significantly improve the technical infrastructure and equipment safety, for the purpose of the Inčukalns UGS retaining its functionality after increase of pressure within the Baltic transmission network

Also work continues on the increase of Latvia-Lithuania transmission gas pipe capacity with the aim to facilitate access to the Klaipėda liquid gas terminal, Latvia’s Inčukalns UGS and Poland-Lithuania gas interconnection.

Total investments into both projects comprise 93,5 million EUR.

During the reporting period, investments were made in amount of 5,9 million EUR, 44% of which were as part of European projects of common interest.

Conexus has joined the European Hydrogen Backbone initiative

In accordance with the European green deal to Europe climate neutral by 2050, Conexus has joined the European Hydrogen Backbone (EHB) initiative, which is comprised of European gas transmission system operators’ group that has developed proposals for development of hydrogen-related infrastructure, as well as participates in European gas infrastructure (GIE) gas storage research project “Demonstration of underground hydrogen storage roads and values corresponding to the future hydrogen energy market”.

EBH is developing in order to meet 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.

EBH initiative offers its solutions in order to accelerate the deployment of integrated hydrogen and gas infrastructure, to ensure higher security of energy supply and to achieve the European Union’s renewable energy targets.

Finnish and Baltic gas transmission system operators continue regional market integration

Natural gas market participants have expressed the need to extend the current Estonia-Finland-Latvia entry tariff area to include Lithuania in order to remove the current tariff barrier at the Lithuania-Latvia interconnector Kiemėnai. Further to the regional market integration initiated in 2019, the transmission system operators of Latvia, Lithuania, Estonia and Finland, Conexus, AB Amber Grid, Elering AS and Gasgrid Finland Oy, are working on a solution to include Lithuania in the zone with no internal tariff barriers. This would create better conditions for market participants to operate across the region while providing more added value to end consumers of natural gas. The proposed tariff area model foresees harmonised, uniform tariff setting for external borders, allowing for discounts at entry points from alternative gas sources.

Decisions of the shareholders' meeting

On 28 April 2022, the shareholders' meeting elected Conexus Council with changes in its current composition. 7 members of the Council have been approved for a term of three years.

In addition to the election of Conexus Council, 2021 Sustainability and Annual Report and Dependency Report were approved, and the reports of the Conexus Management Board, Supervisory Board and independent auditor were reviewed.

At the same time, Shareholders meeting approved dividends in amount of 9 548 thousand EUR (0.24 EUR per share).

Shareholders meeting decided to approve the offering and admission to the regulated market of unsecured bond issues with an issue volume of up to 80 million EUR for a term of at least two years. It is expected that issues will be listed on Nasdaq Riga AS this year with the possibility to list the bonds also on Nasdaq Vilnius AB and Nasdaq Tallinn AS.

On 1 May 2022, the Gas Interconnection Poland-Lithuania (GIPL) commenced its operation

On 1 May 2022 the Gas Interconnection Poland-Lithuania commenced its operation, transmitting natural gas in both directions. The new interconnection will integrate the Baltic and Finnish single gas market into European Union's common gas market. It will give opportunity to system users to differentiate sources of gas supply, as well as it will positively impact the security of gas supply.

Energy Law amendments

Amendments were made to the Energy Law on 21 April 2022. As explained in the specification of the drafted project, the aim of the amendments is to establish energy security reserves to be stored in Inčukalns UGS in order to ensure the continuous supply of natural gas. The reserves will ensure that natural gas is available in the

country to a sufficient extent to prevent energy crisis.

Energy security reserves are to be maintained at the level of 1,8-2,2 TWh in 2023, depending on the available supply of liquefied natural gas vessels. The purchase and storage of the energy supply security reserve, ensuring injection in Inčukalns UGS until 1 January 2023, is organised by AS "Latvenergo".

Latvia has complied with the new requirements of the European Union Gas Storage Regulation, which requires Latvia to fill its gas storage facilities to 35% of the country's consumption

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 Latvia's average consumption over the last five years was 12,7 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, which is 50% of the total natural gas storage capacity. The adopted regulation will strengthen the EU's security of gas supply in view of the upcoming and future winters. The EU Gas Storage Regulation requires European gas reserves to be filled and managed before winter to be protected against external interference.

Main financial indicators

		6M 2018 or 30.06.2018	6M 2019 or 30.06.2019	6M 2020 or 30.06.2020	6M 2021 or 30.06.2021	6M 2022 or 30.06.2022	Δ	Δ %	
Operating indicators	Transmitted natural gas	TWh	10.6	14.8	17.0	22.1	16.8	(5.3)	-24%
	Total amount of natural gas stored by system users in Inčukalns UGS at the end of reporting period	TWh	2.9	7.8	12.4	11.3	9.7	(1.6)	-14%
	Natural gas for consumption in Latvia	TWh	8.0	7.5	6.0	7.0	4.8	(2.2)	-32%
	Volume of natural gas withdrawn from Inčukalns UGS	TWh	9.1	7.4	7.2	12.1	7.2	(4.9)	-40%
Financial indicators	Net turnover*	`000 EUR	25 097	26 428	27 959	29 686	27 677	(2 009)	-7%
	EBITDA	`000 EUR	13 988	15 388	16 145	19 292	16 903	(2 389)	-12%
	Net profit	`000 EUR	5 764	7 311	7 656	8 138	5 397	(2 742)	-34%
	Segment assets	`000 EUR	346 824	355 723	443 453	442 277	443 869	1 592	0%
	Investments	`000 EUR	4 372	4 789	4 275	10 388	5 887	(4 501)	-43%
	Depreciation	`000 EUR	8 125	7 984	8 401	8 783	8 928	145	2%
Financial coefficients	EBITDA profitability	%	56%	58%	58%	65%	61%	(4ppt)	
	Net profitability	%	23%	28%	27%	27%	19%	(8ppt)	
	Return on Equity ratio (ROE)	%	1.8%	2.3%	2.2%	2.0%	1.6%	(0.4ppt)	
	Shareholders' equity ratio**	%	87%	86%	90%	74%	74%	(0ppt)	
	Net debt to EBITDA ratio***	coef.	1.0	1.0	0.7	2.9	2.9	-	0%
	Debt-service Coverage Ratio (DSCR)****	coef.	6.0	8.3	9.5	7.8	2.4	(5.4)	-69%
Average number of employees		number	334	327	329	336	324	(12)	-4%

* Comparative figures reclassified to be comparable with 2022 figures

Financial covenants:
 **Shareholders' equity ratio > 50%
 ***Net debt to EBITDA ratio < 5
 ****Debt-Service Coverage Ratio (DSCR) > 1.2

Results of segments' operations

Conexus is operating in two segments: transmission and storage of natural gas. This division is based on internal organizational structure of the Conexus, which serves as a basis for regular supervision of business results, for making decisions on assignment of resources to segments, and for assessing operating performance. Information in the operating segments matches the information used by the persons responsible for taking operational decisions.

Transmission

Conexus is the single natural gas transmission and storage operator in Latvia, which ensures the maintenance and safe and continuous operation of the natural gas transmission system, and the interconnections with the transmission systems of other countries, enabling traders to use the natural gas transmission system for the trading of natural gas.

The main natural gas transmission system is 1 190 km long and is directly connected to the natural gas transmission systems of Lithuania, Estonia and Russia, ensuring both the transmission of natural gas in regional gas pipelines in the territory of Latvia and interconnections with the natural gas transmission systems of the neighbouring countries:

- the diameter of international gas pipelines is 720 mm with the operating pressure between 28 and 40 bars;

- the diameter of regional gas pipelines is between 400 mm and 530 mm with the operating pressure up to 30 bars;
- a virtual exit point is available for the supplies of natural gas to users in Latvia, which compiles all technically feasible exits in the territory of Latvia. To transport the natural gas to the local distribution system in Latvia, 40 gas adjustment stations are used.

51% of Conexus assets are attributed to transmission segment, also in terms of revenue and EBITDA it is the largest operating segment.

During the first six months of 2022, transmission revenue was adversely affected 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 plants². As a result, overall consumers' demand for natural gas was lower than in the same period of previous year, which led to 4 816 thousand EUR lower revenue from the use of exit point for supply of consumers of Latvia.

During the first 6 months of 2022, the total volume of transmitted gas reached 16,8 TWh, 24% decrease against the respective period of prior year. The volume of natural gas consumption in Latvia reached 4,8 TWh, it comprises 32% decrease versus prior year.

² <https://ast.lv/lv/electricity-market-review>

The revenue of the transmission segment during the reporting period was 14 123 thousand EUR and EBITDA reached 7 494 thousand EUR, representing 44% of the Conexus total EBITDA. Net profit of the transmission segment amounted to 768 thousand EUR (87% less than in prior year).

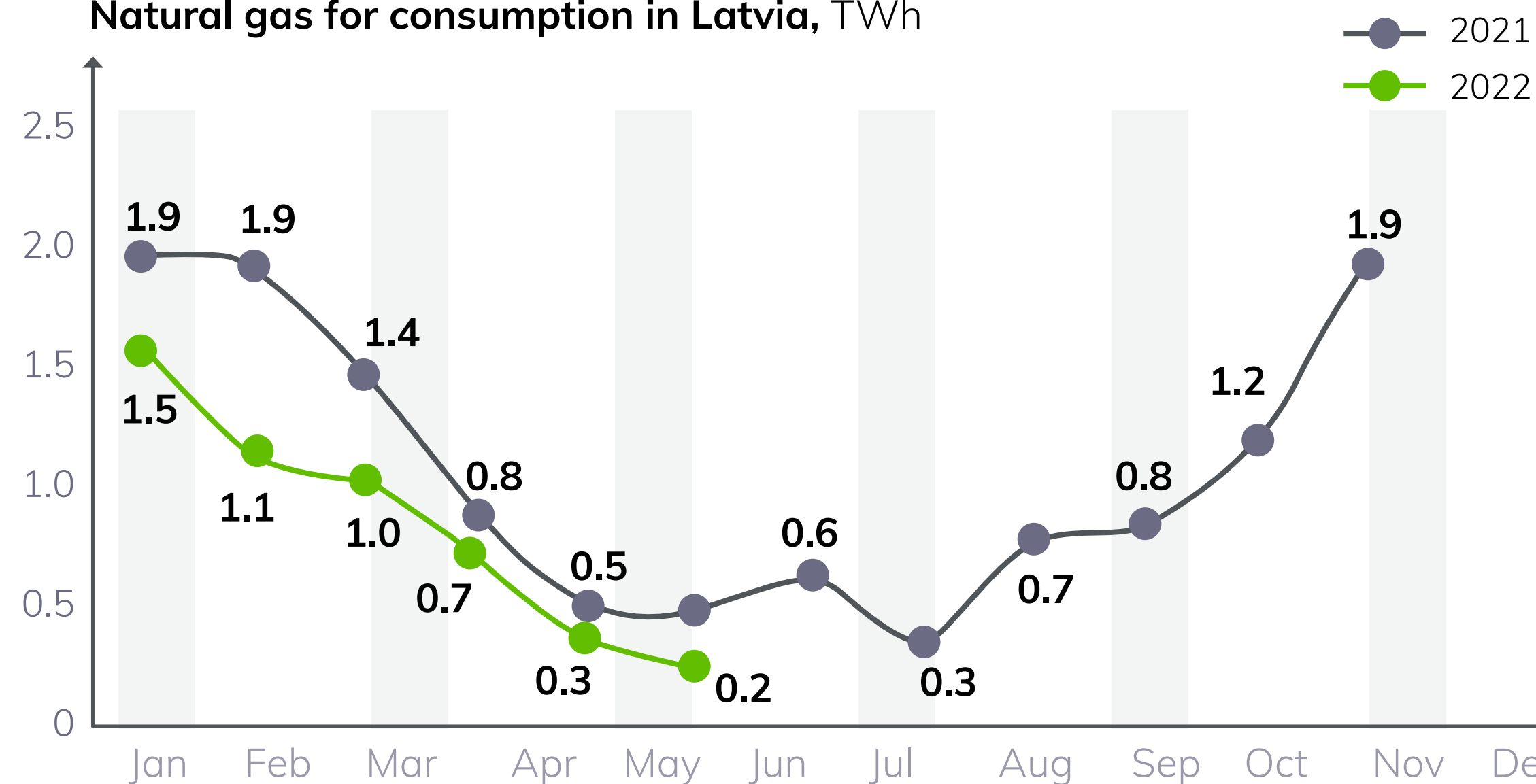
TRANSMISSION	6M 2022 or 30.06.2022	6M 2021 or 30.06.2021*	+/-	%
	EUR'000	EUR'000		
Net turnover	14 123	18 689	(4 565)	-24%
EBITDA	7 494	12 338	(4 845)	-39%
Segment Net Profit	768	5 765	(4 996)	-87%
Segment assets	228 001	231 600	(3 599)	-2%
Depreciation and amortisation	5 105	5 084	21	0%
Investments	2 164	2 738	(574)	-21%

* 2021 figures reclassified to be comparable with 2022 figures

The transmission segment's assets at the end of the reporting period amounted to 228 million EUR, which comprised 51% of the total assets of the Conexus. During the reporting period, capital investments were made in amount of 2 164 thousand EUR. The largest investments:

- Within the framework of the European project of common interest "Enhancement of Latvia-Lithuania Interconnection" (ELLI), the Conexus invested a total of 545 thousand EUR in several sub-projects during the first six months of 2022;
- transmission gas pipelines repairs – 417 thousand EUR;
- Izborska-Inčukalns UGS insulation replacement – 452 thousand EUR.

Natural gas for consumption in Latvia, TWh



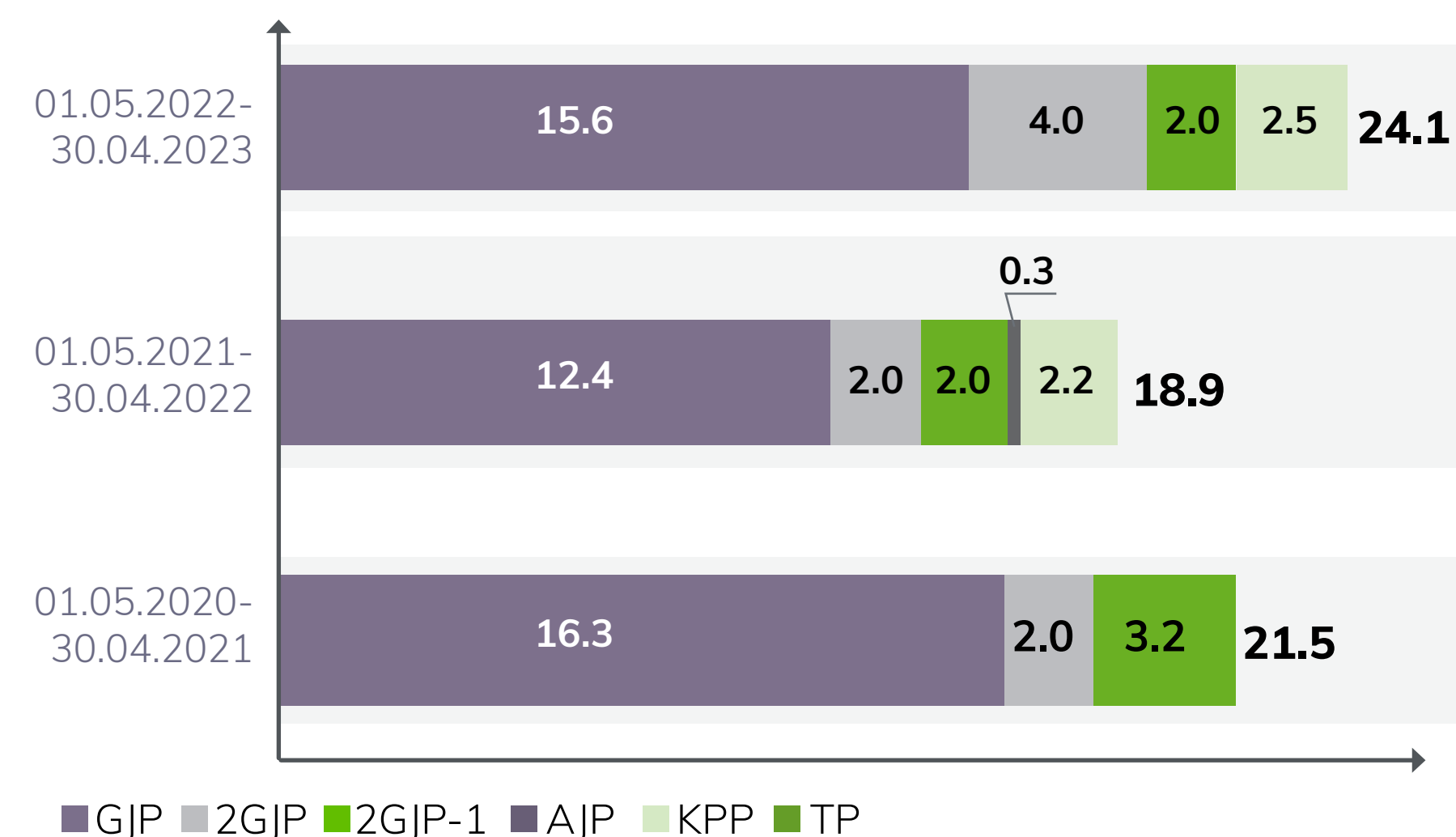
Storage

The natural gas storage segment provides the storage of natural gas in the Inčukalns UGS for consumption during the heating season and for other needs of the system users.

2021/2022 Inčukalns UGS capacity booking reached 18,9 TWh, which is 12% less than previous year. However, 2022/2023 Inčukalns UGS capacity products amounted to 24,1 TWh, which is 27% more than the year before. The varied product types booked by the market participants, storage tariffs and applicable auction premiums ensured increase of capacity product revenue by 2 556 thousand EUR, in comparison to the previous year.



Storage booking by products, TWh



The storage segment revenue during the reporting period was 13 554 thousand EUR and EBITDA reached 9 410 thousand EUR. The storage segment profit reached 4 628 thousand EUR.

STORAGE	6M 2022 or 30.06.2022	6M 2021 or 30.06.2021*	+/-	%
	EUR'000	EUR'000		
Net turnover	13 554	10 998	2 556	23%
EBITDA	9 410	6 954	2 456	35%
Segment Net Profit	4 628	2 374	2 255	95%
Segment assets	215 867	210 676	5 191	2%
Depreciation and amortisation	3 823	3 699	124	3%
Investments	3 723	7 650	(3 927)	-51%

* 2021 figures reclassified to be comparable with 2022 figures.

Storage segment's assets at the end of the reporting period amounted to 216 million EUR, which comprised 49% of Conexus total assets. During the reporting period, capital investments were made in amount of 3,7 million EUR, which was 3 927 thousand EUR less than in prior year. Largest investments - reconstruction of wells, modernization of gas compression units at Compressor station No 2 and reconstruction of gas collection point No. 3, in total amount of 2,1 million EUR, - were made within the framework of the European major project of common interest PCI 8.2.4. "Enhancement of Inčukalns UGS".

Subsequent events

In response to the geopolitical developments in Europe, Conexus, as a critical infrastructure company, is conducting enhanced risk assessments in the areas of cyber security and securing natural gas transmission and storage.

In order to reduce energy supply risks, Conexus has taken the necessary actions to increase the volume of natural gas in the storage facility and has started gas injection into the Inčukalns UGS as of 27 February 2022.

Conexus management handles administrative matters promptly to ensure the continuity of supply of goods and services required for its core business.

Although uncertainty about the impact of events on Conexus' future operations has increased, no circumstances have been identified to date that would affect the going concern basis.

Ban on natural gas supplies from Russia from 1 January 2023

Following the war conflict in Ukraine launched by Russia on 24 February 2022 and the enhanced sanctions regime of the European Union member states and other countries against Russia, on 19 April 2022 the Government of Latvia agreed conceptually on the abandonment of natural gas from Russia. The Economic, Agricultural, Environmental and Regional Policy Commission of the Parliament of the Republic of Latvia directed amendments to the Energy Law, which stipulate that natural gas supplies from Russia are banned from January 1, 2023. In support of the amendments prepared by the commission, 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. In the longer term, as a new entry point for the natural gas transmission system, new LNG terminals might appear in Skulte or Riga.

The natural gas transmission system of Latvia, by crossing the territory of Estonia, is linked indirectly to the natural gas transmission system of Russia. The natural gas transmission system between Bērzkrōgs and Korneti, which provides natural gas supplies from Russia, comprises two pipeline stages: “Izborska – Inčukalns Underground Gas Storage” and “Pleskava – Rīga”, as well as a gas measuring station “Korneti”, located near to Latvia – Estonia border.

In the light of this, the management of the Conexus carried out an assessment to make sure if there are potential signs of impairment of assets. The evaluation is set out in Annex 12.

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

On 14 July 2022, in the third reading the Parliament supported the amendments to the Energy Law, which 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. Guarantee of origin is a document that proves, that the gas has been produced from renewable energy sources and will therefore be usable both in Latvia to prove to the end consumer that the energy used is environmentally friendly and will open up new opportunities for renewable gas producers to export it as well.

The necessary steps will be taken in the near future to ensure the implementation of European level standards and regulations in the field of energy guarantees of origin, that are in line with the requirements of the European Energy Certification System (EECS). Guarantee of origin system for gas will become operational on 1 July 2023, as required by the Energy Law.

ABBREVIATIONS AND FORMULAS:

MWh	megawatt-hours
TWh	terawatt-hours
EUR/MWh/d/g	euro for megawatt-hour per day/ per year
EBITDA	earnings before interest, taxation, depreciation & amortisation
Net debt	loans minus cash and cash equivalents
EBITDA profitability	EBITDA/income
Net profitability	net profit/income
Return on equity ratio (ROE)	net profit (over the reporting period)/equity average value
Shareholders' equity	equity/total assets
Net debt to EBITDA ratio	net debt/EBITDA (over 12 months period)
Debt-Service Coverage Ratio (DSCR)	EBITDA (over 12 months period)/ debt payments
BCP	1 year bundled capacity product
2BCP	2 year bundled capacity product
2BCPy-1	2 year bundled capacity product from previous storage cycle
IC	interruptible capacity
STP	stock transfer product
MP	market product (no longer offered)

STATEMENT OF THE BOARD'S RESPONSIBILITY

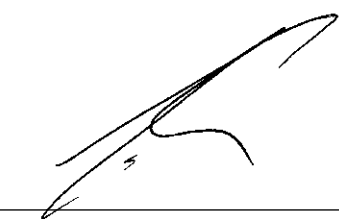
The Board of the Company is responsible for preparing its financial statements. The unaudited condensed interim financial statements of Conexus for the 6 months period ending 30 June 2022 were prepared in accordance with the International Accounting Standard (IAS) No. 34 "Interim Financial reporting" as adopted by the European Union, providing true and fair view of the financial position of the Company, its operational results and cash flow.



ULDIS BARISS
Chairman of the Board



GINTS FREIBERGS
Member of the Board



MĀRTIŅŠ GODE
Member of the Board

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FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
		EUR	EUR
Revenue	5	27 676 877	29 686 349
Other income	6	368 047	206 176
Maintenance and service costs	7	(3 360 287)	(3 172 698)
Personnel expenses	8	(6 686 091)	(5 762 814)
Other operating costs	9	(1 095 071)	(1 664 574)
Depreciation, amortisation, and impairment of property, plant and equipment	11, 12	(8 928 384)	(8 783 317)
Operating profit		16 903 475	19 292 439
Finance costs	10	(191 203)	(114 131)
Profit before tax		7 783 888	10 394 991
Corporate income tax		(2 387 165)	(2 256 640)
Profit for the reporting period		5 396 723	8 138 351

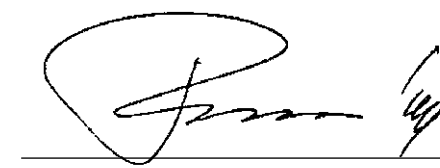
STATEMENT OF COMPREHENSIVE INCOME

	Notes	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
		EUR	EUR
Profit for the reporting period		5 396 723	8 138 351
Other comprehensive income / (loss):			
Property, plant and equipment revaluation		-	-
Remeasurement of post - employment benefits as a result of changes in actuarial assumptions		-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive income for the reporting period		5 396 723	8 138 351

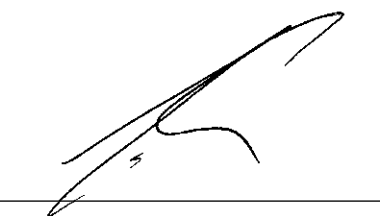
Notes on pages 28 to 40 form an integral part of these financial statements.



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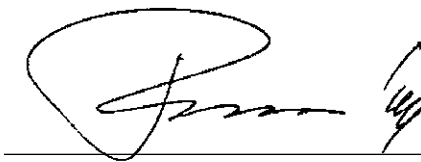
STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2022	31.12.2021
ASSETS		EUR	EUR
Long-term investments			
Intangible assets	11	2 220 494	2 041 249
Advances for intangible assets		6 720	6 720
Property, plant and equipment	12	427 446 940	430 671 322
Advances for property, plant and equipment		2 434 380	2 332 465
Long-term deferred expenses	13	1 058 259	1 108 651
Right-of-use assets		431 428	451 108
Total long-term investments:		433 598 221	436 611 515
Current assets			
Inventories		2 690 361	2 596 488
Advances for inventories		31 333	30 051
Receivables from contracts with customers		5 626 164	13 373 794
Other receivables		1 103 073	365 186
Deferred expenses		555 183	417 139
Cash and cash equivalents		264 455	14 676 110
Total current assets:		10 270 569	31 458 768
TOTAL ASSETS:		443 868 790	468 070 283

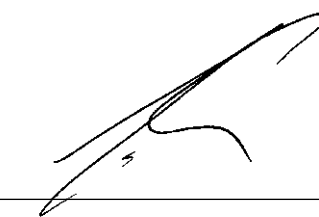
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STATEMENT OF FINANCIAL POSITION (continued)

	Notes	30.06.2022	31.12.2021
		EUR	EUR
EQUITY AND LIABILITIES			
Equity:			
Share capital		39 786 089	39 786 089
Own shares		(24 270)	(25 320)
Reserves		212 412 106	216 230 918
Retained earnings		76 056 024	76 412 620
Total equity:		328 229 949	332 404 307
Non-current liabilities			
Borrowings from credit institutions	14	58 052 235	60 282 986
Deferred income		21 864 294	18 156 045
Employee benefit obligations		1 374 135	1 374 135
Non-current lease liabilities		425 832	447 940
Total non-current liabilities:		81 716 496	80 261 106
Current liabilities			
Borrowings from credit institutions	14	16 043 972	37 772 866
Trade payables		5 882 096	7 290 495
Other liabilities		1 843 133	2 458 791
Accrued liabilities		3 023 700	6 129 608
Deferred income from contracts with customers		-	237 284
Deferred income, other		543 302	539 618
Advances from customers		6 561 078	956 811
Current lease liabilities		25 064	19 397
Total current liabilities:		33 922 345	55 404 870
TOTAL EQUITY AND LIABILITIES:		443 868 790	468 070 283

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ULDIS BARISS Chairman of the Board	GINTS FREIBERGS Member of the Board	MĀRTIŅŠ GODE Member of the Board

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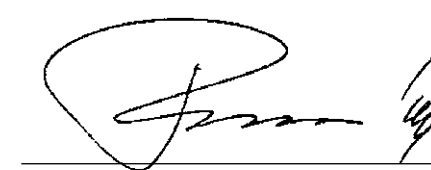
STATEMENT OF CHANGES IN EQUITY

	Share capital	Own shares	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Opening balance at 01.01.2021	39 786 089	(34 678)	224 758 592	140 138 666	404 648 669
Calculated dividends	-	9 358	-	(85 142 230)	(85 132 872)
Reduction of revaluation reserve	-	-	(3 939 550)	3 939 550	-
Profit for the period 01.01.2021-30.06.2021	-	-	-	8 138 351	8 138 351
<i>Total</i>	-	9 358	(3 939 550)	(73 064 329)	(76 994 521)
At 30 June 2021	39 786 089	(25 320)	220 819 042	67 074 337	327 654 148
Reduction of revaluation reserve	-	-	(4 259 902)	4 259 902	-
<i>Other comprehensive income:</i>					
Revaluations of post-employment benefits as a result of changes in actuarial assumptions	-	-	(328 222)	-	(328 222)
<i>Total other comprehensive income</i>	-	-	(328 222)	-	(328 222)
Profit for the period 01.07.2021-31.12.2021	-	-	-	5 078 381	5 078 381
<i>Total</i>	-	-	(4 588 124)	9 338 283	4 750 159
At 31 December 2021	39 786 089	(25 320)	216 230 918	76 412 620	332 404 307
Opening balance at 01.01.2022	39 786 089	(25 320)	216 230 918	76 412 620	332 404 307
Calculated dividends	-	1 050	-	(9 548 661)	(9 547 611)
Reduction of revaluation reserve	-	-	(3 818 812)	3 795 342	(23 470)
Profit for the reporting period	-	-	-	5 396 723	5 396 723
<i>Total</i>	-	-	(3 818 812)	(356 596)	(4 174 358)
At 30 June 2022	39 786 089	(24 270)	212 412 106	76 056 024	328 229 949

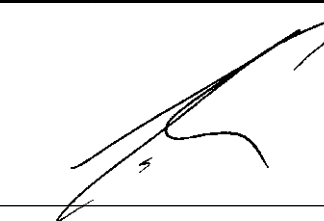
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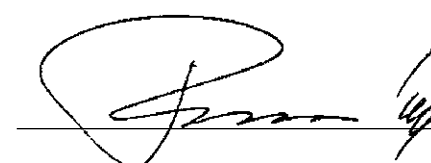
STATEMENT OF CASH FLOWS

	Notes	01.01.2022- 30.06.2022	01.01.2021-30.06.2021
Cash flow from operating activity		EUR	EUR
Profit before corporate income tax		7 783 888	10 394 991
Adjustments:			
- depreciation of property, plant and equipment	12	8 574 998	8 392 218
- depreciation of the right-of-use assets		19 679	46 366
- amortisation of intangible assets	11	333 706	344 733
- loss from disposal of PPEs		(31 376)	117 782
- changes in provisions		285 780	180 000
- recognised EU co-financing		(271 483)	(168 755)
- interest expense		190 919	113 389
Changes in the working capital:			
- (increase) / decrease of receivables from contracts with customers, other receivables and deferred expenses		6 922 093	(360 604)
- (increase) of advances for inventories		(1 282)	(24 966)
- (increase) / decrease of inventories		(93 874)	78 418
- (decrease) of lease liabilities, trade payables, accrued liabilities, advances from customers and other liabilities		(98 830)	(1 854 397)
Corporate income tax		(2 387 165)	-
Net cash flow from operating activity		21 125 138	17 259 175
Cash flow from investing activity			
Acquisition of property, plant and equipment		(5 476 001)	(10 383 252)
Acquisition of intangible assets		(512 951)	(294 645)
Proceeds from the sale of property, plant and equipment items		31 376	63 992
Received EU co-financing		3 983 416	3 019 220
Cash flow from investing activity		(1 974 160)	(7 594 685)
Cash flow from financing activity			
Interest paid		(179 542)	(101 998)
Borrowings received		8 299 300	64 485 644
Borrowings repaid		(32 258 945)	(2 357 639)
Lease payments		(16 441)	(55 162)
Dividends paid		(9 508 920)	(84 393 812)
Net cash flow from financing activity		(33 664 548)	(22 422 967)
Net cash flow		(14 411 655)	(12 758 477)
Cash and cash equivalents at the beginning of the reporting period		14 676 110	15 163 736
Cash and cash equivalents at the end of the reporting period		264 455	2 405 259

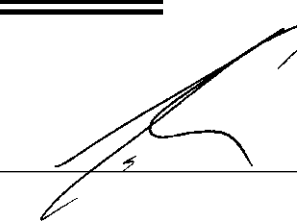
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NOTES TO THE FINANCIAL STATEMENTS

1. INFORMATION ON THE COMPANY

The legal address of AS “Conexus Baltic Grid” is Stigu street 14, Riga, LV-1021, Latvia. The Company is registered in Commercial Register of Latvia with common registration number 40203041605. The Company’s largest shareholders are its parent company AS “Augstsprieguma tīkls” (68,46%) and MM Infrastructure Investments Europe Limited (29,06%).

Conexus is a unified natural gas transmission and storage operator in Latvia that manages one of the most modern natural gas storage facilities in Europe, the Inčukalns Underground Storage Facility (hereinafter referred to as the Inčukalns UGS, or as the storage facility), and the main natural gas transmission system, which directly connects Latvia’s natural gas market with Lithuania, Estonia, and the north-west of Russia.

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 “Interim Financial reporting” as adopted by the European Union, on a going concern basis. The general accounting principles set out in this section have been applied consistently throughout the reporting period. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by Conexus during the interim reporting period.

The period of these condensed interim financial statements is 6 months, from 1 January to 30 June 2022.

Assets and liabilities are measured at amortised cost in the financial statements. Some groups of fixed assets are recognised at revalued value. The statement of cash flows has been prepared in accordance with the indirect method.

The preparation of Conexus’s financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes.

SIGNIFICANT ESTIMATES AND JUDGMENTS

The financial statements have been prepared in accordance with IFRS using significant estimates and assumptions that affect the value of the assets and liabilities presented in the financial statement and the presentation of contingent assets and liabilities, as well as the revenue and expenses of the reporting period. While such estimates are based on the most reliable information available to Conexus management on the relevant events and activities, actual results may differ from these estimates and assumptions about the outcome of future events.

CURRENCY AND REVALUATION OF FOREIGN CURRENCIES

Items presented in the financial statements are denominated in EUR, which is the functional currency of Conexus’ business environment and the official currency of the Republic of Latvia.

All foreign currency transactions are translated into EUR using the exchange rate of the European Central Bank ruling on the date of the relevant transaction. Monetary assets and liabilities denominated in

foreign currencies are translated at the exchange rate ruling on the balance sheet date. Foreign currency gains and losses are recognised in the income statement for the respective period.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

The principles and guidelines for general management of financial risks are set out in the Company's financial risk management policy. There are no change in the risk management policies since the end year end.

FAIR VALUE

Conexus classifies its assets and liabilities based on the technique used for determining fair value into the following categories:

Quoted market prices – Level 1

Level 1 valuation techniques use unadjusted quoted prices in an active market for identical assets or liabilities when quoted prices are readily available and the price represents the actual market circumstances for transactions under fair competitive circumstances.

Valuation techniques using market data – Level 2

In the models used in the Level 2 valuation technique, all significant inputs are directly or indirectly observable on the asset or liability side. The market data used in the model is not quoted in Level 1 but is observable directly (i.e., price) or indirectly (i.e., derived from price).

Valuation techniques using market data that are not based on observable market data – Level 3

Valuation techniques that use market data that is not based on observable market data (unobservable market data) are classified within Level 3. Unobservable market data is data that is not readily available in an active market due to the complexity of an illiquid market or financial instrument. Level 3 inputs are generally determined based on observable market data of a similar nature, historical observations, or analytical approaches.

Classification of financial assets and liabilities at the levels of the fair value hierarchy:

	Level	30.06.2022	31.12.2021
		EUR	EUR
Assets:			
Trade receivables	3.	5 626 164	13 373 794
Other receivables	3.	19 711	32 300
Cash and cash equivalents	2.	264 455	14 676 110
Liabilities:			
Borrowings from credit institutions	3.	74 096 207	98 055 852
Trade payables	3.	5 882 096	7 290 495
Other liabilities and accrued liabilities	3.	1 441 606	4 416 171
Lease liabilities	3.	409 920	467 336

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The carrying amounts of liquid and short-term (with a maturity of fewer than three months) financial instruments, such as cash and cash equivalents, short-term receivables from contracts with customers and current trade payables, approximate their fair values.

The fair value of borrowings from banks is determined by discounting future cash flows at market interest rates. As the interest rates (incl. a fixed loan rate) applied to borrowings from banks largely do not differ significantly from market rates and the risk premium applied by Conexus has not changed significantly, the fair value of non-current liabilities approximates their carrying amount.

4. SEGMENT INFORMATION

Description of segments

Conexus derives all of its revenue from regulated services applying the tariffs set by the regulatory authority. Conexus has two segments:

✦ The natural gas **transmission** segment provides transportation of natural gas through high-pressure pipelines for delivery to Inčukalns UGS, other countries, and the distribution network. The transmission segment generates revenue from capacity trading for natural gas consumption in Latvia as well as international natural gas transportation

✦ The natural gas **storage** segment provides the storage of natural gas in the Inčukalns underground gas storage facility for consumption during the heating season and other needs of network users.

Segmentation is based on Conexus' internal organisational structure, which forms the basis for regular monitoring of operating result making decisions about the resources allocated to the segments and evaluating its performance. The information included in the operating segments coincides with the information used by the person responsible for taking operational decisions. Segment information (segment profit or loss statements and investments made) is regularly submitted to Conexus Management Board and Conexus Council.

Reconciliation of segment financial information to Conexus financial information

Segment income statements for the period 01.01.2022-30.06.2022:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	14 123 310	13 553 567	27 676 877	-
Other income	105 697	262 350	368 047	-
Maintenance and service costs	(2 022 202)	(1 338 085)	(3 360 287)	-
Personnel expenses	(3 958 923)	(2 727 168)	(6 686 091)	-
Other operating costs	(754 276)	(340 795)	(1 095 071)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(5 105 040)	(3 823 344)	(8 928 384)	-
Finance costs	(120 005)	(71 198)	(191 203)	-
Corporate income tax	(1 500 333)	(886 832)	(2 387 165)	-
Profit for the reporting period	768 228	4 628 495	5 396 723	-

Segment income statements for the period 01.01.2021-30.06.2021:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	18 688 614	10 997 735	29 686 349	-
Other income	73 654	132 522	206 176	-
Maintenance and service costs	(1 907 578)	(1 265 120)	(3 172 698)	-
Personnel expenses	(3 434 614)	(2 328 200)	(5 762 814)	-
Other operating costs	(1 081 683)	(582 891)	(1 664 574)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(5 083 887)	(3 699 430)	(8 783 317)	-
Finance costs	(71 519)	(42 612)	(114 131)	-
Corporate income tax	(1 418 298)	(838 342)	(2 256 640)	-
Profit for the reporting period	5 764 689	2 373 662	8 138 351	-

Total assets by segments at 30.06.2022 and investments during the period 01.01.2022-30.06.2022:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	228 001 345	215 867 445	443 868 790	-
Investments in property, plant and equipment and intangible assets	2 163 971	3 723 065	5 887 036	-

Total assets by segments at 30.06.2021 and investments during the period 01.01.2021-30.06.2021:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	231 600 162	210 676 396	442 276 558	-
Investments in property, plant and equipment and intangible assets	2 738 284	7 649 765	10 388 049	-

Geographical information

All operating activities are held in Latvia.

Major customers

Revenue generated during the period 01.01.2022-30.06.2022 from the largest customers, each individually representing at least 10% of the Conexus total revenue:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	14 009 802	9 046 666	23 056 468

Revenue generated during the period 01.01.2021-30.06.2021 from the largest customers, each individually representing at least 10% of the Conexus total revenue:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	18 515 542	5 571 204	24 086 746

5. REVENUE

Revenue from contracts with customers recognised over time	01.01.2022-30.06.2022	01.01.2021-30.06.2021
	EUR	EUR
Revenue from transmission services	13 865 048	18 449 706
Revenue from storage services	13 553 567	10 997 735
Balancing income, net	258 262	238 908
	27 676 877	29 686 349

Conexus generated all of its revenue in the territory of Latvia.

Gross income and cost from balancing activities by applying agent accounting principle recognized in financial statements in net amount:

	01.01.2022-30.06.2022	01.01.2021-30.06.2021
	EUR	EUR
Income from balancing activities	16 545 377	7 012 024
Cost of balancing activities	(16 287 115)	(6 773 116)
	258 262	238 908

6. OTHER INCOME

	01.01.2022-30.06.2022	01.01.2021-30.06.2021
	EUR	EUR
Income from EU co-financing	271 483	168 755
Other income	96 564	37 421
	368 047	206 176

7. MAINTENANCE AND SERVICES COSTS

	01.01.2022-30.06.2022	01.01.2021-30.06.2021
	EUR	EUR
Transmission and storage system maintenance services	1 927 399	1 851 062
Cost of materials	511 025	376 952
Cost of natural gas	408 537	505 301
Maintenance of IT infrastructure	386 517	325 124
Maintenance of vehicles and machinery	126 809	114 259
	3 360 287	3 172 698

8. PERSONNEL EXPENSES

	01.01.2022-30.06.2022	01.01.2021-30.06.2021
	EUR	EUR
Salaries	5 177 891	4 444 617
State social insurance contributions	1 219 920	1 057 547
Life, health, and pension insurance	282 451	255 856
Other personnel costs	5 829	4 794
	6 686 091	5 762 814

9. OTHER OPERATING COSTS

	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
	EUR	EUR
Taxes and duties*	422 831	659 695
Office and other administrative expenses	672 240	887 097
Net loss on disposal of PPE	-	117 782
	1 095 071	1 664 574

*Real estate tax, Natural resource tax, Public Utilities Commission fee, State and municipal fees, corporate income tax from deemed profit distribution.

10. FINANCE COSTS

	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
	EUR	EUR
Interest paid	180 744	101 998
Lease interest expense	10 175	11 392
Other financial costs	284	741
	191 203	114 131

11. INTANGIBLE ASSETS

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
Cost at the beginning of the period 31.12.2020	7 698 984	6 370	7 705 354
Additions	-	843 894	843 894
Transfers	789 210	(789 210)	-
Disposals	(298 905)	-	(298 905)
Cost at the end of the period 31.12.2021	8 189 289	61 054	8 250 343
Amortisation			
Accumulated amortisation at the beginning of the period 31.12.2020	5 832 683	-	5 832 683
Amortisation charge	668 959	-	668 959
Disposals	(292 548)	-	(292 548)
Accumulated amortisation at the end of the period 31.12.2021	6 209 094	-	6 209 094
Net book value 31.12.2020	1 866 301	6 370	1 872 671
Net book value 31.12.2021	1 980 195	61 054	2 041 249

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
Cost at the beginning of the period 31.12.2021	8 189 289	61 054	8 250 343
Additions	-	512 951	512 951
Transfers	432 088	(432 088)	-
Disposals	(452)	-	(452)
Cost at the end of the period 30.06.2022	8 620 925	141 917	8 762 842
Amortisation			
Accumulated amortisation at the beginning of the period 31.12.2021	6 209 094	-	6 209 094
Amortisation charge	333 706	-	333 706
Disposals	(452)	-	(452)
Accumulated amortisation at the end of the period 30.06.2022	6 542 348	-	6 542 348
Net book value 31.12.2021	1 980 195	61 054	2 041 249
Net book value 30.06.2022	2 078 577	141 917	2 220 494

12. PROPERTY, PLANT, AND MACHINERY (PPE)

	Land	Buildings, structures	Machinery and equipment	Other property and equipment	Emergency spare parts	Cushion gas	Assets under construction	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost or revalued amount								
31.12.2020	1 033 354	760 911 633	131 882 990	6 403 695	1 563 188	10 708 163	10 698 459	923 201 482
Additions	-	-	398 067	509 446	-	-	25 590 489	26 498 002
Reclassified	50 814	11 809 706	3 005 303	1 312 172	-	-	(16 177 995)	-
Disposals	-	(1 633 464)	(1 241 454)	(435 086)	-	-	(83 938)	(3 393 942)
Transfers*	-	-	-	-	(24 409)	-	-	(24 409)
31.12.2021	1 084 168	771 087 875	134 044 906	7 790 227	1 538 779	10 708 163	20 027 015	946 281 133
Accumulated depreciation								
31.12.2020	-	438 591 735	58 311 555	4 328 314	-	-	-	501 231 604
Calculated depreciation	-	11 405 968	4 984 802	652 568	-	-	-	17 043 338
Disposals	-	(1 207 276)	(1 024 866)	(432 989)	-	-	-	(2 665 131)
Reclassified	-	(1 042 906)	(137 333)	1 180 239	-	-	-	-
31.12.2021	-	447 747 521	62 134 158	5 728 132	-	-	-	515 609 811
Net book value 31.12.2020	1 033 354	322 319 898	73 571 435	2 075 381	1 563 188	10 708 163	10 698 459	421 969 878
Net book value 31.12.2021	1 084 168	323 340 354	71 910 748	2 062 095	1 538 779	10 708 163	20 027 015	430 671 322

* Emergency spare parts in the amount of EUR 24 409 were reclassified to the inventories of materials in warehouses.

PROPERTY, PLANT, AND MACHINERY PPE (continued)

	Land	Buildings, structures	Machinery and equipment	Other property and equipment	Emergency spare parts	Cushion gas	Assets under construction	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost or revalued amount								
31.12.2021	1 084 168	771 087 875	134 044 906	7 790 227	1 538 779	10 708 163	20 027 015	946 281 133
Additions	8 306	25 064	130 019	476 976	-	-	4 733 721	5 374 086
Reclassified	-	3 747 853	364 647	194 822	-	-	(4 307 322)	-
Disposals	-	(76 261)	(502 405)	(34 065)	-	-	-	(612 731)
30.06.2022	1 092 474	774 784 531	134 037 167	8 427 960	1 538 779	10 708 163	20 453 414	951 042 488
Accumulated depreciation								
31.12.2021	-	447 747 521	62 134 158	5 728 132	-	-	-	515 609 811
Calculated	-	5 761 932	2 497 359	315 707	-	-	-	8 574 998
Disposals	-	(52 791)	(502 405)	(34 065)	-	-	-	(589 261)
30.06.2022	-	453 456 662	64 129 112	6 009 774	-	-	-	523 595 548
Net book value 31.12.2021	1 084 168	323 340 354	71 910 748	2 062 095	1 538 779	10 708 163	20 027 015	430 671 322
Net book value 30.06.2022	1 092 474	321 327 869	69 908 055	2 418 186	1 538 779	10 708 163	20 453 414	427 446 940

ASSET IMPAIRMENT ASSESSMENT

Conexus has two cash generating units: natural gas transmission and natural gas storage.

Considering the changes in the geopolitical situation and the ban on natural gas supplies from Russian Federation as from 1 January 2023, Conexus management assessed whether there are signs of impairment for any cash generating units.

As a result of the assessment, Conexus management has concluded that signs of impairment exist for the natural gas transmission, namely the supply of natural gas from Russia as a result of the ban, which are likely to affect the use of natural gas transmission at certain branches of natural gas transmission system. Accordingly, Conexus management carried out an impairment assessment.

The carrying amount of the natural gas transmission assets on 30 June 2022:

	million EUR
Carrying amount of the natural gas transmission long-term assets	221
Carrying amount of the natural gas transmission branches, the use of which is likely to be affected by the ban on supplies from Russia	32.5

Given that no decisions on the conservation or dismantling of the infrastructure branches have been taken as at the date of approval of this interim financial statement, the calculation of the recoverable amount is based on the value-in-use of the cash generating unit, which is determined by the discounting of future cash flows resulting from

the permanent use of the cash generating unit. Cash flows are based on the expected results of the cash generating unit and management forecasts for the development of the business of cash generating units (including a conservative but justified revenue dynamics scenario).

The main assumptions used to appraise the value-in-use were:

Discount rate	2.63%
Revenue growth rate, applicable from 2028	0.0%
Compound annual growth rate in earnings before interest, tax, depreciation and amortization for the transmission segment between 2023 and 2028 *	6.6%

*On 30 September 2022, at the end of transmission regulatory period, it is expected a large regulatory account balance. According to Methodology for calculating tariffs for the natural gas transmission system service³, the regulatory account balance will be added to calculation of allowed revenue of the next regulatory period. This explains the substantial size of the compound annual growth rate.

The recoverable amount of the natural gas transmission assets is higher than its carrying amount, therefore it is concluded that impairment loss does not exist. With other factors remaining unchanged, the recoverable amount of the natural gas transmission assets becomes equal to its carrying amount at the point when the discount rate reaches 2.81%.

Conexus management assumptions are based on the information available at the time of approval of the interim financial statement, and the impact of future events on the future performance of Conexus may differ from the current assessment.

³ <https://likumi.lv/ta/id/307981-dabasgazes-parvades-sistemas-pakalpojuma-tarifu-aprekinasanas-metodika>

13. CO-FINANCED PROJECTS

Increase of Capacity of Klaipeda-Kiemenui Pipeline in Lithuania

	30.06.2022	31.12.2021
	EUR	EUR
Opening balance	1 209 438	1 310 224
Recognised during the reporting period	(50 393)	(100 786)
Carried forward to future periods	1 159 045	1 209 438
including short-term portion	100 786	100 786
long-term portion	1 058 259	1 108 651

14. BORROWINGS FROM CREDIT INSTITUTIONS

	30.06.2022	31.12.2021
	EUR	EUR
Non-current borrowings from credit institutions	58 052 235	60 282 986
Current borrowings from credit institutions	16 043 972	37 772 866
	74 096 207	98 055 852

Conexus has borrowings from Nordic Investment Bank, AS SEB banka and OP Corporate Bank plc Latvia Branch. At the end of the reporting period, Conexus has an available overdraft facility of 65 000 thousand EUR (31.12.2021: 90 000 thousand EUR), of which overdraft of 7 080 thousand EUR has been used at the end of the reporting period, while the remaining 57 920 thousand EUR overdraft is unused and available. The duration of

agreements for the overdraft facilities in amount of 65 000 thousand EUR reaches beyond 1 year. At the end of the reporting period, the weighted average interest rate on long-term loans is 0.50% (31.12.2021: 0.37%), the weighted average interest rate on short-term loans is 0.32%. At the end of the reporting period, 45% of long-term borrowings have a fixed loan interest rate. All Conexus borrowings are denominated in euros and are unsecured.

15. RELATED PARTY TRANSACTIONS

On 21 July 2020, changes were made in the register of shareholders of Conexus, where a change in ownership was registered in the amount of 34.0991% of the paid-up share capital of Conexus - the shares were disposed of by PAS Gazprom, they were acquired by AS Augstsprieguma tīkls. Thus, AS Augstsprieguma tīkls has significantly increased its stake in the company (currently 68.46% of the total paid-up share capital of Conexus) and has control on the company.

Related parties include Conexus shareholders, members of the Council and Management Board, their close family members, and companies in which they exercise control or significant influence; Parent company AS "Augstsprieguma tīkls", its members of the Council and Management Board, their close family members, and companies in which they exercise control or significant influence. As all shares of the Parent company are 100% owned by the Republic of Latvia, state-controlled companies are also considered related parties.

Conexus has no ordinary service transactions with the Government of Latvia, including ministries and state agencies, as well as transactions with state-controlled companies, which are considered as other related parties, except for AS "Augstsprieguma tīkls" and AS "Latvenergo".

16. COMMITMENTS AND CONTINGENCIES

As of 30 June 2022, long-term investment agreements contracted for, but not yet delivered amounted EUR 20 862 618 (31.12.2021.: EUR 23 673 604) In addition, according to signed inter-operator agreement for GIPL project cost sharing, investments amounting 14 700 thousand EUR are planned.

Related party transactions	01.01.2022-30.06.2022 or 30.06.2022	01.01.2021-30.06.2021 or 30.06.2021
	EUR	EUR
Revenue from related parties:		
AS "Latvenergo"	9 794 611	9 175 965
Purchases of goods and services from related parties:		
AS "Latvenergo"	1 525 143	1 112 222
AS "Augstsprieguma tīkls"	96	199
Balances at the end of the year arising from sales/ purchases of goods and services:		
Receivables from contracts with customers		
AS "Latvenergo"	1 709 169	1 069 286
Trade payables		
AS "Latvenergo"	216 594	102 969
AS "Augstsprieguma tīkls"	-	126

17. SUBSEQUENT EVENTS

In response to geopolitical developments in Europe, Conexus, as a critical infrastructure company, is conducting enhanced risk assessments in the areas of cyber security and securing natural gas transmission and storage.

In order to reduce energy supply risks, Conexus has taken the necessary actions to increase the volume of natural gas in the storage facility and has started gas injection into the Inčukalns UGS as of 27 February 2022.

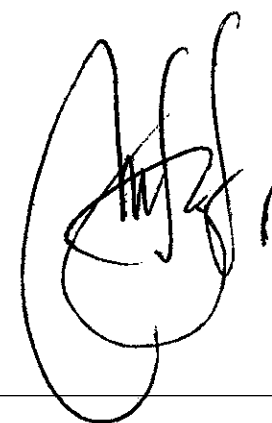
Conexus management handles administrative matters promptly to ensure the continuity of supply of goods and services required for its core business.

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. Conexus management carried out an assessment to make sure if there are no potential signs of impairment of fixed assets: see Annex 12.

Although uncertainty about the impact of events on Conexus future operations has increased, no circumstances have been identified to date that would affect the going concern basis.

According to management's assessment, there are no subsequent events since the last date of the reporting year, which would have a significant effect on Conexus condensed interim statements for the period from 1 January 2022 to 30 June 2022.

The financial statements have been prepared by:



AIJA MARTINSONE-STAGE
Head of Finance Department

* This document has been signed with secure electronic signature and bears the time stamp