

The image shows a complex industrial facility, likely a refinery or chemical plant, with multiple levels of metal structures, pipes, and yellow safety railings. A large, semi-transparent green graphic overlay is positioned on the right side of the image, partially covering the industrial equipment. The background is a clear blue sky. The text 'Unaudited financial statements for 2023' is written in a bold, green, sans-serif font on a dark grey triangular background that points towards the right.

Unaudited financial statements for 2023

Unaudited financial statements for 2023

MAIN ACTIVITIES



Natural gas stored in Inčukalns UGS

At the end of the reporting year, 17,9 TWh of natural gas is stored in Inčukalns UGS (including energy supply security reserves), which is 58 % above the same time the year before and is the largest amount of natural gas stored in the storage facility in the last five years. On 15 October 2023, at the beginning of natural gas withdrawal season, Inčukalns UGS held 21,7 TWh of natural gas. The withdrawal season has commenced with the largest amount of natural gas stored in Inčukalns UGS in the last 5 years.



Natural gas supply

Deliveries of natural gas in 2023 were made from the Klaipeda liquefied gas terminal, from the Inkoo liquefied gas terminal and from Inčukalns UGS. Natural gas from the Russian Federation has not been supplied for consumption in Latvia. During the reporting year, the volume of natural gas transmitted from Lithuania reached 17.7 TWh, the volume of natural gas transmitted from Finland reached 4.1 TWh and 7.3 TWh were injected into the transmission system from storage.



Results of storage capacity auctions

During the reporting year, several auctions of Inčukalns UGS capacity were held, in which system users were granted a total capacity of 13,4 TWh, with premiums ranging from 2,53 EUR/MWh to 4,08 EUR/MWh and total requested amount exceeding the available capacity more than 3 times. Storage cycle capacity auctions were completed with the auction held on 10 May 2023, in which the last available storage capacity was auctioned. Inčukalns UGS capacity is fully booked at 24,4 TWh (including energy supply security reserves) for 2023/2024 storage cycle.



Investments made in amount of 33.6 million EUR

During the reporting period, investments were made in amount of 33.6 million EUR, out of which 19.7 million EUR invested into European projects of common interest.

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MAIN ACTIVITIES



“Enhancement of Latvia-Lithuania Interconnection” (ELLI) project completed

“Enhancement of Latvia-Lithuania Interconnection” (ELLI) project was completed in 2023. Within the project, Conexus implemented 17 sub-projects in Latvia, such as rebuilding of several valve nodes, branch lines to GRS and GRS connections to pipeline. From 13 November 2023, following the implementation of the project, the capacity was increased to 90 GWh/d in the direction towards Latvia with a possible dynamic increase to approximately 100 GWh/d and to 82 GWh/d in the direction towards Lithuania with a possible dynamic increase to approximately 100 GWh/d.



Conexus will conduct market study on hydrogen infrastructure development in Latvia

During the reporting year, Conexus, together with other national transmission system operators from Finland, Estonia, Lithuania, Poland and Germany, has launched the Northern-Baltic Hydrogen Corridor project, dedicated for creation of the cross-border hydrogen transmission corridor from Finland through Estonia, Latvia, Lithuania and Poland to Germany by 2030.



Gas domain protocol approved

On 13 December 2023, the Association of Issuing Bodies (AIB) formally approved gas domain protocol for Latvia making Conexus a formal member of the AIB’s Gas Scheme Group. The Domain Protocol sets out the rules for the circulation of guarantees of origin allowing the issuance of gas guarantees of origin that comply with the international standard. In accordance with the requirements of the Energy Law, Conexus has established a system for the issuance, circulation and control of guarantees of origin for gas from renewable energy sources.



«S&P Global Ratings» agency keeps Conexus credit rating unchanged

The BBB+ credit rating with a stable outlook has been maintained. In its report, S&P notes that it views Latvia's regulatory framework for gas transmission and storage as supportive for the sector and offers regulatory transparency at least until 2026.

Unaudited financial statements for 2023

MAIN ACTIVITIES



Transmission system service tariffs

On 26 October 2023, the Public Utilities Commission has made a decision on transmission system service tariffs, which entered into force on 1 December 2023. The fee for using the exit point for supplying consumers in Latvia increases by 37 % from 1,9296946 EUR/MWh to 2,6488301 EUR/MWh, whereas the tariffs for standard yearly capacity product, short term standard capacity product, interruptible capacity product and interruptible virtual counterflow capacity product of the natural gas transmission system do not change. The fee increase for using the exit point for supplying consumers in Latvia will impact the natural gas invoice by 0.5-1.1 %. Although the overall costs for the transmission system service have decreased, the increase in tariffs is driven by a decrease in natural gas consumption.



Storage system service tariffs

New tariffs of natural gas storage system came into force on 1 May 2023. Tariff values of the most popular storage products decreased by 14 %. On 18 January 2024, the Public Utilities Commission adopted a decision on tariffs, which will come into force on 1 May 2024. For basic products, such as the one-year bundled capacity product and the two-year bundled capacity product, tariffs for the next storage cycle will stay unchanged. The tariff for the stock transfer product will increase from 1,3581 EUR/MWh/storage cycle to 3,2260 EUR/MWh/storage cycle.



Carrying value of storage assets

Revaluation of certain asset classes has been carried out in 2023, which resulted in a reduction of the carrying amount (impairment) of storage system service assets by 23 488 thousand EUR. Company's revaluation reserves have been reduced by 11 743 thousand EUR, but 11 745 thousand EUR is recognized in the Company's Income statement for 2023.

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FURTHER DEVELOPMENT



Development of first biomethane entry point in Baltics

With the aim to promote production of biomethane and its free circulation in Latvia, Conexus continues to develop a solution, allowing biomethane producers to deliver biomethane to a centralised biomethane entry point using special mobile gas containers to be fed into the common gas transmission system.



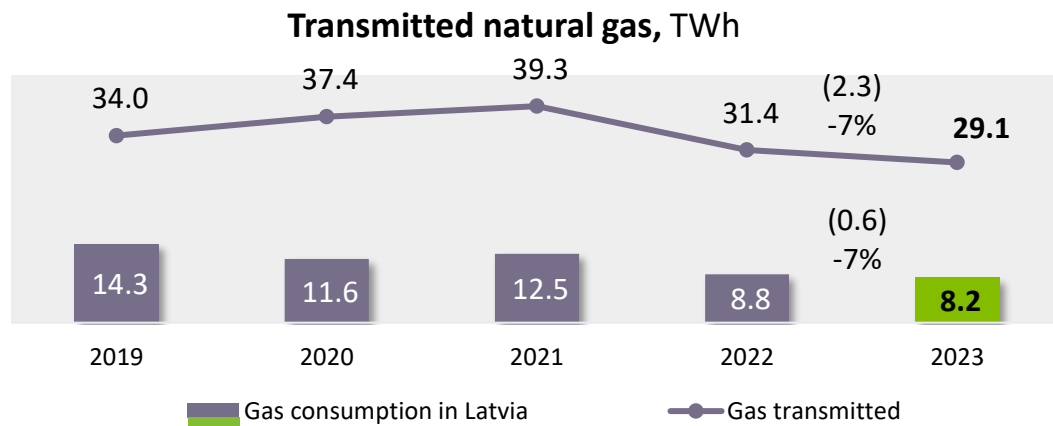
Planned solar panel park construction

Implementation of climate-friendly and sustainable energy solutions is one of Conexus' strategic directions. During the reporting year, Conexus has concluded a contract for the construction of a solar panel park, including purchase of the equipment, in the territory of Inčukalns UGS following an open procurement procedure. The project is planned to be completed by the next spring. The use of solar energy is expected to generate around 1 000 000 kWh per year and it is forecasted to provide 25 % of the total electricity consumption in the storage.

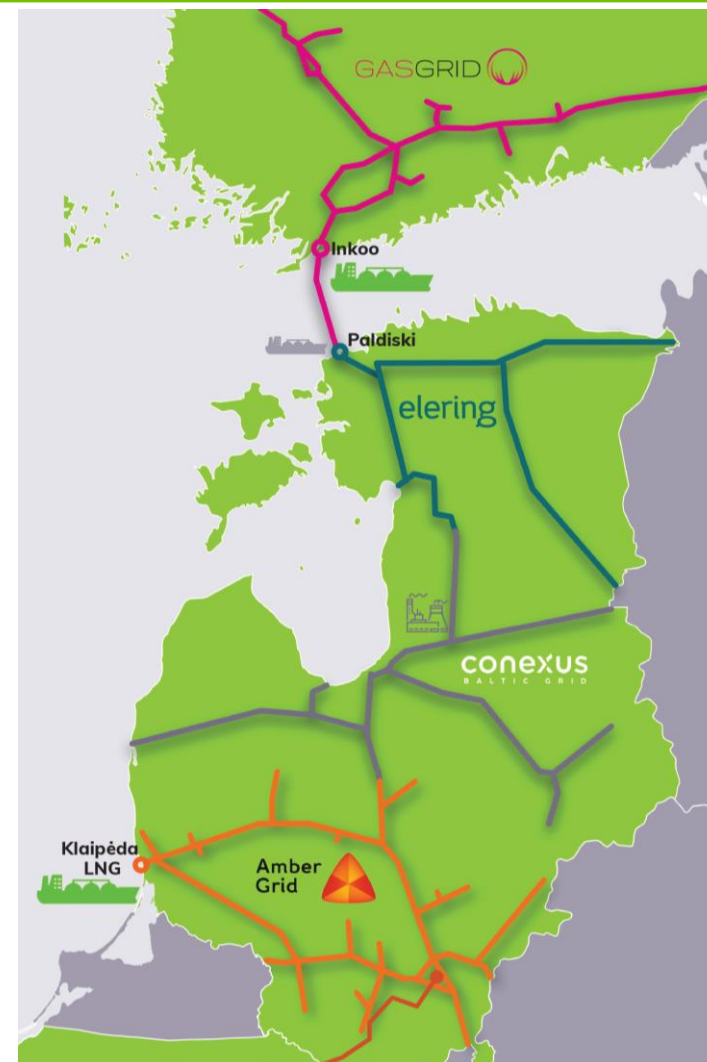
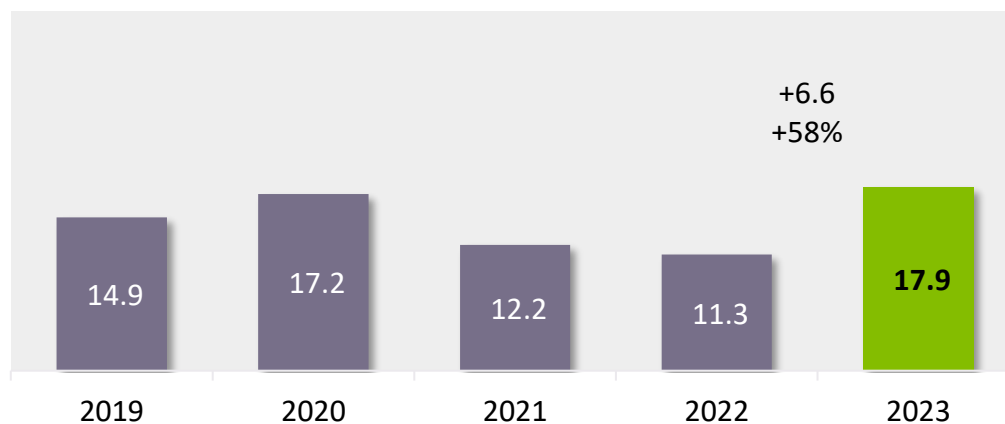


Unaudited financial statements for 2023

KEY FACTS



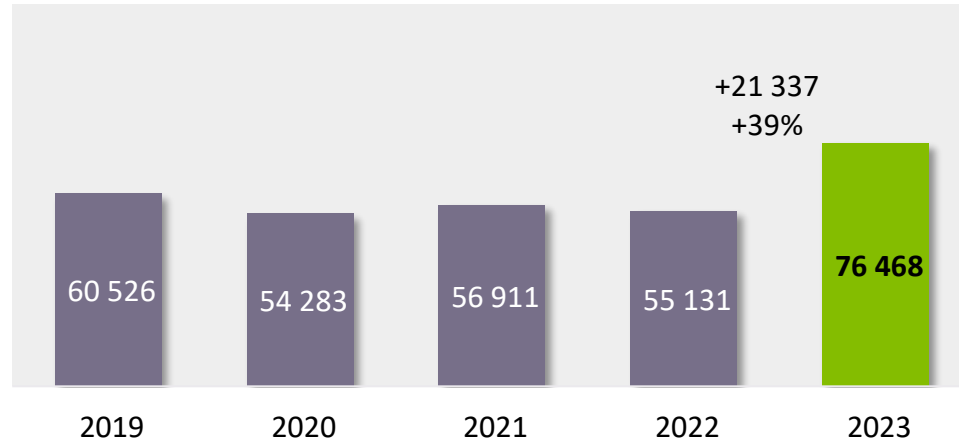
Inčukalns UGS filling at the end of reporting period, TWh



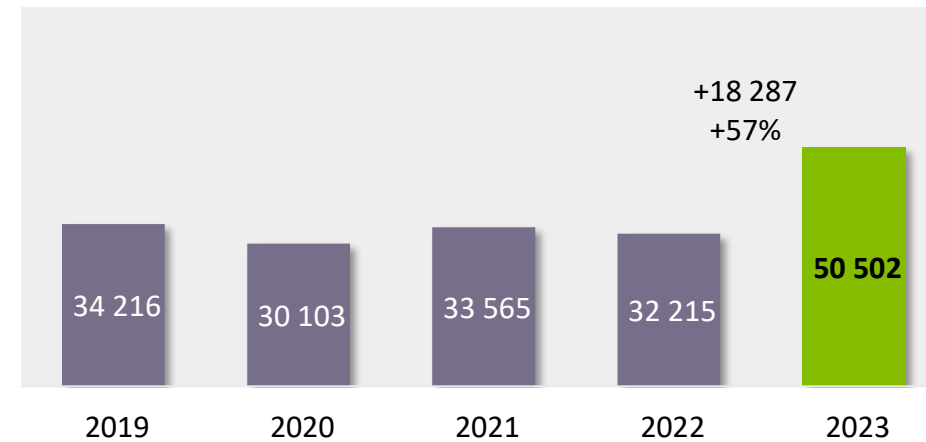
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MAIN FINANCIAL INDICATORS, `000 EUR

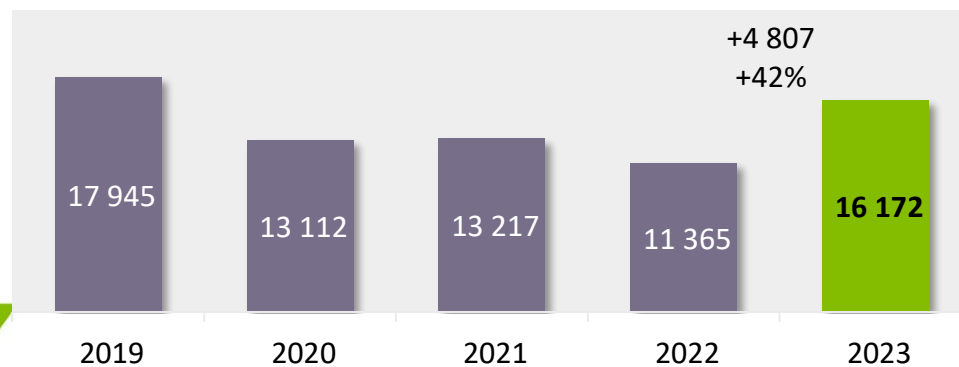
Revenue



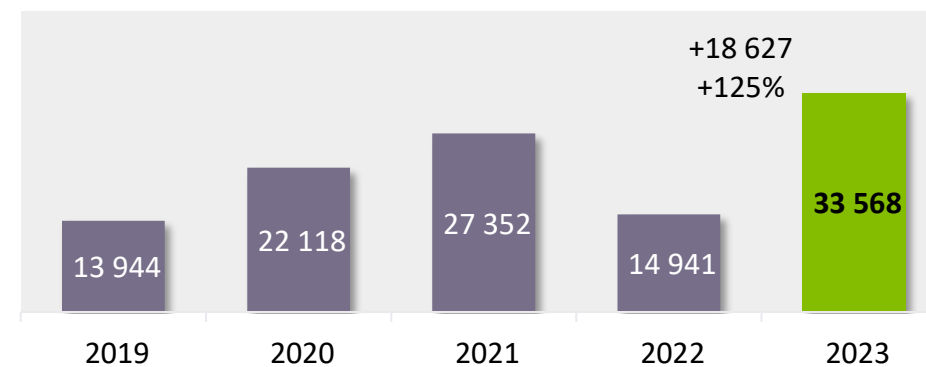
EBITDA



Net profit



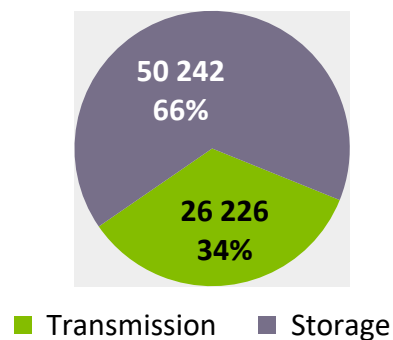
Capital investments



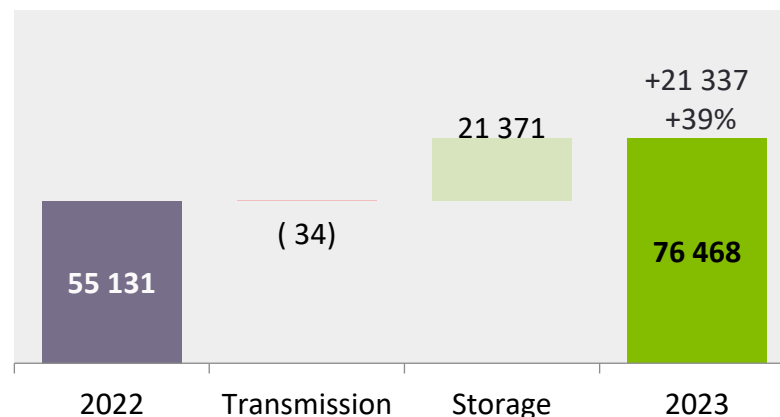
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SEGMENT SPLIT, `000 EUR

Revenue by segments

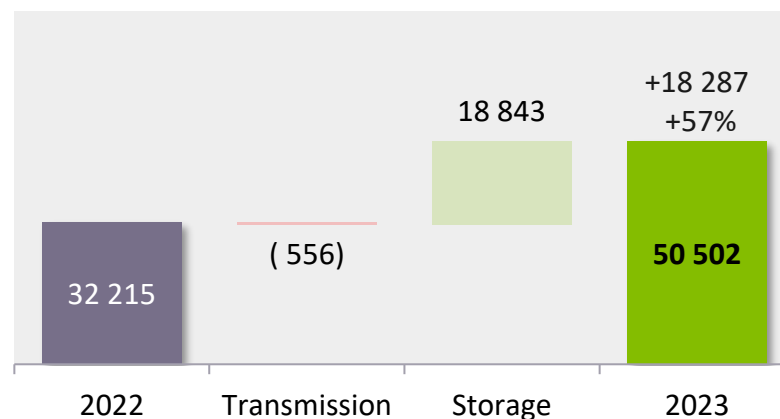


Revenue



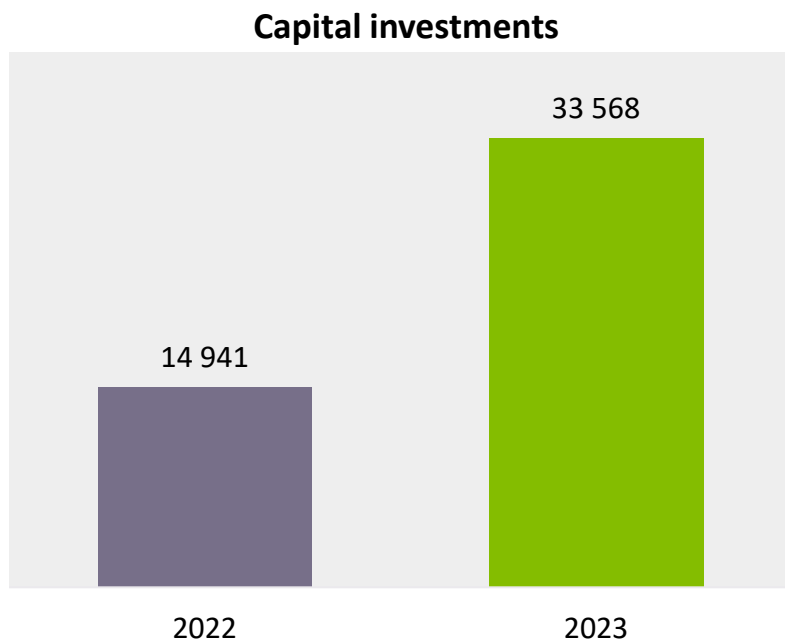
- Revenue is 39 % higher than in the previous year.
- EBITDA increased by 57 %, reaching 50.5 million EUR, impacted mainly by the increase of storage service revenue. Net profit reached 16.2 million EUR, which is 4.8 million EUR (42 %) more than in the previous year.

EBITDA



Unaudited financial statements for 2023

CAPITAL INVESTMENTS, `000 EUR



➤ The largest project in Storage:

- European project of common interest PCI 8.2.4 "Enhancement of Inčukalns UGS" - total investments 99.5 million 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 were made in amount of 18.7 million EUR.

➤ The largest projects in Transmission:

- European project of common interest PCI 8.2.1 "Enhancement of Latvia - Lithuania interconnection" (ELLI) – total investments of 5.5 million 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 1 079 thousand EUR;
- Replacement of insulation of gas pipelines in the section between Izborsk - Inčukalns UGS – 6 160 thousand EUR investments;
- Transmission gas pipelines repairs and anti-corrosion insulation repairs – 2 030 thousand EUR investments.



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FINANCIAL COVENANTS AND FINANCIAL ASSETS

Financial covenants	31.12.2023	31.12.2022
Shareholders' equity ratio > 50 %	70 %	72 %
Net Debt to EBITDA ratio < 5	1.3	2.7
Debt-Service Coverage Ratio (DSCR) > 1.2x	3.3	2.9

Financial covenants set in loan agreements have been complied with during the reporting period.

Financial assets held by Conexus are sufficient to meet Conexus' financing needs. At the end of the reporting year, the total amount of Conexus' borrowings is 79 544 thousand EUR, overdrafts have not been used. The amount of overdrafts available to Conexus at the end of the reporting year reaches 65 000 thousand EUR, which provides significant liquidity reserve. The duration of agreements for the overdraft facilities is less than 1 year. At the end of the reporting year, Conexus holds long-term loan agreements amounting to 45 000 thousand EUR with expected withdrawal of funds during 2024.

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Thank you!