

# Condensed interim financial statements (unaudited)

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2023

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

Riga 2023

This version of condensed interim financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.



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# INFORMATION ON THE COMPANY

Company	AS “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	AS „Augstsprieguma tīkls” (68.46%) “MM Infrastructure Investments Europe Limited” (29.06 %)
Financial statements period	1 January 2023 – 31 March 2023

AS “Conexus Baltic Grid” is an independent operator of a unified natural gas transmission and storage system in Latvia, managing one of the most advanced natural gas storage facilities in Europe, i.e., Inčukalns UGS and the main natural gas transmission system connecting the Latvian natural gas market with Lithuania and Estonia.

The customers of Conexus – users of the natural gas transmission and storage system – come from several countries of the Baltic Sea region (Finland, Estonia, Latvia, Lithuania and Poland), as well as from other European countries (Norway, the Czech Republic and Switzerland). The users are both private and state-owned, local and international companies, and represent different business sectors: natural gas wholesalers and retailers, energy producers, heating operators and production companies.

The natural gas transmission and storage services provided by Conexus are regulated by the Public Utilities Commission (hereinafter “PUC”, “the Regulator”).

Conexus ensures the sustainability and safety of the infrastructure and highest quality of service, which promotes the development of the market and provides economic benefits to customers and society as a whole.

Conexus is a socially responsible company that creates added economic value, provides for the overall development of the industry, the professional development of employees, sustainable employment, at the same time keeping the impact of technological processes on the environment to the minimum.



WHO DO WE WANT TO BE?

## Vision

Sustainable gas transmission and storage operator in regionally integrated energy market.

WHY DO WE EXIST?

## Mission

To ensure reliable operation of gas transmission and storage through promotion of energy sector decarbonization and market development.

WHAT IS IMPORTANT TO US?

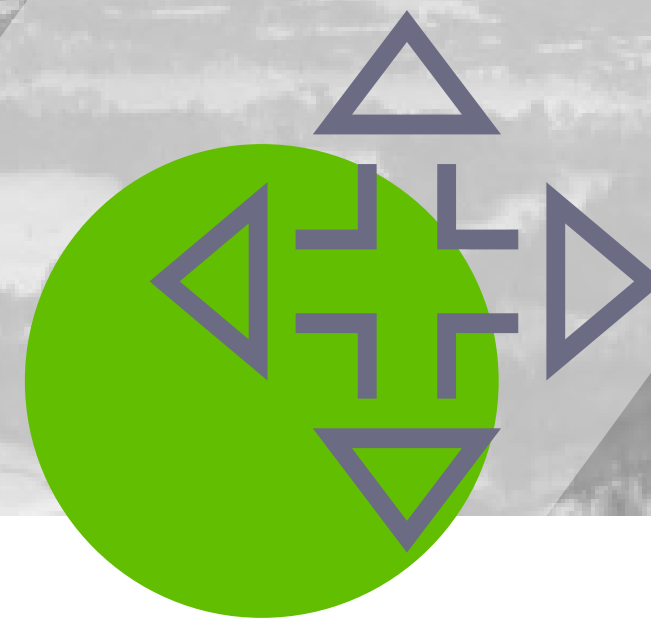
## Values

### Safety and security



It is important for us to have a secure and reliable gas transmission and storage.

### Competence



We value employees' competence, knowledge, professional experience, and orientation towards development.


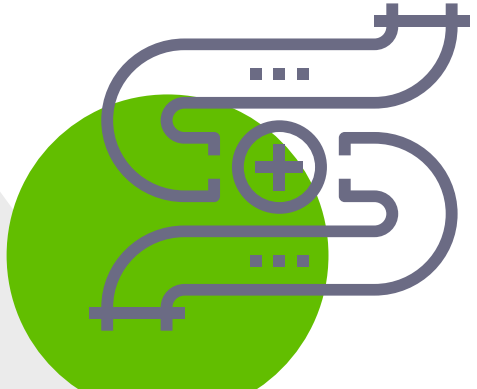

### Cooperation



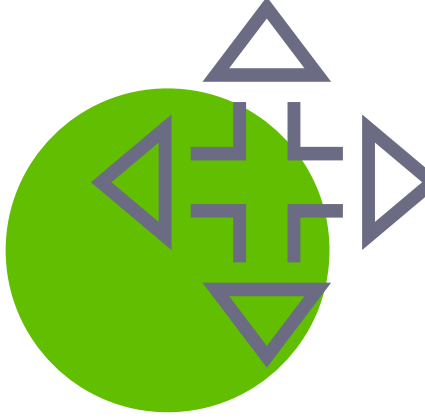


We support each other in decision making, we listen and search for common solutions internally, working with clients and partners.

# Goals of Conexus

Medium-term (2023-2027) key goals of Conexus are related to three areas: **market development, infrastructure safety and security of supply and sustainability**. The strategic goals of Conexus are set in accordance with Conexus' values, vision and mission.

<p><b>MARKET DEVELOPMENT</b></p> 	<p>Promote development and further integration of gas market, including promotion for growth of biomethane, hydrogen and other gaseous energy carriers' markets</p>	<ul style="list-style-type: none"> <li>• <b>Facilitate integration of the regional market</b></li> <li>• <b>Promote cooperation with other regional transmission system operators (TSOs)</b>, developing a unified position regarding the integration of biogas and hydrogen into the transmission networks, <b>by supporting biomethane injection into transmission network</b></li> <li>• <b>Further development of Inčukalns UGS services</b> by securing flexibility and compression withdrawal option</li> </ul>
<p><b>INFRASTRUCTURE SAFETY AND SECURITY OF SUPPLY</b></p> 	<p>Ensure available and secure gas transmission and storage infrastructure, at the same time researching and promoting adaptation options for injection of other gaseous energy carriers</p>	<ul style="list-style-type: none"> <li>• <b>Implement projects of common interests</b></li> <li>• <b>Execution of research and development projects</b> to identify technical options and necessary investments for retrofitting or repurposing existing infrastructure for blending gas with hydrogen or for pure hydrogen usage, including building a dedicated hydrogen infrastructure</li> <li>• Asset management based on future challenges</li> </ul>
<p><b>SUSTAINABILITY</b></p> 	<p>Focus on climate and environmental sustainability aspects</p>	<p>By focusing on sustainability, Conexus will focus on environmental aspects:</p> <ul style="list-style-type: none"> <li>• <b>E</b> – regional market integration that supports renewable gas development, secure transmission and storage infrastructure, while focusing on NOx and GHG (greenhouse gas) emission reduction</li> <li>• <b>S</b> – safety-oriented culture, professional and development-oriented team</li> <li>• <b>G</b> – compliance with the Corporate Governance Code</li> </ul>

Alongside strategic targets, Conexus has defined horizontal targets closely related to and enhancing the achievement of all planned medium-term activities.

	<p><b>Focus on organizational development and efficiency</b></p>	<p>Conexus will facilitate funding opportunities as well as increase operational efficiency.</p>
	<p><b>Digitalisation and cybersecurity</b></p>	<p>Conexus will continue digitization projects focusing on operational technology, physical security, fire safety and cybersecurity.</p>
	<p><b>Professional and development-oriented team</b></p>	<p>Conexus' value is a professional team, therefore the Company will devise a development programme which will provide opportunity for employees to develop skills by creating individual development plans. Learning new skills will be promoted in order to adapt to renewable gas technologies, as well as transfer of skills and knowledge from experienced employees to new ones. To promote the professional development of the team, Conexus will create a competitive and flexible remuneration system.</p>

# Shareholders

The main management body of Conexus is the shareholder meeting, which appoints the Council of Conexus.

C Conexus is a closed joint stock company with 100% registered shares. The total number of shares is 39 786 089, their nominal value is 1 EUR, one share grants its holder one vote at the General Meeting of Shareholders. The total number of shareholders exceeds 4,8 thousand. 97,52% of the total number of shares belong to two largest shareholders - AS „Augstsprieguma tīkls” (68,46 %), MM Infrastructure Investments Europe Limited (29,06 %).

Conexus’ shareholders register is maintained electronically, which is ensured by Nasdaq CSD SE in accordance with the concluded agreement.

## Shareholders as at 31 March 2023:

AS „AUGSTSPRIEGUMA TĪKLS”

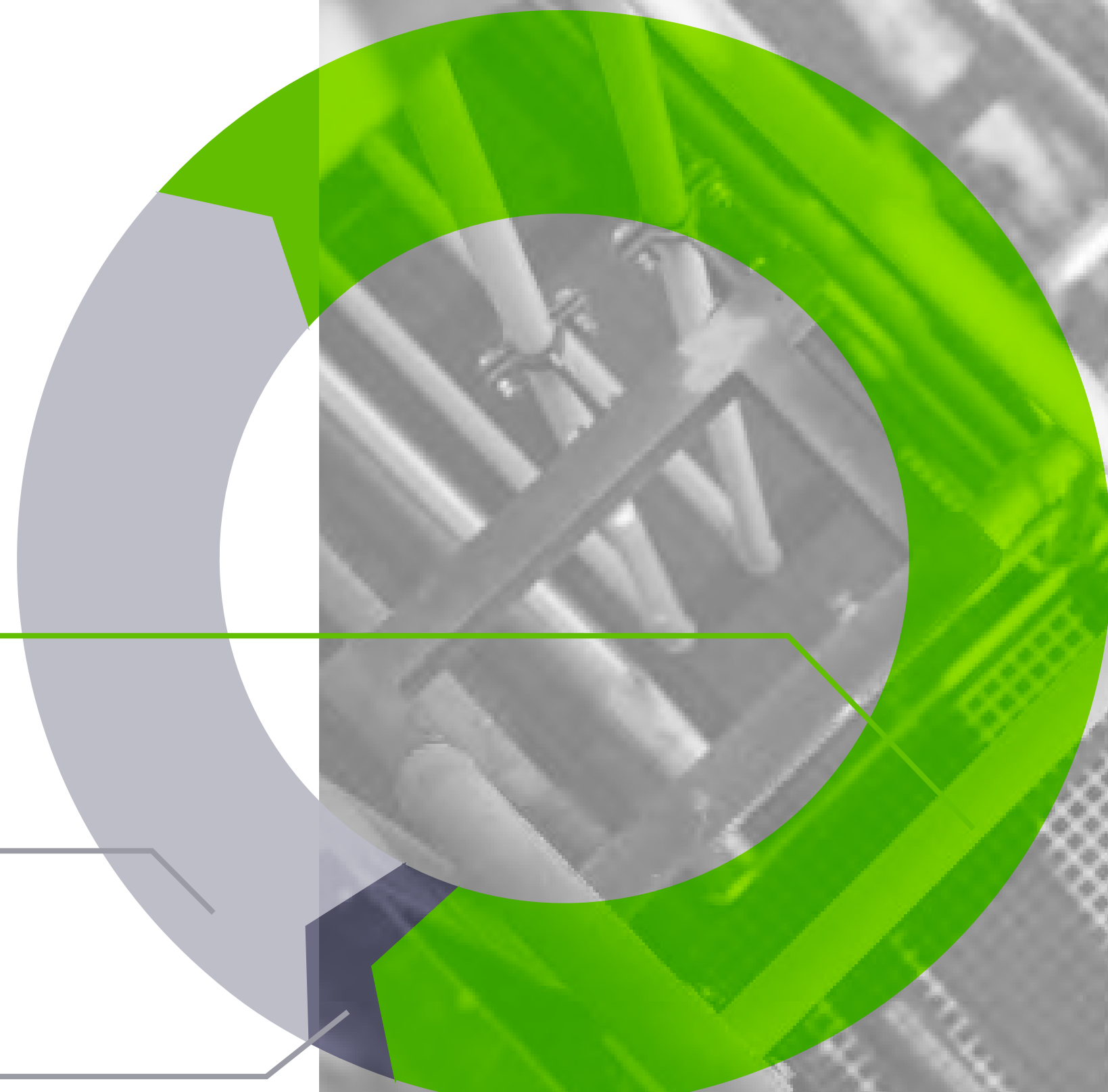
68,46%

MM INFRASTRUCTURE  
INVESTMENTS EUROPE LIMITED

29,06%

OTHER SHAREHOLDERS

2,48%





# The Council

Term of office from 3 January 2018 until 27 April 2025



(Since  
3 January  
2018)

**ILMĀRS ŠŅUCINS**  
Chairman of the Council



(Since  
30 April  
2020)

**TOMOHIDE GOTO**  
Deputy Chairman  
of the Council



(Since  
28 April  
2022)

**IVARS MOISEJS**  
Member of the Council



(Since  
12 May  
2021)

**VIKTORS SENTUHOVSKIS**  
Member of the Council



(Since  
30 April  
2020)

**ZANE ĀBOLIŅA**  
Member of the Council



(Since  
27 April  
2023)

**MASANOBU FURUYA**  
Member of the Council



(Since  
30 April  
2020)

**NORMUNDS ŠUKSTS**  
Member of the Council

Term of office until 28 April 2022

**ILMĀRS ŠŅUCINS**  
Chairman of the Council

(Since 3 January 2018)

**TOMOHIDE GOTO**  
Vice-Chairman of the Council

(Since 30 April 2020)

**ZANE ĀBOLIŅA**  
Member of the Council

(Since 30 April 2020)

**ILZE ALEKSANDROVIČA**  
Member of the Council

(Since 30 April 2020)

**NORMUNDS ŠUKSTS**  
Member of the Council

(Since 30 April 2020)

**TAKUMI SASAKI**  
Member of the Council

(Since 12 May 2021)

**VIKTORS SENTUHOVSKIS**  
Member of the Council

(Since 12 May 2021)

# Board



**ULDIS  
BARISS**

CHAIRMAN OF THE BOARD

Born in 1965  
[valde@conexus.lv](mailto:valde@conexus.lv)

**Term of office:**  
from 16 November 2020 until 15 November 2023



**GINTS  
FREIBERGS**

MEMBER OF THE BOARD

Born in 1959  
[valde@conexus.lv](mailto:valde@conexus.lv)

**Term of office:**  
from 22 December 2016 until 31 December 2017;  
from 31 December 2017 until 31 December 2020;  
from 1 January 2021 until 31 December 2023



**MĀRTIŅŠ  
GODE**

MEMBER OF THE BOARD

Born in 1976  
[valde@conexus.lv](mailto:valde@conexus.lv)

**Term of office:**  
from 31 December 2017 until 31 December 2020;  
from 1 January 2021 until 31 December 2023



# MANAGEMENT REPORT

## Main activities

### Results of storage capacity auctions

During the reporting period, several Inčukalns UGS capacity auctions were held, in which system users were granted a total capacity of 8,7 TWh – 4,7 TWh one-year bundled capacity product for 2023/2024 storage cycle, 4 TWh for the two-year bundled capacity product for the 2023/2025 storage cycle. The storage capacity offered in auctions was fully booked. The total requested amount of storage capacity exceeded the available capacity more than 3 times. As a result of the auctions, Conexus achieved record-high applicable premiums ranging from EUR 2,53/MWh to EUR 3,38/MWh. Storage cycle capacity auctions were completed with the auciton held on 10 May 2023, in which the last available storage capacity was auctioned.

### Natural gas supply

During the first three months of 2023, Conexus ensured uninterrupted supply of natural gas for the needs of Latvia, Lithuania, Estonia and Finland. In accordance with the prohibition of natural gas supply from Russia as per the amendments to the Energy Law, natural gas was not transmitted from Russia during the reporting period. Instead, natural gas traders supplied natural gas from Klaipeda liquified natural gas terminal and from Inčukalns UGS. During the reporting period, the volume of natural gas transmitted from Lithuania reached 4,4 TWh,

which is almost twice the amount transmitted in the previous year's first three months.

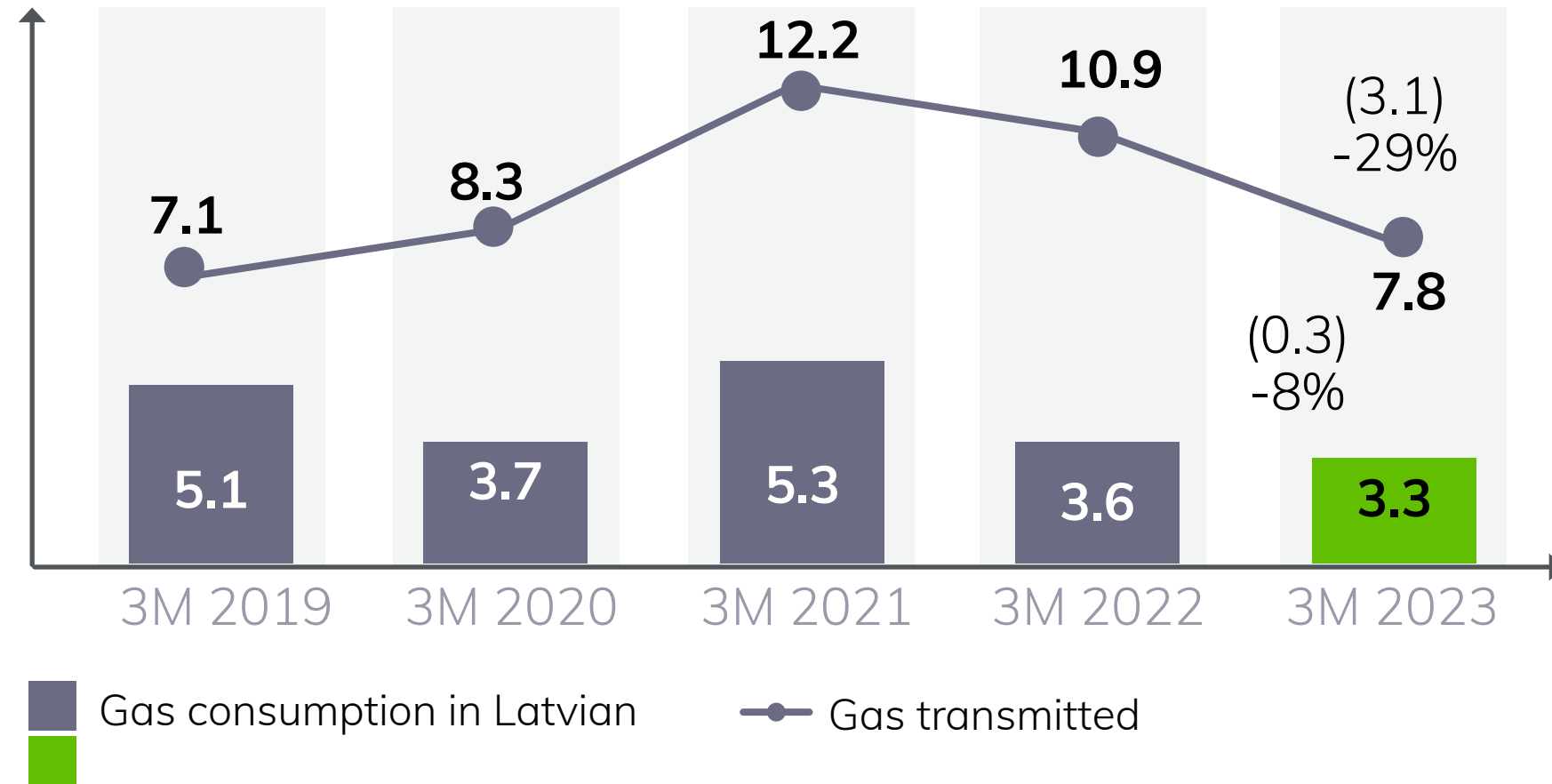
Total volume of gas transmitted in Latvia during the reporting period reached 7,8 TWh, which is 29% less than in the prior year's respective period. The reduction was caused mainly by the lower volume of natural gas transmitted from Inčukalns UGS to Lithuania, as well as by the lower volume of natural gas injected into Inčukalns UGS.

Natural gas supply for consumption in Latvia during the first three months of 2023 reached 3,3 TWh, which is 8% less than in the prior year's respective period. The decrease was caused by weather conditions, which were milder this winter than in the respective period of 2022, which led users to consume less natural gas for heating purposes, as well as by unprecedently high gas prices, which also caused users to reduce their consumption of natural gas. The reduction of supply was partially offset by a double increase in electricity generation in the country's largest thermal power plants<sup>1</sup>. Overall, the decrease of natural gas consumption caused a reduction of Conexus revenue on national exit by 0,5 million EUR.

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



### Transmitted natural gas, TWh

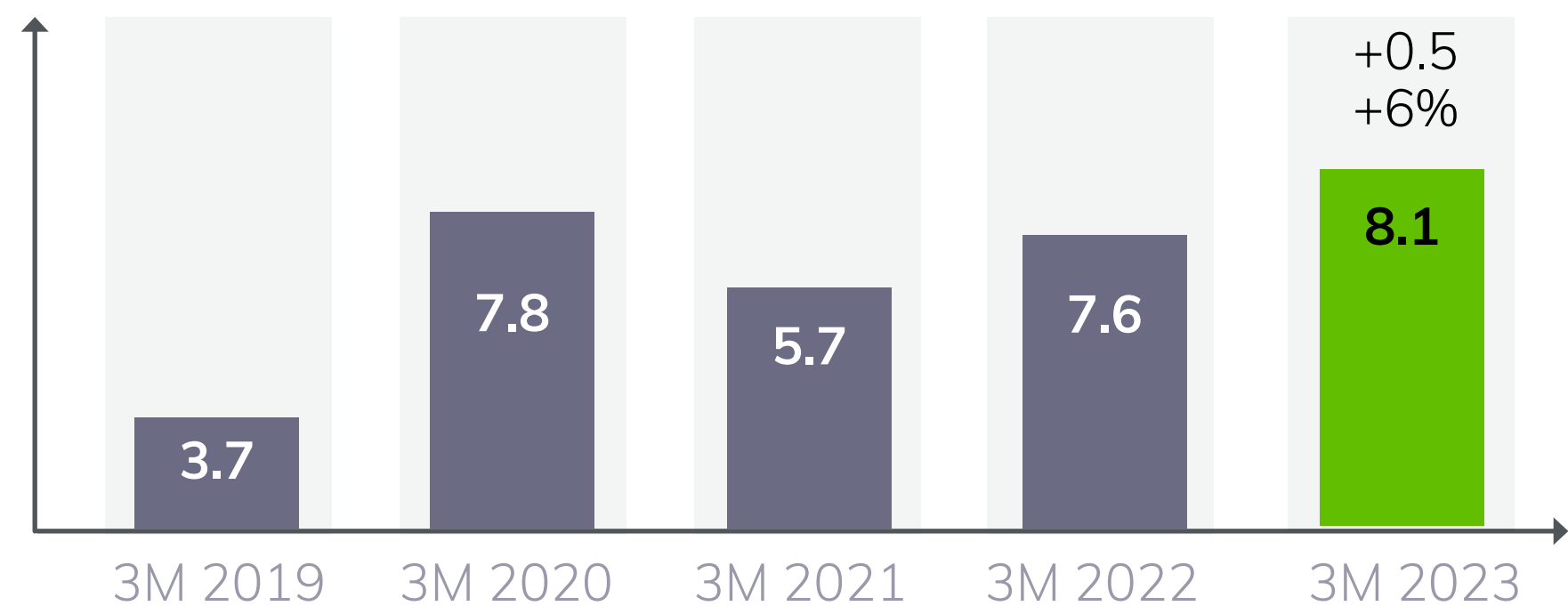


### Amount of natural gas stored by system users in Inčukalns UGS

To ensure safe and continued supply, injection of natural gas into storage was continued also during 2022/2023 withdrawal season. Usually, injection into Inčukalns UGS starts after the end of withdrawal season, which is set for 30 April each year.

At the end of reporting period, 8,1 TWh of natural gas is stored in Inčukalns UGS (including energy security reserve), which is 6% more than at the same time the year before.

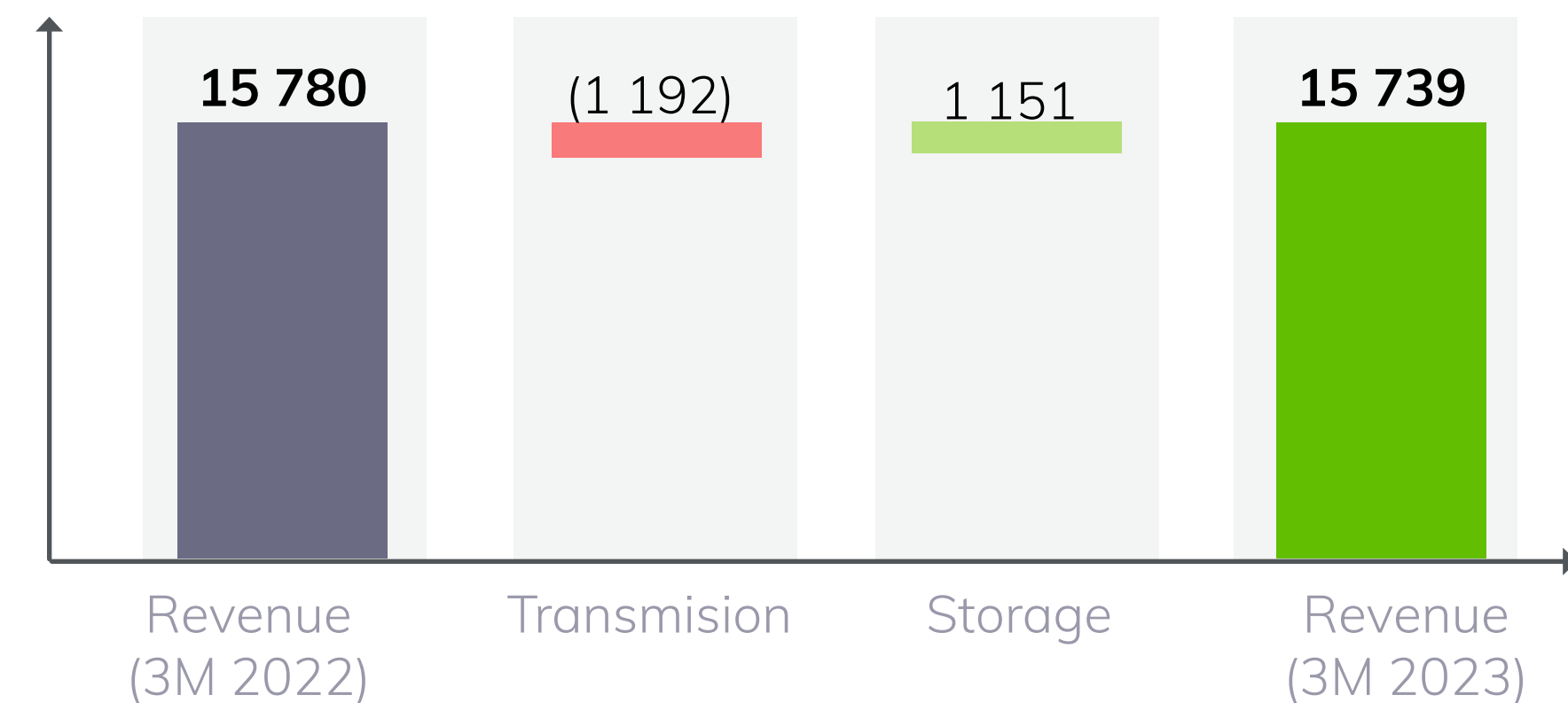
### Inčukalns UGS filling at the end of the reporting period, TWh



### Conexus' financial results

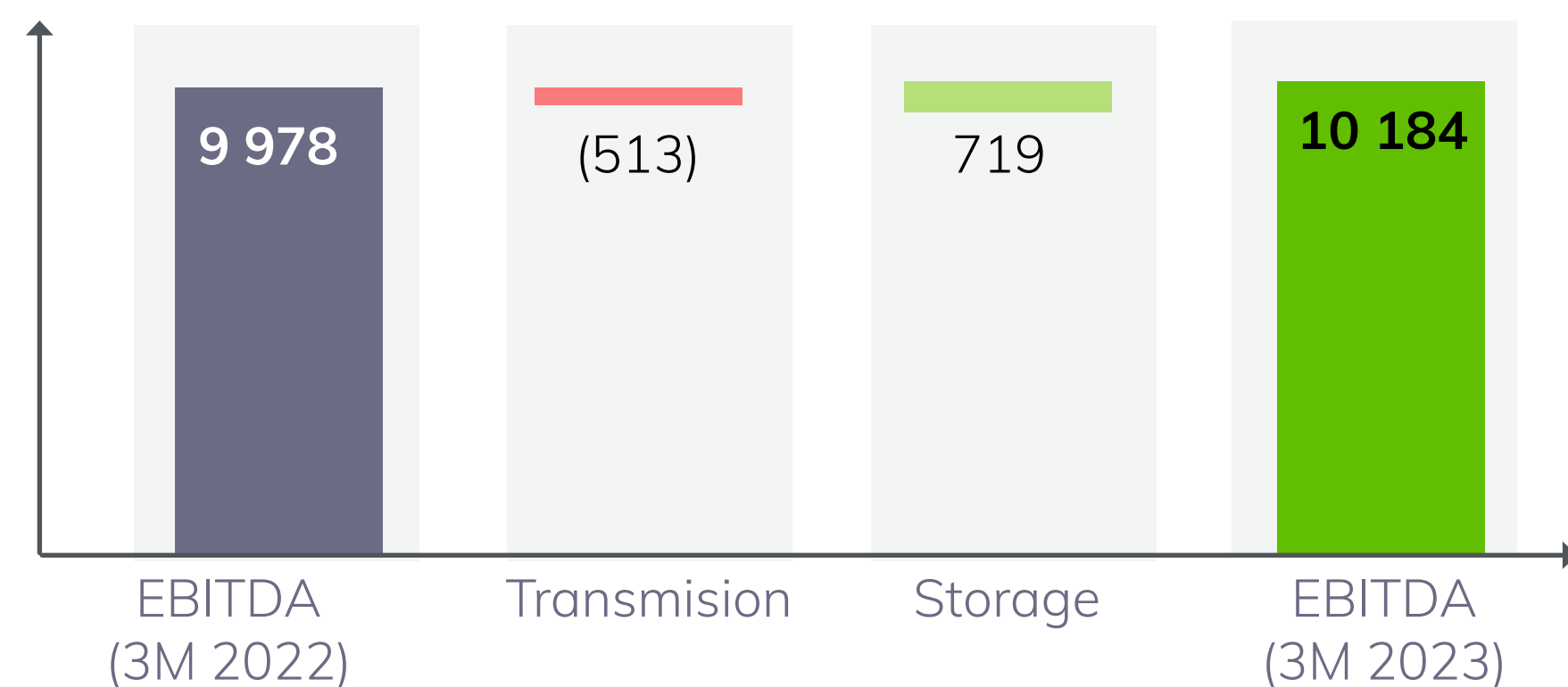
The net turnover in the reporting period was similar to that of the previous year's respective period and reached 15 739 thousand EUR. Conexus EBITDA increased by 2% in comparison to the respective period of 2022, reaching 10 184 thousand EUR. The revenue and EBITDA were adversely affected by the reduction of transmission service volume, whereas the revenue and EBITDA of the storage service exceed those of the previous year's respective period.

### Conexus revenue, `000 EUR





## Conexus EBITDA, '000 EUR



During the reporting period, Conexus' net profit was 5 164 thousand EUR, which is 270 thousand lower than in the respective period of the previous year.

MAIN FINANCIAL INDICATORS	3M 2023 or 31.03.2023	3M 2022 or 31.03.2022	+/-	%
	EUR'000	EUR'000		
<b>Net turnover</b>	<b>15 739</b>	<b>15 780</b>	(41)	0%
EBITDA	10 184	9 978	206	2%
<b>Net profit</b>	<b>5 164</b>	<b>5 434</b>	(270)	-5%
Total assets	466 798	449 741	17 057	4%
Investments	5 961	3 134	2 827	90%

## Financing and liquidity

The financial assets held by Conexus are sufficient to meet Conexus' financing needs. At the end of the reporting period, the total amount of Conexus' borrowings is 78 691 thousand EUR. At the end of the reporting period, available overdrafts amounting to 65 000 thousand EUR have not been used, which provides a significant liquidity reserve. The duration of agreements for the overdraft facilities reaches beyond 1 year. At the end of the reporting period, Conexus holds long-term loan agreements amounting to 55 000 thousand EUR with expected receipt of funds during 2023.

At the end of the reporting period the weighted average interest rate of long-term borrowings is 2.18% (31.12.2022: 1.76%); weighted average interest rate of overdrafts is 2.81% (31.12.2022: 2.77%). At the end of the reporting period, 37% of received and unpaid long-term borrowings are with a fixed interest rate (31.12.2022: 36%).

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

CONEXUS' FINANCIAL COVENANTS	31.03.2023	31.03.2022
Shareholders' equity ratio (>50%)	73%	75%
Net debt to EBITDA ratio (<5)	2.5	2.9
Debt-Service Coverage Ratio (DSCR) (>1.2)	2.6	2.7

## Regulatory activities and product tariffs

In February 2023, Conexus announced storage system service tariffs for the storage cycle commencing on the 1 May 2023. Due to the reduction of planned revenue allocated to the tariff period, the tariffs of the most common storage products decrease by 14%.

During the current gas year, the transmission system service tariffs have not been changed and will be in effect until the start of the new regulatory period.



## Legal events

On 18 September 2018, Conexus filed an application to the Administrative district court against the decision No. 69 of the PUC council “On AS “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 for the next period. With the decision of the Administrative district court dated 7 April 2020, the application was rejected. Conexus submitted cassation complaint to the Department of Administrative Cases of the Senate of the Supreme Court on 7 May 2020 and the cassation proceedings have been initiated, but the date of the hearing has not been set yet.

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 “Regarding the Capital Return Rate for the Calculation of the Draft Tariff 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 has still not been drawn up in the Administrative district court.



# Key financial indicators

		3M 2019 or 31.03.2019	3M 2020 or 31.03.2020	3M 2021 or 31.03.2021	3M 2022 or 31.03.2022	3M 2023 or 31.03.2023	Δ	Δ %	
Operating indicators	Transmitted natural gas	TWh	7.1	8.3	12.2	10.9	7.8	(3.1)	-29%
	Inčukalns UGS filling at the end of reporting period*	TWh	3.7	7.8	5.7	7.6	8.1	0.5	+6%
	Volume of natural gas consumed in Latvia**	TWh	5.1	3.7	5.3	3.6	3.3	(0.3)	-8%
	Volume of natural gas withdrawn from Inčukalns UGS	TWh	6.4	7.1	11.5	6.8	3.3	(3.5)	-51%
Financial indicators	Net turnover***	`000 EUR	16 865	16 307	18 675	15 780	15 739	(41)	-0.3%
	EBITDA	`000 EUR	10 384	9 324	13 232	9 978	10 184	206	2%
	Net profit	`000 EUR	6 337	5 096	8 796	5 434	5 164	(270)	-5%
	Total assets	`000 EUR	360 435	362 574	484 214	449 741	466 798	17 057	4%
	Investments	`000 EUR	963	1 791	3 911	3 134	5 961	2 827	90%
	Depreciation	`000 EUR	4 005	4 189	4 391	4 449	4 505	56	1%
Financial coefficients	EBITDA profitability	%	62%	57%	71%	63%	65%	2ppt	
	Net profitability	%	38%	31%	47%	34%	33%	(1ppt)	
	Return on Equity ratio (ROE)	%	2.0%	1.6%	2.1%	1.6%	1.5%	(0.1ppt)	
	Shareholders' equity ratio****	%	88%	88%	85%	75%	73%	(2ppt)	
	Net debt to EBITDA ratio*****	coef.	1.0	0.5	0.4	2.9	2.5	(0.4)	-14%
	Debt-service Coverage Ratio (DSCR)*****	coef.	7.1	9.1	8.9	2.7	2.6	(0.1)	-4%
Average number of employees	amount	327	330	335	353	363	10	3%	

\* Including energy security reserve

\*\* Volume of natural gas injected into the distribution system

\*\*\* 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: natural gas transmission and natural gas storage. The split of information included into operating segments agrees to the split of regulated services. This split is defined in the internal management accounting system and is applied both in the appraisal of results and in the decision-making.

## Natural gas transmission

Conexus is the single natural gas transmission and storage operator in Latvia, which ensures the maintenance, as well as safe and continuous operation of the natural gas transmission system, and the interconnections with the transmission systems of other countries, enabling system users 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 and Estonia, ensuring both the transmission of natural gas in gas pipelines in the territory of Latvia and interconnections with the natural gas transmission systems of the neighbouring countries:

- the diameter of gas pipelines which ensure gas transit to neighbouring countries is 720 mm with the operating pressure between 28 and 40 bars;
- the diameter of gas pipelines intended for the supply of Latvia is between 400 mm and 530 mm with the operating pressure up to 35 bars;

- 40 gas regulation stations are used to transport the natural gas to the local distribution system in Latvia. For supplies for the needs of users in Latvia, all exits for consumption in the territory of Latvia are combined in one exit point.

Total volume of gas transmitted in Latvia during the first 3 months of 2023 reached 7,8 TWh, which is 29% less than in the prior year's respective period. The reduction was caused mainly by the lower volume of natural gas transmitted from Inčukalns UGS to Lithuania, as well as by the lower volume of natural gas injected into Inčukalns UGS. In accordance with the prohibition of natural gas supply from Russia stipulated by the Energy Law, natural gas was not transmitted from Russia during the reporting period. Instead, natural gas traders supplied natural gas from Klaipeda liquified natural gas terminal and from Inčukalns UGS. During the first 3 months of this year, the volume of natural gas transmitted from Lithuania reached 4,4 TWh, which is almost two times above the amount transmitted in the previous year's first three months.

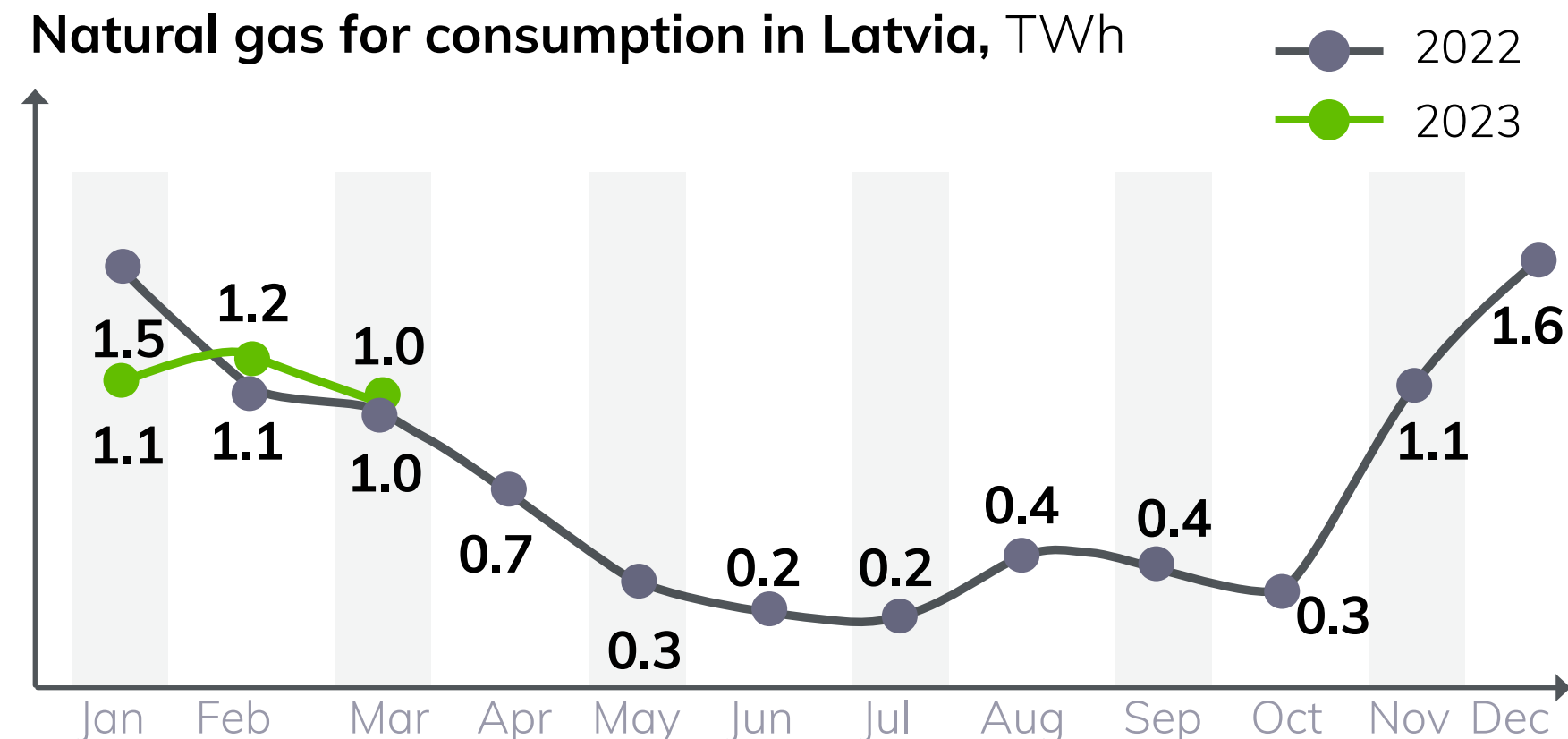
Natural gas supply for consumption in Latvia during the first three months of 2023 reached 3,3 TWh, which is 8% less than in the prior year's respective period. The decrease was caused by weather conditions, which were milder this winter than in the respective period of 2022, which led users to consume less natural gas for heating purposes, as well as by unprecedently high gas prices, which also caused users to reduce their consumption of natural gas. The reduction of supply was partially offset by a double increase in electricity generation in the country's largest thermal power plants<sup>2</sup>. Overall, the decrease of natural gas consumption caused a reduction of Conexus revenue on national exit by 0,5 million EUR.

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





Natural gas for consumption in Latvia, TWh



Revenue of the transmission segment during the reporting period was 8 080 thousand EUR and EBITDA reached 5 100 thousand EUR, representing 50% of the total EBITDA of Conexus. Net profit of the transmission segment amounted to 2 309 thousand EUR (23% less than in prior year).

TRANSMISSION	3M 2023 or 31.03.2023	3M 2022 or 31.03.2022	+/-	%
	EUR'000	EUR'000		
<b>Net turnover</b>	<b>8 080</b>	<b>9 271</b>	(1 191)	-13%
EBITDA	5 100	5 613	(513)	-9%
<b>Segment Net profit</b>	<b>2 309</b>	<b>3 008</b>	(699)	-23%
Segment assets	236 272	233 821	2 451	1%
Depreciation and amortisation	2 487	2 545	(58)	-2%
Investments	1 045	951	94	10%

Operations of Conexus are regulated, and the regulatory periods differ from the financial year. In accordance with Natural gas transmission system service tariff calculation methodology, during the tariff cycle, deviations of income and expenses may occur against the allowed ones,

which will affect tariff values in the subsequent tariff cycles. In transmission segment, such deviations can occur due to actual consumption of natural gas differing from the one planned in tariffs, leading to revenue adjustment. Actual revenue of transmission segment, generated during gas years from 1 January 2020 until 30 September 2022, is 82,2 million EUR, which is 9,1 million EUR less than planned in the approved tariffs' allowed revenue. Allowed revenue of the next regulatory period will be increased by the ungained revenue amount.

In accordance with the Regulator's decision No 171 of 27 November 2019, existing tariffs of transmission system service have been approved for the period from 1 January 2020 to 30 September 2022. The approved tariffs on the natural gas transmission system service are continued to be applied after 30 September 2022 until the beginning of a new regulatory period.

The transmission segment's assets at the end of the reporting period amounted to 236 million EUR, which comprised 51 % of the total assets of Conexus. During the reporting period, capital investments were made in amount of 1 045 thousand EUR. The largest investments:

- Within the framework of the European project of common interest "Enhancement of Latvia-Lithuania Interconnection" (ELLI), Conexus invested a total of 200 thousand EUR in several sub-projects during the reporting period. Main activities were carried out on the rebuilding of Zaķumuiža and Ezerciems gas regulation stations;
- Repairs of transmission gas pipeline sections and their anti-corrosion isolation were made in amount of 631 thousand EUR.

## Natural gas storage

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

During 2022/2023 storage cycle, Inčukalns UGS capacity booking



reached 24,1 TWh, which is 27% more than previous year. Revenue from bookings of capacity products during the reporting period increased by 1 151 thousand EUR in comparison to the respective period of the prior year.

Revenue of the storage segment during the reporting periods was 7 659 thousand EUR and EBITDA reached 5 085 thousand EUR. Net profit of storage segment reached 2 855 thousand EUR.

<b>STORAGE</b>	<b>3M 2023 or 31.03.2023</b>	<b>3M 2022 or 31.03.2022</b>	<b>+/-</b>	<b>%</b>
	EUR'000	EUR'000		
<b>Net turnover</b>	<b>7 659</b>	<b>6 508</b>	1 151	18%
EBITDA	5 085	4 365	720	16%
<b>Segment Net profit</b>	<b>2 855</b>	<b>2 426</b>	429	18%
Segment assets	230 526	215 921	14 605	7%
Depreciation and amortisation	2 018	1 904	114	6%
Investments	4 916	2 184	2 732	125%

In accordance with Natural gas storage system service tariff calculation methodology, during the tariff cycle, deviations of income and expenses may occur against allowed ones, which will affect tariff values in subsequent tariff cycles. In storage segment, such deviations are accrued in a regulatory account. During the storage tariff period from 1 May 2022 until 30 April 2023, storage service revenue was generated in amount of 30,4 million EUR. It is 6,2 million EUR above the allowed revenue set for this period, therefore these 6,2 million EUR are included in the regulatory

account of the storage service. During the previous tariff period from 1 May 2021 until 30 April 2022, the actual revenue was 1,8 million EUR more than allowed revenue for this period. Revenue included in the regulatory account will impact allowed revenue for the next tariff periods.

In February 2023, Conexus announced tariffs of natural gas storage system service, applicable for bookings of storage capacity for storage cycle starting on 1 May 2023. Due to decreased planned revenue attributed to the tariff period, tariff values of the most popular storage products decreased by 14%.

Assets of the storage segment at the end of the reporting period amounted to 231 million EUR, which comprised 49% of total assets of Conexus. During the reporting period, capital investments were made in amount of 4 916 thousand EUR, which is 2 732 thousand EUR more than in the respective period of prior year. Largest investments – reconstruction of wells, modernization of gas compression units at Compressor station No.2, reconstruction of gas collection point No.3 and installation of a new gas collection point, in total amount of 4 548 thousand EUR, - were made within the framework of the European project of common interest PCI 8.2.4 “Enhancement of Inčukalns UGS”. As part of modernization of gas compression units at Compressor station No.2, modernization of unit No.5 and unit No.6 was continued in the first three months of 2023, totalling to 4 525 thousand EUR.





# Other events and further development

With the aim to promote biomethane production and its free circulation in Latvia, Conexus has developed a solution in the Baltics, 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. Currently, 4 such entry point locations have been identified in Latvia and the first one will be located in Džūkste, allowing to serve up to 20 biomethane producers within a 50 to 60 km radius.

Implementation of climate-friendly and sustainable energy solutions is one of Conexus' strategic directions. Conexus is planning to install solar panels in the Inčukalns UGS territory, over 16 000 m<sup>2</sup> of area with total capacity of up to 1 MW. Forecasts show that the solar-panel park will provide 25% of total electricity consumption in storage facility. During the reporting period, Conexus launched an open tender for the construction of the solar panel park and purchase of equipment.

To strengthen the cyber security of Latvia's energy infrastructure, Conexus, electricity transmission system operator AS "Augstspriegumu tīkls" and the information technology security incident response authority CERT.LV have signed a Memorandum of Understanding on the establishment and management of a cyber security centre for energy infrastructure operators, thus also developing cooperation between all institutions.

Amendments to the Energy Law stipulate the establishment of a system for the issuance, circulation, and control of certificates of origin for gas produced from renewable energy sources, by 1 July 2023.

The amendments foresee that certificates of origin will be issued and managed by Conexus, developing the procedures for the circulation of the certificate of origin and consulting third parties. In gradual preparation for the introduction of the aforementioned gas guarantee of origin system in Latvia, during the reporting period Conexus, following an open procurement procedure, concluded a contract with the Finnish information technology company "Grexel Systems" Oy for the development of the guarantee of origin registry system, with Conexus performing its administration and other issuing body duties.

Conexus will continue active work on the Inčukalns UGS modernisation project, during which it is planned to significantly improve the technical infrastructure and equipment safety by 2025, for the purpose of the Inčukalns UGS retaining its functionality after increase of pressure within the Baltic transmission network.

Work will also continue on the increase of Latvia-Lithuania transmission gas pipe capacity with the aim to facilitate access to the Klaipėda liquified gas terminal, Latvia's Inčukalns UGS and Poland-Lithuania gas interconnection. The Enhancement of Latvia-Lithuania Interconnection (ELLI) project foresees a number of activities in both Latvia and Lithuania until the end of 2023, which will increase the gas interconnection capacity between Latvia and Lithuania in both directions. The results of the hydraulic modelling calculations and transmission system operation tests jointly performed by Conexus and AB Amber Grid indicate that the technical capacity of Kiemenai interconnection point after implementation of the ELLI project, which is planned from 1 January 2024, shall be set at:

- o 90GWh/d in the direction from Lithuania to Latvia with a possible dynamic increase up to around 100GWh/d;

- o 82GWh/d in the direction from Latvia to Lithuania with a possible dynamic increase up to around 100GWh/d.

# Subsequent events

According to management's assessment, there are no subsequent circumstances or events since the last date of the reporting year until the signing of this report, which would have a significant effect on the financial position of Conexus as at 31 March 2023.

New natural gas storage system tariffs came into force on 1 May 2023, which were determined based on the current natural gas storage system service tariff calculation methodology:

- ◆ bundled capacity product tariff (excl. VAT): 0,8761 EUR/MWh/storage cycle;
- ◆ two year bundled capacity product tariff, booked in 2022/2023 storage cycle (excl. VAT): 1,0865 EUR/MWh/storage cycle;
- ◆ two year bundled capacity product tariff (excl. VAT): 0,9308 EUR/MWh/storage cycle;
- ◆ interruptible capacity product tariff (excl. VAT): 0,6981 EUR/MWh/storage cycle;
- ◆ virtual reverse flow product tariff (excl. VAT): 0,5113 EUR/MWh/storage cycle;
- ◆ stock transfer product tariff (excl. VAT): 1,3581 EUR/MWh/storage cycle.

In April 2023, Conexus determined the technical capacity of Inčukalns UGS for the 2023/2024 storage cycle. According to the measurements and calculations, the technical capacity available to clients is set at 22,6 TWh.

On Conexus' Shareholders' meeting of 27 April 2023, Conexus Supervisory Board was elected with changes to its current composition. Seven members of the Supervisory Board were confirmed for a three-year term. Ilmārs Šnucins, Tomohide Goto, Zane Āboliņa, Viktors Sentuhovskis, Normunds Šuksts and Ivars Moisejs were re-elected as Supervisory Board members. Masanobu Furuya was elected to the Supervisory Board of Conexus. Along with the election of the Supervisory Board members, 2022 Sustainability and Annual Report, Dependency report, amendments to the Articles of Association and the reports of the Management Board, the Supervisory Board and independent auditor were also approved. The Shareholders' Meeting also made a decision on the use of Conexus' profits, as well as made a decision on the conversion of Conexus shares from registered shares to dematerialised shares and resolved to book Conexus dematerialised shares with the central securities depository "Nasdaq CSD SE".

## 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 including overdrafts minus cash and cash equivalents
EBITDA profitability	EBITDA / income
Net profitability	net profit / income
Return on equity ratio (ROE)	net profit / equity average value (over the reporting period)
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

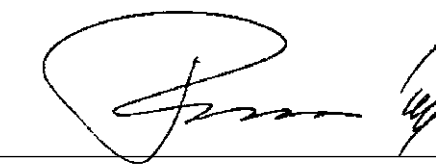


# STATEMENT OF THE BOARD'S RESPONSIBILITY

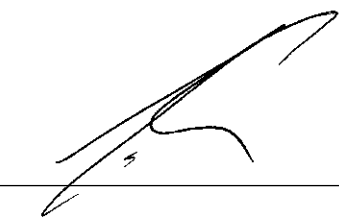
The Board of the Company is responsible for preparing its financial statements. The unaudited condensed interim financial statements of Conexus for the 3 months period ending 31 March 2023 were prepared in accordance with the International Accounting Standard (IAS) No. 34 "Interim Financial reporting" as adopted by the European Union, providing true and fair view of the AS "Conexus Baltic Grid" assets, liabilities, financial position, profit and loss and respective cash flows. Information provided in the Management Report is accurate.



**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

	Note	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
		EUR	EUR
Revenue	5	15 738 782	15 779 778
Other income	6	196 904	171 974
Maintenance and service costs	7	(1 468 504)	(2 222 403)
Personnel expenses	8	(3 733 468)	(3 262 905)
Other operating costs	9	(549 550)	(488 138)
Depreciation, amortisation, and impairment of property, plant and equipment	11, 12	(4 505 007)	(4 449 481)
<b>Operating profit</b>		<b>5 679 157</b>	<b>5 528 825</b>
Finance costs	10	(515 466)	(95 290)
<b>Profit before tax</b>		<b>5 163 691</b>	<b>5 433 535</b>
Corporate income tax		-	-
<b>Profit for the reporting period</b>		<b>5 163 691</b>	<b>5 433 535</b>

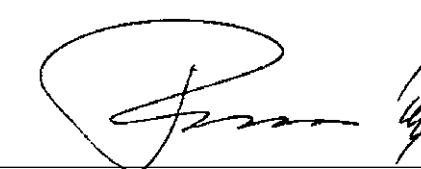
## STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
		EUR	EUR
<b>Profit for the reporting period</b>		<b>5 163 691</b>	<b>5 433 535</b>
<b>Other comprehensive income / (loss):</b>			
Property, plant and equipment revaluation		-	-
Revaluations of post-employment benefits as a result of changes in actuarial assumptions		-	-
<b>Total other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the reporting period</b>		<b>5 163 691</b>	<b>5 433 535</b>

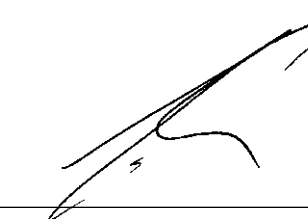
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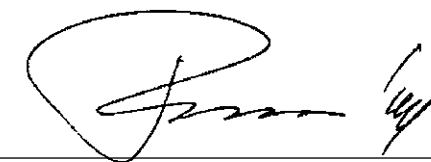
## STATEMENT OF FINANCIAL POSITION

	Note	31.03.2023	31.03.2022	31.12.2022
ASSETS		EUR	EUR	EUR
<b>Long-term investments</b>				
Intangible assets	11	1 981 928	2 101 833	2 108 009
Advances for intangible assets		-	6 720	-
Property, plant and equipment	12	428 662 214	429 294 459	427 077 998
Advances for property, plant and equipment		5 312 183	2 387 459	5 322 009
Long-term deferred expenses	14	982 668	1 083 455	1 007 865
Right-of-use assets		458 217	434 529	461 503
<b>Total long-term investments:</b>		<b>437 397 210</b>	<b>435 308 455</b>	<b>435 977 384</b>
<b>Current assets</b>				
Inventories		4 118 622	2 587 758	3 690 935
Receivables from contracts with customers		7 412 999	10 689 894	10 237 307
Other receivables		2 183 300	254 965	2 456 478
Deferred expenses		553 139	445 981	480 075
Cash and cash equivalents		15 132 410	454 068	10 967 116
<b>Total current assets:</b>		<b>29 400 470</b>	<b>14 432 666</b>	<b>27 831 911</b>
<b>TOTAL ASSETS:</b>		<b>466 797 680</b>	<b>449 741 121</b>	<b>463 809 295</b>

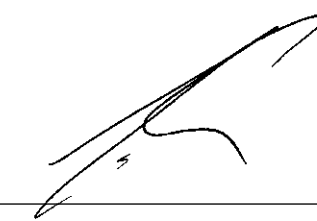
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## STATEMENT OF FINANCIAL POSITION (continued)

	Note	31.03.2023	31.03.2022	31.12.2022
		EUR	EUR	EUR
<b>EQUITY AND LIABILITIES</b>				
<b>Equity:</b>				
Share capital		39 786 089	39 786 089	39 786 089
Own shares		(24 270)	(25 320)	(24 270)
Reserves		206 193 626	214 312 603	207 960 842
Retained earnings		92 568 910	83 746 648	85 638 003
<b>Total equity:</b>		<b>338 524 355</b>	<b>337 820 020</b>	<b>333 360 664</b>
<b>Non-current liabilities</b>				
Borrowings from credit institutions	15	65 759 491	30 000 000	69 468 183
Deferred income		25 929 344	18 021 327	24 957 748
Employee benefit obligations		1 351 768	1 374 135	1 351 768
Non-current lease liabilities		451 066	423 277	459 358
<b>Total non-current liabilities:</b>		<b>93 491 669</b>	<b>49 818 739</b>	<b>96 237 057</b>
<b>Current liabilities</b>				
Borrowings from credit institutions	15	12 931 940	40 840 682	12 961 766
Trade payables		9 310 335	11 179 760	7 411 426
Other liabilities		2 285 898	1 830 019	2 204 749
Accrued liabilities		2 750 091	3 123 564	2 260 852
Deferred income from contracts with customers		-	237 284	-
Deferred income, other		776 623	539 021	767 335
Advances from customers		6 699 565	4 326 968	8 580 382
Current lease liabilities		27 204	25 064	25 064
<b>Total current liabilities:</b>		<b>34 781 656</b>	<b>62 102 362</b>	<b>34 211 574</b>
<b>TOTAL EQUITY AND LIABILITIES:</b>		<b>466 797 680</b>	<b>449 741 121</b>	<b>463 809 295</b>

Notes on pages 26 to 37 form an integral part of these financial statements.

		
<b>ULDIS BARISS</b> Chairman of the Board	<b>GINTS FREIBERGS</b> Member of the Board	<b>MĀRTIŅŠ GODE</b> 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
<b>Opening balance at 01.01.2022</b>	<b>39 786 089</b>	<b>(25 320)</b>	<b>216 230 918</b>	<b>76 412 620</b>	<b>332 404 307</b>
Calculated dividends	-	-	-	-	-
Reduction of revaluation reserve	-	-	(1 918 315)	1 900 493	(17 822)
Profit for the period 01.01.2022-31.03.2022	-	-	-	5 433 535	5 433 535
<i>Total</i>	-	-	(1 918 315)	7 334 029	5 415 713
<b>At 31 March 2022</b>	<b>39 786 089</b>	<b>(25 320)</b>	<b>214 312 603</b>	<b>83 746 648</b>	<b>337 820 020</b>
Calculated dividends	-	1 050	-	(9 548 661)	(9 547 611)
Reduction of revaluation reserve	-	-	(6 410 806)	5 508 806	(902 000)
<i>Other comprehensive income:</i>					
Revaluations of post-employment benefits as a result of changes in actuarial assumptions	-	-	59 045	-	59 045
<i>Total other comprehensive income</i>	-	-	59 045	-	59 045
Profit for the period 01.04.2022-31.12.2022	-	-	-	5 931 210	5 931 210
<i>Total</i>	-	1 050	(6 351 761)	1 891 355	(4 459 356)
<b>At 31 December 2022</b>	<b>39 786 089</b>	<b>(24 270)</b>	<b>207 960 842</b>	<b>85 638 003</b>	<b>333 360 664</b>
Reduction of revaluation reserve	-	-	(1 767 216)	1 767 216	-
Profit for the reporting period	-	-	-	5 163 691	5 163 691
<i>Total</i>	-	-	(1 767 216)	6 930 907	5 163 691
<b>At 31 March 2023</b>	<b>39 786 089</b>	<b>(24 270)</b>	<b>206 193 626</b>	<b>92 568 910</b>	<b>338 524 355</b>

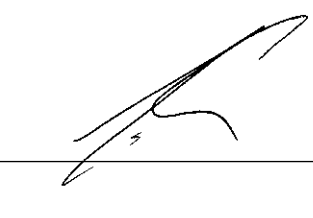
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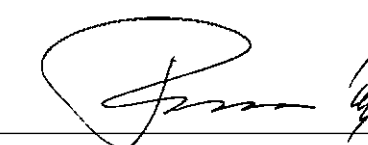
## STATEMENT OF CASH FLOWS

	Note	01.01.2023-31.03.2023	01.01.2022-31.03.2022
<b>Cash flow from operating activity</b>		<b>EUR</b>	<b>EUR</b>
<b>Profit before corporate income tax</b>		<b>5 163 691</b>	<b>5 433 535</b>
Adjustments:			
- depreciation of property, plant and equipment	12	4 313 825	4 275 553
- depreciation of the right-of-use assets		3 286	16 579
- amortisation of intangible assets	11	187 896	157 349
- loss / (gain) from disposal of PPEs		956	(12 176)
- changes in provisions		300 000	285 780
- recognised EU co-financing		(184 176)	(135 315)
- interest expense		515 546	94 989
Changes in the working capital:			
- decrease of receivables from contracts with customers, other receivables and deferred expenses		3 049 620	2 790 478
- (increase) / decrease of inventories		(427 686)	38 781
- (decrease) / increase of lease liabilities, trade payables, accrued liabilities, advances from customers and other liabilities		(2 176 421)	3 372 690
Corporate income tax paid		-	-
<b>Net cash flow from operating activity</b>		<b>10 746 536</b>	<b>16 318 243</b>
<b>Cash flow from investing activity</b>			
Acquisition of property, plant and equipment		(3 384 306)	(2 971 506)
Acquisition of intangible assets		(54 636)	(217 933)
Proceeds from the sale of property, plant and equipment items		336	12 176
Received EU co-financing		1 165 060	-
<b>Cash flow from investing activity</b>		<b>(2 273 546)</b>	<b>(3 177 263)</b>

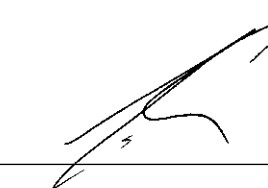
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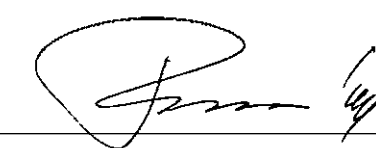
## STATEMENT OF CASH FLOWS (continued)

	Notes	01.01.2023-31.03.2023	01.01.2022-31.03.2022
<b>Cash flow from financing activities</b>		<b>EUR</b>	<b>EUR</b>
Interest paid		(586 138)	(116 341)
Borrowings received		-	-
Borrowings repaid		(3 708 692)	(27 226 655)
Lease payments		(11 369)	(18 996)
Dividends paid		(1 497)	(1 030)
<b>Net cash flow from financing activity</b>		<b>(4 307 696)</b>	<b>(27 363 022)</b>
<b>Net cash flow</b>		<b>4 165 294</b>	<b>(14 222 042)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>10 967 116</b>	<b>14 676 110</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>15 132 410</b>	<b>454 068</b>

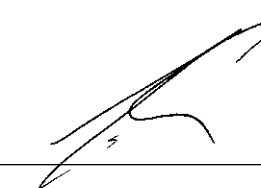
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# NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE INCOME STATEMENT

### 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 the Commercial Register of Latvia with the unified 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, Inčukalns Underground Storage Facility (hereinafter referred to as Inčukalns UGS, or as the storage facility), and the main natural gas transmission system, which directly connects Latvia’s natural gas market to 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 2022 and any public announcements made by Conexus during the interim reporting period.

The period of these condensed interim financial statements is 3 months, from 1 January to 31 March 2023.

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 is 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	31.03.2023	31.03.2022	31.12.2022
	EUR	EUR	EUR	EUR
<b>Assets:</b>				
Trade receivables	3.	7 412 999	10 689 894	10 237 307
Other receivables	3.	2 474	8 753	12 253
Cash and cash equivalents	2.	15 132 410	454 068	10 967 116
<b>Liabilities:</b>				
Borrowings from credit institutions	3.	78 691 431	70 840 682	82 429 949
Trade payables	3.	9 310 335	11 179 760	7 411 426
Other liabilities and accrued liabilities	3.	983 938	1 309 144	564 578
Lease liabilities	3.	478 269	448 341	484 422

### 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. 1. 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, where underground gas pipeline system 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, where Inčukalns UGS provides the storage of natural gas in the underground gas storage facility for consumption during the heating season and other needs of network users.

The split of information included into operating segments corresponds to the split of regulated services. This split is defined in the internal management accounting system and is applied both in the appraisal of results and in the decision-making. 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 01.01.2023-31.03.2023:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	8 079 841	7 658 941	15 738 782	-
Other income	35 478	161 426	196 904	-
Maintenance and service costs	(554 431)	(914 073)	(1 468 504)	-
Personnel expenses	(2 102 750)	(1 630 718)	(3 733 468)	-
Other operating costs	(358 476)	(191 074)	(549 550)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(2 486 906)	(2 018 101)	(4 505 007)	-
Finance costs	(303 681)	(211 785)	(515 466)	-
Corporate income tax	-	-	-	-
<b>Profit for the reporting period</b>	<b>2 309 075</b>	<b>2 854 616</b>	<b>5 163 691</b>	<b>-</b>



Segment income statements for the period 01.01.2022-31.03.2022:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	9 271 411	6 508 367	15 779 778	-
Other income	53 172	118 802	171 974	-
Maintenance and service costs	(1 421 655)	(800 748)	(2 222 403)	-
Personnel expenses	(1 941 204)	(1 321 701)	(3 262 905)	-
Other operating costs	(348 848)	(139 290)	(488 138)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(2 545 471)	(1 904 010)	(4 449 481)	-
Finance costs	(59 829)	(35 461)	(95 290)	-
Corporate income tax	-	-	-	-
<b>Profit for the reporting period</b>	<b>3 007 576</b>	<b>2 425 959</b>	<b>5 433 535</b>	<b>-</b>

Total assets by segments as at 31.03.2023 and investments during the period 01.01.2023-31.03.2023:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	236 271 632	230 526 048	466 797 680	-
Investments in property, plant and equipment and intangible assets	1 045 500	4 915 647	5 961 147	-

Total assets by segments as at 31.03.2022 and investments during the period 01.01.2022-31.03.2022::

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	233 820 537	215 920 584	449 741 121	-
Investments in property, plant and equipment and intangible assets	950 775	2 183 669	3 134 444	-

### Geographical information

All operating activities are held in Latvia.

### Major customers

Revenue generated during the period 01.01.2023-31.03.2023 from the largest customers, each individually representing at least 10% of the total revenue of Conexus:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	8 113 333	4 624 128	12 737 461

Revenue generated during the period 01.01.2022-31.03.2022 from the largest customers, each individually representing at least 10% of the total revenue of Conexus:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	5 576 788	4 556 886	10 133 674

## 5. REVENUE

Revenue from contracts with customers recognised over time	01.01.2023-31.03.2023	01.01.2022-31.03.2022
	EUR	EUR
Revenue from transmission services	7 840 874	9 137 794
Balancing income, net	238 967	133 617
<b>Revenue from transmission services</b>	<b>8 079 841</b>	<b>9 271 411</b>
Revenue from storage services	7 658 941	6 508 367
<b>Revenue from storage services</b>	<b>7 658 941</b>	<b>6 508 367</b>
<b>Total</b>	<b>15 738 782</b>	<b>15 779 778</b>

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:

	01.01.2023-31.03.2023	01.01.2022-31.03.2022
	EUR	EUR
Income from balancing activities	5 118 725	10 157 259
Cost of balancing activities	(4 879 758)	(10 023 642)
	<b>238 967</b>	<b>133 617</b>

## 6. OTHER INCOME

	01.01.2023-31.03.2023	01.01.2022-31.03.2022
	EUR	EUR
Income from EU co-financing	184 176	135 315
Other income	12 392	36 659
Net income from the disposal of PPEs	336	-
	<b>196 904</b>	<b>171 974</b>

## 7. MAINTENANCE AND SERVICES COSTS

	01.01.2023-31.03.2023	01.01.2022-31.03.2022
	EUR	EUR
Transmission and storage system maintenance services	602 190	1 315 781
Cost of materials	199 201	223 899
Cost of natural gas	389 689	401 047
Maintenance of IT infrastructure	198 482	203 637
Maintenance of vehicles and machinery	78 942	78 039
	<b>1 468 504</b>	<b>2 222 403</b>



## 8. PERSONNEL EXPENSES

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Salaries	2 876 442	2 524 025
State social insurance contributions	676 194	595 641
Life, health, and pension insurance	177 443	139 144
Other personnel costs	3 389	4 095
	<b>3 733 468</b>	<b>3 262 905</b>

## 9. OTHER OPERATING COSTS

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Taxes and duties*	183 971	203 877
Office and other administrative expenses	365 579	284 261
Net loss on disposal of PPE	-	-
	<b>549 550</b>	<b>488 138</b>

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

## 10. FINANCE COSTS

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Interest paid	510 329	89 602
Lease interest expense	5 217	5 387
(Gain) / losses from exchange rate fluctuations	(80)	301
	<b>515 466</b>	<b>95 290</b>

## 11. INTANGIBLE ASSETS

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
<b>Historical cost</b>			
<b>31.12.2021</b>	<b>8 189 289</b>	<b>61 054</b>	<b>8 250 343</b>
Additions	-	217 933	217 933
Transfers	192 835	(192 835)	-
Disposals	-	-	-
<b>31.03.2022</b>	<b>8 382 124</b>	<b>86 152</b>	<b>8 468 276</b>
Additions	-	557 424	557 424
Transfers	594 581	(594 581)	-
Disposals	(185 204)	-	(185 204)
<b>31.12.2022</b>	<b>8 791 501</b>	<b>48 995</b>	<b>8 840 496</b>
<b>Amortisation</b>			
<b>31.12.2021</b>	<b>6 209 094</b>	<b>-</b>	<b>6 209 094</b>
Amortisation charge	157 349	-	157 349
Disposals	-	-	-
<b>31.03.2022</b>	<b>6 366 443</b>	<b>-</b>	<b>6 366 443</b>
Amortisation charge	551 248	-	551 248
Disposals	(185 204)	-	(185 204)
<b>31.12.2022</b>	<b>6 732 487</b>	<b>-</b>	<b>6 732 487</b>
<b>Net book value 31.12.2021</b>	<b>1 980 195</b>	<b>61 054</b>	<b>2 041 249</b>
<b>Net book value 31.03.2022</b>	<b>2 015 681</b>	<b>86 152</b>	<b>2 101 833</b>
<b>Net book value 31.12.2022</b>	<b>2 059 014</b>	<b>48 995</b>	<b>2 108 009</b>

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
<b>Historical cost</b>			
<b>31.12.2022</b>	<b>8 791 501</b>	<b>48 995</b>	<b>8 840 496</b>
Additions	-	61 816	61 816
Transfers	12 380	(12 380)	-
Disposals	(2 250)	-	(2 250)
<b>31.03.2023.</b>	<b>8 801 631</b>	<b>98 431</b>	<b>8 900 062</b>
<b>Amortisation</b>			
<b>Perioda sākumā 31.12.2022</b>	<b>6 732 487</b>	<b>-</b>	<b>6 732 487</b>
Amortisation charge	187 897	-	187 897
Disposals	(2 250)	-	(2 250)
<b>31.03.2023</b>	<b>6 918 134</b>	<b>-</b>	<b>6 918 134</b>
<b>Net book value 31.12.2022</b>	<b>2 059 014</b>	<b>48 995</b>	<b>2 108 009</b>
<b>Net book value 31.03.2023</b>	<b>1 883 497</b>	<b>98 431</b>	<b>1 981 928</b>



## 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
<b>Historical cost or revalued amount</b>								
<b>31.12.2021</b>	<b>1 084 168</b>	<b>771 087 875</b>	<b>134 044 906</b>	<b>7 790 227</b>	<b>1 538 779</b>	<b>10 708 163</b>	<b>20 027 015</b>	<b>946 281 133</b>
Additions	8 306	11 362	40 078	70 367	-	-	2 786 398	2 916 511
Reclassified*	-	331 590	157 555	-	-	-	(489 145)	-
Disposals	-	(49 999)	(188 100)	(24 847)	-	-	-	(262 946)
<b>31.03.2022</b>	<b>1 092 474</b>	<b>771 380 828</b>	<b>134 054 439</b>	<b>7 835 747</b>	<b>1 538 779</b>	<b>10 708 163</b>	<b>22 324 268</b>	<b>948 934 698</b>
Additions	-	33 540	1 205 830	1 060 929	-	-	8 948 497	11 248 796
Reclassified*	-	15 501 314	118 325	5 392 598	-	-	(21 012 237)	-
Disposals	-	(1 229 862)	(1 683 423)	(809 918)	-	-	-	(3 723 203)
Transfers**	-	-	-	-	286 605	-	-	286 605
<b>31.12.2022</b>	<b>1 092 474</b>	<b>785 685 820</b>	<b>133 695 171</b>	<b>13 479 356</b>	<b>1 825 384</b>	<b>10 708 163</b>	<b>10 260 528</b>	<b>956 746 896</b>
<b>Accumulated depreciation</b>								
<b>31.12.2021</b>	-	<b>447 747 521</b>	<b>62 134 158</b>	<b>5 728 132</b>	-	-	-	<b>515 609 811</b>
Calculated depreciation	-	2 872 943	1 248 954	153 656	-	-	-	4 275 553
Disposals	-	(32 178)	(188 100)	(24 847)	-	-	-	(245 125)
Reclassified	-	-	-	-	-	-	-	-
<b>31.03.2022</b>	-	<b>450 588 286</b>	<b>63 195 012</b>	<b>5 856 941</b>	-	-	-	<b>519 640 239</b>
Calculated depreciation	-	8 474 361	3 670 778	702 992	-	-	-	12 848 131
Disposals	-	(908 722)	(1 136 961)	(773 789)	-	-	-	(2 819 472)
Reclassified	-	(22 478)	(1 002 909)	1 025 387	-	-	-	-
<b>31.12.2022</b>	-	<b>458 131 447</b>	<b>64 725 920</b>	<b>6 811 531</b>	-	-	-	<b>529 668 898</b>
<b>Net book value 31.12.2021</b>	<b>1 084 168</b>	<b>323 340 354</b>	<b>71 910 748</b>	<b>2 062 095</b>	<b>1 538 779</b>	<b>10 708 163</b>	<b>20 027 015</b>	<b>430 671 322</b>
<b>Net book value 31.03.2022</b>	<b>1 092 474</b>	<b>320 792 542</b>	<b>70 859 427</b>	<b>1 978 806</b>	<b>1 538 779</b>	<b>10 708 163</b>	<b>22 324 268</b>	<b>429 294 459</b>
<b>Net book value 31.12.2022</b>	<b>1 092 474</b>	<b>327 554 373</b>	<b>68 969 251</b>	<b>6 667 825</b>	<b>1 825 384</b>	<b>10 708 163</b>	<b>10 260 528</b>	<b>427 077 998</b>

\* amounts include capitalised property, plant and equipment and reclassification between groups performed while synchronising accounting in financial and asset management systems - from buildings and structures to: machinery and equipment EUR 182 599, other property and equipment EUR 25 440; from machinery and equipment to: buildings and structures EUR 189 027, other property and equipment EUR 1 506 848;

\*\* inventories of materials in warehouses in the amount of EUR 286 605 were transferred to the Emergency spare parts.

## 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
<b>Historical cost or revalued amount</b>								
<b>31.12.2022</b>	<b>1 092 474</b>	<b>785 685 820</b>	<b>133 695 171</b>	<b>13 479 356</b>	<b>1 825 384</b>	<b>10 708 163</b>	<b>10 260 528</b>	<b>956 746 896</b>
Additions	-	-	101 902	179 230	-	-	5 618 200	5 899 332
Reclassified	-	22 111	151 820	209 653	-	-	(383 584)	-
Disposals	-	-	(10 020)	(17 378)	-	-	-	(27 398)
<b>31.03.2023</b>	<b>1 092 474</b>	<b>785 707 931</b>	<b>133 938 873</b>	<b>13 850 861</b>	<b>1 825 384</b>	<b>10 708 163</b>	<b>15 495 144</b>	<b>962 618 830</b>
<b>Accumulated depreciation</b>								
<b>31.12.2022</b>	<b>-</b>	<b>458 131 447</b>	<b>64 725 920</b>	<b>6 811 531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>529 668 898</b>
Calculated	-	2 879 368	1 172 442	262 015	-	-	-	4 313 825
Disposals	-	-	(8 729)	(17 378)	-	-	-	(26 107)
<b>31.03.2023</b>	<b>-</b>	<b>461 010 815</b>	<b>65 889 633</b>	<b>7 056 168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>533 956 616</b>
<b>Net book value 31.12.2022</b>	<b>1 092 474</b>	<b>327 554 373</b>	<b>68 969 251</b>	<b>6 667 825</b>	<b>1 825 384</b>	<b>10 708 163</b>	<b>10 260 528</b>	<b>427 077 998</b>
<b>Net book value 31.03.2023</b>	<b>1 092 474</b>	<b>324 697 116</b>	<b>68 049 240</b>	<b>6 794 693</b>	<b>1 825 384</b>	<b>10 708 163</b>	<b>15 495 144</b>	<b>428 662 214</b>



### 13. ASSET IMPAIRMENT ASSESSMENT

Conexus can be separated into two cash generating units: natural gas transmission and natural gas storage. Once establishing the cash generating units, it is assumed that the elements of natural gas transmission and natural gas storage system infrastructure are unified, indivisible and required for the safe operation of natural gas transmission and natural gas storage systems and for the provision of services. At the end of 2022, Conexus management carried out an impairment assessment. During re-assessment of the indicators identified at the time (the geopolitical situation, the sharp increase of interest rates and the ban on natural gas supplies from Russia Federation from 1 January 2023), management of Conexus concluded that no other indicators have been identified during the first quarter of 2023, whereas the evaluation of the existing indicators has not changed since the previous assessment. Therefore, asset impairment assessment was not performed.

### 14. CO-FINANCED PROJECTS

#### Increase of Capacity of Klaipeda-Kiemenui Pipeline in Lithuania

	31.03.2023	31.03.2022	31.12.2022
	EUR	EUR	EUR
<b>Opening balance</b>	1 108 652	1 209 438	1 209 438
Recognised during the reporting period	(25 197)	(25 197)	(100 786)
<b>Carried forward to future periods</b>	<b>1 083 455</b>	<b>1 184 241</b>	<b>1 108 652</b>
including short-term portion	100 786	100 786	100 786
long-term portion	982 668	1 083 455	1 108 651

### 15. BORROWINGS FROM CREDIT INSTITUTIONS

	31.03.2023	31.03.2022	31.12.2022
	EUR	EUR	EUR
Non-current borrowings from credit institutions	65 759 491	30 000 000	69 468 183
Current borrowings from credit institutions	12 899 286	40 829 197	12 899 286
Accrued interest on borrowings from credit institutions	32 654	11 485	62 480
	<b>78 691 431</b>	<b>70 840 682</b>	<b>82 429 949</b>

Conexus has borrowings both from local and international credit institutions. At the end of the reporting period, Conexus has an available overdraft facility of 65 000 thousand EUR (31.12.2022.: 65 000 thousand EUR). The overdraft has not been used at the end of the reporting period. 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 2.18% (31.12.2022.: 1.76%), the weighted average interest rate on overdrafts is 2.81% (31.12.2022.: 2.77%). At the end of the reporting period, 37% of received and unpaid long-term borrowings have a fixed loan interest rate (31.12.2022.: 36%). All Conexus borrowings are denominated in euros and are unsecured.

## 16. 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, Audit Committee Officers, 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" (Parent company) and AS "Latvenergo" (Other related parties).

Transactions with AS "Latvenergo", according to the principle of fair competition, include storage and transmission services, but do not include individually significant transactions.

Related party transactions	01.01.2023-	01.01.2022-
	31.03.2023	31.03.2022
	or	vai
	31.03.2023	31.03.2022
	EUR	EUR
<b>Revenue from related parties:</b>		
AS "Latvenergo"	7 044 012	4 710 970
<b>Purchases of goods and services from related parties:</b>		
AS "Latvenergo"	914 485	938 477
AS "Augstsprieguma tīkls"	201	-
<b>Balances at the end of the year arising from sales/ purchases of goods and services:</b>		
<b>Receivables from contracts with customers</b>		
AS "Latvenergo"	2 750 039	1 476 874
<b>Trade payables</b>		
AS "Latvenergo"	388 748	762 272
AS "Augstsprieguma tīkls"	117	-

## 17. COMMITMENTS AND CONTINGENCIES

As of 31 March 2023, long-term investment agreements contracted for, but not yet delivered amounted EUR 55 152 287 (31.12.2022.: EUR 34 910 221) In addition, according to signed inter-operator agreement for GIPL project cost sharing, investments amounting 14 700 thousand EUR are planned.



## 18. SUBSEQUENT EVENTS

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 2023 to 31 March 2023.

The financial statements have been prepared by:



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**AIJA MARTINSONE-STAGE**  
Head of Financial Accounting Division

\* THIS DOCUMENT HAS BEEN SIGNED WITH SECURE ELECTRONIC SIGNATURE AND BEARS A TIME STAMP