

Condensed interim financial statements (unaudited)

FOR THE 6-MONTH PERIOD ENDED 30 JUNE 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.

CONTENTS

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3 INFORMATION ON THE COMPANY

- 6 Shareholders
- 7 The Council
- 8 The Board

9 MANAGEMENT REPORT

- 9 Main activities
- 13 Key financial indicators
- 14 Results of segments' operations
- 17 Other events and further development
- 18 Subsequent events

19 STATEMENT OF THE BOARD'S RESPONSIBILITY

20 FINANCIAL STATEMENTS

- 20 Income statement
- 21 Statement of comprehensive income
- 22 Statement of financial position
- 23 Statement of financial position (continued)
- 24 Statement of changes in equity
- 25 Statement of cash flows

27 NOTES TO THE FINANCIAL STATEMENTS





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 – 30 June 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.


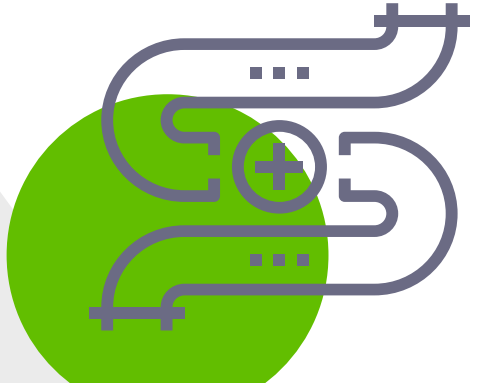

Cooperation



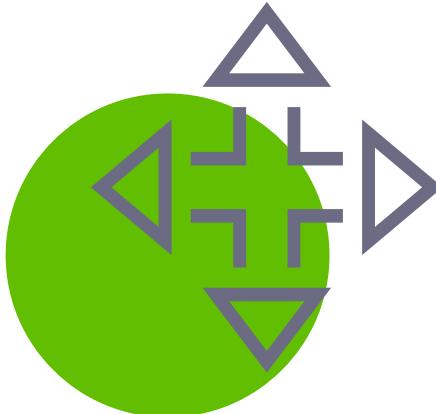


We support each other in decision making, we listen and search for common solutions internally, working with clients and partners.

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>MARKET DEVELOPMENT</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"> • Facilitate integration of the regional market • Promote cooperation with other regional transmission system operators (TSOs), developing a unified position regarding the integration of biogas and hydrogen into the transmission networks, by supporting biomethane injection into transmission network • Further development of Inčukalns UGS services by securing flexibility and compression withdrawal option
<p>INFRASTRUCTURE SAFETY AND SECURITY OF SUPPLY</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"> • Implement projects of common interests • Execution of research and development projects 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 • Asset management based on future challenges
<p>SUSTAINABILITY</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"> • E – regional market integration that supports renewable gas development, secure transmission, and storage infrastructure, while focusing on NOx and GHG (greenhouse gas) emission reduction • S – safety-oriented culture, professional and development-oriented team • G – compliance with the Corporate Governance Code

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

	<p>Focus on organizational development and efficiency</p>	<p>Conexus will facilitate funding opportunities as well as increase operational efficiency.</p>
	<p>Digitalisation and cybersecurity</p>	<p>Conexus will continue digitization projects focusing on operational technology, physical security, fire safety and cybersecurity.</p>
	<p>Professional and development-oriented team</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.

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 30 June 2023:



The Council

Term of office from 27 April 2023 until 26 April 2026



(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 27 April 2023

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)

YUKIKO FUJII
Member of the Council

(Since 28 April 2022)

NORMUNDS ŠUKSTS
Member of the Council

(Since 30 April 2020)

IVARS MOISEJS
Member of the Council

(Since 28 April 2022)

VIKTORS SENTUHOVSKIS
Member of the Council

(Since 12 May 2021)

Board



**ULDIS
BARISS**

CHAIRMAN OF THE BOARD

Born in 1965
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

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

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 13,4 TWh – 9,4 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 4,08/MWh. Effective rate of the premiums is 1.62 EUR/MWh (premium earned against 22,6 TWh capacity booked). Storage cycle capacity auctions were completed with the auction held on 10 May 2023, in which the last available storage capacity was auctioned.

Natural gas supply

During the first six 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, Inkoo liquified natural gas terminal and from Inčukalns UGS.

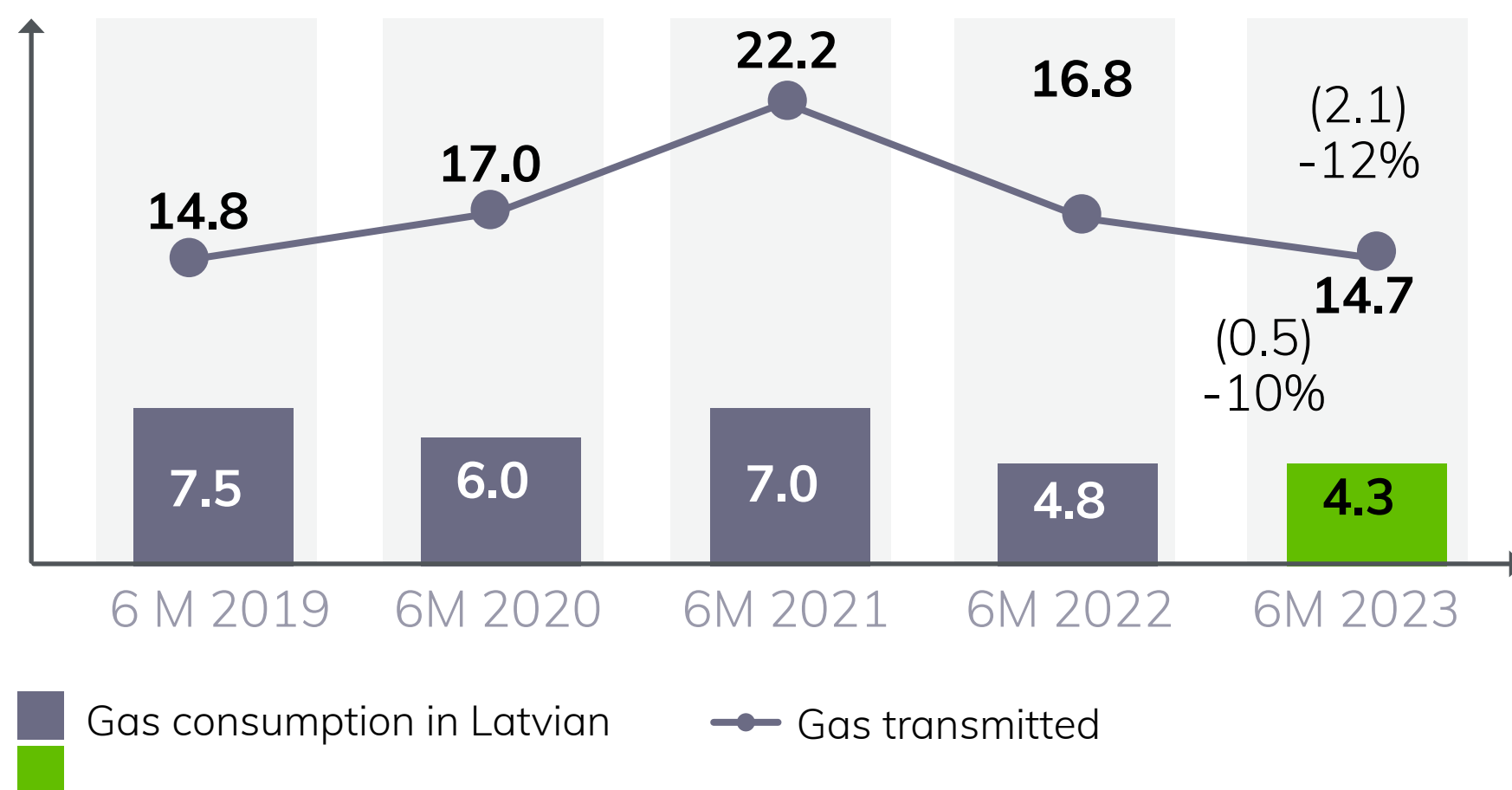
During the reporting period, the volume of natural gas transmitted from Lithuania reached 9,2 TWh, which is 41% more than in the previous year's first six months. The volume of natural gas transmitted from Estonia reached 2,2 TWh, which is 6.6 times more than in the previous year's first six months.

Total volume of gas transmitted in Latvia during the reporting period reached 14,7 TWh, which is 12% less than in the prior year's respective period. The reduction was mainly due to imposition of a ban on natural gas supplies from Russia.

Natural gas supply for consumption in Latvia during the first six months of 2023 reached 4,3 TWh, which is 12% 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 plants¹. Overall, the decrease of natural gas consumption caused a reduction of Conexus revenue on national exit by 1,1 million EUR.

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

Transmitted natural gas, TWh

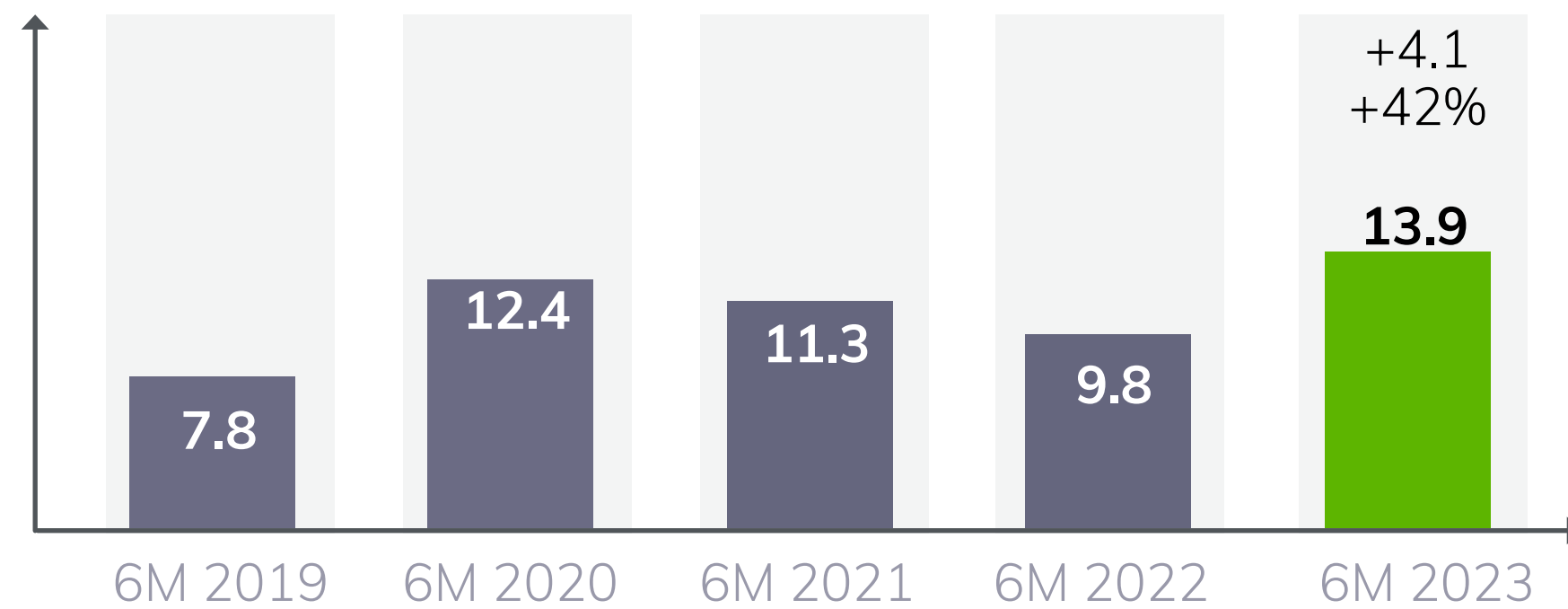


Amount of natural gas stored in Inčukalns UGS

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 the reporting period, 13,9 TWh of natural gas is stored in Inčukalns UGS (including energy supply security reserves), which 42% more than at the same time the year before. It is the largest amount of natural gas remaining in Inčukalns UGS at the end of June in the last 5 years.

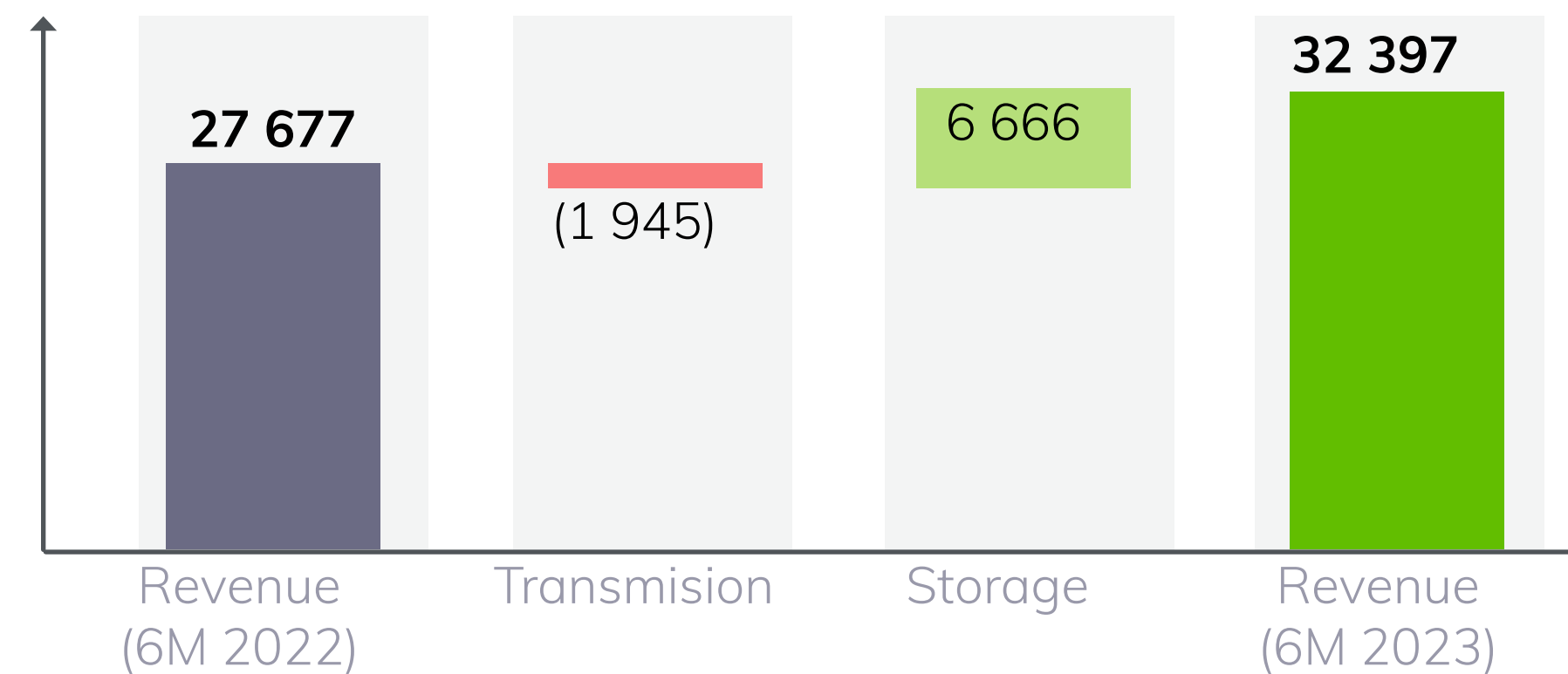
Inčukalns UGS filling at the end of the reporting period, TWh



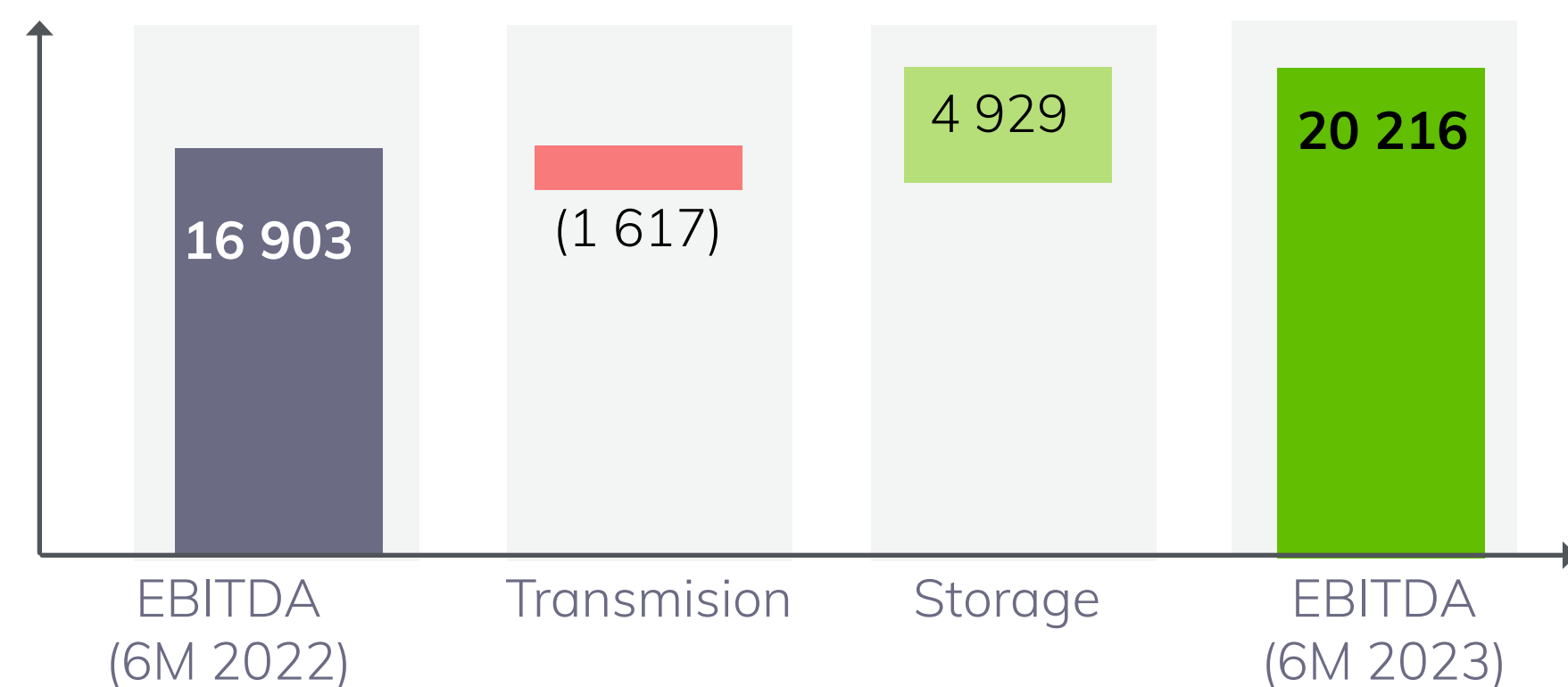
Conexus' financial results

The net turnover in the reporting period was 17% higher than in the previous year's respective period and reached 32 397 thousand EUR. Conexus EBITDA increased by 20% in comparison to the respective period of 2022, reaching 20 216 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 8 073 thousand EUR, which is 2 676 thousand EUR higher than in the respective period of the previous year.

MAIN FINANCIAL INDICATORS	6M 2023 or 30.06.2023	6M 2022 or 30.06.2022	+/-	%
	EUR'000	EUR'000		
Net turnover	32 397	27 677	4 720	17%
EBITDA	20 216	16 903	3 313	20%
Net profit	8 073	5 397	2 676	50%
Total assets	460 282	443 869	16 413	4%
Investments	15 630	5 887	9 743	166%

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 75 977 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 2.96% (31.12.2022: 1.76%); weighted average interest rate of overdrafts is 4.33% (31.12.2022: 2.77%). At the end of the reporting period, 38% 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	30.06.2023	30.06.2022
Shareholders' equity ratio (>50%)	72%	74%
Net debt to EBITDA ratio (<5)	2.5	2.9
Debt-Service Coverage Ratio (DSCR) (>1.2)	2.8	2.4

Regulatory activities and product tariffs

New natural gas storage system tariffs came into force 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%.

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.

Conexus has submitted to the Regulator a tariff project for the natural gas transmission system service for the next three years. Although the value of the submitted tariff will increase by EUR 0.00074/kWh or 39%, it is expected to have a minimal impact on the total bill for natural gas users - in the range of 0.5%-1.1% on average. The submitted draft tariff has been developed in accordance with the methodology for calculating the tariffs for the natural gas transmission system service, bringing together all technologically and economically justified costs for the maintenance of the natural gas transmission system, its safe, uninterrupted operation and that are necessary for the efficient provision of the transmission system service. Although Conexus overall costs have decreased, the planned increase in tariffs is driven by a decrease in natural gas consumption.

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

		6M 2019 or 30.06.2019	6M 2020 or 30.06.2020	6M 2021 or 30.06.2021	6M 2022 or 30.06.2022	6M 2023 or 30.06.2023	Δ	Δ %	
Operating indicators	Transmitted natural gas	TWh	14.8	17.0	22.2	16.8	14.7	(2.1)	-12%
	Inčukalns UGS filling at the end of reporting period*	TWh	7.8	12.4	11.3	9.8	13.9	4.1	42%
	Volume of natural gas consumed in Latvia**	TWh	7.5	6.0	7.0	4.8	4.3	(0.5)	-12%
	Volume of natural gas withdrawn from Inčukalns UGS	TWh	7.4	7.2	12.1	7.2	3.3	(3.9)	-54%
Financial indicators	Net turnover***	`000 EUR	26 428	27 959	29 686	27 677	32 397	4 720	17.1%
	EBITDA	`000 EUR	15 388	16 145	19 292	16 903	20 216	3 312	20%
	Net profit	`000 EUR	7 311	7 656	8 138	5 397	8 073	2 676	50%
	Total assets	`000 EUR	355 723	443 453	442 277	443 869	460 282	16 413	4%
	Investments	`000 EUR	4 789	4 275	10 388	5 887	15 630	9 743	166%
	Depreciation and amortisation	`000 EUR	7 984	8 401	8 783	8 928	9 026	97	1%
Financial coefficients	EBITDA profitability	%	58%	58%	65%	61%	62%	1ppt	
	Net profitability	%	28%	27%	27%	19%	25%	6ppt	
	Return on Equity ratio (ROE)	%	2.4%	2.2%	2.0%	1.6%	2.4%	0.8ppt	
	Shareholders' equity ratio****	%	86%	90%	74%	74%	72%	(2ppt)	
	Net debt to EBITDA ratio*****	coef.	1.0	0.7	2.9	2.9	2.5	(0.4)	-14%
	Debt-service Coverage Ratio (DSCR)*****	coef.	8.3	9.5	7.8	2.4	2.8	0.4	17%
Average number of employees	amount	348	339	351	357	365	8	2%	

* 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:

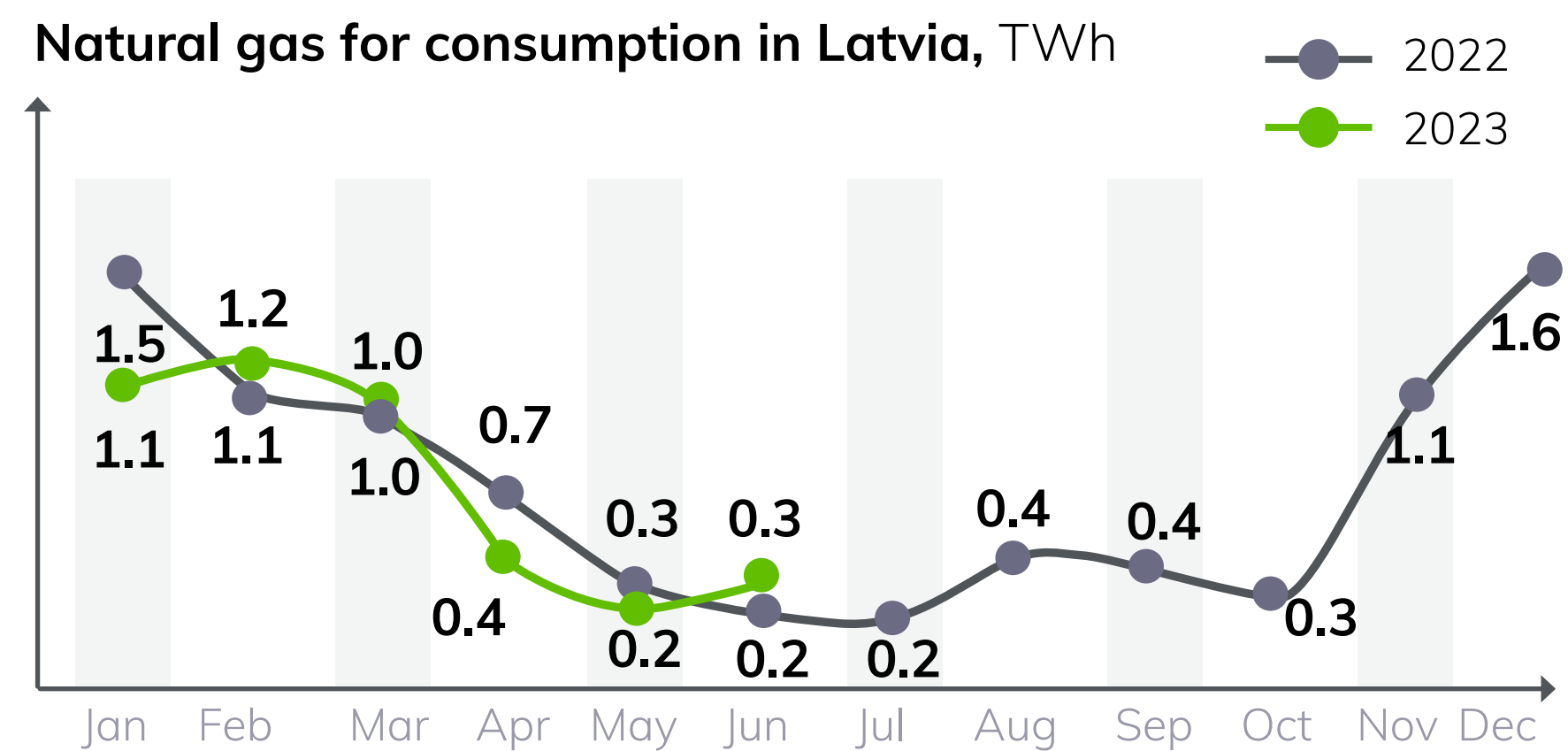
- the diameter of gas pipelines which ensure gas transit to neighbouring countries is 720 mm with the operating pressure between 28 and 40 bars;
- the diameter of gas pipelines intended for the supply of Latvia is between 400 mm and 530 mm with the operating pressure up to 35 bars;

- 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 six months of 2023 reached 14,7 TWh, which is 12% less than in the prior year's respective period. The reduction was mainly due to imposition of a ban on natural gas supplies from Russia. 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, Inkoo liquified natural gas terminal and from Inčukalns UGS. During the first six months of this year, the volume of natural gas transmitted from Lithuania reached 9,2 TWh, which is 41% more than the amount transmitted in the previous year's first six months. The volume of natural gas transmitted from Estonia reached 2,2 TWh, which is 6.6 times more than in the previous year's first six months.

Natural gas supply for consumption in Latvia during the first six months of 2023 reached 4,3 TWh, which is 12% 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 plants². Overall, the decrease of natural gas consumption caused a reduction of Conexus revenue on national exit by 1,1 million EUR.

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



Revenue of the transmission segment during the reporting period was 12 178 thousand EUR and EBITDA reached 5 877 thousand EUR, representing 29% of the total EBITDA of Conexus. Net profit of the transmission segment amounted to 98 thousand EUR (87% less than in prior year).

TRANSMISSION	6M 2023 or 30.06.2023	6M 2022 or 30.06.2022	+/-	%
	EUR'000	EUR'000		
Net turnover	12 178	14 123	(1 945)	-14%
EBITDA	5 877	7 494	(1 617)	-22%
Segment Net profit	98	768	(670)	-87%
Segment assets	227 991	228 001	(10)	0%
Depreciation and amortisation	4 978	5 105	(127)	-2%
Investments	4 403	2 164	2 239	103%

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 trans-

mission 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 228 million EUR, which comprised 50% of the total assets of Conexus. During the reporting period, capital investments were made in amount of 4 403 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 602 thousand EUR in several sub-projects during the reporting period. Main activities were carried out on the rebuilding of Zaķumuiža and Daugmale gas regulation stations;
- Repairs of transmission gas pipeline sections and their anti-corrosion isolation were made in amount of 3 257 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. During 2023/2024 storage cycle, Inčukalns UGS capacity booking reached 22,6 TWh. Revenue from bookings of capacity products during the reporting period increased by 6 666 thousand EUR in comparison to the respective period of the prior year. The revenue growth relates to the excellent results of auction of storage capacities, which have resulted in the effective



rate of applicable premiums of 1.62 EUR/MWh (the total amount of applicable premiums divided by the booked capacity of 22.6 TWh).

Revenue of the storage segment during the reporting periods was 20 200 thousand EUR and EBITDA reached 14 399 thousand EUR. Net profit of storage segment reached 7 975 thousand EUR.

STORAGE	6M 2023 or 30.06.2023	6M 2022 or 30.06.2022	+/-	%
	EUR'000	EUR'000		
Net turnover	20 220	13 554	6 666	49%
EBITDA	14 339	9 410	4 929	52%
Segment Net profit	7 975	4 628	3 347	72%
Segment assets	232 291	215 867	16 424	8%
Depreciation and amortisation	4 048	3 823	225	6%
Investments	11 228	3 723	7 505	202%

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.

New natural gas storage system tariffs came into force 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 232 million EUR, which comprised 50% of total assets of Conexus. During the reporting period, capital investments were made in amount of 11 228 thousand EUR, which is 7 505 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 10 216 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 six months of 2023, totalling to 4 578 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 Inčukalns UGS territory, over 16 000 m² 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.

◆ 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".

◆ In accordance with the amendments to the Energy Law, Conexus has become gas Guarantee of Origin issuing body in Latvia starting from 1 July 2023. A system for the issuance, circulation, and control of certificates of origin for gas produced from renewable energy sources has been established. Following an open procurement procedure, Conexus had 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.

◆ The 20th annual international conference organised by Gas Infrastructure Europe (GIE) took place in Riga on 15-16 June. Over two days, high-level experts and policy makers from around the world discussed and shared insights on how to ensure the most effective transition to a secure and decarbonised world. The central objective of the conference was to discuss the current situation of natural gas supplies and the implementation of decarbonisation measures in the short, medium and long term, as well as to assess the progress made in the energy sector following Russia's war in Ukraine. The event

brought together nearly 300 energy experts from the Baltic countries, the European Commission, the European Parliament, the Agency for the Cooperation of Energy Regulators (ACER) and related industries.

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

◆ Work will also be continued 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 Kiemėnai 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 30 June 2023.

ABBREVIATIONS AND FORMULAS

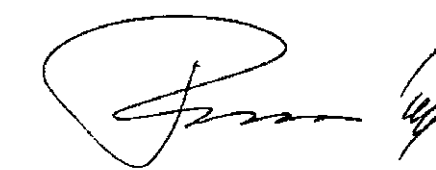
MWh	megawatt-hours
TWh	terawatt-hours
EUR/MWh/d/g	euro for megawatt-hour per day / per year
EBITDA	earnings before interest, taxation, depreciation & amortisation
Net debt	loans including overdrafts minus cash and cash equivalents
EBITDA profitability	EBITDA / income
Net profitability	net profit / income
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

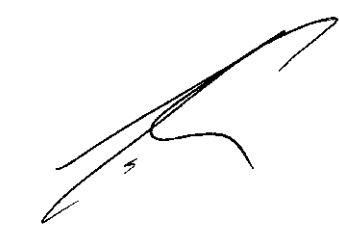
The Board of the Company is responsible for preparing its financial statements. The unaudited condensed interim financial statements of Conexus for the 6 months period ending 30 June 2023 were prepared in accordance with the International Accounting Standard (IAS) No. 34 "Interim Financial reporting" 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.



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FINANCIAL STATEMENTS

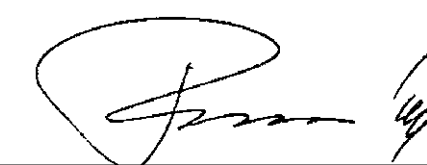
INCOME STATEMENT

	Note	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
		EUR	EUR	EUR	EUR
Revenue	5	16 658 457	11 897 099	32 397 240	27 676 877
Other income	6	280 165	196 074	476 051	368 047
Maintenance and service costs	7	(2 108 261)	(1 137 882)	(3 576 765)	(3 360 287)
Personnel expenses	8	(4 001 588)	(3 423 186)	(7 735 057)	(6 686 091)
Other operating costs	9	(797 066)	(606 932)	(1 345 599)	(1 095 071)
Depreciation, amortisation, and impairment of property, plant and equipment	11, 12	(4 520 849)	(4 478 903)	(9 025 856)	(8 928 384)
Operating profit		5 510 858	2 446 270	11 190 014	7 975 091
Finance costs	10	(512 880)	(95 913)	(1 028 346)	(191 203)
Profit before tax		4 997 978	2 350 357	10 161 668	7 783 888
Corporate income tax		(2 088 770)	(2 387 165)	(2 088 770)	(2 387 165)
Profit for the reporting period		2 909 208	(36 808)	8 072 898	5 396 723

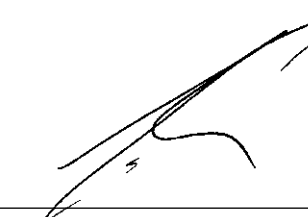
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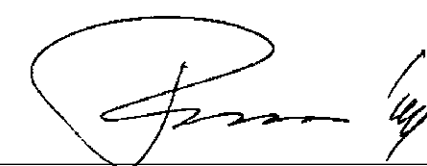
STATEMENT OF COMPREHENSIVE INCOME

Note	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
	EUR	EUR	EUR	EUR
Profit for the reporting period	2 909 208	(36 808)	8 072 898	5 396 723
Other comprehensive income / (loss):				
Property, plant and equipment revaluation	-	-	-	-
Revaluations of post – employment benefits as a result of changes in actuarial assumptions	-	-	-	-
Total other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive income for the reporting period	2 909 208	(36 808)	8 072 898	5 396 723

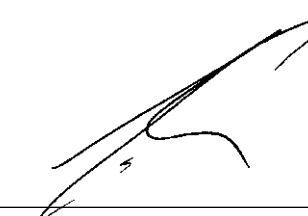
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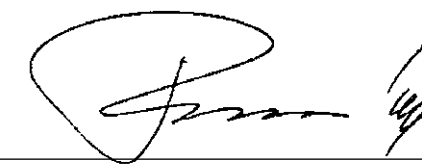
STATEMENT OF FINANCIAL POSITION

	Note	30.06.2023	30.06.2022	31.12.2022
ASSETS		EUR	EUR	EUR
Long-term investments				
Intangible assets	11	1 905 042	2 220 494	2 108 009
Advances for intangible assets		-	6 720	-
Property, plant and equipment	12	433 890 298	427 446 940	427 077 998
Advances for property, plant and equipment		5 358 180	2 434 380	5 322 009
Long-term deferred expenses	14	957 472	1 058 259	1 007 865
Right-of-use assets		454 930	431 428	461 503
Total long-term investments:		442 565 922	433 598 221	435 977 384
Current assets				
Inventories		4 004 319	2 721 694	3 690 935
Receivables from contracts with customers		7 994 299	5 626 164	10 237 307
Other receivables		2 232 042	1 103 073	2 456 478
Deferred expenses		715 559	555 183	480 075
Cash and cash equivalents		2 769 819	264 455	10 967 116
Total current assets:		17 716 038	10 270 569	27 831 911
TOTAL ASSETS:		460 281 960	443 868 790	463 809 295

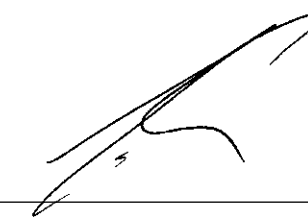
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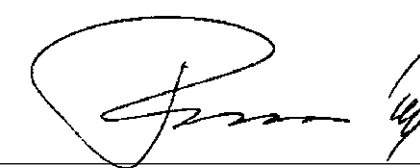
STATEMENT OF FINANCIAL POSITION (continued)

	Note	30.06.2023	30.06.2022	31.12.2022
EQUITY AND LIABILITIES		EUR	EUR	EUR
Equity:				
Share capital		39 786 089	39 786 089	39 786 089
Own shares		(23 352)	(24 270)	(24 270)
Reserves		204 435 446	212 412 106	207 960 842
Retained earnings		88 881 219	76 056 024	85 638 003
Total equity:		333 079 402	328 229 949	333 360 664
Non-current liabilities				
Borrowings from credit institutions	15	63 018 540	58 052 235	69 468 183
Deferred income		25 878 690	21 864 294	24 957 748
Employee benefit obligations		1 351 768	1 374 135	1 351 768
Non-current lease liabilities		454 050	425 832	459 358
Total non-current liabilities:		90 703 048	81 716 496	96 237 057
Current liabilities				
Borrowings from credit institutions	15	12 958 221	16 083 399	12 961 766
Trade payables		8 228 414	5 882 096	7 411 426
Other liabilities		4 232 262	1 843 133	2 204 749
Accrued liabilities		2 676 235	2 984 273	2 260 852
Deferred income from contracts with customers		11 186	-	-
Deferred income, other		776 623	543 302	767 335
Advances from customers		7 589 365	6 561 078	8 580 382
Current lease liabilities		27 204	25 064	25 064
Total current liabilities:		36 499 510	33 922 345	34 211 574
TOTAL EQUITY AND LIABILITIES:		460 281 960	443 868 790	463 809 295

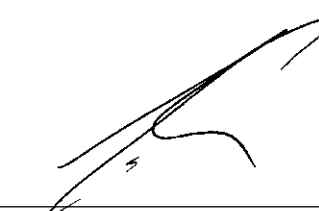
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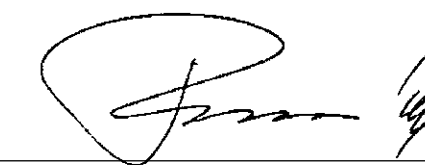
STATEMENT OF CHANGES IN EQUITY

	Share capital	Own shares	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Opening balance at 01.01.2022	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 period 01.01.2022-31.03.2022	-	-	-	5 396 723	5 396 723
<i>Total</i>	-	1 050	(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
Reduction of revaluation reserve	-	-	(4 510 309)	3 613 957	(896 352)
<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	-	-	-	5 968 022	5 968 022
<i>Total</i>	-	-	(4 451 264)	9 581 979	5 130 715
At 31 December 2022	39 786 089	(24 270)	207 960 842	85 638 003	333 360 664
Calculated dividends	-	918	-	(8 355 078)	(8 354 160)
Reduction of revaluation reserve	-	-	(3 525 396)	3 525 396	-
Profit for the reporting period	-	-	-	8 072 898	8 072 898
<i>Total</i>	-	918	(3 525 396)	3 243 216	(281 262)
At 30 June 2023	39 786 089	(23 352)	204 435 446	88 881 219	333 079 402

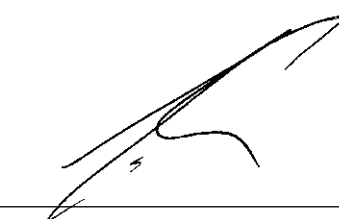
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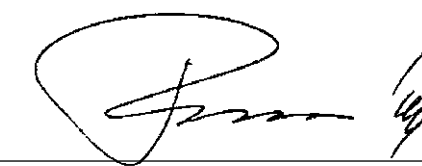
STATEMENT OF CASH FLOWS

	Note	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Cash flow from operating activity		EUR	EUR	EUR	EUR
Profit before corporate income tax		4 997 978	2 350 357	10 161 668	7 783 888
Adjustments:					
- depreciation of property, plant and equipment	12	4 327 867	4 299 445	8 641 691	8 574 998
- depreciation of the right-of-use assets		3 286	3 100	6 572	19 679
- amortisation of intangible assets	11	189 697	176 357	377 593	333 706
- loss / (gain) from disposal of PPEs		(683)	(19 200)	273	(31 376)
- changes in provisions		240 000		540 000	285 780
- recognised EU co-financing		(190 341)	(136 168)	(374 517)	(271 483)
- interest expense		537 074	95 930	1 052 619	190 919
- interest income		(24 253)	-	(24 253)	-
Changes in the working capital:					
- (increase) / decrease of receivables from contracts with customers, other receivables and deferred expenses		(767 265)	4 131 615	2 282 355	6 922 093
- (increase) / decrease of inventories		114 302	(133 937)	(313 384)	(95 156)
- increase / (decrease) of lease liabilities, trade payables, accrued liabilities, advances from customers and other liabilities		514 755	(3 471 524)	(1 661 664)	(98 830)
Corporate income tax paid		-	(2 387 165)	-	(2 387 165)
Net cash flow from operating activity		9 942 417	4 908 810	20 688 953	21 227 053
Cash flow from investing activity					
Acquisition of property, plant and equipment		(10 666 256)	(2 504 495)	(14 050 562)	(5 476 001)
Acquisition of intangible assets		(159 143)	(295 018)	(213 779)	(512 951)
Proceeds from the sale of property, plant and equipment items		1 024	19 200	1 360	31 376
Received EU co-financing		139 687	3 983 416	1 304 747	3 983 416
Cash flow from investing activity		(10 684 688)	1 203 103	(12 958 234)	(1 974 160)

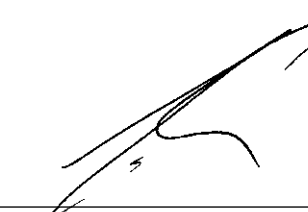
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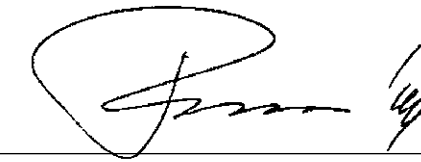
STATEMENT OF CASH FLOWS (continued)

	Note	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Cash flow from financing activities		EUR	EUR	EUR	EUR
Interest paid		(559 292)	(63 200)	(1 145 430)	(179 542)
Borrowings received		-	7 370 276	-	8 299 300
Borrowings repaid		(2 740 951)	(4 103 266)	(6 449 643)	(32 258 945)
Lease payments		(2 232)	2 555	(13 601)	(16 441)
Dividends paid		(8 317 845)	(9 507 890)	(8 319 342)	(9 508 920)
Net cash flow from financing activity		(11 620 320)	(6 301 525)	(15 928 016)	(33 664 548)
Net cash flow		(12 362 591)	(189 612)	(8 197 297)	(14 411 655)
Cash and cash equivalents at the beginning of the reporting period		15 132 410	454 067	10 967 116	14 676 110
Cash and cash equivalents at the end of the reporting period		2 769 819	264 455	2 769 819	264 455

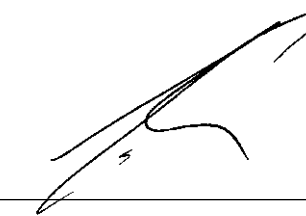
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NOTES TO THE FINANCIAL STATEMENTS

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 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 6 months, from 1 January to 30 June 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	30.06.2023	30.06.2022	31.12.2022
	EUR	EUR	EUR	EUR
Assets:				
Trade receivables	3.	7 994 299	5 626 164	10 237 307
Other receivables	3.	2 586	19 711	12 253
Cash and cash equivalents	2.	2 769 819	264 455	10 967 116
Liabilities:				
Borrowings from credit institutions	3.	75 976 761	74 135 634	82 429 949
Trade payables	3.	8 228 414	5 882 096	7 411 426
Other liabilities and accrued liabilities	3.	942 473	1 402 178	564 578
Lease liabilities	3.	481 254	450 896	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. 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 01.01.2023-30.06.2023:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	12 177 715	20 219 525	32 397 240	-
Other income	108 115	367 936	476 051	-
Maintenance and service costs	(1 258 465)	(2 318 300)	(3 576 765)	-
Personnel expenses	(4 398 513)	(3 336 544)	(7 735 057)	-
Other operating costs	(751 874)	(593 725)	(1 345 599)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(4 978 314)	(4 047 542)	(9 025 856)	-
Finance costs	(605 718)	(422 628)	(1 028 346)	-
Corporate income tax	(195 219)	(1 893 551)	(2 088 770)	-
Profit for the reporting period	97 727	7 975 171	8 072 898	-

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	-

Total assets by segments as at 30.06.2023 and investments during the period 01.01.2023-30.06.2023:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	227 990 735	232 291 225	460 281 960	-
Investments in property, plant and equipment and intangible assets	4 402 514	11 227 737	15 630 251	-

Total assets by segments as 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	-

Geographical information

All operating activities are held in Latvia.

Major customers

Revenue generated during the period 01.01.2023-30.06.2023 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	9 350 134	9 839 541	19 189 675

Revenue generated during the period 01.01.2022-30.06.2022 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	14 009 802	9 046 666	23 056 468

5. REVENUE

Revenue from contracts with customers recognised over time	01.04.2023-30.06.2023	01.04.2022-30.06.2022	01.01.2023-30.06.2023	01.01.2022-30.06.2022
	EUR	EUR	EUR	EUR
Revenue from transmission services	3 874 684	4 727 254	11 715 558	13 865 048
Balancing income, net	223 189	124 645	462 157	258 262
Revenue from transmission services	4 097 873	4 851 899	12 177 715	14 123 310
Revenue from storage services	12 560 584	7 045 200	20 219 525	13 553 567
Revenue from storage services	12 560 584	7 045 200	20 219 525	13 553 567
Total	16 658 457	11 897 099	32 397 240	27 676 877

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:

	01.04.2023-30.06.2023	01.04.2022-30.06.2022	01.01.2023-30.06.2023	01.01.2022-30.06.2022
	EUR	EUR	EUR	EUR
Income from balancing activities	2 025 912	6 388 118	7 144 638	16 545 377
Cost of balancing activities	(1 802 723)	(6 263 473)	(6 682 481)	(16 287 115)
	223 189	124 645	462 157	258 262

6. OTHER INCOME

	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
	EUR	EUR	EUR	EUR
Income from EU co-financing	190 342	136 168	374 518	271 483
Other income	89 141	40 706	101 533	96 564
Net income from the disposal of PPEs	682	19 200	-	-
	280 165	196 074	476 051	368 047

7. MAINTENANCE AND SERVICES COSTS

	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
	EUR	EUR	EUR	EUR
Transmission and storage system maintenance services	1 256 760	611 617	1 858 951	1 927 399
Cost of materials	282 727	287 126	481 928	511 025
Cost of natural gas	289 612	7 490	679 301	408 537
Maintenance of IT infrastructure	231 644	182 880	430 126	386 517
Maintenance of vehicles and machinery	47 518	48 769	126 459	126 809
	2 108 261	1 137 882	3 576 765	3 360 287

8. PERSONNEL EXPENSES

	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
	EUR	EUR	EUR	EUR
Salaries	3 091 904	2 653 866	5 968 346	5 177 891
State social insurance contributions	721 557	624 279	1 397 751	1 219 920
Life, health, and pension insurance	185 503	143 307	362 947	282 451
Other personnel costs	2 624	1 734	6 013	5 829
	4 001 588	3 423 186	7 735 057	6 686 091

9. OTHER OPERATING COSTS

	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
	EUR	EUR	EUR	EUR
Taxes and duties*	273 213	218 954	457 184	422 831
Office and other administrative expenses	523 853	387 978	888 142	672 240
Net loss on disposal of PPE	-	-	273	-
	797 066	606 932	1 345 599	1 095 071

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

10. FINANCE COSTS

	01.04.2023- 30.06.2023	01.04.2022- 30.06.2022	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
	EUR	EUR	EUR	EUR
Interest paid	531 857	91 142	1 042 186	180 744
Lease interest expense	5 217	4 788	10 433	10 175
(Gain) / losses from deposit interest and exchange rate fluctuations	(24 194)	(17)	(24 273)	284
	512 880	95 913	1 028 346	191 203

11. INTANGIBLE ASSETS

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
Historical cost			
31.12.2021	8 189 289	61 054	8 250 343
Additions	-	512 951	512 951
Transfers	432 088	(432 088)	-
Disposals	(452)	-	(452)
30.06.2022	8 620 925	141 917	8 762 842
Additions	-	262 406	262 406
Transfers	355 328	(355 328)	-
Disposals	(184 752)	-	(184 752)
31.12.2022	8 791 501	48 995	8 840 496
Amortisation			
31.12.2021	6 209 094	-	6 209 094
Amortisation charge	333 706	-	333 706
Disposals	(452)	-	(452)
30.06.2022	6 542 348	-	6 542 348
Amortisation charge	374 891	-	374 891
Disposals	(184 752)	-	(184 752)
31.12.2022	6 732 487	-	6 732 487
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
Net book value 31.12.2022	2 059 014	48 995	2 108 009

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
Historical cost			
31.12.2022	8 791 501	48 995	8 840 496
Additions	-	174 627	174 627
Transfers	54 928	(54 928)	-
Disposals	(2 250)	-	(2 250)
30.06.2023	8 844 179	168 694	9 012 873
Amortisation			
31.12.2022	6 732 487	-	6 732 487
Amortisation charge	377 594	-	377 594
Disposals	(2 250)	-	(2 250)
30.06.2023	7 107 831	-	7 107 831
Net book value 31.12.2022	2 059 014	48 995	2 108 009
Net book value 30.06.2023	1 736 348	168 694	1 905 042

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
Historical 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
Additions	-	19 838	1 115 889	654 320	-	-	7 001 174	8 791 221
Reclassified*	-	12 085 051	(88 767)	5 197 776	-	-	(17 194 060)	-
Disposals	-	(1 203 600)	(1 369 118)	(800 700)	-	-	-	(3 373 418)
Transfers**	-	-	-	-	286 605	-	-	286 605
31.12.2022	1 092 474	785 685 820	133 695 171	13 479 356	1 825 384	10 708 163	10 260 528	956 746 896
Accumulated depreciation								
31.12.2021	-	447 747 521	62 134 158	5 728 132	-	-	-	515 609 811
Calculated depreciation	-	5 761 932	2 497 359	315 707	-	-	-	8 574 998
Disposals	-	(52 791)	(502 405)	(34 065)	-	-	-	(589 261)
Reclassified	-	-	-	-	-	-	-	-
30.06.2022	-	453 456 662	64 129 112	6 009 774	-	-	-	523 595 548
Calculated depreciation	-	5 585 372	2 422 373	540 941	-	-	-	8 548 686
Disposals	-	(888 109)	(822 656)	(764 571)	-	-	-	(2 475 336)
Reclassified	-	(22 478)	(1 002 909)	1 025 387	-	-	-	-
31.12.2022	-	458 131 447	64 725 920	6 811 531	-	-	-	529 668 898
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
Net book value 31.12.2022	1 092 474	327 554 373	68 969 251	6 667 825	1 825 384	10 708 163	10 260 528	427 077 998

* amounts include capitalised property, plant and equipment and reclassification between groups by synchronising accounting in financial and asset management systems.

** 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
Historical cost or revalued amount								
31.12.2022	1 092 474	785 685 820	133 695 171	13 479 356	1 825 384	10 708 163	10 260 528	956 746 896
Additions	-	7 250	102 978	367 219	-	-	14 978 177	15 455 624
Reclassified	-	524 303	193 197	300 182	-	-	(1 017 682)	-
Disposals	-	-	(10 020)	(26 060)	-	-	-	(36 080)
30.06.2023	1 092 474	786 217 373	133 981 326	14 120 697	1 825 384	10 708 163	24 221 023	972 166 440
Accumulated depreciation								
31.12.2022	-	458 131 447	64 725 920	6 811 531	-	-	-	529 668 898
Calculated	-	5 761 195	2 342 959	537 537	-	-	-	8 641 691
Disposals	-	-	(8 729)	(25 718)	-	-	-	(34 447)
Reclassified	-	-	38 225	(38 225)	-	-	-	-
30.06.2023	-	463 892 642	67 098 375	7 285 125	-	-	-	538 276 142
Net book value 31.12.2022	1 092 474	327 554 373	68 969 251	6 667 825	1 825 384	10 708 163	10 260 528	427 077 998
Net book value 30.06.2023	1 092 474	322 324 731	66 882 951	6 835 572	1 825 384	10 708 163	24 221 023	433 890 298

13. ASSET IMPAIRMENT ASSESSMENT

Conexus can be split 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 second 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-Kiemenai Pipeline in Lithuania

	30.06.2023	30.06.2022	31.12.2022
	EUR	EUR	EUR
Opening balance	1 108 652	1 209 438	1 209 438
Recognised during the reporting period	(50 393)	(50 393)	(100 786)
Carried forward to future periods	1 058 259	1 159 045	1 108 652
including short-term portion	100 786	100 786	100 786
long-term portion	957 472	1 058 259	1 007 865

15. BORROWINGS FROM CREDIT INSTITUTIONS

	30.06.2023	30.06.2022	31.12.2022
	EUR	EUR	EUR
Non-current borrowings from credit institutions	63 018 540	58 052 235	69 468 183
Current borrowings from credit institutions	12 899 286	16 043 972	12 899 286
Accrued interest on borrowings from credit institutions	58 935	39 427	62 480
	75 976 761	74 135 634	82 429 949

Conexus has borrowings both from local and international credit institutions. At the end of the reporting period, available overdrafts amounting to 65 000 thousand EUR (31.12.2022.: 65 000 thousand EUR) have not been used. The duration of agreements for the overdraft facilities exceeds 1 year. At the end of the reporting period, the weighted average interest rate on long-term loans is 2.96% (31.12.2022.: 1.76%), the weighted average interest rate on overdrafts is 4.33% (31.12.2022.: 2.77%). At the end of the reporting period, 38% 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. 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.

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	01.04.2023-30.06.2023 or 30.06.2023	01.04.2022-30.06.2022 or 30.06.2022	01.01.2023-30.06.2023 or 30.06.2023	01.01.2022-30.06.2022 or 30.06.2022
	EUR	EUR	EUR	EUR
Revenue from related parties:				
AS "Latvenergo"	4 452 127	5 083 641	11 496 139	9 794 611
Purchases of goods and services from related parties:				
AS "Latvenergo"	857 025	586 666	1 771 510	1 525 143
AS "Augstsprieguma tīkls"	-	96	201	96
Balances at the end of the year arising from sales/ purchases of goods and services:				
Receivables from contracts with customers				
AS "Latvenergo"	2 092 969	1 709 169	2 092 969	1 709 169
Trade payables				
AS "Latvenergo"	754 308	216 594	754 308	216 594
AS "Augstsprieguma tīkls"	-	-	-	-

In 2023, the amount of dividends declared to Conexus shareholders was EUR 8 355 078 or EUR 0.21 per share from profit of the year 2022.

17. COMMITMENTS AND CONTINGENCIES

As of 30 June 2023, long-term investment agreements contracted for, but not yet delivered amounted EUR 48 177 382 (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. COMMITMENTS AND CONTINGENCIES

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 30 June 2023.

The financial statements have been prepared by:



AIJA MARTINSONE-STAGE
Head of Financial Accounting Division

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