conexus BALTIC GRID

UNAUDITED ANNUAL REPORT FOR 2024

Prepared in accordance with IFRS Accounting Standards as adopted by the European Union

Riga 2025

This version of unaudited annual report 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

UNAUDITED ANNUAL REPORT FOR 2024

INFORMATION ON THE COMPANY

Company	AS “Conexus Baltic Grid”
Registration number	40203041605
LEI code	485100YDVP9E8GT6PJ90
Date and place of registration	January 2, 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	January 1, 2024 – December 31, 2024

AS “Conexus Baltic Grid” (hereinafter “Conexus”, “the Company”) 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 (hereinafter referred to as “the Inčukalns UGS” or “the storage facility”) 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 – in 2024 transmission and storage facilities were used by companies from Finland, Estonia, Latvia, Lithuania and Poland, as well as from other European countries as Norway, Germany, Denmark and Switzerland. The system 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 manufacturing companies.

The natural gas transmission system and storage system services 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.

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

WHAT IS IMPORTANT TO US?

Values

WHY DO WE EXIST?

Mission

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

WHO DO WE WANT TO BE?

Vision

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

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 both internally, and working with clients and current and potential partners.

Goals of Conexus

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

MARKET DEVELOPMENT	Promote development and further integration of gas market, including promotion for growth of hydrogen and other gaseous energy carriers' markets	• **Facilitate integration of the regional market** • **Promote cooperation with other regional transmission system operators (TSOs)**, to develop a unified position for the integration of biogas and hydrogen into the transmission networks, **by supporting biomethane injection into the transmission system** • **Further development of Inčukalns UGS services** by securing higher flexibility, including compression withdrawal option
INFRASTRUCTURE SAFETY AND SECURITY OF SUPPLY	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	• **Implement projects of common interest** • **Carry out research and development projects** for identifying technical possibilities and necessary investments for repurposing of the existing infrastructure for the blending or pure hydrogen usage, including by building infrastructure fit for hydrogen • Asset management based on future challenges
SUSTAINABILITY	Focus on climate and environmental sustainability aspects	When focusing on sustainability, Conexus shall target its attention to environmental aspects: • **E** – regional market integration that promotes 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 goals.

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

Shareholders

The main Company's management body is the Shareholders' Meeting, which elects the Supervisory Council of Conexus.

Conexus is a closed joint-stock company with 100% dematerialised shares. The total number of shares is 39 786 089 with nominal value of EUR 1, 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 is owned by the two largest shareholders – AS Augstsprieguma tīkls (68.46%) and MM Infrastructure Investments Europe Limited (29.06%).

Company's shareholders register is maintained electronically, which is ensured by Nasdaq CSD SE in accordance with the concluded agreement.

Shareholders as of 31st December 2024:

AS „AUGSTSPRIEGUMA TĪKLS" 68,46%

MM INFRASTRUCTURE INVESTMENTS EUROPE LIMITED 29,06%

OTHER SHAREHOLDERS 2,48%

Supervisory Council

Term of office from April 27, 2023 until April 26, 2026

(from January 3, 2018)

ILMĀRS ŠŅUCINS
Chairman of the Supervisory Council

(from April 30, 2020)

TOMOHIDE GOTO
Vice-Chairman of the Supervisory Council

(from April 28, 2022)

IVARS MOISEJS
Member of the Supervisory Council

(from May 12, 2021)

VIKTORS SENTUHOVSKIS
Member of the Supervisory Council

(from April 30, 2020)

ZANE ĀBOLIŅA
Member of the Supervisory Council

(from April 27, 2023)

MASANOBU FURUYA
Member of the Supervisory Council

(from April 30, 2020)

NORMUNDS ŠUKSTS
Member of the Supervisory Council

Management Board

ULDIS BARISS

CHAIRMAN OF THE MANAGEMENT BOARD

Term of office: November 16, 2023 – November 15, 2028

RINALDS DIMIŅŠ

MEMBER OF THE MANAGEMENT BOARD

Term of office: January 1, 2024 – December 31, 2028

MĀRTIŅŠ GODE

MEMBER OF THE MANAGEMENT BOARD

Term of office: January 1, 2024 – December 31, 2028

MANAGEMENT REPORT

Main activities

Results of the storage capacity auctions

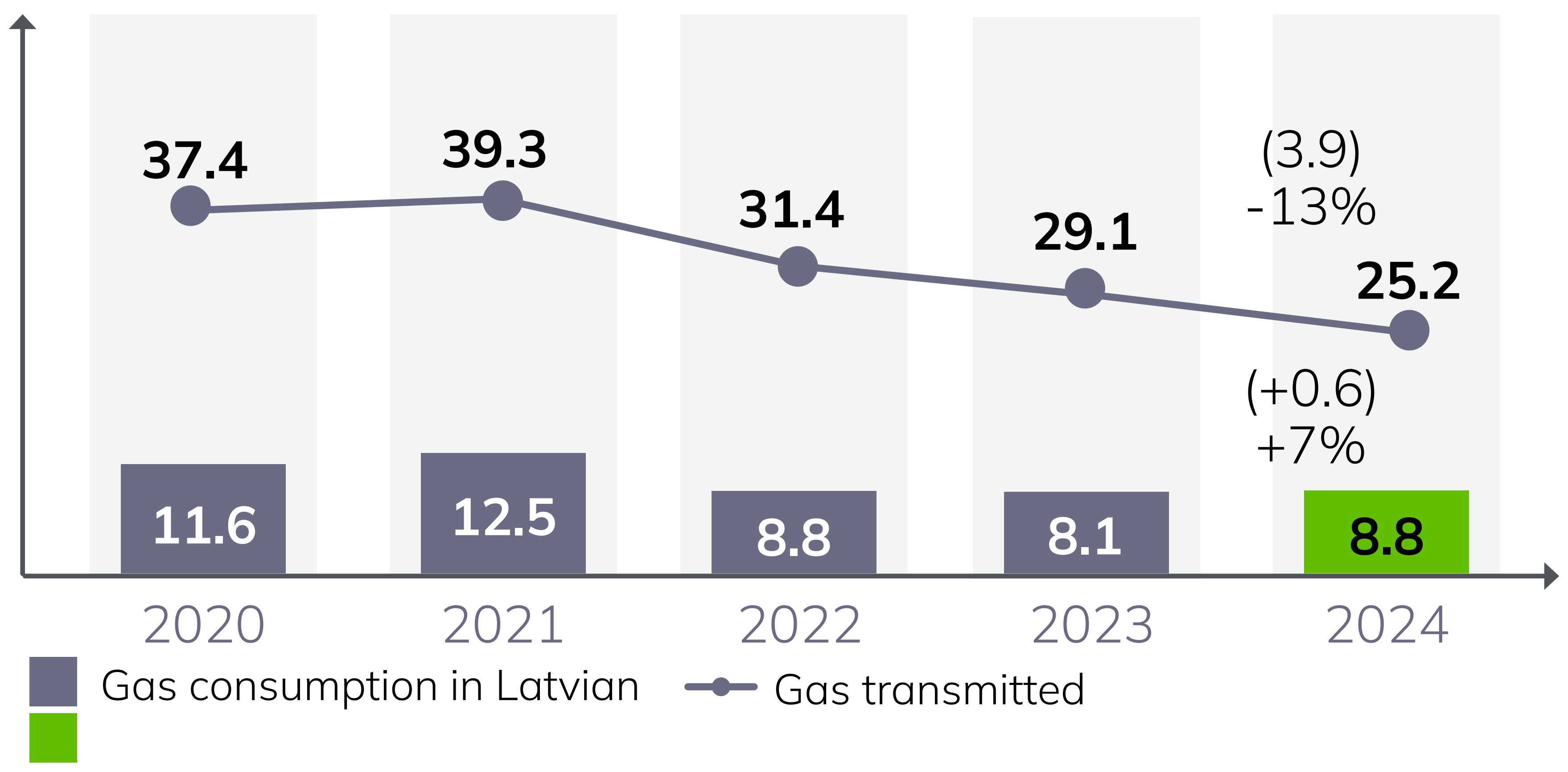
During the financial year, several auctions of Inčukalns UGS capacity were held where system users were granted a total capacity of 12.2 TWh - 8.2 TWh of the one-year bundled capacity product for 2024/2025 storage cycle and 4 TWh of the two-year bundled capacity product for the 2024/2026 storage cycle. The storage capacity offered in the auctions was fully booked. Total requested amount of the storage capacity exceeded the available capacity almost 3 times.

The effective rate of the premiums applicable to the 2024/2025 storage cycle is 1.11 EUR/MWh (the sum of premium earned in auctions conducted in 2023 and 2024 applicable to 2024/2025 storage cycle divided by the booked capacity of 23 TWh). Storage cycle capacity auctions were completed with the auction held on June 6, 2024 when the last available storage capacity was auctioned.

Natural gas supply

During 2024 Conexus ensured uninterrupted supply of natural gas to users in Latvia, Lithuania, Estonia and Finland. Deliveries of natural gas were made from Inčukalns UGS in amount of 10.9 TWh, which is 1.5 times more than in the previous financial

Transmitted natural gas, TWh



year, the volume of natural gas transmitted from Finland reached 5.7 TWh, which is 1.4 times more than in the previous financial year; meanwhile, the volume of natural gas transmitted from Lithuania reached 8.5 TWh, which is 2.1 times less than in the previous financial year. During 2024, 9.4 TWh of natural gas was injected into storage, which is 32% less than during the previous financial year. The total volume of gas transmitted in Latvia during 2024 reached 25.2 TWh, which is 13% less than in the previous financial year.

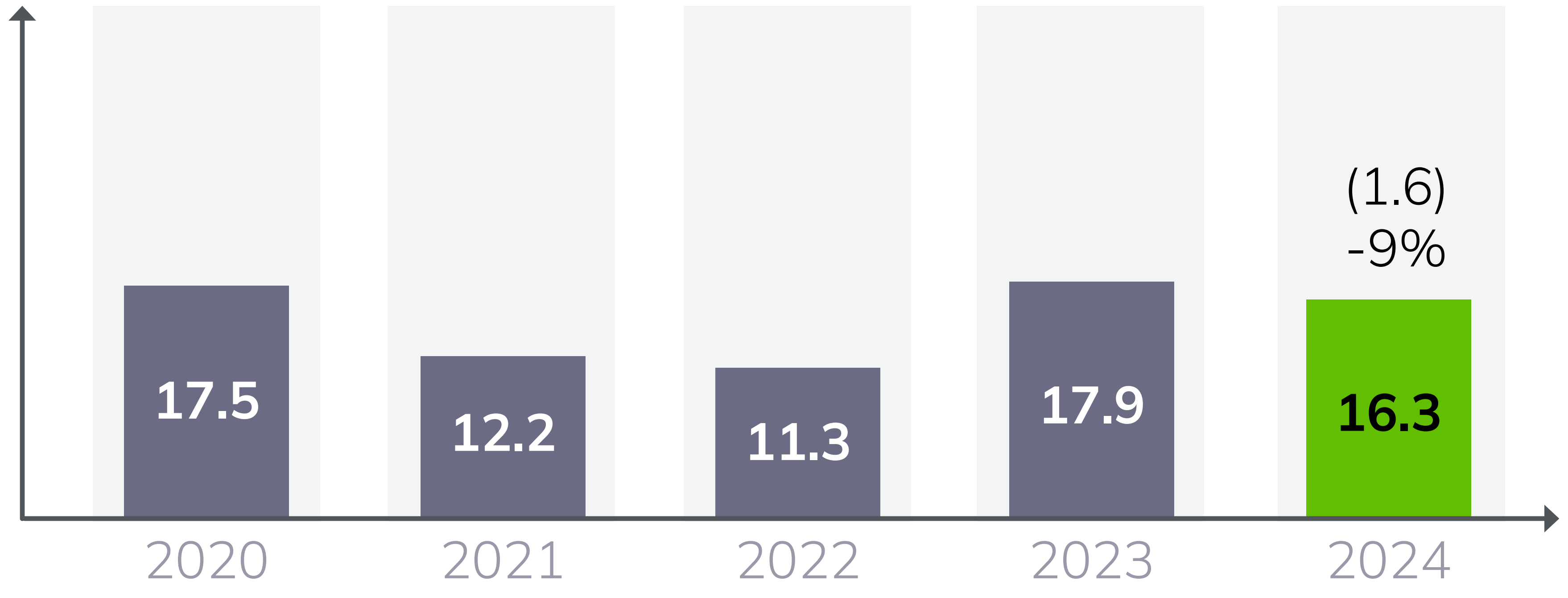
Natural gas supply for consumption in Latvia during 2024 reached 8.8 TWh, which is 7% more than in the previous year. The increase

in natural gas consumption was impacted by a gradual decrease in the price of natural gas, which encouraged users to increase their consumption. The increase in natural gas consumption was also impacted by the increase in electricity generation in the country's largest thermal power plants[1]. Natural gas from the Russian Federation has not been supplied for consumption in Latvia[2].

Amount of natural gas stored in Inčukalns UGS

At the end of 2024, 16.3 TWh of natural gas was stored in Inčukalns UGS (including energy supply security reserves of 1.8 TWh and solidarity product 2.4 TWh), which is 9% less than during the previous year. On October 15, 2024, at the beginning of natural gas withdrawal season, 19.5 TWh of natural gas was stored in the Inčukalns UGS, which accounts for almost 80 % of the total storage capacity.

Inčukalns UGS filling at the end of reporting period, TWh



[1] https://ast.lv/lv/electricity-market-review

[2] Energy law, Article 106.

During the natural gas injection season, 52.8% of the total gas volume entering the Latvian and Estonian gas network was supplied from Finland, 46.9% - from Lithuania, and 0.3% - biomethane produced in Latvia. Biomethane production and injection into the network commenced in 2024 and 0.04 TWh of biomethane was produced in this season.

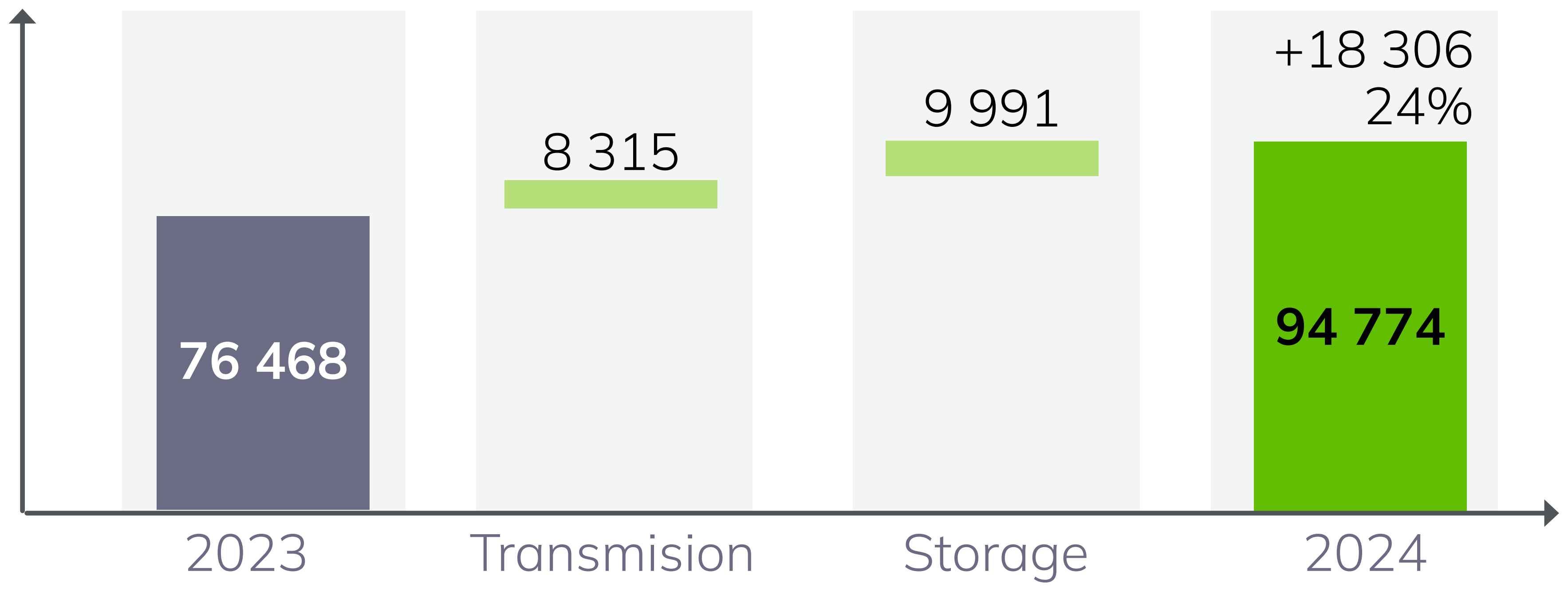
Financial results

The revenue in the financial year was 24% higher than in the previous financial year reaching EUR 94 774 thousand. Reflecting the increase in revenue, EBITDA indicator increased by 34% compared to 2023 reaching EUR 67 725 thousand. The revenue and EBITDA were positively impacted by revenue increase from both transmission and storage services. During the reporting year, Conexus' net profit was EUR 38 365 thousand, which increased by 2.4 times compared to the previous year. The increase in profit reflects the growth in the EBITDA indicator for the reporting year and the impairment of assets reaching EUR 6 302 thousand in 2024 which is EUR 5 443 thousand less than in 2023 (EUR 11 745 thousand). Asset impairment value is reported as part of depreciation charge.

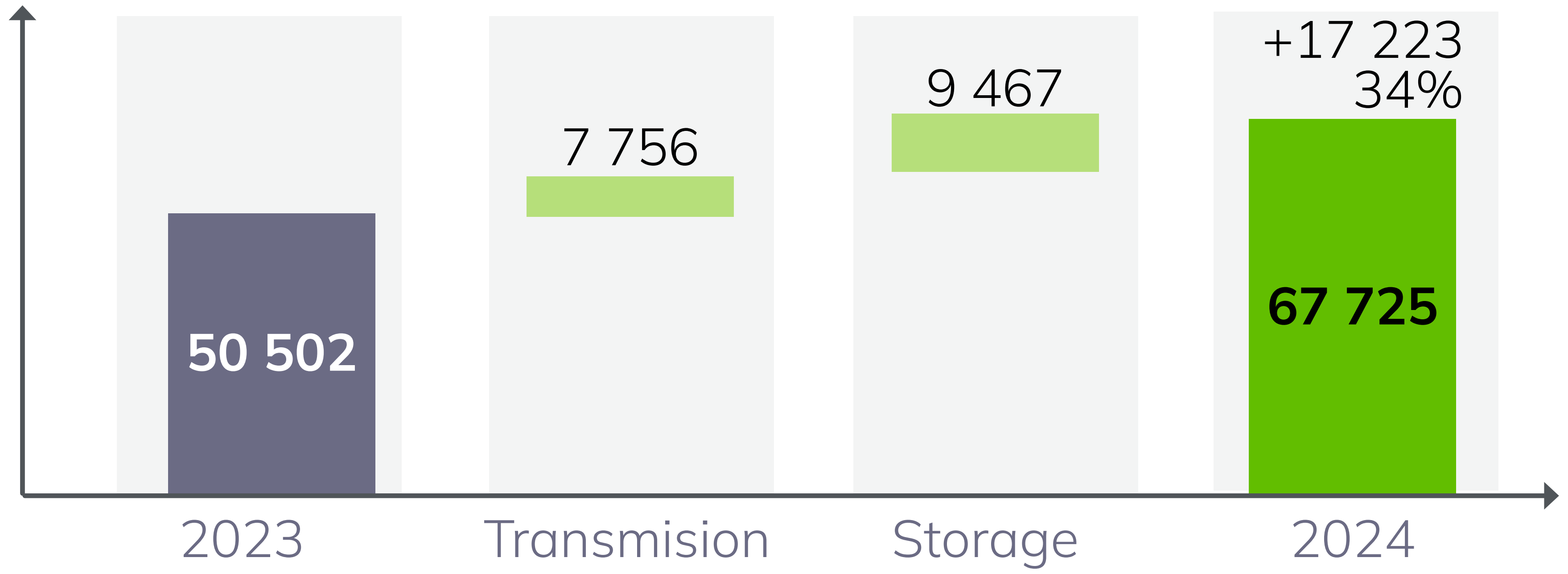
Since December 1, 2023, when the regulatory period for the natural gas transmission system service began, the charge for the use of the exit point for supplying gas users in Latvia has been higher than in the previous regulatory period. The increase relates both to the fact the revenues generated in the prior regulatory period did not cover all the costs of the service and natural gas consumption in Latvia decrease.

The storage cycle for the natural gas storage service lasted from May 1, 2023 to April 30, 2024. The service tariffs for main products were reduced by 14% at the beginning of the storage cycle. For the storage cycle commenced on May 1, 2024, the service tariffs for main products remained unchanged. The results of storage capacity auctions conducted in 2023 and 2024 generated significantly higher revenues from applicable premiums in both storage cycles. In its Decision No. 162 of December 28, 2023, Public Utilities Commission decided to allocate

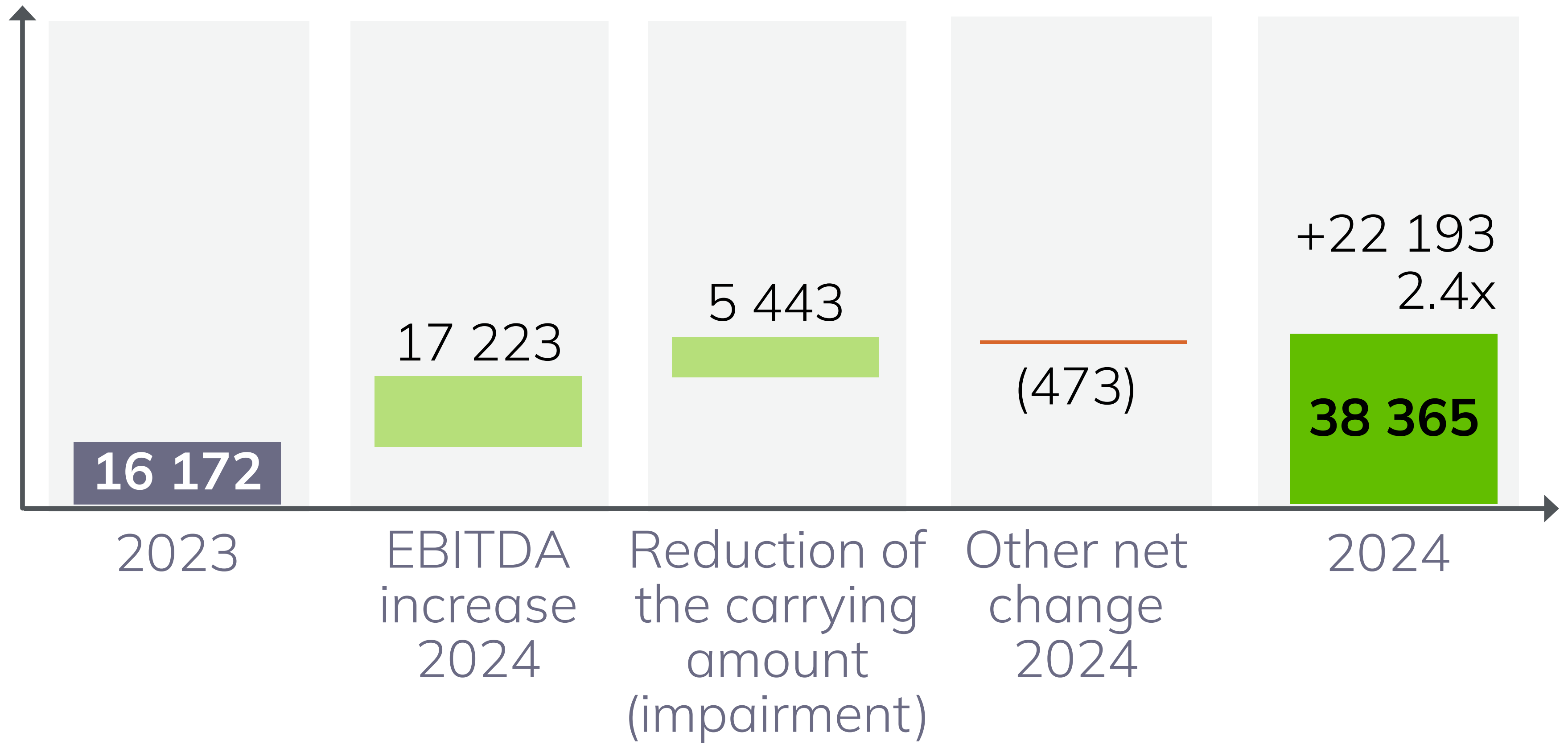
Revenue, `000 EUR



EBITDA, `000 EUR



Net profit, `000 EUR



50% of the regulatory account balance to finance assets of the storage system service that were in the current regulatory period. As a result of this decision, the value of assets created by investments in the storage system service will not be included in RAB value and will not provide a return, thus the regulatory carrying amount of Conexus' storage system service assets will be reduced by EUR 21 656 thousand. The regulatory carrying amount of the storage system service assets has been reduced by EUR 13 664 thousand in 2023, whereas in 2025 it is expected to be reduced by the remaining EUR 7 992 thousand.

MAIN FINANCIAL INDICATORS	2024 or 31.12.2024	2023 or 31.12.2023	+/-	%
	EUR'000	EUR'000		
Revenue	**94 774**	**76 468**	**18 306**	**24%**
EBITDA	67 725	50 502	17 223	34%
Net profit	**38 365**	**16 172**	**22 193**	**2.4x**
Total assets	481 126	469 284	11 842	3%
Investments	47 555	33 568	13 987	42%

Financing and liquidity

The financial assets held by Conexus are sufficient to meet its financing needs. At the end of the reporting year, the total amount of borrowings is EUR 66 619 thousand. At the end of the reporting year, Conexus holds committed loans amounting to EUR 45 000 thousand.

Weighted average interest rate of borrowings at the end of the reporting period is 2.38% (December 31, 2023: 3.30%). At the end of the reporting year, 39% of the received and outstanding borrowings have a fixed interest rate (December 31, 2023: 35%).

All financial covenants set in loan agreements have been complied with during the reporting year.

FINANCIAL COVENANTS	31.12.2024	31.12.2023
Shareholders' equity ratio (>50%)	69%	70%
Net debt to EBITDA ratio (<5)	0.6	1.3
Debt-Service Coverage Ratio (DSCR) (>1.2)	4.3	3.3

Legal events

On September 28, 2020, Conexus filed an application to the Administrative District Court regarding annulment of the PUC Council's decision No. 109 dated August 20, 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". By the decision of January 3, 2024, the Court decided to refer to the Court of Justice of the European Union concerning the interpretation of the provisions of European Union law applicable to the case. The Court of Justice of the European Union examined the case in person on January 15, 2025. The European Commission also expressed its opinion in court, and the opinion of the Advocate General is also expected on April 3, 2025. It is expected that the Court of Justice of the European Union will prepare a judgment in September 2025. Until the opinion of the Court of Justice of the European Union is received, the proceedings in this case have been suspended.

Key financial indicators

			2020 or 31.12.2020	2021 or 31.12.2021	2022 or 31.12.2022	2023 or 31.12.2023	2024 or 31.12.2024	Δ	Δ %/x
Operating indicators	Transmitted natural gas	TWh	37.4	39.3	31.4	29.1	25.2	(3.9)	-13%
	Volume of natural gas consumed in Latvia*	TWh	11.6	12.5	8.8	8.2	8.8	0.6	7%
	Inčukalns UGS filling at the end of reporting period**	TWh	17.2	12.2	11.3	17.9	16.3	(1.6)	-9%
	Volume of natural gas withdrawn from Inčukalns UGS	TWh	11.6	17.9	10.6	7.3	10.9	3.6	49%
Financial indicators	Revenue***	`000 EUR	54 283	56 911	55 131	76 468	94 774	18 306	24%
	EBITDA	`000 EUR	30 103	33 565	32 215	50 502	67 725	17 223	34%
	Net profit	`000 EUR	13 112	13 217	11 365	16 172	38 365	22 193	2.4x
	Total assets	`000 EUR	453 092	468 070	463 809	469 284	481 126	11 842	3%
	Investments	`000 EUR	22 118	27 352	14 941	33 568	47 555	13 987	42%
	Depreciation and amortisation	`000 EUR	16 823	17 806	17 859	29 938	24 488	(5 450)	-18%
Financial coefficients	EBITDA profitability	%	55%	59%	58%	66%	71%	5 ppt	
	Net profit margin	%	24%	23%	21%	21%	40%	19 ppt	
	Return on Equity ratio (ROE)	%	3.5%	3.6%	3.4%	4.8%	11.1%	6.3 ppt	
	Shareholders' equity ratio****	%	89%	71%	72%	70%	69%	(1 ppt)	
	Net debt to EBITDA ratio (Net debt / EBITDA)*****	coef.	0.8	3.0	2.7	1.3	0.6	(0.7)	-54%
	Debt-service Coverage Ratio (DSCR)******	coef.	8.3	3.7	2.9	3.3	4.3	1.0	30%
	Average number of employees	number	341	352	356	361	361	-	-

* Volume of natural gas injected into the distribution system
** Including energy supply security reserve and solidarity product
*** Comparative figures (2020-2022) reclassified to be comparable with 2023 and 2024 figures

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

Other events and further development

Participating in the international project for the development of the Nordic-Baltic Hydrogen Corridor, European gas transmission system operators Conexus, Gasgrid Finland (Finland), Elering (Estonia), Amber Grid (Lithuania), GAZ-SYSTEM (Poland) and ONTRAS (Germany) completed feasibility study during the reporting year. The study covered technical, legal, organizational, and economic aspects necessary for the implementation of the project. After successfully completing the preliminary study phase, a detailed project study will be initiated in each of the involved countries. The key tasks will include financial and economic analysis of the project, evaluation of environmental and safety issues, route planning, and development of measures necessary for the successful implementation of the project. This study will last until mid-2026. The project has also been granted co-financing of EUR 6.8 million from the European Connecting Europe Facility (CEF) to support the study work. In addition to these studies, the gas transmission system operators involved in the project plan to conduct several cross-border studies to improve the planning of the Northern-Baltic hydrogen corridor at the overall project level. These studies will include project coordination, technical and commercial alignment, as well as customer and stakeholder engagement. The cross-border studies are expected to continue until the end of 2026. Given the region's significant potential to produce green and low-carbon hydrogen, the export potential to Central Europe could reach approximately 27 million tons by 2040.

Active work continues on the Inčukalns UGS modernisation project where the technical infrastructure and equipment safety is to be significantly improved by 2025 to maintain the functionality of Inčukalns UGS after increase of pressure within the national transmission network. In 2024, an investment of EUR 32.8 million is planned for the improvement of the storage infrastructure, including the first phase of construction of gas collection point No. 3, restoration of wells, and installation of a new gas compression unit. In 2024, the restoration of the last 7 out of the 36 wells planned in the project was completed. By the end of the year, these 7 restored wells are being tested and prepared for commissioning. The total project investment amounts to EUR 99.5 million, of which EUR 44 million is covered by funding from the Connecting Europe Facility (CEF).

As part of the project, Conexus has upgraded five 'Cooper-Bessemer 12z330' gas compression units. Repeated flue gas measurements after the equipment modernization indicate that in the 2023 season, all upgraded units operate with significantly reduced nitrogen oxide (NOx) emissions, with concentrations in the flue gas not exceeding 190 mg/Nm³. The emission volume has decreased by up to 80% (t/h), and natural gas consumption during the operation of the units has decreased by up to 7% (m³/h), thus proportionally reducing CO_2 emissions as well. This improvement contributes to better environmental quality and also aligns with the European Union's sustainable development goals.

In March and July 2024, direct connections to natural gas distribution system were launched through which biomethane produced at the biomethane plants is injected into the interconnected gas system. These are the first connections of such kind in Latvia.

To promote biomethane production in Latvia, Conexus is developing a solution that will offer publicly accessible biomethane injection into the natural gas transmission system for producers whose existing or planned biomethane stations are located relatively far from the existing natural gas transmission infrastructure. Conexus has signed contracts for the purchase of equipment for a biomethane injection point (BIP) in Džūkste parish, as well as for its design and construction works. Currently, the production of BIP technological equipment, including the gas metering and quality control unit, as well as the development of the BIP management and data exchange solution,

is underway. Biomethane will be transported in compressed form from the production sites to the BIP using container transport, where it will be injected into the natural gas transmission system. The total project funding, with the support of European Union funds, exceeds EUR 1.5 million. The natural gas transmission system development plan for 2024-2033 includes the construction of four such BIPs, thereby developing the natural gas transmission system in other parts of Latvia as well. The implementation of the project is a significant step in Conexus' sustainable development strategy, promoting the integration of green energy and more efficient use of local resources.

On October 1, 2024, amendments to the Energy Law entered into force. These amendments determine the obligation of Conexus to provide a share of Inčukalns UGS capacity up to 4 TWh for the gas supply security needs of Finland, Estonia, and Lithuania. Additionally, the amendments specify that, (1) starting from May 1, 2026, Regulator will no longer set tariffs for natural gas storage service, and (2) at the end of the regulatory period on 30 April 2026 the remaining balance of the regulatory account will be included in Conexus reserves aiming to fund the storage assets.

On October 30, 2024, amendments to the regulations of the use of Inčukalns UGS facility came into effect, which stipulate that (1) the two-year bundled capacity product will no longer be offered, (2) a five-year bundled capacity product will be introduced, (3) a fee will be implemented for storing gas reserves without a capacity product, and (4) the costs of CO_2 quotas related to fuel gas will be covered by the system user.

Events after the end of the reporting year

In the period from the last day of the reporting year until the signing of this report, no circumstances or events have been identified, according to management's assessment, that would significantly affect Conexus' financial position as of December 31, 2024

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 MANAGEMENT BOARD'S RESPONSIBILITY

The Management Board of Conexus is responsible for preparing the financial statements.

The unaudited condensed interim financial statements for the 12 months period ending December 31, 2024 have been prepared in accordance with the International Accounting Standard (IAS) No. 34 "Interim Financial reporting" as adopted by the European Union, and in all material aspects present a true and fair view of the assets, liabilities, financial position, profit and loss and respective cash flows of AS "Conexus Baltic Grid". Information provided in the Management Report is accurate.

ULDIS BARISS	RINALDS DIMIŅŠ	MĀRTIŅŠ GODE
Chairman of the Management Board	Member of the Management Board	Member of the Management Board

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP

FINANCIAL STATEMENTS

PROFIT OR LOSS STATEMENT

	Note	2024	2023
		EUR	EUR
Revenue	2	94 774 383	76 467 879
Other income	3	1 987 350	1 049 741
Maintenance and operating costs	4	(9 165 838)	(8 079 268)
Personnel expenses	5	(17 330 037)	(15 985 653)
Other operating costs	6	(2 541 125)	(2 950 649)
Depreciation, amortisation, and PPE impairment	8,9,10	(24 448 285)	(29 938 201)
Operating profit		**43 236 448**	**20 563 849**
Financial costs, net	7	(1 887 696)	(2 303 314)
Profit before tax		**41 348 752**	**18 260 535**
Corporate income tax	22	(2 983 957)	(2 088 770)
Profit for the year		**38 364 795**	**16 171 765**

Notes on pages 24 to 61 form an integral part of these financial statements.

ULDIS BARISS
Chairman of the Management Board

RINALDS DIMIŅŠ
Member of the Management Board

MĀRTIŅŠ GODE
Member of the Management Board

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP

STATEMENT OF COMPREHENSIVE INCOME

	Note	2024	2023
		EUR	EUR
Profit for the year		**38 364 795**	**16 171 765**
Other comprehensive income / (loss):			
Revaluations of post – employment benefits as a result of changes in actuarial assumptions	17	(20 583)	29 480
Revaluation reserves decrease in property, plant and equipment	9, 15	(22 624 715)	(12 291 041)
Total other comprehensive loss not to be reclassified to profit or loss in subsequent periods		***(22 645 298)***	***(12 261 561)***
Total comprehensive income		**15 719 497**	**3 910 204**

Notes on pages 24 to 61 form an integral part of these financial statements.

ULDIS BARISS
Chairman of the Management Board

RINALDS DIMIŅŠ
Member of the Management Board

MĀRTIŅŠ GODE
Member of the Management Board

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP

STATEMENT OF FINANCIAL POSITION

	Note	31.12.2024	31.12.2023
ASSETS		**EUR**	**EUR**
Long-term investments			
Intangible assets	8	19 180 568	17 990 579
Advances for intangible assets		69 841	40 700
Property, plant and equipment	9	418 285 042	418 229 727
Advances for property, plant and equipment		922 015	2 483 546
Long-term deferred expenses	14	288 426	-
Right-of-use assets	10	435 214	448 358
Total long-term investments		**439 181 106**	**439 192 910**
Current assets			
Inventories	11	5 115 935	4 677 609
Receivables from contracts with customers	12	11 375 813	11 555 119
Other receivables	13	244 680	265 160
Short-term deferred expenses	14	757 217	640 226
Cash and cash equivalents	23, 27	24 451 154	12 953 450
Total current assets		**41 944 799**	**30 091 564**
TOTAL ASSETS		**481 125 905**	**469 284 474**

Notes on pages 24 to 61 form an integral part of these financial statements.

ULDIS BARISS
Chairman of the Management Board

RINALDS DIMIŅŠ
Member of the Management Board

MĀRTIŅŠ GODE
Member of the Management Board

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP

STATEMENT OF FINANCIAL POSITION (continued)

	Note	31.12.2024	31.12.2023
EQUITY AND LIABILITIES		**EUR**	**EUR**
Equity:			
Share capital		39 786 089	39 786 089
Own shares		(22 281)	(23 352)
Reserves	15	159 374 000	188 650 930
Retained earnings		133 563 642	100 503 041
Total equity		**332 701 450**	**328 916 708**
Non-current liabilities			
Borrowings from credit institutions	18	46 776 882	65 568 897
Deferred income	16	41 290 320	26 070 874
Employee benefit obligations	17	1 424 367	1 331 477
Non-current lease liabilities	10	444 106	450 798
Total non-current liabilities		**89 935 675**	**93 422 046**
Current liabilities			
Borrowings from credit institutions	18	19 841 888	13 974 779
Trade payables	19	9 415 946	5 781 591
Other liabilities	20	2 292 186	2 373 934
Accrued liabilities	21	18 555 238	17 696 397
Deferred income from contracts with customers	16	2 271	4 475
Deferred income, other	16	986 721	974 483
Advances from customers	12	7 367 326	6 112 857
Current lease liabilities	10	27 204	27 204
Total current liabilities		**58 488 780**	**46 945 720**
TOTAL EQUITY AND LIABILITIES		**481 125 905**	**469 284 474**

Notes on pages 24 to 61 form an integral part of these financial statements.

ULDIS BARISS	RINALDS DIMIŅŠ	MĀRTIŅŠ GODE
Chairman of the Management Board	Member of the Management Board	Member of the Management Board

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Retained earnings	Own shares	Reorganisation reserve	PPE revaluation reserve	Revaluation reserve for post-employment benefits	Total
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
Opening balance at 01.01.2023		**39 786 089**	**85 638 003**	**(24 270)**	**24 647 260**	**183 254 683**	**58 899**	**333 360 664**
Profit for the year		-	16 171 765	-	-	-	-	16 171 765
Other comprehensive income for the reporting year		-	-	-	-	(12 291 041)	29 480	(12 261 561)
Total comprehensive income for the year		**-**	***16 171 765***	**-**	**-**	***(12 291 041)***	***29 480***	***3 910 204***
Dividends	22	-	(8 355 078)	918	-	**-**	-	(8 354 160)
Revaluation reserves decrease in property, plant and equipment	15	-	7 048 351	-	-	(7 048 351)	-	-
Total transactions with shareholders and other changes in equity		**-**	***(1 306 727)***	***918***	**-**	***(7 048 351)***	**-**	***(8 354 160)***
As December 31, 2023		**39 786 089**	**100 503 041**	**(23 352)**	**24 647 260**	**163 915 291**	**88 379**	**328 916 708**
Profit for the year		**-**	38 364 795	**-**	**-**	-	**-**	38 364 795
Other comprehensive income for the reporting year		-	-	-	-	(22 624 715)	(20 583)	(22 645 298)
Total comprehensive income for the year		**-**	***38 364 795***	**-**	**-**	***(22 624 715)***	***(20 583)***	***15 719 497***
Dividends	22	-	(11 935 826)	1071	-	**-**	-	(11 934 755)
Revaluation reserves decrease in property, plant and equipment	15	**-**	6 631 632	**-**	**-**	(6 631 632)	**-**	-
Total transactions with shareholders and other changes in equity		**-**	***(5 304 194)***	***1071***	**-**	***(6 631 632)***	**-**	***(11 934 755)***
As December 31, 2024		**39 786 089**	**133 563 642**	**(22 281)**	**24 647 260**	**134 658 944**	**67 796**	**332 701 450**

Notes on pages 24 to 61 form an integral part of these financial statements.

ULDIS BARISS
Chairman of the Management Board

RINALDS DIMIŅŠ
Member of the Management Board

MĀRTIŅŠ GODE
Member of the Management Board

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP

STATEMENT OF CASH FLOWS

	Note	2024	2023
Cash flow from operating activity		**EUR**	**EUR**
Profit before corporate income tax		**41 348 752**	**18 260 535**
Adjustments:			
- depreciation and impairment of property, plant and equipment	9	23 622 240	29 194 738
- depreciation of the right-of-use assets	10	13 144	13 145
- amortisation of intangible assets	8	830 901	730 319
- (profit) / loss on disposal of PPEs	3, 6	(43 651)	152 767
- changes in provisions		92 890	(20 291)
- amortisation of the EU co-financing	3	(1 470 685)	(820 889)
- interest expense		2 591 582	2 389 890
- interest income		(704 516)	(80 105)
Changes in the working capital:			
- (increase) / decrease of receivables from contracts with customers, other receivables and deferred expenses		(205 631)	713 357
- decrease in inventories		(438 326)	(986 674)
- increase / (decrease) of lease liabilities, trade payables, accrued liabilities, advances from customers and other liabilities		3 726 246	(4 331 736)
Corporate income tax paid	22	(2 983 957)	(2 088 770)
Net cash flow from operating activity		**66 400 989**	**43 126 286**
Cash flow from investing activity			
Acquisition of property, plant and equipment	9	(42 661 289)	(28 958 250)
Acquisition of intangible assets	8	(1 014 658)	(501 400)
Proceeds from the sale of property, plant and equipment items		60 251	4 789
Received EU co-financing	16	16 322 195	2 141 164
Net cash flow from investing activities		**(27 293 501)**	**(27 313 697)**

Notes on pages 24 to 61 form an integral part of these financial statements.

ULDIS BARISS
Chairman of the Management Board

RINALDS DIMIŅŠ
Member of the Management Board

MĀRTIŅŠ GODE
Member of the Management Board

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP

STATEMENT OF CASH FLOWS (continued)

	Note	2024	2023
Cash flow from financing activities		**EUR**	**EUR**
Interest paid	7	(2 740 370)	(2 568 496)
Borrowings received	18	-	10 000 000
Borrowings repaid	18	(12 899 286)	(12 899 286)
Lease payments	10	(27 204)	(27 203)
Dividends paid		(11 942 924)	(8 331 270)
Net cash flow from financing activity		**(27 609 784)**	**(13 826 255)**
Net cash flow		**11 497 704**	**1 986 334**
Cash and cash equivalents at the beginning of the reporting year		**12 953 450**	**10 967 116**
Cash and cash equivalents at the end of the reporting year		**24 451 154**	**12 953 450**

Notes on pages 24 to 61 form an integral part of these financial statements.

ULDIS BARISS
Chairman of the Management Board

RINALDS DIMIŅŠ
Member of the Management Board

MĀRTIŅŠ GODE
Member of the Management Board

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

Description of segments

Conexus is operating in two segments: natural gas transmission and natural gas storage. Conexus derives all its revenue from regulated services applying the tariffs set by the regulatory authority. 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 Management Board and Supervisory Council.

NATURAL GAS TRANSMISSION

Conexus is the single natural gas transmission and storage operator in Latvia, which ensures 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 natural gas transmission segment generates revenue from capacity trading both for natural gas consumption in Latvia, as well as international transmission of natural gas.

The regulatory (tariff) periods for the natural gas transmission system service differ from the financial reporting year. According to the methodology for calculating tariffs for the natural gas transmission system service, revenue and cost deviations from the allowed amounts may occur during the tariff period, which will affect tariff values in subsequent tariff periods. The first tariff period of the current regulatory period lasts from December 1, 2023, to September 30, 2025.

The natural gas transmission system service tariffs[3] effective from December 1, 2023, have been approved with the Regulator's decision No. 119[4] dated October 26, 2023.

The largest investments of the transmission system service in the reporting period:

- repairs of transmission gas pipeline sections and their anticorrosion insulation were made in the amount of EUR 3 257 thousand;
- replacement of insulation for gas pipeline Izborsk-Inčukalns UGS in the amount of EUR 1 952 thousand.
- SCADA transmission control system development – EUR 1 057 thousand.

NATURAL GAS STORAGE

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

The storage segment generates revenue from the booking of storage capacity, which is granted to system users within the storage cycle via capacity auctions. The storage cycle lasts from May 1 to April 30 of the following year.

The regulatory (tariff) periods for the natural gas storage system service differ from both the financial reporting year and the natural gas transmission regulatory periods. According to the methodology for calculating tariffs for the natural gas storage system service, revenue and cost deviations from the allowed amounts may occur during the tariff period, which will affect the allowed revenues for the storage system service

[3] https://www.conexus.lv/transmission

[4] https://likumi.lv/ta/id/346867

in the next tariff cycle. In the storage segment, such deviations are accumulated in the regulatory account.

As of 1 May 2024, new tariffs[5] of natural gas storage system service came into force (the Public Utilities Commission decision[6] of January 18, 2024). For main products, such as the one-year bundled capacity product and the two-year bundled capacity product, tariffs remain unchanged. The tariff for the stock transfer product increases from 1.3581 EUR/MWh/storage cycle to 3.2260 EUR/MWh/storage cycle. The tariff for stock transfer product is determined by auction results for the two-year bundled capacity product of the previous season, which in turn is determined by the market demand.

The largest investments of the storage system service in the reporting period:

- reconstruction of wells, installation of the new gas compression unit, and reconstruction of gas collection point No. 3 for EUR 32 837 thousand, implemented within the framework of the European project of common interest PCI 8.2.4 "Enhancement of Inčukalns UGS";
- SCADA storage control system development – EUR 1 059 thousand.

Reconciliation of segment financial information to Conexus financial information

Segment income statements for 2024:

	Transmission	Storage	Conexus total	Difference between segments total and Conexus total
	EUR	EUR	EUR	EUR
Revenue	34 541 129	60 233 254	94 774 383	-
Other income	963 479	1 023 871	1 987 350	-
Maintenance and service costs	(3 806 764)	(5 359 074)	(9 165 838)	-
Personnel expenses	(9 890 644)	(7 439 393)	(17 330 037)	-
Other operating costs	(1 562 064)	(979 061)	(2 541 125)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(15 139 220)	(9 349 064)	(24 488 285)	-
Finance costs	(1 111 680)	(776 016)	(1 887 696)	-
Corporate income tax	(180 330)	(2 803 627)	(2 983 957)	-
Profit for the reporting period	**3 813 906**	**34 550 889**	**38 364 795**	**-**

[5] https://www.conexus.lv/storage

[6] https://www.sprk.gov.lv/events/apstiprinatas-conexus-baltic-grid-dabasgazes-uzglabasanas-sistemas-pakalpojuma-tarifu

Segment income statements for 2023:

	Trans-mission	Storage	Conexus total	Difference between segments total and Conexus total
	EUR	EUR	EUR	EUR
Revenue	26 225 544	50 242 335	76 467 879	-
Other income	240 442	809 299	1 049 741	-
Maintenance and service costs	(3 116 399)	(4 962 869)	(8 079 268)	-
Personnel expenses	(9 073 248)	(6 912 405)	(15 985 653)	-
Other operating costs	(1 787 737)	(1 162 912)	(2 950 649)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(9 959 630)	(19 978 571)	(29 938 201)	-
Finance costs	(1 356 442)	(946 872)	(2 303 314)	-
Corporate income tax	(195 219)	(1 893 551)	(2 088 770)	-
Profit for the reporting period	**977 311**	**15 194 454**	**16 171 765**	**-**

Total assets by segments as at December 31, 2024 and investments during 2024:

	Trans-mission	Storage	Conexus total	Difference between segments total and Conexus total
	EUR	EUR	EUR	EUR
Segment assets	234 146 907	246 978 998	481 125 905	-
Investments in property, plant and equipment and intangible assets	9 741 847	37 812 848	47 554 695	-

Total assets by segments as at December 31, 2023 and investments during 2023:

	Trans-mission	Storage	Conexus total	Difference between segments total and Conexus total
	EUR	EUR	EUR	EUR
Segment assets	251 881 527	217 402 947	469 284 474	-
Investments in property, plant and equipment and intangible assets	10 964 317	22 604 137	33 568 454	-

Geographical information

All operating activities take place in Latvia.

Major customers

Revenuegeneratedduring2024fromthelargestcustomers,eachindividually representing at least 10 % of the total revenue of Conexus:

	Transmission	Storage	Conexus total
	EUR	EUR	EUR
Revenue from major customers	25 202 911	29 889 861	55 092 771

Revenuegeneratedduring2023fromthelargestcustomers,eachindividually representing at least 10 % of the total revenue of Conexus:

	Transmission	Storage	Conexus total
	EUR	EUR	EUR
Revenue from major customers	18 519 770	24 044 083	42 563 853

2. REVENUE

Revenue from contracts with customers recognised over time	IFRS applied	2024	2023
	EUR		EUR
Revenue from transmission services	IFRS 15	33 156 737	25 309 428
Balancing income, net	IFRS 15	1 384 393	916 116
Revenue from transmission services		**34 541 130**	**26 225 544**
Revenue from storage services*	IFRS 15	60 233 253	50 242 335
Revenue from storage		**60 233 253**	**50 242 335**
Total		**94 774 383**	**76 467 879**

Conexus generated all of its revenue in the territory of Latvia.
* including deferred income in the amount of EUR 8 448 (2023: EUR 7 830) for reserved capacity recognised in revenue based on accruals principle

	2024	2023
	EUR	EUR
Income from balancing activities	11 207 180	12 008 790
Cost of balancing activities	(9 822 787)	(11 092 674)
	1 384 393	**916 116**

3. OTHER INCOME

	2024	2023
	EUR	EUR
Revenue from EU co-financing	1 470 685	820 890
Other income	473 014	228 851
Net income from the disposal of PPE's	43 651	-
	1 987 350	**1 049 741**

4. MAINTENANCE AND OPERATING COSTS

	2024	2023
	EUR	EUR
Transmission and storage system maintenance services	4 316 897	4 583 143
Cost of materials	1 304 933	1 255 515
Cost of natural gas	2 094 687	959 116
Maintenance of IT infrastructure	1 192 128	998 324
Maintenance of vehicles and machinery	257 193	283 170
	9 165 838	**8 079 268**

5. PERSONNEL EXPENSES

	2024	2023
	EUR	EUR
Salaries	13 445 557	12 335 255
State social insurance mandatory contributions	3 160 239	2 905 033
Life, health, and pension insurance	933 107	732 503
Other personnel costs	28 730	12 862
Accrued personnel expenses for PPE creation	(237 596)	-
	17 330 037	**15 985 653**
Including remuneration of the Management Board and Supervisory Council: - Remuneration for work	705 242	682 255
- State social insurance mandatory contributions	166 437	160 945
- Life, health and pension insurance	53 959	45 798
- Other personnel costs	2 176	2 400
	927 814	**891 398**
The average number of employees	**361**	**361**

6. OTHER OPERATING EXPENSES

	2024	2023
	EUR	EUR
Taxes and duties*	893 758	965 453
Office and other administrative costs	1 647 367	1 832 429
Net loss on disposal of property, plant and equipment	-	152 767
	2 541 125	**2 950 649**

*Real estate tax, Natural resources tax, PUC fee, State and municipal fees, Corporate income tax from deemed profit distribution

7. FINANCIAL EXPENSES, NET

	2024	2023
	EUR	EUR
Interest paid	2 714 750	2 581 510
Accrued loan expense costs	(143 680)	(212 403)
Lease interest expense	20 512	20 783
Gain of interest on bank account balances, deposits	(704 516)	(85 919)
Losses / (gain) from exchange rate fluctuations	630	(657)
	1 887 696	**2 303 314**

8. INTANGIBLE ASSETS

	Patents, software, licences	Co-financed assets	Intangible assets under development	TOTAL
		EUR	EUR	EUR
Historical cost				
31.12.2022	**8 791 501**	**-**	**48 995**	**8 840 496**
Additions	-	-	15 605 024	15 605 024
Transfers	473 837	-	(473 837)	-
Disposals	(1 525 025)	-	-	(1 525 025)
Transfers	-	1 007 865	-	1 007 865
31.12.2023	**7 740 313**	**1 007 865**	**15 180 182**	**23 928 360**
Amortisation				
31.12.2022	**6 732 487**	**-**	**-**	**6 732 487**
Amortisation charge	730 319	-	-	730 319
Disposals	(1 525 025)	-	-	(1 525 025)
31.12.2023	**5 937 781**	**-**	**-**	**5 937 781**
Net book value 31.12.2022	**2 059 014**	**-**	**48 995**	**2 108 009**
Net book value 31.12.2023	**1 802 532**	**1 007 865**	**15 180 182**	**17 990 579**

	Patents, software, licences	Co-financed assets	Intangible assets under development	TOTAL
	EUR	EUR	EUR	EUR
Historical cost				
31.12.2023	**7 740 313**	**1 007 865**	**15 180 182**	**23 928 360**
Additions	-	-	2 020 890	2 020 890
Transfers	407 913	-	(407 913)	-
Disposals	(495 545)	-	-	(495 545)
31.12.2024	**7 652 681**	**1 007 865**	**16 793 159**	**25 453 705**
Amortisation				
31.12.2023	**5 937 781**	**-**	**-**	**5 937 781**
Amortisation charge	730 114	100 787	-	830 901
Disposals	(495 545)	-	-	(495 545)
31.12.2024	**6 172 350**	**100 787**	**-**	**6 273 137**
Net book value 31.12.2023	**1 802 532**	**1 007 865**	**15 180 182**	**17 990 579**
Net book value 31.12.2024	**1 480 331**	**907 078**	**16 052 985**	**19 180 568**

Intangible assets at December 31, 2024 include fully amortised intangible assets with a historical cost of EUR 3 898 010 (at December 31, 2023: EUR 3 685 071). Intangible assets consist of software and software licences.

In 2024, capitalised borrowing costs amounted to EUR 1 077 (2023: EUR 3 453).

At December 31, 2023 in the financial accounting, co-financing of the project “Increase of Capacity of Klaipėda-Kiemenai Pipeline in Lithuania” for the remaining amount of EUR 1 007 865 has been reclassified from the deferred expenses to intangible assets. According to the PUC’s decision of April 30, 2014 No. 97 (minutes No. 16, p. 4) On Distribution of Investment Costs for the Project of Common Interest “Increase of Capacity of Klaipėda-Kiemenai Pipeline in Lithuania” in 2017, a payment in the amount of EUR 1 713 370 was made to Amber Grid AB. In accordance with IFRIC 12 “Service Concession Agreements”, the payment shall be recognized in the financial accounts in intangible assets. The amortisation period of the asset is set until 2033, according to the estimated payback period of the investments.

On the basis of the decision of ACER (Agency for the Cooperation of Energy Regulators) of August 11, 2014 “On the investment request including cross-border cost allocation for the Gas Interconnection Poland-Lithuania project of common interest No 8.5” and the inter-operator agreement of May 11, 2018 on sharing the costs of the GIPL project “Gas Interconnection Poland – Lithuania” (GIPL) with “GAZ-System” A.S., “Amber Grid AB” and “Elering” AS, the planned Conexus’ co-financing for the construction of the interconnector is set at EUR 14 700 000.

Regulation (EU) No 347/2013 of the European Parliament and of the Council of April 17, 2013 lays down an obligation to make this payment, thereby gaining access to a wider range of potential customers in the future and reducing dependence on a single supplier.

According to the information received from the Polish operator “GAZ-System” A.S., investments in the construction of a cross-border gas interconnector have been made, but documents justifying the payments have not yet been received. Thus, at December 31, 2024 the Polish-Lithuanian interconnection GIPL should be recognized in the financial accounts as part of the costs of intangible assets under development and accrued liabilities in the amount of planned co-financing of EUR 15.4 million.

Although the Conexus business model does not generally fall within the scope of the IFRIC 12, the IFRIC 12 can be applied to the recognition of co-financing of a project of common interest, because the PUC and the Regulation of the European Parliament and the Council stipulate the obligation to make these co-payments for the construction of infrastructure, thus gaining access to a wider range of potential clients in the future and reducing dependence on a single supplier. Co-financing payments are not recognized in the profit or loss statement, as IFRIC 12 is applied by analogy. Conexus does not have ownership rights to the co-financed assets, therefore they are not recognized as fixed assets.

9. PROPERTY, PLANT AND EQUIPMENT (PPE)

Net book amounts and movements of property, plant and equipment by groups, including groups of revalued categories:

	Land	Buildings, structures	Plant and equipment	Other property and equipment	Wells	Gas compression units	Automatic equipment control systems	Emergency spare parts	Cushion gas	Assets under construction	TOTAL
		EUR	EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR
Historical cost or revalued amount											
31.12.2022	**1 092 474**	**625 920 310**	**96 481 109**	**6 223 451**	**159 765 510**	**37 214 062**	**7 255 905**	**1 825 384**	**10 708 163**	**10 260 528**	**956 746 896**
Additions	-	7 250	315 546	606 236	-	8 837	18 187	-	-	31 707 374	32 663 430
Reclassified	12 037	4 593 456	415 850	180 378	489 140	2 380 662	4 079 164	-	-	(12 150 687)	-
Disposals	-	(926 923)	(661 581)	(442 759)	(13 000)	(1 166 220)	(1 688)	(12 395)	-	(97 395)	(3 321 961)
Recognized impairment*	-	-	-	-	(21 468 279)	(8 061 251)	(3 727 322)	-	-	-	(33 256 852)
Transfers**	-	-	-	-	-	-	-	146 719	-	-	146 719
31.12.2023	**1 104 511**	**629 594 093**	**96 550 924**	**6 567 306**	**138 773 371**	**30 376 090**	**7 624 246**	**1 959 708**	**10 708 163**	**29 719 820**	**952 978 232**
Accumulated depreciation											
31.12.2022	**-**	**411 247 525**	**44 235 607**	**4 161 171**	**46 883 922**	**20 490 313**	**2 650 360**	**-**	**-**	**-**	**529 668 898**
Calculated	-	8 825 608	3 794 240	558 433	2 732 666	914 339	624 285	-	-		17 449 571
Disposals	-	(812 278)	(640 906)	(441 741)	(10 452)	(693 891)	(1 688)	-	-	-	(2 600 956)
Excluded as a result of revaluation*	-	-	-	-	(5 287 570)	(4 089 877)	(391 561)	-	-	-	(9 769 008)
Reclassified	-	41 509	(3 284)	(34 223)	-	-	(4 002)	-	-	-	-
31.12.2023	**-**	**419 302 364**	**47 385 657**	**4 243 640**	**44 318 566**	**16 620 884**	**2 877 394**	**-**	**-**	**-**	**534 748 505**
Net balance value 31.12.2022	**1 092 474**	**214 672 785**	**52 245 502**	**2 062 280**	**112 881 588**	**16 723 749**	**4 605 545**	**1 825 384**	**10 708 163**	**10 260 528**	**427 077 998**
Net balance value 31.12.2023	**1 104 511**	**210 291 729**	**49 165 267**	**2 323 666**	**94 454 805**	**13 755 206**	**4 746 852**	**1 959 708**	**10 708 163**	**29 719 820**	**418 229 727**

* The Company has revised the carrying amount of property, wells, gas compression units and automatic equipment control systems, determining their value at fair value. The carrying amount of property, plant and equipment reduced by EUR 23 487 844. The reduction in the carrying amount of EUR 11 742 677 is recognised in the reduction of the revaluation reserve and included in the statement of "Comprehensive income" in position of "Revaluation reserves decrease in property, plant and equipment", EUR 11 745 167 recognised in the "Income statement" under the position "Depreciation, amortisation, and PPE impairment".
** inventories of materials in warehouses in the amount of EUR 146 719 were transferred to the Emergency spare parts.

9. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

Net book amounts and movements of property, plant and equipment by groups, including groups of revalued categories:

	Land	Buildings, structures	Plant and equipment	Other property and equipment	Wells*	Gas compression units*	Automatic equipment control systems*	Emergency spare parts	Cushion gas	Assets under construction	TOTAL
		EUR	EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR
Historical cost or revalued amount											
31.12.2023	**1 104 511**	**629 594 093**	**96 550 924**	**6 567 306**	**138 773 371**	**30 376 090**	**7 624 246**	**1 959 708**	**10 708 163**	**29 719 820**	**952 978 232**
Additions	-	-	817 897	618 251	-	2 120	191 567	-	-	44 644 143	46 273 978
Reclassified	-	8 351 282	578 554	420 784	251 155	57 776	1 326 531	-	-	(10 986 082)	-
Disposals	-	(1 532 740)	(1 378 141)	(351 753)	(109 591)	(16 550)	(193 222)	-	-	-	(3 581 997)
Recognized impairment*	-	(94 336 921)	(5 140 127)	-	(47 292)	(46 819)	(144 593)	-	-	-	(99 715 752)
Transfers**	-	-	-	388	-	-	(388)	68 641	-	-	68 641
31.12.2024	**1 104 511**	**542 075 714**	**91 429 107**	**7 254 976**	**138 867 643**	**30 372 617**	**8 804 141**	**2 028 349**	**10 708 163**	**63 377 881**	**896 023 102**
Accumulated depreciation											
31.12.2023	**-**	**419 302 364**	**47 385 657**	**4 243 640**	**44 318 566**	**16 620 884**	**2 877 394**	**-**	**-**	**-**	**534 748 505**
Calculated	-	9 042 873	3 932 857	669 339	2 375 084	763 310	558 617	-	-	-	17 342 080
Disposals	-	(1 531 220)	(1 364 604)	(349 765)	(109 591)	(16 550)	(190 916)	-	-	-	(3 562 646)
Excluded as a result of revaluation*	-	(68 537 516)	(2 281 054)	-	59 725	(24 665)	(6 369)	-	-	-	(70 789 879)
Reclassified	-	-	(7 037)	7 173	-	-	(136)	-	-	-	-
31.12.2024	**-**	**358 276 501**	**47 665 819**	**4 570 387**	**46 643 784**	**17 342 979**	**3 238 590**	**-**	**-**	**-**	**477 738 060**
Net balance value 31.12.2023	**1 104 511**	**210 291 729**	**49 165 267**	**2 323 666**	**94 454 805**	**13 755 206**	**4 746 852**	**1 959 708**	**10 708 163**	**29 719 820**	**418 229 727**
Net balance value 31.12.2024	**1 104 511**	**183 799 213**	**43 763 288**	**2 684 589**	**92 223 859**	**13 029 638**	**5 565 551**	**2 028 349**	**10 708 163**	**63 377 881**	**418 285 042**

* The Company has revised the carrying amount of fixed assets for buildings, structures and technological equipment, determining their value at fair value. The reduction in the carrying amount of EUR 22 624 715 is recognised in the reduction of the revaluation reserve and included in the statement of "Comprehensive income" in position of "Revaluation reserves decrease in property, plant and equipment", EUR 6 302 160 recognised in the "Income statement" under the position "Depreciation, amortisation, and PPE impairment", EUR 1 002 was recognized in the Profit and loss statement under the item "Other income".
** inventories of materials in warehouses in the amount of EUR 68 641 were transferred to the Emergency spare parts.

At December 31, 2024, property, plant and equipment included fully depreciated assets with an original value of EUR 17 605 144 (At December 31, 2023: EUR 13 438 560). In 2024, capitalised borrowing costs amounted to EUR 37 426 (2023: EUR 208 949). The cadastral value of the real estate is EUR 39 519 947 (at December 31, 2023: EUR 37 742 239). The total length of the transmission system pipelines is 1190 km.

At the end of the reporting period significant part of the construction in progress consists of projects co-financed by the EU (Note 18). The balance of Assets under construction by projects:

Assets under construction	Planned project completion date	31.12.2024	31.12.2023
		EUR	EUR
Projects of common interest “Enhancement of Inčukalns UGS”	01.12.2025.	54 672 223	22 080 453
EU co-financed projects		**54 672 223**	**22 080 453**
Other projects	2025. – 2026.	8 335 290	7 639 367
Total		**63 007 513**	**29 719 820**

2In 2020, using the amortized replacement cost method, the revaluation of fixed assets was carried out by independent certified appraisers from SIA “Grant Thornton Baltic”. As a result of the revaluation, the residual value of the revalued assets as of January 1, 2020, was increased by EUR 92 311 666.

In 2023, the management assessed the price level of pipelines, technological equipment, and general construction and has identified changes in inflation, labor, and material costs compared to January 2020. To determine whether the fair value of the groups of fixed assets corresponds to the financial accounting value at the end of the reporting year, the Company conducted an internal valuation of the fair value of those groups of fixed assets as of December 31, 2023, which were valued at revalued value and had signs of impairment.

In accordance with the valuation methods indicated in point 62 of IFRS 13 “Fair Value Measurement”, the Company assessed that the income method is the most appropriate. When determining the fair value of the groups of fixed assets of wells, gas compression units, and automatic equipment control systems, the Company used the approved rate of return on capital for the current regulatory period and assumed that after the end of the regulatory period, the rate of return on capital would reach the assessed market rate. A discount rate of 7.25% was used in the calculation.

As a result of the revaluation, a decrease in the value of wells, gas compression units, and automatic equipment control systems was identified in the amount of EUR 23 487 844.

In accordance with the requirements of point 31 of IAS 16 “Property, Plant and Equipment”, if the Company has chosen to measure fixed assets at revalued value, such revaluation must be carried out with sufficient regularity to ensure that the carrying amount of fixed assets at the balance sheet date does not differ significantly from their fair value. The following categories of fixed assets are accounted for at revalued value: buildings and structures, technological equipment and devices, wells, gas compression units, and automatic equipment control systems. Land plots, safety spare parts, cushion gas in the Inčukalns UGS collector layer, and gas pipelines of the transmission system, other fixed assets, and costs of assets under construction are not revalued.

In 2024, a revaluation was carried out for the following groups of fixed assets: buildings and structures; technological equipment and devices (excluding the groups of fixed assets revalued in 2023: wells, gas compression units, and automatic equipment control systems).

The calculation of the value of assets is based on the income approach, discounting future cash flows. The Company calculated the fair value as of

December 31, 2024, based on management's estimates of the projected economic activity over a 10-year period. A discount rate of 7.10% was used in the calculation.

As a result of the revaluation, a decrease in value of EUR 28 924 871 was identified. The decrease in the carrying amount of EUR 22 624 715 was recognized in the revaluation reserve decrease and included in the financial Statement of other comprehensive income under the position "Decrease of PPE revaluation reserve", EUR 6 302 160 was recognized in the Profit and loss statement under the item "Depreciation, amortization, and PPE impairment", EUR 1 002 was recognized in the Profit and loss statement under the item "Other income".

The following table summarises the carrying amounts for the revalued asset categories, assuming that the assets would be carried at historical cost.

Historical cost	31.12.2024	31.12.2023
	EUR	EUR
Buildings and structures	111 670 075	105 284 870
Machinery and equipment	39 678 006	41 353 189
Wells	53 503 497	54 636 874
Gas compression units	11 281 179	11 817 155
Automatic equipment control systems	5 703 717	4 746 852

10. LEASE

	31.12.2024	31.12.2023
	EUR	EUR
Right-of-use assets		
Net book value at the beginning of the reporting period	**448 358**	**461 503**
Depreciation recognised in the income statement	(13 144)	(13 145)
Net book value at the end of the reporting period	**435 214**	**448 358**
Lease liabilities		
Net book value at the beginning of the reporting period	**478 002**	**484 422**
Recognised reduction of the lease liability (lease payments made*)	(27 204)	(27 203)
Recognised lease interest expense	20 512	20 783
Net balance value at 31.12.2023	**471 310**	**478 002**
Incl.: Long-term lease liabilities	444 106	450 798
Short-term lease liabilities	27 204	27 204

* in the cash flow statement for 2024, lease payments in the amount of EUR 27 204 are included in the cash flow from financing activities (31.12.2023: EUR 27 203)

Conexus' right-of-use assets include land, premises and construction rights.

	Term	Maturity date
Land lease, Inčukalns underground gas storage	36 years	31.12.2054
Land lease, Stigu street 14	36 years	31.12.2054
Construction rights, Stigu street 14	70 years	31.12.2089

11. INVENTORIES

	31.12.2024	31.12.2023
	EUR	EUR
Natural gas	1 939 902	2 272 259
Materials and spare parts	3 300 274	2 542 897
Advance payments for inventories	5 385	1 433
Write-off of inventory to net realisable value	(129 626)	(138 980)
	5 115 935	**4 677 609**

Write-off of inventory to net realisable value	31.12.2024	31.12.2023
	EUR	EUR
Write-offs at the beginning of the period	**(138 980)**	**(139 810)**
Write-offs during the reporting period	9 354	830
Write-offs at the end of the period	**(129 626)**	**(138 980)**

12. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS AND ADVANCES FROM CUSTOMERS

Receivables from contracts	31.12.2024	31.12.2023
	EUR	EUR
Debt for transportation of natural gas	6 233 412	6 138 523
Debt for storage of natural gas	4 936 486	5 416 596
Debt for balancing activities	205 915	-
	11 375 813	**11 555 119**

Advances from customers	31.12.2024	31.12.2023
	EUR	EUR
Received advance for natural gas storage	211 021	-
Received security deposit	7 156 305	6 112 857
	7 367 326	**6 112 857**

Expected credit losses on contracts with customers are insignificant, during the last 3 years no debts have been written down, therefore, it was decided not to recognise allowances for doubtful debts.

The rules approved by PUC set strict criteria for providing debt repayment guarantees. Additional information is disclosed in the Credit risk section of Note 27.

13. OTHER RECEIVABLES

	31.12.2024	31.12.2023
	EUR	EUR
Other current financial receivables:		
Other current financial receivables	127 413	20 400
Total other current financial receivables	**127 413**	**20 400**
Other current non-financial receivables:		
Advances for services	36 701	181 590
Deferred value added tax	80 566	63 170
Total other current non-financial receivables	**117 267**	**244 760**
Total other receivables	**244 680**	**265 160**

14. DEFERRED EXPENSES

	31.12.2024	31.12.2023
	EUR	EUR
Non-current part		
Long-term portion of deffered expenses	288 426	-
Total non-term part	**288 426**	**-**
Current part		
IT expenses	600 899	481 344
Insurance payments	83 882	78 925
Transport expenses	12 031	8 824
Other deferred expenses	60 405	71 133
Total short-term part	**757 217**	**640 226**
Total deferred expenses	**1 045 643**	**640 226**

15. RESERVES

	31.12.2024	31.12.2023
	EUR	EUR
PPE revaluation reserve	134 658 944	163 915 291
Revaluation reserve for post-employment benefits	67 796	88 379
Reorganisation reserve*	24 647 260	24 647 260
	159 374 000	**188 650 930**

* due to the reorganization of AS "Latvijas Gāze" in two separate companies (in 2017) – AS "Latvijas Gāze" and Conexus, the assets and liabilities related to the core business were transferred to Conexus, including the reorganization reserve.

Movement of revaluation reserves during the reporting period	Property, plant and equipment revaluation reserve	Post-employment benefit revaluation reserve
Balance at 31.12.2022	**183 254 683**	**58 899**
Reassessment of actuarial assumptions	-	29 480
Depreciation of the revalued portion of property, plant and equipment for the reporting period transferred to retained earnings	(7 048 351)	-
Reduction of the revaluation reserve as a result of revaluation (Note 9)	(11 742 677)	-
Disposed revalued items of property, plant and equipment*	(548 364)	-
Balance at 31.12.2023	**163 915 291**	**88 379**
Reassessment of actuarial assumptions	-	(20 583)
Depreciation of the revalued portion of property, plant and equipment for the reporting period transferred to retained earnings	(6 620 934)	-
Reduction of the revaluation reserve as a result of revaluation (Note 9)	(22 624 715)	-
Disposed revalued items of property, plant and equipment*	(10 698)	-
Balance at 31.12.2024	**134 658 944**	**67 796**

* disposed revalued items of PPE – complete or partial replacement of buildings and technological equipment due to physical and technological wear and tear.

16. DEFERRED INCOME

	31.12.2024	31.12.2023
	EUR	EUR
EU co-financed projects	41 290 320	26 070 874
Non-current portion	**41 290 320**	**26 070 874**
Current portion (other projects)	17 659	4 654
Current portion (EU co-financing)	969 062	969 829
Current portion (contractual liabilities)	2 271	4 475
Current portion	**988 992**	**978 958**
Total deferred income	**42 279 312**	**27 049 832**

Changes in deferred income

Changes in deferred income (EU co-financing)	31.12.2024	31.12.2023
	EUR	EUR
Opening balance	**27 049 832**	**25 725 083**
EU co-financing received	16 402 225	2 141 164
Recognized deferred income from contracts with customers*	2 271	4 475
Fixed asset received free of charge as part of co-financed project	380 173	-
Recognised in other income for the reporting year (Note 2)	(4 475)	-
Recognised in other income for the reporting year (Note 3)	(1 550 714)	(820 890)
Carried forward to future periods	**42 279 312**	**27 049 832**

* Payment for full storage cycle received in 2024

Changes in deferred income (contract liabilities)	31.12.2024	31.12.2023
	EUR	EUR
Opening balance	**4 475**	**-**
Recognised in deferred income	6 244	12 305
Recognised in revenue for the reporting year (Note 2)	(8 448)	(7 830)
Carried forward to future periods	**2 271**	**4 475**

In May 2019, the European Commission approved the granting of co-financing in the amount of 50% or EUR 44 000 thousand for the project of common European interest No. 8.2.4 “Improvement of the operation of the Inčukalns underground gas storage”.

In December 2019, the European Commission approved the co-financing of 50% or EUR 2 750 thousand for the project of common European interest No. 8.2.1. “Improvement of the operation of the Latvian-Lithuanian interconnection”.

In 2024, project No. 7.1.1.3.i “Increasing the share of biomethane in final consumption” received an advance for the construction of the biomethane input point in Džūkste.

Statement of deferred income for 2023 and 2024:

Project	**Deferred income 31.12.2022**	**Received EU co-financing 2023**	**Recognised in other income (Note 3) 2023**	**Deferred income 31.12.2023**	**Received EU co-financing 2024**	**Recognised in other income (Note 3) 2024**	**Deferred income 31.12.2024**
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Project of gas transmission from 2011	**1 616 149**	-	(66 487)	**1 549 662**	-	(225 057)	**1 324 605**
Project of Inčukalns UGS from 2011	**5 382 210**	-	(187 914)	**5 194 296**	-	(187 914)	**5 006 382**
Project of Inčukalns UGS from 2019 (Nr.8.2.4.)	**16 706 589**	2 001 477	(502 936)	**18 205 130**	15 317 903	(639 720)	**32 883 313**
Project of gas transmission from 2019 (Nr.8.2.1.)	**1 896 259**	139 687	(58 900)	**1 977 046**	634 322	(437 569)	**2 173 799**
Connection to Conexus` gas transmissions system	**123 876**	-	(4 653)	**119 223**	-	(50 700)	**68 523**
Biomethane input point Džūkste	**-**	-	-	**-**	450 000	-	**450 000**
Total	**25 725 083**	**2 141 164**	**(820 890)**	**27 045 357**	**16 402 225**	**(1 540 961)**	**41 906 621**

17. EMPLOYEE BENEFIT OBLIGATIONS

	31.12.2024	31.12.2023
	EUR	EUR
Provisions for post–employment benefits	1 177 320	1 097 224
Provisions for other collective bargaining agreement costs*	247 047	234 253
	1 424 367	**1 331 477**

* gifts on anniversaries of life and seniority

	31.12.2024	31.12.2023
Liabilities at the beginning of the year	**1 331 477**	**1 351 768**
Recognised in the income statement	167 513	164 245
Paid	(95 206)	(155 056)
Remeasurement of post – employment benefits as a result of changes in actuarial assumptions – in equity	20 583	(29 480)
Liabilities at the end of the year	**1 424 367**	**1 331 477**

Remeasurement of post – employment benefits are positive due to the following assumptions: reduction in wage estimates, changes in future salary reduction, and a slightly reduced employee turnover ratio. The revaluation was increased by the lower discount rate used in the calculation. In the reporting year, the discount rate used to discount post-employment benefit obligations is 3.18% (2023: 3.43%).

Sensitivity analysis of the total value of post-employment benefit, EUR	2024		2023	
	Increase	Decrease	Increase	Decrease
Discount rate (-/+ 1% point)	128 812	(108 556)	118 972	(100 348)
	9%	-8%	9%	-8%
Labour turnover rate (-/+ 1% point)	146 904	(124 246)	135 994	(114 985)
	10%	-9%	10%	-9%
Monthly salary increase (+/- 1% point)	114 987	(98 082)	105 159	(89 713)
	8%	-7%	8%	-7%
Retirement age of employees, years (-/+ 1 year)	80536	(81 042)	73 402	(73 203)
	6%	-6%	6%	-5%

18. BORROWINGS

	31.12.2024	31.12.2023
	EUR	EUR
Non-current borrowings from credit institutions	46 776 882	65 568 897
Current borrowings from credit institutions	19 792 016	13 899 286
Accrued interest on borrowings from credit institutions	49 872	75 493
	66 618 770	**79 543 676**

Conexus has borrowings both from local and international credit institutions. The weighted average interest rate is 2.38% at the end of reporting year (31.12.2023: 3.30%). At the end of the reporting year, 39% of borrowings outstanding have a fixed loan interest rate (31.12.2023: 35%). All borrowings of Conexus are denominated in euros and are unsecured.

At the end of the reporting year, committed long-term loan agreements in the amount of EUR 45 000 thousand are available to Conexus.

	31.12.2024	31.12.2023
	EUR	EUR
At the beginning of the reporting year	**79 543 676**	**82 429 949**
Received borrowings from credit institutions	-	10 000 000
Borrowings repaid to credit institutions	(12 899 286)	(12 899 286)
Accrued interest on loans from credit institutions	2 714 750	2 581 509
Paid interest on loans from credit institutions	(2 740 370)	(2 568 496)
	66 618 770	**79 543 676**

All changes in borrowings, except accrued interest liabilities, are presented in the Statement of cash flows as Cash flows from financing activities.

The limits of financial covenants specified in the existing agreements of Conexus during the reporting year have been complied with, information on financial covenants is disclosed in the section on Capital risk management (Note 27).

Lease liabilities are disclosed in Note 10.

19. TRADE PAYABLES

	31.12.2024	31.12.2023
	EUR	EUR
Payables for other operating costs	1 156 225	1 154 837
Payables for long-term investments	4 881 706	3 279 422
Payables for balancing operations	1 137 986	515 600
Payables for intangible assets	2 240 029	487 266
	9 415 946	**5 781 591**

20. OTHER LIABILITIES

	31.12.2024	31.12.2023
	EUR	EUR
Dividends unpaid for the previous years	546 278	554 446
Current financial liabilities	**546 278**	**554 446**
Value added tax	396 119	544 168
Employee remuneration	610 834	578 327
State social insurance mandatory contributions	378 624	345 292
Other short-term liabilities	116 484	129 291
Personal income tax	209 014	188 907
Natural resource tax	31 677	31 272
Corporate income tax on deemed distribution of profit	1 715	511
Excise tax, Real estate tax	1 441	1 720
Current non-financial liabilities	**1 745 908**	**1 819 488**
Other liabilities total	**2 292 186**	**2 373 934**

21. ACCRUED LIABILITIES

	31.12.2024	31.12.2023
Accrued liabilities for annual performance bonuses	2 187 501	1 549 356
Accrued liabilities for unused annual leave	797 933	691 249
Non-Financial accrued liabilities	**2 985 434**	**2 240 605**
Accrued liabilities for invoices not received*	15 553 204	15 433 492
Accrued liabilities for the audit of the annual report	16 600	22 300
Financial accrued liabilities	**15 569 804**	**15 455 792**
Accrued liabilities total	**18 555 238**	**17 696 397**

*According to the information received from the Polish operator "GAZ-System" A.S., investments in the construction of a cross-border gas interconnector have been made, but documents justifying the payments have not yet been received. Thus, in the financial accounting as of December 31, 2024 Polish-Lithuanian interconnector GIPL is recognised in the costs of intangible assets under development (Note 8) and accrued liabilities in the amount of planned co-financing of EUR 15.4 million.

22. CORPORATE INCOME TAX

	31.12.2024	31.12.2023
	EUR	EUR
Shareholders' decision on dividends to be paid	11 935 826	8 355 078
Profit to be distributed (period after 31.12.2017.)	11 935 826	8 355 078
Calculated corporate income tax	2 983 957	2 088 770
Tax relief applied on previously declared provisions	**2 983 957**	**2 088 770**

In 2024, the amount of dividends declared to Conexus' shareholders was EUR 11 935 826 or EUR 0.30 per share. In 2023, the amount of dividends declared to Conexus' shareholders was EUR 8 355 078 or EUR 0.21 per share.

23. CASH AND CASH EQUIVALENTS

	31.12.2024	31.12.2023
	EUR	EUR
Cash at bank	24 451 154	12 953 450
Total cash and cash equivalents	**24 451 154**	**12 953 450**

24. RELATED PARTY TRANSACTIONS

Related parties include Conexus' shareholders, members of the Supervisory 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 Supervisory 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 no 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.

Related party transactions	2024 or 31.12.2024	2023 or 31.12.2023
	EUR	EUR
Income from related parties:		
AS "Latvenergo"	36 185 768	26 320 745
Purchases of goods and services from related parties:		
AS "Latvenergo"	2 022 145	3 542 946
AS "Augstsprieguma tīkls"	693	694
Balances at the end of the year arising from sales/ purchases of goods and services:		
Receivables from contracts with customers		
AS "Latvenergo"	3 876 806	4 590 132
Trade payables		
AS "Latvenergo"	280 578	344 466
AS "Augstsprieguma tīkls"	151	-

Information on dividends paid to shareholders is disclosed in Note 22.

Conexus' management remuneration is disclosed in Note 5.

25. COMMITMENTS AND CONTINGENCIES

As of 31 December 2024, Conexus has concluded, but not yet completed long-term asset construction contracts amounted EUR 18 349 893 (at December 31, 2023: EUR 43 335 131).

The financial covenants specified in the existing agreements of Conexus during the reporting period have been complied with, information on financial covenants is disclosed in the section on Capital risk management in Note 28.

26. REMUNERATION TO A COMMERCIAL COMPANY OF SWORN AUDITORS

Remuneration to a commercial company of sworn auditors	31.12.2024	31.12.2023
	EUR	EUR
Audit of financial statements	29 500	21 000
Review of sustainability report	6 000	5 300
	35 500	**26 300**

27. RISK MANAGEMENT AND FAIR VALUES

The principles and guidelines for general financial risk management are set out in Conexus' Financial Risk Management Policy. The Management Board is responsible for implementing this policy within the Company.

Conexus is exposed to the following financial risks: capital risk, financing risk (including interest rate risk, refinancing risk and early redemption risk), currency risk, credit risk and liquidity risk.

Conexus' financial instruments are divided into the following categories:

Financial assets and liabilities	31.12.2024	31.12.2023
Financial assets at amortised cost	EUR	EUR
Receivables from contracts with customers	11 375 813	11 555 119
Other receivables	127 413	20 400
Cash and cash equivalents	24 451 154	12 953 450
Total financial assets at amortised cost	**35 954 380**	**24 528 969**
Financial liabilities at amortised cost		
Borrowings from credit institutions	66 618 770	79 543 677
Trade payables	9 415 946	5 781 591
Other liabilities and accrued liabilities	16 116 082	16 010 238
Lease liabilities	471 310	478 002
Total financial liabilities at amortised cost	**92 622 108**	**101 813 508**

LIQUIDITY RISK

Liquidity risk is associated with the ability of Conexus to meet its liabilities within set deadlines. Conexus pursues prudent liquidity risk management by forecasting annual, quarterly and monthly cash flows to ensure adequate financial resources for its operations. If necessary, Conexus intends to take out long – term loans. Conexus' liquidity reserve consists of the Conexus' cash and cash equivalents, as well as available but not yet withdrawn long – term loans.

At the end of the reporting period, committed long-term loan agreements amounting to EUR 45 000 thousand (31.12.2023: EUR 45 000 thousand) are available to Conexus.

Maturity analysis of financial liabilities by their contractual cash flows, including interest payments:

31.12.2024	**Carrying value**	**Contractual cash flow**	**1 – 3 months**	**3 months – 1 year**	**1 – 5 years**	**> 5 years**
	EUR	EUR	EUR	EUR	EUR	EUR
Borrowings from credit institutions	66 618 769	73 252 134	4 169 590	16 894 214	33 619 215	18 569 115
Trade payables, accrued liabilities	25 532 028	25 532 028	25 532 028	-	-	-
Lease liabilities	471 310	994 560	6 801	20 403	108 816	858 540
Financial liabilities	**92 622 107**	**99 778 722**	**29 708 419**	**16 914 617**	**33 728 031**	**19 427 655**

31.12.2023	**Carrying value**	**Contractual cash flow**	**1 – 3 months**	**3 months – 1 year**	**1 – 5 years**	**> 5 years**
	EUR	EUR	EUR	EUR	EUR	EUR
Borrowings from credit institutions	79 543 677	88 832 528	4 494 899	11 782 660	51 165 568	21 389 401
Trade payables, accrued liabilities	21 791 829	21 791 829	21 791 829	-	-	-
Lease liabilities	478 002	994 560	6 801	20 403	108 816	858 540
Financial liabilities	**101 813 508**	**111 618 917**	**26 293 529**	**11 803 063**	**51 274 384**	**22 247 941**

FUNDING RISK

Interest rate risk

Interest rate risk arises because Conexus uses borrowed funds. Interest rate risk for Conexus arises from borrowings with a floating interest rate (hereinafter referred to as the reference interest rate) consisting of three or six-month EURIBOR plus interest rate, with the risk that Conexus' financial costs will increase significantly when the reference rate surges.

Interest rate risk is managed by entering into interest rate swaps (IRSs), in which floating interest rates are exchanged for fixed interest rates, or by obtaining new fixed rate borrowings or by issuing bonds as fixed rate instruments. At the end of the reporting period, Conexus had no interest rate swaps (IRS) or bonds issued as fixed rate instruments. 39% of Conexus' received and unpaid long-term loans have a fixed interest rate.

Conexus' financial risk management policy requires the level, amount and maturity of interest rate risk management to be assessed in accordance with the approved Conexus service tariff cycles.

If the base borrowing rate (EURIBOR) increased by 0.25%, Conexus interest expenses on loans would increase by EUR 118 thousand (2023: EUR 124 thousand). If the base borrowing rate (EURIBOR) increased by 0.50%, interest expenses on loans would increase by EUR 236 thousand (31.12.2023: EUR 249 thousand).

Refinancing risk

Refinancing risk may arise from external macroeconomic and political circumstances, the onset of a financial crisis, or a significant deterioration in Conexus' operations and financial indicators.

To hedge refinancing risk, Conexus diversifies its loan portfolio by setting limits for key financial indicators (limit values) and ensuring their monitoring by the source of borrowing - not more than 80 per cent from one credit institution. At the same time, Conexus ensures diversification of the maturity dates for the repayment of the borrowings.

Risk of early repayment

The risk of early repayment of the debt may arise if one of the lenders exercises its right to demand early repayment under the loan agreement, which would automatically entitle all of Conexus' other lenders to demand early repayment of their loans.

In order to prevent the risk of early repayment of the debt, Conexus regularly performs calculations and analyses the indicators (covenants) laid down in the loan agreements and pays special attention to timely prevention the occurrence of defaults on payments. Conexus maintains relations with its lenders on a regular basis, informing them in a timely manner of changes affecting Conexus' business and reputation.

Credit risk

Conexus is exposed to credit risk, which is the risk that Conexus will incur a loss if a counterparty fails to meet its contractual obligations. Credit risk may arise from cash and cash equivalents, receivables from contracts with customers and other financial receivables.

Conexus is exposed to a significant concentration of credit risk on receivables from contracts with customers, as credit risk is shared among the 10 largest customers, whose liabilities accounted for 82% of Conexus' total receivables from contracts with customers (31.12.2023: 86%). Conexus considers that receivables from customers are highly recoverable.

The maximum credit risk exposure related to financial assets comprises of carrying amounts of cash and cash equivalents (Note 23), receivables from contracts with customers and other receivables (Notes 12, 13).

Assessment of maximum possible exposure to credit risk	31.12.2024	31.12.2023
	EUR	EUR
Receivables from contracts with customers	11 357 813	11 555 119
Other current financial receivables	127 413	20 400
Cash and cash equivalents	24 451 154	12 953 450
Total	**35 954 380**	**24 528 969**

To limit the credit risk of receivables, Conexus assesses the creditworthiness of counterparties and sets their credit limits. If a counterparty's creditworthiness is not sufficient to cover the credit limit set by Conexus, the Company requires security (a security deposit, bank guarantee). One of such guarantees is security deposits – their amount at the end of the year is EUR 7 156 305 (2023: EUR 6 112 857), (Note 12).

Credit risk in relation to financial assets with credit institutions is managed through a balanced placement of financial assets with at least two credit institutions. The credit institutions with which cooperation exists or is contemplated must have a rating of at least A- or A3 by an international rating agency. To ensure execution of financial transactions for operations, Conexus may also invest in credit institutions with a credit rating of at least BBB- or Baa3. Based on these considerations, cash and cash equivalents can be described as follows (categorized by long-term rating):

Moody's credit rating	31.12.2024	31.12.2023
	EUR	EUR
Aa3	24 447 819	12 950 436
Baa2	490	1 055
Baa1	2 845	1 959
Total cash	**24 451 154**	**12 953 450**

At December 31, 2024 and December 31, 2023, cash and cash equivalents consisted of cash held on current accounts with credit institutions.

Capital risk management

Conexus carries out its capital risk management with to the aim of ensuring the sustainable operations of Conexus, maintaining an optimal capital structure, and thus reducing the cost of capital. Conexus takes a balanced approach to risk in relation to its creditworthiness and capital structure.

Conexus regularly manages capital risk, based on the calculation and analysis of capital ratio. Capital ratio is calculated by dividing the amount of equity by total assets. Capital ratio must be maintained at the level of at least 50 percent. Capital ratio at December 31, 2024 is 69%.

Conexus regularly calculates and analyses debt ratio. Debt ratio is calculated by dividing net debt (all non-current and current interest-bearing liabilities less cash and cash equivalents) by EBITDA (earnings before interest, taxes, depreciation and amortisation) for the past 12 months. The value of this ratio may not exceed five. Debt ratio at December 31, 2024 is 0.6.

Debt service coverage ratio (DSCR) is determined by dividing EBITDA for the last 12 months by the amount of commitment payments (principal, interest or other payments related to loans, loans, financial leasing or other commercially similar transactions). The value of this coefficient should not be less than 1.2x. Debt service coverage ratio (DSCR) indicator at December 31, 2024 is 4.3.

The financial covenants specified in the existing Conexus' borrowing agreements with credit institutions during the reporting period and at the time of approval of the report have been complied with. Actual ratios of the financial covenants:

Financial covenants	**31.12.2024**	**31.12.2023**
Equity ratio > 50 %	69%	70%
Net borrowings / EBITDA < 5	0.6	1.3
Debt service coverage ratio (DSCR) > 1.2	4.3	3.3

In planning for funding, Conexus follows the prudence principle, keeping open the possibilities of raising additional funding quickly if necessary.

Currency risk

The policy of Conexus is to focus on transactions, assets, or liabilities denominated in the functional currency of Conexus, i.e., the euro. Foreign currency risk is viewed as low. Conexus has no significant foreign currency balances.

Fair value

IFRS 13 sets out a hierarchy of valuation techniques based on whether the valuation technique uses observable market data or unobservable market data. Observable market data is obtained from independent sources. If no market data is observable, the valuation technique reflects Conexus management's assumptions about the market circumstances. This hierarchy requires the use of observable market data whenever available. When carrying out assets revaluation, Conexus considers the relevant observable market prices whenever possible.

The objective of determining fair value, even when the market is not active, is to establish the transaction price at which market participants would be willing to sell the asset or incur a liability at a particular measurement date under current market conditions. Several methods are used to determine the fair value of a financial instrument: quoted prices or valuation techniques that incorporate observable market data and are based on internal models. Based on the fair value hierarchy, all inputs used in valuation techniques are categorised into Level 1, Level 2, and Level 3 inputs. The level of the fair value hierarchy of a financial instrument should be determined to be the lowest level if a significant portion of its value consists of lower-level data.

The classification of a financial instrument in the fair value hierarchy is made in two levels:

1. Classify the inputs at each level to determine the fair value hierarchy;

2. Classify the financial instrument itself on the basis of the lowest level if a significant part of its value consists of inputs from the lower level.

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 by the fair value hierarchy levels:

	Level	31.12.2024	31.12.2023
		EUR	EUR
Assets:			
Receivables from contracts with customers	3.	11 375 813	11 555 119
Other receivables	3.	127 413	20 400
Cash and cash equivalents	2.	24 451 154	12 953 450
Liabilities:			
Borrowings from credit institutions	3.	66 618 770	79 543 677
Trade payables	3.	9 415 946	5 781 591
Other liabilities and accrued liabilities	3.	16 116 082	16 010 238
Lease liabilities	3.	471 310	478 002

Assets and liabilities measured at fair value

The carrying amounts of liquid and short-term (with a maturity of less 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.

Assets measured at fair value

Conexus buildings, structures, including gas pipeline infrastructure, technological equipment, and devices are presented at revalued amounts that approximate their fair value. According to the valuation methods specified in paragraph 62 of IFRS 13 “Fair Value Measurement” and considering the unique nature and use of the assets, the Company determined that the income approach is the most appropriate. Level 3 data was used for the revaluation, indicating that the data is not freely observable for the respective type of asset.

In accordance with the requirements of paragraph 31 of IAS 16 “Property, Plant and Equipment”, if the Company has chosen to measure property, plant, and equipment at revalued amounts, such revaluation must be carried out with sufficient regularity to ensure that the carrying amount of property, plant, and equipment at the balance sheet date does not differ materially from their fair value. The standard also stipulates that the Company groups property, plant, and equipment that are similar in nature and use in the Company’s operations into groups. Land plots, safety spare parts, cushion gas in the Inčukalns UGS collector layer, and gas in the transmission system pipelines, other fixed assets and the costs of assets under construction are not revalued.

In 2023, the Company reviewed the grouping of property, plant, and equipment and identified specific groups of property, plant, and equipment that should be accounted for separately based on their nature and use. Separate groups of property, plant, and equipment included wells, gas compression units, and equipment automatic control systems. The revaluation of the separated groups of property, plant, and equipment was carried out on December 31, 2023. In 2024, the revaluation was carried out for the groups of property, plant, and equipment: buildings and structures; technological equipment and devices (excluding the groups of property, plant, and equipment revalued in 2023: wells, gas compression units, and equipment automatic control systems).

According to IAS 16, when revaluing an item of property, plant, and equipment, the carrying amount of the respective asset is adjusted to the revalued amount. In recognizing the results of the revaluation of property, plant, and equipment, the initial cost and residual value of the property, plant, and equipment are replaced with the revaluation values. The accumulated depreciation is adjusted on the revaluation date using the non-proportional method to equal the difference between the initial carrying amount and the residual carrying amount of the asset after accounting for accumulated impairment losses.

The calculation of the value of assets is based on the income approach, discounting future cash flows. The Company calculated the fair value as of December 31, 2024, based on management's estimates of the projected economic activity over a 10-year period. A discount rate of 7.10% was used in the calculation.

More information on the revaluation of assets carried out in 2024 is disclosed in the Note 9.

Non-financial risks

Conexus risk management includes several risk groups, such as corporate governance, environmental management and social responsibility related risks. The management of these risks is described in Conexus Sustainability report.

28. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements of Conexus have been prepared in accordance with IFRS Accounting standarts as adopted by the European Union. The general accounting and measurement principles set out in this section have been applied consistently for all periods covered by the financial statements.

The financial statements have been prepared on a going concern basis. As at December 31, 2024, Conexus' short-term liabilities exceed its current assets by EUR 16 545 thousand (2023: EUR 16 854 thousand). Conexus' management considers that Conexus will have no liquidity problems and will be able to settle with creditors within the set deadlines, since at the end of the reporting year, Conexus' total borrowing amount is EUR 66 619 thousand, bank credit lines are unused. In total, bank credit lines of EUR 65 000 thousand are available at Conexus, which provides a significant liquidity reserve. The terms of credit line agreements are up to 1 year.

At the end of the reporting period, Conexus has signed long-term loan agreements in the amount of EUR 45 000 thousand with expected withdrawal during 2024.

More information on liquidity ratios is disclosed in Note 27 under section on Liquidity risk.

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

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 effective on the date of the relevant transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate effective on the last day of the reporting year. Foreign currency gains and losses are recognised in the income statement for the respective period.

SIGNIFICANT ESTIMATES AND JUDGMENTS

Preparation of the financial statements of Conexus in conformity with IFRS, requires using significant estimates and assumptions that affect the value of the assets and liabilities within financial statements and the presentation of contingent assets and liabilities, as well as the revenue and expenses of the reporting year. 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.

Management has identified the following areas as subject to a higher degree of judgement or complexity or areas for which the assumptions and estimates applied are material in the context of the financial statements.

Estimates related to property, plant and equipment and intangible assets

Useful life

Conexus makes estimates of useful life of property, plant and equipment and intangible assets and their residual value. These estimates are derived from past experience and industry practice. The estimated useful life is assessed at the end of each reporting year. Past experience has shown that the actual useful life of property, plant and equipment and intangible assets sometimes is longer than estimated.

The useful life of fixed assets is determined in accordance with the decision of the PUC No. 1/12 of August 29, 2022, "Methodology for Accounting and Calculation of Capital Costs," Annex 3, which specifies the classification of assets necessary for natural gas transmission and storage and the minimum useful life.

The values of fully depreciated fixed assets are disclosed in Note 9. The assessment of the impact of the expected change in useful life is not accurately estimated and therefore the impact of the sensitivity analysis of changes in depreciation rates on subsequent periods is not disclosed.

Recoverable value

Impairment of Conexus' property, plant and equipment is assessed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If necessary, assets are written down to their recoverable amount. In assessing impairment, management uses various estimates for cash flows arising from the use of assets, maintenance and repairs of property, plant and equipment, as well as for inflation and interest rate increases. Estimates are based on the methodology for calculation of tariffs for natural gas storage and transmission system service approved by the Council of the PUC.

Revaluation

According to Conexus' Accounting policy, fixed asset groups buildings and structures, technological equipment, and devices are presented at revalued amounts. In 2023, the company reviewed the classification of fixed assets and identified groups that should be accounted for separately based on their nature and use. Separate groups were created for wells, gas compression units, and equipment automatic control systems. Land plots, safety spare parts, cushion gas in the Inčukalns UGS collector layer, and gas in the transmission system pipelines, other fixed assets and the costs of assets under construction are not revalued.

The policy stipulates that fixed asset revaluation should be carried out with sufficient regularity, but not less than once every five years, to ensure that the carrying amount does not significantly differ from the fair value. In 2020, the revaluation of fixed assets was carried out by an independent expert using the depreciated replacement cost method. In 2023, the separately identified fixed asset groups (wells, gas compression units, and equipment automatic control systems) showed signs of impairment and were revalued. Conexus determined that the income method was the most appropriate and carried out the revaluation using this method, basing the recoverable amount calculation on the value in use of cash-generating units, determined by discounting future expected cash flows from the continuous use of cash-generating units. Third-level data, which are not freely observable for the respective type of asset, are used for the revaluation. In 2024, the revaluation of fixed assets was carried out (excluding the fixed assets revalued in 2023 in the groups of wells, gas compression units, and equipment automatic control systems).

More information on the revaluation of property, plant and equipment is disclosed in chapter Assets measured at fair value and in the Note 9.

Recognition and measurement of provisions

Conexus has made provisions for post-employment benefits. The extent and timing of the fulfilment of these obligations are uncertain. Certain assumptions and estimates, including expected future costs, inflation rates and cost timelines, are used to determine the present value of these provisions. Actual costs may differ from established provisions due to changes in legal provisions, as well as costs covered by third parties. In order to assess provisions for post-employment benefits, the probability of termination of employment in different age groups of employees is estimated, based on past experience as well as different assumptions about variable demographic and financial factors (including the expected increase in wages and salaries and certain changes in the amount of benefits). Probability and other factors are determined on the basis of previous experience (Note 17).

NON-FINANCIAL ASSETS AND LIABILITIES

INTANGIBLE ASSETS

Identifiable non-monetary assets that have no physical form and which Conexus uses to provide services or for own operational needs, are recognised as intangible assets. Conexus' intangible assets mainly consist of software licences and software and co-financed projects. Co-financed projects of common interest are recognized according to IFRIC 12. More information on the recognition of co-payments in intangible investments is disclosed in the Note 8.

Intangible assets are carried at their historical cost less accumulated amortisation and impairment loss.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The useful life of intangible assets is 5 – 20 years.

The company accrues and capitalizes loan costs that are directly attributable to the creation of assets as part of the cost of these assets.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment refers to tangible assets that are intended to be used over more than one period to provide services and goods or for own operating use. Conexus' main property, plant and equipment groups are land, buildings, structures, machinery and equipment, other property and equipment, wells, gas compression units, and automatic equipment control systems. Property, plant and equipment also includes cushion gas in the collector layer of the Inčukalns UGS and the transmission gas pipelines, emergency spare parts and costs of unfinished construction objects.

Buildings, structures, machinery and equipment, wells, gas compression units, and automatic equipment control systems are stated in the financial statements at revalued amounts. Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the end of the reporting period. Other property, plant and equipment items, including land, cushion gas in the Inčukalns UGS facility, technological natural gas in the transmission gas pipelines and the emergency reserve for fixed assets spare parts are accounted for at historical cost.

Property, plant and equipment item is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipment items are stated in financial statements at cost or revalued amounts less accumulated depreciation and impairment loss.

Assets under construction, assembly or installation that are not ready for their intended use at the time of acquisition are recognised as construction in progress in the financial statements. Subsequent costs are included in the asset's carrying amount based on the asset's recognition criteria.

Loan costs that are directly attributable to the acquisition, construction, or production of assets are accrued and capitalized as part of the cost of these assets.

The cost of maintaining or repairing an item of property, plant and equipment is recognised in the income statement in the period in which it is incurred.

The increase in value resulting from the revaluation of property, plant and equipment is recognised in the equity as "Reserves". The revaluation reserve is reduced when the revalued asset is disposed of or liquidated, or when, in the opinion of management, there is no longer any basis for an increase in its carrying amount. Once the property, plant and equipment item is written-off, corresponding amount of revaluation reserve is transferred from reserves to retained earnings. During the period in which the revalued asset is used, part of the revaluation reserve, calculated as the difference between the depreciation on the revalued carrying amount of the asset and the depreciation on the original cost of the asset, is transferred to retained earnings.

From the date the asset is ready for its intended use, it is depreciated over its estimated useful life in order to reduce its cost or revalued amount to its residual value.

Where the carrying amount of an item of PPE exceeds its recoverable amount, the asset is written down immediately to its recoverable amount. Impairment of asset is recognised in the income statement of the period, except for revalued fixed assets, for which the revaluation reserve is written down first. The gain or loss on the disposal of an item of PPE is calculated as the difference between the carrying amount of the asset and the proceeds on disposal.

Depreciation is not calculated for land, cushion gas in Inčukalns UGS collector layer and transmission pipelines, spare parts for emergencies and construction in progress.

Emergency spare parts are the minimum amount of spare parts required to be stored in the warehouse, approved by the Conexus' Management Board, to ensure that Conexus is ready to locate accidents or prevent their consequences, as well as to carry out urgent repairs. The balance of emergency spare parts is reviewed once a year and if necessary reclassification to or from inventory is made.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the PPE items:

Types of PPE	Estimated useful life in years
Buildings	**20-150**
- Monolithic buildings with a reinforced concrete or concrete frame*	150
- Brick, reinforced concrete	100
- Brick, reinforced concrete	60-80
- Brick, reinforced concrete	20-30
Brick, reinforced concrete	**15-65**
- Brick, reinforced concrete	60-65
- Brick, reinforced concrete	20-30
- Groundings	150
Machinery and equipment	**5-35**
- Pressure regulation stations	35
- Gas compression units	25-30
- Transport and machinery, cathodic protection station	5-20
Other PPE	**3-15**
- Machine tools	15
- Furniture, computer equipment, communication equipment	3-10
- Tools	3-7

LEASES

At the time of concluding the agreement, Conexus assesses whether the agreement is a lease or includes a lease. A contract is a lease or includes a lease if the contract grants control of the use of an identifiable asset for a specified period in exchange for consideration. Leases and right-of-use assets are recognized for all long-term leases that meet the criteria in IFRS 16. The rights-of-use asset is recognized as a separate item in long-term investments, see Note 10. Low value or short-term leases are not recognized as lease assets and liabilities under the exemption.

Lease liabilities are reassessed if there is a change in future lease payments due to a change in the rate used to determine these payments, if there is a change in the estimated amount of the lease payments, or if the lease is extended or terminated. When a lease liability is remeasured, an adjustment is made to the carrying amount of the corresponding right-of-use asset.

The right-of-use assets are initially measured at the present value of the lease payments and the initial direct costs associated with the lease. Lease payments are discounted using the interest rate implied by the Conexus' lease. If this rate cannot be readily determined, Conexus uses its comparable interest rate.

Subsequent to initial recognition, right-of-use assets are measured using the cost model. Under the cost model, right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses. Assets are depreciated using the straight-line method from the inception date of the lease to the end of their lease term. The period of use is estimated according to the term of the contract - 70 years for construction rights and 36 years for land lease.

Lease liabilities are measured at the present value of future lease payments that are discounted with interest rate implied by the Conexus' lease. If this rate cannot be readily determined, Conexus uses its comparable interest rate. Subsequent to initial recognition, a lease liability is measured:

- by increasing the carrying amount to show the interest on the lease; and
- reducing the carrying amount to show lease payments made.

In the statement of financial position, the right-of-use assets are presented separately from other assets, and the lease liability is presented separately from other liabilities. In the income statement, interest expense on the lease liability is presented separately from the depreciation expense on the right-of-use asset.

During the reporting period, Conexus did not use exemptions for short-term and low-value leases, as such lease agreements were not concluded during the reporting period.

INVENTORIES

In the financial statements, inventories are stated at the lower of cost and net realisable value. Net realisable value is the selling price of inventory determined over the course of Conexus' operations, less variable selling costs.

Inventories are expensed in the income statement in the period in which they are consumed.

Inventories of materials and spare parts included in inventories are valued at weighted average prices, except for natural gas, which is accounted for according to the FIFO method. In cases where the net realisable value of inventories is lower than their cost price, provisions are made for these inventories to reduce their value to net realisable value.

PROVISIONS

Provisions are recognised when as a result of past events Conexus has a present legal or constructive obligation, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are recognised when the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at their present value using the best estimate available at the end of the reporting period. The required level of provisions is reviewed regularly, but at least once a year.

EMPLOYEE BENEFITS

Conexus recognises accruals for employees when they arise from a contract or there is a past practice that results in a justified obligation.

Social insurance and pension contributions

State social insurance mandatory contributions to the state-funded pension scheme are paid by Conexus in the amount provided for in the laws of the Republic of Latvia. In addition, Conexus makes contributions to an external defined-contribution private pension plan. Conexus does not incur any additional legal or constructive obligations if the state-funded pension scheme or private pension plan is unable to meet its obligations to Conexus' employees. Contributions to the social security and pension plans are expensed on an accrual basis and are presented as employee costs.

Post-employment and other benefits

Under the terms of the collective bargaining agreement, Conexus provides certain benefits to employees whose terms of employment meet certain criteria in the event of termination of employment and for the remainder of their lives. Post-employment benefit obligations are calculated based on current salary levels, the number of employees who are or will be eligible for future benefits, and actuarial assumptions. The benefit obligations are calculated once a year.

The present value of the benefit obligation is determined by discounting the expected cash flows using market rates for government bonds. Actuarial gain or loss arising from adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income in the period in which they occur.

Employee benefit obligations

Management's best estimates of the amount of employee benefit obligations are based on an assessment of key financial and demographic assumptions made through periodic actuarial advice.

DEFERRED EXPENSES

Deferred expenses are costs incurred before the annual reporting date but are attributable to future reporting periods.

Non-current deferred expenses are payments made by Conexus that, because of their economic nature, relate to future periods beginning more than one year after the balance sheet date.

Recognition period is determined for all non-current deferred expenses and they are recognised in the income statement on a straight-line basis in line with their economic nature. Those deferred expenses that are to be recognised in the income statement over a period of 12 months are presented in financial statements as current assets, while the remaining amount is presented under non-current assets.

ACCRUED INCOME

Accrued income includes the right to be reimbursed for services rendered that have not yet been invoiced at the reporting date. These rights are recognized in the balances of receivables from contracts with customers.

Accrued income is the clearly known amount of the settlement obligation (contract assets) that is settled between the buyer and the customer.

Accrued income refers to the clearly known settlement amounts with buyers and customers for the transportation, storage and balancing of natural gas in the reporting year, for which, in accordance with the terms of the contract, the due date for the issuance of supporting document (invoice) has not yet come at the balance sheet date. These amounts are calculated on the basis of the service fee specified in the concluded contracts.

DEFERRED INCOME

Deferred income is recognised when payments are received in reporting period for services to be rendered by Conexus in subsequent periods. Amounts presented under deferred income are recognised in the income statement in the period in which the performance obligations are met.

Deferred income from contracts with customers

In accordance with IFRS 15, Conexus recognizes the payments received for reserved capacity services as short-term deferred income. At the date of the service, Conexus recognizes receivables and income and at the same time reduces deferred income.

Asset - related grants

Conexus initially recognizes asset-related European Union funding for long-term investments as part of long-term deferred income, in accordance with IAS 20. Financing subsequently is recognized as income in the income statement over the useful life of the related item of property, plant and equipment.

Financial instruments

Conexus' financial instruments consist of financial assets (financial assets at amortized cost) and financial liabilities (financial liabilities at amortized cost).

The classification of debt instruments depends on Conexus' business model for management of financial assets, as well as whether the contractual cash flows consist solely of payments of principal and interest (SPPI). If a debt instrument is being held to collect cash flows, it can be carried at amortised cost subject to meeting the SPPI requirements. Financial assets, the cash flows from which do not meet the SPPI requirements, must be measured at fair value through profit or loss (FVTPL) (e.g., derivative financial instruments).

FINANCIAL ASSETS AND LIABILITIES

Financial assets are recognized when Conexus becomes a party to the transaction and meets the conditions of the transaction, i.e., on the trade date. Financial instruments are initially recognized at fair value. For financial assets and financial liabilities at amortized cost, the fair value at initial recognition is adjusted for transaction costs that are directly attributable to the financial instrument.

Financial assets include receivables, and cash and cash equivalents, a contractual right to receive cash or another financial asset, an exchange of financial assets or financial liabilities, and a contract that will be settled in equity instruments. The classification depends on the purpose for which the financial asset was acquired.

Financial assets are derecognised when the contractual obligations for the cash flows from the financial asset are extinguished or when Conexus transfers the financial asset to another party or transfers significant risks and rewards of ownership of the asset. Purchases and sales of financial assets in the ordinary course of business are accounted for on the trade date, i.e., the date on which Conexus decides to buy or sell the asset. Short-term receivables are not discounted.

Borrowings, payables to suppliers and other creditors are included in financial liabilities. Financial liabilities at amortized cost are initially recognized at fair value less transaction costs. In subsequent periods, financial liabilities at amortized cost are carried at amortized cost using the effective interest method. Financial liabilities at amortized cost are classified as current liabilities if the payment term is one year or less. If the payment term is longer than one year, they are presented as long-term liabilities.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When the contractual cash flows of financial liabilities are substantially modified, such a modification is treated as a derecognition of the original liabilities and a recognition of new financial liabilities, with the difference in respective carrying amounts recognised in the income statement.

Financial liabilities are considered "substantially modified" when the net present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, differs by at least 10 percent from the present value of the remaining cash flows under the original terms.

Receivables from contracts with customers and other debtors

Receivables from contracts with customers and other debtors are financial assets with fixed or determinable payment schedule that are not quoted in an active market. Current receivables from contracts with customers are not discounted.

Conexus applies a simplified approach to receivables from contracts with customers and contract assets and recognises lifetime expected credit loss on receivables based on a historical analysis of credit losses and considering expected future trends. Conexus uses a provision matrix based on the maturity structure of the receivables and based on a historical default rate of 3 (three) years, as supplemented by future forecasts. Expected credit losses on receivables are calculated based on assumptions about default risk and expected loss rates. In determining these assumptions and selecting the data for the impairment calculation, Conexus considers its experience, current market conditions, and future estimates at the end of each reporting period.

Cash and cash equivalents

Cash and cash equivalents consist of cash held in Conexus accounts with the bank.

If Conexus' current accounts with banks have been granted a credit line or credit facility (overdraft) and this has been used to create a negative balance in Conexus' bank account at the end of the reporting period, the credit line used is recognised in full under liabilities as loans from credit institutions.

While cash also is subject to the expected credit loss requirements of IFRS 9, the identified expected credit loss was immaterial, considering also the fact that almost all of cash is held in financial institutions with the credit rating grade of the institution or its parent bank at investment grade credit rating (mostly 'A level' credit rating, Stage 1 (see Note 27).

Share capital and dividends

Conexus is a closed joint stock company with 100 % registered shares. The shares constitute the share capital and are fully paid. The total number of shares is 39 786 089, with a nominal value of EUR 1.00, 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 %) and MM Infrastructure Investments Europe Limited (29.06 %). Conexus is a shareholder-owned company and pays dividends in accordance with the laws and regulations of the Republic of Latvia. Dividends are recognised as a liability in Conexus' financial statements in the period in which the shareholder approves the amount of dividends and the procedure for payment.

Corporate income tax

The corporate income tax rate is 20 % of the taxable base, which is determined by dividing the value of the taxable income by a factor of 0.8 and includes:

- distributed profits (calculated dividends, dividend-like costs, deemed dividends), and
- conditionally distributed profit (for example, non-business expenses, and other specific cases specified by law).

When distributing retained earnings that had been accrued until December 31, 2017, no corporate income tax is to be paid. The calculated corporate income tax on conditionally distributed profits, in accordance with the requirements of IFRS, is classified as other operating expenses.

Borrowings

The borrowings are initially recognised at fair value less transaction costs incurred. In subsequent periods, the borrowings are carried at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Conexus has an irrevocable right to defer settlement of the liability for at least 12 months after the balance sheet date. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Conexus' borrowings include a fixed and a variable rate component. Once a year, Conexus assesses changes in the fixed part of a credit institution's borrowing rate in accordance with the current market situation.

General and specific borrowing costs that relate directly to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their expected use or sale, are added to the cost of constructing or acquiring those assets until they are actually ready for their expected use.

REVENUE

Conexus uses a five-step model to determine when and to what extent revenue should be recognized. The model assumes that revenue is recognised when Conexus transfers control of the goods or services to the customer, and in the amount that Conexus expects to receive in exchange. Depending on whether certain criteria are met, revenue is recognised:

- over time, reflecting the financial results of Conexus operations;
- when control of the goods or services is transferred to the customer or
- according to the agent's accounting principle.

IFRS 15 sets out the principles that Conexus should follow to present qualitative and quantitative information that provides users of financial statements with useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

IFRS 15 requires recognition of an asset in respect of incremental costs incurred in obtaining contracts with customers and for which it is probable that they will be recovered. Due to specifics of operations of Conexus, no such expenses have occurred up to date.

Revenue from contracts with customers should be recognised based on the fulfilment of obligations to customers. Revenue represents the delivery of goods or services to customers for an amount that reflects the consideration Conexus expects to receive in exchange for those goods or services. Under this accounting model, a sale is recognised when the services are provided to and accepted by the customer, even if not invoiced, and there is a possibility that the economic benefits associated with the transaction will flow to Conexus. Conexus' accounting policies for the major types of revenue are set out below.

Revenue from transmission

The transmission service is treated as a single performance obligation under IFRS 15. The sale of transmission capacity products is a regulated service provided by Conexus to users of the transmission system applying the approved tariffs. Short-term (quarterly, monthly, daily, and same-day capacity) and long-term transmission capacity (annual capacity) products are offered. Revenue from trading transmission capacity products, which by the nature of the service includes the provision of transmission infrastructure and does not change over time for each unit of capacity depending on the product selected, is recognised in the income statement for each reporting month pro-rata to the transmission capacity reserved by the user.

Revenue from storage

The storage service is considered a single performance obligation under IFRS 15. Conexus provides the storage capacity of the Inčukalns underground gas storage capacity to storage users that have reserved natural gas storage capacity during the storage season, in accordance with the applicable tariffs. Revenue from the sale of storage capacity that, due to the nature of the service, represent the provision of Inčukalns underground gas storage infrastructure and do not change during the storage season is recognised for each reporting month in accordance with the storage tariffs and pro-rata to the remaining months until the end of the storage season.

Interest income

Interest income is recognised using the effective interest method. Interest income from term deposits is classified as other income. Interest income from cash – as financial income.

Other income

Other income from the rendering of services is recognised in the period in which they are rendered: REMIT services (The Regulation on Wholesale Energy Market Integrity and Transparency), platform maintenance.

Other income from the sale of materials is recognised when the buyer has accepted them: sale of used computer equipment, sale of used metal products.

Contractual penalties are calculated according to the concluded service contracts with suppliers. Contractual penalties are recognised as revenue when it is clear that Conexus will derive an economic benefit from them, i.e., the recognition of the revenue generally coincides with the receipt of the penalty.

Balancing income and expenses

Conexus maintains information on the amount of natural gas pumped into and out of from the transmission system by transmission system users and calculates the imbalance. The amount of daily imbalance is the difference between the input and output amounts.

Income from balancing is recognised for each reporting month when a negative imbalance occurs at the transmission system user, that has resulted in a shortage of natural gas in the transmission system. Expense from balancing is recognised for each reporting month when a positive imbalance occurs.

In the financial statements, income from balancing is reported under Revenue at net value (less costs for periods when the balance is positive). The net result of balancing represents the amount of administrative costs.

In order to comply with the principle of profit neutrality, Conexus calculates a neutrality fee. The neutrality charge is a charge that the transmission system operator pays to or receives from transmission system users in connection with the balancing of the transmission system. This charge consists of the difference between the transmission system operator's costs and the revenue from balancing activities.

Neutrality charges can be both positive and negative. In the event of a negative neutrality charge, the transmission system operator pays the neutrality charge to the transmission system users. In the event of a positive neutrality charge, the transmission system operator receives a neutrality charge from transmission system users. Common Regulations for the Natural Gas Balancing of Transmission System issued by PUC determines, that the purpose of neutrality charge is to ensure TSO`s financial neutrality.

Conexus, in the performance of the functions of balancing administration, acts as an agent. Indicators that Conexus acts as an agent are as follows:

- Conexus has no control over the services before handing them over to customers;
- Conexus is required to invoice clients for services provided and charge a fee, but is not entitled to revenue for these services;
- Conexus does not have the right to determine the price of the services either directly or indirectly.

Evaluating the available information, Conexus considers itself to be an agent in these transactions, therefore the balancing income is recognized in the income statement on a net basis using the agent's accounting policy (Note 2).

RECOGNITION OF COSTS

Costs are recognized on an accrual basis. The calculation of costs for the year takes into account all expected costs and contingent liabilities incurred in the year or in prior years, even if they became known between the balance sheet date and the date of the financial statements, regardless of the date of receipt of the invoices, because Conexus Transactions are accounted for and presented in the financial statements based on their economic substance and substance, and not merely their legal form. Maintenance and operating costs and other operating expenses recognized in the income statement are disclosed in the notes to the financial statements in more detail.

Long - term and short - term liabilities

Conexus payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Liabilities to suppliers and contractors are reflected in the financial statements in accordance with the supporting documents and entries in the accounting records of invoices received from Conexus suppliers but not paid at the end of the reporting period.

Accrued liabilities

Accrued liabilities incurred during the reporting year, if the amount of these expenses or the date of payment during the reporting period is clearly known, but for which no invoices have been received from suppliers, are included in the item “Accrued liabilities”.

Accrued liabilities are recognized when the amount and maturity of the liabilities are relatively accurate and the degree of uncertainty is much lower than for the provisions. Accrued liabilities are recognized: for services for which, due to the terms of the supply, purchase or company contract or for other reasons, a proof of payment (invoice) has not yet been received at the balance sheet date. These commitment amounts shall be calculated on the basis of the prices quoted in the contract and the actual receipt of the goods or services; settlements for annual leave and bonuses for employees.

ADOPTION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

Standards or interpretations effective for the first time for the annual periods beginning 1 January 2024:

- Classification of liabilities as current or non-current liabilities (amendments to IAS 1)
- Long-term liabilities with specific conditions (amendments to IAS 1)
- Lease liabilities in sale and leaseback transactions (amendments to IFRS 16)
- Supplier financing arrangements (amendments to IAS 7 and IFRS 7)

The management considers that the introduction of new standards, amendments and interpretations have no impact on Conexus' financial statements.

Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2024 or not yet adopted by the EU:

Effective date	New or amended standards	EU endorsed
01.01.2025	Lack of substitutability (amendments to IAS 21)	November 12, 2024
01.01.2026	Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)	In process
01.01.2026	Annual improvements to IFRS Standards 2024 (issued on July 18, 2024)	In process
01.01.2027	IFRS 18 Disclosure of Financial Statements (issued on April 9, 2024)	In process
01.01.2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on May 9, 2024)	In process

Conexus is currently assessing the impact of the amendments on its financial statements.

29. 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 December 31, 2024.

The financial statements have been prepared by:

LAURA ZVIRBULE
Head of Financial Accounting Division

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