

Supervisory Council's Report on Operational Results 2024

Year 2024 was important for the Joint Stock Company "Conexus Baltic Grid" ("Conexus"), working on the strategic objectives set by the Supervisory Council ("Council"), safe operation of the transmission and storage system, regulatory issues, reduction of greenhouse gas emissions, biomethane, hydrogen, internal process improvements and corporate governance issues.

In 2024, Conexus continued to ensure reliable gas supply to Latvia, Lithuania, Estonia and Finland, transporting a total of 25.2 TWh, as well as continuing to store the Latvia's safety reserves of energy supply (1.8 TWh). In line with the amendments to the Energy Law that entered into force on the 1st of October 2024, Conexus provides storage of natural gas also for solidarity needs of the neighbouring countries (2.4 TWh) as part of the regional security reserve, with Conexus developing a special procedure for reserving capacity for the solidarity product in line with the legal mandate. This change facilitates more efficient access to the Inčukalns Underground Gas Storage ("Inčukalns UGS"), thus addressing long-term security of gas supply issues in the region. System users' interest in storage products remained consistently high, with users reserving the full auctioned storage capacity (12.2 TWh) and with the demand exceeding the available storage capacity almost 3 times. At the beginning of the official withdrawal season on the 15th of October 2024, 19.5 TWh of natural gas were stored in Inčukalns UGS, amounting to almost 80% of the available technical capacity for the 2023/2024 storage cycle. Conexus continued to provide directional flexibility in Inčukalns UGS in line with market participants' demand, offering to withdraw gas during the injection season and vice versa.

Conexus also worked actively on regulatory issues to ensure the most appropriate balance between the short-term interests of market participants and the long-term interests of ensuring stable operation of the storage facility in the new market conditions characterised by a reduction in natural gas consumption, the need to attract more storage customers from outside of Latvia, while ensuring regular filling of the storage facility and planned maintenance and development of the considerable infrastructure. The Regulations Regarding the Use of Inčukalns UGS were amended to provide for changes in storage products offered in line with the market situation. Instead of a two-year grouped capacity product, a five-year grouped capacity product is offered in auctions for 2025. Conexus proposed amendments to the Energy Law (effective from 1 May 2026), which stipulate that the tariffs set by the Public Utilities Commission will no longer apply to the natural gas storage service. Instead, access to Inčukalns UGS will be regulated through a negotiated auction procedure, which provides Conexus with flexibility to respond to demand from Inčukalns UGS users. This approach will allow Conexus to tailor its services to the needs of its users and improve its long-term financial planning.

During the reporting period, work also continued on the implementation of the sustainability targets. In 2024, Conexus' baseline scenario and greenhouse gas emission reduction targets were developed. Conexus also worked on promoting the use of renewable gases and improving regulation. In 2024, the Association of Issuing Bodies approved amendments to the Domain Protocol, allowing Conexus to further develop the regulatory framework for biomethane development in Latvia. The most significant amendments to the Domain Protocol include the

possibility to obtain the guarantee of origin for biomethane transported by vehicle as bioCNG and injected into a biomethane injection point. In addition, the first direct connections to the natural gas distribution system for biomethane injection into the gas system became operational during the reporting period. In order to promote the development of local renewable energy sources and biomethane production, Conexus has launched a project to establish a biomethane injection point in Džūkste with funding from the European Union's Recovery and Resilience Mechanism. The biomethane injection point solution will enable biomethane injection into the natural gas transmission system for those producers whose production facilities are not close enough to the existing natural gas transmission system infrastructure to allow a direct connection for biomethane injection. In the future, three more biomethane injection points are planned to be set up in other parts of Latvia.

Regarding hydrogen initiatives, it should be noted that the feasibility study for the Nordic-Baltic hydrogen corridor has been successfully completed, working together with the gas transmission system operators of Finland, Estonia, Lithuania, Poland and Germany. The feasibility study provides a comprehensive overview of the technical, legal, organisational and economic aspects of the project. In the light of the results of the feasibility study, transmission system operators, including Conexus, are launching a detailed study of the project in each participating country. This study is expected to be completed by the second half of 2026. The Nordic-Baltic Hydrogen Corridor project is important not only in terms of achieving decarbonisation objectives, but also in terms of energy security and diversification of energy sources and supplies. The project has been granted the status of a European Project of Common Interest as part of the "Baltic Energy Market Hydrogen Interconnection Plan", receiving Connecting Europe Facility (CEF) co-funding for studies.

Council has also continued monitoring the implementation of other already ongoing capital investment projects: European Union project of common interest PCI 8.2.4. "Inčukalns UGS modernization project", modernization of gas transmission's and storage facility's Supervisory Control and Data Acquisition System (SCADA), modernization of physical security and fire safety systems, renovation and re-insulation of the gas transmission pipeline Izborsk-Inčukalns UGS, as well as solar power plant at Inčukalns UGS. Of particular note is the Inčukalns UGS modernisation project, which in 2024 included the first phase of construction of Gas Collection Point No 3, reconstruction of the remaining wells and installation of the new gas compressor unit. An assessment completed by Conexus in 2024 shows that upgrade of the gas compressor units in the previous reporting period has led to a significant reduction in emissions from Inčukalns UGS (nitrogen oxide emissions in the exhaust gas have been reduced by 80%). The Inčukalns UGS modernisation project will continue in 2025 and will improve the security of natural gas supply, increase the operational capacity of the storage and facilitate integration in the international energy market.

During the reporting period, Conexus' medium-term operational strategy 2023-2027 was updated, with the Annex "Roadmap 2025-2029" updated to reflect the current situation, the Business Plan 2025-2029 was approved, Conexus Efficiency Programme was developed and selected corporate governance documents were updated, including the Regulation of the Management Board and the Asset Management Policy. The total operating income of Conexus for 2024 is 24 % higher than in the previous year driven by the increase in revenues from both transmission and storage services. Taking into account Conexus' ability to continue development without raising funds from the financial capital markets, decision was made to no longer receive rating from S&P Global Ratings. In 2024, the Council also conducted the assessment of risks and risk monitoring measures already in place, as well as monitored the

implementation of the approved Internal Audit Plan and its performance indicators. According to the annual internal audit report and the Management Board's risk management report to the Council, the corporate governance, internal control, and risk management in Conexus are considered to be adequate, reasonable and effective.

During the reporting period, the Council held 9 meetings (4 regular and 5 extraordinary). At each of the regular meetings the Management Board reported to the Council on the fulfilment of targets, current financial and operational management issues. In addition, 3 informal work sessions were held in 2024, where more complex agenda items were discussed before the Council meetings and the Council worked on various strategic, financial, capital investment, regulatory and sustainability issues. The Council has performed self-assessment of its work in 2024 generally assessing its work highly (3.42 out of 4 points) and showing an even higher result than in the previous reporting period (3.36 out of 4 points). The highest scores were given for the Council's cooperation with the Management Board (3.86 out of 4 points) and the quality of minutes of Council meetings (3.86 out of 4 points).

The operations of Conexus are in line with the medium-term operational strategy and the targets set by the Council, whereas financial results demonstrate Conexus' ability to operate in the long term and adapt to changing circumstances. The Council appreciates the work of the Management Board in achieving the objectives set by the Council for 2024. The Council has set challenging targets for the coming year as well, involving continued work on sustainability issues (hydrogen research, completing the biomethane injection point in Džūkste, developing the leak detection and repair (LDAR) programme for fugitive emissions), regulatory issues, capital investments and internal process improvements. The Council is ready to continue its successful cooperation with the Management Board, both on ongoing projects and new challenges.

The audit of Conexus's annual report 2024 was carried out by the international commercial company of certified auditors KPMG Baltics SIA. The Council has received the auditor's report recognising that the financial statements give a true and fair view on Conexus, as well as the financial results of its operation and cash flows in 2024 in compliance with the IFRS Accounting Standards adopted by the European Union. The Council has taken note of the Conexus's annual report 2024 and the profit distribution proposal prepared by the Management Board and recommends both documents for approval to the Shareholders' meeting.

Chairman of the Council

Ilmārs Šņucins