

# Unaudited financial statements for 2022



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## Main activities (1 of 2)



### **Conexus provides the supply of natural gas in the complicated geopolitical circumstances**

Conexus ensured an uninterrupted supply of natural gas for Latvia, Lithuania, Estonia and Finland in 2022. Natural gas consumption in Latvia decreased to 8,8 TWh (a third less than in the last year) due to high prices of gas. Volume of electricity generation at the country's largest thermal power plants also declined as a result of the significant increase in the price of natural gas.



### **Ban on natural gas supplies from Russia**

On 14 July 2022, the Parliament of the Republic of Latvia adopted amendments to the Energy Law, which set a ban on natural gas supplies from Russia starting from 1 January 2023. After the date, Latvia can receive natural gas from the LNG terminals in Klaipeda (Lithuania) and Inkoo (Finland).



### **Injection of natural gas started earlier than usual**

In response to the geopolitical situation in Europe, injection of natural gas into the Inčukalns UGS was started already at the end of February 2022. Injection of natural gas into storage is ensured also during the 2022/2023 withdrawal season to promote secure and uninterrupted supply of natural gas.



### **Booking of Inčukalns UGS capacity and amount of natural gas stored**

Several auctions of Inčukalns UGS capacity were held during the reporting period, resulted to booking of whole storage capacity at 24,1 TWh (+27%). As at 31 December 2022, Inčukalns UGS holds 11,3 TWh of natural gas stored by system users.

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## Main activities (2 of 2)



### **Latvia has complied with the new requirements of the European Union Gas Storage Regulation**

In order to comply with the Gas Storage Regulation, Latvia must store 35% of its average consumption over the last five years, which Conexus calculates at 4,5 TWh. As of 31 October 2022, the total filling capacity of Inčukalns UGS facility was 13,7 TWh, while the volume stored by users registered in Latvia was 6 TWh, therefore Latvia has complied with the requirements of the Regulation.



### **Amendments to Energy law**

The aim of the amendments to the Energy law is to establish energy supply security reserves to be stored in Inčukalns UGS to ensure the security of supply of natural gas. Energy supply security reserve is set at 1,8 TWh for 2023, purchase and storage of the reserve was organised by AS “Latvenergo” on behalf of the State, as well as ensuring injection in Inčukalns UGS.



### **Implementation of European projects of common interest to continue**

To continue enhancement of Inčukalns UGS within the framework of European project of common interest, Conexus has entered into agreement on purchase and installation of a new gas compression unit (contract value at 21,6 million EUR).

The “Enhancement of Latvia - Lithuania Interconnection” (ELLI) project foresees a number of activities in both Latvia and Lithuania until the end of 2023, which will result in increased capacity of gas interconnection between Latvia and Lithuania in both directions.



### **“S&P Global Ratings” agency assigns BBB+ credit rating to Conexus for the first time**

International credit rating agency “S&P Global Ratings”, which also sets Latvia's sovereign credit rating, has assessed Conexus for the first time and assigned rating BBB+ with stable outlook.

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## Further development



### **Six gas TSOs signed a cooperation agreement to develop Nordic - Baltic hydrogen corridor**

Conexus, Gasgrid Finland (Finland), Elering (Estonia), Amber Grid (Lithuania), GAZ-SYSTEM (Poland) and ONTRAS (Germany) have signed a cooperation agreement to develop hydrogen infrastructure from Finland through Estonia, Latvia, Lithuania and Poland to Germany to meet the REPowerEU 2030 targets.



### **The amendments to the Energy law (EL) provide for the establishment of guarantee of origin system for gas**

The amendments to the EL provide for the establishment of guarantee of origin system for gas in Latvia and designates Conexus to become an issuing body and registry administrator for guarantees of origin. The guarantee of origin is a document that proves the gas has been produced from renewable energy sources and will therefore be applicable both in Latvia and will open up new opportunities for renewable gas producers to export it. Guarantee of origin system for gas will become operational on 01.07.2023.



### **Conexus has launched development solution for injection of biomethane into the gas transmission system**

Conexus has launched a development solution for the injection of biomethane into the gas transmission system in order to promote the development of renewable gases in Latvia and to provide an opportunity to biomethane producers to inject the produced biomethane into the gas transmission system without setting up a direct connection. Conexus has organised a public consultation in 2022 on intention to establish regional points for injection of biomethane in the gas transmission system.



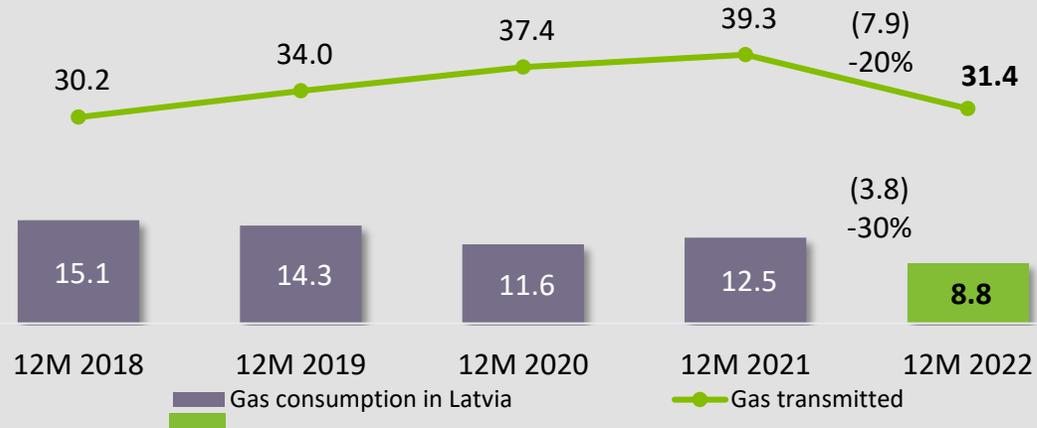
### **Research study on the possibilities of blending and transmitting hydrogen**

Conexus, together with the regional gas transmission system operators "Gasgrid Finland" (Finland), "Elering" (Estonia) and "Amber Grid" (Lithuania), will continue the ongoing research study on the possibilities of blending and transmitting hydrogen in the natural gas transmission system. Research activities will be launched on the possibility to store hydrogen in Inčukalna UGS.

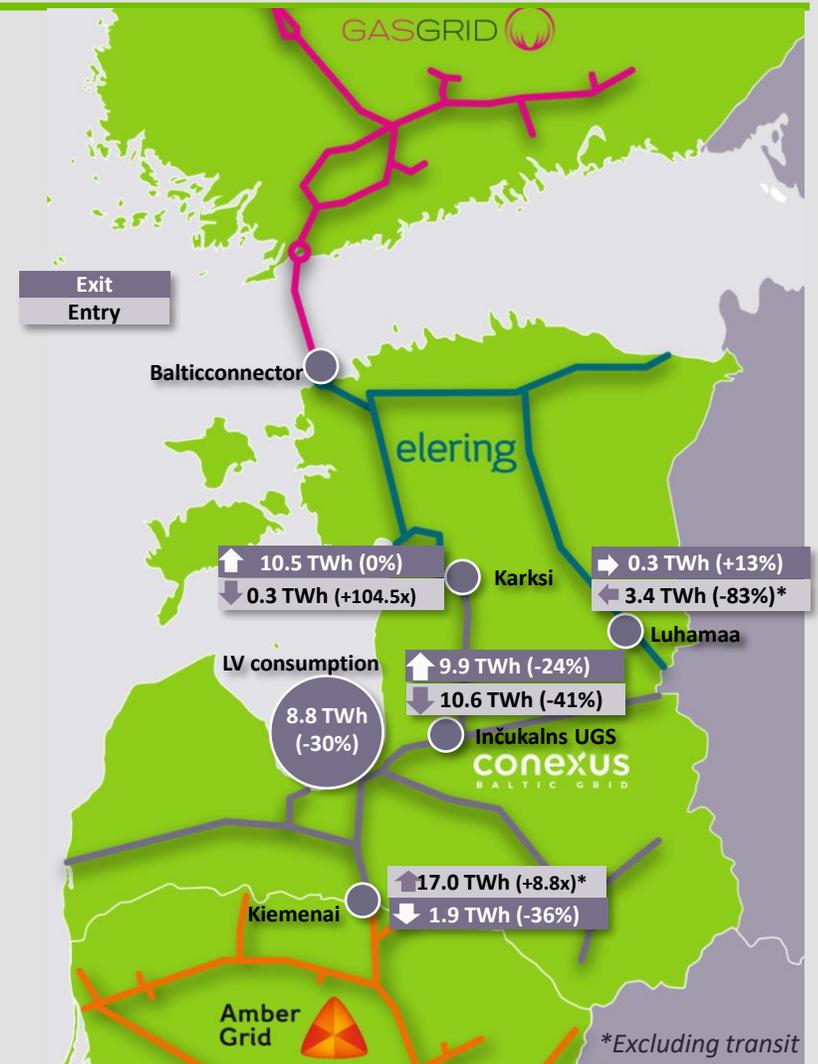
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## Key facts

Transmitted natural gas, TWh



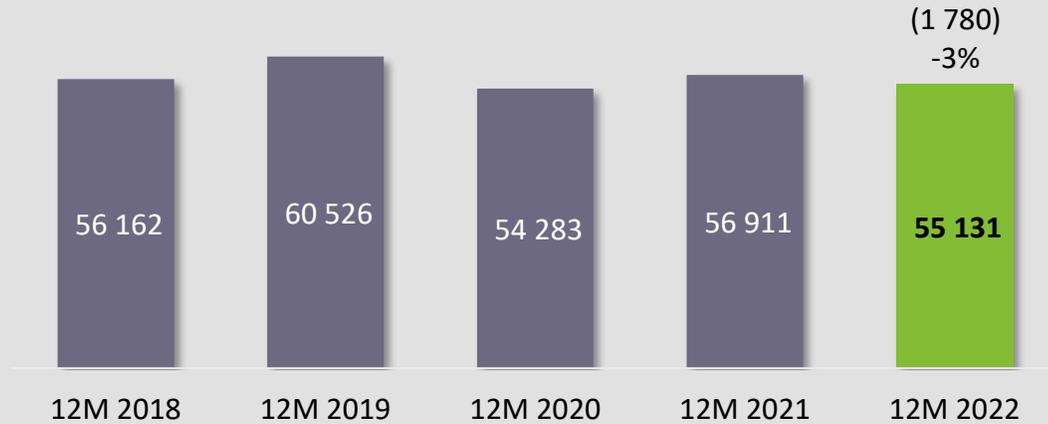
Amount of natural gas stored by system users in Inčukalns UGS at the end of reporting period, TWh



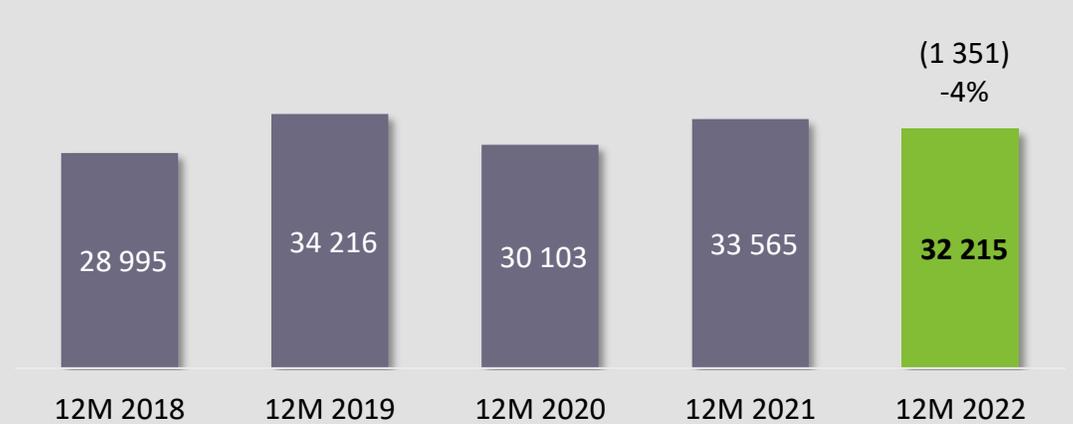
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## Main financial indicators, `000 EUR

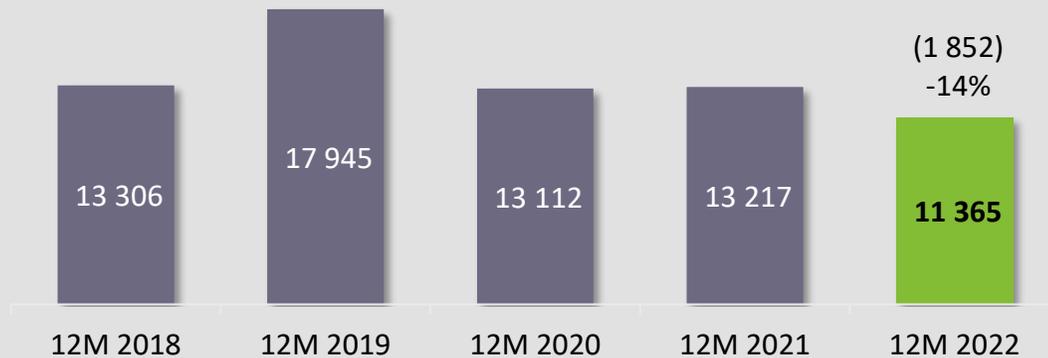
### Revenue



### EBITDA



### Net profit



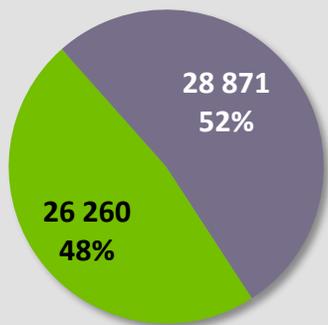
### Capital investments



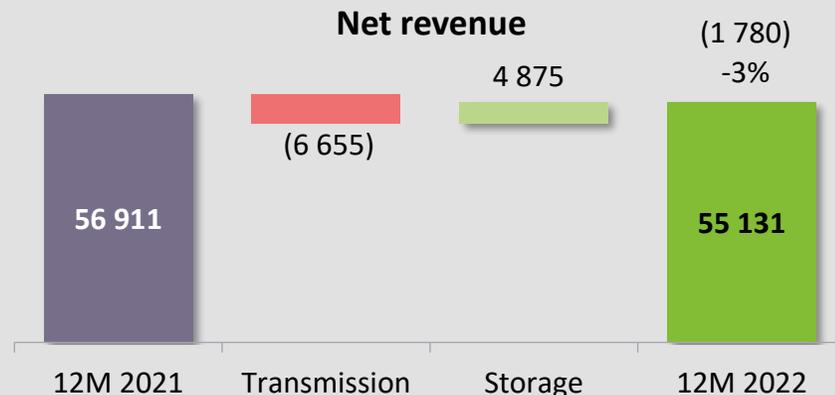
# Unaudited financial statements for 2022

## EBITDA and segment split, `000 EUR

Net revenue by segments



■ Transmission ■ Storage



- EBITDA decreased by 4%, reaching 32.2 million EUR
- Decrease of revenue (1.8 million EUR) mainly due to significant drop in consumption of natural gas in transmission segment
- Net profit reduced by 1.9 million EUR (-14%), reaching 11.4 million EUR

EBITDA

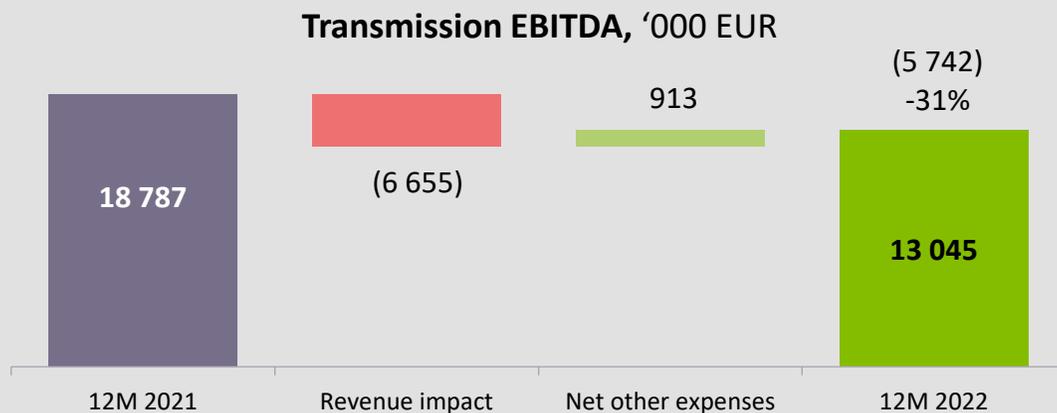


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## Transmission, `000 EUR

	12M 2022	12M 2021	+/-	%
Net sales	26 260	32 915	(6 655)	-20%
EBITDA	13 045	18 787	(5 742)	-31%
Segment Net Profit	1 062	6 869	(5 807)	-85%
Segment assets	238 761	250 660	(11 899)	-5%
Depreciation and amortisation	10 099	10 321	(221)	-2%
Investments made	5 452	10 579	(5 127)	-48%

- Actual transmission revenue reached 26.3 million EUR, decrease by 20% or 6.7 million EUR. It was affected by increase in prices of natural gas, reduced deliveries of gas resulted from the Russian invasion of Ukraine, weather conditions, preparations for the heating season 2022/2023, as well as lower production of electricity at the country's largest heat and power plants

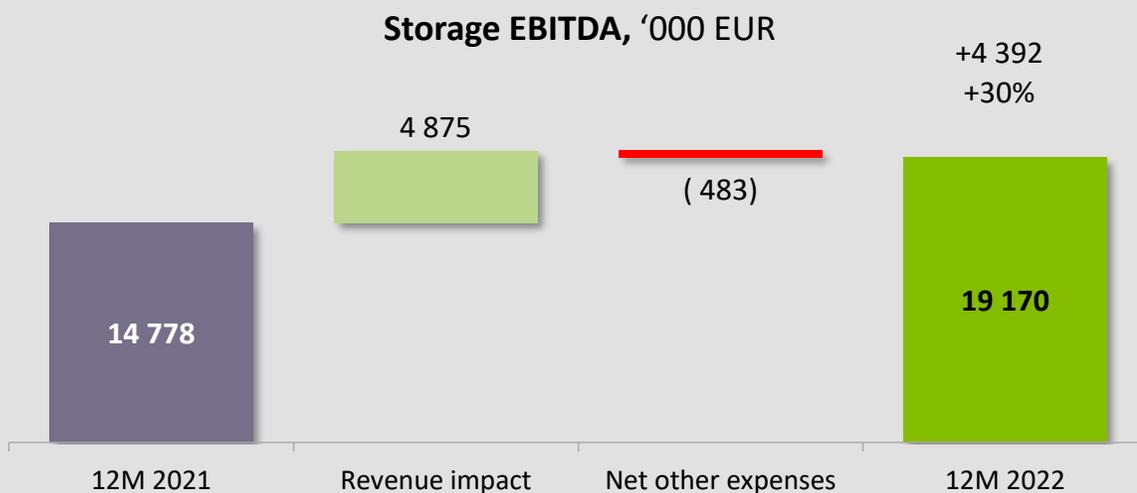


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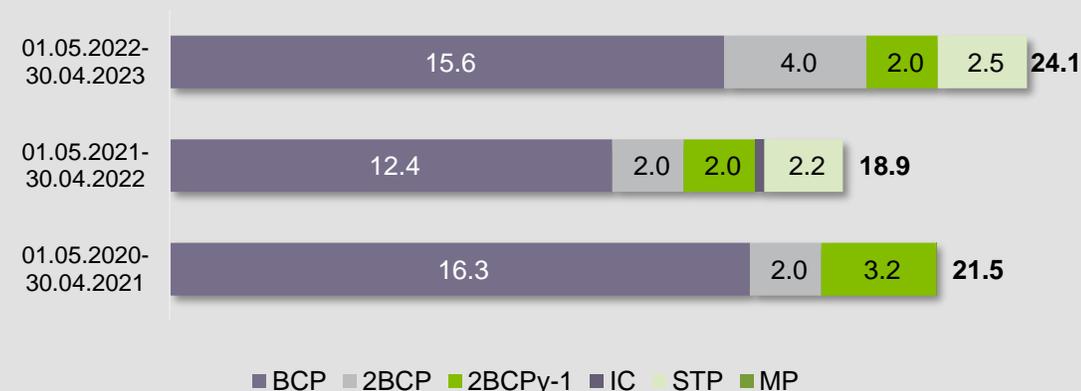
## Storage, `000 EUR

	12M 2022	12M 2021	+/-	%
Net sales	28 871	23 996	4 875	20%
EBITDA	19 170	14 778	4 392	30%
Segment Net Profit	10 303	6 348	3 955	62%
Segment assets	225 049	217 410	7 638	4%
Depreciation and amortisation	7 759	7 485	274	4%
Investments made	9 488	16 772	(7 284)	-43%

- Total booking of capacity at Inčukalns UGS in 2021/2022 storage cycle: 18.9 TWh
- Total booking of capacity at Inčukalns UGS increased to 24.1 TWh (+27%) in 2022/2023 storage cycle
- The varied types of capacity products booked by the market participants, storage tariffs and applicable auction premiums led to increased revenue



### Booking of storage capacity by products, TWh

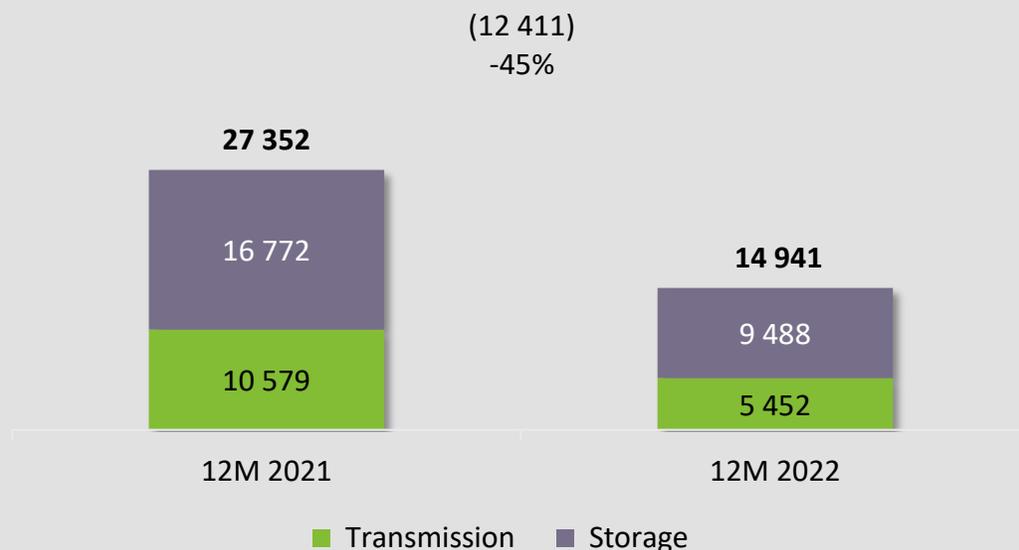


BCP – bundled capacity product; IC – interruptible capacity product; STP – stock transfer product; MP – market product

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## Capital investments, `000 EUR

Investments by segments



- Largest project of storage segment:
  - «PCI 8.2.4. Enhancement of Inčukalns UGS” – implementation of the project of common interest in years 2018 – 2025. Investments made in amount of 7.2 million EUR during the reporting period
- Largest projects of transmission segment:
  - «PCI 8.2.1. Enhancement of Latvia - Lithuania interconnection" (ELLI) – implementation of the project of common interest in years 2019 – 2023. Investments made in amount of 1.3 million EUR during the reporting period
  - Izborsk - Inčukalns UGS gas pipeline insulation replacement works completed in amount of 4.7 million EUR (in 2022– 0.8 million EUR)
  - Repairs of transmission gas pipelines - investments made in amount of 0.9 million EUR

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## Available funds and borrowings, `000 EUR

<b>Cash position</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Cash surplus / (shortage)	10 967	(10 274)
Credit line utilized	-	24 950
<b>Total</b>	<b>10 967</b>	<b>14 676</b>

<b>Outstanding loans</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Long term loans	69 468	60 283
Short term loans	12 962	12 861
Credit line	-	24 950
<b>Total</b>	<b>82 430</b>	<b>98 094</b>

<b>Financial covenants</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Shareholders' equity ratio > 50%	72%	71%
Net Debt to EBITDA ratio < 5	2.7	3.0
Debt-Service Coverage Ratio (DSCR) > 1.2x	2.9	3.7

- Total amount of borrowings is 82,4 million EUR at the end of the reporting period, with credit lines not used. Conexus has available credit lines amounting to 65 million EUR, which ensures a significant liquidity reserve. The duration of agreements for the credit lines reaches beyond 1 year
- Conexus has entered into long-term loan agreements amounting to 55 million EUR at the end of the reporting period with expected receipt of funds during 2023
- All financial covenants set in loan agreements have been complied with during the reporting period

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**Thank you!**