

# Interim unaudited financial statements for the 9-months period ended 30 September 2022



## Main activities (1 of 4)



### **Decrease of natural gas consumption in Latvia impacts turnover and profit of Conexus**

Natural gas consumption in Latvia reached 5,8 TWh, which is by one third lower than the same period of the previous year. Natural gas consumption was impacted by both the outdoor temperature, which during winter months was higher than in the same period of 2021, and by the reduction of gas-to-electricity power generation in country's largest power plants. As a result, users need for natural gas was lower than during the corresponding period of the previous year, which decreased revenue for the use of exit point for supply of consumers of Latvia by 6 168 thousand EUR.



### **Booked capacity of Inčukalns UGS**

In 2022/2023 storage cycle Inčukalns UGS capacity products amounted to 24.1 TWh, which is the largest amount of storage booking in the history of Conexus.

During the reporting period, a total capacity of 19.6 TWh were granted at the Inčukalns UGS capacity auctions. After the closing auction of the grouped capacity products, held on 2 August 2022, all available capacity is fully booked.



### **Volume of natural gas stored in Inčukalns UGS**

On 30 September 2022, Inčukalns UGS holds a volume of 12.5 TWh of natural gas stored by system users. In response to the geopolitical situation in Europe, the injection of natural gas into the Inčukalns UGS was started at the end of February 2022, it is well ahead of the end of withdrawal season. Injection of natural gas into storage will be ensured also during the 2022/2023 withdrawal season.

## Main activities (2 of 4)



### **Tariffs for storage capacity products for the 2022/2023 storage cycle**

In 2022/2023 storage cycle, tariff values for capacity products remain unchanged, with exception of the stock transfer product with a tariff (excluding VAT) of 1.8081 EUR/MWh/storage cycle.



### **Natural gas transmission system tariffs**

The current tariffs on the natural gas transmission system service will apply until the beginning of a new regulatory period, the date of entry into force of which is not currently set but is expected to be 1 October 2023.



### **Allocation of transmission system capacity and Inčukalns UGS injection capacity**

Conexus has established the procedure for allocation of natural gas transmission system capacity and injection capacity of the Inčukalns UGS in order to ensure injection of gas transported from Klaipeda LNG terminal and Poland-Lithuania natural gas interconnection to the storage as much as possible.



### **Work continues on implementation of European projects of common interest**

Work continues on the enhancement of Inčukalns UGS project and on the increase of Latvia-Lithuania transmission gas pipe capacity project (ELLI). During the reporting period, investments were made in amount of 12.5 mio EUR, 64% of them were European projects of common interest.



### **On May 1<sup>st</sup> 2022, the Gas Interconnection Poland-Lithuania (GIPL) started operating**

The new interconnection integrates the Baltics and Finland single gas market into EU common gas market. It gives opportunity to system users to differentiate sources of gas supply and positively affects the security of gas supply.



### **Energy Law amendments**

Amendments were made to the Energy Law to establish gas reserves to be stored in Inčukalns UGS to ensure the security of energy supply. Reserves are to be maintained at the level of 1.8-2.2 TWh in 2023, which will be purchased by Latvenergo on behalf of the state.

## Main activities (3 of 4)

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### **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 30 September 2022, the total storage capacity of the Inčukalns UGS facility is 12.5 TWh, while the storage capacity of users registered in Latvia is 5.7 TWh.



### **Ban on natural gas supplies from Russia from 1 January 2023**

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 this date, Latvia will be able to receive natural gas either from the Klaipeda LNG terminal or from the newly built Inkoo LNG terminal.



### **Finland and Baltics gas transmission system operators continue regional market integration**

Further to the regional market integration initiated in 2019, the transmission system operators of Latvia, Lithuania, Estonia and Finland are working on a solution to include Lithuania in the zone without internal tariff barriers. This would create better conditions for market participants to operate across the region while providing more added value to the end consumers of natural gas.



### **Conexus has joined the European Hydrogen Backbone (EHB) initiative**

EBH is working towards meeting the proposed hydrogen targets of the REPowerEU plan for 2030. At present, a vision is being devised within the initiative for 28 thousand km hydrogen infrastructure in 2030 and 53 thousand km infrastructure in 2040, including 28 European countries in the project.

## Main activities (4 of 4)



### **Energy Law will ensure the establishment of a guarantee of origin system for gas**

The amendments to the Energy Law provide for the establishment of gas guarantee of origin system in Latvia and designates Conexus to become issuing body and registry administrator for guarantees of origin. This is an important step for the development of renewable gases, because after the implementation of the guarantees of origin system in Latvia, it will give local renewable gas producers the opportunity to obtain guarantees of origin. In the near future, the necessary steps will be taken, so that guarantee of origin system for gas could become operational on 1 July 2023.



### **Bond issue**

Shareholders meeting decided to approve the offering and admission to the regulated market of unsecured bond issues with an issue volume of up to 80 million EUR for a term of at least two years.



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

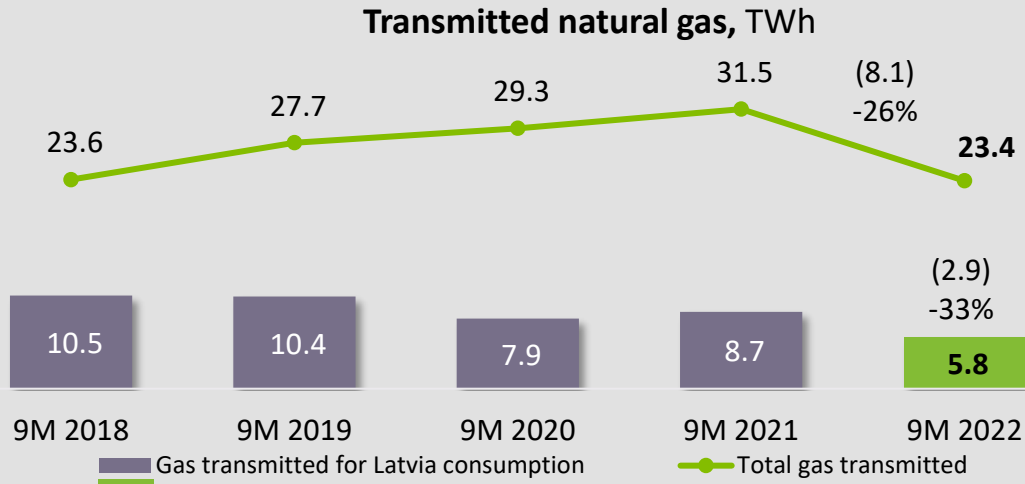
International credit rating agency “S&P Global Ratings”, one of the leading international credit rating agencies, which also determines Latvia's sovereign credit rating at international level, has evaluated natural gas transmission and storage operator “Conexus Baltic Grid” (Conexus) for the first time and assigned rating ‘BBB+’ with stable outlook.



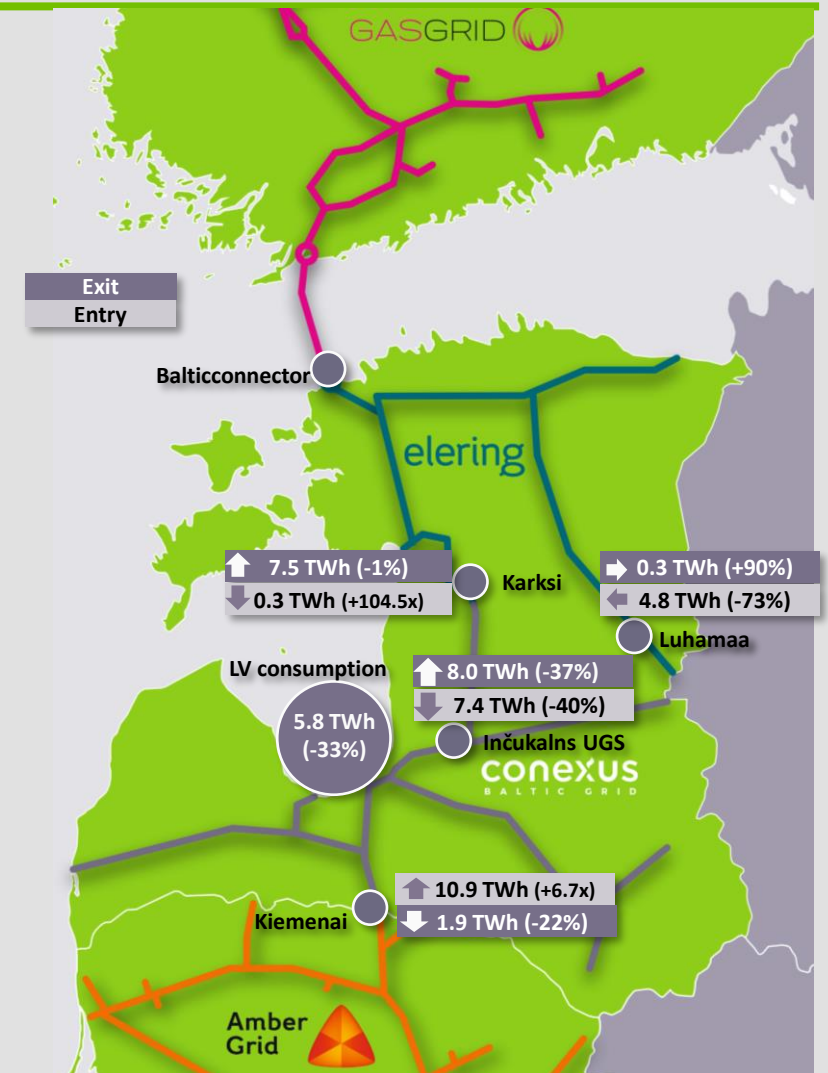
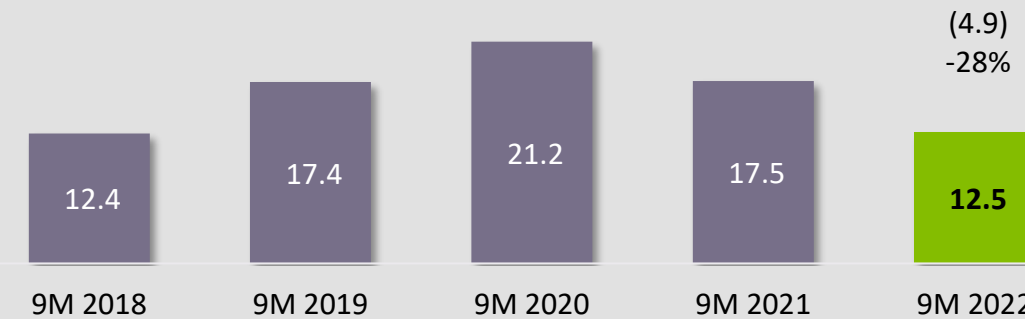
### **Conexus confirms the existence of natural gas stored in storage for household use**

Conexus confirmed the information provided by the Ministry of Economics on 10 August that the Inčukalns UGS contains gas stocks of JSC Latvijas Gāze, which are larger than required by the Cabinet of Ministers Regulation No. 503 of 9 August 2022 "Regulations on Supply of Energy Users during Early Warning and Alert Level Announcement".

## Main facts

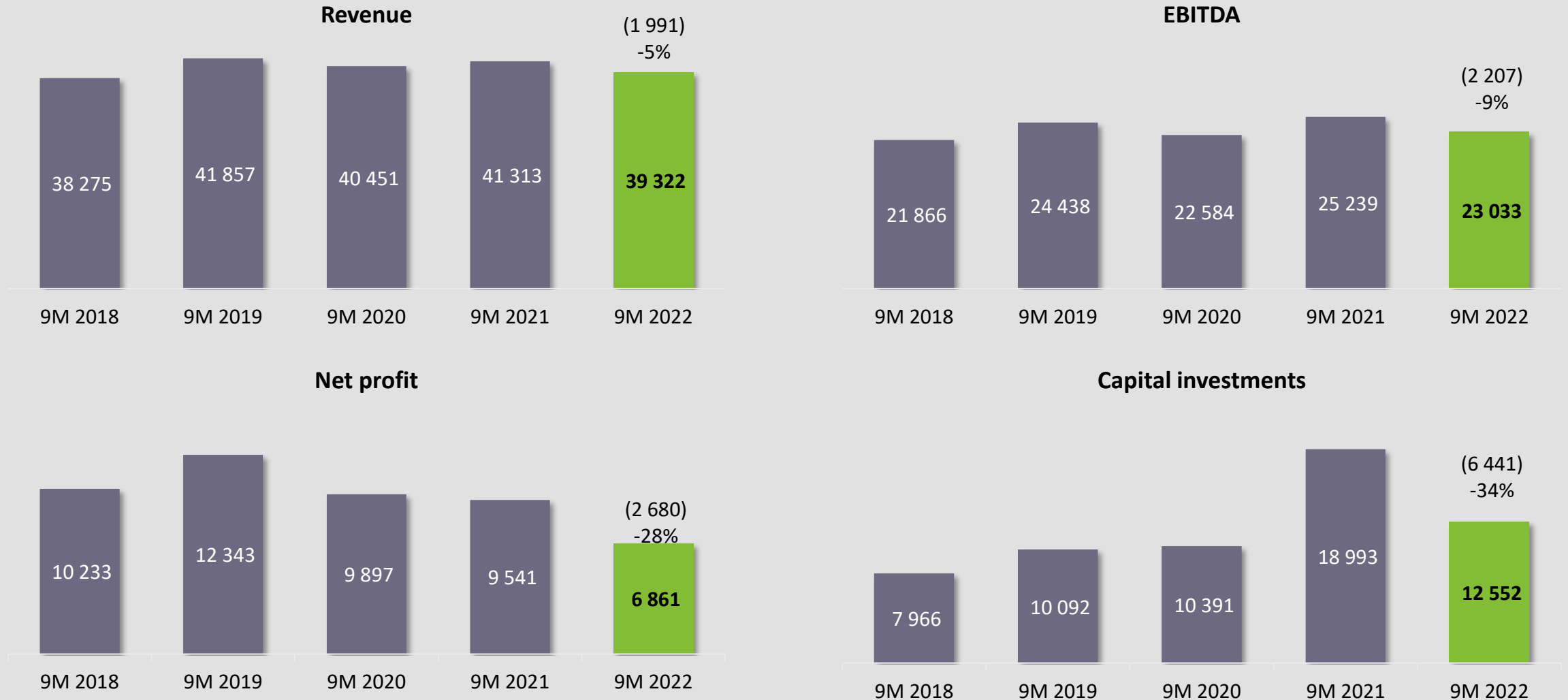


**Total amount of natural gas stored by system users in Inčukalns UGS at the end of reporting period, TWh**



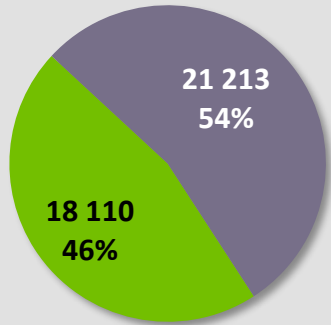
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## Main financial indicators, `000 EUR



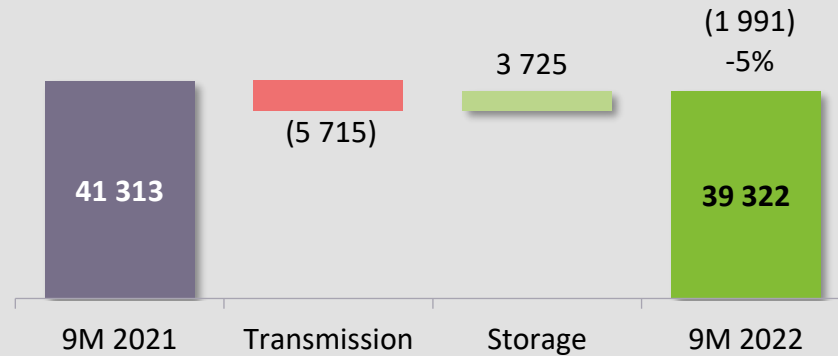
## EBITDA and segment split, `000 EUR

Revenue by segments



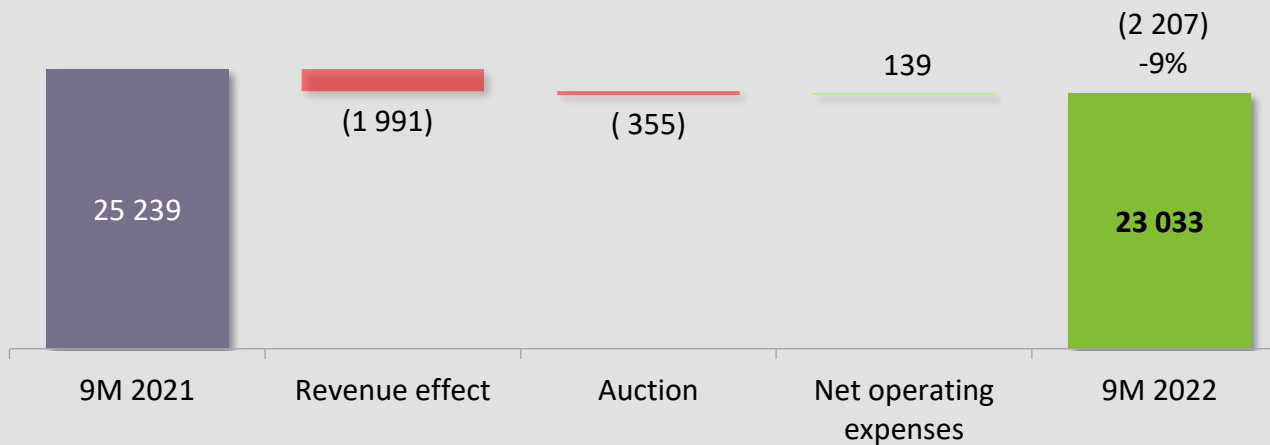
■ Transmission ■ Storage

Net revenue



- EBITDA decreased by 9%, reached 23 mio EUR;
- The main impact - revenue decrease (2.0 mio EUR) mainly due to lower consumption of natural gas;
- Net profit 2.7 mio EUR (-28%) lower, reaching 6.9 mio EUR.

EBITDA



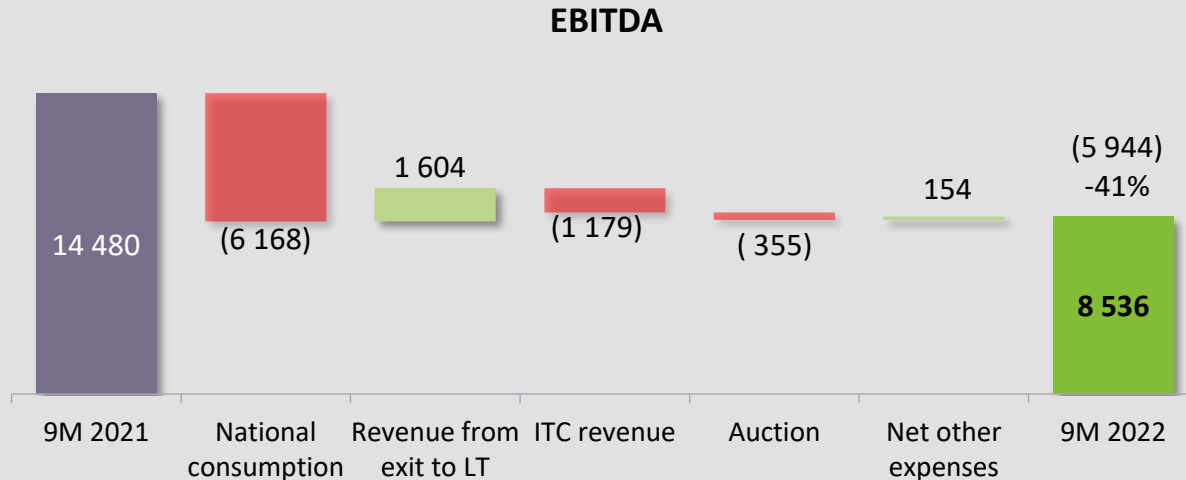


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## Transmission, `000 EUR

	9M 2022	9M 2021	+/-	%
Net sales	18 110	23 825	(5 715)	-24%
EBITDA	8 536	14 480	(5 944)	-41%
Segment Net Profit	(854)	5 258	(6 112)	-116%
Segment assets	230 517	233 109	(2 592)	-1%
Depreciation and amortisation	7 694	7 680	14	0%
Investments made	3 532	8 116	(4 583)	-56%

- Actual transmission revenue reached 18.1 mio EUR, decrease by 24% or 5.7 mio EUR. It was affected by decrease in natural gas for consumption in Latvia by 2.9 TWh (-33%) due to both the warmer weather in winter months as well as by the reduction of gas to power electricity generation in country's largest power plants in comparison to the respective period of 2021.

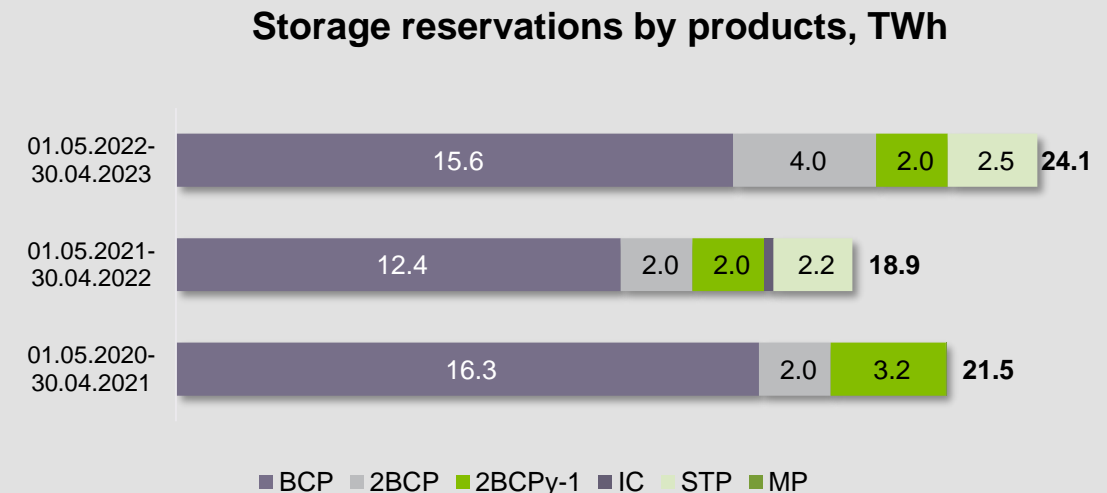
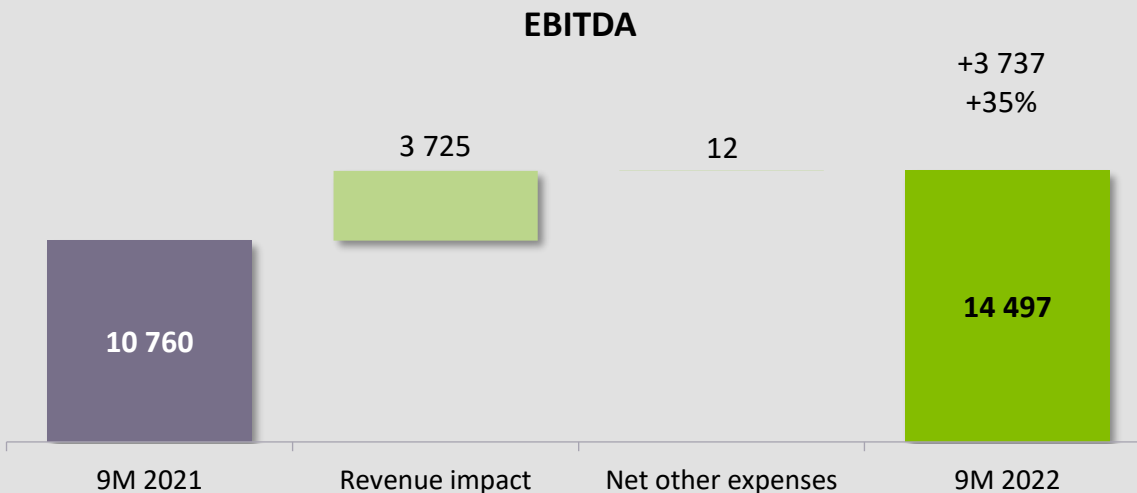


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## Storage, `000 EUR

	9M 2022	9M 2021	+/-	%
Net sales	21 213	17 488	3 725	21%
EBITDA	14 497	10 760	3 737	35%
Segment Net Profit	7 716	4 284	3 432	80%
Segment assets	219 293	211 530	7 763	4%
Depreciation and amortisation	5 778	5 564	214	4%
Investments made	9 019	10 877	(1 858)	-17%

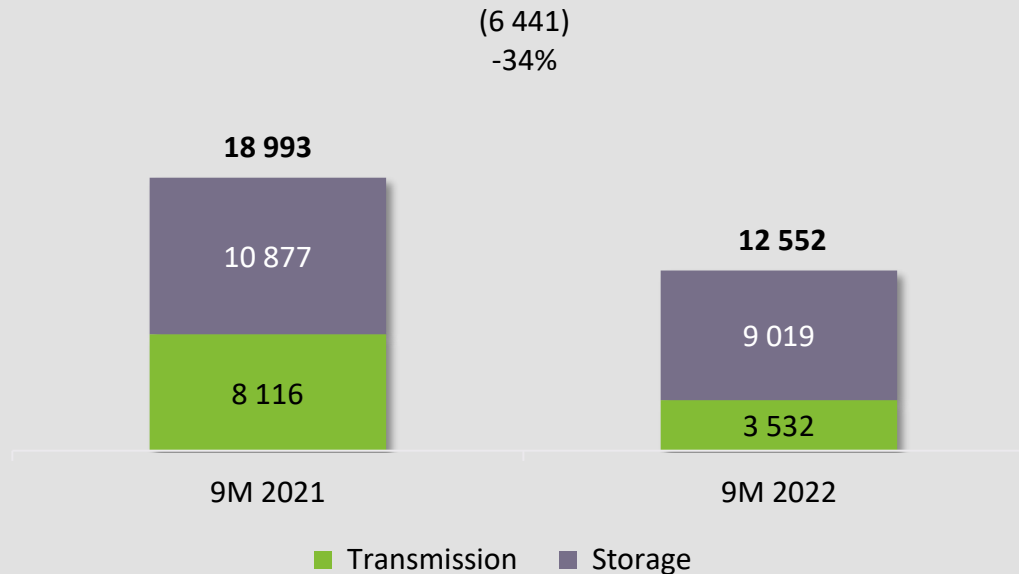
- Total amount of reserved capacity at Inčukalns UGS in 2021/2022 storage cycle: 18.9 TWh;
- Total amount of reserved capacity at Inčukalns UGS increased to 24.1 TWh (+27%) in 2022/2023 storage cycle;
- Revenue was positively affected by the different types of products reserved by the market participants, storage tariffs and applicable auction premiums.



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

## Capital investments, `000 EUR

Investments by segments



➤ Storage segment largest project:

- "8.2.4. Enhancement of Inčukalns UGS" - total investments 99.5 mio EUR for the modernization of the storage facility (50% of which co-financed by the EU). Implementation years 2018 – 2025. During the reporting period investments made in amount of 7.1 mio EUR.

➤ Transmission segment largest projects:

- "8.2.1. Enhancement of Latvia-Lithuania interconnection" (ELLI) – total investments of 6.0 mio EUR are to be made by Conexus (50% of which co-financed by the EU). Implementation years 2019 – 2023. During the reporting period investments made in amount of 894 kEUR;
- Transmission gas pipelines repairs - investments made in amount of 720 kEUR;
- Izborska – Inčukalns UGS insulation replacement – 673 kEUR.

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## Available funds and borrowings, `000 EUR

<b>Cash position</b>	<b>30.09.2022</b>	<b>31.12.2021</b>
Cash surplus / (shortage)	(8 701)	(10 274)
Credit line utilized	9 185	24 950
<b>Total</b>	<b>484</b>	<b>14 676</b>

<b>Outstanding loans</b>	<b>30.09.2022</b>	<b>31.12.2021</b>
Long term loans	54 811	60 283
Short term loans	9 964	12 823
Credit line	9 185	24 950
<b>Total</b>	<b>73 960</b>	<b>98 056</b>

<b>Financial covenants</b>	<b>30.09.2022</b>	<b>31.12.2021</b>
Shareholders' equity ratio > 50%	73%	71%
Net Debt to EBITDA ratio < 5	2.9	3.0
Debt-Service Coverage Ratio (DSCR) > 1.2x	2.6	3.7

- At the end of the reporting period, the total amount of borrowings is 73 960 kEUR, including overdraft in amount of 9 185 kEUR. From the total amount of overdraft facilities available to Conexus at 65 000 kEUR, 55 815 kEUR are unused at the end of the reporting period, which ensures a significant liquidity reserve. The duration of agreements for the overdraft facilities in amount of 65 000 kEUR reaches beyond 1 year.
- All financial covenants set in the Conexus loan agreements have been complied with during the reporting period.

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**Thank you!**