

Joint-stock company

conexus
B A L T I C G R I D

Condensed interim financial statements

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2022
(UNAUDITED)

Prepared in accordance with the International Accounting Standard
No. 34 “Interim Financial reporting” as adopted by the European Union

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INFORMATION ON THE COMPANY

Company	Joint Stock Company (JSC) "Conexus Baltic Grid"	
Registration number	40203041605	
LEI code	485100YDVP9E8GT6PJ90	
Date and place of registration	2 January 2017, Riga	
Address	Stigu Street 14, Riga, LV-1021, Latvia www.conexus.lv	
Major shareholders	JSC „Augstsprieguma tīkls”	(68.46%)
	“MM Infrastructure Investments Europe Limited”	(29.06 %)
Financial statements period	1 January 2022 – 30 September 2022	

Joint stock company (JSC) Conexus Baltic Grid (hereinafter referred to as the Company, or as Conexus) is a unified natural gas transmission and storage operator in Latvia that manages one of the most modern natural gas storage facilities in Europe, the Inčukalns Underground Storage Facility (hereinafter referred to as the Inčukalns UGS, or as the storage facility), and the main natural gas transmission system, which directly connects Latvia's natural gas market with Lithuania, Estonia, and the north-west of Russia.

Conexus customers – users of the natural gas transmission and storage system – represent several countries of the Baltic Sea region – Finland, Estonia, Latvia, Lithuania and Poland; as well as other European countries – Norway, the Czech Republic and Switzerland. The users are both private local companies and state-owned and multinational companies representing various business sectors – natural gas wholesalers and retailers, energy producers, heating operators and manufacturing companies.

Conexus natural gas transmission and storage services are regulated by the Public Utilities Commission (hereinafter referred to as PUC, or as the Regulator).

Conexus offers its clients natural gas transmission and storage services, subject to the tariffs determined by the PUC.

Conexus takes care of the sustainability and safety of the infrastructure, high quality of services, which promotes market development and provides economic value to customers and society as a whole.

Conexus is a socially responsible company that, by creating added economic value, ensures the overall development of the industry, growth of employees, sustainable employment, while ensuring minimal impact of technological processes on the environment.

WHO DO WE WANT TO BE?

Vision

To become the most reliable energy source in the region.

WHY DO WE EXIST?

Mission

To promote sustainable energy market in the region, offering reliable operation of natural gas transmission and storage system.

WHAT IS IMPORTANT TO US?

Values



Secure operation of the system



Professional and united team



Flexibility and openness through competent solutions



Sustainable development

Goals of Conexus

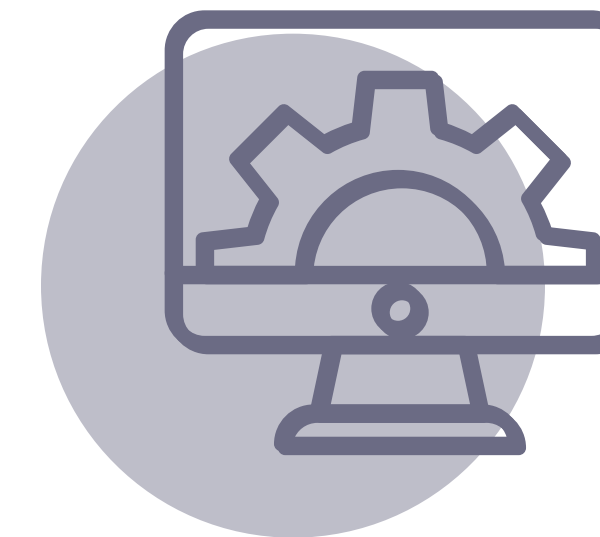
Medium-term (2019-2023) key goals of Conexus are related to three areas: **Market development, provision of infrastructure and operational development.** The Company's strategic goals are set in accordance with Conexus values, vision and mission – **to promote sustainable energy market in the region, offering reliable operation of natural gas transmission and storage system.**

1 Development of regional natural gas market to achieve sustainable operation of Inčukalns UGS in market conditions

2 Provide safe, accessible and market-based infrastructure

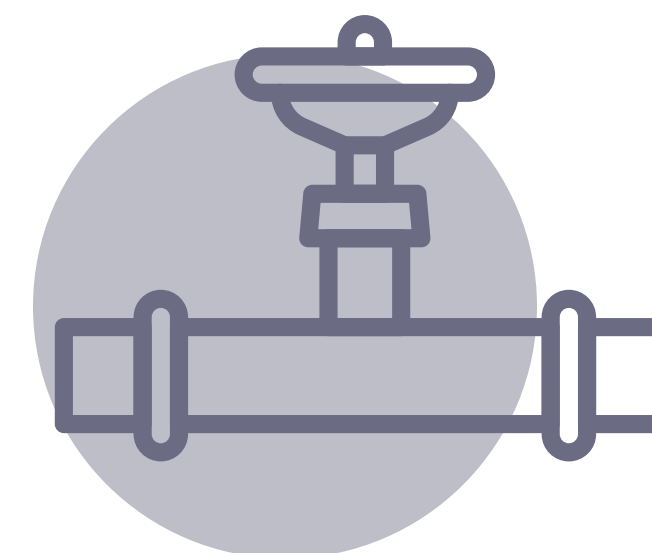
3 Implement sustainable management of the working capacity of internal and external resources

In addition to its strategic goals, Conexus has identified three developmental motives that spread across all medium-term activities planned. These motives add to the strategic goals, facilitate their implementation and are determined as follow:



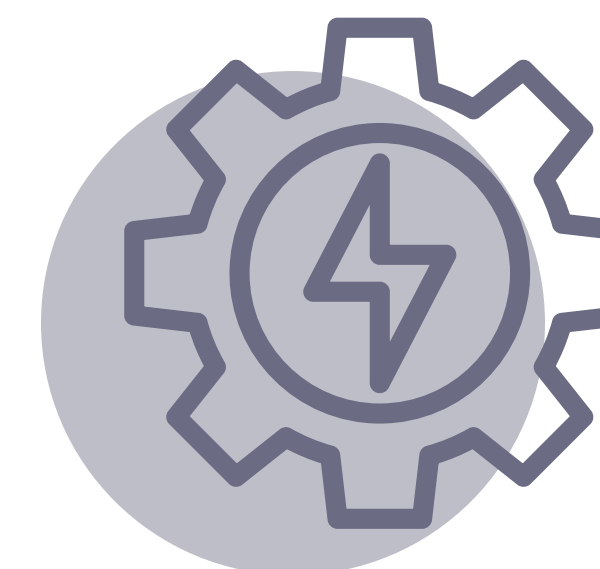
DIGITISATION

Conexus will focus on modernisation and development of technologies as well as centralized asset, personnel and financial management and implementation of effective resource management



COOPERATION WITH OTHER REGIONAL TSOs

In the medium term, Conexus plans to facilitate cooperation with other TSOs in the region by coordinating operational cooperation and introducing a periodic benchmarking system with other regional TSOs



CONEXUS – ENERGY PROVIDER

To become the most reliable energy source in the region and gradually introduce services not only for natural gas users, but also for electricity users.

Shareholders

The main Conexus governance institution is Shareholders' meeting, which appoints Conexus council.

Conexus is a closed-emission joint stock company with 100% registered shares. The total number of shares is 39 786 089, with a nominal value of EUR 1.00. The total number of shareholders exceeds 4,8 thousand. 97,52% of the total number of shares belong to two largest shareholders - JSC „Augstsprieguma tīkls” (68,46 %), MM Infrastructure Investments Europe Limited (29,06 %).

Shareholders' registry is maintained electronically by Nasdaq CSD SE, in accordance with the concluded contract.

Shareholders as of 30 September 2022:

JSC „AUGSTSPRIEGUMA TĪKLS”

68,46%

MM INFRASTRUCTURE
INVESTMENTS EUROPE LIMITED

29,06%

OTHER SHAREHOLDERS

2,48%



The Council

Term of office from 28 April 2022 until 27 April 2025



(In Council since 3 January 2018)

ILMĀRS ŠŅUCINS
Chairman of the Council



(In Council since 30 April 2020)

TOMOHIDE GOTO
Deputy Chairman of the Council



(In Council since 28 April 2022)

IVARS MOISEJS
Member of the Council



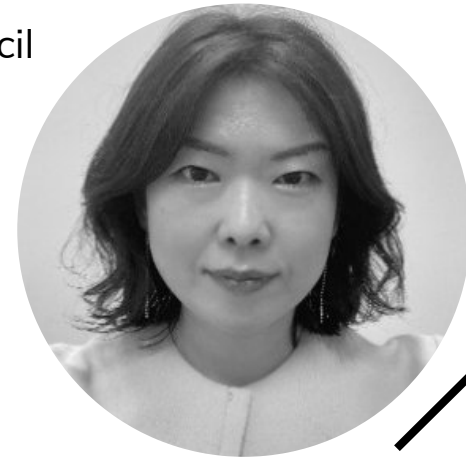
(In Council since 12 May 2021)

VIKTORS SENTUHOVSKIS
Member of the Council



(In Council since 30 April 2020)

ZANE ĀBOLIŅA
Member of the Council



(In Council since 28 April 2021)

YUKIKO FUJII
Member of the Council



(In Council since 30 April 2020)

NORMUNDS ŠUKSTS
Member of the Council

Term of office until 28 April 2022

ILMĀRS ŠŅUCINS
Chairman of the Council

(in Council from 3 January 2018)

TOMOHIDE GOTO
Vice-Chairman of the Council

(in Council from 30 April 2020)

ZANE ĀBOLIŅA
Member of the Council

(in Council from 30 April 2020)

ILZE ALEKSANDROVIČA
Member of the Council

(in Council from 30 April 2020)

NORMUNDS ŠUKSTS
Member of the Council

(in Council from 30 April 2020)

TAKUMI SASAKI
Member of the Council

(In Council from 12 May 2021)

VIKTORS SENTUHOVSKIS
Member of the Council

(In Council from 12 May 2021)

The Board



ULDIS BARISS

JOINT-STOCK COMPANY
"CONEXUS BALTIC GRID"
CHAIRMAN OF THE BOARD

valde@conexus.lv

Term of office:
from 16 November 2020 until 15 November 2023.
Does not hold shares in JSC "Conexus Baltic Grid"



GINTS FREIBERGS

JOINT-STOCK COMPANY
"CONEXUS BALTIC GRID"
MEMBER OF THE BOARD

valde@conexus.lv

Term of office:
from 22 December 2016 until 31 December 2017,
from 31 December 2017 until 31 December 2020 and
from 1 January 2021 until 31 December 2023.
Holds 416 shares in JSC "Conexus Baltic Grid"



MĀRTIŅŠ GODE

JOINT-STOCK COMPANY
"CONEXUS BALTIC GRID"
MEMBER OF THE BOARD

valde@conexus.lv

Term of office:
from 31 December 2017 until 31 December 2020 and
from 1 January 2021 until 31 December 2023.
Does not hold shares in JSC "Conexus Baltic Grid"

MANAGEMENT REPORT

Main activities

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

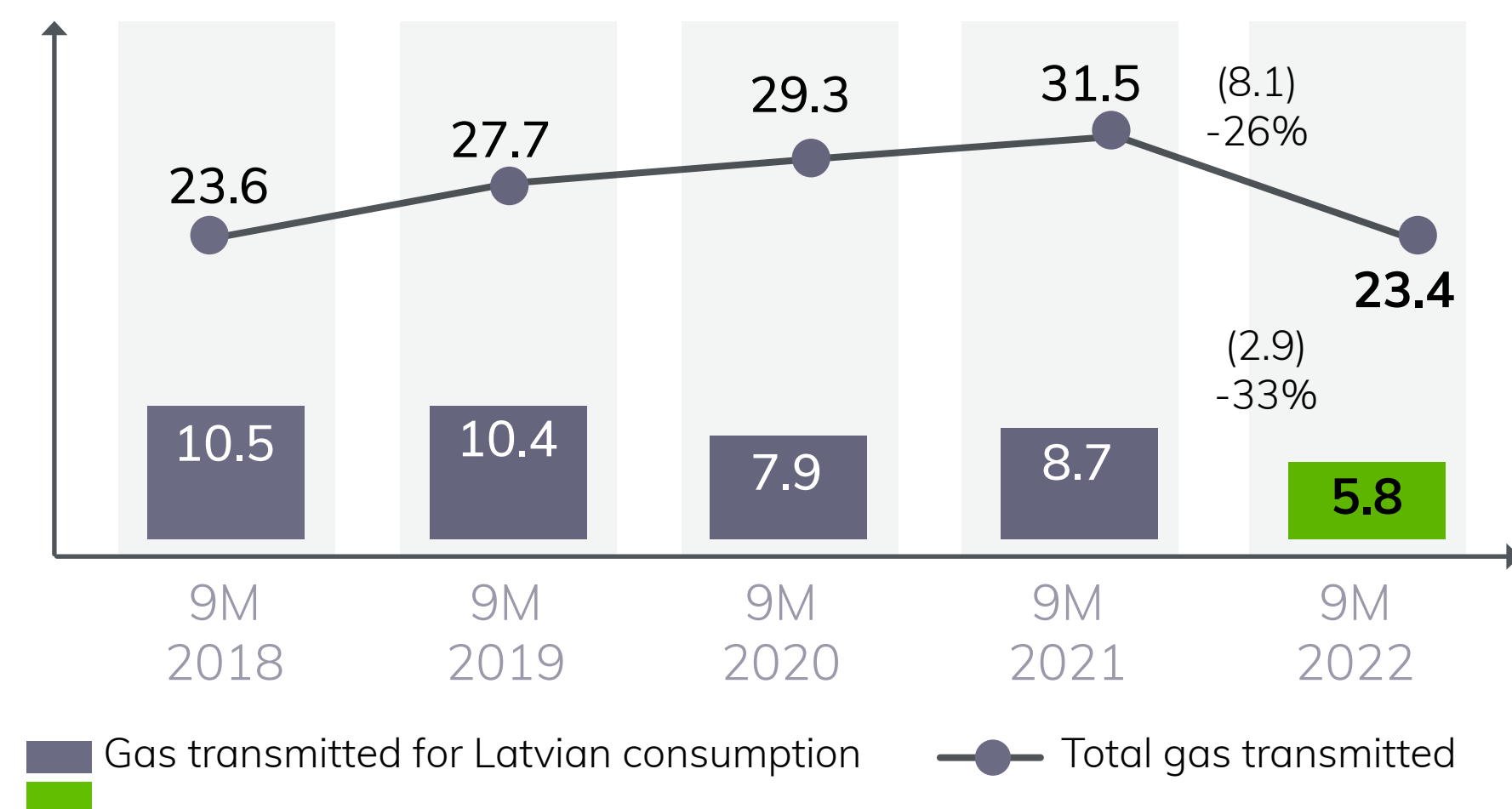
Natural gas consumption in Latvia reached 5,8 TWh, which is by one third lower than the same period of the previous year. Natural gas consumption was impacted by both the outdoor temperature, which during winter months was higher than in the same period of 2021, and by the reduction of gas-to-electricity power generation in country's largest power plants¹. 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. The decrease of natural gas consumption has allowed to reduce the amount withdrawn from Inčukalns UGS. In the first 9 months of 2022, 7,4 TWh of natural gas were withdrawn, which is 40% less than a year ago.

During the first 9 months of 2022, Conexus provided safe and uninterrupted natural gas supply for the consumption of Latvia, Lithuania, Estonia and Finland. Total volume of gas transmitted in Latvia reached 23,4 TWh, which is 26% less than in prior year's respective period.

The largest decrease is due to the lower volume of natural gas received from Russia. 4,8 TWh of natural gas was received from Russia in the first 9 months of this year, representing a 73% decrease compared to the volume of 17,5 TWh received in the first 9 months of last year. This decrease is attributable to both financial settlements with Russia being significantly burdensome, which prevents the payment for natural gas supplied, and the high price of natural gas on global markets, which makes the purchase of natural gas commercially disadvantageous for natural gas traders.

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

Transmitted natural gas, TWh

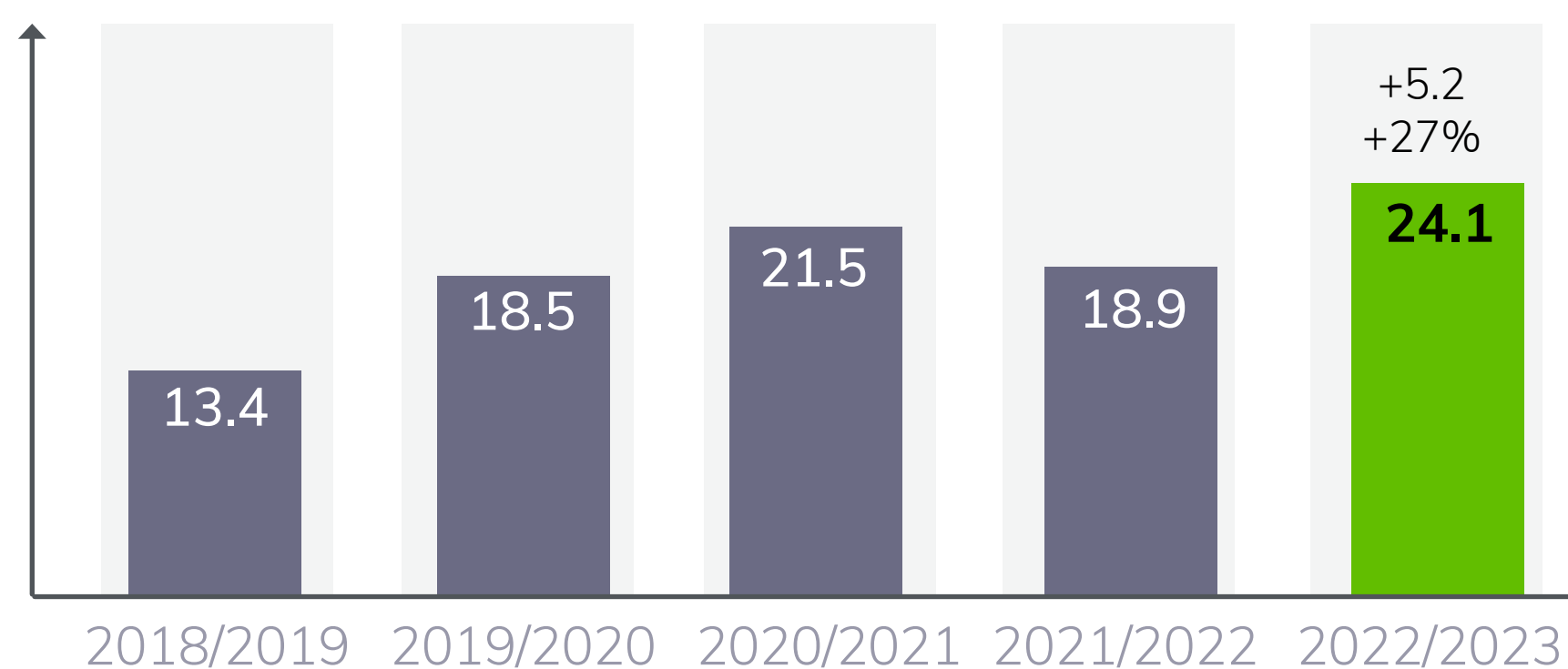


To ensure the safe and predictable availability of natural gas, natural gas traders are diversifying sources of natural gas supply. Natural gas traders have actively launched natural gas supplies from Klaipėda's liquefied gas terminal. In the 9 months of this year, the volume of natural gas received from Lithuania is 10,9 TWh, almost 6 times more than in the 9 months of last year.

Booked capacity of Inčukalns UGS

In 2022/2023 storage cycle Inčukalns UGS capacity products amounted to 24,1 TWh, which is 27% more than the year before. All available capacity of Inčukalns UGS 2022/2023 storage cycle is fully booked. This is the largest amount of storage booking reached in the history of Conexus.

Volume of booked capacity in Inčukalns UGS, TWh/storage cycle



During the reporting period, several Inčukalns UGS capacity auctions were held, as a result, system users were granted 19,6 TWh – 5,6 TWh for one year bundled capacity product of 2022/2023 storage cycle, 4 TWh for two year bundled capacity product of 2022/2024 storage cycle. After the closing auction of the grouped capacity products, held on 2 August 2022, all available capacity is fully booked.

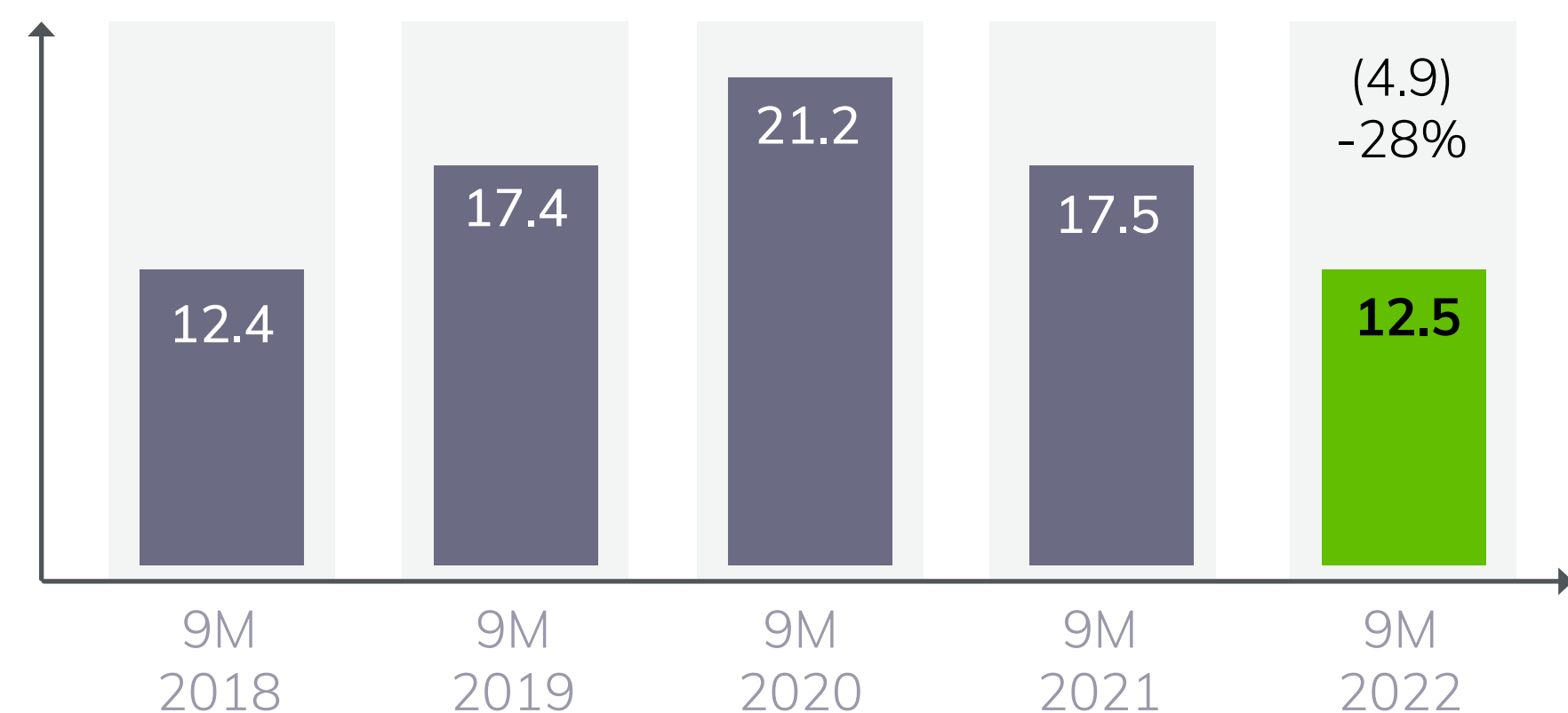


Volume of natural gas stored in Inčukalns UGS

On 30 September 2022, Inčukalns UGS holds a volume of 12,5 TWh of natural gas stored by system users, it is 28% less than the volume stored on 30 September last year in Inčukalns UGS.

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. Usually, the injection into the Inčukalns UGS is started only after the end of withdrawal season, which is set for 30 April 2022. In order to promote the security and continuity of natural gas supply, injection of natural gas into storage will be ensured also during the 2022/2023 withdrawal season.

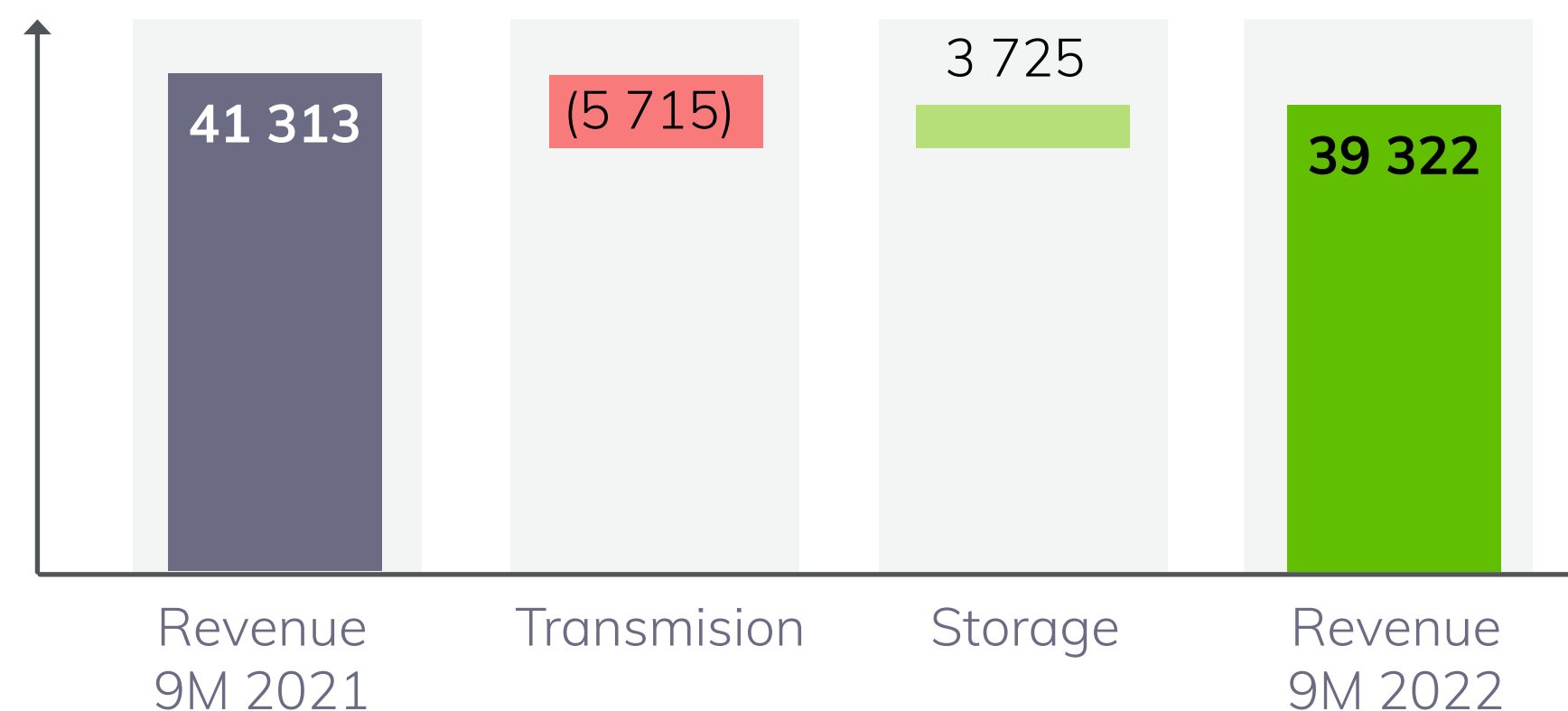
Total amount of natural gas stored by system users in Inčukalns UGS at the end of reporting period, TWh



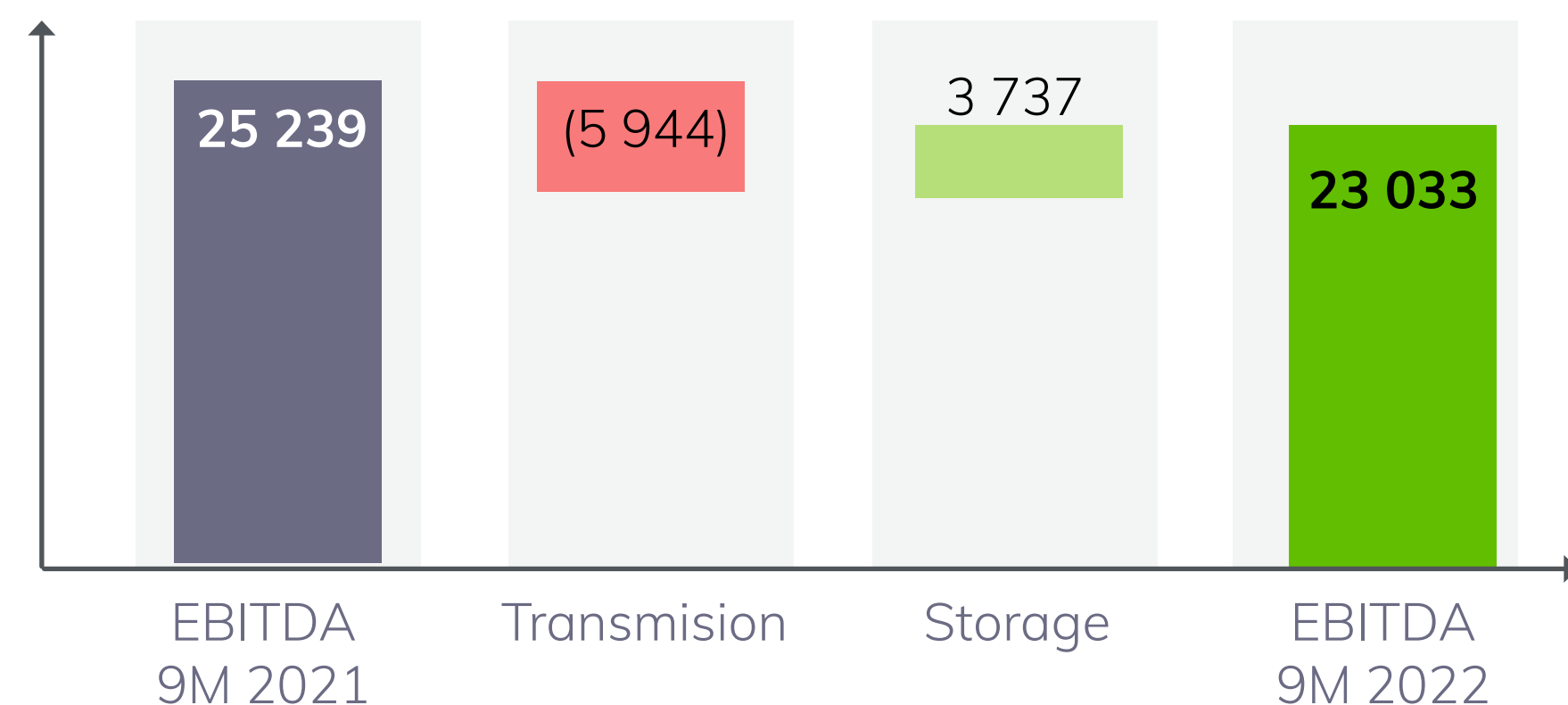
Conexus financial results

The net turnover in the reporting period was 39 322 thousand EUR, which is 5% less than in the prior year's respective period. Conexus EBITDA during the reporting period decreased by 9% in comparison to the respective period of 2021, reaching 23 033 thousand EUR. Both revenue and EBITDA were negatively affected by decrease in the volume of transmission services. However, the storage service's revenue and EBITDA exceed the corresponding period of the previous year.

Conexus revenue `000 EUR



Conexus EBITDA, '000 EUR



During the reporting period, Conexus net profit was 6 861 thousand EUR, which is 2 680 thousand EUR less than in the prior year's respective period.

MAIN FINANCIAL INDICATORS	9M 2022 or 30.09.2022	9M 2021 or 30.09.2021	+/-	%
	EUR'000	EUR'000		
Net turnover	39 322	41 313	(1 991)	-5%
EBITDA	23 033	25 239	(2 207)	-9%
Net profit	6 861	9 541	(2 680)	-28%
Segment assets	449 810	444 639	5 171	1%
Investments	12 548	18 993	(6 445)	-34%

Financing and liquidity

The financial assets at the Conexus disposal are sufficient to meet Conexus finance needs. At the end of the reporting period, the total amount of the Conexus borrowings is 73 960 thousand EUR, including overdraft in amount of 9 185 thousand EUR. From the total amount of overdraft facilities at 65 000 thousand EUR, 55 815 thousand EUR are unused at the end of the reporting period, which ensures significant liquidity reserve. The duration of agreements for the overdraft facilities in the amount of 65 000 thousand EUR reaches beyond 1 year.

At the end of the reporting period the weighted average interest rate of long-term borrowings is 0.54% (31.12.2021: 0.37%).

All financial covenants set in the Conexus loan agreement have been complied with during the reporting period.

CONEXUS FINANCIAL COVENANTS	30.09.2022	31.12.2021
Shareholders' equity ratio (>50%)	73%	71%
Net debt to EBITDA ratio (<5)	2.9	3.0
Debt-Service Coverage Ratio (DSCR) (>1.2)	2.6	3.7

Regulatory activities

Conexus determines the 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 Lithuanian-Polish natural gas interconnection to the storage as much as possible. The capacity allocation procedure developed by Conexus can be found on the Conexus website:

https://www.conexus.lv/uploads/filedir/Aktualitates/Komercdala/Incukalna_jaudas_sadales_kartiba.pdf

This obligation was imposed on Conexus on 8 March 2022 by Cabinet of Ministers' decision providing for the declaration of an early warning in the natural gas supply sector.

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

Assessing the results of the previous storage cycle, storage capacity forecasts for the next storage cycle and the natural gas market situation, PUC has not objected Conexus' proposal for the 2022/2023 storage cycle to maintain the tariff values of the following capacity products unchanged:

- the bundled capacity product tariff (excluding VAT): 1,0226 EUR/MWh/storage cycle;
- the two-year bundled capacity product tariff (excluding VAT): 1,0865 EUR/MWh/for one year period;

- the interruptible capacity product tariff (excluding VAT): 0,8147 EUR/MWh/storage cycle;
- the virtual reverse flow product tariff (excluding VAT): 0,3471 EUR/MWh/storage cycle

In accordance with the current regulatory framework, the tariff for the stock transfer product shall be set in such a way as to ensure that it would be more cost-effective for the users of the natural gas storage system to plan the amount of stored natural gas accurately or purchase the two-year bundled capacity product. Accordingly, the tariff value of the stock transfer product for the 2022/2023 storage cycle has been harmonized with the result of the two-year bundled capacity product auctions of the 2021/2022 storage cycle. Consequently, the tariff for the stock transfer product (excluding VAT) is 1,8081 EUR/MWh/storage cycle.

Natural gas transmission system service tariffs will remain unchanged

In accordance with the Regulator's decision No 171 of 27 November 2019, existing transmission service tariffs have been approved for the period from 1 January 2020 to 30 September 2022. Since no new tariffs on the natural gas transmission system service are expected to take effect from 1 October 2022, the current tariffs on the natural gas transmission system service will apply until the beginning of a new regulatory period.

Tariff for the use of the exit point for supply of consumers of Latvia will remain unchanged, as well as the annual standard capacity product tariffs, short term standard capacity product tariffs, interruptible capacity product tariffs and interruptible virtual counter-flow product tariffs.

The date of entry into force of the new regulatory period is not currently set but is expected to be October 1, 2023. This date depends on both the decision on Lithuania joining the single natural gas transmission entry-exit system of Finland, Estonia and Latvia, and the revision of the methodology for calculating tariffs for the natural gas transmission system scheduled for this year.

Legal events

- ◆ On 18 September 2018, Conexus filed an application to the Administrative district court against the decision No. 69 of the PUC council “On JSC “Conexus Baltic Grid” natural gas transmission system tariffs” dated 18 June 2018, in relation to expenses not being included in the transmission system tariff project and issuance of a new administrative act, intending to include the excluded expenses in tariff project in the next period. With the decision of the Administrative district court dated 7 April 2020, the application was rejected. Conexus submitted cassation complaint to the Department of Administrative Cases of the Senate on 7 May 2020 and the cassation proceedings have been initiated, but the date of the hearing has not been set yet;
- ◆ On 28 September 2020, Conexus filed an application to the Administrative district court regarding cancellation of the PUC Council’s decision No 109 dated 20 August 2020 “Regarding the Capital Return Rate for the Calculation of the Draft Tariff for Natural Gas Transmission System, Natural Gas Distribution System, and Natural Gas Storage Services”. The decision to refer the question to the Court of Justice of the European Union on the interpretation of the European Union law applicable in the case is planned to be drawn up in the Administrative district court on 2 December 2022.

Other activities

Active work continues on implementation of European projects of common interest

In 2022, active work continues on the project “Enhancement of Inčukalns UGS”, during which by 2025 it is planned to significantly improve the technical infrastructure and equipment safety, for the purpose of the Inčukalns UGS retaining its functionality after increase of pressure within the Baltic transmission network

Work also continues on the increase of Latvia-Lithuania transmission gas pipe capacity with the aim to facilitate access to the Klaipēda liquid gas terminal, Latvia’s Inčukalns UGS and Poland-Lithuania gas interconnection.

Total investments into both projects comprise 105,5 million EUR.

During the reporting period, investments were made in amount of 12,5 million EUR, 64% of which were as part of European projects of common interest.

Conexus has joined the *European Hydrogen Backbone* initiative

In accordance with the European green deal to Europe climate neutral by 2050, Conexus has joined the European Hydrogen Backbone (EHB) initiative, which is comprised of European gas transmission system operators’ group that has developed proposals for development of hydrogen-related infrastructure, as well as participates in European gas infrastructure (GIE) gas storage research project “Demonstration of underground hydrogen storage roads and values corresponding to the future hydrogen energy market”.

EBH is evolving in order to meet 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.

EBH initiative offers its solutions to accelerate the deployment of integrated hydrogen and gas infrastructure, to ensure higher security of energy supply and to achieve the European Union’s renewable energy targets.

Finnish and Baltic gas transmission system operators continue regional market integration

Natural gas market participants have expressed the need to extend the current Estonia-Finland-Latvia entry tariff area to include Lithuania in order to remove the current tariff barrier at the Lithuania-Latvia interconnector Kiemėnai. Further to the regional market integration initiated in 2019, the transmission system operators of Latvia, Lithuania, Estonia and Finland, namely, Conexus, AB Amber Grid, Elering AS and Gasgrid Finland Oy, are working on a solution to include Lithuania in the zone with no internal tariff barriers. This would create better conditions for market participants to operate across the region while providing more added value to end consumers of natural gas. The proposed tariff area model foresees harmonised, uniform tariff setting for external borders, allowing for discounts at entry points from alternative gas sources.

Decisions of the shareholders' meeting

On 28 April 2022, the shareholders' meeting elected Conexus Council with changes in its current composition. Seven members of the Council have been approved for a term of three years.

In addition to the election of Conexus Council, 2021 Sustainability and Annual Report and Dependency Report were approved, and the reports of the Conexus Board, Council and independent auditor were reviewed.

At the same time, Shareholders meeting approved dividends in amount of 9 548 thousand EUR (0.24 EUR per share).

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.

On 1 May 2022, the Gas Interconnection Poland-Lithuania (GIPL) commenced its operation

On 1 May 2022, the Gas Interconnection Poland-Lithuania commenced its operation, transmitting natural gas in both directions. The new interconnection will integrate the Baltic and Finnish single gas market into European Union's common gas market. It will give opportunity to system users to differentiate sources of gas supply, as well as it will positively impact the security of gas supply.

Energy Law amendments

Amendments were made to the Energy Law on 21 April 2022. As explained in the specification of the drafted project, the aim of the amendments is to establish gas reserves to be stored in Inčukalns UGS in order to ensure the security of energy supply in Latvia. The reserves will ensure that natural gas is available in the country to a sufficient extent to prevent energy crisis.

Gas reserves necessary to ensure the security of energy supply in Latvia are to be maintained at the level of 1,8-2,2 TWh in 2023, depending on the available supply of liquified natural gas vessels. The purchase and storage of the energy supply security reserve, ensuring injection in Inčukalns UGS until 1 January 2023, is organised by JSC "Latvenergo".

Latvia has complied with the new requirements of the European Union Gas Storage Regulation, which requires Latvia to fill its gas storage facilities to 35% of the country's consumption

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 Latvia's average consumption over the last five years was 12,7 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, which is 46% of the total natural gas storage capacity. The adopted regulation will strengthen the EU's security of gas supply in view of the upcoming and future winters. The EU Gas Storage Regulation requires European gas reserves to be filled and managed before winter to be protected against external interference.

Ban on natural gas supplies from Russia from 1 January 2023

Following the war conflict in Ukraine launched by Russia on 24 February 2022 and the enhanced sanctions regime of the European Union member states and other countries against Russia, on 19 April 2022 the Government of Latvia agreed conceptually on the abandonment of natural gas from Russia. The Economic, Agricultural, Environmental and Regional Policy Commission of the Parliament of the Republic of Latvia directed amendments to the Energy Law, which stipulate that natural gas supplies from Russia are banned from January 1, 2023. In support of the amendments prepared by the commission, 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. In the longer term, as a new entry point for the natural gas transmission system, new LNG terminals might appear in Skulte or Riga.

The natural gas transmission system of Latvia, by crossing the territory of Estonia, is linked indirectly to the natural gas transmission system of Russia. The natural gas transmission system between Bērzkrags and Korneti, which provides natural gas supplies from Russia, comprises two pipeline stages: "Izborsk – Inčukalns Underground Gas Storage" and "Pskov – Rīga", as well as a gas measuring station "Korneti" located near to Latvia – Estonia border. In the light of this, management of the Conexus carried out an assessment to make sure if there are potential signs of impairment of assets. It was concluded that the recoverable amount of the natural gas transmission assets is higher than carrying amount, therefore there is no impairment loss. Detailed evaluation is set out in Annex 13.

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

On 14 July 2022, in the third reading the Parliament supported the amendments to the Energy Law, which 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. Guarantee of origin is a document that proves, that the gas has been produced from renewable energy sources and will therefore be usable both in Latvia to prove to the end consumer that the energy used is environmentally friendly and will open up new opportunities for renewable gas producers to export it as well.

The necessary steps will be taken in the near future to ensure the implementation of European level standards and regulations in the field of energy guarantees of origin, that are in line with the requirements of the European Energy Certification System (EECS). Guarantee of origin system for gas will become operational on 1 July 2023, as required by the Energy Law.

In order to ensure the implementation of the requirements of the Energy Law on the system of gas certificates of origin in Latvia, which will be managed by Conexus, the company has obtained membership status in the Association of Issuing Bodies (AIB), the European association of issuing bodies for certificates of origin. In cooperation with the organisation, a number of procedures are also planned to be progressively carried out to develop the procedures for certificates of origin and, once the electronic register has been acquired, to ensure its integration into the AIB central data platform, thus enabling the future export and import of certificates of origin with other AIB member countries. The issuing authorities for gas certificates of origin in Finland, Estonia and Lithuania have also become AIB members.

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 underground gas storage facility 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".

"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 credit rating at international level, has evaluated Conexus for the first time and assigned rating 'BBB+' with stable outlook.

S&P points out in its report that the regulatory framework for the transmission and storage of gas in Latvia is assessed as supporting the sector and offers regulatory transparency until at least 2026. The S&P assessment also considers the company's increased strategic importance in the context of the parent company JSC "Augstsprieguma tīkls" (AST, A-), as well as indirectly in the context of the Latvian government. Considering the stable AST credit rating, S&P assumes that Conexus will maintain its credit metrics in line with the current rating, maintaining the S&P adjusted funds from operations (FFO) to debt level of 18-23%, and adjusted debt-to-EBITDA* ratio below 5.

Main financial indicators

		9M 2018 or 30.09.2018	9M 2019 or 30.09.2019	9M 2020 or 30.09.2020	9M 2021 or 30.09.2021	9M 2022 or 30.09.2022	Δ	Δ %	
Operating indicators	Transmitted natural gas	TWh	23.6	27.7	29.3	31.5	23.4	(8.1)	-26%
	Total amount of natural gas stored by system users in Inčukalns UGS at the end of reporting period	TWh	12.4	17.4	21.2	17.5	12.5	(4.9)	-28%
	Volume of natural gas consumed in Latvia	TWh	10.5	10.4	7.9	8.7	5.8	(2.9)	-33%
	Volume of natural gas withdrawn from Inčukalns UGS	TWh	9.1	7.4	7.2	12.4	7.4	(4.9)	-40%
Financial indicators	Net turnover*	`000 EUR	38 275	41 857	40 451	41 313	39 322	(1 991)	-5%
	EBITDA	`000 EUR	21 866	24 438	22 584	25 239	23 033	(2 207)	-9%
	Net profit	`000 EUR	10 233	12 343	9 897	9 541	6 861	(2 680)	-28%
	Segment assets	`000 EUR	352 212	360 154	445 918	444 639	449 810	5 171	1%
	Investments	`000 EUR	7 966	10 092	10 391	18 993	12 548	(6 445)	-34%
	Depreciation	`000 EUR	11 491	11 956	12 557	13 244	13 472	228	2%
Financial coefficients	EBITDA profitability	%	57%	58%	56%	61%	59%	(3ppt)	
	Net profitability	%	27%	29%	24%	23%	17%	(6ppt)	
	Return on Equity ratio (ROE)	%	3.3%	4.0%	2.7%	2.5%	2.1%	(0.5ppt)	
	Shareholders' equity ratio**	%	87%	86%	90%	74%	73%	(1ppt)	
	Net debt to EBITDA ratio***	coef.	1.3	0.7	0.7	3.0	2.9	(0.10)	-3%
	Debt-service Coverage Ratio (DSCR)****	coef.	7.0	8.6	8.9	4.9	2.6	(2.3)	-47%
Average number of employees		number	336	335	329	336	310	(26)	-8%

* Comparative figures reclassified to be comparable with 2022 figures

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

Results of segments' operations

Conexus is operating in two segments: transmission and storage of natural gas. This division is based on internal organizational structure of the Conexus, which serves as a basis for regular supervision of business results, for making decisions on assignment of resources to segments, and for assessing operating performance. Information in the operating segments matches the information used by the persons responsible for taking operational decisions.

Transmission

Conexus is the single natural gas transmission and storage operator in Latvia, which ensures the maintenance and safe and continuous operation of the natural gas transmission system, and the interconnections with the transmission systems of other countries, enabling traders to use the natural gas transmission system for the trading of natural gas.

The main natural gas transmission system is 1 190 km long and is directly connected to the natural gas transmission systems of Lithuania, Estonia and Russia, ensuring both the transmission of natural gas in regional gas pipelines in the territory of Latvia and interconnections with the natural gas transmission systems of the neighbouring countries:

- the diameter of international gas pipelines is 720 mm with the operating pressure between 28 and 40 bars;

- the diameter of regional gas pipelines is between 400 mm and 530 mm with the operating pressure up to 30 bars;
- a virtual exit point is available for the supplies of natural gas to users in Latvia, which compiles all technically feasible exits in the territory of Latvia. To transport the natural gas to the local distribution system in Latvia, 40 gas adjustment stations are used.

51% of Conexus assets are attributed to transmission segment.

During the first nine months of 2022, transmission revenue was adversely affected 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, overall consumers' demand for natural gas was lower than in the same period of previous year, which led to 6 168 thousand EUR lower revenue from the use of exit point for supply of consumers of Latvia.

During the first 9 months of 2022, the total volume of transmitted gas reached 23,4 TWh, 26% decrease against the respective period of prior year. The volume of natural gas consumption in Latvia reached 5,8 TWh, it comprises 33% decrease versus prior year.

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

The revenue of the transmission segment during the reporting period was 18 110 thousand EUR and EBITDA reached 8 536 thousand EUR, representing 37% of the Conexus total EBITDA. Net loss of the transmission segment amounted to 854 thousand EUR (116% less than in prior year).

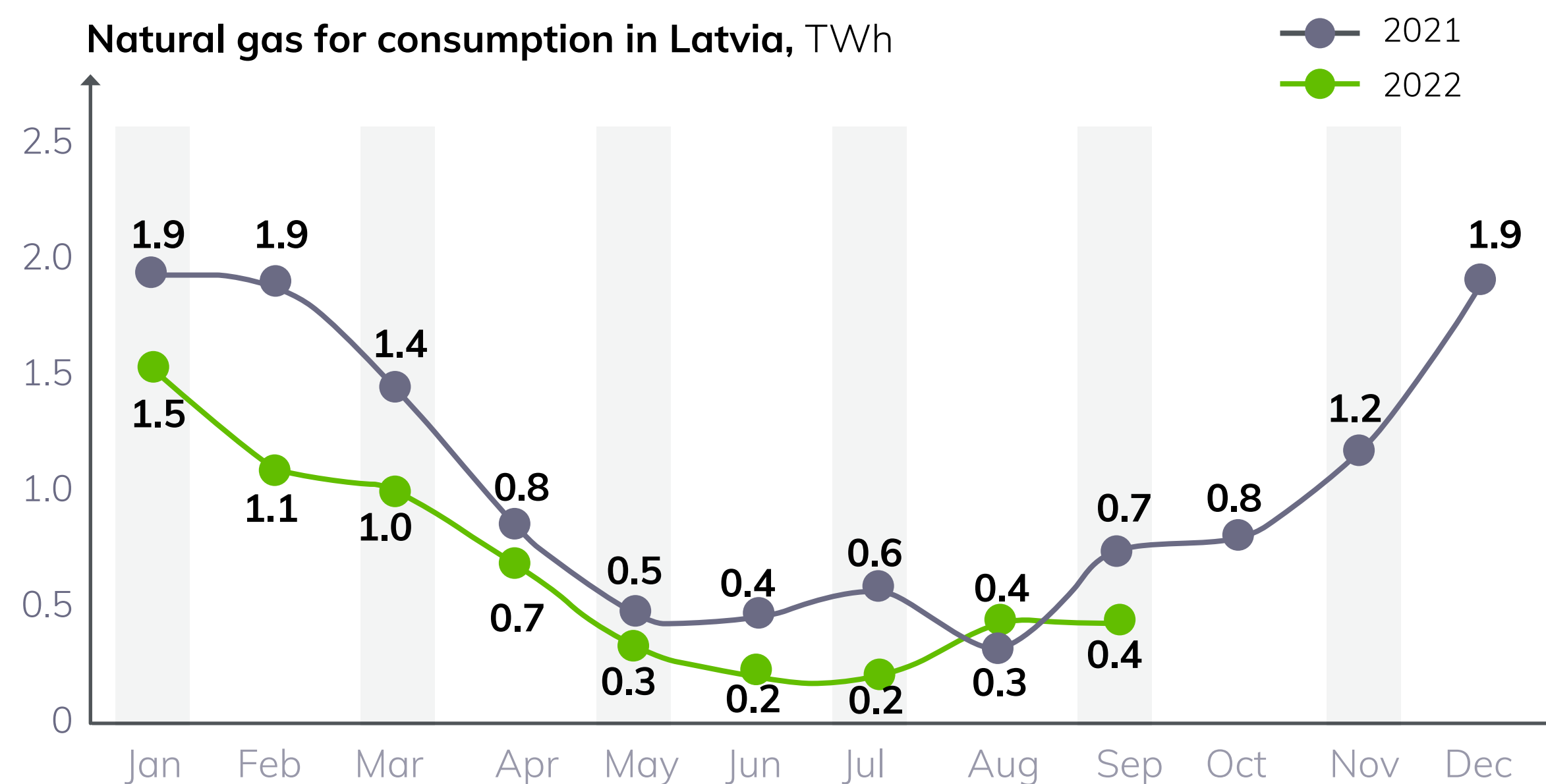
TRANSMISSION	9M 2022 or 30.09.2022	9M 2021 or 30.09.2021*	+/-	%
	EUR'000	EUR'000		
Net turnover	18 110	23 825	(5 715)	-24%
EBITDA	8 536	14 480	(5 944)	-41%
Segment Net Profit	(854)	5 258	(6 112)	-116%
Segment assets	230 517	233 109	(2 592)	-1%
Depreciation and amortisation	7 694	7 680	14	0%
Investments	3 532	8 116	(4 583)	-56%

* 2021 figures reclassified to be comparable with 2022 figures

The transmission segment's assets at the end of the reporting period amounted to 231 million EUR, which comprised 51% of the total assets of Conexus. During the reporting period, capital investments were made in amount of 3 532 thousand EUR. The largest investments:

- Within the framework of the European project of common interest "Enhancement of Latvia-Lithuania Interconnection" (ELLI), Conexus invested a total of 894 thousand EUR in several sub-projects during the first nine months of 2022;
- transmission gas pipelines repairs – 720 thousand EUR;
- Izborsk-Inčukalns UGS insulation replacement – 673 thousand EUR.

Natural gas for consumption in Latvia, TWh



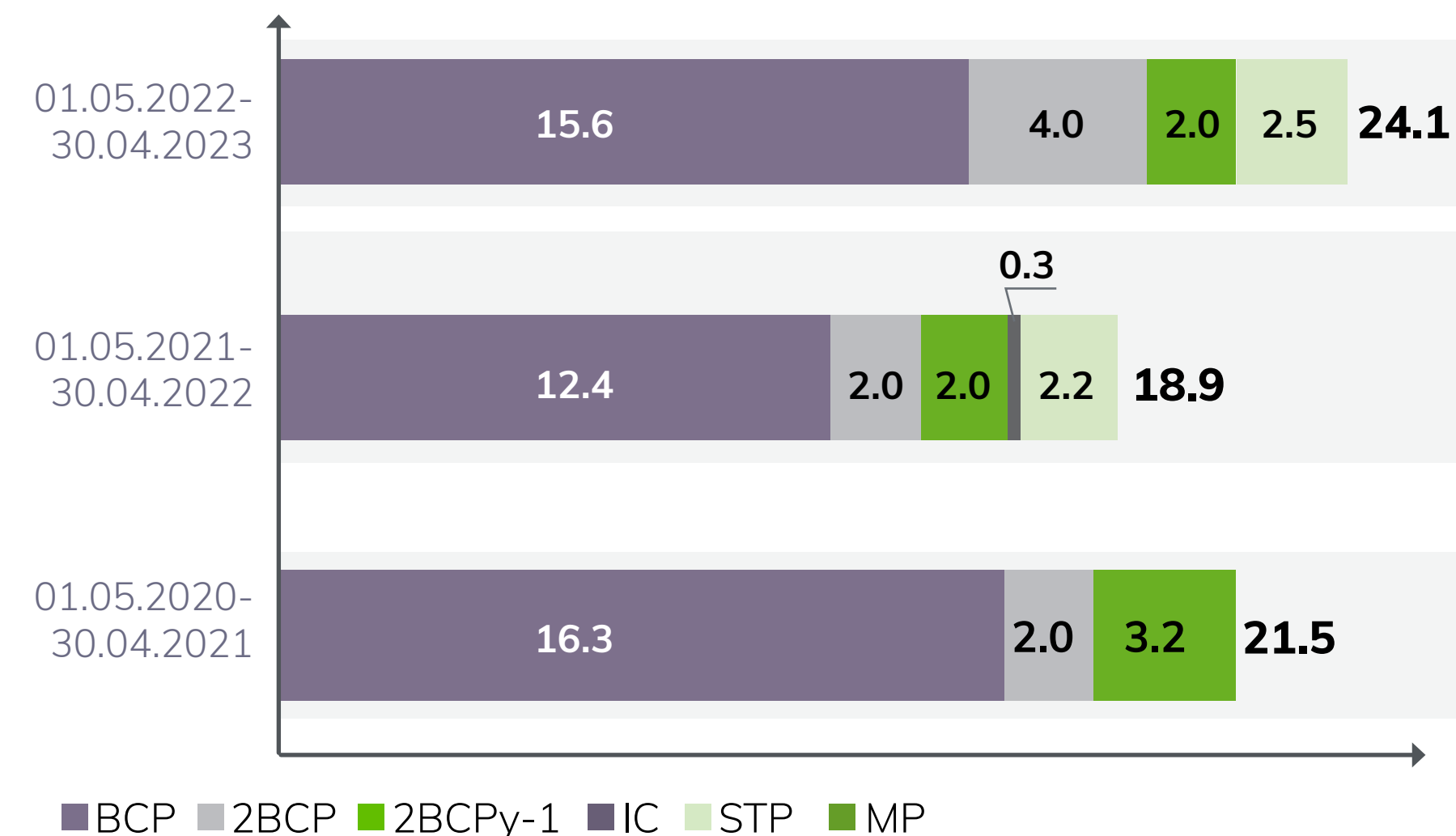
Storage

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

2021/2022 Inčukalns UGS capacity booking reached 18,9 TWh, which is 12% less than previous year. However, 2022/2023 Inčukalns UGS capacity products amounted to 24,1 TWh, which is 27% more than the year before. The varied product types booked by the market participants, storage tariffs and applicable auction premiums ensured increase of capacity product revenue by 3 725 thousand EUR, in comparison to the previous year.



Storage booking by products, TWh



The storage segment revenue during the reporting period was 21 213 thousand EUR and EBITDA reached 14 497 thousand EUR. The storage segment profit reached 7 716 thousand EUR.

STORAGE	9M 2022 or 30.09.2022	9M 2021 or 30.09.2021*	+/-	%
	EUR'000	EUR'000		
Net turnover	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	9 015	10 877	(1 862)	-17%

* 2021 figures reclassified to be comparable with 2022 figures.

Storage segment's assets at the end of the reporting period amounted to 219 million EUR, which comprised 49% of Conexus total assets. During the reporting period, capital investments were made in amount of 9 million EUR, which was 1 862 thousand EUR less than in prior year. Largest investments - reconstruction of wells, modernization of gas compression units at Compressor station No 2 and reconstruction of gas collection point No. 3, in total amount of 7,1 million EUR, - were made within the framework of the European major project of common interest PCI 8.2.4. "Enhancement of Inčukalns UGS".

Subsequent events

In response to the geopolitical developments in Europe, Conexus is conducting enhanced risk assessments in the areas of cyber security and securing natural gas transmission and storage.

In order to reduce energy supply risks, Conexus has taken the necessary actions to increase the volume of natural gas in the storage facility and has started gas injection into the Inčukalns UGS as of 27 February 2022.

Conexus management handles administrative matters promptly to ensure the continuity of supply of goods and services required for its core business.

Although uncertainty about the impact of events on Conexus' future operations has increased, no circumstances have been identified to date that would affect the going concern basis.

Conexus to invest more than EUR 21 million to increase technical capacity of storage

As part of the further modernisation of the Inčukalns UGS within the framework of the European investment project of common European interest, Conexus will install a new gas injection unit to increase the technical capacity of the storage facility, investing EUR 21.6 million in the project. The right to supply the equipment package was awarded to Solar Turbines Europe SA of Belgium following an open tender.

Conexus takes a major step in the Latvia-Lithuania interconnection capacity upgrade project

Within the framework of the European project of common interest "Improving the Latvia-Lithuania Interconnection" (ELLI), rebuilding of the gas pipeline branch to the Baldone gas regulation station was completed in October. The ELLI project foresees a number of activities in both Latvia and Lithuania until the end of 2023, which will double the gas interconnection capacity between Latvia and Lithuania in both directions. The gas transmission capacity is expected to be increased by a third from November this year, as agreed by the project promoters in the summer of this year when it was decided to accelerate the project.

ABBREVIATIONS AND FORMULAS:

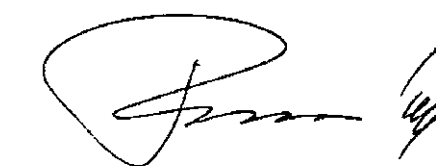
MWh	megawatt-hours
TWh	terawatt-hours
EUR/MWh/d/g	euro for megawatt-hour per day/ per year
EBITDA	earnings before interest, taxation, depreciation & amortisation
Net debt	loans minus cash and cash equivalents
EBITDA profitability	EBITDA/income
Net profitability	net profit/income
Return on equity ratio (ROE)	net profit (over the reporting period)/equity average value
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
BCP	1 year bundled capacity product
2BCP	2 year bundled capacity product
2BCPy-1	2 year bundled capacity product from previous storage cycle
IC	interruptible capacity
STP	stock transfer product
MP	market product (no longer offered)

STATEMENT OF THE BOARD'S RESPONSIBILITY

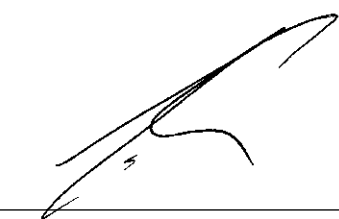
The Board of the Company is responsible for preparing its financial statements. The unaudited condensed interim financial statements of Conexus for the 9 months period ending 30 September 2022 were prepared in accordance with the International Accounting Standard (IAS) No. 34 "Interim Financial reporting" as adopted by the European Union, providing true and fair view of the financial position of the Company, its operational results and cash flow.



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FINANCIAL STATEMENTS

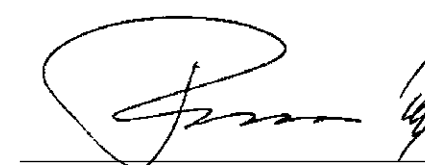
INCOME STATEMENT

	Note	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
		EUR	EUR	EUR	EUR
Revenue	5	11 645 505	11 626 864	39 322 382	41 313 212
Other income	6	220 653	119 512	588 700	325 687
Maintenance and service costs	7	(1 638 976)	(1 731 725)	(4 999 262)	(4 904 423)
Personnel expenses	8	(3 479 802)	(3 197 838)	(10 165 893)	(8 960 652)
Other operating costs	9	(618 241)	(869 964)	(1 713 312)	(2 534 537)
Depreciation, amortisation, and impairment of property, plant and equipment	11, 12	(4 543 728)	(4 460 509)	(13 472 113)	(13 243 824)
Operating profit		1 585 411	1 486 340	9 560 502	11 995 463
Finance costs	10	(120 668)	(83 240)	(311 871)	(197 371)
Profit before tax		1 464 743	1 403 100	9 248 631	11 798 092
Corporate income tax		-	-	(2 387 165)	(2 256 640)
Profit for the reporting period		1 464 743	1 403 100	6 861 466	9 541 452

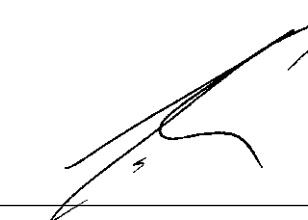
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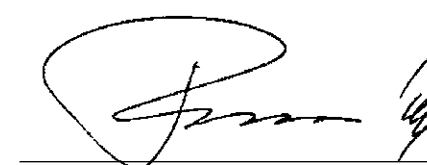
STATEMENT OF COMPREHENSIVE INCOME

Note	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
	EUR	EUR	EUR	EUR
Profit for the reporting period	1 464 743	1 403 100	6 861 466	9 541 452
Other comprehensive income / (loss):				
Property, plant and equipment revaluation	-	-	-	-
Remeasurement of post - employment benefits as a result of changes in actuarial assumptions	-	-	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive income for the reporting period	1 464 743	1 403 100	6 861 466	9 541 452

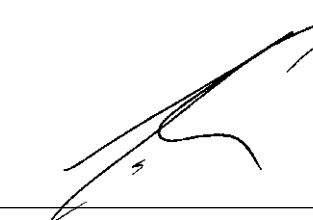
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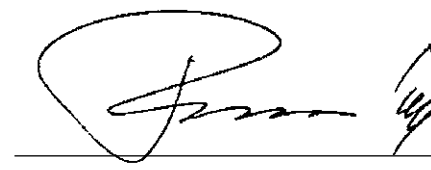
STATEMENT OF FINANCIAL POSITION

	Note	30.09.2022	30.09.2021	31.12.2021
ASSETS		EUR	EUR	EUR
Long-term investments				
Intangible assets	11	2 206 807	1 859 509	2 041 249
Advances for intangible assets		6 720	-	6 720
Property, plant and equipment	12	429 466 929	427 409 074	430 671 322
Advances for property, plant and equipment		2 256 710	2 294 004	2 332 465
Long-term deferred expenses	14	1 033 061	1 133 847	1 108 651
Right-of-use assets		464 789	474 426	451 108
Total long-term investments:		435 435 016	433 170 860	436 611 515
Current assets				
Inventories		2 849 111	3 044 375	2 596 488
Advances for inventories		236 931	24 648	30 051
Receivables from contracts with customers		8 038 109	5 830 448	13 373 794
Other receivables		2 225 244	84 802	365 186
Deferred expenses		540 999	427 797	417 139
Cash and cash equivalents		484 367	2 055 858	14 676 110
Total current assets:		14 374 761	11 467 928	31 458 768
TOTAL ASSETS:		449 809 777	444 638 788	468 070 283

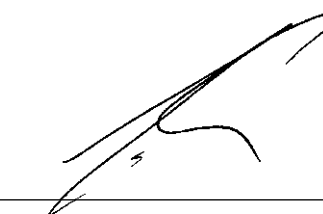
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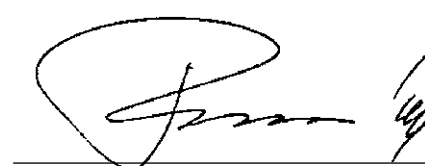
STATEMENT OF FINANCIAL POSITION (continued)

	Note	30.09.2022	30.09.2021	31.12.2021
EQUITY AND LIABILITIES		EUR	EUR	EUR
Equity:				
Share capital		39 786 089	39 786 089	39 786 089
Own shares		(24 270)	(25 320)	(25 320)
Reserves		210 392 902	218 789 631	216 230 918
Retained earnings		79 427 672	70 506 848	76 412 620
Total equity:		329 582 393	329 057 248	332 404 307
Non-current liabilities				
Borrowings from credit institutions	15	54 811 285	63 488 715	60 282 986
Deferred income		21 682 521	18 416 632	18 156 045
Employee benefit obligations		1 374 135	1 028 494	1 374 135
Non-current lease liabilities		456 350	467 511	447 940
Total non-current liabilities:		78 324 291	83 401 352	80 261 106
Current liabilities				
Borrowings from credit institutions	15	19 148 467	20 729 072	37 772 866
Trade payables		10 264 153	5 611 819	7 290 495
Other liabilities		1 292 422	1 836 184	2 458 791
Accrued liabilities		2 877 082	2 420 632	6 129 608
Deferred income from contracts with customers		-	-	237 284
Deferred income, other		580 651	634 302	539 618
Advances from customers		7 715 254	930 278	956 811
Current lease liabilities		25 064	17 901	19 397
Total current liabilities:		41 903 093	32 180 188	55 404 870
TOTAL EQUITY AND LIABILITIES:		449 809 777	444 638 788	468 070 283

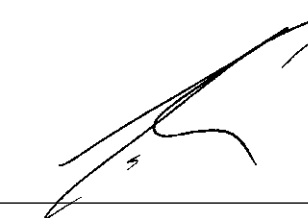
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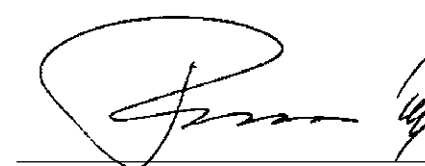
STATEMENT OF CHANGES IN EQUITY

	Share capital	Own shares	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Opening balance at 01.01.2021	39 786 089	(34 678)	224 758 592	140 138 666	404 648 669
Calculated dividends	-	9 358	-	(85 142 230)	(85 132 872)
Reduction of revaluation reserve	-	-	(5 968 961)	5 968 961	-
Profit for the period 01.01.2021-30.09.2021	-	-	-	9 541 452	9 541 452
<i>Total</i>	-	9 358	(5 968 961)	(69 631 817)	(75 591 420)
At 30 September 2021	39 786 089	(25 320)	218 789 631	70 506 849	329 057 249
Reduction of revaluation reserve	-	-	(2 230 491)	2 230 491	-
<i>Other comprehensive income:</i>					
Revaluations of post-employment benefits as a result of changes in actuarial assumptions	-	-	(328 222)	-	(328 222)
<i>Total other comprehensive income</i>	-	-	(328 222)	-	(328 222)
Profit for the period 01.10.2021-31.12.2021	-	-	-	3 675 280	3 675 280
<i>Total</i>	-	-	(2 558 713)	5 905 771	3 347 058
At 31 December 2021	39 786 089	(25 320)	216 230 918	76 412 620	332 404 307
Calculated dividends	-	1 050	-	(9 548 661)	(9 547 611)
Reduction of revaluation reserve	-	-	(5 838 016)	5 702 247	(135 769)
Profit for the reporting period	-	-	-	6 861 466	6 861 466
<i>Total</i>	-	1 050	(5 838 016)	3 015 052	(2 821 914)
At 30 September 2022	39 786 089	(24 270)	210 392 902	79 427 672	329 582 393

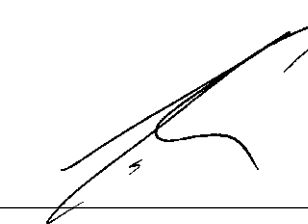
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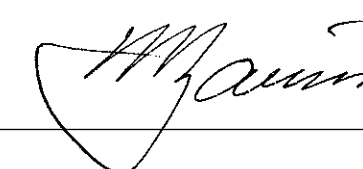
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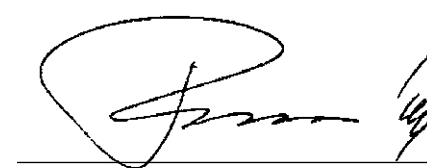
STATEMENT OF CASH FLOWS

	Note	01.07.2022- 30.09.2022	01.07.2021- 30.09.2021	01.01.2022- 30.09.2022	01.01.2021- 30.09.2021
Cash flow from operating activity		EUR	EUR	EUR	EUR
Profit before corporate income tax		1 464 743	1 403 100	9 248 631	11 798 092
Adjustments:					
- depreciation of property, plant and equipment	12	4 357 324	4 273 858	12 932 323	12 666 075
- depreciation of the right-of-use assets		3 286	23 768	22 965	70 134
- amortisation of intangible assets	11	183 118	162 882	516 825	507 616
- loss from disposal of PPEs		442	121 626	(30 934)	239 407
- changes in provisions		-	294 710	285 780	474 710
- recognised EU co-financing		(144 423)	(97 073)	(415 907)	(265 828)
- interest expense		121 480	83 245	312 399	196 634
Changes in the working capital:					
- (increase) / decrease of receivables from contracts with customers, other receivables and deferred expenses		(3 494 735)	1 391 892	3 427 358	1 031 288
(increase) of advances for inventories		(205 598)	318	(206 880)	(24 648)
- (increase) / decrease of inventories		(158 749)	(94 731)	(252 623)	(16 313)
- (decrease) of lease liabilities, trade payables, accrued liabilities, advances from customers and other liabilities		998 433	(1 934 439)	899 601	(3 788 836)
Corporate income tax		-	(2 256 640)	(2 387 165)	(2 256 640)
Net cash flow from operating activity		3 125 321	3 372 516	24 352 373	20 631 691
Cash flow from investing activity					
Acquisition of property, plant and equipment		(2 257 845)	(8 348 601)	(7 733 845)	(18 731 853)
Acquisition of intangible assets		(343 178)	(206 165)	(856 129)	(500 810)
Proceeds from the sale of property, plant and equipment items		1 104	4 498	32 480	68 490
Received EU co-financing		-	4 798 289	3 983 416	7 817 509
Cash flow from investing activity		(2 599 919)	(3 751 979)	(4 574 078)	(11 346 664)

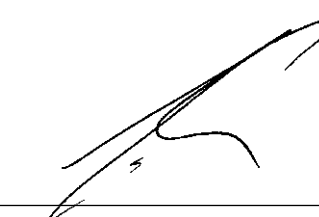
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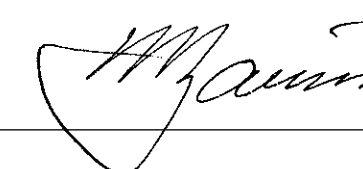
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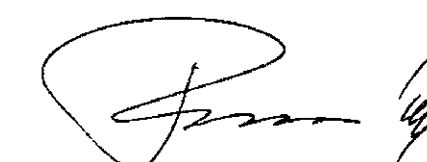
STATEMENT OF CASH FLOWS (continued)

Notes	01.07.2022- 30.09.2022	01.07.2021- 30.09.2021	01.01.2022- 30.09.2022	01.01.2021- 30.09.2021
Cash flow from financing activities	EUR	EUR	EUR	EUR
Interest paid	(144 021)	(77 533)	(323 563)	(179 530)
Borrowings received	2 261 806	3 420 511	10 561 106	67 906 155
Borrowings repaid	(2 398 261)	(3 205 729)	(34 657 206)	(5 563 368)
Lease payments	(21 358)	(31 576)	(37 798)	(86 738)
Dividends paid	(3 656)	(75 611)	(9 512 577)	(84 469 424)
Net cash flow from financing activity	(305 490)	30 062	(33 970 038)	(22 392 905)
Net cash flow	219 912	(349 401)	(14 191 743)	(13 107 878)
Cash and cash equivalents at the beginning of the reporting period	264 455	2 405 259	14 676 110	15 163 736
Cash and cash equivalents at the end of the reporting period	484 367	2 055 858	484 367	2 055 858

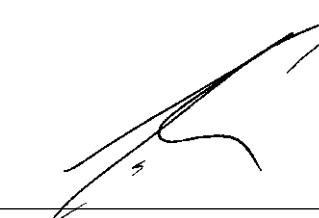
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Member of the Board

* This document is electronically signed with a secure electronic signature and contains a time-stamp

NOTES TO THE FINANCIAL STATEMENTS

1. INFORMATION ON THE COMPANY

The legal address of JSC “Conexus Baltic Grid” is Stigu street 14, Riga, LV-1021, Latvia. The Company is registered in the Commercial Register of Latvia with the unified registration number 40203041605. The Company’s largest shareholders are its parent company JSC “Augstsprieguma tīkls” (68,46%) and MM Infrastructure Investments Europe Limited (29,06%).

Conexus is a unified natural gas transmission and storage operator in Latvia that manages one of the most modern natural gas storage facilities in Europe, Inčukalns Underground Storage Facility (hereinafter referred to as Inčukalns UGS, or as the storage facility), and the main natural gas transmission system, which directly connects Latvia’s natural gas market to Lithuania, Estonia, and the north-west of Russia.

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 “Interim Financial reporting” as adopted by the European Union, on a going concern basis. The general accounting principles set out in this section have been applied consistently throughout the reporting period. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by Conexus during the interim reporting period.

The period of these condensed interim financial statements is 9 months, from 1 January to 30 September 2022.

Assets and liabilities are measured at amortised cost in the financial

statements. Some groups of fixed assets are recognised at revalued value. The statement of cash flows has been prepared in accordance with the indirect method.

The preparation of Conexus’s financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes.

SIGNIFICANT ESTIMATES AND JUDGMENTS

The financial statements have been prepared in accordance with IFRS using significant estimates and assumptions that affect the value of the assets and liabilities presented in the financial statement and the presentation of contingent assets and liabilities, as well as the revenue and expenses of the reporting period. While such estimates are based on the most reliable information available to Conexus management on the relevant events and activities, actual results may differ from these estimates and assumptions about the outcome of future events.

CURRENCY AND REVALUATION OF FOREIGN CURRENCIES

Items presented in the financial statements are denominated in EUR, which is the functional currency of Conexus’ business environment and the official currency of the Republic of Latvia.

All foreign currency transactions are translated into EUR using the exchange rate of the European Central Bank ruling on the date of the relevant transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the

balance sheet date. Foreign currency gains and losses are recognised in the income statement for the respective period.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

The principles and guidelines for general management of financial risks are set out in the Company's financial risk management policy. There is no change in the risk management policies since the end year end.

FAIR VALUE

Conexus classifies its assets and liabilities based on the technique used for determining fair value into the following categories:

Quoted market prices – Level 1

Level 1 valuation techniques use unadjusted quoted prices in an active market for identical assets or liabilities when quoted prices are readily available and the price represents the actual market circumstances for transactions under fair competitive circumstances.

Valuation techniques using market data – Level 2

In the models used in the Level 2 valuation technique, all significant inputs are directly or indirectly observable on the asset or liability side. The market data used in the model is not quoted in Level 1 but is observable directly (i.e., price) or indirectly (i.e., derived from price).

Valuation techniques using market data that are not based on observable market data – Level 3

Valuation techniques that use market data that is not based on observable market data (unobservable market data) are classified within Level 3. Unobservable market data is data that is not readily available in an active market due to the complexity of an illiquid market or financial instrument. Level 3 inputs are generally determined based on observable market data of a similar nature, historical observations, or analytical approaches.

Classification of financial assets and liabilities at the levels of the fair

value hierarchy:

	Level	30.09.2022	30.09.2021	31.12.2021
		EUR	EUR	EUR
Assets:				
Trade receivables	3.	8 038 109	5 830 448	13 373 794
Other receivables	3.	26 756	21 179	32 300
Cash and cash equivalents	2.	484 367	2 055 858	14 676 110
Liabilities:				
Borrowings from credit institutions	3.	73 959 752	84 217 787	98 055 852
Trade payables	3.	10 264 153	5 611 819	7 290 495
Other liabilities and accrued liabilities	3.	1 392 687	792 960	4 416 171
Lease liabilities	3.	481 414	485 412	467 336

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The carrying amounts of liquid and short-term (with a maturity of fewer than three months) financial instruments, such as cash and cash equivalents, short-term receivables from contracts with customers and current trade payables, approximate their fair values.

The fair value of borrowings from banks is determined by discounting future cash flows at market interest rates. As the interest rates (incl. a fixed loan rate) applied to borrowings from banks largely do not differ significantly from market rates and the risk premium applied by Conexus has not changed significantly, the fair value of non-current liabilities approximates their carrying amount.

4. SEGMENT INFORMATION

Description of segments

Conexus derives all of its revenue from regulated services applying the tariffs set by the regulatory authority. Conexus has two segments:

✦ The natural gas **transmission** segment provides transportation of natural gas through high-pressure pipelines for delivery to Inčukalns UGS, other countries, and the distribution network. The transmission segment generates revenue from capacity trading for natural gas consumption in Latvia as well as international natural gas transportation

✦ The natural gas **storage** segment provides the storage of natural gas in the Inčukalns underground gas storage facility for consumption during the heating season and other needs of network users.

Segmentation is based on Conexus' internal organisational structure, which forms the basis for regular monitoring of operating result making decisions about the resources allocated to the segments and evaluating its performance. The information included in the operating segments coincides with the information used by the person responsible for taking operational decisions. Segment information (segment profit or loss statements and investments made) is regularly submitted to Conexus Management Board and Conexus Council.

Reconciliation of segment financial information to Conexus

financial information

Segment income statements for the period 01.01.2022-30.09.2022:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	18 109 874	21 212 508	39 322 382	-
Other income	195 890	392 810	588 700	-
Maintenance and service costs	(2 602 316)	(2 396 946)	(4 999 262)	-
Personnel expenses	(6 002 751)	(4 163 142)	(10 165 893)	-
Other operating costs	(1 164 592)	(548 720)	(1 713 312)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(7 693 761)	(5 778 352)	(13 472 113)	-
Finance costs	(196 474)	(115 397)	(311 871)	-
Corporate income tax	(1 500 333)	(886 832)	(2 387 165)	-
Profit for the reporting period	(854 463)	7 715 929	6 861 466	-

Segment income statements for the period 01.01.2021-30.09.2021:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	23 825 215	17 487 997	41 313 212	-
Other income	116 352	209 335	325 687	-
Maintenance and service costs	(2 521 445)	(2 382 978)	(4 904 423)	-
Personnel expenses	(5 305 588)	(3 655 064)	(8 960 652)	-
Other operating costs	(1 634 863)	(899 674)	(2 534 537)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(7 679 837)	(5 563 987)	(13 243 824)	-
Finance costs	(123 729)	(73 642)	(197 371)	-
Corporate income tax	(1 418 298)	(838 342)	(2 256 640)	-
Profit for the reporting period	5 257 807	4 283 645	9 541 452	-

Total assets by segments at 30.09.2022 and investments during the period 01.01.2022-30.09.2022:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	230 517 111	219 292 666	449 809 777	-
Investments in property, plant and equipment and intangible assets	3 532 307	9 015 391	12 547 698	-

Total assets by segments at 30.09.2021 and investments during the

period 01.01.2021-30.09.2021:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	233 108 776	211 530 012	444 638 788	-
Investments in property, plant and equipment and intangible assets	8 115 576	10 877 135	18 992 711	-

Geographical information

All operating activities are held in Latvia.

Major customers

Revenue generated during the period 01.01.2022-30.09.2022 from the largest customers, each individually representing at least 10% of the Conexus total revenue:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	18 797 941	13 580 400	32 378 341

Revenue generated during the period 01.01.2021-30.09.2021 from the largest customers, each individually representing at least 10% of the Conexus total revenue:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	19 601 251	9 596 040	29 197 291

5. REVENUE

Revenue from contracts with customers recognised over time	01.07.2022- 30.09.2022	01.07.2021-30.09.2021	01.01.2022- 30.09.2022	01.01.2021-30.09.2021
	EUR	EUR	EUR	EUR
Revenue from transmission services	3 863 229	5 021 205	17 728 277	23 470 910
Revenue from storage services	7 658 941	6 490 263	21 212 508	17 487 998
Balancing income, net	123 335	115 396	381 597	354 304
	11 645 505	11 626 864	39 322 382	41 313 212

Conexus generated all of its revenue in the territory of Latvia.

Gross income and cost from balancing activities by applying agent accounting principle recognized in financial statements in net amount:

	01.07.2022- 30.09.2022	01.07.2021-30.09.2021	01.01.2022- 30.09.2022	01.01.2021-30.09.2021
	EUR	EUR	EUR	EUR
Income from balancing activities	10 115 686	3 045 334	26 661 063	10 057 359
Cost of balancing activities	(9 992 351)	(2 929 939)	(26 279 466)	(9 703 055)
	123 335	115 396	381 597	354 304

6. OTHER INCOME

	01.07.2022- 30.09.2022	01.07.2021-30.09.2021	01.01.2022- 30.09.2022	01.01.2021-30.09.2021
	EUR	EUR	EUR	EUR
Income from EU co-financing	144 423	97 073	415 907	265 828
Other income	76 230	22 439	172 793	59 859
	220 653	119 512	588 700	325 687

7. MAINTENANCE AND SERVICES COSTS

	01.07.2022- 30.09.2022	01.07.2021-30.09.2021	01.01.2022- 30.09.2022	01.01.2021-30.09.2021
	EUR	EUR	EUR	EUR
Transmission and storage system maintenance services	944 886	732 391	2 872 285	2 583 453
Cost of materials	417 087	439 308	928 112	816 259
Cost of natural gas	27 131	307 184	435 668	812 486
Maintenance of IT infrastructure	186 615	203 012	573 131	528 136
Maintenance of vehicles and machinery	63 257	49 830	190 066	164 089
	1 638 976	1 731 725	4 999 262	4 904 423

8. PERSONNEL EXPENSES

	01.07.2022- 30.09.2022	01.07.2021-30.09.2021	01.01.2022- 30.09.2022	01.01.2021-30.09.2021
	EUR	EUR	EUR	EUR
Salaries	2 697 766	2 485 469	7 875 658	6 930 086
State social insurance contributions	634 638	573 709	1 854 558	1 631 257
Life, health, and pension insurance	143 345	133 324	425 796	389 180
Other personnel costs	4 053	5 336	9 881	10 129
	3 479 802	3 197 838	10 165 893	8 960 652

9. OTHER OPERATING COSTS

	01.07.2022- 30.09.2022	01.07.2021-30.09.2021	01.01.2022- 30.09.2022	01.01.2021-30.09.2021
	EUR	EUR	EUR	EUR
Taxes and duties*	224 376	367 880	647 207	1 027 575
Office and other administrative expenses	393 865	380 458	1 066 105	1 267 555
Net loss on disposal of PPE	-	121 626	-	239 407
	618 241	869 964	1 713 312	2 534 537

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

10. FINANCE COSTS

	01.07.2022- 30.09.2022	01.07.2021-30.09.2021	01.01.2022- 30.09.2022	01.01.2021-30.09.2021
	EUR	EUR	EUR	EUR
Interest paid	116 239	77 533	296 984	179 530
Lease interest expense	5 241	5 713	15 416	17 104
Other financial costs	(812)	(6)	(529)	737
	120 668	83 240	311 871	197 371

11. INTANGIBLE ASSETS

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
Cost at the beginning of the period 31.12.2020	7 698 984	6 370	7 705 354
Additions	-	500 810	500 810
Transfers	116 712	(116 712)	-
Disposals	(9 840)	-	(9 840)
Cost at the end of the period 30.09.2021	7 805 856	390 468	8 196 324
Additions	-	343 084	343 084
Transfers	672 498	(672 498)	-
Disposals	(289 065)	-	(289 065)
Cost at the end of the period 31.12.2021	8 189 289	61 054	8 250 343
Amortisation			
Accumulated amortisation at the beginning of the period 31.12.2020	5 832 683	-	5 832 683
Amortisation charge	507 615	-	507 615
Disposals	(3 483)	-	(3 483)
Accumulated amortisation at the end of the period 30.09.2021	6 336 815	-	6 336 815
Amortisation charge	161 344	-	161 344
Disposals	(289 065)	-	(289 065)
Accumulated amortisation at the end of the period 31.12.2021	6 209 094	-	6 209 094
Net book value 31.12.2020	1 866 301	6 370	1 872 671
Net book value 30.09.2021	1 469 041	390 468	1 859 509
Net book value 31.12.2021	1 980 195	61 054	2 041 249

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
Cost at the beginning of the period 31.12.2021	8 189 289	61 054	8 250 343
Additions	-	682 383	682 383
Transfers	553 255	(553 255)	-
Disposals	(452)	-	(452)
Cost at the end of the period 30.09.2022	8 742 092	190 182	8 932 274
Amortisation			
Accumulated amortisation at the beginning of the period 31.12.2021	6 209 094	-	6 209 094
Amortisation charge	516 825	-	516 825
Disposals	(452)	-	(452)
Accumulated amortisation at the end of the period 30.09.2022	6 725 467	-	6 725 467
Net book value 31.12.2021	1 980 195	61 054	2 041 249
Net book value 30.09.2022	2 016 625	190 182	2 206 807

12. PROPERTY, PLANT, AND MACHINERY (PPE)

	Land	Buildings, structures	Machinery and equipment*	Other property and equipment*	Emergency spare parts	Cushion gas	Assets under construction	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost or revalued amount								
31.12.2020	1 033 354	760 911 633	131 882 990	6 403 695	1 563 188	10 708 163	10 698 459	923 201 482
Additions	-	-	356 830	357 888	-	-	17 776 032	18 490 750
Reclassified	50 814	7 974 310	(208 582)	112 201	-	-	(7 928 743)	-
Disposals	-	(861 351)	(295 858)	(118 643)	-	-	(83 938)	(1 359 790)
30.09.2021	1 084 168	768 024 592	131 735 380	6 755 141	1 563 188	10 708 163	20 461 810	940 332 442
Additions	-	-	41 237	151 558	-	-	7 814 457	8 007 252
Reclassified	-	3 835 396	3 213 885	1 199 971	-	-	(8 249 252)	-
Disposals	-	(772 113)	(945 596)	(316 443)	-	-	-	(2 034 152)
Transfers**	-	-	-	-	(24 409)	-	-	(24 409)
31.12.2021	1 084 168	771 087 875	134 044 906	7 790 227	1 538 779	10 708 163	20 027 015	946 281 133
Accumulated depreciation								
31.12.2020	-	438 591 735	58 311 555	4 328 314	-	-	-	501 231 604
Calculated depreciation	-	8 531 722	3 625 861	508 492	-	-	-	12 666 075
Disposals	-	(594 721)	(232 083)	(147 507)	-	-	-	(974 311)
Reclassified	-	126 746	(215 275)	88 529	-	-	-	-
30.09.2021	-	446 655 482	61 490 058	4 777 828	-	-	-	512 923 368
Calculated depreciation	-	2 874 246	1 358 941	144 076	-	-	-	4 377 263
Disposals	-	(612 555)	(792 783)	(285 482)	-	-	-	(1 690 820)
Reclassified	-	(1 169 652)	77 942	1 091 710	-	-	-	-
31.12.2021	-	447 747 521	62 134 158	5 728 132	-	-	-	515 609 811
Net book value 31.12.2020	1 033 354	322 319 898	73 571 435	2 075 381	1 563 188	10 708 163	10 698 459	421 969 878
Net book value 31.09.2021	1 084 168	321 369 110	70 245 322	1 977 313	1 563 188	10 708 163	20 461 810	427 409 074
Net book value 31.12.2021	1 084 168	323 340 354	71 910 748	2 062 095	1 538 779	10 708 163	20 027 015	430 671 322

* Reclassification between Machinery and equipment and Other property and equipment (Value 963 653 EUR, amortisation 606 267 EUR)

** Emergency spare parts in the amount of EUR 24 409 were reclassified to the inventories of materials in warehouses.

PROPERTY, PLANT, AND MACHINERY PPE (continued)

	Land	Buildings, structures	Machinery and equipment*	Other property and equipment*	Emergency spare parts	Cushion gas	Assets under construction	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost or revalued amount								
31.12.2021	1 084 168	771 087 875	134 044 906	7 790 227	1 538 779	10 708 163	20 027 015	946 281 133
Additions	8 306	25 064	821 476	762 985	3 839	-	10 247 486	11 869 156
Reclassified	-	9 293 468	364 647	183 289	-	-	(9 841 404)	-
Disposals	-	(475 975)	(510 173)	(75 554)	(3 911)	-	-	(1 065 613)
30.09.2022	1 092 474	779 930 432	134 720 856	8 660 947	1 538 707	10 708 163	20 433 097	957 084 676
Accumulated depreciation								
31.12.2021	-	447 747 521	62 134 158	5 728 132	-	-	-	515 609 811
Calculated	-	8 669 148	3 773 883	489 292	-	-	-	12 932 323
Disposals	-	(339 029)	(509 804)	(75 554)	-	-	-	(924 387)
30.09.2022	-	456 077 640	65 398 237	6 141 870	-	-	-	527 617 747
Net book value 31.12.2021	1 084 168	323 340 354	71 910 748	2 062 095	1 538 779	10 708 163	20 027 015	430 671 322
Net book value 30.09.2022	1 092 474	323 852 792	69 322 619	2 519 077	1 538 707	10 708 163	20 433 097	429 466 929

13. ASSET IMPAIRMENT ASSESSMENT

Conexus has two cash generating units: natural gas transmission and natural gas storage.

Considering the changes in the geopolitical situation and the ban on natural gas supplies from Russian Federation as from 1 January 2023, as well as the increase of interest rates, Conexus management carried out an impairment assessment.

The calculation of the recoverable amount is based on the value-in-use of the cash generating units, which is determined by the discounting of future cash flows resulting from the permanent use of the cash generating units. Cash flows are based on the expected results of the cash generating units and management forecasts for the development of the business of cash generating units.

Conexus total assets deducting long term and short term liabilities (excluding borrowings from credit institutions) as at 30 September 2022:

	million EUR
Natural gas transmission	212
Natural gas storage	191

The main assumptions used to appraise the value-in-use were:

Discount rate	6.62%
Revenue growth rate, applicable from 2023	0.0%
Transmission segment EBITDA compound annual growth rate during 2024-2032	5.7%
Storage segment EBITDA compound annual growth rate during 2024-2032*	22.7%

*The size of the storage segment EBITDA during the initial periods is affected by a significant increase in natural gas and electricity costs as well as an increase in inflation. According to the methodology for calculating the tariffs for the storage system service, an increase in costs due to natural gas price and an increase in costs due to inflation are included in the service tariff within 2 years after costs have been incurred, while an increase in electricity costs is included in the service tariff only in the next regulatory period, which will begin on 1 May 2026. The recovery of these costs results in an increase in EBITDA in the later periods, which explains the substantial size of the compound annual increase rate.

The recoverable amount of the natural gas transmission and storage assets is higher than the carrying amount, therefore it is concluded that there is no impairment loss. With other factors remaining unchanged, the recoverable amount of the natural gas transmission assets becomes equal to the carrying amount at the point when the discount rate reaches 8.2%, whereas the recoverable amount of the storage assets becomes equal to the carrying amount at the point when the discount rate reaches 6.8%. Conexus management assumptions are based on the information available at the time of approval of the interim financial statement, and the impact of future events on the future performance of Conexus may differ from the current assessment.

14. CO-FINANCED PROJECTS

Increase of Capacity of Klaipeda-Kiemenui Pipeline in Lithuania

	30.09.2022	30.09.2021	31.12.2021
	EUR	EUR	EUR
Opening balance	1 209 438	1 310 224	1 310 224
Recognised during the reporting period	(75 590)	(75 590)	(100 786)
Carried forward to future periods	1 133 848	1 234 634	1 209 438
including short-term portion	100 786	100 786	100 786
long-term portion	1 033 061	1 133 847	1 108 651

15. BORROWINGS FROM CREDIT INSTITUTIONS

	30.09.2022	30.09.2021	31.12.2021
	EUR	EUR	EUR
Non-current borrowings from credit institutions	54 811 285	63 488 715	60 282 986
Current borrowings from credit institutions	19 148 467	20 729 072	37 772 866
	73 959 752	84 217 787	98 055 852

Conexus has borrowings from Nordic Investment Bank, AS SEB banka and OP Corporate Bank plc Latvia Branch. At the end of the reporting period, Conexus has an available overdraft facility of 65 000 thousand EUR (31.12.2021: 90 000 thousand EUR), of which overdraft of 9 185 thousand EUR has been used at the end of the reporting period, while the remaining 55 815 thousand EUR overdraft is unused and available. The duration of agreements for the overdraft facilities in amount of 65 000 thousand EUR reaches beyond 1 year. At the end of the reporting period, the weighted average interest rate on long-term loans is 0.54% (31.12.2021: 0.37%), the weighted average interest rate on short-term loans is 0.98%. At the end of the reporting period, 46% of long-term borrowings have a fixed loan interest rate. All Conexus borrowings are denominated in euros and are unsecured.

16. RELATED PARTY TRANSACTIONS

On 21 July 2020, changes were made in the register of shareholders of Conexus, where a change in ownership was registered in the amount of 34.0991% of the paid-up share capital of Conexus - the shares were disposed of by PAS Gazprom, they were acquired by JSC Augstsprieguma tīkls. Thus, JSC Augstsprieguma tīkls has significantly increased its stake in the company (currently 68.46% of the total paid-up share capital of Conexus) and has control on the company.

Related parties include Conexus shareholders, members of the Council and Management Board, their close family members, and companies in which they exercise control or significant influence; Parent company JSC "Augstsprieguma tīkls", its members of the Council and Management Board, their close family members, and companies in which they exercise control or significant influence. As all shares of the Parent company are 100% owned by the Republic of Latvia, state-controlled companies are also considered related parties.

Conexus has no ordinary service transactions with the Government of Latvia, including ministries and state agencies, as well as transactions with state-controlled companies, which are considered as other related parties, except for JSC "Augstsprieguma tīkls" and JSC "Latvenergo".

Related party transactions	01.07.2022-30.09.2022 or 30.09.2022	01.07.2021-30.09.2021 or 30.09.2021	01.01.2022-30.09.2022 or 30.09.2022	01.01.2021-30.09.2021 or 30.09.2021
	EUR	EUR	EUR	EUR
Revenue from related parties:				
JSC "Latvenergo"	4 335 486	3 451 338	14 130 097	12 627 303
Purchases of goods and services from related parties:				
JSC "Latvenergo"	1 405 996	374 665	2 931 139	1 486 886
JSC "Augstsprieguma tīkls"	105	143	201	317
Balances at the end of the year arising from sales/ purchases of goods and services:				
Receivables from contracts with customers				
JSC "Latvenergo"	1 852 445	1 605 362	1 852 445	1 605 362
Trade payables				
JSC "Latvenergo"	349 029	288 438	349 029	288 438
JSC "Augstsprieguma tīkls"	0	143	0	143

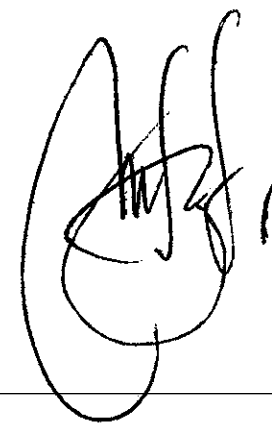
17. COMMITMENTS AND CONTINGENCIES

As of 30 September 2022, long-term investment agreements contracted for, but not yet delivered amounted EUR 19 084 402 (31.12.2021.: EUR 23 673 604) In addition, according to signed inter-operator agreement for GIPL project cost sharing, investments amounting 14 700 thousand EUR are planned.

18. SUBSEQUENT EVENTS

According to management's assessment, there are no subsequent events since the last date of the reporting year, which would have a significant effect on Conexus condensed interim statements for the period from 1 January 2022 to 30 September 2022.

The financial statements have been prepared by:



AIJA MARTINSONE-STAGE
Head of Finance Division

* This document has been signed with secure electronic signature and bears a time stamp