

Joint-stock company

conexus
B A L T I C G R I D

Financial statements for 2022 (unaudited)

Prepared in accordance with the International Financial Reporting Standards 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 – 31 December 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 and Estonia.

Customers of Conexus – 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

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

WHY DO WE EXIST?

Mission

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

WHAT IS IMPORTANT TO US?

Values

Safety and security



It is important for us to have a secure and reliable gas transmission and storage.

Competence



We value employees' competence, knowledge, professional experience, and orientation towards development.

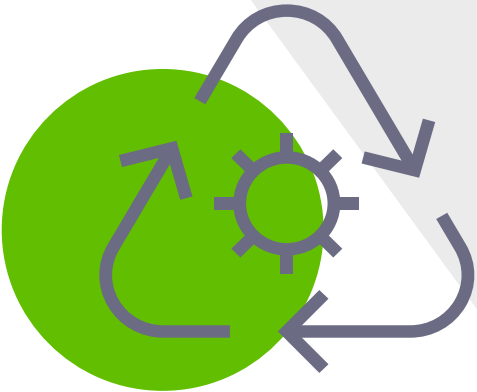
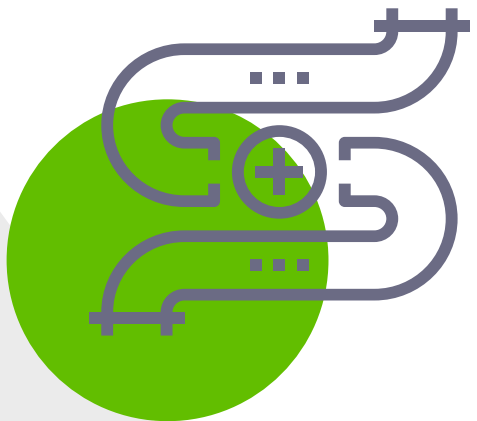

Cooperation





We support each other in decision making, we listen and search for common solutions internally, working with clients and partners.

Goals of Conexus

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

<p>MARKET DEVELOPMENT</p> 	<p>Promote development and further integration of gas market, including promotion for growth of biomethane, hydrogen and other gaseous energy carriers' markets</p>	<ul style="list-style-type: none"> • Facilitate integration of the regional market • Promote cooperation with other regional TSOs to develop a unified position regarding the integration of biogas and hydrogen into the transmission networks, by supporting biomethane injection into transmission network • Further development of Inčukalns UGS services by securing flexibility and compression withdrawal option
<p>INFRASTRUCTURE SAFETY AND SECURITY OF SUPPLY</p> 	<p>Ensure available and secure gas transmission and storage infrastructure, at the same time researching and promoting adaptation options for injection of other gaseous energy carriers</p>	<ul style="list-style-type: none"> • Implement projects of common interests • Execution of research and development projects to identify technical options and necessary investments for retrofitting or repurposing existing infrastructure for blending or pure hydrogen usage, including building a dedicated hydrogen infrastructure • Asset management based on future challenges
<p>SUSTAINABILITY</p> 	<p>Focus on climate and environmental sustainability aspects</p>	<p>By focusing on sustainability, Conexus shall target its attention to environmental aspects:</p> <ul style="list-style-type: none"> • E – regional market integration that supports renewable gas development, secure transmission, and storage infrastructure, while focusing on methane, NOx and other GHG emission reduction • S – safety-oriented culture, professional and development-oriented team • G – compliance with the Corporate Governance Code

Alongside strategic targets, Conexus has defined horizontal targets closely related to and enhancing the achievement of all planned medium-term activities.

	<p>Focus on organizational development and efficiency</p>	<p>Conexus will facilitate funding opportunities as well as increase operational efficiency.</p>
	<p>Digitalisation and cybersecurity</p>	<p>Conexus will continue digitization projects focusing on operational technology, physical security, fire safety and cybersecurity.</p>
	<p>Professional and development-oriented team</p>	<p>Conexus' value is professional team, therefore a development program will be made, which shall provide opportunity for employees to develop skills by creating individual development plans. The company will promote learning new skills for transformation to renewable gas technologies. Conexus shall promote transfer of skills and knowledge from experienced employees to new ones. To promote the professional development of the team, Conexus shall create a competitive and flexible remuneration system.</p>

Shareholders

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

Conexus is a closed 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 %) and “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 31 December 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 since 3 January 2018)

TOMOHide GOTO
Vice-Chairman of the Council

(in Council since 30 April 2020)

ZANE ĀBOLIŅA
Member of the Council

(in Council since 30 April 2020)

ILZE ALEKSANDROVIČA
Member of the Council

(in Council since 30 April 2020)

NORMUNDS ŠUKSTS
Member of the Council

(in Council since 30 April 2020)

TAKUMI SASAKI
Member of the Council

(In Council since 12 May 2021)

VIKTORS SENTUHOVSKIS
Member of the Council

(In Council since 12 May 2021)

Board



ULDIS BARISS

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

Born on 29 April 1965
valde@conexus.lv

Term of office:
from 16 November 2020 until 15 November 2023



GINTS FREIBERGS

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

Born on 23 August 1959
valde@conexus.lv

Term of office:
from 22 December 2016 until 31 December 2017
from 31 December 2017 until 31 December 2020
from 1 January 2021 until 31 December 2023



MĀRTIŅŠ GODE

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

Born on 17 August 1976
valde@conexus.lv

Term of office:
from 31 December 2017 until 31 December 2020
from 1 January 2021 until 31 December 2023

MANAGEMENT REPORT

Main activities

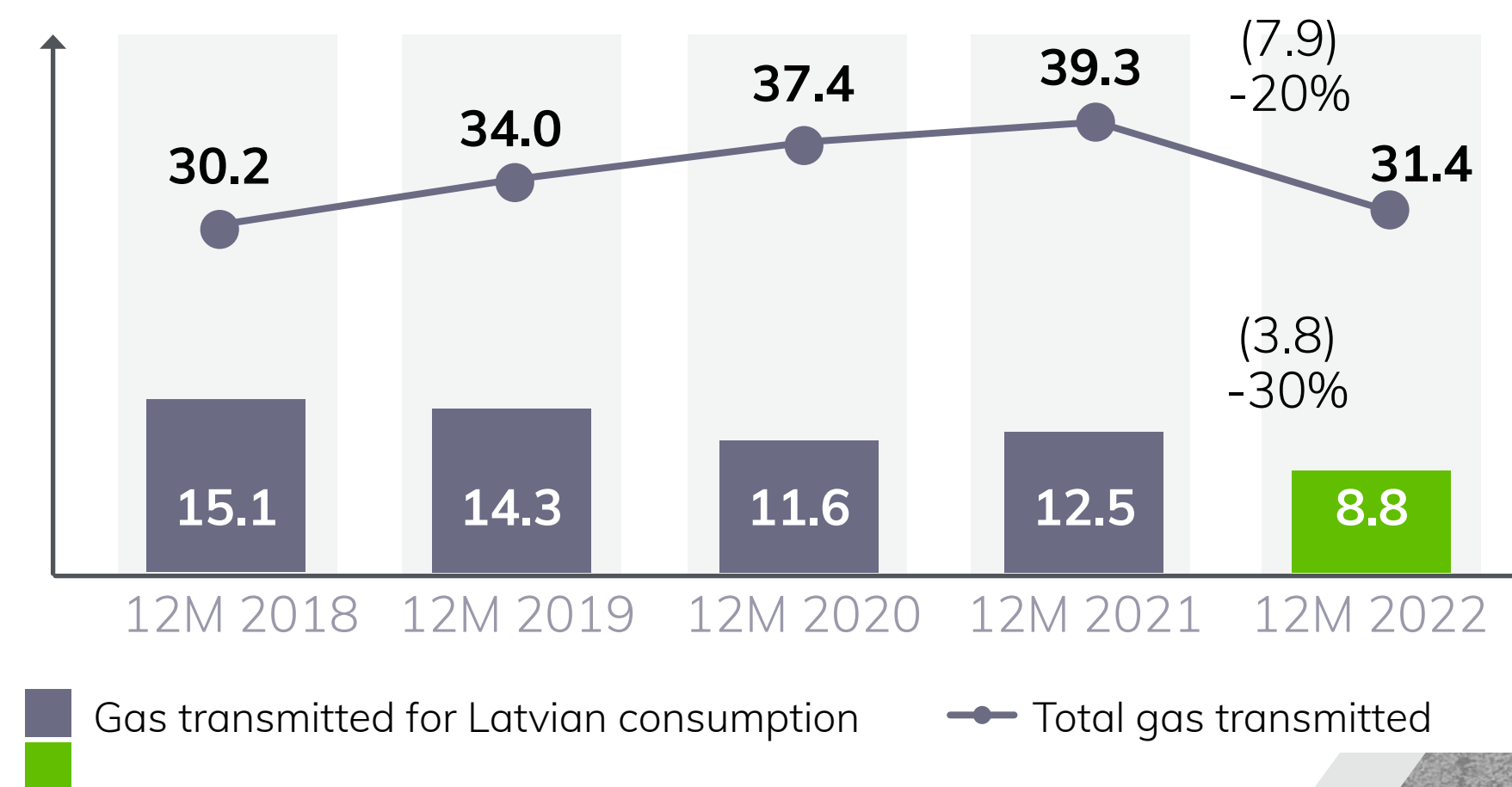
Conexus provides the supply of natural gas in the complicated geopolitical circumstances

The energy sector experienced severe disturbance in 2022. The war launched by Russia in Ukraine created considerable uncertainty over natural gas supply sources, and natural gas prices in world markets were high. From the beginning of the year, Conexus, in cooperation with neighbouring transmission operators, government authorities and market participants, achieved sufficient supply of natural gas and the establishment of natural gas reserves in Inčukalns UGS. In 2022, Conexus an uninterrupted a continuous supply of natural gas for Latvia, Lithuania, Estonia and Finland.

Total volume of gas transmitted in Latvia reached 31,4 TWh, which is 20% less than in prior year. The largest decrease is due to an 83% lower volume of natural gas received from Russia. During 2022, only 3,4 TWh of natural gas (excluding transit) were delivered from Russia, whereas during the previous year natural gas was received in amount of 19,7 TWh. Instead, natural gas traders actively increased delivery from Klaipėda liquified natural gas terminal. In 2022, the volume of natural gas received from Lithuania reached 17,0 TWh (excluding transit), almost 9 times more than in the prior year.

Due to the high gas prices, natural gas consumption by users in Latvia decreased to 8,8 TWh, which is 30% less than in the last year. As a result of the significant increase in the natural gas price, volume of electricity generation at the country's largest thermal power plants also declined¹. The drop in natural gas consumption has allowed for a reduction in the amount of natural gas withdrawn from Inčukalns UGS – 10,6 TWh of natural gas withdrawn in 2022, 41% less than in the previous year.

Transmitted natural gas, TWh



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

Following the Russian invasion of Ukraine on 24 February, 2022, the Parliament of Latvia adopted amendments to the Energy Law on 14 July, 2022, which set a ban on natural gas supplies from Russia starting from 1 January 2023. After the date, Latvia can receive natural gas from the Klaipėda LNG terminal (Lithuania) and will also be able to obtain it from the already built Inkoo LNG terminal (Finland) in year 2023.

Inčukalns underground gas storage filled for 2022/2023 heating season

In response to the geopolitical situation in Europe, the injection of natural gas into the Inčukalns UGS was started already at the end of February 2022. Usually, the injection into the Inčukalns UGS is started after the end of withdrawal season, which was 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.

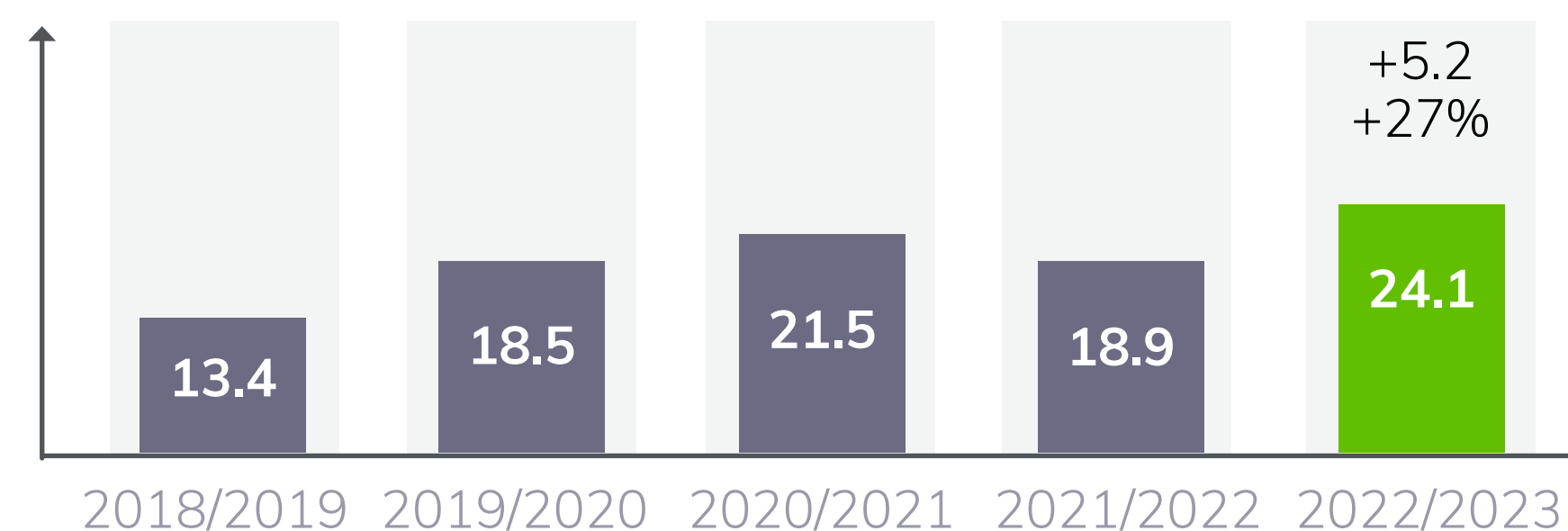
For 2022/2023 storage cycle, technical capacity of Inčukalns UGS available for the market was set at 24,1 TWh, which is 27% more than the year before. During the reporting period, several Inčukalns UGS capacity auctions were held, as a result, system users were granted 19,6 TWh, thus fully booking all available storage capacity by 2 August 2022.

The injection of natural gas into the storage was completed on 15 November 2022 (in 2021 - 14 October), reaching a storage fulfilment of 14,5 TWh, which is 18% less than the previous year. As of 31 December 2022, Inčukalns UGS holds 11,3 TWh of natural gas stored by system users. It is 7% less than the volume stored in Inčukalns UGS on the 31 December last year.

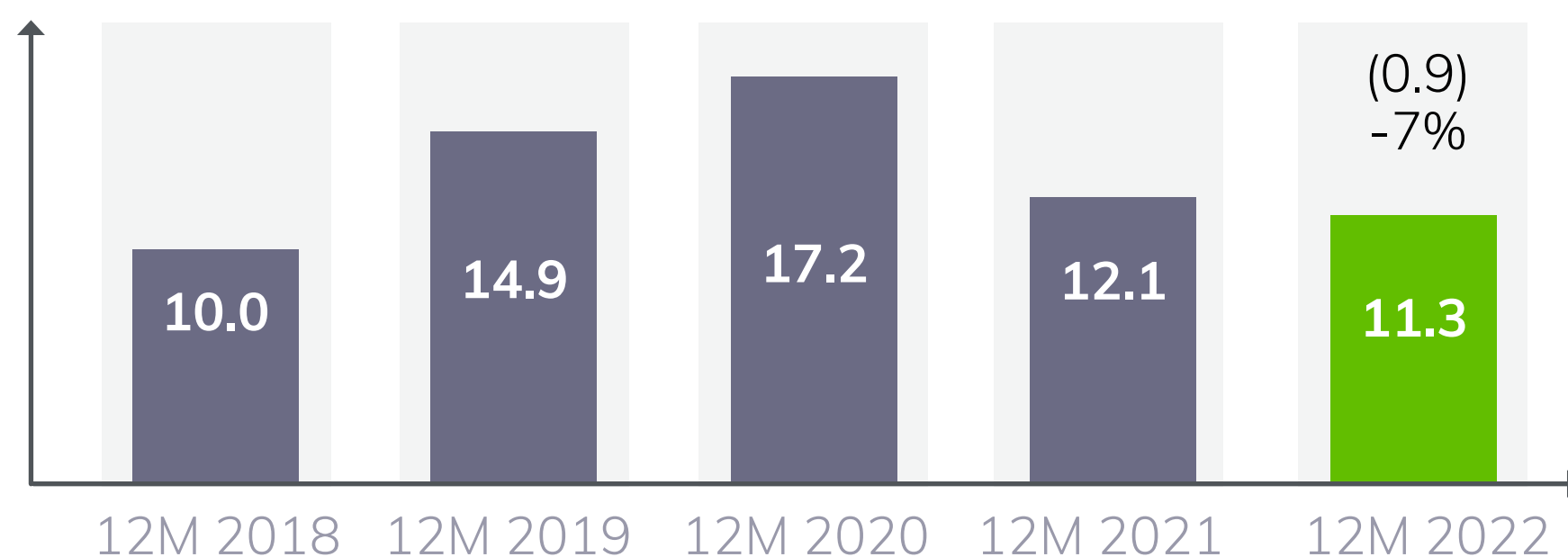
The European Union (EU) Gas Storage Regulation requires European gas reserves to be filled before winter and to be protected against external interference. The adopted regulation will strengthen the

EU's security of gas supply also in upcoming winters. The regulation 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 had to store 4,5 TWh. As of 31 October 2022, the total filling capacity of the Inčukalns UGS facility was 13,7 TWh, while the storage capacity of users registered in Latvia was 6 TWh, which is 44% of the total natural gas storage capacity, therefore Latvia has complied with the requirements of the Regulation.

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



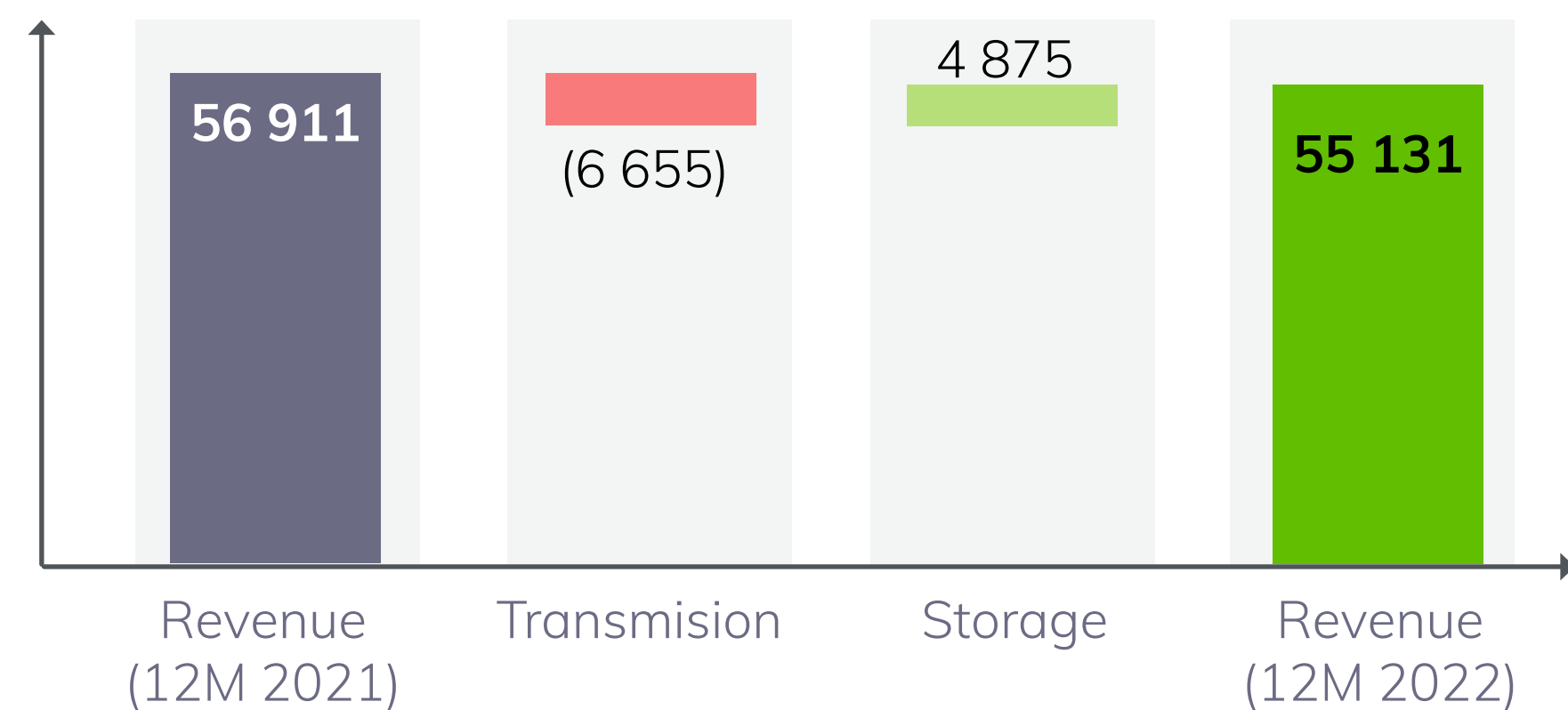
Total amount of natural gas stored by system users in Inčukalns UGS at the end of the reporting period, TWh



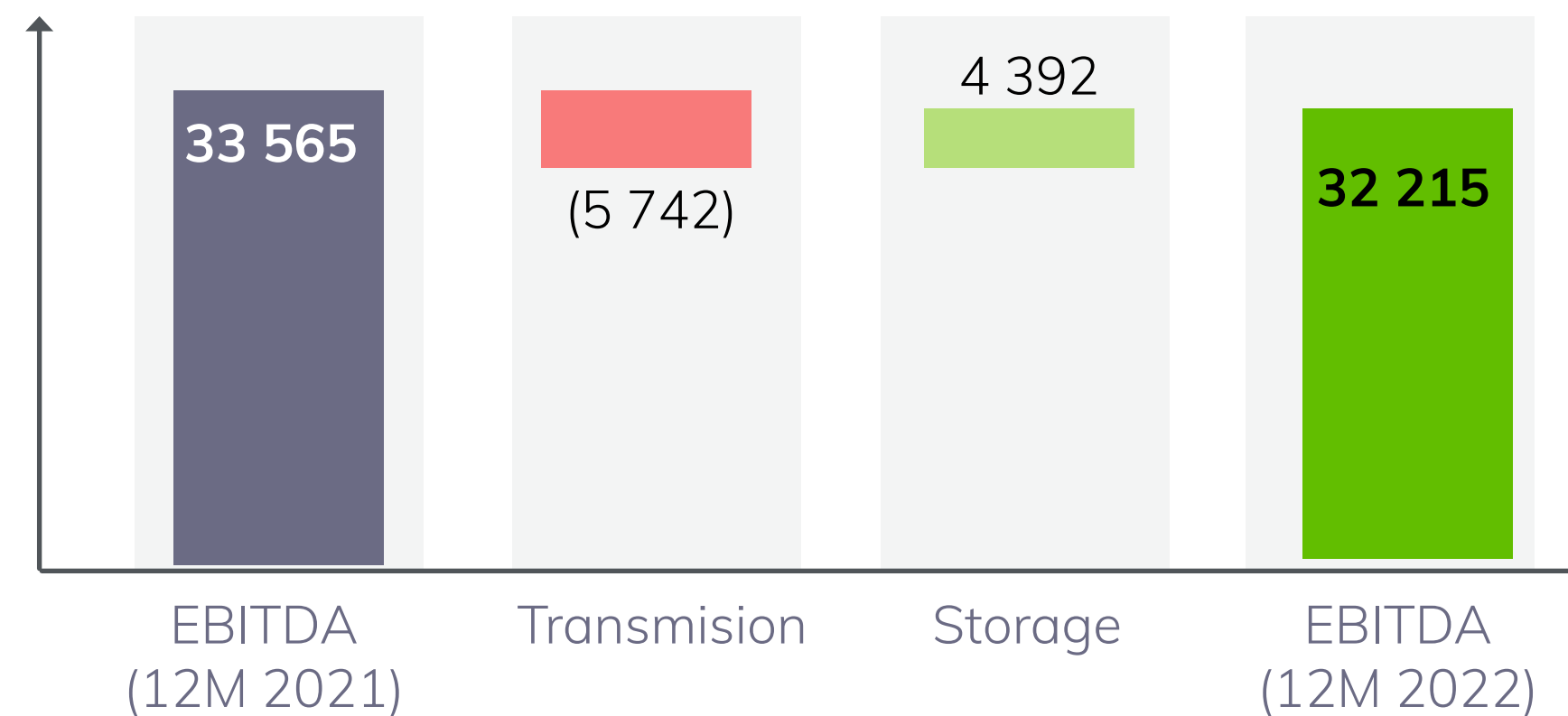
Conexus financial results

The net turnover in the reporting period was 55 131 thousand EUR, which is 3% less than the prior year. Conexus EBITDA during the reporting period decreased by 4% in comparison to 2021, reaching 32 215 thousand EUR. Both revenue and EBITDA were negatively affected by decrease in the volume of transmission service, while the revenue and EBITDA of storage service exceed the corresponding period of the previous year.

Conexus revenue, `000 EUR



Conexus EBITDA, `000 EUR



During the reporting period, net profit of Conexus was 11 365 thousand EUR, which is 1 852 thousand EUR less than in the prior year's respective period.

MAIN FINANCIAL INDICATORS	12M 2022 or 31.12.2022	12M 2021 or 31.12.2021	+/-	%
	EUR'000	EUR'000		
Net turnover	55 131	56 911	(1 780)	-3%
EBITDA	32 215	33 565	(1 351)	-4%
Net profit	11 365	13 217	(1 852)	-14%
Total assets	463 809	468 070	(4 261)	-1%
Investments	14 941	27 352	(12 411)	-45%

Financing and liquidity

International credit rating agency “S&P Global Ratings” (S&P) has evaluated Conexus for the first time and assigned long-term credit 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.

The financial assets held by Conexus are sufficient to meet Conexus financing needs. At the end of the reporting period, the total amount of Conexus borrowings is 82 430 thousand EUR, overdraft has not been used. Conexus has available credit lines amounting to 65 000 thousand EUR, which provides a significant liquidity reserve. The duration of agreements for the overdraft facilities reaches beyond 1 year. At the end of the reporting period, Conexus has entered into long-term loan agreements amounting to 55 000 thousand EUR with expected receipt of funds during 2023. At the end of the reporting period the weighted average interest rate of long-term borrowings is 1.76% (31.12.2021: 0.37%).

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

CONEXUS FINANCIAL COVENANTS	31.12.2022	31.12.2021
Shareholders’ equity ratio (>50%)	72%	71%
Net debt to EBITDA ratio (<5)	2.7	3.0
Debt-Service Coverage Ratio (DSCR) (>1.2)	2.9	3.7

Regulatory activities

Amendments were made to the Energy Law on 21 April 2022 with the aim to establish energy supply security reserve to be stored in Inčukalns UGS in order to ensure the uninterrupted supply of natural gas. The reserves will ensure that natural gas is available in the country at an extent sufficient to prevent energy crisis. Energy supply security reserve is set at 1,8 TWh for 2023. The purchase and storage of the energy supply security reserve, ensuring injection in Inčukalns UGS, was organised by JSC “Latvenergo” on behalf of the state.

On 1 September 2022, the new methodology for capital costs accounting and calculation entered into force. PUC has moved the regulation of capital cost accounting from sectoral tariff methodologies to a common methodology of capital costs accounting. The capital costs accounting and calculating methodology provides for a number of changes to the accounting of regulated assets and depreciation and calculation of the capital return.

PUC has developed a new version of the natural gas transmission system tariffs calculation methodology and has launched public consultations in accordance with the European Commission Regulation, which establishes a network code on harmonised gas transmission tariff structures. The consultation was launched on 15 December 2022. The tariffs applicable for the next regulatory period will be calculated and submitted in accordance with the new methodology.

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 for 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 has still not been drawn up in the Administrative district court.

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 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.

Main financial indicators

		12M 2018 or 31.12.2018	12M 2019 or 31.12.2019	12M 2020 or 31.12.2020	12M 2021 or 31.12.2021	12M 2022 or 31.12.2022	Δ	Δ %	
Operating indicators	Transmitted natural gas	TWh	30.2	34.0	37.4	39.3	31.4	(7.9)	-20%
	Amount of natural gas stored by system users in Inčukalns UGS at the end of reporting period	TWh	10.0	14.9	17.2	12.1	11.3	(0.9)	-7%
	Volume of natural gas consumed in Latvia*	TWh	15.1	14.3	11.6	12.5	8.8	(3.8)	-30%
	Volume of natural gas withdrawn from Inčukalns UGS	TWh	12.6	10.5	11.6	17.9	10.6	(7.3)	-41%
Financial indicators	Net turnover**	`000 EUR	56 162	60 526	54 283	56 911	55 131	(1 780)	-3%
	EBITDA	`000 EUR	28 995	34 216	30 103	33 565	32 215	(1 351)	-4%
	Net profit	`000 EUR	13 306	17 945	13 112	13 217	11 365	(1 852)	-14%
	Total assets	`000 EUR	361 563	362 400	453 092	468 070	463 809	(4 261)	-1%
	Investments	`000 EUR	14 837	13 944	22 118	27 352	14 941	(12 411)	-45%
	Depreciation	`000 EUR	15 500	16 080	16 823	17 806	17 859	53	0%
Financial coefficients	EBITDA profitability	%	52%	57%	55%	59%	58%	(1ppt)	
	Net profitability	%	24%	30%	24%	23%	21%	(3ppt)	
	Return on Equity ratio (ROE)	%	4.3%	5.8%	3.5%	3.6%	3.4%	(0.2ppt)	
	Shareholders' equity ratio***	%	86%	87%	89%	71%	72%	1ppt	
	Net debt to EBITDA ratio****	coef.	0.9	0.6	0.8	3.0	2.7	(0.3)	-10%
	Debt-service Coverage Ratio (DSCR)*****	coef.	7.9	9.3	8.3	3.7	2.9	(0.8)	-22%
Average number of employees	amount	350	343	341	352	356	4	1%	

* Volume of natural gas injected into the distribution system

** 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 of natural gas and storage of natural gas. The split of information included into operating segments agrees to the split of regulated services. This split is defined in the internal management accounting system and is applied both in the appraisal of results and in the decision-making.

Natural gas transmission

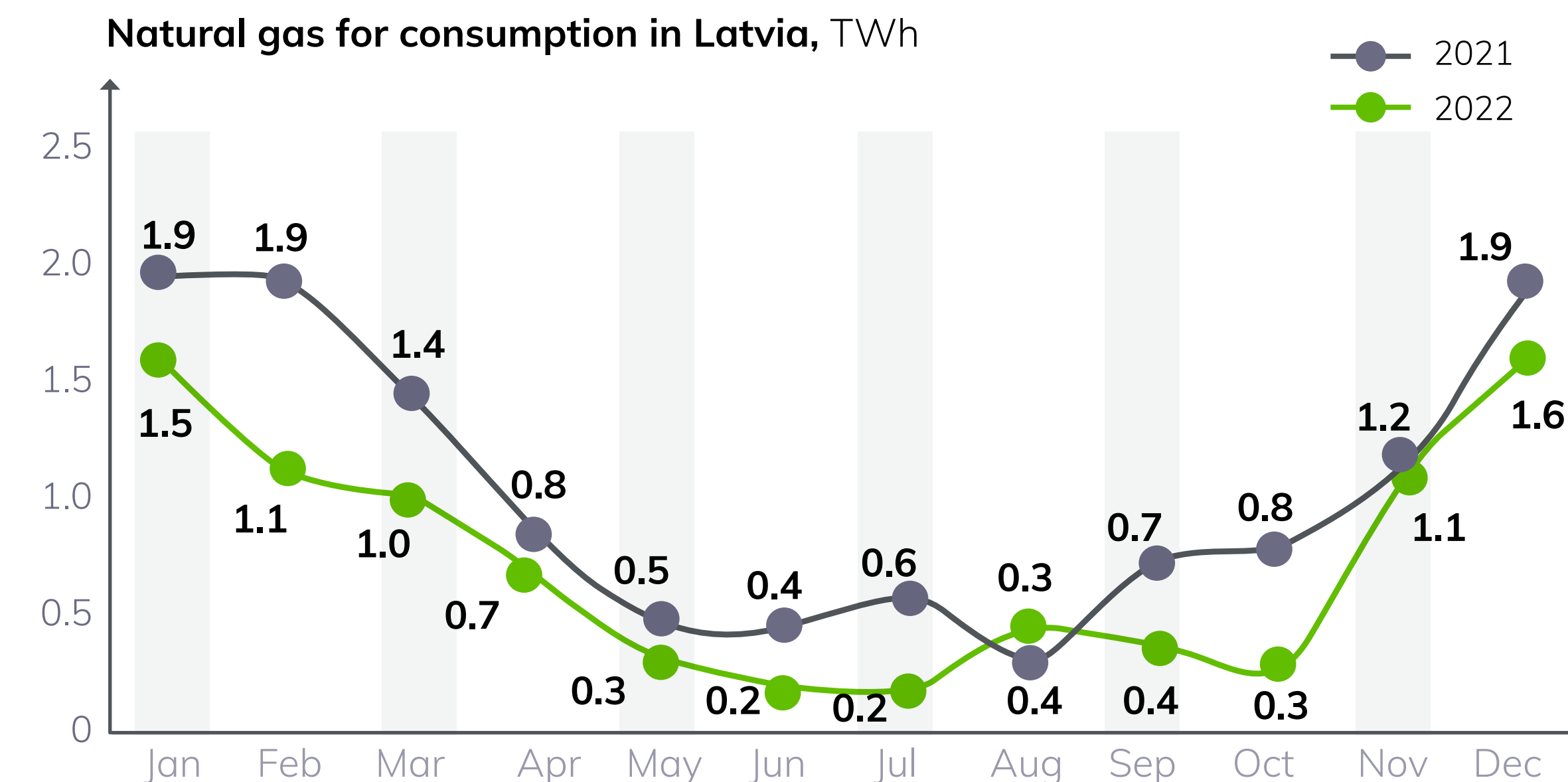
Conexus is the single natural gas transmission and storage operator in Latvia, which ensures the maintenance as well as safe and continuous operation of the natural gas transmission system, and the interconnections with the transmission systems of other countries, enabling traders to use the natural 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 and Estonia, ensuring both the transmission of natural gas in gas pipelines in the territory of Latvia and interconnections with the natural gas transmission systems of the neighbouring countries:

- the diameter of gas pipelines which ensure gas transit to neighbouring countries is 720 mm with the operating pressure between 28 and 40 bars;
- the diameter of gas pipelines intended for the supply of Latvia is between 400 mm and 530 mm with the operating pressure up to 35 bars;
- 40 gas regulation stations are used to transport the natural gas to the local distribution system in Latvia. 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.

In 2022, revenue of the transmission segment was negatively impacted by several factors: the Russian invasion of Ukraine, which resulted in reduced deliveries, increase in natural gas prices, weather conditions, preparations for the heating season 2022/2023, as well as reduced production of electricity at the country's largest heat and power plants². As a result, overall consumers' demand for natural gas was lower than in the same period of previous year, which led to 7 900 thousand EUR lower revenue from the use of exit point for supply of consumers of Latvia.

In 2022, the total volume of transmitted gas reached 31,4 TWh, 20% decrease against the respective period of prior year. The volume of natural gas consumption in Latvia reached 8,8 TWh, it comprises 30% decrease versus prior year.



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

Revenue of the transmission segment during the reporting period was 26 260 thousand EUR and EBITDA reached 13 045 thousand EUR, representing 41% of the total EBITDA of Conexus. Net profit of the transmission segment amounted to 1 062 thousand EUR (85% less than in prior year).

TRANSMISSION	12M 2022 or 31.12.2022	12M 2021 or 31.12.2021*	+/-	%
	EUR'000	EUR'000		
Net turnover	26 260	32 915	(6 655)	-20%
EBITDA	13 045	18 787	(5 742)	-31%
Segment Net Profit	1 062	6 869	(5 807)	-85%
Segment assets	238 761	250 660	(11 899)	-5%
Depreciation and amortisation	10 099	10 321	(221)	-2%
Investments	5 452	10 579	(5 127)	-48%

* 2021 figures reclassified to be comparable with 2022 figures.

Operations of Conexus are regulated, and the regulatory periods differ from the financial year. In accordance with Natural gas transmission system service tariff calculation methodology, during the tariff cycle, deviations of income and expenses may occur against the allowed ones, which will affect tariff values in the subsequent tariff cycles.

In transmission segment, such deviations can occur due to actual natural gas consumption differing from the one planned in tariff calculations, leading to revenue adjustment. Actual revenue of transmission segment, generated during gas year from 1 October 2021 until 30 September 2022, is 26,7 million EUR, which is 5,2 million EUR lower than planned in approved tariff. During the previous tariff periods from 1 January 2020 until 30 September 2021, the unearned revenue was 3,9 million EUR. Allowed revenue of the next regulatory period will be increased by the unearned revenue amount.

In accordance with the Regulator's decision No 171 of 27 November 2019, existing tariffs of transmission system service have been approved for the period from 1 January 2020 to 30 September 2022. The approved tariffs on the natural gas transmission system service are continued to be applied after 30 September 2022 until the beginning of a new regulatory period.

The transmission segment's assets at the end of the reporting period amounted to 239 million EUR, which comprised 51% of the total assets of Conexus. During the reporting period, capital investments of 5 452 thousand EUR were made. The largest investments:

- Within the framework of the European project of common interest "Enhancement of Latvia-Lithuania Interconnection" (ELLI), Conexus invested a total of 1,3 million EUR in several sub-projects during 2022. 2 activities out of 17 total activities have been completed during 2022:
 - o rebuilding of the gas pipeline branch to the gas regulation station Baldone;
 - o rebuilding of the gas pipeline branch to the gas regulation station Krimulda.

11 out of 17 activities have been completed since the beginning of the project and a total of 4,3 million EUR has been invested.

- insulation replacement works completed on 16 km branch of transmission gas pipeline Izborsk-Inčukalns UGS in amount of 4,7 million EUR (in 2022 – 0,8 million EUR), including performing reconstruction works underneath 5 main roads and elimination of 83 defects detected during diagnostic;
- transmission gas pipelines repairs – 890 thousand EUR.



Natural gas storage

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

During 2021/2022 storage cycle Inčukalns UGS capacity booking reached 18,9 TWh, which is 12% less than previous year. However, during 2022/2023 storage cycle Inčukalns UGS capacity products amounted to 24,1 TWh, which is 27% more than the year before. The varied types of capacity products booked by the market participants, storage tariffs and applicable auction premiums led to increased revenue from bookings of capacity products by 4 875 thousand EUR, in comparison to the previous year.

Revenue of the storage segment during the reporting period was 28 871 thousand EUR and EBITDA reached 19 170 thousand EUR. Net profit of storage segment reached 10 303 thousand EUR.

STORAGE	12M 2022 or 31.12.2022	12M 2021 or 31.12.2021*	+/-	%
	EUR'000	EUR'000		
Net turnover	28 871	23 996	4 875	20%
EBITDA	19 170	14 778	4 392	30%
Segment Net Profit	10 303	6 348	3 955	62%
Segment assets	225 049	217 410	7 638	4%
Depreciation and amortisation	7 759	7 485	274	4%
Investments	9 488	16 772	(7 284)	-43%

* 2021 figures reclassified to be comparable with 2022 figures.

In accordance with Natural gas storage system service tariff calculation methodology, during the tariff cycle, deviations of income and expenses may occur against allowed ones, which will affect tariff values in subsequent tariff cycles. In storage segment, such deviations are accrued in a regulatory account. During the storage tariff period from 1 May 2022 until 30 April 2023, storage service revenue was generated in amount of 30,4 million EUR. It is 6,2 million EUR above the allowed revenue set for this period. These 6,2 million EUR are included in the regulatory account. During the previous tariff period from 1 May 2021 until 30 April 2022, the actual revenue was 1,8 million EUR

more than allowed revenue for this period. Revenue included in the regulatory account will impact allowed revenue for the next tariff periods.

With the exception of stock transfer product, the storage service tariffs have remained unchanged for the 2022/2023 storage season. The storage service tariffs applicable to the 2023/2024 storage season will be approved until the commencement of storage cycle, which is set for 1 May 2023.

Assets of storage segment at the end of the reporting period amounted to 225 million EUR, which comprised 49% of total assets of Conexus. During the reporting period, capital investments were made in amount of 9 488 thousand EUR, which was 7 284 thousand EUR less than in prior year. The 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 7,2 million EUR, - were made within the framework of the European project of common interest PCI 8.2.4. "Enhancement of Inčukalns UGS":

As part of renovation of 36 wells, 8 wells were put in operation during 2022. Total of 29 out of 36 wells completed to date. During 2022, reconstruction of wells was made in amount of 1,1 million EUR. Total investments into well reconstruction since the beginning of the project reached 21 million EUR;

Within the modernisation of existing gas compression units (GCU), modernisation of compressor workshop's No.2 compression unit No.3, No.2 and No.4 was completed, investments during 2022 totalling to 1,2 million EUR. Equipment for the modernisation of the remaining compressor units No.5 and No.6 have been delivered in 2022. Total investments since the beginning of the project comprise 7,7 million EUR;

Enhancement of surface installations at gas collection point No.3: works performed in amount of 4,8 million EUR, which included finishing the project design works and partly delivery of the necessary equipment. Since the commencement of the project, a total of 7,3 million EUR was invested. Procurement of construction works is carried out at the end of 2022;

Construction permit was obtained after construction planning documentation has been devised for installation of gas compression unit in the gas compressor workshop No.1. A contract of 21,6 million EUR has been concluded for the delivery of gas compression unit. Total investments to date comprise 0,4 million EUR.

Further development

Conexus will continue active work 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. During continuing enhancement of Inčukalns UGS as part of the European Project of Common Interest, Conexus has concluded an agreement on the purchase and installation of a new gas compression unit. The supplier was determined as a result of an open tender and the total value of the contract is 21,6 million EUR.

Work will also continue on the increase of Latvia-Lithuania transmission gas pipe capacity with the aim to facilitate access to the Klaipėda liquid gas terminal, Latvia’s Inčukalns UGS and Poland-Lithuania gas interconnection. The “Enhancement of Latvia-Lithuania Interconnection” (ELLI) project foresees a number of activities in both Latvia and Lithuania until the end of 2023, which will increase the gas interconnection capacity between Latvia and Lithuania in both directions. Since 1 November 2022 gas transmission capacity from Lithuania to Latvia has already been increased by one-third.

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

The European transmission system operators - Conexus, Gasgrid Finland (Finland), Elering (Estonia), Amber Grid (Lithuania), GAZ-SYSTEM (Poland) and ONTRAS (Germany) have signed a cooperation agreement to develop hydrogen infrastructure from Finland through Estonia, Latvia, Lithuania and Poland to Germany to meet the

REPowerEU 2030 targets. The system operators have initiated a project called Nordic-Baltic Hydrogen Corridor that will strengthen region’s energy security, reduce the dependency on imported fossil energy and accelerate decarbonising activities in energy sector. It also has significant potential to contribute to the EU’s greenhouse gas emission reduction target by replacing today’s fossil-based production and fossil fuel consumption in industry, transport sector, electricity and heating, with the renewable energy, i.e., green hydrogen.

On 14 July 2022, 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. Guarantee of origin is a document that proves the gas has been produced from renewable energy sources and will therefore be applicable both in Latvia to provide a prove to the end consumer that the energy is environmentally friendly and will open up new opportunities for renewable gas producers to export it. Guarantee of origin system for gas will become operational on 1 July 2023 as required by the Energy Law.

Conexus has launched a development solution for the integration of biomethane into the gas transmission system in order to promote the development of renewable gases in Latvia and to give biomethane producers an unprecedented opportunity to enter produced biomethane into the gas transmission system without the construction of a separate direct connection. In 2022, Conexus has organised a public consultation on the intention of establishing regional biomethane entry points in the gas transmission system.

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

Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2022.

ABBREVIATIONS AND FORMULAS

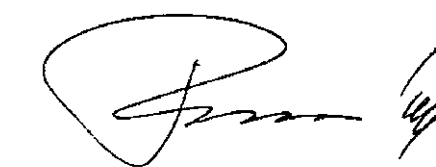
MWh	megawatt-hours
TWh	terawatt-hours
EUR/MWh/d/g	euro for megawatt-hour per day / per year
EBITDA	earnings before interest, taxation, depreciation & amortisation
Net debt	loans including overdrafts minus cash and cash equivalents
EBITDA profitability	EBITDA / income
Net profitability	net profit / income
Return on equity ratio (ROE)	net profit / equity average value (over the reporting period)
Shareholders' equity	equity / total assets
Net debt to EBITDA ratio	net debt / EBITDA (over 12 months period)
Debt-Service Coverage Ratio (DSCR)	EBITDA (over 12 months period) / debt payments

STATEMENT OF THE BOARD'S RESPONSIBILITY

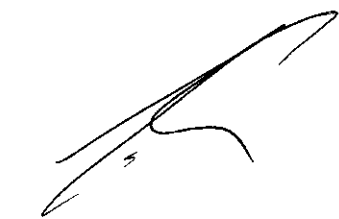
The Board of the Company is responsible for preparing its financial statements. Based on the information available to the Management Board of JSC "Conexus Baltic Grid", unaudited financial statements for the year ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and in all material aspects present a true and fair view of the assets, liabilities, financial position, profit and loss and respective cash flows. Information provided in the Management Report is accurate.



ULDIS BARISS
Chairman of the Board



GINTS FREIBERGS
Member of the Board



MĀRTIŅŠ GODE
Member of the Board

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FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	2022	2021
		EUR	(reclassified*) EUR
Revenue	2	55 131 399	56 911 284
Other income	3	881 767	638 293
Maintenance and service costs	4	(7 326 125)	(8 098 711)
Personnel expenses	5	(13 834 205)	(12 183 958)
Other operating costs	6	(2 638 298)	(3 701 730)
Depreciation, recognized, and impairment of property, plant and equipment	8,9,12	(17 858 532)	(17 805 749)
Operating profit		14 356 006	15 759 429
Finance costs	7	(604 096)	(286 057)
Profit before tax		13 751 910	15 473 372
Corporate income tax	25	(2 387 165)	(2 256 640)
Profit for the year		11 364 745	13 216 732

* see Note 2

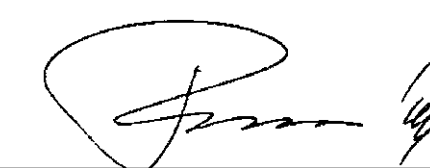
STATEMENT OF COMPREHENSIVE INCOME

	Note	2022	2021
		EUR	EUR
Profit for the year		11 364 745	13 216 732
Other comprehensive income / (loss):			
Revaluation of PPE		-	-
Revaluations of post – employment benefits as a result of changes in actuarial assumptions	19	59 045	(328 222)
Total other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		59 045	(328 222)
Total comprehensive income for the year		11 423 790	12 888 510

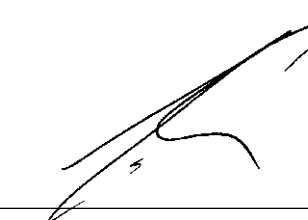
Notes on pages 26 to 64 form an integral part of these financial statements.



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STATEMENT OF FINANCIAL POSITION

	Note	31.12.2022	31.12.2021
ASSETS		EUR	EUR
Long-term investments			
Intangible assets	8	2 108 009	2 041 249
Advances for intangible assets		-	6 720
Property, plant and equipment	9	427 077 998	430 671 322
Advances for property, plant and equipment		5 322 009	2 332 465
Long-term deferred expenses	11,16	1 007 865	1 108 651
Right-of-use assets	12	461 503	451 108
Total long-term investments:		435 977 384	436 611 515
Current assets			
Inventories	13	3 690 935	2 626 539
Receivables from contracts with customers	14	10 237 307	13 373 794
Other receivables	15	2 456 478	365 186
Deferred expenses	11, 16	480 075	417 139
Cash and cash equivalents	29	10 967 116	14 676 110
Total current assets:		27 831 911	31 458 768
TOTAL ASSETS:		463 809 295	468 070 283

Notes on pages 26 to 64 form an integral part of these financial statements.


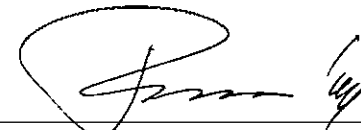
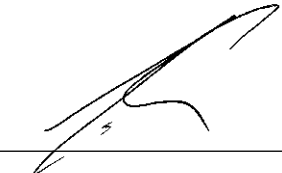
		
ULDIS BARISS Chairman of the Board	GINTS FREIBERGS Member of the Board	MĀRTIŅŠ GODE Member of the Board

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STATEMENT OF FINANCIAL POSITION (continued)

	Note	31.12.2022	31.12.2021
		EUR	EUR
EQUITY AND LIABILITIES			
Equity:			
Share capital		39 786 089	39 786 089
Own shares		(24 270)	(25 320)
Reserves	17	207 960 842	216 230 918
Retained earnings		85 638 003	76 412 620
Total equity:		333 360 664	332 404 307
Non-current liabilities			
Borrowings from credit institutions	20	69 468 183	60 282 986
Deferred income	18	24 957 748	18 156 045
Employee benefit obligations	19	1 351 768	1 374 135
Non-current lease liabilities	12	459 358	447 940
Total non-current liabilities:		96 237 057	80 261 106
Current liabilities			
Borrowings from credit institutions	20	12 899 286	37 772 866
Trade payables	21	7 411 426	7 290 495
Other liabilities	22	2 204 749	2 458 791
Accrued liabilities	23	2 323 332	6 129 608
Deferred income from contracts with customers	18	-	237 284
Deferred income, other	18	767 335	539 618
Advances from customers		8 580 382	956 811
Current lease liabilities	12	25 064	19 397
Total current liabilities:		34 211 574	55 404 870
TOTAL EQUITY AND LIABILITIES:		463 809 295	468 070 283

Notes on pages 26 to 64 form an integral part of these financial statements.

		
ULDIS BARISS Chairman of the Board	GINTS FREIBERGS Member of the Board	MĀRTIŅŠ GODE Member of the Board

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STATEMENT OF CHANGES IN EQUITY

	Note	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
Dividends		-	9 358	-	(85 142 230)	(85 132 872)
Reduction of revaluation reserve	17	-	-	(8 199 452)	8 199 452	-
<i>Other comprehensive (losses):</i>						
Revaluations of post-employment benefits as a result of changes in actuarial assumptions	19	-	-	(328 222)	-	(328 222)
<i>Total other comprehensive (losses)</i>		-	-	<i>(328 222)</i>	-	<i>(328 222)</i>
Profit for the year		-	-	-	13 216 732	13 216 732
<i>Total</i>		-	9 358	<i>(8 527 674)</i>	<i>(63 726 046)</i>	<i>(72 244 362)</i>
At 31 December 2021		39 786 089	(25 320)	216 230 918	76 412 620	332 404 307
Opening balance at 01.01.2022		39 786 089	(25 320)	216 230 918	76 412 620	332 404 307
Dividends		-	1 050	-	(9 548 661)	(9 547 611)
Reduction of revaluation reserve	17	-	-	(8 329 121)	7 409 299	(919 822)
<i>Other comprehensive income:</i>						
Revaluations of post-employment benefits as a result of changes in actuarial assumptions	19	-	-	59 045	-	59 045
<i>Total other comprehensive income</i>		-	-	<i>59 045</i>	-	<i>59 045</i>
Profit for the year		-	-	-	11 364 745	11 364 745
<i>Total</i>		-	1 050	<i>(8 270 076)</i>	9 225 383	956 357
At 31 December 2022		39 786 089	(24 270)	207 960 842	85 638 003	333 360 664

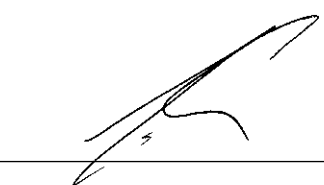
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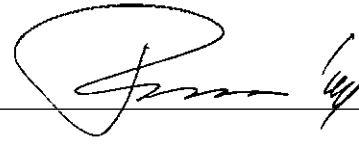
STATEMENT OF CASH FLOWS

	Note	2022	2021
Cash flow from operating activity		EUR	EUR
Profit before corporate income tax		13 751 910	15 473 372
Adjustments:			
- depreciation of property, plant and equipment	9	17 123 684	17 043 338
- depreciation of the right-of-use assets	12	26 251	93 452
- amortisation of intangible assets	8	708 597	668 959
- (profit) / loss from disposal of PPEs		(34 135)	580 740
- changes in provisions	19	(22 367)	345 641
- recognized EU co-financing	3	(614 520)	(383 814)
- interest expense		609 927	284 845
Changes in the working capital:			
- (increase) / decrease of receivables from contracts with customers, other receivables and deferred expenses		1 083 048	(6 756 589)
- (increase) / decrease of inventories		(1 064 396)	394 464
- increase of lease liabilities, trade payables, accrued liabilities, advances from customers and other liabilities		3 036 874	2 402 154
Corporate income tax		(2 387 165)	(2 256 640)
Net cash flow from operating activity		32 217 708	27 889 922
Cash flow from investing activity			
Acquisition of property, plant and equipment	9	(16 873 561)	(26 777 566)
Acquisition of intangible assets	8	(926 543)	(850 614)
Proceeds from the sale of property, plant and equipment items		35 866	70 490
Received EU co-financing	18	7 643 940	7 817 508
Net cash flow from investing activity		(10 120 298)	(19 740 182)
Cash flow from financing activity			
Interest paid	7	(563 790)	(224 627)
Borrowings received	20	20 000 000	84 949 950
Borrowings repaid	20	(35 688 383)	(8 769 097)
Lease payments	12	(40 217)	(110 560)
Dividends paid		(9 514 014)	(84 483 032)
Net cash flow from financing activity		(25 806 404)	(8 637 366)
Net cash flow		(3 708 994)	(487 626)
Cash and cash equivalents at the beginning of the reporting period		14 676 110	15 163 736
Cash and cash equivalents at the end of the reporting period		10 967 116	14 676 110
Nauda un tās ekvivalenti pārskata perioda beigās		14 676 110	15 163 736

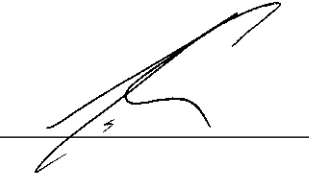
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NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENT

1. 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, where underground gas pipeline system provides transportation of natural gas through high-pressure pipelines for delivery to Inčukalns UGS, other countries, and the gas distribution network. The transmission segment generates revenue from capacity trading for both natural gas consumption in Latvia and international natural gas transportation.

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

The split of information included into operating segments agrees to the split of regulated services. This split is defined in the internal management accounting system and is applied both in the appraisal of results and in decision-making.

Segment information (segment profit or loss statements and investments made) is regularly submitted to Management Board of Conexus and Council of Conexus.

Reconciliation of segment financial information to Conexus financial information

Segment income statements for 2022:

	Transmission	Storage	Total	Difference between segments total and Conexus total
	EUR	EUR	EUR	EUR
Revenue	26 259 950	28 871 449	55 131 399	-
Other income	275 959	605 808	881 767	-
Maintenance and service costs	(3 651 234)	(3 674 891)	(7 326 125)	-
Personnel expenses	(8 076 816)	(5 757 389)	(13 834 205)	-
Other operating costs	(1 763 143)	(875 155)	(2 638 298)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(10 099 447)	(7 759 085)	(17 858 532)	-
Finance costs	(382 773)	(221 323)	(604 096)	-
Corporate income tax	(1 500 333)	(886 832)	(2 387 165)	-
Profit for the year	1 062 163	10 302 582	11 364 745	-

Segment income statements for 2021:

	Transmission	Storage	Total	Difference between segments total and Conexus total
	EUR	EUR	EUR	EUR
Revenue	32 914 919	23 996 365	56 911 284	-
Other income	202 412	435 881	638 293	-
Maintenance and service costs	(4 780 854)	(3 317 857)	(8 098 711)	-
Personnel expenses	(7 255 739)	(4 928 219)	(12 183 958)	-
Other operating costs	(2 293 658)	(1 408 072)	(3 701 730)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(10 320 671)	(7 485 078)	(17 805 749)	-
Finance costs	(179 362)	(106 695)	(286 057)	-
Corporate income tax	(1 418 298)	(838 342)	(2 256 640)	-
Profit for the year	6 868 749	6 347 983	13 216 732	-

Total assets by segments at 31.12.2022 and investments during 2022:

	Transmission	Storage	Total	Difference between segments total and Conexus total
	EUR	EUR	EUR	EUR
Segment assets	238 760 565	225 048 730	463 809 295	-
Investments in property, plant and equipment and intangible assets	5 452 438	9 488 226	14 940 664	-

Total assets by segments at 31.12.2021 and investments during 2021:

	Transmission	Storage	Total	Difference between segments total and Conexus total
	EUR	EUR	EUR	EUR
Segment assets	250 659 943	217 410 340	468 070 283	-
Investments in property, plant and equipment and intangible assets	10 579 496	16 772 102	27 351 598	-

Geographical information

All operating activities are held in Latvia.

Major customers

Revenue generated during 2022 from major customers, each of whom individually represent at least 10% of Conexus total revenue:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	25 592 141	18 204 528	43 796 669

Revenue generated during 2021 from major customers, each of whom individually represent at least 10% of Conexus total revenue:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	26 424 607	17 074 136	43 074 612

2. REVENUE

Revenue from contracts with customers recognised over time	IFRS applied	2022	2021 (reclassified*)
		EUR	EUR
Revenue from transmission services	15.SFPS	25 740 793	32 442 743
Balancing income, net	15.SFPS	28 871 448	23 996 365
Revenue from storage services*	15.SFPS	519 158	472 176
		55 131 399	56 911 284

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

*including deferred income in the amount of 237 284 EUR (2021: EUR 984 672) for reserved capacity recognised in revenue based on accruals principle.

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

	2022	2021
	EUR	EUR
Income from balancing activities	35 537 104	18 810 250
Cost of balancing activities	(35 017 946)	(18 338 074)
	519 158	472 176

3. OTHER INCOME

	2022	2021 (reclassified*)
	EUR	EUR
Income from EU co-financing	614 520	383 814
Other income	267 247	254 479
	881 767	638 293

*see Note 2

4. MAINTENANCE AND SERVICES COSTS

	2022	2021
	EUR	EUR
Transmission and storage system maintenance services	4 244 720	5 172 301
Cost of materials	1 571 426	1 218 831
Cost of natural gas	482 772	769 029
Maintenance of IT infrastructure	782 040	724 922
Maintenance of vehicles and machinery	245 167	213 628
	7 326 125	8 098 711

5. PERSONNEL EXPENSES

	2022	2021
	EUR	EUR
Salaries	10 741 147	9 421 927
State social insurance contributions	2 507 532	2 227 069
Life, health, and pension insurance	570 533	520 719
Other personnel costs	14 993	14 243
	13 834 205	12 183 958
Including remuneration of the Management Board and Council:		
- Remuneration for work	618 350	557 486
- National social insurance mandatory contributions	146 274	136 099
- Life, health, and pension insurance	45 358	45 097
- Other personnel costs	3 000	-
	812 982	738 682
The average number of employees	356	352

6. OTHER OPERATING COSTS

	2022	2021
	EUR	EUR
Taxes and duties*	874 632	1 334 936
Office and other administrative expenses	1 763 666	1 786 054
Net loss on disposal of PPE	-	580 740
	2 638 298	3 701 730

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

7. FINANCE COSTS

	2022	2021
	EUR	EUR
Interest paid	589 271	261 995
Lease interest expense	20 656	22 851
(Revenue) / expenses from exchange rate fluctuations	(5 831)	1 211
	604 096	286 057

NOTES TO THE STATEMENT OF FINANCIAL POSITION

8. INTANGIBLE ASSETS

	Software	Assets under development	TOTAL
		EUR	EUR
Cost			
31.12.2020	7 698 984	6 370	7 705 354
Additions	-	843 894	843 894
Transfers	789 210	(789 210)	-
Disposals	(298 905)	-	(298 905)
31.12.2021	8 189 289	61 054	8 250 343
Amortisation			
31.12.2020	5 832 683	-	5 832 683
Amortisation charge	668 959	-	668 959
Disposals	(292 548)	-	(292 548)
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 31.12.2021	1 980 195	61 054	2 041 249

	Software	Assets under development	TOTAL
		EUR	EUR
Cost			
31.12.2021	8 189 289	61 054	8 250 343
Additions	-	775 357	775 357
Transfers	787 416	(787 416)	-
Disposals	(185 204)	-	(185 204)
31.12.2022	8 791 501	48 995	8 840 496
Amortisation			
31.12.2021	6 209 094	-	6 209 094
Amortisation charge	708 597	-	708 597
Disposals	(185 204)	-	(185 204)
31.12.2022	6 732 487	-	6 732 487
Net book value 31.12.2021	1 980 195	61 054	2 041 249
Net book value 31.12.2022	2 059 014	48 995	2 108 009

Intangible assets at 31.12.2022 include fully amortised intangible assets with a historical cost of EUR 5 223 393 (at 31.12.2021: EUR 5 101 149).

Intangible assets consist of software and software licences.

9. 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	-	-	398 067	509 446	-	-	25 590 489	26 498 002
Reclassified*	50 814	11 809 706	3 005 303	1 312 172	-	-	(16 177 995)	-
Disposals **	-	(1 633 464)	(1 241 454)	(435 086)	-	-	(83 938)	(3 393 942)
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	-	11 405 968	4 984 802	652 568	-	-	-	17 043 338
Disposals	-	(1 207 276)	(1 024 866)	(432 989)	-	-	-	(2 665 131)
Reclassified*	-	(1 042 906)	(137 333)	1 180 239	-	-	-	-
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 31.12.2021	1 084 168	323 340 354	71 910 748	2 062 095	1 538 779	10 708 163	20 027 015	430 671 322

*Amounts include capitalised property, plant and equipment and reclassification between groups by synchronising accounting in financial and asset management systems.

**Owing to the decision not to continue the projects, the assets under construction projects in the amount of EUR 83 938 were recognised in expenses for the reporting period.

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

9. 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
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	44 902	1 245 508	1 131 296	-	-	11 734 895	14 164 907
Reclassified*	-	15 832 504	276 280	5 392 598	-	-	(21 501 382)	-
Disposals	-	(1 279 462)	(1 871 523)	(834 765)	-	-	-	(3 985 750)
Transfers**	-	-	-	-	286 605	-	-	286 605
31.12.2022	1 092 474	785 685 819	133 695 171	13 479 356	1 825 384	10 708 163	10 260 528	956 746 895
Accumulated depreciation								
31.12.2021	-	447 747 521	62 134 158	5 728 132	-	-	-	515 609 811
Calculated	-	11 347 304	4 919 732	856 648	-	-	-	17 123 684
Disposals	-	(940 692)	(1 325 270)	(798 636)	-	-	-	(3 064 598)
Reclassified*	-	(22 687)	(1 002 700)	1 025 387	-	-	-	-
31.12.2022	-	458 131 446	64 725 920	6 811 531	-	-	-	529 668 897
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 31.12.2022	1 092 474	327 554 373	68 969 251	6 667 825	1 825 384	10 708 163	10 260 528	427 077 998

*Amounts include capitalised property, plant and equipment and reclassification between groups by synchronising accounting in financial and asset management systems.

** Inventories of materials in warehouses in the amount of EUR 286 605 were transferred to the Emergency spare parts.

At 31.12.2022, property, plant and equipment included fully depreciated tangible assets with an original value of EUR 11 573 690 (31.12.2021: EUR 7 921 303). The cadastral value of the real estate is EUR 38 252 837 (31.12.2021: EUR 62 921 535). A significant reduction of the cadastral value has occurred due to the updating of depreciation data of engineering structures for the gas pipelines of the transmission system by the State Land Service to the month of May 2021 and recalculation of cadastral values for 2022.

The total length of the transmission system pipelines is 1190 km.

The following groups of property, plant and equipment are carried at revalued amounts: buildings and structures, machinery and equipment. Land plots, emergency spare parts, cushion gas in the Inčukalns UGS and in the transmission system, other property and equipment and assets under construction are not revalued.

The accounting policies require property, plant and equipment to be revalued on a regular basis to ensure that the carrying amount of those assets does not differ materially from that which would be determined using fair value at the end of the reporting period.

The revaluation of property, plant and equipment was carried out in 2020. The revaluation of fixed assets was performed by independent certified appraisers of the company SIA Grant Thornton Baltic. As a result of the revaluation, the carrying amount of the revalued assets as of 1 January 2020 was increased by EUR 92 311 666. The revaluation reserve was increased by EUR 92 100 425, the positive effect of EUR 211 241 was included in the 2020 income statement.

The most important part of revaluation consists of underground gas pipelines, storage wells and valves listed in the composition of buildings and structures, and fixed assets (gas regulation stations, motor vehicles and machinery, compression units, gas purification equipment) listed in the composition of technological equipment and devices.

The increase in the book value of gas pipelines in 2020 was 73 912 thousand EUR, the increase in the value of storage wells was 22 253 thousand EUR, and the increase in the value of valves 4 043 thousand EUR.

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

Historical cost	31.12.2022	31.12.2021
	EUR	EUR
Buildings and structures	168 144 521	159 022 487
Machinery and equipment	54 501 331	55 076 716

Taking into account Annex 3 to the Decision of the PUC No. 1/12 of 29 August 2022 "Methodology for accounting and calculation of capital costs", in 2022 the classification of fixed asset groups and the useful lives determined for them were revised in the financial accounting, based on the established classification of natural gas transmission and storage assets and minimum useful lives. The useful life was not revised for those fixed assets whose useful life exceeds the minimum period specified in the PUC and for fixed assets that are fully depreciated in the financial accounts as of 31.12.2021, or for which replacement or renewal is planned in the near future (within five years).

In 2022, the management has assessed the price level of pipelines and general construction and has identified inflation, labor and material costs increase compared to January 2020, when the revaluation was performed and fair value was determined, using the amortized replacement cost method. There is reason to believe that fair value could be significantly higher than the current carrying amount of assets as at 31 December 2022. However, as a precautionary measure, according to the geopolitical situation and uncertainty in the gas sector, the asset's value in use was also evaluated as a basis for determining the recoverable value of the natural gas transmission and storage infrastructure (Appendix 10).

The company's management has concluded that the value of property, plant and equipment in financial accounting does not differ materially from their recoverable amount, which is the higher of the fair value (subtracting the cost of sales) or value in use, as a result revaluation or impairment of fixed assets is not carried out.

10. ASSET IMPAIRMENT ASSESSMENT

Conexus has two cash generating units: natural gas transmission and natural gas storage. Once establishing the cash generating units, it is assumed that the elements of natural gas transmission and natural gas storage system infrastructure are single, indivisible and required for the safe operation of natural gas transmission and natural gas storage systems and for the provision of services.

Considering the changes in the geopolitical situation, the sharp increase of interest rates and the ban on natural gas supplies from Russian Federation as from 1 January 2023, 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 long term assets, as at 31 December 2022:

	million EUR
Natural gas transmission	
Natural gas storage	193

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

Discount rate	6.55%
Revenue growth rate, applicable from 2033	1.0%
Transmission segment EBITDA compound annual growth rate during 2024-2032	6.8%
Storage segment EBITDA compound annual growth rate during 2024-2032	3.3%

The recoverable amount of the long term assets of the natural gas transmission and natural gas storage 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 long term assets of the natural gas transmission becomes equal to the carrying amount at the point when the discount rate reaches 9.7%, whereas the recoverable amount of the long term assets of natural gas storage becomes equal to the carrying amount at the point when the discount rate reaches 10.3%.

Conexus management assumptions are based on the information available at the time of approval of the financial statement. The impact of future events on the future performance of Conexus may differ from the current assessment.

11. CO-FINANCED PROJECTS

Increase of Capacity of Klaipeda-Kiemenai Pipeline in Lithuania

In order to support integration of gas markets, competition and security of gas supply, the European union coordinates and partially finances the construction of cross-border gas interconnections between European Union countries. Typically, the construction is performed by the Transmission System Operator (TSO) of the country where the pipe is physically located, but the cost is spread to all the countries, which are deemed to benefit from the connection. The benefits are monetarily assessed by the European union, and they include components such as expected savings on lower gas price and avoided gas disruptions, access to new suppliers/markets etc. The cost of cross-country interconnections is allocated to the TSOs of the countries benefitting, based on the proportions calculated by the EU.

According to the PUC Decision No. 97 (minutes No. 16, p. 4) On Distribution of Investment Costs for the Project of Common Interest "Increase of Capacity of Klaipeda-Kiemenai Pipeline in Lithuania" in 2017, a payment in the amount of EUR 1 713 370 was made to AB Amber Grid. Deferred expenses will be recognised in profit and loss statement during estimated period of return of investment till 2033.

	31.12.2022	31.12.2021
	EUR	EUR
Opening balance	1 209 438	1 310 224
Recognised during the reporting period	(100 786)	(100 786)
Carried forward to future periods	1 108 652	1 209 438
Including short-term portion	100 786	100 786
Long-term portion	1 007 865	1 108 651

Gas Interconnection Poland-Lithuania

The list of projects of common interest included in Annex to Regulation (EU) No. 347/2013 of the European Parliament and of the Council of 17 April 2013 includes the Gas Interconnection Poland-Lithuania project (No. 8.5) (hereinafter "GIPL").

Decision No. 1/2014 of the Agency for Cooperation of Energy Regulators of 11 August 2014 (hereinafter "the ACER Decision") on the investment application, including in the terms of cross-border cost sharing in the GIPL project of common interest (No. 8.5), the Member States with a significant overall positive impact are required to pay the full amount to the operator of the transmission system of that Member State, which is negatively affected by the implementation of the project. GIPL project participants' total compensation payment of 29 400 thousand EUR is to be paid immediately after the start of the GIPL project.

Conexus share of costs for the project is planned to be 14 700 thousand EUR, with the expected completion date - 2023.

On 11 May 2018, Conexus signed an inter-operator agreement on sharing the costs of the GIPL project (hereinafter "the Agreement") with GAZ System, AB Amber Grid and Elering AS. Under the Agreement, Conexus is required to provide financial security (guarantee) to meet its obligations.

In accordance with the terms of the Agreement, in favour of GAZ-SYSTEM S.A., Conexus has received a bank guarantee to ensure fulfilment of its obligations of EUR 16 170 thousand with a duration till 16 October 2023.

12. LEASE

	31.12.2022	31.12.2021
	EUR	EUR
Right-of-use assets		
Net book value at the beginning of the reporting period	451 108	503 584
Recognised changes in the lease agreement	36 646	40 976
Depreciation recognised in the income statement	(26 251)	(93 452)
Net book value at 31.12.2021	461 503	451 108
Lease liabilities		
Net book value at the beginning of the reporting period	467 337	514 070
Recognised changes in the lease agreements	36 646	40 976
Recognised reduction of the lease liability (lease payments*)	(40 217)	(110 560)
Recognised lease interest expense	20 656	22 851
Net book value at 31.12.2021	484 422	467 337
including: long-term lease obligations	459 358	447 940
short-term lease obligations	25 064	19 397

*in the cash flow statement for 2022, lease payments in the amount of EUR 40 217 are included in the cash flow from financing activities (31.12.2021: EUR 110 560).

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

	Term	Maturity date
Land, Inčukalna underground gas storage	36 years	31.12.2054
Land, Stigu iela 14	36 years	31.12.2054
Construction rights, Stigu iela 14	70 years	31.12.2089

13. INVENTORIES

	31.12.2022	31.12.2021
	EUR	EUR
Natural gas	1 015 561	983 496
Materials and spare parts	2 814 519	1 697 215
Advance payments for inventories	665	30 051
Write-off of inventory value to net realisable value	(139 810)	(84 223)
	3 690 935	2 626 539
Write-downs of inventories to net realisable value	31.12.2022	31.12.2021
	EUR	EUR
Write-offs at the beginning of the period	(84 223)	(80 154)
Write-offs during the reporting period	(55 587)	(4 069)
Write-offs at the end of the period	(139 810)	(84 223)

14. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

	31.12.2022	31.12.2021
	EUR	EUR
Payments for transportation of natural gas	6 767 731	10 165 128
Payments for storage of natural gas	2 826 333	2 486 539
Payments for balancing activities	580 939	353 941
Payments for contractual fines and late payment fines	1 815	303
	10 176 818	13 005 911
Accrued income		
For transportation of natural gas	-	367 883
For balancing activities	60 489	-
	60 489	367 883
Receivables from contracts with customers	10 237 307	13 373 794

Accrued income is the clearly known settlement amounts with buyers and customers for the transportation, storage and balancing of natural gas in the reporting year, for which, in accordance with the terms of the contract, the due date for submission of the verification document (invoice) has not yet passed.

Expected credit losses on contracts with customers are insignificant, in the period of last 3 years no debts are not written down, therefore it was decided not to recognise allowances for doubtful debts. All receivables from contracts with customers on December 31, 2022 have been fully paid at the moment of preparing the report.

Receivables from contracts with clients according to expected credit loss model:

Owerdue days under IFRS 9	Receivable	Written down	ECL rate	31.12.2021		
				Receivable	Written down	ECL rate
not yet due	10 157 506	-	-	13 005 483	-	-
overdue for 1-10 days	14 900	-	-	428	-	-
overdue for 11-20 days	4 412	-	-	-	-	-
overdue for 21-30 days	-	-	-	-	-	-
overdue >31 days	-	-	-	-	-	-
Insolvent debtors	100%	-	-	100%	-	-
Total	10 176 818	-	-	13 005 911	-	-

Expected credit losses on contracts with customers are insignificant, no receivables is written down in the period of last 3 years.

The rules approved by PUC set strict criteria for securing obligations. One of the types of liability settlement is security deposits - their amount at the end of the year amounts to EUR 8 580 382 (2021: EUR 956 811).

15. OTHER RECEIVABLES

	31.12.2022	31.12.2021
	EUR	EUR
Other current financial receivables:		
Other current financial receivables	12 253	32 300
Other current non-financial receivables:		
Advances for services	2 125 623	10 533
Deferred value added tax	330 030	322 353
Provisions for doubtful receivables	(11 428)	-
	2 456 478	365 186

16. DEFERRED EXPENSES

	31.12.2022	31.12.2021
	EUR	EUR
Non-current part		
Participation in a transnational cross-border project (Note 11)	1 007 865	1 108 651
Total non-current part	1 007 865	1 108 651
Current part		
Participation in a transnational cross-border project (Note 11)	100 786	100 786
IT expenses	232 916	180 005
Insurance payments	75 993	53 786
Transport expenses	9 933	10 280
Other prepayments	60 447	72 282
Total current portion	480 075	417 139
Total deferred expenses	1 487 940	1 525 790

17. RESERVES

	31.12.2022	31.12.2021
	EUR	EUR
Property, plant and equipment revaluation reserve	183 254 683	191 583 804
Revaluation reserve for post-employment benefits	58 899	(146)
Reorganisation reserve*	24 647 260	24 647 260
	207 960 842	216 230 918

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

Movement in revaluation reserves	Property, plant and equipment revaluation reserve	Post-employment benefits revaluation
Balance at 31.12.2020	199 783 256	reserve
Reassessment of actuarial assumptions	-	(328 222)
Depreciation of the revalued portion of property, plant and equipment for the reporting period is transferred to retained earnings	(7 604 453)	-
Disposed revalued items of property, plant and equipment	(594 999)	-
Balance 31.12.2021	191 583 804	(146)
Revaluations of actuarial assumptions	-	59 045
Depreciation of the revalued portion of property, plant and equipment for the reporting period is transferred to retained earnings	(7 407 875)	-
Asset impairment assessment*	(919 822)	-
Disposed revalued items of property, plant and equipment	(1 424)	-
Balance at 31.12.2022	183 254 683	58 899

*asset impairment recognised for buildings and technological equipment due to physical and technological depreciation-EUR 883 722; cancellation of revaluation reserve of other fixed assets and reduction of value by 36 099 EUR.

18. DEFERRED INCOME

	31.12.2022	31.12.2021
	EUR	EUR
EU co-financing	24 957 748	18 156 045
Non-current portion	24 957 748	18 156 045
Current portion (other projects)	4 654	4 654
Current portion (EU co-financing)	762 681	534 964
Current portion (contractual obligations)	-	237 284
Current portion	767 335	776 902
	25 725 083	18 932 947

Changes in deferred revenue

Changes in deferred income (EU co-financing)	31.12.2022	31.12.2021
	EUR	EUR
Opening balance	18 695 663	11 131 501
EU co-financing received	7 643 940	7 817 508
Received a fixed asset free of charge within the framework of a co-financed project*	-	130 468
Included in the income for the reporting year (Note 3)	(614 520)	(383 814)
Carried forward to future periods	25 725 083	18 695 663

*The co-financed project (the installation of the connection to the natural gas transmission system owned by Conexus) worth EUR 130 468 was finished and put into exploitation in 2021. In 2022, such connections were not installed

Changes in deferred income (contract liabilities)	31.12.2022	31.12.2021
	EUR	EUR
Opening balance	237 284	903 165
Recognised in deferred income	-	318 791
Included in the income for the reporting year (Note 3)	(237 284)	(984 672)
Carried forward to future periods	-	237 284

In May 2019, the European Commission approved the granting of co-financing in the amount of 50% or EUR 44 000 thousand for the project of common European interest No. 8.2.4 "Improvement of the operation of the Inčukalns underground gas storage". In 2019, the project received funding of EUR 2 932 thousand, whereas in 2021, funding of EUR 7 818 thousand was received. In 2022 funding of EUR 6 373 thousand was received.

In December 2019, the European Commission approved the co-financing of 50% of the project of common European interest No. 8.2.1. "Improvement of the operation of the Latvian-Lithuanian interconnection". In 2019, EUR 751 thousand were received under this project. In 2022 funding of EUR 1 271 thousand was received.

Projects completed in 2019 amounted to EUR 3 938 250 (EU co-financing EUR 1 969 125), projects completed in 2020 amounted to EUR 3 300 953 (EU co-financing EUR 1 650 477), projects completed in 2021 amounted to EUR 12 838 633 (EU co-financing EUR 6 549 785), projects completed in 2022 amounted to EUR 10 873 924 (EU co-financing EUR 5 436 962).

19. EMPLOYEE BENEFIT OBLIGATIONS

	31.12.2022	31.12.2021
	EUR	EUR
Provisions for post – employment benefits	1 099 387	1 063 214
Provisions for other collective bargaining agreement costs*	252 381	310 921
	1 351 768	1 374 135

* gifts on anniversaries of life and seniority

	31.12.2022	31.12.2021
Liabilities at the beginning of the period	1 374 135	1 028 494
Recognised in the income statement	136 225	120 312
Paid	(99 547)	(102 893)
Remeasurement of post - employment Benefits as a result of changes in actuarial assumptions - equity	(59 045)	328 222
Liabilities at the end of the period	1 351 768	1 374 135

Remeasurement of post - employment Benefits is negative due to the following assumptions: increase in wages and salaries, changes in future remuneration assumptions, slightly reduced labour turnover ratio. The revaluation was reduced by the higher discount rate used in the calculation. In the reporting year, the discount rate used to discount post-employment benefit obligations is fixed at 2.81% (2021: 0.43%).

Sensitivity analysis of the total value of post-employment benefit, EUR	2022		2021	
	Increase	Decrease	Increase	Decrease
Discount rate (+/- 1% point)	125 856	(105 433)	149 122	(123 269)
	9%	-8%	11%	-9%
Labour turnover rate (+/- 1% point)	142 275	(119 538)	164 469	(136 819)
	11%	-9%	12%	-10%
Monthly salary increase (+/- 1% point)	109 482	(92 846)	124 609	(104 540)
	8%	-7%	9%	-8%

20. BORROWINGS FROM CREDIT INSTITUTIONS

	31.12.2022	31.12.2021
	EUR	EUR
Non-current borrowings from credit institutions	69 468 183	60 282 986
Current borrowings from credit institutions	12 899 286	37 772 866
Accrued interest on borrowings from credit institutions	62 480	38 224
	82 429 949	98 094 076

Conexus has borrowings both from local and international credit institutions. At the end of the reporting period, Conexus has available overdraft facility of 65 000 thousand EUR (31.12.2021: 90 000 thousand EUR). The overdraft has not been used at the end of 2022. 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 1.76% (31.12.2021: 0.37%), the weighted average interest rate on short-term loans is 2.77% (31.12.2021: 0.24%). At the end of the reporting period, 36% of received and unpaid long-term borrowings have a fixed loan interest rate (31.12.2021: 41%). All Conexus borrowings are denominated in euros and are unsecured.

At the end of the reporting period, Conexus has long-term loan agreements signed in the amount of 55 000 thousand EUR with expected withdrawal during 2023.

If the base borrowing rate (EURIBOR) increased by 0.25%, the interest costs of the loans would increase by 118 thousand EUR (2021: 107 thousand EUR). If the base borrowing rate (EURIBOR) increased by 0.50%, the interest costs of the loans would increase by 235 thousand EUR (31.12.2021: 214 thousand EUR).

Changes in borrowings from credit institutions	31.12.2022	31.12.2021
	EUR	EUR
At the beginning of the reporting year	98 094 076	21 875 000
Received borrowings from credit institutions	20 000 000	60 000 000
Borrowings repaid to credit institutions	(10 738 433)	(8 769 098)
Overdraft received / repaid	(24 949 959)	24 949 950
Accrued interest on loans from credit institutions	24 256	38 224
Changes in accrued interest on borrowings from credit institutions	82 429 949	98 094 076

The financial covenants specified in the existing agreements of Conexus during the reporting period have been complied with, information on restrictions on indicators is disclosed in the section on Capital risk management (Note 29).

21. TRADE PAYABLES

	31.12.2022	31.12.2021
	EUR	EUR
Payables for operating costs	2 601 436	385 599
Payables for long-term investments	2 531 876	2 288 199
Related party payables (Note 26)	1 565 086	710 316
Payables for balancing operations	664 113	3 610 018
Payables for intangible assets	48 915	296 363
Current financial liabilities	7 411 426	7 290 495

22. OTHER LIABILITIES

	31.12.2022	31.12.2021
	EUR	EUR
Dividends unpaid for the previous years	531 555	497 957
Current financial liabilities	531 555	497 957
Value added tax	561 508	1 077 833
Employee remuneration	531 526	432 171
State social insurance contributions	299 923	204 733
Personal income tax	160 172	125 424
Other short-term liabilities	64 907	94 484
Natural resource tax	49 695	24 380
Corporate income tax on deemed distribution of profit	3 614	1 085
Excise tax, Real estate tax	1 849	724
Current non-financial liabilities	1 673 194	1 960 834
Total other liabilities	2 204 749	2 458 791

23. ACCRUED LIABILITIES

	31.12.2022	31.12.2021
Accrued liabilities for annual performance bonuses	1 553 601	1 649 232
Accrued liabilities for unused leaves	674 228	562 162
Non-Financial liabilities	2 227 829	2 211 394
Accrued liabilities for invoices not received	13 497	3 857 490
Accrued interest on borrowings from credit institutions	63 706	38 224
Accrued liabilities for the annual report	18 300	22 500
Financial liabilities	95 503	3 918 214
Accrued liabilities total	2 323 332	6 129 608

24. TAXES

	Liabilities 31.12.2021	Calculated	Paid	Liabilities at 31.12.2022
	EUR	EUR	EUR	EUR
Corporate income tax	1 085	2 399 946	(2 397 417)	3 614
Value added tax	1 077 833	12 089 196	(12 605 521)	561 508
Social insurance contributions	204 733	3 634 735	(3 539 545)	299 923
Personal income tax	125 424	1 942 063	(1 907 315)	160 172
Natural resource tax	24 380	179 772	(154 457)	49 695
Excise tax	714	6 444	(5 381)	1 777
PUC fee	-	107 735	(107 735)	-
Real estate tax	10	572 207	(572 145)	72
	1 434 179	20 932 098	(21 289 516)	1 076 761

25. CORPORATE INCOME TAX

	31.12.2022	31.12.2021
	EUR	EUR
Shareholders decision for profit distribution	9 548 661	85 142 231
Profit to be distributed (period till 31.12.2017.)	-	75 491 679
Profit to be distributed (period after 31.12.2017.)	9 548 661	9 650 552
Calculated corporate income tax	2 387 165	2 412 638
Tax relief applied on previously declared accruals	-	(155 998)
Corporate income tax for the reporting period	2 387 165	2 256 640

In 2022, the amount of dividends declared to Conexus shareholders was EUR 9 548 661 or EUR 0.24 per share.

In 2021, the amount of dividends declared to Conexus shareholders was EUR 85 142 231 or EUR 2.14 per share. Thus, the profit in the amount of EUR 75 491 679, which was made until 31 December 2017, and in the amount of EUR 9 650 552 for the period, which was made after 31 December 2017, was distributed as dividends.

26. 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, Revision Committee Officers, their close family members, and companies in which they exercise control or significant influence. As all shares of the Parent company are 100% owned by the Republic of Latvia, state-controlled companies are also considered related parties.

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

Related party transactions	01.01.2022- 31.12.2022 or 31.12.2022	01.01.2021- 31.12.2021 or 31.12.2021
	EUR	EUR
Revenue from related parties:		
JSC "Latvenergo"	22 060 969	18 311 201
Purchases of goods and services from related parties:		
JSC "Latvenergo"	5 408 435	2 864 545
JSC "Augstsprieguma tīkls"	473	545
Balances at the end of the year arising from sales / purchases of goods and services:		
Receivables from contracts with customers		
JSC "Latvenergo"	3 781 454	3 303 886
Trade payables		
JSC "Latvenergo"	1 565 086	710 143
JSC "Augstsprieguma tīkls"	-	173

27. COMMITMENTS AND CONTINGENCIES

As of 31 December 2022, long-term investment agreements contracted for, but not yet delivered amounted EUR 34 910 221 (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 in 2023 (Note 11).

28. REMUNERATION TO A COMMERCIAL COMPANY OF SWORN AUDITORS

Remuneration to a commercial company of sworn auditors	31.12.2022	31.12.2021
	EUR	EUR
Audit service	24 000	17 000
Audit of Sustainability report	5 300	5 300
	29 300	22 300

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

Conexus' financial instruments are divided into the following categories.

Financial assets and liabilities	31.12.2022	31.12.2021
	EUR	EUR
Trade receivables	10 237 306	13 373 794
Other receivables	12 253	32 300
Cash and cash equivalents	10 967 116	14 676 110
Total financial assets	21 216 675	28 082 204
Borrowings from credit institutions	82 367 469	98 055 852
Trade payables	7 411 426	7 290 495
Other liabilities and accrued liabilities	627 057	4 416 171
Lease liabilities	484 422	467 336
Total financial liabilities	90 890 374	110 229 855

LIQUIDITY RISK

Liquidity risk is associated with the ability of the Company to meet its liabilities within set deadlines. Conexus pursues prudent liquidity risk management by forecasting annual, quarterly and monthly cash flows to ensure adequate financial resources for its operations. If necessary, Conexus intends to take out short – term and long – term loans. Conexus' liquidity reserve consists of the Company's cash and cash equivalents as well as unused lines of credit granted by credit institutions.

At the end of 2022, Conexus has available and unused credit lines amounting to EUR 65 000 thousand, which provides a significant liquidity reserve. At the end of the reporting period, Conexus has long-term loan agreements signed in the amount of 55 000 thousand EUR with expected withdrawal during 2023.

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

31.12.2022	Carrying value	Contractual cash flow	1-3 months	3 mo.-1 year	1-5 years	> 5 years
	EUR	EUR	EUR	EUR	EUR	EUR
Borrowings	82 367 469	94 837 865	4 294 830	10 876 192	54 551 740	25 115 102
Trade payables, accrued liabilities	8 038 483	8 038 483	8 038 483	-	-	-
Lease liabilities	484 422	943 076	6 801	20 403	108 816	807 056
Financial liabilities	90 890 374	103 819 424	12 340 114	10 896 595	54 660 556	25 922 158

31.12.2021	Carrying value	Contractual cash flow	1-3 months	3 mo.-1 year	1-5 years	> 5 years
	EUR	EUR	EUR	EUR	EUR	EUR
Borrowings	98 055 852	99 272 976	28 249 126	9 773 287	37 725 657	23 524 906
Trade payables, accrued liabilities	11 706 666	11 706 666	11 706 666	-	-	-
Lease liabilities	467 336	930 074	20 468	18 798	100 256	790 552
Financial liabilities	110 229 855	111 909 716	39 976 260	9 792 085	37 825 913	24 315 458

RISK OF ATTRACTING FINANCING

Interest rate risk

Interest rate risk arises because Conexus uses borrowed funds. Interest rate risk Conexus arises from borrowings with a floating interest rate (hereinafter referred to as the reference interest rate) consisting of three, six or 12-month EURIBOR plus interest rate, with the risk that Conexus' financial costs will increase significantly when the reference rate surges.

Interest rate risk is managed by entering into interest rate swaps (IRSs), in which floating interest rates are exchanged for fixed interest rates, or by obtaining new fixed rate borrowings or by issuing bonds as fixed rate instruments. At the end of the reporting period, the Company had no interest rate swaps (IRS) or bonds issued as fixed rate instruments. 36 % of the Company's received and unpaid long-term loans have a fixed interest rate.

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

Refinancing risk

The occurrence of refinancing risk may be related to external macroeconomic and political circumstances, the onset of a financial crisis, or a significant deterioration in the Company's operations and financial performance.

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

Risk of early repayment

The risk of early repayment of the debt may arise if one of the lenders exercises its right to demand early repayment under the loan agree-

ment, which would automatically entitle all of the Company's other lenders to demand early repayment of their loans.

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

Credit risk

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

Conexus is exposed to a significant concentration of credit risk on receivables from contracts with customers, as credit risk is shared among the 10 largest customers, whose liabilities accounted for 90% of Conexus' total receivables from contracts with customers (31.12.2021: 93%). Conexus considers that receivables from customers are highly recoverable. To limit the credit risk of receivables, Conexus assesses the creditworthiness of counterparties and sets their credit limits. If a counterparty's creditworthiness is not sufficient to cover the credit limit set by the Company, the Company requires security (a security deposit, bank guarantee). At the end of the reporting year, Conexus was not exposed to any significant credit risk related to its receivables, as all receivables were paid in January 2023 (Note 14).

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

Moody's rating	31.12.2022	31.12.2021
	EUR	EUR
Aa3	10 964 963	2 478 275
Baa2	1 121	999 999
Baa1	1 032	11 197 836
Total cash:	10 967 116	14 676 110

At 31 December 2022 and 31 December 2021, cash and cash equivalents consisted of cash held on current accounts with credit institutions.

Capital risk management

Conexus carries out its capital risk management with a view to ensuring the sustainable operation of Conexus, maintaining an optimal capital structure, and thus reducing the cost of capital. The Company takes a balanced approach to risk in relation to the Company's creditworthiness and capital structure.

The Company customarily manages capital risk, based on the calculation and analysis of the capital ratio. The capital ratio is calculated by dividing the amount of equity by total assets. The capital ratio must be maintained at the level of at least 50 percent. Capital ratio at 31 December 2022 is 72%.

The Company customarily calculates and analyses the debt ratio. The debt ratio is calculated by dividing net debt (all non-current and current interest-bearing liabilities less cash and cash equivalents) by EBITDA (earnings before interest, taxes, depreciation, and amortisation) for the past 12 months. The value of this ratio may not exceed five. Debt ratio at 31 December 2022 is 2.72.

Debt service coverage ratio (DSCR) is determined by dividing EBITDA for the last 12 months by the amount of commitment payments (principal, interest or other payments related to loans, financial leases or other commercially similar transactions). The value of this coefficient should not be less than 1.2x. Debt service coverage ratio (DSCR) indicator at 31 December 2022 is 2.85.

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

Financial covenants	31.12.2022	31.12.2021
Equity ratio > 50%	72%	71%
Net borrowings / EBITDA < 5	2.72	2.97
Debt service coverage ratio (DSCR) > 1.2x	2.85	3.73

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

Currency risk

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

Fair value

IFRS 13 sets out a hierarchy of valuation techniques based on whether the valuation technique uses observable market data or unobservable market data. Observable market data is obtained from independent sources. If no market data is observable, the valuation technique reflects Conexus management's assumptions about the market circumstances. This hierarchy requires the use of observable market data whenever available. When carrying out revaluation, Conexus considers the relevant observable market prices whenever possible. The objective of determining fair value, even when the market is not active, is to establish the transaction price at which market participants would be willing to sell the asset or incur a liability at a particular measurement date under current market conditions. Several methods are used to determine the fair value of a financial instrument: quoted prices or valuation techniques that incorporate observable market data and are based on internal models.

Based on the fair value hierarchy, all inputs used in valuation techniques are categorised into Level 1, Level 2, and Level 3 inputs. The level of the fair value hierarchy of a financial instrument should be determined to be the lowest level if a significant portion of its value consists of lower-level data.

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

1. Classify the inputs at each level to determine the fair value hierarchy;
2. Classify the financial instrument itself on the basis of the lowest level if a significant part of its value consists of inputs from the lower level.

Quoted market prices – Level 1

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

Valuation techniques using market data – Level 2

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

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

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

Classification of financial assets and liabilities at the levels of the fair value hierarchy:

	Līmenis	31.12.2022	31.12.2021
		EUR	EUR
Assets:			
Trade receivables	3.	10 237 306	13 373 794
Other receivables	3.	12 253	32 300
Cash and cash equivalents	2.	10 967 116	14 676 110
Liabilities:			
Borrowings from credit institutions	3.	82 367 469	98 055 852
Trade payables	3.	7 411 426	7 290 495
Other liabilities and accrued liabilities	3.	627 057	4 416 171
Lease liabilities	3.	484 422	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.

Assets measured at fair value

Conexus' buildings, structures, including gas pipeline infrastructure, machinery and equipment and other property and equipment are stated at revalued amounts that approximate their fair values. The revaluation was carried out in 2020. Due to the unique nature and use of the assets, Level 3 inputs were used for the revaluation, which means that the data are not freely observable for the respective type of assets. This was a revaluation (the previous revaluation was carried out in 2016, when the assets were still owned by JSC "Latvijas Gāze"), and the level of data of the used assumptions was not changed.

The revaluation of fixed assets was performed with the help of an independent expert and using the amortized replacement cost method. Under this method, the initial value of the assets is determined according to the current prices and requirements and the materials used. The main assumptions in the revaluation process relate to the cost of materials used and the average construction cost at the time of the revaluation. Data on the construction of similar facilities in recent years available to Conexus are also used to determine the values. If the average construction costs in the country increase or the cost of materials used increases significantly, the value of the assets will also increase. If construction costs fall or material costs fall, the value of the assets will also fall.

In addition to the initial value, the accumulated depreciation of each asset was determined, taking into account the physical, functional and technical depreciation of the asset as the main factors here. If the revalued assets are used significantly differently or are functionally depreciated, the value of the revalued assets may decrease or increase significantly.

When an item of property, plant and equipment is revalued in accordance with IAS 16, the carrying amount of the asset is adjusted for the revalued amount. In recognizing the results of revaluation of property, plant and equipment, the initial value and residual value of the property, plant and equipment are replaced by valuation

values. The accumulated depreciation on a disproportionate basis at the revaluation date is adjusted to equal the difference between the initial carrying amount of the asset and the remaining carrying amount of the asset, after deducting any accumulated impairment losses.

The average increase in construction costs was determined on the basis of various sources, including projects implemented by Conexus, comparative indicators of equivalent market participants, data of the Central Statistical Bureau (hereinafter - CSB). Changes in material, labour and machinery costs were taken into account. The average cost increase was calculated taking into account the impact percentage of each calculation model. Overall, the average cost increase applied in the revaluation of gas pipelines compared to the valuation performed in 2016 was 19%. The increase in the value of wells was determined by analysing the information provided by Conexus on well reconstruction works and CSB information (2017-2019). The precautionary principle has been observed in the calculations, applying the increase of the CSB average construction costs (materials, labour, machinery) in 2017-2019, i.e. ~ 12%.

In 2022, the management has assessed the price level of pipelines and general construction and has identified inflation, labour and material costs increase compared to January 2020, when the revaluation was performed and fair value was determined, using the amortized replacement cost method. There is reason to believe that fair value could be significantly higher than the current carrying amount of assets as at 31 December 2022. However, as a precautionary measure, according to the geopolitical situation and uncertainty in the gas sector, the asset's value in use was also evaluated as a basis for determining the recoverable value of the natural gas transmission and storage infrastructure (Appendix 10).

The company's management has concluded that the value of property, plant and equipment in financial accounting does not differ materially from their recoverable amount, which is the higher of the fair value (subtracting the cost of sales) or value in use, as a result revaluation or impairment of fixed assets is not carried out.

30. INFORMATION ON THE COMPANY

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

The Company’s auditor is the certified audit company PricewaterhouseCoopers SIA and certified auditor in charge Ilandra Lejiņa.

31. ACCOUNTING POLICIES BASIS OF PREPARATION

The unaudited financial statements of Conexus have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The general accounting principles set out in this section have been applied consistently throughout the reporting period.

The financial statements have been prepared on a going concern basis. As at 31 December 2022, the Conexus liabilities exceed current assets by EUR 6 380 thousand (2021: EUR 23 946 thousand). Conexus management considers that Conexus will have no liquidity problems and will be able to settle with creditors within the set deadlines, since Conexus has available and unused bank credit lines amounting to EUR 65 000 thousand, which provides a significant liquidity reserve.

The credit lines have not been used at the end of 2022. At the end of the reporting period, Conexus has long-term loan agreements signed in the amount of 55 000 thousand EUR with expected withdrawal during 2023. More information on liquidity ratios is disclosed in annex 29 section on Liquidity risk.

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 financial statements of Conexus are presented in EUR.

The preparation of Conexus’ 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.

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.

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 year. While such estimates are based on the most reliable information available to Conexus management on the relevant events and activities, actual results may differ from these estimates and assumptions about the outcome of future events.

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

Estimates of property, plant and equipment and intangible assets

Useful life

Conexus makes estimates of useful use of property, plant and equipment and intangible investments and residual value. These estimates are derived from past experience and industry practice. The estimated useful life is assessed at the end of each reporting year. Past experience has shown that the actual useful life of property, plant and equipment and intangible investments sometimes longer than estimated. The values of fully depreciated fixed assets are disclosed in Note 9. The assessment of the impact of the expected change in useful life is not accurately estimated and therefore the impact of the sensitivity analysis of changes in depreciation rates on subsequent periods is not disclosed.

Recoverable value

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

Revaluation

The revaluation of Conexus property, plant and equipment is carried out by independent, external, certified expert and using the amortised replacement cost method. Under this method, the initial value of assets is determined according to the prices and requirements and

the materials used as well as the accumulated depreciation of each asset. The main assumptions in the revaluation process relate to the cost of the materials used and the average construction prices at the time of the revaluation. More detailed information on the revaluation of property, plant and equipment is disclosed in the section Assets measured at fair value and in Note 9.

Recognition and measurement of provisions

Conexus has made provisions for post-employment benefits. The extent and timing of the fulfilment of these obligations are uncertain. Certain assumptions and estimates, including expected future costs, inflation rates and cost timelines, are used to determine the present value of these provisions. Actual costs may differ from established provisions due to changes in legal provisions, as well as costs covered by third parties. In order to assess provisions for post-employment benefits, the probability of termination of employment in different age groups of employees is estimated, based on past experience as well as different assumptions about variable demographic and financial factors (including the expected increase in wages and salaries and certain changes in the amount of benefits). Probability and other factors are determined on the basis of previous experience (Note 18).

Recognition of balancing income

Conexus has assessed that, in the performance of the functions of balancing administration, it acts as an agent (Note 3). Signs that Conexus acts as an agent are as follows:

- ◆ Conexus has no control over the services before handing them over to customers;
- ◆ Conexus is obliged to include services in invoices issued to customers and charge a fee, but is not entitled to revenue;
- ◆ Conexus does not have the right to determine the price of the services directly or indirectly.

NON-FINANCIAL ASSETS AND LIABILITIES

INTANGIBLE ASSETS

Identifiable non-monetary assets that are not in physical form and that Conexus uses to provide services or for economic purposes are recognised as intangible assets. Conexus' intangible assets mainly consist of software licences and software.

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

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

PROPERTY, PLANT AND MACHINERY

Property, plant and equipment are tangible assets that are intended to be used in more than one period to provide services and goods or for economic purposes. Conexus' main fixed asset groups are land, buildings, structures, machinery and equipment, other property and equipment. Fixed assets also include cushion gas in the collector layer of the Inčukalns UGS and in the transmission gas pipelines, emergency spare parts and costs of unfinished construction objects.

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

Fixed asset item is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Property, plant equipment are stated at cost less accumulated depreciation and impairment loss.

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

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

The increase in value resulting from the revaluation of property, plant and equipment is recognised in the equity item "Reserves". The revaluation reserve is reduced when the revalued asset is disposed of or liquidated, or when, in the opinion of management, there is no longer any basis for an increase in its carrying amount. The balance of the revaluation reserve for the PPE item that is depreciated in the financial statements is included in retained earnings. During the period in which the revalued asset is used, part of the revaluation reserve, calculated as the difference between the depreciation on the revalued carrying amount of the asset and the depreciation on the original cost of the asset, is recognised in equity.

From the date the asset is ready for its intended use, it is depreciated over its estimated useful life.

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

Depreciation is not calculated for land, cushion gas in Inčukalns UGS, technological gas in long-distance pipelines, spare parts for emergencies and construction in progress.

Emergency spare parts are the minimum amount of spare parts required to be stored in the warehouse, approved by the Conexus Board,

to ensure that Conexus is ready to locate accidents or prevent their consequences, as well as to carry out urgent repairs. The balance of emergency spare parts shall be reviewed once a year and the necessary reclassification to or from material stocks.

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

Types of PPE	Estimated useful life in years
Buildings	20-150
- Monolithic buildings with a reinforced concrete or concrete frame	150
- Brick, reinforced concrete	100
- Wooden, prefabricated reinforced concrete	60-80
- Sheds, metal containers	20-30
Engineering structures	15-65
- Storage wells, gas pipelines	60-65
- Service laterals, valves	20-30
- Groundings	15
Plant and machinery	5-35
- Pressure regulation stations	35
- Gas compression units	25-30
- Transport and machinery, cathodic protection station	5-20
Other PPE	3-15
- Machine tools	15
- MFurniture, computer equipment, communication equipment	3-10
- Tools	3-5

LEASES

At the time of concluding the agreement, Conexus assesses whether the agreement is a lease or includes a lease. A contract is a lease or includes a lease if the contract grants control of the use of an identifiable asset for a specified period in exchange for consideration. Leases and rights to use assets are recognized for all long-term leases that meet the criteria in IFRS 16. The right to use the asset is recognized as a separate item in long-term investments, see Note 11. Low value or short-term leases are not recognized as rental assets and liabilities under the exemption.

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

The right-of-use assets are initially measured at the present value of the lease payments and the initial direct costs associated with the lease. Lease payments are discounted using Conexus' average effective interest rate.

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

The assets are depreciated from the commencement date to the maturity of the lease. Subsequent to initial recognition, a lease liability is measured:

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

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

During the reporting period, Conexus did not take advantage of any practical reliefs for short-term and low-value leases, as no such leases were entered into during the reporting period.

INVENTORIES

In the financial statements, inventories are stated at the lower of cost and net realisable value. Net realisable value is the selling price in the ordinary course of business of Conexus, less costs to complete and costs to sell.

Inventories of materials and spare parts included in inventories are valued at weighted average prices, except for natural gas, which is accounted for using the FIFO method. Inventories are expensed in the income statement in the period in which they are consumed.

Cost is calculated using the weighted average method. At the end of the reporting period, inventories are reviewed for signs of obsolescence.

PROVISIONS

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

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

EMPLOYEE BENEFITS

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

Social security and pension contributions

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

Post-employment and other benefits

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

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

Employee benefit obligations

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

The interest rate used to discount the liabilities of the Scheme repre-

sents the average yield on government bonds with an original maturity of 5 years or more, as determined in the last two auctions (source: Treasury). The inflation rate is determined with reference to the CSB of Latvia data for the 12 months of the year and reflects the % change in average consumer prices compared to the previous period.

Assumptions on mortality are determined in accordance with actuarial advice based on statistics published in 2016 (CSB of Latvia).

DEFERRED EXPENSES

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

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

Non-current deferred expenses are subject to an amortisation period and are amortised in the income statement on a straight-line basis over their economic nature. The financial statements include current assets that are amortised to income statement over a period of 12 months and the remaining amount is included in non-current assets.

ACCRUED INCOME

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

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

Accrued income includes clearly known settlement amounts with buyers and customers for natural gas transportation, storage and balancing activities in the reporting year, for which, in accordance with the terms of the agreement, the due date for submission of the justification document (invoice) has not yet expired. These amounts are calculated on the basis of the service fee specified in the concluded contracts.

DEFERRED INCOME

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

Deferred income from contracts with customers

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

Asset - related grants

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

Financial instruments

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

The classification of debt instruments depends on the Company's financial asset management business model that has been put in place, as well as whether the contractual cash flows consist Solely of Payments of Principal and Interest (SPPI). If a debt instrument is being held to collect cash flows, it can be carried at amortised cost subject to meeting the SPPI requirements. Such debt instruments, which meet the SPPI requirements held in the portfolio with a view to collecting cash flows from assets as well as selling them, may be classified as fair value through other comprehensive income (FVOCI). Financial assets, the cash flows from which do not meet the SPPI requirements, must be measured at fair value through profit or loss (FVTPL) (e.g., derivative financial instruments).

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

Trade receivables and other debtors

Trade receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Current trade receivables are not discounted. Trade receivables are initially recognised

at fair value and subsequently measured at amortised cost using the effective interest method, except expected credit loss. To measure trade receivables, Conexus uses the expected credit loss model, which provides for an allowance for impairment, regardless of whether a loss event has previously occurred.

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

Cash and cash equivalents

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

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

Share capital and dividends

Conexus is a closed-emission joint stock company with 100% registered shares. The shares constitute the share capital and is paid. 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 %).

Conexus is a shareholder-owned company and pays dividends in accordance with the laws and regulations of the Republic of Latvia. Dividends are recognised as a liability in Conexus' financial statements in the period in which the shareholder approves the amount of dividends and the procedure for payment.

Corporate income tax

Starting 1 January 2018, the Law on Corporate Income Tax has been effective in the Republic of Latvia, which provides for a new regime for the payment of this tax. The tax rate is 20% of the taxable base, which is determined by dividing the value of the taxable income by a factor of 0.8 and includes:

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

Borrowings

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

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

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

REVENUE

Conexus uses a five-step model to determine when and to what extent to recognise revenue. The model assumes that revenue is re-

cognised when Conexus transfers control of the goods or services to the customer, and in the amount that Conexus expects to receive in exchange. Depending on whether certain criteria are met, revenue is recognised:

- ◆ over time, consistent with Conexus' financial performance;
- ◆ when control of the goods or services is transferred to the customer or
- ◆ according to the agent's accounting principle.

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

IFRS 15 requires that an asset be recognised as incremental costs incurred in obtaining such contracts with customers and for which it is probable that they will be recovered. The current practice followed by Conexus means that there are no contract costs that can be capitalised.

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

Revenue from transmission

The transmission service is treated as a single performance obligation under IFRS 15. The sale of transmission capacity products is a regulated service provided by Conexus to users of the transmission system applying the approved tariffs. Short-term

(quarterly, monthly, daily, and same-day capacity) and long-term transmission capacity (annual capacity) products are offered. Revenue from trading transmission capacity products, which by the nature of the service includes the provision of transmission infrastructure and does not change over time for each unit of capacity depending on the product selected, is recognised in the income statement for each reporting month pro-rata to the transmission capacity reserved by the user.

Revenue from storage

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

Interest income

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

Other income

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

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

Contractual fines are recognised as revenue when it is clear that

Conexus will derive an economic benefit from them, i.e., the recognition of the revenue generally coincides with the receipt of the penalty.

Balancing income

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

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

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

In order to comply with the principle of profit neutrality, Conexus calculates a neutrality fee. The neutrality charge is a charge paid by or to the transmission system operator for the balancing of the transmission system. This charge consists of the difference between the transmission system operator's costs and the revenue from balancing activities.

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

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

- ◆ Conexus has no control over the services before handing them over to customers;
- ◆ Conexus is obliged to include services in invoices issued to customers and charge a fee, but is not entitled to revenue;
- ◆ Conexus does not have the right to determine the price of the services directly or indirectly

Evaluating the available information, Conexus considers itself to be an agent in these transactions, therefore the balancing income is recognized in the income statement on a net basis using the agent's accounting policy (Note 3).

RECOGNITION OF COSTS

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

statement are disclosed in the notes to the financial statements in more detail.

Long - term and short - term liabilities

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

Accrued liabilities

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

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

ADOPTION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

Standards or interpretations effective for the first time for the annual periods beginning 1 January 2022:

◆ Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS9, IFRS16 and IAS 41.

◆ The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

◆ The amendment to IAS 37 clarifies the meaning of ‘costs to fulfil a contract’. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

◆ IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset

or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

◆ The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

◆ Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

◆ IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

✦ The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

✦ Covid-19-Related Rent Concessions – Amendments to IFRS 16 (effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

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

Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2023 or not yet adopted by the EU:


✦ Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed,

it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

✦ Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

✦ Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

✦ Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.



Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

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

32. 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 the financial position of the Company as at 31 December 2022.

The financial statements have been prepared by:



AIJA MARTINSONE-STAGE
Head of Financial Accounting Division

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