

Condensed interim financial statements (unaudited)

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2023

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

Riga 2023

This version of condensed interim financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

CONTENTS

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3 INFORMATION ON THE COMPANY

- 6 Shareholders
- 7 The Council
- 8 The Board

9 MANAGEMENT REPORT

- 9 Main activities
- 13 Key financial indicators
- 14 Results of segments' operations
- 17 Other events and further development
- 18 Subsequent events

19 STATEMENT OF THE BOARD'S RESPONSIBILITY

20 FINANCIAL STATEMENTS

- 20 Income statement
- 21 Statement of comprehensive income
- 22 Statement of financial position
- 24 Statement of changes in equity
- 25 Statement of cash flows

27 NOTES TO THE FINANCIAL STATEMENTS





INFORMATION ON THE COMPANY

Company	AS “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	AS „Augstsprieguma tīkls” (68.46%) “MM Infrastructure Investments Europe Limited” (29.06 %)
Financial statements period	1 January 2023 – 30 September 2023

AS “Conexus Baltic Grid” is an independent operator of a unified natural gas transmission and storage system in Latvia, managing one of the most advanced natural gas storage facilities in Europe, i.e., Inčukalns UGS and the main natural gas transmission system connecting the Latvian natural gas market with Lithuania and Estonia.

The customers of Conexus – users of the natural gas transmission and storage system – come from several countries of the Baltic Sea region (Finland, Estonia, Latvia, Lithuania and Poland), as well as from other European countries (Norway, the Czech Republic and Switzerland). The users are both private and state-owned, local and international companies, and represent different business sectors: natural gas wholesalers and retailers, energy producers, heating operators and production companies.

The natural gas transmission and storage services provided by Conexus are regulated by the Public Utilities Commission (hereinafter “PUC”, “the Regulator”).

Conexus ensures the sustainability and safety of the infrastructure and highest quality of service, which promotes the development of the market and provides economic benefits to customers and society as a whole.

Conexus is a socially responsible company that creates added economic value, provides for the overall development of the industry, the professional development of employees, sustainable employment, at the same time keeping the impact of technological processes on the environment to the minimum.

WHO DO WE WANT TO BE?

Vision

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

WHY DO WE EXIST?

Mission

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

WHAT IS IMPORTANT TO US?

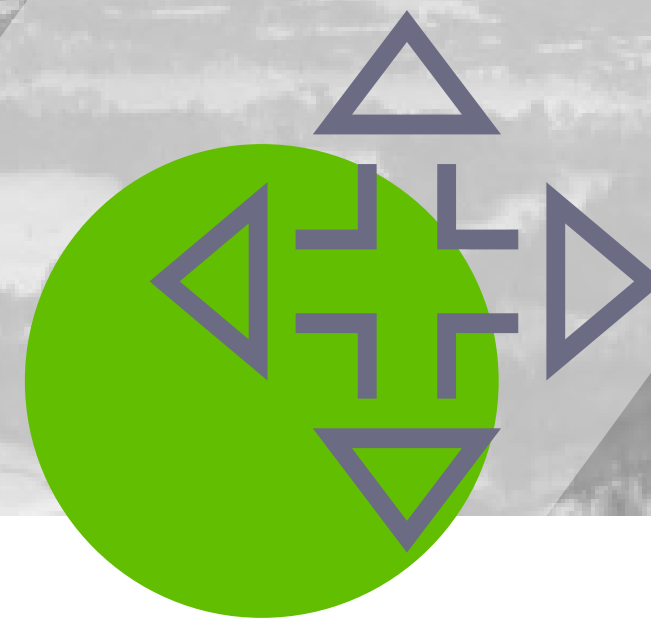
Values

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



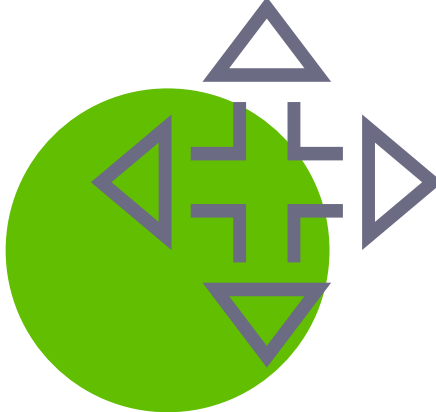


We support each other in decision making, we listen and search for common solutions internally, working with clients and partners.

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 transmission system operators (TSOs), developing 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 gas with hydrogen or for 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 will focus on 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 NOx and GHG (greenhouse gas) 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 a professional team, therefore the Company will devise a development programme which will provide opportunity for employees to develop skills by creating individual development plans. Learning new skills will be promoted in order to adapt to renewable gas technologies, as well as transfer of skills and knowledge from experienced employees to new ones. To promote the professional development of the team, Conexus will create a competitive and flexible remuneration system.</p>

Shareholders

The main management body of Conexus is the shareholder meeting, which appoints the Council of Conexus.

C Conexus is a closed joint stock company with 100% registered shares. The total number of shares is 39 786 089, their nominal value is 1 EUR, one share grants its holder one vote at the General Meeting of Shareholders. The total number of shareholders exceeds 4,8 thousand. 97,52% of the total number of shares belong to two largest shareholders - AS „Augstsprieguma tīkls” (68,46%), MM Infrastructure Investments Europe Limited (29,06%).

Conexus' shareholders register is maintained electronically, which is ensured by Nasdaq CSD SE in accordance with the concluded agreement.

Shareholders as at 30 September 2023:

AS „AUGSTSPRIEGUMA TĪKLS”

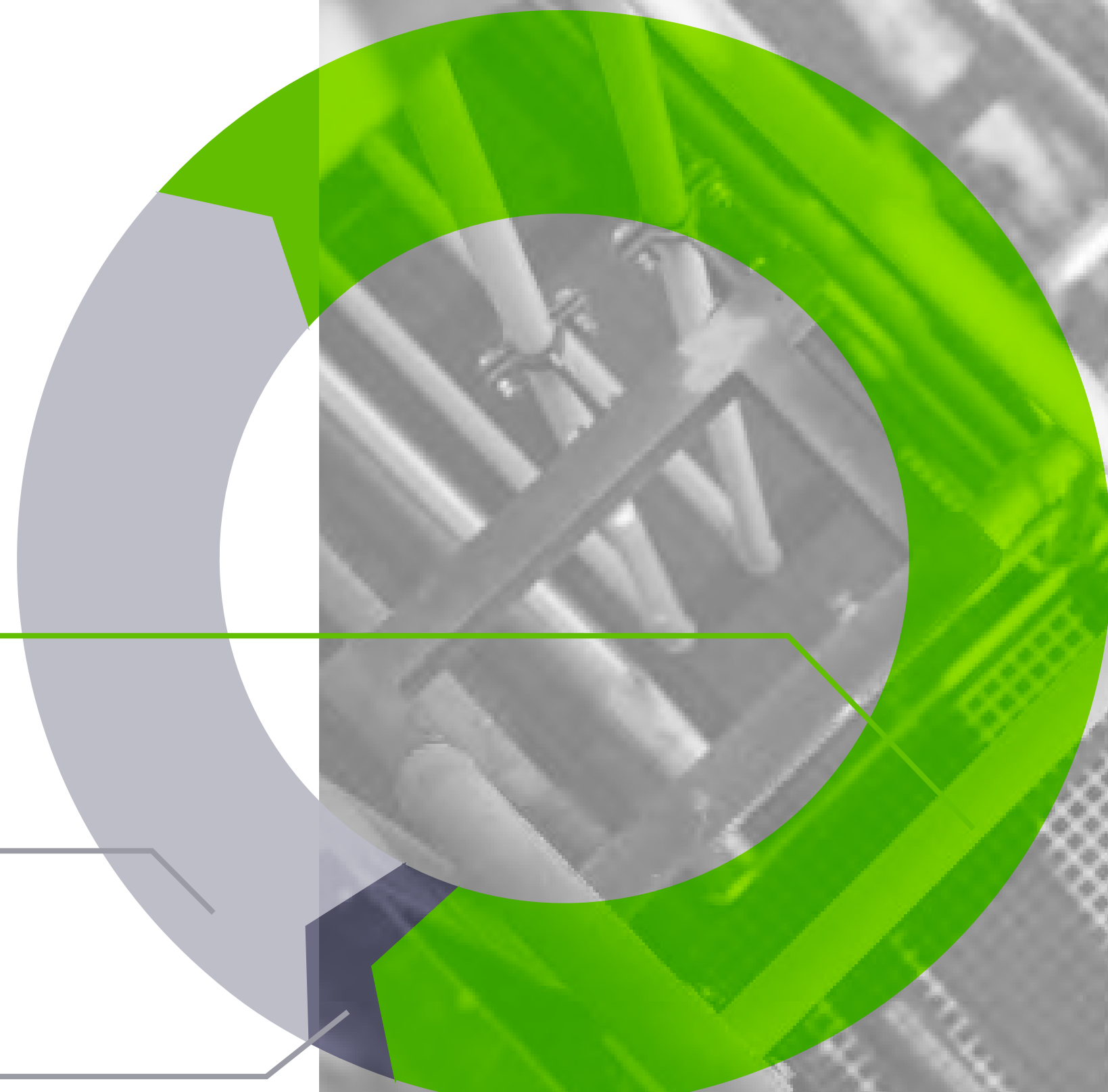
68,46%

MM INFRASTRUCTURE
INVESTMENTS EUROPE LIMITED

29,06%

OTHER SHAREHOLDERS

2,48%



The Council

Term of office from 27 April 2023 until 26 April 2026



(Since 3 January 2018)

ILMĀRS ŠŅUCINS
Chairman of the Council



(Since 30 April 2020)

TOMOHide GOTO
Deputy Chairman of the Council



(Since 28 April 2022)

IVARS MOISEJS
Member of the Council



(Since 12 May 2021)

VIKTORS SENTUHOVSKIS
Member of the Council



(Since 30 April 2020)

ZANE ĀBOLIŅA
Member of the Council



(Since 27 April 2023)

MASANOBU FURUYA
Member of the Council



(Since 30 April 2020)

NORMUNDS ŠUKSTS
Member of the Council

Term of office until 27 April 2023

ILMĀRS ŠŅUCINS
Chairman of the Council

(Since 3 January 2018)

TOMOHide GOTO
Deputy Chairman of the Council

(Since 30 April 2020)

ZANE ĀBOLIŅA
Member of the Council

(Since 30 April 2020)

YUKIKO FUJII
Member of the Council

(Since 28 April 2022)

NORMUNDS ŠUKSTS
Member of the Council

(Since 30 April 2020)

IVARS MOISEJS
Member of the Council

(Since 28 April 2022)

VIKTORS SENTUHOVSKIS
Member of the Council

(Since 12 May 2021)

Board



**ULDIS
BARISS**

CHAIRMAN OF THE BOARD

Born in 1965
valde@conexus.lv

Term of office:
from 16 November 2020 until 15 November 2023;
from 16 November 2023 until 15 November 2028



**GINTS
FREIBERGS**

MEMBER OF THE BOARD

Born in 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**

MEMBER OF THE BOARD

Born in 1976
valde@conexus.lv

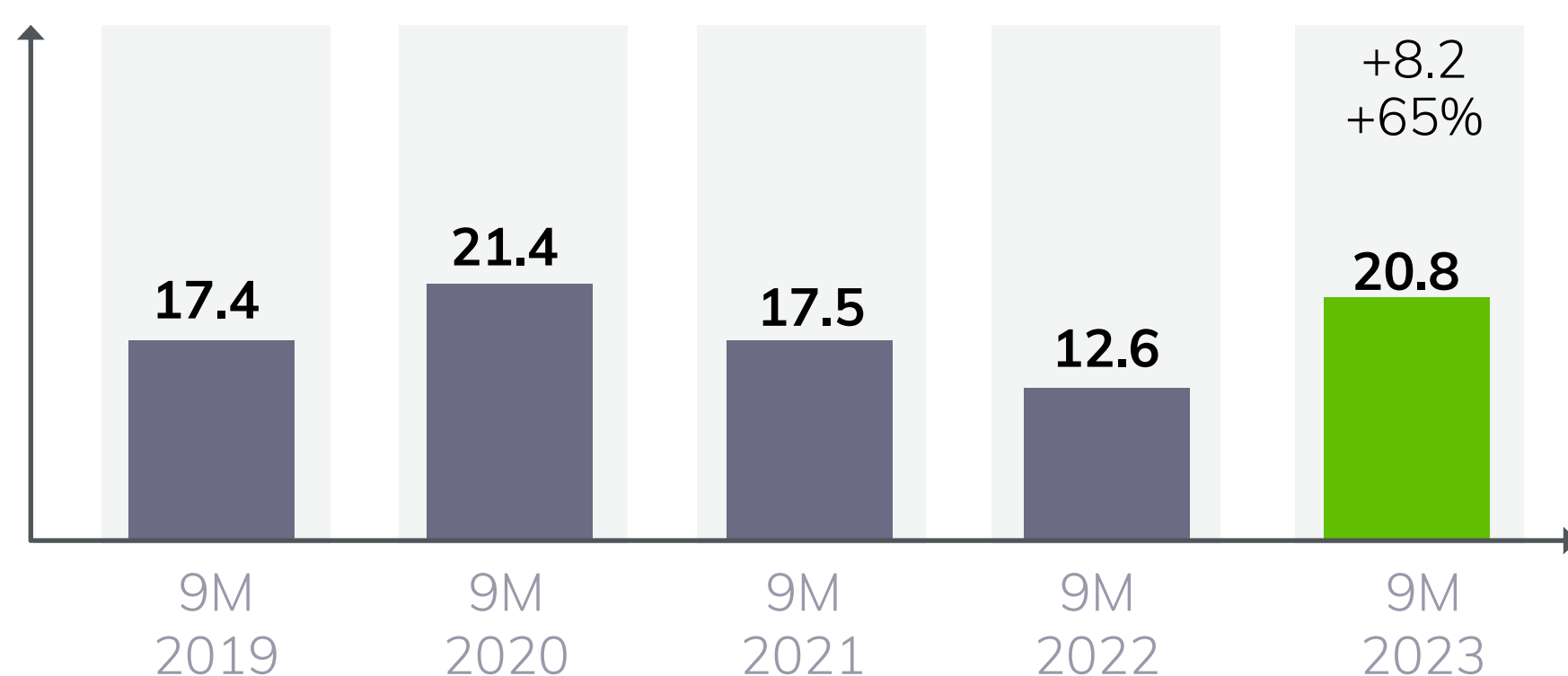
Term of office:
from 31 December 2017 until 31 December 2020;
from 1 January 2021 until 31 December 2023;
from 1 January 2024 until 31 December 2028.

MANAGEMENT REPORT

Main activities

Amount of natural gas stored in Inčukalns UGS

Inčukalns UGS filling at the end of reporting period, TWh



At the end of the reporting period, 20,8 TWh of natural gas is stored in Inčukalns UGS (including energy supply security reserves), which is 65% more than at the same time the year before. On 15 October 2023, at the beginning of natural gas withdrawal season, Inčukalns UGS holds 21,7 TWh of natural gas. The withdrawal season has

commenced with the largest amount of natural gas stored in Inčukalns UGS in the last 5 years.

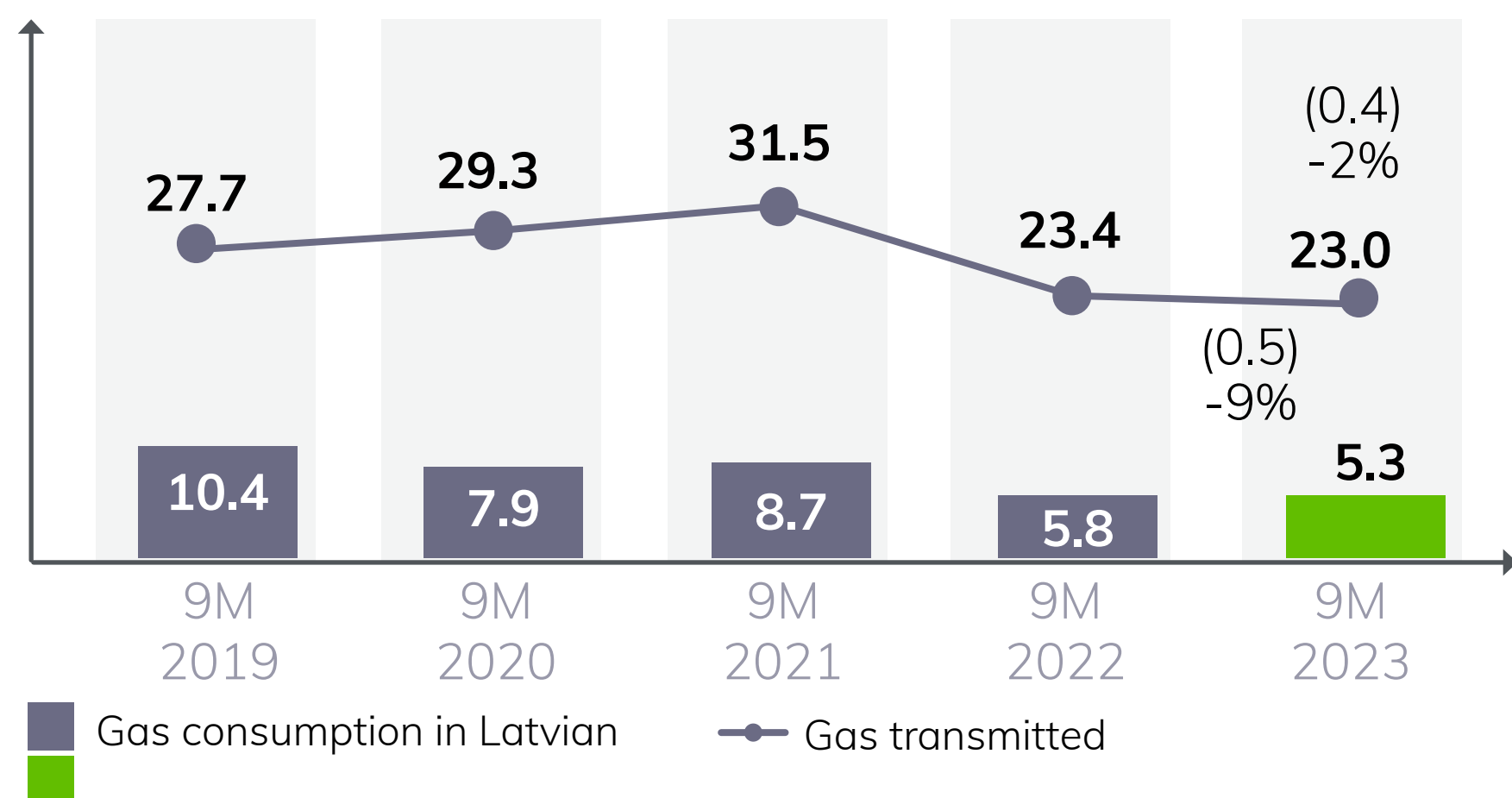
To ensure safe and continued supply, injection of natural gas into storage was continued also during 2022/2023 withdrawal season. Usually, injection into Inčukalns UGS starts after the end of withdrawal season, which is set for 30 April each year.

Natural gas supply

During the first nine months of 2023, Conexus ensured uninterrupted supply of natural gas for the needs of Latvia, Lithuania, Estonia and Finland. In accordance with the prohibition of natural gas supply from Russia as per the amendments to the Energy Law, natural gas was not delivered from Russia during the reporting period. Instead, natural gas traders supplied natural gas from Klaipeda liquified natural gas terminal, Inkoo liquified natural gas terminal and from Inčukalns UGS. During the reporting period, the volume of natural gas transmitted from Lithuania reached 15,7 TWh, which is 29% more than in the previous year's nine months. The volume of natural gas transmitted from Finland reached 3,9 TWh, which is almost 12 times more than in the previous year's nine months. As a result, only 3,4 TWh were injected into the transmission system from the storage, which is half as much as in previous year's respective period.

Total volume of gas transmitted in Latvia during the reporting period reached 23,0 TWh, which is 2% less than in the prior year's respective period. The reduction occurred mainly due to decrease of natural gas consumption in Latvia.

Transmitted natural gas, TWh



Natural gas supply for consumption in Latvia during the first nine months of 2023 reached 5,3 TWh, which is 9% less than in the prior year's respective period. The decrease was caused by weather conditions, which were milder this winter than in the respective period of 2022, which led users to consume less natural gas for heating purposes, as well as by unprecedentedly high gas prices, which also caused users to reduce their consumption of natural gas. Reduction of the consumption was partially offset by increase in electricity generation in the country's largest thermal power plants¹.

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

Results of storage capacity auctions

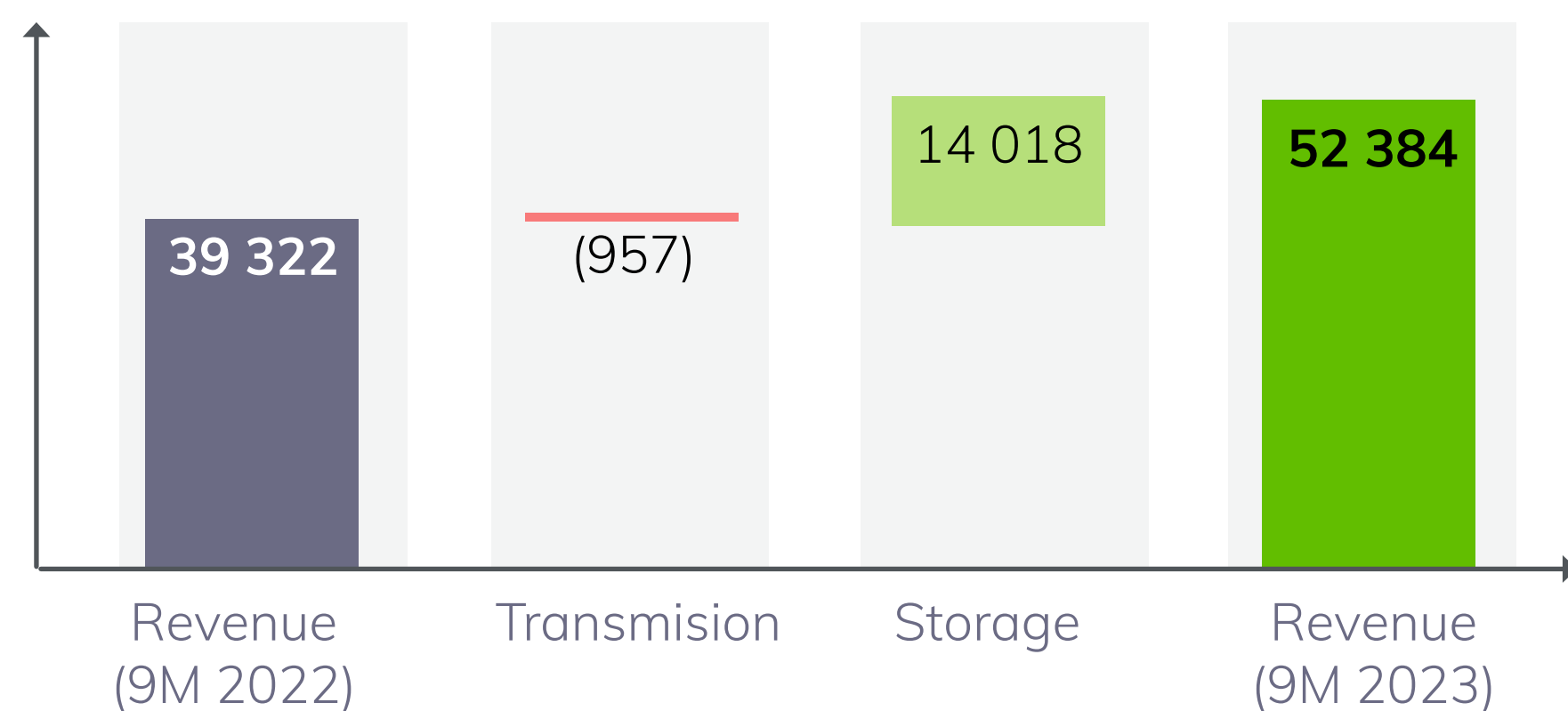
During the reporting period, several Inčukalns UGS capacity auctions were held, in which system users were granted a total capacity of 13,4 TWh – 9,4 TWh one-year bundled capacity product for 2023/2024 storage cycle, 4 TWh for the two-year bundled capacity product for the 2023/2025 storage cycle. The storage capacity offered in auctions was fully booked. The total requested amount of storage capacity exceeded the available capacity more than 3 times. As a result of the auctions, Conexus achieved record-high applicable premiums ranging from 2,53 EUR/MWh to 4,08 EUR/MWh. Effective rate of the premiums is 1,62 EUR/MWh (premium earned against 22,6 TWh capacity booked). Storage cycle capacity auctions were completed with the auction held on 10 May 2023, in which the last available storage capacity was auctioned.

Conexus' financial results

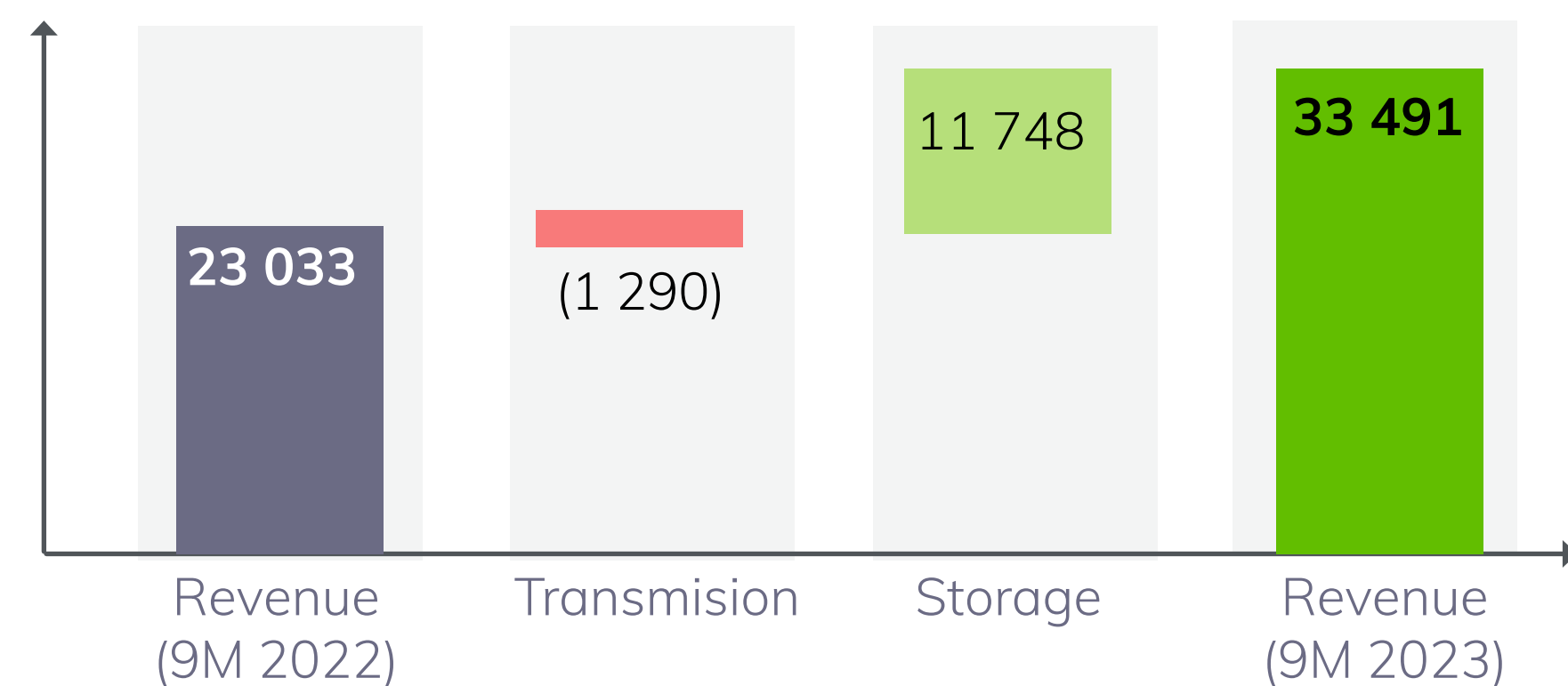
The net turnover in the reporting period was 33% higher than in the previous year's respective period and reached 52 384 thousand EUR. During the reporting period, Conexus EBITDA increased by 45% in comparison to the respective period of 2022, reaching 33 491 thousand EUR. The revenue and EBITDA were adversely affected by the reduction of transmission service volume, whereas the revenue and EBITDA of the storage service exceed those of the previous year's respective period.

During the reporting period, Conexus' net profit was 4 701 thousand EUR, which is 2 160 thousand EUR lower than in the respective period of the previous year. Balance of regulatory account for storage service will be 42 572 thousand EUR at the end of the storage cycle. Such an amount of the balance relates to payment of premiums awarded in the storage capacity auctions that took place in the spring. In accordance with the methodology for calculating tariffs for the natural gas storage system service, the Public Utility Commission is to decide on the usage of the regulatory account balance, as the amount thereof exceeds 50% of the revenue planned in the tariff period. Conexus has proposed to the Public Utility Commission that half of the balance of the regulatory account is allocated to storage investments,

Conexus revenue, '000 EUR



Conexus EBITDA, '000 EUR



while other half of the balance is allocated to revenue adjustment of the next tariff period and the next regulatory period. For the purposes of these financial statements, it is assumed that the Public Utility Commission will adopt a decision in line with Conexus' proposal. As a result of the decision, the value of the fixed assets created by the aforementioned storage investments will not be included in the RAB value and will not provide return to shareholders, therefore the value of the Conexus storage assets will be reduced by the amount of the regulatory account's balance allocated to the investments of the storage facility (21 286 thousand EUR). At the end of September 2023, the value of storage assets has been reduced by 15 509 thousand EUR, whereas for the remainder of 5 777 thousand EUR it is expected to reduce the value of storage assets in 2024. Impairment of assets is reflected as part of depreciation costs in amount of 11 489 thousand EUR and asset revaluation reserve reduction in amount of 4 020 thousand EUR.

MAIN FINANCIAL INDICATORS	9M 2023 or 30.09.2023	9M 2022 or 30.09.2022	+/-	%
	EUR'000	EUR'000		
Net turnover	52 384	39 322	13 062	33%
EBITDA	33 491	23 033	10 458	45%
Net profit	4 701	6 861	(2 160)	-31%
Total assets	446 846	449 810	(2 964)	-1%
Investments	27 045	12 552	14 493	115%

Financing and liquidity

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 72 209 thousand EUR. At the end of the reporting period, available overdrafts amounting to 65 000 thousand EUR have not been used, which provides significant liquidity reserve. The duration of agreements for the overdraft facilities reaches beyond 1 year. At the end of the reporting period, Conexus holds long-term loan agreements amounting to 55 000 thousand EUR with expected receipt of funds during 2023 and 2024.

At the end of the reporting period, the weighted average interest rate of long-term borrowings is 2.94% (31.12.2022: 1.76%); weighted average interest rate of overdrafts is 4.67% (31.12.2022: 2.77%). At the end of the reporting period, 39% of received and unpaid long-term borrowings are with a fixed interest rate (31.12.2022: 36%).

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

CONEXUS' FINANCIAL COVENANTS	30.09.2023	31.12.2022
Shareholders' equity ratio (>50%)	73%	73%
Net debt to EBITDA ratio (<5)	2.0	2.9
Debt-Service Coverage Ratio (DSCR) (>1.2)	2.9	2.6

Regulatory activities and product tariffs

New tariffs of natural gas storage system service came into force on 1 May 2023. Due to decreased planned revenue attributed to the tariff period, tariff values of the most popular storage products decreased by 14%.

On 26 October 2023, The Public Utility Commission's council made a decision² on transmission system service tariffs, which will be in force starting from 1 December 2023. The decision stipulates that the tariff for use of exit point for supply of consumers in Latvia will increase by 37% from 0,0019296946 EUR/kWh to 0,0026488301 EUR/kWh, whereas the tariffs for natural gas transmission system standard yearly capacity product, short term standard capacity product, interruptible capacity product and interruptible virtual counterflow capacity product will not change and will remain the same. Conexus evaluates that the increase of tariff for use of exit point for supply of consumers in Latvia will impact the natural gas invoice by 0.5-1.1%, depending on consumption. Although Conexus overall costs have

² <https://likumi.lv/ta/id/346867>

not increased, the planned increase in tariffs is driven by a decrease in natural gas consumption, which has been observed in Latvia in the recent years.

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 AS "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 of the Supreme Court 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 25 September 2023, the Administrative district court initiated the administrative case based on the application of Conexus regarding the cancellation of the decision No 83 of the Regulator's council dated 10 August 2023 "On the rate of return of capital for the calculation of the tariff project for natural gas transmission system, natural gas distribution system and natural gas storage services". This decision sets an unreasonable low rate of return on capital (1.48%) to be applied in calculation of tariffs scheduled to enter into force in 2024. The first hearing is scheduled for April 11, 2024.

Key financial indicators

		9M 2019 or 30.09.2019	9M 2020 or 30.09.2020	9M 2021 or 30.09.2021	9M 2022 or 30.09.2022	9M 2023 or 30.09.2023	Δ	Δ %	
Operating indicators	Transmitted natural gas	TWh	27.7	29.3	31.5	23.4	23.0	(0.4)	-2%
	Inčukalns UGS filling at the end of reporting period*	TWh	17.4	21.2	17.5	12.6	20.8	8.2	65%
	Volume of natural gas consumed in Latvia**	TWh	10.4	7.9	8.7	5.8	5.3	(0.5)	-9%
	Volume of natural gas withdrawn from Inčukalns UGS	TWh	7.4	7.2	12.4	7.4	3.4	(4.0)	-54%
Financial indicators	Net turnover***	`000 EUR	41 857	40 451	41 313	39 322	52 384	13 061	33%
	EBITDA	`000 EUR	24 438	22 584	25 239	23 033	33 491	10 458	45%
	Net profit	`000 EUR	12 343	9 897	9 541	6 861	4 701	(2 161)	-31%
	Total assets	`000 EUR	360 154	445 918	444 639	449 810	446 846	(2 964)	-1%
	Investments	`000 EUR	10 092	10 391	18 993	12 552	27 045	14 493	115%
	Depreciation and amortisation	`000 EUR	11 956	12 557	13 244	13 472	25 053	11 581	86%
Financial coefficients	EBITDA profitability	%	58%	56%	61%	59%	64%	5ppt	
	Net profitability	%	29%	24%	23%	17%	9%	(8ppt)	
	Return on Equity ratio (ROE)	%	4.0%	2.7%	2.5%	2.1%	1.4%	(0.7ppt)	
	Shareholders' equity ratio****	%	86%	90%	74%	73%	73%	0ppt	
	Net debt to EBITDA ratio*****	coef.	0.7	0.7	3.0	2.9	2.0	(0.9)	-31%
	Debt-service Coverage Ratio (DSCR)*****	coef.	8.6	8.9	4.9	2.6	2.9	0.3	12%
	Average number of employees	number	335	329	336	310	363	53	17%

*Including energy supply security reserves

** Volume of natural gas injected into the distribution system

*** Comparative figures reclassified to be comparable with 2023 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: natural gas transmission and natural gas storage. 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 system users 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. For supplies for the needs of users in Latvia, all exits for consumption in the territory of Latvia are combined in one exit point.

During the first nine months of 2023, Conexus ensured uninterrupted supply of natural gas for the needs of Latvia, Lithuania, Estonia and Finland. In accordance with the prohibition of natural gas supply from Russia as per the amendments to the Energy Law, natural gas was not delivered from Russia during the reporting period. Instead, natural gas traders supplied natural gas from Klaipeda liquefied natural gas terminal, Inkoo liquefied natural gas terminal and from Inčukalns UGS. During the reporting period, the volume of natural gas transmitted from Lithuania reached 15,7 TWh, which is 29% more than in the previous year's nine months. The volume of natural gas transmitted from Finland reached 3,9 TWh, which is almost 12 times more than in the previous year's nine months. As a result, only 3,4 TWh were injected into the transmission system from the Inčukalns UGS, which is half less than year before.

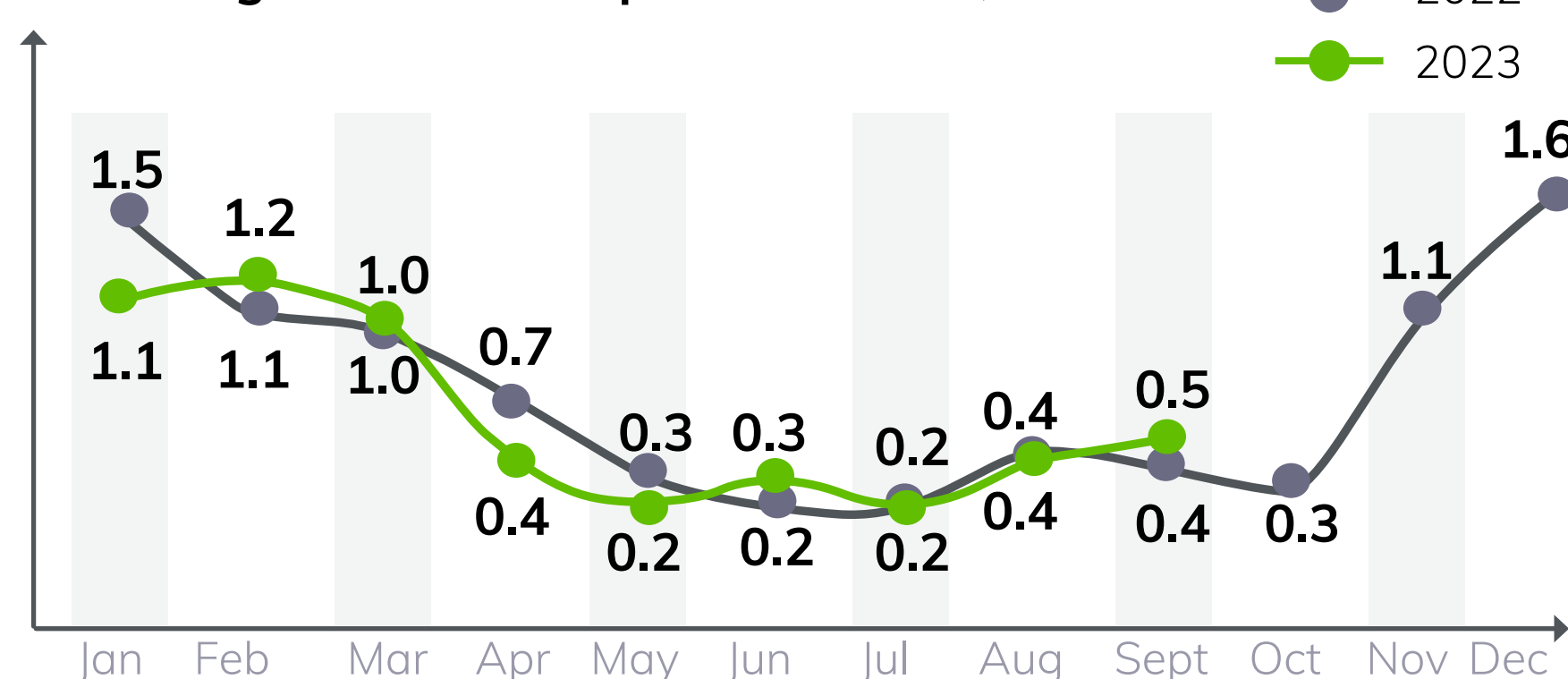
Total volume of gas transmitted in Latvia during the reporting period reached 23,0 TWh, which is 2% less than in the prior year's respective period. The reduction occurred mainly due to decrease of natural gas consumption in Latvia.

Natural gas supply for consumption in Latvia during the first nine months of 2023 reached 5,3 TWh, which is 9% less than in the prior year's respective period. The decrease was caused by weather conditions, which were milder this winter than in the respective period of 2022, which led users to consume less natural gas for heating purposes, as well as by unprecedently high gas prices, which also caused users to reduce their consumption of natural gas. Reduction of the consumption was partially offset by an increase in electricity generation in the country's largest thermal power plants³.

³ <https://ast.lv/lv/electricity-market-review>



Natural gas for consumption in Latvia, TWh



Revenue of the transmission segment during the reporting period was 17 153 thousand EUR and EBITDA reached 7 246 thousand EUR, representing 22% of the total EBITDA of Conexus. Net profit of the transmission segment amounted to loss of 1 390 thousand EUR (63% higher losses than in prior year's respective period).

TRANSMISSION	9M 2023 or 30.09.2023	9M 2022 or 30.09.2022	+/-	%
	EUR'000	EUR'000		
Net turnover	17 153	18 110	(957)	-5%
EBITDA	7 246	8 536	(1 290)	-15%
Segment Net profit	(1 390)	(854)	(536)	63%
Segment assets	228 098	230 517	(2 419)	-1%
Depreciation and amortisation	7 470	7 694	(224)	-3%
Investments	8 119	3 532	4 587	130%

⁴ <https://likumi.lv/ta/id/346867>

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, deviations of income and expenses may occur against the allowed ones during the tariff cycle, which will affect tariff values in the subsequent tariff cycles. In transmission segment, such deviations can occur due to actual consumption of natural gas differing from the one planned in tariffs, leading to revenue adjustment. Actual revenue of transmission segment, generated during gas years from 1 January 2020 until 30 September 2022, is 82,2 million EUR, which is 9,1 million EUR less than allowed revenue for the same period. Allowed revenue of the next regulatory period will be increased by the unearned revenue amount.

On 26 October 2023, The Regulator's council made a decision⁴ on transmission system service tariffs, which will be in force starting from 1 December 2023. The decision stipulates that the tariff for use of exit point for supply of consumers in Latvia will increase by 37% from 0,0019296946 EUR/kWh to 0,0026488301 EUR/kWh, whereas the tariffs for natural gas transmission system standard yearly capacity product, short term standard capacity product, interruptible capacity product and interruptible virtual counterflow capacity product will not change and will remain the same. Conexus evaluates that the increase of tariff for use of exit point for supply of consumers in Latvia will impact the natural gas invoice by 0.5-1.1%, depending on consumption. Although Conexus overall costs have decreased, the planned increase in tariffs is driven by a decrease in natural gas consumption, which has been observed in Latvia in the recent years.

The transmission segment's assets at the end of the reporting period amounted to 228 million EUR, which comprised 51% of the total assets of Conexus. During the reporting period, capital investments were made in amount of 8 119 thousand EUR. The largest investments:

- Within the framework of the European project of common interest "Enhancement of Latvia-Lithuania Interconnection" (ELLI), Conexus invested a total of 894 thousand EUR in several sub-projects during the reporting period. Main activities were carried out on the rebuilding of Zaķumuiža and Daugmale gas regulation stations;
- Investments made into replacement of isolation of gas pipelines in the section between Izborsk – Inčukalns UGS, in amount of 4 261 thousand EUR;
- Repairs of transmission gas pipeline sections and their anti-corrosion isolation were made in amount of 2 015 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 2022/2023 storage cycle, Inčukalns UGS capacity booking reached 24,1 TWh. During 2023/2024 storage cycle, Inčukalns UGS capacity booking reached 22,6 TWh. Revenue from bookings of capacity products during the reporting period increased by 14 018 thousand EUR in comparison to the respective period of the prior year. The revenue growth relates to the excellent results of auction of storage capacities, which have resulted in the effective rate of applicable premiums of 1,62 EUR/MWh (the total amount of applicable premiums divided by the booked capacity of 22,6 TWh).

Revenue of the storage segment during the reporting periods was 35 231 thousand EUR and EBITDA reached 26 245 thousand EUR. Net profit of storage segment reached 6 091 thousand EUR.

STORAGE	9M 2023 or 30.09.2023	9M 2022 or 30.09.2022	+/-	%
	EUR'000	EUR'000		
Net turnover	35 231	21 213	14 018	66%
EBITDA	26 245	14 497	11 748	81%
Segment Net profit	6 091	7 716	(1 625)	-21%
Segment assets	218 747	219 293	(546)	0%
Depreciation and amortisation	17 583	5 778	11 805	204%
Investments	18 926	9 019	9 907	110%

In accordance with Natural gas storage system service tariff calculation methodology, deviations of income and expenses may occur against allowed ones during the tariff cycle, which will affect tariff values in subsequent tariff cycles. In storage segment, such

deviations are accrued in a regulatory account. Balance of the regulatory account for storage service will be 42 572 thousand EUR at the end of the storage cycle. Such an amount of the balance relates to payment of premiums awarded in the storage capacity auctions that took place in the spring. In accordance with the methodology for calculating tariffs for the natural gas storage system service, the Public Utility Commission is to decide on the usage of the regulatory account balance, as the amount thereof exceeds 50% of the revenue planned in the tariff period. Conexus has proposed to the Public Utility Commission that half of the balance of the regulatory account is allocated to storage investments, while other half of the balance is allocated to revenue adjustment of the next tariff period and the next regulatory period. For the purposes of these financial statements, it is assumed that the Public Utility Commission will adopt a decision in line with Conexus' proposal. As a result of the decision, the value of the fixed assets created by the aforementioned storage investments will not be included in the RAB value and will not provide return to shareholders, therefore the value of the Conexus storage assets will be reduced by the amount of the regulatory account's balance allocated to the investments of the storage facility (21 286 thousand EUR). At the end of September 2023, the value of storage assets has been reduced by 15 509 thousand EUR, whereas for the remainder of 5 777 thousand EUR it is expected to reduce the value of storage assets in 2024. Impairment of assets is reflected as part of depreciation costs in amount of 11 489 thousand EUR and asset revaluation reserve reduction in amount of 4 020 thousand EUR.

New tariffs of natural gas storage system service came into force on 1 May 2023. Due to decreased planned revenue attributed to the tariff period, tariff values of the most popular storage products decreased by 14%.

Assets of the storage segment at the end of the reporting period amounted to 219 million EUR, which comprised 49% of total assets of Conexus. During the reporting period, capital investments were made in amount of 18 926 thousand EUR, which is 9 907 thousand EUR more than in the respective period of prior year. Largest investments – reconstruction of wells, modernization of gas compression units at Compressor station No.2, reconstruction of gas collection point No.3 and installation of a new gas collection point, in total amount of 17 083 thousand EUR, - were made within the framework of the European project of common interest PCI 8.2.4 "Enhancement of Inčukalns UGS". As part of modernization of gas compression units at Compressor station No.2, modernization of unit No.5 and unit No.6 was completed in September 2023.

Other events and further development

◆ Estonia's transmission system operator "Elering" and Finland's transmission system operator "Gasgrid Finland" closed the underwater gas pipeline "Balticconnector" connecting Finland and Estonia on 8 October, due to unusual drop in pressure caused by gas leak. Damage to the two countries' connecting communications cable was also found. The closure of "Balticconnector" does not affect gas supplies to consumers in Estonia, as Estonia can still receive natural gas from Inčukalns UGS, whereas Finnish consumers are supplied through the Inkoo liquefied natural gas terminal. The Latvian gas supply system operates without interruptions, and the availability of gas to the users of the system was fully ensured.

◆ The European Union's (EU) and European Commission's energy transformation and decarbonisation pathway obliges Member States to significantly reduce their GHG emissions in the long term and to promote a transition towards renewable energy. The transformation strategy is based on the development of a hydrogen economy, in which hydrogen will be used as energy carrier and means of storage of renewable energy for future use. During the reporting period, Conexus, together with other national transmission system operators "Gasgrid Finland" (Finland), Elering (Estonia), "Amber Grid" (Lithuania), "Gaz System Poland" (Poland) and "Ontras" (Germany), has launched the Northern-Baltic Hydrogen Corridor project, dedicated for creation of the cross-border hydrogen transmission corridor from Finland through Estonia, Latvia, Lithuania and Poland to Germany by 2030.

◆ International credit rating agency S&P Global Ratings (S&P) has affirmed the long-term issuer credit rating assigned to Conexus. The BBB+ credit rating with a stable outlook has been maintained. In its report, S&P notes that it views Latvia's regulatory framework for gas transmission and storage as supportive for the sector and offers

regulatory transparency at least until 2026.

◆ Implementation of climate-friendly and sustainable energy solutions is one of Conexus' strategic directions. During the reporting period, Conexus has concluded a contract for the construction of a solar panel park, including the purchase of equipment, in the territory of Inčukalns UGS, following an open procurement procedure. The project is planned to be completed by next spring with an investment of 989 thousand EUR. The use of solar energy is expected to generate around 1 000 000 kWh per year and it is forecasted to provide 25% of the total electricity consumption in the storage.

◆ In accordance with the amendments to the Energy Law, Conexus has become gas Guarantee of Origin issuing body in Latvia starting from 1 July 2023. A system for the issuance, circulation, and control of certificates of origin for gas produced from renewable energy sources has been established. Following an open procurement procedure, Conexus had concluded a contract with the Finnish information technology company "Grexel Systems" Oy for the development of the guarantee of origin registry system, with Conexus performing its administration and other issuing body duties.

◆ On Conexus' council's meeting of 30 June 2023, it was decided to continue cooperation with the current Chairman of the Board Uldis Bariss after the end of his term of office, by appointing Uldis Bariss as Chairman of the Board for the next term of office until 15 November 2028. On meeting of 3 October 2023, the council also decided to continue cooperation with the current member of the board, finance director Mārtiņš Gode, appointing him for the next term of office until 31 December 2028.

◆ The 20th annual international conference organised by Gas Infrastructure Europe (GIE) took place in Riga on 15-16 June. Over two days, high-level experts and policy makers from around the world discussed and shared insights on how to ensure the most effective transition to a secure and decarbonised world. The central objective of the conference was to discuss the current situation of natural gas



supplies and the implementation of decarbonisation measures in the short, medium and long term, as well as to assess the progress made in the energy sector following Russia's war in Ukraine.

With the aim to promote biomethane production and its free circulation in Latvia, Conexus has developed a solution in the Baltics, allowing biomethane producers to deliver biomethane to a centralised biomethane entry point using special mobile gas containers to be fed into the common gas transmission system.

On Conexus' Shareholders' meeting of 27 April 2023, Conexus Supervisory Board was elected with changes to its current composition. Seven members of the Supervisory Board were confirmed for a three-year term. Ilmārs Šnucins, Tomohide Goto, Zane Āboliņa, Viktors Sentuhovskis, Normunds Šuksts and Ivars Moisejs were re-elected as Supervisory Board members. Masanobu Furuya was elected to the Supervisory Board of Conexus. The Shareholders' Meeting also made a decision on the conversion of Conexus shares from registered shares to dematerialised shares and resolved to book Conexus dematerialised shares with the central securities depository "Nasdaq CSD SE".

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

Work will also be continued on the increase of Latvia-Lithuania transmission gas pipe capacity with the aim to facilitate access to the Klaipėda liquefied 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.

Subsequent events

According to management's assessment, there are no subsequent circumstances or events since the last date of the reporting year until the signing of this report, which would have a significant effect on the financial position of Conexus as at 30 September 2023.

ABBREVIATIONS AND FORMULAS

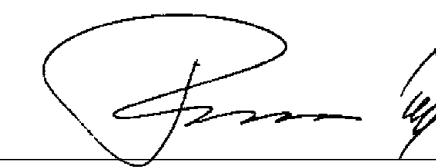
MWh	megawatt-hours
TWh	terawatt-hours
EUR/MWh/d/g	euro for megawatt-hour per day / per year
EBITDA	earnings before interest, taxation, depreciation & amortisation
Net debt	loans including overdrafts minus cash and cash equivalents
EBITDA profitability	EBITDA / income
Net profitability	net profit / income
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

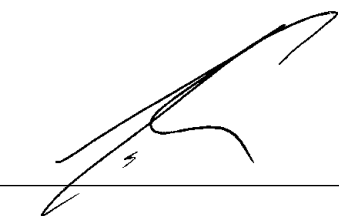
The Board of the Company is responsible for preparing its financial statements. The unaudited condensed interim financial statements of Conexus for the 9 months period ending 30 September 2023 were prepared in accordance with the International Accounting Standard (IAS) No. 34 "Interim Financial reporting" as adopted by the European Union, providing true and fair view of the AS "Conexus Baltic Grid" 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



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FINANCIAL STATEMENTS

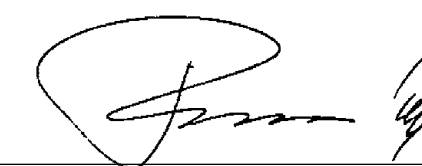
INCOME STATEMENT

	Note	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
		EUR	EUR	EUR	EUR
Revenue	5	19 986 392	11 647 466	52 383 631	39 322 382
Other income	6	218 612	221 095	694 663	588 700
Maintenance and service costs	7	(1 969 285)	(1 640 937)	(5 546 050)	(4 999 262)
Personnel expenses	8	(4 106 998)	(3 479 802)	(11 842 055)	(10 165 893)
Other operating costs	9	(853 969)	(618 683)	(2 199 568)	(1 713 312)
Depreciation, amortisation, and impairment of property, plant and equipment	11, 12	(16 026 779)	(4 543 728)	(25 052 635)	(13 472 113)
Operating profit		(2 752 027)	1 585 411	8 437 986	9 560 502
Finance costs	10	(619 963)	(120 668)	(1 648 309)	(311 871)
Profit before tax		(3 371 990)	1 464 743	6 789 677	9 248 631
Corporate income tax		-	-	(2 088 770)	(2 387 165)
Profit for the reporting period		(3 371 990)	1 464 743	4 700 907	6 861 466

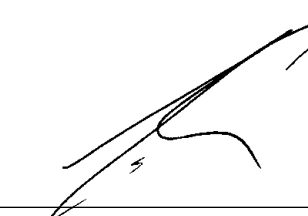
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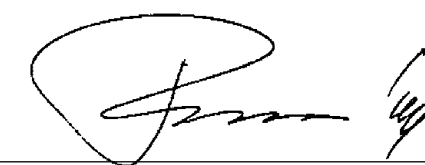
STATEMENT OF COMPREHENSIVE INCOME

Note	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
	EUR	EUR	EUR	EUR
Profit for the reporting period	(3 371 990)	1 464 743	4 700 907	6 861 466
Other comprehensive income / (loss):				
Property, plant and equipment revaluation	-	-	-	-
Revaluations of post – employment benefits as a result of changes in actuarial assumptions	-	-	-	-
Total other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive income for the reporting period	(3 371 990)	1 464 743	4 700 907	6 861 466

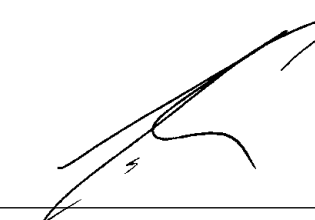
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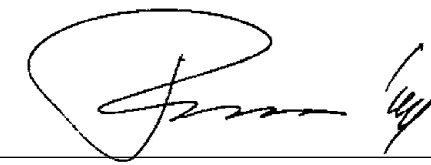
STATEMENT OF FINANCIAL POSITION

	Note	30.09.2023	30.09.2022	31.12.2022
ASSETS		EUR	EUR	EUR
Long-term investments				
Intangible assets	11	1 839 323	2 206 807	2 108 009
Advances for intangible assets		-	6 720	-
Property, plant and equipment	12	424 648 565	429 466 930	427 077 998
Advances for property, plant and equipment		2 662 082	2 256 709	5 322 009
Long-term deferred expenses	14	932 275	1 033 061	1 007 865
Right-of-use assets		451 644	464 789	461 503
Total long-term investments:		430 533 889	435 435 016	435 977 384
Current assets				
Inventories		4 543 700	3 086 042	3 690 935
Receivables from contracts with customers		8 083 853	8 038 109	10 237 307
Other receivables		1 689 501	2 225 244	2 456 478
Deferred expenses		862 956	540 999	480 075
Cash and cash equivalents		1 131 689	484 367	10 967 116
Total current assets:		16 311 699	14 374 761	27 831 911
TOTAL ASSETS:		446 845 588	449 809 777	463 809 295

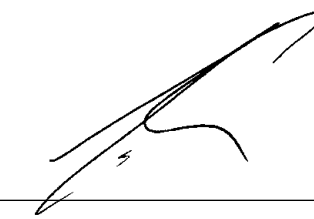
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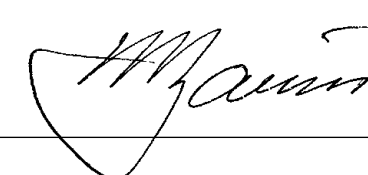
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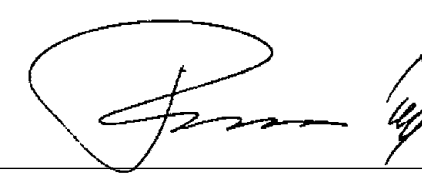
STATEMENT OF FINANCIAL POSITION (continued)

	Note	30.09.2023	30.09.2022	31.12.2022
EQUITY AND LIABILITIES		EUR	EUR	EUR
Equity:				
Share capital		39 786 089	39 786 089	39 786 089
Own shares		(23 352)	(24 270)	(24 270)
Reserves		198 127 243	210 392 902	207 960 842
Retained earnings		87 284 010	79 427 672	85 638 003
Total equity:		325 173 990	329 582 393	333 360 664
Non-current liabilities				
Borrowings from credit institutions	15	59 309 848	54 811 285	69 468 183
Deferred income		25 470 604	21 682 521	24 957 748
Employee benefit obligations		1 351 768	1 374 135	1 351 768
Non-current lease liabilities		447 856	456 350	459 358
Total non-current liabilities:		86 580 076	78 324 291	96 237 057
Current liabilities				
Borrowings from credit institutions	15	12 944 826	19 160 112	12 961 766
Trade payables		7 211 945	10 264 153	7 411 426
Other liabilities		2 176 222	1 292 422	2 204 749
Accrued liabilities		4 125 819	2 865 437	2 260 852
Deferred income from contracts with customers		7 830	-	-
Deferred income, other		974 784	580 651	767 335
Advances from customers		7 622 892	7 715 254	8 580 382
Current lease liabilities		27 204	25 064	25 064
Total current liabilities:		35 091 522	41 903 093	34 211 574
TOTAL EQUITY AND LIABILITIES:		446 845 588	449 809 777	463 809 295

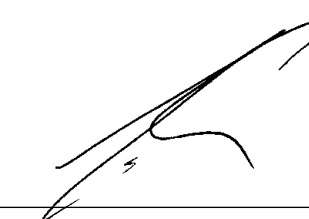
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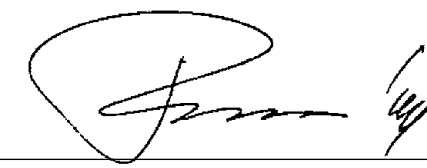
STATEMENT OF CHANGES IN EQUITY

	Share capital	Own shares	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Opening balance at 01.01.2022	39 786 089	(25 320)	216 230 918	76 412 620	332 404 307
Calculated dividends	-	1 050	-	(9 548 661)	(9 547 611)
Reduction of revaluation reserve	-	-	(5 838 016)	5 702 247	(135 769)
Profit for the period 01.01.2022-30.09.2022	-	-	-	6 861 466	6 861 466
<i>Total</i>	-	1 050	(5 838 016)	3 015 052	(2 821 914)
At 30 September 2022	39 786 089	(24 270)	210 392 902	79 427 672	329 582 393
Reduction of revaluation reserve	-	-	(2 491 105)	1 707 052	(784 053)
<i>Other comprehensive income:</i>					
Revaluations of post-employment benefits as a result of changes in actuarial assumptions	-	-	59 045	-	59 045
<i>Total other comprehensive income</i>	-	-	59 045	-	59 045
Profit for the period 01.10.2022-31.12.2022	-	-	-	4 503 279	4 503 279
<i>Total</i>	-	-	(2 432 060)	6 210 331	3 778 271
At 31 December 2022	39 786 089	(24 270)	207 960 842	85 638 003	333 360 664
Calculated dividends	-	918	-	(8 355 078)	(8 354 160)
Reduction of revaluation reserve	-	-	(9 833 599)	5 300 178	(4 533 421)
Profit for the reporting period	-	-	-	4 700 907	4 700 907
<i>Total</i>	-	918	(9 833 599)	1 646 007	(8 186 674)
At 30 September 2023	39 786 089	(23 352)	198 127 243	87 284 010	325 173 990

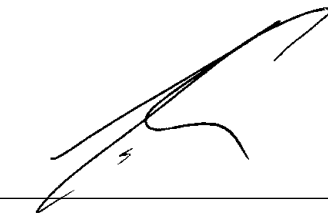
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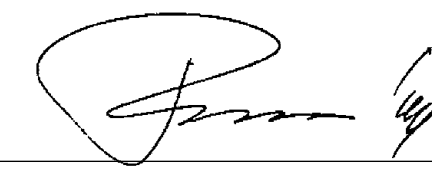
STATEMENT OF CASH FLOWS

	Note	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
		EUR	EUR	EUR	EUR
Cash flow from operating activity					
Profit before corporate income tax		(3 371 990)	1 464 743	6 789 677	9 248 631
Adjustments:					
- depreciation of property, plant and equipment	12	15 838 117	4 357 324	24 479 808	12 932 323
- depreciation of the right-of-use assets		3 286	3 286	9 858	22 965
- amortisation of intangible assets	11	185 376	183 118	562 968	516 825
- loss / (gain) from disposal of PPEs		150 615	442	150 888	(30 934)
- changes in provisions		150 000	-	690 000	285 780
- recognised EU co-financing		(209 924)	(144 423)	(584 441)	(415 907)
- interest expense		619 938	121 480	1 672 557	312 399
- interest income		-	-	(24 253)	-
Changes in the working capital:					
- (increase) / decrease of receivables from contracts with customers, other receivables and deferred expenses		330 787	(3 494 735)	2 613 142	3 427 358
- (increase) / decrease of inventories		(539 382)	(364 347)	(852 766)	(459 503)
- increase / (decrease) of lease liabilities, trade payables, accrued liabilities, advances from customers and other liabilities		(876 728)	998 433	(2 538 392)	899 601
Corporate income tax paid		(2 088 773)	-	(2 088 770)	(2 387 165)
Net cash flow from operating activity		10 191 322	3 125 321	30 880 276	24 352 373
Cash flow from investing activity					
Acquisition of property, plant and equipment		(7 317 476)	(2 257 845)	(21 368 038)	(7 733 845)
Acquisition of intangible assets		(90 773)	(343 178)	(304 553)	(856 129)
Proceeds from the sale of property, plant and equipment items		743	1 104	2 103	32 480
Received EU co-financing		-	-	1 304 747	3 983 416
Cash flow from investing activity		(7 407 506)	(2 599 919)	(20 365 741)	(4 574 078)

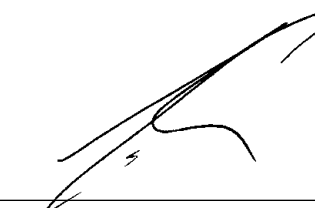
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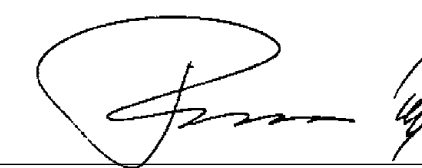
STATEMENT OF CASH FLOWS (continued)

	Note	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
Cash flow from financing activities		EUR	EUR	EUR	EUR
Interest paid		(699 412)	(144 021)	(1 844 842)	(323 563)
Borrowings received		-	2 261 806	-	10 561 106
Borrowings repaid		(3 708 692)	(2 398 261)	(10 158 335)	(34 657 206)
Lease payments		(11 369)	(21 358)	(24 970)	(37 798)
Dividends paid		(2 473)	(3 656)	(8 321 815)	(9 512 577)
Net cash flow from financing activity		(4 421 946)	(305 490)	(20 349 962)	(33 970 038)
Net cash flow		(1 638 130)	219 912	(9 835 427)	(14 191 743)
Cash and cash equivalents at the beginning of the reporting period		2 769 819	264 455	10 967 116	14 676 110
Cash and cash equivalents at the end of the reporting period		1 131 689	484 367	1 131 689	484 367

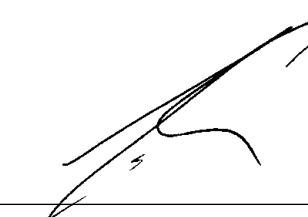
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NOTES TO THE FINANCIAL STATEMENTS

1. 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 the Commercial Register of Latvia with the unified 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%).

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

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 “Interim Financial reporting” as adopted by the European Union, on a going concern basis. The general accounting principles set out in this section have been applied consistently throughout the reporting period.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by Conexus during the interim reporting period.

The period of these condensed interim financial statements is 9 months, from 1 January to 30 September 2023.

Assets and liabilities are measured at amortised cost in the financial statements. Some groups of fixed assets are recognised at revalued value. The statement of cash flows has been prepared in accordance with the indirect method.

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

SIGNIFICANT ESTIMATES AND JUDGMENTS

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

CURRENCY AND REVALUATION OF FOREIGN CURRENCIES

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

All foreign currency transactions are translated into EUR using the exchange rate of the European Central Bank ruling on the date of the relevant transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date. Foreign currency gains and losses are recognised in the income statement for the respective period.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

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

Fair value

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

Quoted market prices – Level 1

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

Valuation techniques using market data – Level 2

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

is observable directly (i.e., price) or indirectly (i.e., derived from price).

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

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

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

	Level	30.09.2023	30.09.2022	31.12.2022
	EUR	EUR	EUR	EUR
Assets:				
Trade receivables	3.	8 083 853	8 038 109	10 237 307
Other receivables	3.	2 132	26 756	12 253
Cash and cash equivalents	2.	1 131 689	484 367	10 967 116
Liabilities:				
Borrowings from credit institutions	3.	72 254 674	73 971 397	82 429 949
Trade payables	3.	7 211 945	10 264 153	7 411 426
Other liabilities and accrued liabilities	3.	2 328 695	1 381 041	564 578
Lease liabilities	3.	475 060	481 415	484 422

Assets and liabilities measured at fair value

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

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

4. SEGMENT INFORMATION

Description of segments

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

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

✦ The natural gas **storage** segment, 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 corresponds 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. Segment information (segment profit or loss statements and investments made) is regularly submitted to Conexus' Management Board and Conexus' Council.

Reconciliation of segment financial information to Conexus financial information

Segment income statements for the period 01.01.2023-30.09.2023:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	17 152 701	35 230 930	52 383 631	-
Other income	142 267	552 396	694 663	-
Maintenance and service costs	(2 003 209)	(3 542 841)	(5 546 050)	-
Personnel expenses	(6 710 406)	(5 131 649)	(11 842 055)	-
Other operating costs	(1 335 669)	(863 899)	(2 199 568)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(7 470 086)	(17 582 549)	(25 052 635)	-
Finance costs	(970 767)	(677 542)	(1 648 309)	-
Corporate income tax	(195 219)	(1 893 551)	(2 088 770)	-
Profit for the reporting period	(1 390 388)	6 091 295	4 700 907	-

Segment income statements for the period 01.01.2022-30.09.2022:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Revenue	18 109 874	21 212 508	39 322 382	-
Other income	194 918	393 782	588 700	-
Maintenance and service costs	(2 602 317)	(2 396 945)	(4 999 262)	-
Personnel expenses	(6 002 751)	(4 163 142)	(10 165 893)	-
Other operating costs	(1 163 620)	(549 692)	(1 713 312)	-
Depreciation, amortisation, and impairment of property, plant and equipment	(7 693 760)	(5 778 353)	(13 472 113)	-
Finance costs	(196 474)	(115 397)	(311 871)	-
Corporate income tax	(1 500 333)	(886 832)	(2 387 165)	-
Profit for the reporting period	(854 463)	7 715 929	6 861 466	-

Total assets by segments as at 30.09.2023 and investments during the period 01.01.2023-30.09.2023:

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	228 098 371	218 747 217	446 845 588	-
Investments in property, plant and equipment and intangible assets	8 118 868	18 925 995	27 044 863	-

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

	Transmission	Storage	Total	Difference
	EUR	EUR	EUR	EUR
Segment assets	230 517 111	219 292 666	449 809 777	-
Investments in property, plant and equipment and intangible assets	3 532 307	9 019 232	12 551 539	-

Geographical information

All operating activities are held in Latvia.

Major customers

Revenue generated during the period 01.01.2023-30.09.2023 from the largest customers, each individually representing at least 10% of the total revenue of Conexus:

	Transmission	Storage	Total
	EUR	EUR	EUR
Revenue from major customers	13 743 892	20 632 991	34 376 883

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

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

5. REVENUE

Revenue from contracts with customers recognised over time	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
	EUR	EUR	EUR	EUR
Revenue from transmission services	4 766 852	3 865 190	16 482 409	17 728 277
Balancing income, net	208 135	123 335	670 292	381 597
Revenue from transmission services	4 974 987	3 988 525	17 152 701	18 109 874
Revenue from storage services	15 011 405	7 658 941	35 230 930	21 212 508
Revenue from storage services	15 011 405	7 658 941	35 230 930	21 212 508
Total	19 986 392	11 647 466	52 383 631	39 322 382

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

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

	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
	EUR	EUR	EUR	EUR
Income from balancing activities	1 794 681	10 115 686	8 939 319	26 661 063
Cost of balancing activities	(1 586 546)	(9 992 351)	(8 269 027)	(26 279 466)
	208 135	123 335	670 292	381 597

6. OTHER INCOME

	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
	EUR	EUR	EUR	EUR
Income from EU co-financing	209 924	144 423	584 441	415 907
Other income	8 688	76 672	110 222	141 859
Net income from the disposal of PPEs	-	-	-	30 934
	218 612	221 095	694 663	588 700

7. MAINTENANCE AND SERVICES COSTS

	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
	EUR	EUR	EUR	EUR
Transmission and storage system maintenance services	1 123 697	944 886	2 982 647	2 872 285
Cost of materials	273 795	417 087	755 723	928 112
Cost of natural gas	214 410	29 092	893 711	435 668
Maintenance of IT infrastructure	283 012	186 615	713 138	573 131
Maintenance of vehicles and machinery	74 371	63 257	200 831	190 066
	1 969 285	1 640 937	5 546 050	4 999 262

8. PERSONNEL EXPENSES

	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
	EUR	EUR	EUR	EUR
Salaries	3 164 459	2 697 766	9 132 806	7 875 658
State social insurance contributions	742 385	634 638	2 140 135	1 854 558
Life, health, and pension insurance	197 274	143 345	560 221	425 796
Other personnel costs	2 880	4 053	8 893	9 881
	4 106 998	3 479 802	11 842 055	10 165 893

9. OTHER OPERATING COSTS

	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
	EUR	EUR	EUR	EUR
Taxes and duties*	299 387	224 376	756 571	647 207
Office and other administrative expenses	403 967	393 865	1 292 110	1 066 105
Net loss on disposal of PPE	150 615	442	150 887	-
	853 969	618 683	2 199 568	1 713 312

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

10. FINANCE COSTS

	01.07.2023- 30.09.2023	01.07.2022- 30.09.2022	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
	EUR	EUR	EUR	EUR
Interest paid	614 763	116 239	1 656 949	296 984
Lease interest expense	5 175	5 241	15 608	15 416
(Gain) / losses from deposit interest and exchange rate fluctuations	25	(812)	(24 248)	(529)
	619 963	120 668	1 648 309	311 871

11. INTANGIBLE ASSETS

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
Historical cost			
31.12.2021	8 189 289	61 054	8 250 343
Additions	-	682 383	682 383
Transfers	553 255	(553 255)	-
Disposals	(452)	-	(452)
30.09.2022	8 742 092	190 182	8 932 274
Additions	-	92 974	92 974
Transfers	234 161	(234 161)	-
Disposals	(184 752)	-	(184 752)
31.12.2022	8 791 501	48 995	8 840 496
Amortisation			
31.12.2021	6 209 094	-	6 209 094
Amortisation charge	516 825	-	516 825
Disposals	(452)	-	(452)
30.09.2022	6 725 467	-	6 725 467
Amortisation charge	191 772	-	191 772
Disposals	(184 752)	-	(184 752)
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 30.09.2022	2 016 625	190 182	2 206 807
Net book value 31.12.2022	2 059 014	48 995	2 108 009

	Software	Assets under development	TOTAL
	EUR	EUR	EUR
Historical cost			
31.12.2022	8 791 501	48 995	8 840 496
Additions	-	294 283	294 283
Transfers	91 823	(91 823)	-
Disposals	(1 525 025)	-	(1 525 025)
30.09.2023	7 358 299	251 455	7 609 754
Amortisation			
31.12.2022	6 732 487	-	6 732 487
Amortisation charge	562 969	-	562 969
Disposals	(1 525 025)	-	(1 525 025)
30.09.2023	5 770 431	-	5 770 431
Net book value 31.12.2022	2 059 014	48 995	2 108 009
Net book value 30.09.2023	1 587 868	251 455	1 839 323

12. PROPERTY, PLANT, AND MACHINERY (PPE)

	Land	Buildings, structures	Machinery and equipment*	Other property and equipment*	Emergency spare parts	Cushion gas	Assets under construction	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Historical cost or revalued amount								
31.12.2021	1 084 168	771 087 875	134 044 906	7 790 227	1 538 779	10 708 163	20 027 015	946 281 133
Additions	8 306	25 064	821 476	762 985	3 839	-	10 247 486	11 869 156
Reclassified*	-	9 293 468	364 647	183 289	-	-	(9 841 404)	-
Disposals	-	(475 975)	(510 173)	(75 554)	(3 911)	-	-	(1 065 613)
30.09.2022	1 092 474	779 930 432	134 720 856	8 660 947	1 538 707	10 708 163	20 433 097	957 084 676
Additions	-	19 838	424 432	368 311	(3 839)	-	1 487 409	2 296 151
Reclassified*	-	6 539 436	(88 767)	5 209 309	286 605	-	(11 659 978)	286 605
Disposals	-	(803 886)	(1 361 350)	(759 211)	3 911	-	-	(2 920 536)
31.12.2022	1 092 474	771 087 875	134 044 906	7 790 227	1 538 779	10 708 163	20 027 015	946 281 133
Accumulated depreciation								
31.12.2021	-	447 747 521	62 134 158	5 728 132	-	-	-	515 609 811
Calculated depreciation	-	8 669 148	3 773 883	489 292	-	-	-	12 932 323
Disposals	-	(339 029)	(509 804)	(75 554)	-	-	-	(924 387)
30.09.2022	-	456 077 640	65 398 237	6 141 870	-	-	-	527 617 747
Calculated depreciation	-	2 678 156	1 145 849	367 356	-	-	-	4 191 361
Disposals	-	(601 871)	(815 257)	(723 082)	-	-	-	(2 140 210)
Reclassified	-	(22 478)	(1 002 909)	1 025 387	-	-	-	-
31.12.2022	-	458 131 447	64 725 920	6 811 531	-	-	-	529 668 898
Net book value 31.12.2021	1 084 168	323 340 354	71 910 748	2 062 095	1 538 779	10 708 163	20 027 015	430 671 322
Net book value 30.09.2022	1 092 474	323 852 792	69 322 619	2 519 077	1 538 707	10 708 163	20 433 097	429 466 929
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.

PROPERTY, PLANT, AND MACHINERY PPE (continued)

	Land	Buildings, structures	Machinery and equipment	Other property and equipment	Emergency spare parts	Cushion gas	Assets under construction	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Historical cost or revalued amount								
31.12.2022	1 092 474	785 685 820	133 695 171	13 479 356	1 825 384	10 708 163	10 260 528	956 746 896
Additions	-	7 250	138 616	449 519	-	-	26 155 196	26 750 581
Reclassified	5 617	1 957 962	2 472 406	3 004 044	-	-	(7 440 029)	-
Disposals	-	(558 859)	(1 679 901)	(403 243)	(12 395)	-	(97 395)	(2 751 793)
Recognized impairment	-	(10 036 946)	(2 962 835)	(3 312 299)	-	-	-	(16 312 080)
30.09.2023	1 092 474	777 055 227	131 663 457	13 217 377	1 812 989	10 708 163	28 878 300	964 433 604
Accumulated depreciation								
31.12.2022	-	458 131 447	64 725 920	6 811 531	-	-	-	529 668 898
Calculated	-	8 648 897	3 511 062	830 769	-	-	-	12 990 728
Calculated accelerated depreciations*	-	8 128 896	366 954	2 993 230	-	-	-	11 489 080
Disposals*	-	(8 430 311)	(549 861)	(3 312 299)	-	-	-	(12 292 471)
Disposals	-	(481 911)	(1 186 897)	(402 388)	-	-	-	(2 071 196)
Reclassified	-	-	38 225	(38 225)	-	-	-	-
30.09.2023	-	465 997 018	66 905 403	6 882 618	-	-	-	539 785 039
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
Net book value 30.09.2023	1 098 091	311 058 209	64 758 054	6 334 759	1 812 989	10 708 163	28 878 300	424 648 565

*impairment of storage assets by 15 509 thousand EUR, calculated accelerated depreciation 11 489 thousand EUR, reduction of asset revaluation reserve 4 020 thousand EUR.

13. ASSET IMPAIRMENT ASSESSMENT

Conexus can be split into 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 unified, indivisible and required for the safe operation of natural gas transmission and natural gas storage systems and for the provision of services.

At the end of 2022, Conexus management carried out an impairment assessment. During re-assessment of the indicators identified at the time (the geopolitical situation, the sharp increase of interest rates and the ban on natural gas supplies from Russia Federation from 1 January 2023), management of Conexus concluded that no other indicators have been identified during the 9 months of 2023, whereas the evaluation of the existing indicators has not changed significantly since the previous assessment. Therefore, asset impairment assessment was not performed.

14. CO-FINANCED PROJECTS

Increase of Capacity of Klaipeda-Kiemenai Pipeline in Lithuania

	30.09.2023	30.09.2022	31.12.2022
	EUR	EUR	EUR
Opening balance	1 108 652	1 209 438	1 209 438
Recognised during the reporting period	(75 590)	(75 590)	(100 786)
Carried forward to future periods	1 033 062	1 133 848	1 108 652
including short-term portion	100 786	100 786	100 786
long-term portion	932 275	1 033 061	1 007 865

15. BORROWINGS FROM CREDIT INSTITUTIONS

	30.09.2023	30.09.2022	31.12.2022
	EUR	EUR	EUR
Non-current borrowings from credit institutions	59 309 848	54 811 285	69 468 183
Current borrowings from credit institutions	12 899 286	19 148 467	12 899 286
Accrued interest on borrowings from credit institutions	45 540	11 645	62 480
	72 254 674	73 971 397	82 429 949

Conexus has borrowings both from local and international credit institutions. At the end of the reporting period, available overdrafts amounting to 65 000 thousand EUR (31.12.2022.: 65 000 thousand EUR) have not been used. The duration of agreements for the overdraft facilities exceeds 1 year. At the end of the reporting period, the weighted average interest rate on long-term loans is 2.94% (31.12.2022.: 1.76%), the weighted average interest rate on overdrafts is 4.67% (31.12.2022.: 2.77%). At the end of the reporting period, 39% of received and unpaid long-term borrowings have a fixed loan interest rate (31.12.2022.: 36%). All Conexus borrowings are denominated in euros and are unsecured. At the end of the reporting period, Conexus holds long-term loan agreements amounting to 55 000 thousand EUR with expected receipt of funds during 2023 and 2024.

16. RELATED PARTY TRANSACTIONS

2020. gada 21. jūlijā tika veiktas izmaiņas Conexus akcionāru reģistrā, reģistrējot akciju piederības maiņu 34.0991% apjomā no Conexus apmaksātā pamatkapitāla – akciju atsavinātājs ir PAS “Gazprom”, akciju ieguvējs ir AS “Augstsprieguma tīkls”. Tādējādi AS “Augstsprieguma tīkls” būtiski palielināja savu līdzdalību uzņēmumā (šobrīd ir 68.46% kapitāldaļas no kopējā Conexus apmaksātā pamatkapitāla) un tai ir izšķiroša ietekme uzņēmumā.

Conexus saistītās puses ir: Conexus akcionāri, padomes un valdes locekļi, viņu tuvi ģimenes locekļi un sabiedrības, kurās minētajām personām ir kontrole vai būtiska ietekme; mātes sabiedrība AS “Augstsprieguma tīkls”, tās padomes un valdes locekļi, Revīzijas komitejas amatpersonas, viņu tuvi ģimenes locekļi, kā arī sabiedrības, kuras šīs personas kontrolē vai uz kurām tām ir būtiska ietekme. Tā kā visas mātes sabiedrības akcijas 100 % pieder Latvijas Republikai, par saistītajām pusēm tiek uzskatītas arī valsts kontrolētās kapitālsabiedrības.

Conexus nav parasto pakalpojumu sniegšanas darījumu ar Latvijas valdību, ieskaitot ministrijas un valsts aģentūras, kā arī darījumu ar valsts kontrolētām kapitālsabiedrībām, kas uzskatāmas par saistītajām pusēm, izņemot AS “Augstsprieguma tīkls” (mātes sabiedrība) un AS “Latvenergo” (pārējās saistītās puses).

Darījumi ar AS “Latvenergo”, atbilstīgi godīgas konkurences principam, ietver uzglabāšanas un pārvades pakalpojumus, bet neietver individuāli būtiskus darījumus.

Related party transactions	01.07.2023-30.09.2023 or 30.09.2023	01.07.2022-30.09.2022 or 30.09.2022	01.01.2023-30.09.2023 or 30.09.2023	01.01.2022-30.09.2022 or 30.09.2022
	EUR	EUR	EUR	EUR
Revenue from related parties:				
AS “Latvenergo”	5 374 403	4 335 486	16 880 834	14 130 097
Purchases of goods and services from related parties:				
AS “Latvenergo”	1 098 235	1 405 996	2 869 745	2 931 139
AS “Augstsprieguma tīkls”	230	105	431	201
Balances at the end of the year arising from sales/ purchases of goods and services:				
Receivables from contracts with customers				
AS “Latvenergo”	2 535 778	1 852 445	2 535 778	1 852 445
Trade payables				
AS “Latvenergo”	441 390	349 029	441 390	349 029
AS “Augstsprieguma tīkls”	-	-	--	-

In 2023, the amount of dividends declared to Conexus shareholders was EUR 8 355 078 or EUR 0.21 per share from profit of the year 2022.

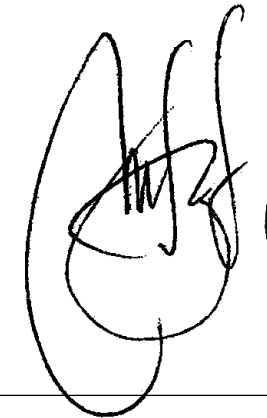
17. COMMITMENTS AND CONTINGENCIES

As of 30 September 2023, long-term investment agreements contracted for, but not yet delivered amounted EUR 42 611 272 (31.12.2022.: EUR 34 910 221) In addition, according to signed inter-operator agreement for GIPL project cost sharing, investments amounting 14 700 thousand EUR are planned.

18. COMMITMENTS AND CONTINGENCIES

According to management's assessment, there are no subsequent events since the last date of the reporting year, which would have a significant effect on Conexus condensed interim statements for the period from 1 January 2023 to 30 September 2023.

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