

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus (the "Base Prospectus") following this page, and you are therefore required to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE BASE PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES (WITH ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA, COLLECTIVELY THE "UNITED STATES"), THE UNITED KINGDOM ("UK"), THE RUSSIAN FEDERATION OR THE REPUBLIC OF BELARUS OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE BASE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, IN THE UK, THE RUSSIAN FEDERATION OR THE REPUBLIC OF BELARUS AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, IN THE UK, THE RUSSIAN FEDERATION OR THE REPUBLIC OF BELARUS OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS OR PERSONS IN THE UK, THE RUSSIAN FEDERATION OR THE REPUBLIC OF BELARUS.

THE BASE PROSPECTUS IS BEING DISTRIBUTED ONLY TO AND DIRECTED ONLY AT PERSONS WHO ARE OUTSIDE THE UK AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE IN THE UK.

Confirmation of your Representation: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the securities described in the Base Prospectus, you must be a person other than a U.S. person (within the meaning of Regulation S under the Securities Act) who is outside the United States. By accepting the email and accessing the Base Prospectus, you shall be deemed to represent that you are not, and that any customer represented by you is not, a U.S. person; the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the United States Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of the Base Prospectus by electronic transmission.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area ("EEA") (each, a "Member State") will be made pursuant to an exemption under the under Regulation (EU) No 2017/1129, as amended (the "Prospectus Regulation"), as implemented in that Member State, from the requirement to publish a prospectus for offers of Notes.

Any materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently no responsibility whatsoever will be accepted in respect of any difference between the Base

Prospectus distributed to you in electronic format and a hard copy version that may be made available to you.

Manufacturer target market (Directive 2014/65/EU on markets in financial instruments (as amended, "MiFID II") product governance) is eligible counterparties and professional clients only (all distribution channels). No EEA or UK PRIIPs key information document (KID) has been prepared as the securities described in the Base Prospectus will not be made available to retail investors in the EEA or the UK.



AKCIJU SABIEDRĪBA "CONEXUS BALTIC GRID"

(a joint stock company incorporated in the Republic of Latvia with registration number 40203041605)

**Base Prospectus for the issuance
up to EUR 80,000,000 Unsecured Medium Term Notes**

Under this Base Prospectus for the issuance up to EUR 80,000,000 Unsecured Medium Term Notes (the "**Base Prospectus**"), akciju sabiedrība "Conexus Baltic Grid", a joint stock company (in Latvian – *akciju sabiedrība*) incorporated in and operating under the laws of the Republic of Latvia, registered with the Commercial Register of the Republic of Latvia under registration number: 40203041605 and having its legal address at Stigu street 14, Riga, LV-1021, the Republic of Latvia (the "**Issuer**" or the "**Company**") may from time to time issue in one or several series (the "**Series**") unsecured fixed rate notes (the "**Notes**") denominated in euro and in denominations of EUR 100,000 ("**Nominal Amount**"). Each Series may comprise one or more tranches of Notes (the "**Tranches**"). The maximum aggregate Nominal Amount of all Notes from time to time outstanding will not at any time exceed EUR 80,000,000. Each Tranche of Notes will be issued on the terms set out herein under *General Terms and Conditions of the Notes* (the "**Terms and Conditions**") as completed by a document specific to each such Tranche called final terms (the "**Final Terms**") as described under *Final Terms* below.

This Base Prospectus has been approved by the Financial and Capital Market Commission (the "**FCMC**"), which is the Latvian competent authority under the "Prospectus Regulation", as a base prospectus issued in compliance with the Prospectus Regulation for the purpose of giving information with regard to the Notes which are to be admitted to trading on the regulated market (the "**Regulated Market**") of akciju sabiedrība "Nasdaq Riga", registration number: 40003167049, legal address: Vaļņu street 1, Riga, LV- 1050, the Republic of Latvia ("**Nasdaq Riga**") for period of twelve months after the date hereof. The FCMC has only approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of the Notes that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval of the FCMC relates only to Notes which are to be admitted to trading on the Regulated Market of Nasdaq Riga within twelve months after the date hereof.

In order to execute admission of each separate Tranche of Notes to the bond list (the "**Bond List**") of Nasdaq Riga and to trading on the Regulated Market of Nasdaq Riga, application(-s) will be made for the Notes issued under the Base Prospectus to be admitted as soon as possible following their placement to the investors. The Regulated Market of Nasdaq Riga is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**"). The Notes being offered and sold under this Base Prospectus will be issued in dematerialized form and registered within Nasdaq CSD, SE ("**Nasdaq CSD**"). Noteholders will be able to hold the Notes through Nasdaq CSD participants, such as credit institutions or investment brokerage firms operating in the Republic of Latvia.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 (twelve) months from its date in relation to Notes which are to be admitted to trading on a Regulated Market of Nasdaq Riga. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The Issuer has been rated BBB+(outlook stable) by S&P Global Ratings Europe Limited ("**S&P**"). S&P is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). As such S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. Tranches of Notes to be issued under the Base Prospectus will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union (the "**EU**") and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The Notes of each Tranche will all be subject to identical terms, except that the Issue Dates (as defined below) and the Issue Prices (as defined below) thereof may be different in respect of different Tranches.

An Issuer's or Notes' rating is not a recommendation to buy, sell or hold its securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes have not been, and will not be, registered under the U.S. Securities Act 1933 (as amended) (the "**Securities Act**"), or with any securities regulatory authority of any state of the United States. This Base Prospectus and/or the Final Terms are not to be distributed to the United States or in any other jurisdiction where it would be unlawful. The Notes may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (the "**Regulation S**")), except to a person who is not a U.S. Person (as defined in Regulation S) in an offshore transaction pursuant to Regulation S.

Investing in Notes issued under the Base Prospectus involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under Risk Factors below.

Arranger and Dealer

**Skandinaviska Enskilda Banken AB (publ) Helsinki Branch on behalf of Skandinaviska Enskilda Banken AB (publ)
Base Prospectus dated 27 October 2022**

IMPORTANT NOTICES

RESPONSIBILITY FOR THIS BASE PROSPECTUS

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position and profit and losses of the Issuer.

The Issuer, represented by the member of the management board, accepts responsibility for the information contained in this Base Prospectus and any Final Terms. To the best of the knowledge and belief of the Issuer, the Management Board consisting of Uldis Bariss (Chairman of the Management Board of the Issuer), Gints Freibergs and Mārtiņš Gode (Members of the Management Board of the Issuer), the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus contains no omissions likely to affect its import.

Management board of AS "Conexus Baltic Grid":

Uldis Bariss, Chairman of the Management Board of the Issuer

Gints Freibergs, Member of the Management Board of the Issuer

Mārtiņš Gode, Member of the Management Board of the Issuer

This document is signed electronically with qualified electronic signatures containing time stamps.

OTHER RELEVANT INFORMATION

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Arranger and the Dealer named under *Subscription and Sale* below that this Base Prospectus contains all information which is (in the context of the Base Prospectus, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Base Prospectus, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Any information sourced from third parties contained in this Base Prospectus has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

UNAUTHORISED INFORMATION

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Base Prospectus or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Arranger or Dealer.

Neither the Arranger nor the Dealer nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the Arranger or Dealer) in connection with the issue and offering of the Notes. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial position or performance of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Base Prospectus is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

RESTRICTIONS ON DISTRIBUTION

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Arranger and the Dealer to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see *Subscription and Sale*.

ISSUE LIMIT

The maximum aggregate principal amount of Notes outstanding at any one time under the Base Prospectus will not exceed EUR 80,000,000.

CERTAIN DEFINITIONS

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA.

References to "**EUR**", "**€**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

LANGUAGE

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

FORWARD-LOOKING STATEMENTS

This Base Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and include, but are not limited to, statements regarding the Issuer's intentions, beliefs or current expectations concerning, among other things, the Issuer's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Issuer operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Issuer, and the development of the markets and the industries in which members of the Issuer operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Base Prospectus.

In addition, even if the Issuer's results of operations and financial position, and the development of the markets and the industries in which the Issuer operates, are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements. See Risk Factors.

These forward-looking statements are made only as of the date of this Base Prospectus. Except to the extent required by law, the Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Base Prospectus whether as a result of new information, future events or otherwise.

All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Base Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

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OVERVIEW

The following overview does not purport to be complete and is taken from and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Final Terms. This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Final Terms.

The overview constitutes a general description of the Base Prospectus for the purposes of Article 25(1)(b) of Commission Delegated Regulation (EU) No 2019/980, as amended.

Issuer:	Akciju sabiedrība "Conexus Baltic Grid"
Legal Entity Identifier ("LEI") of the Issuer:	485100YDVP9E8GT6PJ90
Base Prospectus Approval:	The Base Prospectus was approved by the decision of the Issuer's management board, dated 27 October 2022.
Issue Limit:	Up to € 80,000,000 aggregate Nominal Amount of Notes outstanding at any one time
Description:	Euro Unsecured Medium Term Notes
Risk Factors	Investing in Notes issued under the Base Prospectus involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under <i>Risk Factors</i> below.
Arranger:	Skandinaviska Enskilda Banken AB Helsinki Branch on behalf of Skandinaviska Enskilda Banken AB (publ) (the " Arranger ")
Dealer:	Skandinaviska Enskilda Banken AB (publ) Helsinki Branch on behalf of Skandinaviska Enskilda Banken AB (publ) (the " Dealer ")
Listing and Trading:	Application(-s) will be made for each Series of the Notes issued under the Base Prospectus to be admitted to listing on the Bond List and to trading on the Regulated Market of Nasdaq Riga as soon as possible following the placement of the bonds, not later than in 3 month period after placement.
Clearing Systems:	Nasdaq CSD, SE (" Nasdaq CSD ")
Method of Issue:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the issue price may be different in respect of different Tranches. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and issue amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.
Form of Notes:	The Notes shall be issued in dematerialized form. The book-entry and accounting of the dematerialized securities in the Republic of Latvia, which will be admitted to trading on the Regulated Market (Nasdaq Riga), shall be made by Nasdaq CSD. The Notes shall be valid from the date of their registration until the date of their redemption. No physical certificates will be issued to the Noteholders. Principal and interest accrued will be credited to the Noteholders' accounts through Nasdaq CSD.
Currency:	Notes will be denominated in euros.
Status of Notes:	Notes under the Base Prospectus will be issued as unsecured fixed rate Notes only. The Notes constitute senior, unsecured, unsubordinated, direct, general and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such

	obligations as may be preferred by provisions of law that are both mandatory and of general application.
Final Terms:	Notes will be issued pursuant to this Base Prospectus and associated Final Terms. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions as completed by the relevant Final Terms.
Issue Price:	Notes may be issued at any price (at Nominal Amount or at a discount or a premium to their Nominal Amount). The price and issue amount of each Tranche of Notes to be issued under the Base Prospectus will be determined by the Issuer and the Dealer at the time of issue in accordance with prevailing market conditions and specified in the relevant Final Terms.
Maturities:	Subject to compliance with all applicable laws, regulations and directives, the Notes will have a minimum maturity of one year.
Redemption:	Notes may be redeemable at par or such other Redemption Amount as may be specified in the relevant Final Terms.
Redemption for Tax Reasons:	Except as described in <i>Optional Redemption (including Make-Whole Redemption)</i> below, early redemption will only be permitted for tax reasons as described in 12(b) (<i>Redemption and Purchase of the Notes—Redemption for tax reasons</i>) of the Terms and Conditions.
Redemption at the option of the Issuer (Call Option):	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed 3 months prior to their stated maturity at the option of the Issuer (in whole), and if so the terms applicable to such redemption (more fully set out in 12 (c) of the Terms and Conditions).
Redemption at the option of the Issuer (Make Whole Call Option):	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (in whole) at Optional Redemption Amount, and if so the terms applicable to such redemption (more fully set out in 12 (d) of the Terms and Conditions).
De-listing Event or Listing Failure Put Option:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed following a De-Listing Event or Listing Failure prior to their stated maturity at the option of the Noteholder (either in whole or in part), and if so the terms applicable to such redemption (more fully set out in 12 (e) of the Terms and Conditions).
Redemption at the option of Noteholders upon a Change of Control:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed, following the occurrence of a Change of Control Put Event, prior to their stated maturity at the option of the Noteholders (either in whole or in part), and if so the terms applicable to such redemption (more fully set out in 12 (f) of the Terms and Conditions).
Negative Pledge	The Notes will have the benefit of a negative pledge undertaking by the Company, as described in 13 (b) of the Terms and Conditions.
Interest:	Notes will be fixed rate interest bearing.
Denominations:	The denomination of each Note will be EUR 100,000.
Taxation:	All payments of principal and interest in respect of Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Latvia or any political subdivision therein or authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law or required to be paid subject to 10 (<i>Taxation</i>) of the Terms and Conditions. In that event, the Issuer shall (subject as provided in 10 (<i>Taxation</i>) of the Terms and

	<p>Conditions) pay such additional amounts as will result in the receipt by the Noteholders after such withholding or by them had no such withholding or deduction been required, all as described in <i>General Terms and Conditions of the Notes—Taxation</i>. For further information, see 10 (<i>Taxation</i>) of the Terms and Conditions.</p> <p>The Issuer will pay additional amounts in respect of this withholding tax on interest so that Noteholders receive the full amount they would have received had there been no such withholding tax on interest.</p>
Ratings:	<p>The Issuer has been rated BBB+ (outlook stable) by S&P Global Ratings Europe Limited. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
Governing Law:	The Notes shall be governed by Latvian law.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, UK, see <i>Subscription and Sale</i> .
Use of Proceeds:	Unless otherwise specified in the applicable Final Terms the proceeds of the issue of each Series of Notes will be transferred to the Issuer and used towards general corporate purposes.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Company and the industry in which it operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the General Terms and Conditions of the Notes below or elsewhere in this Base Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. The below disclosure of risks only includes the risks the Company deems specific to the Company and to the Notes, and which the Company believes to be the most essential for taking an informed investment decision. Additional risks and uncertainties relating to the Company that are not currently known to the Company, or that are currently deemed immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Company and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

The risk factors below are presented in categories depending on their nature. In each category the most material risk factors are mentioned first according to the assessment of the materiality of the risk factors concerned.

This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. The actual results of the Company may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Base Prospectus. Please see Forward-Looking Statements.

RISKS RELATING TO THE COMPANY

Risks related to macroeconomic and geopolitical conditions

Exposure of business results to macroeconomic developments

The results of the Company's operations are dependent on the macroeconomic situation of the Republic of Latvia. In particular, the Company's operations are affected by such factors as the GDP of the Republic of Latvia, the level of industrial production, the rate of inflation, electricity prices, the unemployment rate, changes in consumer affluence levels, and the fiscal policy of the Republic of Latvia. The economy of Republic of Latvia, Republic of Estonia and Republic of Lithuania (together the "**Baltic States**") is closely linked to the global economy and especially to the macroeconomic conditions in the Eurozone countries and global developments.

Russian Federation's invasion of Ukraine and the EU, the UK and the United States response will certainly affect the Latvian economy. The Russian Federation is a major exporter of oil and natural gas, affecting global energy prices. For several months now, there has been a significant rise in the heating bills and fuel prices, which are to blame for soaring global energy prices. Russian Federation's invasion of Ukraine is only exacerbating this situation. In addition, a significant fall in the fuel and gas prices is not expected in the near future. European countries, being aware of the risks posed by their dependence on Russian resources, will be forced to look for alternatives, which are generally more expensive. Energy resources are an important component in the production of many goods and services, so a sharp rise in other prices is expected as well. It is quite difficult to estimate exactly what the economic impact of rising prices will be, as it depends on many assumptions, but it is clear that it will not be small.

- *Risk of fluctuations in raw material market prices.*

Price changes in the raw material market may result in additional costs under existing contracts, or the customer may not receive the service if they do not agree to cover the additional costs. Furthermore, although the Company's operations are affected by macroeconomic conditions, the increase in costs of the Company, pursuant to the Tariff Calculation Methodology for Natural Gas Transmission System Service and Tariff Calculation Methodology for Natural Gas Storage System Service issued by the Public Utilities Commission ("**PUC**") may be recovered by the Company in the following regulatory period. As a result, although short-term fluctuations within tariff regulatory periods are possible, in the long term, if the increase in costs is not covered within next regulatory period, the profitability set forth by the PUC is achieved in later regulatory periods. Due to the Company operating in adjacent energy markets, the regional and international macroeconomic developments are increasingly affecting the Company's

business and financial results. The Company's activities are affected by trends in natural gas prices in markets, commodity prices (including but not limited to natural gas and oil), consumer behaviour and demand for natural gas in the Republic of Latvia, as well as other indices that may reflect local and global macroeconomic trends and have a negative impact on the Company's business and financial situation.

- *Risk of loss in value of storage.*

Company's performance is affected by trends in natural gas prices in markets such as high natural gas purchase prices, an unfavourable winter/summer spread or reduced users' interest in storage of natural gas resulting in a decrease in the demand for the storage services, or the fact that the price that the users are willing to pay does not cover the storage costs, or that the minimum required revenue of the storage is not collected.

Although the Company has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry, an unexpected downturn in the economy may have an impact on the Company's customers and negatively affect its growth and results of operations through reduced demand for services provided by the Company.

The Company's estimate for the exposure of business results to macroeconomic developments is high.

Exposure of business results to geopolitical events

On 24 February 2022, Russian Federation launched a military assault on Ukraine, which led to changes in global markets and industries. The EU and the United States government and other governments across the rest of the world have imposed severe economic sanctions and export controls against Russian Federation and Russian Federation interests and Republic of Belarus, several of the Russian Federation's largest banks have been removed from the SWIFT system, and additional sanctions may be imposed as the situation in Ukraine progresses ("**Russia Sanctions**"). The impact of these measures, as well as potential responses to them by Russian Federation, is unknown.

Although currently the Russia Sanctions do not have material impact on the Company's performance (no operations have been suspended and no significant direct losses related to the restrictive measures have been incurred), the Russia Sanctions affect the Company, mainly in ensuring the supply of natural gas, reducing the value of assets, as well as choosing service providers and thus may affect Company's business and thereby an effect on the business and value of the notes as described further.

Impact of the Russia Sanctions on the provision of natural gas supply from the Russian Federation

On 14 July 2022, the Parliament of the Republic of Latvia adopted amendments to the Energy Law, which set a ban on natural gas supplies from the Russian Federation to the Republic of Latvia as of 1 January 2023. It should be noted that the EU has so far not adopted a common position to support the ban on imports of Russian Federation natural gas. As the situation is constantly evolving, the financial impact cannot be fully and reliably assessed at present and management is still assessing and evaluating the situation, including the possibilities of expanding trade in Europe and diversification of natural gas production.

Russian Federation is not the only natural gas supplier in Europe, the flow of natural gas from Russian Federation to the Baltic States in this season is at significantly lower level, compared to previous years, and currently the main alternative source of natural gas supplies is Klaipeda LNG terminal. However, as there likely will be no natural gas supply possibility from Russian Federation, in the long term a shortage of natural gas might happen in the region of the Republic of Finland and the Baltic States, which might lead to a high risk of insufficiency of natural gas reserves in Inčukalns Underground Gas Storage ("**UGS**") for the needs of the Baltic States and the Republic of Finland. This might cause an energy crisis and significant restrictions of natural gas consumption in 2022/2023 winter. Also, the restrictions of natural gas consumption might influence consumers' behaviour as they would seek alternative energy sources, leading to general decrease of natural gas consumption in the Republic of Latvia and consecutive decrease of Company's transmission revenues.

Increasing security of energy supply is a current priority of the Company. In order to minimise risks related to provision of natural gas transmission and storage services, the Company has promptly made decisions to promote a faster accumulation of natural gas in the Inčukalns UGS, including commencement of the physical natural gas injection already at the end of February 2022 and earlier organisation of Inčukalns UGS capacity auctions. Along with the high uncertainty in relation to natural gas supply, the importance of storage facilities increases. This is also demonstrated by the high interest in Inčukalns UGS – the whole storage capacity has been booked. On 16 October 2022, 54% from the booked capacity was filled-in.

Impairment of assets.

In accordance with the Tariff Calculation Methodology for Natural Gas Transmission System Service (the methodology for calculating tariffs on transmission system services in the Republic of Latvia), the calculation of the base value of the adjustable assets of the transmission system includes the residual or balance sheet values of fixed assets and intangible investments held by the system operator at the start of the regulatory period. The balance sheet value of fixed assets or parts thereof which are not effectively used to provide a capacity reservation service may not be included in the regulated asset base (RAB) and their depreciation shall not be covered by the tariff. The PUC may ask the Company to submit an assessment of the technical state and remaining useful life of the fixed assets. In the absence of natural gas supplies from Russian Federation, the value of assets needed for the provision of the natural gas transmission service at entry point from Russian Federation may be reviewed, leading to the decrease in value of the Company's net assets.

Impact of the Russia Sanctions on the choice of service suppliers.

The Company has not entered into any significant agreement with companies subject to the Russia Sanctions. Status of partners is monitored regularly using various databases (automatic monitoring database, European Commission sanction map, Office of Foreign Assets Control (OFAC) database, Ministry of Foreign Affairs Republic of Latvia database, and others), to enable the Company to find alternatives for necessary services in case of new sanctions.

The Company does not have any contracts with companies registered in Russian Federation, Republic of Belarus or Ukraine, which might have a significant adverse impact on the Company's operations. However, taking into account that since potentially new packages of restrictive measures could be imposed, which might lead to inclusion of the existing partners or their shareholders into lists relating to the Russia Sanctions, there is still a risk that some contracts could be suspended.

The Company estimates the risk of impact of the all items listed above in relation to Russia Sanctions as high (although in relation to Impact of the Russia Sanctions on the choice of service suppliers this would not lead to a significant financial impact on Company's operations). There is also a risk that, due to the rapidly changing environment other aspects related to geopolitical events may arise that are not currently identified but may affect the Company's business results.

The Company's estimate for the exposure of business results to geopolitical events is high.

Operational risks

Information system, communication network infrastructure and cyber-attack risks

The Company has developed, procured and uses a variety of off-the-shelf and custom-made information systems and web-based solutions in carrying out its everyday business operations and providing services to its customers. The main factors that may lead to total or partial loss of information system data are physical infrastructure damage (server, backup, disk array), technological failures, software failures, power failure (power outages, power surges), fire, natural disasters, human error, third party failures to perform their duties (supplying faulty software or hardware, failing to provide support or maintenance service), distributed denial of service attack, cyber-attacks, viruses, ransomware, and other forms of malware.

The Company has made significant investments in developing well-functioning and secure information systems and is constantly working on improving such systems and developing adequate contingency procedures:

- information system infrastructure is located in several data centres;
- various information system virtualization technologies are used;
- backup of information systems according to data backup and a maintenance plan of every information system;
- regular tests of information systems;
- the Company cooperates with national authorities to improve crisis response capabilities and lower risk of breach of security or damages from malfunction of equipment.

The Company applies the contingency procedures mentioned above and this reduces the probability of the information system risk. However, the continuity tests are not able to assess all possible scenarios and there is a

possibility of system unavailability or breakdown. Breakdowns and interruptions in the information systems may negatively affect the business operations of the Company, causing errors in the execution of transactions, loss of customers, production breakdowns and other business interruptions.

The Company manages cyber security activities, which provide for the involvement of the relevant business areas, compliance with legal requirements and recommendations and monitoring critical controls, yet the Company may be subject to cyber-attack and other security threats to its information systems.

In the event of such circumstances occurring, the Company may be unable to continue conducting its business in an effective manner, or to prevent, respond promptly and adequately to or mitigate the adverse effects of breakdowns or interruptions in its information system infrastructure, with possible adverse effects on its reputation, financial condition, assets, business, and results of operations.

The Company estimate for the information system, communication network infrastructure and cyber-attack risk profile is high.

Technical risks

Technical risks are mainly related to the maintenance of the gas transmission and storage infrastructure and the prevention of potential damage, as a result of which possible disruptions in the transmission and storage of natural gas to customers may occur. Disruptions of the natural gas transmission and storage system may be caused by natural disasters, illegal actions of individuals and legal entities (for instance, theft of line elements, vandalism, damage) and equipment defects.

Major risks relating specifically to the gas storage infrastructure failures include risk of well fountaining, which may result in uncontrolled gas discharge through the well, storage operation being stopped or significantly disrupted.

Major risks relating specifically to the gas transmission infrastructure failures include risk of rupture of gas transmission pipelines, which may result in gas leakage, an explosion that can be caused by corrosion damage, pipeline defects, ineffective cathodic protection, insulation damage or the influence of third parties resulting in a gas pipeline rupture.

Other significant risks relate to timely elimination and prevention of technical defects and damage through the implementation of the technical operation process and timely identification of potential risks. To minimize the technical risks, the Company has implemented a long-term investment programme for gas transmission and storage infrastructure renovation and reconstruction projects.

The Company has also implemented measures in its operations to improve technical operation processes, as well as to prevent occurrence of technical damage and defects – please see *REGULATION – Regulation relating to gas transmission and storage– Technical security*.

In certain circumstances, adequate insurance coverage may not be available, as a result of either a lack of relevant insurance or excessive costs. In addition, insurance proceeds received may be inadequate to fully cover replacement costs for damaged assets, sequential financial losses due to business interruption, liabilities to third parties, and similar costs and expenses associated with such asset damages. Should such risk materialize, it could result in a compensation of damages and additional operating costs for the Company, thus adversely affecting the Company's financial position and the Company's ability to fulfil its obligations under the Notes.

The Company's estimate for the risk of rupture of transmission gas pipelines and risk of well fountaining profile is high.

Environmental, health and safety risks

The Company's core business activity – natural gas transmission and storage, – include operations with certain assets, mainly with natural gas, mixtures, substances, water and processes that inherently have increased levels of risk, thus exposing the environment to potential damage or harm due to operational accidents or other sudden and unforeseen occurrences. Certain technological processes involve mainly operations with natural gas, technical equipment, materials, mixtures or substances that are potentially dangerous in uncontrolled chemical processes, such as fires, explosions, emissions, major accidents or failures of equipment or structures.

The Company has implemented an environmental management and energy management system to ensure the sustainable and environmentally friendly operation and development of storage and transmission systems and to reduce operational environmental risks. The management systems implemented are based on ISO 14001 environmental management standard as well as on the requirements of ISO 50001 energy management standards,

that are duly certified. Compliance with these standards is voluntary but demonstrates the 'Company's responsible attitude towards the environment and its efforts to reduce resource consumption as much as possible.

The following have been identified as significant environmental aspects which may cause environmental risks:

- usage of natural gas and other mixtures or substances;
- emissions into the atmosphere: CO₂, CO, NO_x and methane;
- hazardous waste.

The Company has implemented measures that significantly improve the state of the environment, as well as prevent the occurrence of environmental pollution, for instance focusing on minimising the usage of natural gas and other mixtures and substances. Technological improvements and equipment monitoring are being carried out to reduce air emissions and hazardous waste. Improvements in technological processes are also being implemented to improve energy efficiency.

The Company has made substantial investments into technologies and processes aimed at minimizing any negative impact on the environment. To reduce the consumption of energy resources (natural gas), reduce emissions on air and improve energy efficiency for the provision of storage processes and gas transmission as much as possible, the modernization of technical equipment is planned and implemented.

The consequences of an uncontrolled release of dangerous substances or other environmental risks (should they occur), such as subsequent harm mitigation activities and clean-up costs, fines, penalties and similar costs imposed in accordance with relevant legislation, third party claims and other legal actions may adversely affect the Company's business and financial position.

The Company's personnel, as well as the personnel of the Company's subcontractors are exposed to increased health and safety risks by operating or maintaining certain assets of the Company. Notwithstanding that the Company has implemented a wide array of activities and procedures aimed at mitigation of occupational health and safety risks, third party claims or claims by the Company's personnel in relation to personal damage or harm caused at the workplace could incur substantial costs to the Company, as well as negative publicity, leading to a material adverse effect on the Company.

The Company's estimate for the environmental, health and safety risk profile is medium.

Counterparty risk

Counterparty risk is inherent to all business activities the Company is engaged in. A counterparty's financial distress or suspension of its operation by any governmental and/or other institutional body due to, among other things, enforced economic sanction laws, regulations or embargoes could have a material adverse effect on the Company's business and/or financial position. Counterparty risk could result in material financial losses to the Company, including, but not limited to, revenues not being received from customers, the Company's own funds not being accessible in its current accounts, committed funding not being available, committed capital expenditure projects being suspended or delayed, etc. Suspension of or material delay in any counterparty's committed capital expenditure project that is significant in principal amount could harm not only the Company's financial position but also its business operations, thus further affecting the quality of services provided by the Company itself or harming the Company's reputation.

The Company assesses its counterparties to mitigate risks. The Company has internal procedures in place for identifying and assessing counterparties.

As to financial counterparties, the Company's policy is, among other things, to evaluate and group financial counterparties by the credit rating assigned to them by an independent credit rating agency. In accordance with the Company's financial risk management policy, counterparties with a minimum credit rating of at least investment grade set by the international credit rating agency itself or the parent bank are accepted in cooperation with banks and financial institutions.

Although the Company monitors and manages its counterparty risk, an occurrence of the risk may have an adverse impact on the Company's business and financial position.

The Company's estimate for the financial counterparty risk profile is low.

COVID-19 pandemic and possible similar future outbreaks

Different regions in the world have from time to time experienced outbreaks of various viruses.

Coronavirus SARS-CoV-2 (COVID-19) has affected investment sentiment on a global scale, causing a significant volatility in the global capital markets. In addition, the outbreak has resulted in restrictions on international travel and public transport, delays in transportation of goods, and prolonged closures of workplaces which may continue to have a material adverse effect on the global economy and the Republic of Latvia.

The Company constantly assesses the impact of the spread of COVID-19 and implements measures for the safety of customers and employees, as well as ensures an appropriate operating regime. The spread of the virus did not have a significant impact on the provision of services provided by the Company. The Company continues to ensure gas transmission and storage services to all customers. Nevertheless, any possible future outbreaks of viruses may have an adverse effect on the Company. Firstly, a spread of such virus amongst employees of the Company and any quarantines affecting the employees or the Company's facilities, may reduce the ability of the Company's personnel to carry out their work and thereby affect the Company's operations. Secondly, any quarantines or spread of viruses may affect the ability of customers of the Company to carry out their operations, which may adversely affect the volume of energy consumption and credit risk exposure, thus create adverse effect on the Company's business and financial position.

The Company's estimate for the COVID-19 pandemic and possible similar virus risk profile is low.

Legal and regulatory risks

Changes in legislation

Due to European Green Deal, military aggression against Ukraine, energy security concerns and other political and economic occurrences the landscape of energy regulations on local and EU level is subject to substantial changes. One of such initiatives is the European Green Deal, aimed at transforming the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. This will significantly change energy resources market and availability of capacities for ancillary services, diverse energy sources and therefore the Company will have to adapt by providing appropriate technical and IT solutions for grid security and stability as well as availability of optimal transmission system capacity and flexibility. This exposes the Company to additional costs that might negatively impact the Company's financial situation. Also, regulatory changes aimed at addressing energy crisis situations, including their prevention, could place additional administrative and financial burden on the Company and increase the cost of its business.

On this point it should be considered that there exists a real risk of regulation being adopted that is not favourable for natural gas injection in the gas grid in the long term. European Green Deal and other regulatory developments addressing environmental concerns and incentives for renewable energy resource, including renewable gases, use could potentially result in decreased demand for natural gas and natural gas transmission and storage. Such regulatory development may have negative economic impact on the Company's business.

Another legislative development that is not beneficial for the Company's business is the tendency for associated tax and duty payments to increase (e.g. natural resources tax, excise duty, tax for the use of subterranean depths).

There is also a risk that the changes in legislation could result in unachievable emission reduction or other climate change reduction targets being set. Such developments could also result in negative economic impact on the Company's business activities. Currently, Regulation of the European Parliament and of the Council on methane emissions reduction in the energy sector is in process, planned to be put into force in 2023. Regulation will stipulate measuring and control mechanisms for reduction of methane emissions. It is forecasted that implementation of the amendments might cause additional financial expenses to storage and transmission operators, which could lead to increase in tariffs.

Also, PUC is expected to adopt new Tariff Calculation Methodology for Natural Gas Transmission System Service and Tariff Calculation Methodology for Natural Gas Storage System Service which may negatively impact the Company's revenue, albeit rather in short-term than in long-term period. The effect would only be relevant for the short term because regulation permits the Company to accumulate the decreases in revenue due to tariff changes for the subsequent financial periods. Furthermore, the changes in tariff calculation might also not have negative impact on the company as the specifics of the anticipated changes are unclear at the moment. The amendments are expected to be adopted by the end of 2022, whereas any changes to tariffs would only apply as of October 2023.

The Company's estimate for risk pertaining to changes in legislation is high.

Regulated company risk

In accordance with the Energy Law and pursuant to the licenses issued by the PUC to the Company, the Company is the only natural gas transmission and storage system operator providing natural gas transmission and storage system services in the territory of the Republic of Latvia, and is operating in the Republic of Latvia as a regulated company. Therefore, the Company's revenues are significantly dependent on the transmission and storage system tariffs. According to the Energy Law and the Law on Regulators of Public Utilities transmission and storage systems tariffs are approved by the PUC. Draft tariffs are calculated and evaluated in accordance with the Tariff Calculation Methodology for the Natural Gas Transmission System Services and with the Tariff Calculation Methodology for the Natural Gas Storage System Services, developed and approved by the PUC. The calculation methodology is based on the revenue cap model. The usual regulatory periods are 3-5 years, which include 1-5 tariff periods, that are 1 year and longer periods of time. The calculation methodology foresees the requirement for tariff to include only costs that are necessary for provision of efficient transmission and storage services and economically justified. There is a risk that not all economically and technically justified costs of the Company will be covered under the tariff.

The calculation methodology also foresees the requirement for the PUC to evaluate the level of regulated asset base and an obligation for the Company to use rate of return on capital that has been approved by the PUC. Therefore, there is a risk that not all costs will be covered by such regulated tariffs due to an unduly low regulatory asset base or because the rate of return on capital included in the calculation of the transmission and storage system service tariffs will not correspond to the market rate.

Also, there is a risk of material adverse effect on the Company due to delayed regulatory decisions by state authorities or due to changes in the local or EU legislative environment governing relevant regulatory matters.

The gas transmission and storage system service tariffs are set by the PUC, *inter alia*, by evaluating the submitted draft tariffs and requesting additional information substantiating the draft tariffs. The total review and approval period of the tariff is 120 days, which can be extended in case of requesting additional information.

Hence, the Company may not regulate its revenues flexibly enough to respond to changes in costs by changing the prices of services provided, as a result of which the Company's net sales may be affected. Given that the calculation methodology does not provide for inclusion of financial costs in the tariff, the amount of return on capital must be sufficient to effectively attract financing, as well as to cover financing. An insufficient rate of return on capital may pose a threat to the ability to attract financing for the realization of capital investments, burning of liabilities, creating liquidity risk. Thus, it is essential that the rate of return on capital set by the PUC corresponds to the market situation, to ensure a proper return on assets.

The Company's estimate for the regulated market risk profile is low.

Regulatory, regulatory actions and investigations risk

Several authorities such as the PUC, and the State Revenue Service of the Republic of Latvia on certain grounds, that are set in the relevant Latvian legislation, are entitled to perform investigations, examinations, inspections or audits of the Company's business, including, but not limited to, certification requirements, payments, reporting, corporate governance, etc. Any determination by the authorities that the Company has not acted in compliance with all the applicable laws and regulations could have serious legal, reputational and financial consequences for the Company, including exposure to fines, criminal and civil penalties and other damages, increased prudential requirements or even business disruption in the respective fields.

Risk of non-compliance with sanction regulations Pursuant to the Law on International Sanctions and National Sanctions of the Republic of Latvia all persons, including the Company, have the obligation to comply with the international and national sanctions. In addition to this local law also EU regulations and other regulations on sanctions may apply. Failure to comply with Latvian national sanctions or international sanctions (UN, EU, US) may have serious legal and reputational consequences for the Company, including exposure to fines as well as criminal and civil penalties. To mitigate this risk the Company has developed internal control system – a package of measures including activities to be taken to ensure compliance with sanctions requirements.

The Company's estimate for the international and national sanctions risk profile is low.

Risk of non-compliance with General Data Protection Regulation (EU) No 2016/679 ("GDPR")

Company must adhere to the GDPR when processing data of natural persons. Failure in establishing and implementing appropriate technical and organizational measures to meet the data protection requirements of the GDPR as well as comply with other obligations under the GDPR may have serious financial, legal and reputational consequences for the Company, including exposure to fines and penalties. To mitigate this risk the Company has

developed appropriate technical and organizational measures, including activities to be taken to ensure compliance with data protection requirements

Risk associated with fraud

Notwithstanding all the detection and prevention activities implemented within the Company with the aim to prevent any corruptive, fraudulent, coercive or collusive practices on the part of the Company's employees, board and council members, and with respect to any transactions involving the Company, there is a risk that prohibited practices may occur. This could adversely affect the Company's reputation, business and financial position, as well as result in legal proceedings against the Company, including claims by relevant state authorities.

The Company's estimate for the fraud risk profile is medium.

Risk associated with competition laws

As the Company is the only gas transmission and storage system operator in the Republic of Latvia, the Company must take special care to treat all the users of the transmission and storage system in a non-discriminatory manner and ensure that the Company does not abuse its dominant market position. If the Competition Council found that the Company had in any way violated applicable competition laws, this could have serious legal, financial and reputational consequences for the Company. As at the date of this Base Prospectus no violations of the Competition Law committed by the Company have been found by the Competition Council.

Risk associated with REMIT regulation non-compliance

As the Company as transmission system operator and storage system operator operates in the gas transmission and storage infrastructure market (wholesale level), the Company must comply with the Regulation (EU) No 1227/2011 ("**REMIT**"), which foresees the prohibition on market manipulation and a duty to publish inside information in relation to the capacity and use of facilities for storage and transmission of natural gas, including planned or unplanned unavailability of these facilities, as well as report certain information to the PUC and the Agency for the Cooperation of Energy Regulators. Failure to comply with the REMIT could have serious legal, financial and reputational consequences for the Company.

The Company's estimate for the regulatory actions and investigations risk profile is low.

Financial risks

Mandatory prepayment of the Company's debt portfolio

The Company's existing long-term loan agreements include certain financial covenant clauses and other obligations and representations, the violation of which could lead to an event of default and acceleration of repayment of the loans.

While the Company has not breached such provisions in the past, its ability to comply with covenants and restrictions contained in the loan agreements may be affected by events beyond its control, including prevailing economic, financial, legal, and industry conditions. If these obligations were to be breached, the creditors involved would be able to declare an event of default pursuant to the relevant loan agreements and require prepayment of the entire outstanding loan amounts and redemption of the outstanding bonds. Due to the cross-default clauses in the loan agreements, the Company might need to refinance a substantial part of its outstanding debt. The ability to raise funding for the refinancing of bank and market debt or negotiate other terms with existing lenders might be limited, thus causing significant going concern risk for the Company. The Company has a Financial Risk Management Policy for raising and managing borrowed funds to address the risk of mandatory prepayment of the Company's debt portfolio. The Company's policy is, among other things, to maintain a list of covenants included in the loan agreements. Furthermore, financial covenants included in the loan agreements are considered in the business planning process.

The Company's estimate for the mandatory prepayment of the Company's debt portfolio risk profile is low.

Financing and refinancing risk

The Company will need to raise further debt from time to time in order, among other things:

- to finance or refinance capital expenditures;
- to refinance debt, including the Notes.

Therefore, the Company is exposed to financial and capital market risk resulting from mismatches between the capital requirements of the Company and its access to capital. The ability of the Company to raise funding may be influenced by, among other things, its own operating performance and general economic, financial, legal and industry conditions. If these conditions deteriorate, there could be an adverse effect on the Company's ability to finance or refinance capital expenditures and/or to refinance its existing debt as and when they are due.

The Company has a Financial Risk Management Policy in place to address refinancing risk. The Company's policy is, among other things, to diversify funding sources.

The Company's estimate for the financing and refinancing risk profile is medium.

Liquidity risk

Liquidity risk is related to the Company's ability to meet its obligations within the set deadlines. In the case of unpredictable cash flow fluctuations and short-term liquidity risk caused by operational risk, the Company provides a reserve in the form of cash or credit.

The Company observes prudent liquidity risk management, ensuring constant monitoring of cash flow, forecasting short-term and long-term cash flow, ensuring the availability of sufficient financial resources to settle liabilities within the set deadlines.

The Company has a Financial Risk Management Policy in place to address the liquidity risk. The Company's policy intended, among other things, to maintain sufficient reserves of cash and cash equivalents and the availability of long and short term funding through an adequate amount of committed credit facilities to meet its payment commitments according to its strategic plans and to balance fluctuations in the cash flows.

As of the date of the Base Prospectus, the Company's liquidity reserves in the form of cash and credits are in compliance with the Financial Risk Management Policy.

The Company's estimate for the liquidity risk profile is low.

Interest rate risk

The Company is subject to the interest rate risk which primarily arises from borrowings with variable interest rates. There is a risk that an increase in interest rates may result in a significant increase in finance costs, thus adversely affecting the financial position of the Company.

The Company has a Financial Risk Management Policy in place to address interest rate risk. The Company's policy is, among other things, to hedge interest rate, or to obtain new loans at fixed rate, or to issue bonds as fixed rate instruments.

The Company's estimate for the interest rate risk profile is low.

RISKS RELATED TO THE NOTES

Risks associated with the structure of the Notes

No guarantee or security

The Notes will not constitute an obligation of anyone other than the Company and they will not be guaranteed. No one other than the Company will accept any liability whatsoever in respect of any failure by the Company to pay any amount due under the Notes.

The Notes are unsecured debt instruments and the Noteholders would be unsecured creditors in the event of the Company's insolvency.

Claims cannot be enforced against some of the Company's key assets

As per the Energy Law the underground part of Inčukalns gas storage facility (geological structure in subterranean depths) is owned by the Republic of Latvia. The Company only has the rights to use this underground part for the duration of its licence as gas storage system operator. Because of their non-transferable nature, no claims, either on the ground of the Notes or otherwise, can be enforced against the underground part of Inčukalns UGS facility (geological structure in subterranean depths). Furthermore, in case of the Company's insolvency these assets will

not be used for settling the creditors' claims. Also, according to the Energy Law, the Republic of Latvia has a pre-emptive right (right of first refusal) in case:

- shares of the Company representing more than 1% of the Company's share capital, have been offered for sale;
- the Company alienates the natural gas transmission system or any part thereof, or land plots on which the buildings, structures and technological equipment necessary for ensuring the operation of the UGS are located, as well as technological equipment ensuring the operation of the UGS or cushion gas.

Moreover, if the Republic of Latvia has waived its pre-emptive rights described above, it may decide to use its veto rights, if there are concerns in relation to the prospective purchaser.

The law does not expressly address the issue of transmission system assets being subject to claims enforcement, however, taking into account that the operation of the transmission system can be ensured only when all assets of the transmission system operate in a common process, enforcement against the individual assets of the transmission system only would be problematic and unlikely.

The Notes do not contain covenants governing the Company's operations and do not limit its ability to merge or otherwise affect significant transactions that may have a material adverse effect on the Notes and the Noteholders

The Notes do not contain provisions designed to protect the Noteholders from a reduction in the creditworthiness of the Company. In particular, the General Terms and Conditions of the Notes do not, except for the Change of Control (see Clause 12 (f) the General Terms and Conditions of the Notes), restrict the Company's ability to increase or decrease its share capital, to enter into a merger or other significant transaction that could materially alter its existence, jurisdiction of organization or regulatory regime and/or its composition and business. In the event that the Company enters into such a transaction, Noteholders could be materially adversely affected.

Furthermore, the Change of Control condition does not restrict the current shareholder of the Company, namely, akciju sabiedrība "Augstsprieguma tīkls", from disposing any or all of its shareholdings (however, the Republic of Latvia has a pre-emptive right in case shares of the Company representing more than 1% of the Company's share capital, have been offered for sale).

Moreover, since the Company has been registered as a company significant for the national security the Cabinet of Ministers permission is required in case of the following transactions:

- Acquisition of a qualifying holding: acquiring directly or indirectly a membership by a person or several persons acting on the basis of an agreement, which covers 10% or more of the share capital or the number of shares or voting rights of the Company or gives an opportunity to significantly influence the financial and operational policy of the Company;
- Acquisition of decisive influence, which occurs if any one of these situations occurs:
 - an undertaking acquires a majority of the voting rights in the Company;
 - an undertaking, as a member in the Company, has the right to appoint or remove a majority of the members of the executive or supervisory body of the Company;
 - an undertaking is a member of the Company and, exercising only its rights as a member, has appointed the majority of the members of the executive or supervisory body of the Company during the accounting year;
 - an undertaking is a member of the Company and, on the basis of an agreement with other members, alone controls the majority of the voting rights in the Company;
 - decisive influence can also occur where undertakings belonging to a group enter into a group contract.
- transfer of an undertaking;
- the maintenance of the status of shareholder or a member or the maintenance of the right to use an indirect holding in the event of a change in the beneficial owner.

In case of the above mentioned transaction types, these transactions can take place only if the Cabinet of Ministers has granted its permission.

No limitation on issuing additional debt

The Company is not prohibited from issuing further debt. If the Company incurs significant additional debt of an equivalent seniority with the Notes, it will increase the number of claims that would be equally entitled to receive the proceeds, including those related to the Company's possible insolvency. Further, any provision which confers, purports to confer, or waives a right to create security interest in favour of third parties, such as a negative pledge, is ineffective against third parties since: (i) it is an issue of a contractual arrangement only being binding upon the parties to such contractual arrangement; (ii) there is no specific legislation in the Republic of Latvia providing beneficiaries of negative pledge undertakings or covenants with a preferred position vis-a-vis the claims of third parties; and (iii) no registry or public record exists in the Republic of Latvia through which negative pledge undertakings or covenants could be filed to obtain a preferred position. Should the Company breach its obligations under such undertakings and covenants and create a security interest in favour of a third party, such third party would obtain a valid and enforceable security interest over the pledged asset.

Redemption prior to maturity

The Notes are redeemable at the Company's option at a price equal to the Nominal Amount of the Notes together with the accrued interest (as more fully set out in Clause 12 (c) of the General Terms and Conditions of the Notes) during the period commencing on the first Business Day falling 3 months prior to the maturity. The Notes are also redeemable due to tax reasons at a price equal to the Nominal Amount of the Notes together with the accrued interest (as more fully set out in Clause 12 (b) of the General Terms and Conditions of the Notes). Further, the Notes are redeemable at Make Whole Call Option at the optional redemption amount (as more fully set out in Clause 12 (d) of the General Terms and Conditions of the Notes).

In addition, the Notes are redeemable on the occurrence of: (i) a Change of Control at a price equal to the Nominal Amount of the Notes together with the accrued interest (as more fully set out in Clause 12 (f) of the General Terms and Conditions of the Notes) or (ii) the De-listing Event or Listing Failure at a price equal to the Nominal Amount of the Notes together with the accrued interest (as more fully set out in Clause 12 (e) of the General Terms and Conditions of the Notes). Furthermore, if 80 (eighty) per-cent or more in Nominal Amount of the Notes then outstanding have been redeemed based on a Change of Control or De-listing Event or Listing Failure, the Company is entitled to redeem the remaining Notes at a price equal to the Nominal Amount of the Notes together with the accrued interest.

It is possible that the Notes are redeemed at a time when the prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes. It is further possible that the Company will not have sufficient funds at the time of the occurrence of a Change of Control or De-listing Event or Listing Failure to make the required redemption of Notes.

Legal risks related to the Notes

No assurance on change of laws or practices

The Notes are governed by the laws of the Republic of Latvia. Latvian laws (including but not limited to tax laws) and regulations governing the Notes may change during the life of the Notes, and new judicial decisions can be issued and/or new administrative practices may be adopted. No assurance can be given as to the impact of any of such possible changes of laws or regulations, or new judicial decision or administrative practice taking place after the date of this Base Prospectus. Hence, such change may have a material adverse effect on the Company's business, financial condition, results of operations and/or future prospects and, thereby, the Company's ability to fulfil its obligations under the Notes, as well as taxation of the Notes, and the market price of the Notes. Such events may also result in material financial losses or damage to the Noteholders.

No voting rights

Only the shareholder of the Company has voting rights in the General Meeting of Shareholders of the Company. The Notes carry no such voting rights. Consequently, the Noteholders cannot influence any decisions by the Company's shareholder concerning, for instance, the capital structure of the Company.

Amendments to the Notes bind all Noteholders

The General Terms and Conditions of the Notes contain provisions for Noteholders to consider matters affecting their interests generally. The decisions of Noteholders (including amendments to the General Terms and Conditions of the Notes), subject to defined majorities requirements, will be binding to all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. This may cause financial losses, among other things, to all Noteholders, including the Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.

Risks related to the market for the notes

Possibility to forfeit interest and principal amount invested

Should the Company become insolvent, legal protection proceedings or out-of-court legal protection proceedings of the Company are initiated during the term of the Notes, an investor may forfeit interest payable on, and the principal amount of, the Notes in whole or in part. An investor is always solely responsible for the economic consequences of its investment decisions.

Since the Notes bear interest at a fixed interest rate, movements in market interest rates can adversely affect the value of the Notes

The Notes bear interest on their outstanding principal amount at a fixed interest rate. A holder of a security with a fixed interest rate is exposed to the risk that the value of such security could fall as a result of changes in the market interest rate. While the nominal compensation rate of the Notes is fixed during the life of the Notes, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. If the market interest rate increases, the value of a security such as the Notes typically falls, until the yield of such security is approximately equal to the market interest rate. If the market interest rate falls, the value of a security such as the Notes typically increases, until the yield of such a security is approximately equal to the market interest rate. Consequently, Noteholders should be aware that movements of the market interest rate can adversely affect the value of the Notes and can lead to losses for the Noteholders if they sell their Notes.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Company's operating results, adverse business developments, changes to the regulatory environment in which the Company operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of the Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Company's results of operations, prospects or financial condition. Factors including the regulatory environment, general market conditions, natural disasters, pandemics, terrorist attacks and war may have an adverse effect on the market price of the Notes.

An active market for the Notes may not develop

Although application(s) will be made for the Notes to be admitted to trading on Nasdaq Riga, there is no assurance that such application(s) will be accepted and the Notes will be admitted to trading. In addition, admission of the Notes on a regulated market will not guarantee that a liquid public market for the Notes will develop or, if such market develops, that it will be maintained, and neither the Company, nor the Arranger or Dealer is under any obligation to maintain such market. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. A lack of liquidity may have a material adverse effect on the market value of the Notes.

Exchange rate risk

The Company will pay principal and interest on the Notes in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of EUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify currency exchange controls. An appreciation in the value of the Investor's Currency relative to EUR would decrease the Investor's Currency-

equivalent: (i) yield on the Notes; (ii) value of the principal payable on the Notes; and (iii) market value of the Notes.

Downgrade of the Company's credit rating

The Company's credit ratings are an assessment by the relevant rating agency of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Notes. One or more independent credit rating agencies may assign credit ratings to the Notes. In case the Notes are rated by credit rating agencies, such ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, or other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A downgrade of the Company's credit rating could increase costs of funding and/or reduce its access to funding and could require the Company to provide additional security for contracts, which could increase the costs of transactions.

In addition to a deterioration in the Company's own credit quality, the Company's credit rating might be downgraded if the credit rating of the Republic of Latvia is downgraded due to weaker macroeconomic conditions or a change of the support assumptions provided by the Republic of Latvia.

The Company's estimate for downgrade of the Company's credit rating risk profile is low.

Certain material interests

The Arranger and the Dealer have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services provided to the Company in the ordinary course of business. Therefore, conflicts of interest may exist or may arise as a result of the Arranger's or the Dealer's current or future engagement in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests. For example, in the ordinary course of their business activities, the Arranger and the Dealer and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Arranger and the Dealer or its affiliates may have a lending relationship with the Issuer and may, in such cases, routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arranger and the Dealer and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Arranger and the Dealer and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Risks relating to the clearing and settlement in the Nasdaq CSD's book-entry system

The Notes will be affiliated to the Nasdaq CSD book-entry system, and no physical notes will be issued. Clearing and settlement relating to the Notes will be carried out within Nasdaq CSD's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of the Nasdaq CSD's account-based system.

INFORMATION INCORPORATED BY REFERENCE

The documents set out below that are incorporated by reference in this Base Prospectus are, where indicated, direct translations into English from the original languages of the documents. To the extent that there are any inconsistencies between the original language versions and the translations, the original language versions shall prevail. The information set out shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- the audited financial statements of the Issuer, as at and for the financial year ended 31 December 2020, dated 15 March 2021 (available at <https://www.conexus.lv/financial-statements/akciju-sabiedribas-conexus-baltic-grid-2020-gada-parskats>) and for the financial year ended 31 December 2021, dated 18 March 2022 (available at: <https://www.conexus.lv/financial-statements/akciju-sabiedribas-conexus-baltic-grid-2021-gada-iltgspejas-un-finansu-parskats>), in both cases together with the annual report and the independent auditor's report thereon;
- Unaudited condensed interim financial statement of the Issuer for the period from 1 January to 30 June 2022 (available at: <https://www.conexus.lv/financial-statements/finansu-parskati-par-periodu-no-2022gada-1janvara-lidz-30junijam>);
- Articles of Association of the Issuer (available at <https://www.conexus.lv/other-binding-documents>: section: JSC "Conexus Baltic Grid" Articles of Association).

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus will be published on the websites of (a) the Issuer at <https://www.conexus.lv> and (b) copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may also be inspected, free of charge, during normal business hours at the offices of the Issuer at Stigu street 14, Riga, LV-1021, the Republic of Latvia for 12 months from the date of this Base Prospectus.

Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus and for the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus and shall be considered as additional information, not required by the schedules of the Commission Delegated Regulation (EU) No 2019/980 of 14 March 2019 supplementing the Prospectus Regulation. In particular, the independent auditor's reports mentioned above contain references to "Other Information". Such "Other Information" does not form a part of this Base Prospectus.

FINAL TERMS

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information which is necessary to an investor for making an informed assessment of the assets and liabilities, financial position, profits and losses, financial position and prospects of the Issuer and of the rights attaching to the Notes and the reasons for the issuance and its impact on the Issuer. In relation to the Notes which may be issued the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained in the relevant Final Terms.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus in order to obtain all relevant information. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Terms and Conditions described in the relevant Final Terms.

Following the publication of this Base Prospectus, if required, a supplement may be prepared by the Issuer and approved by the FCMC in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent introduction of any issue of Notes to trading on Regulated Market of Nasdaq Riga.

GENERAL TERMS AND CONDITIONS OF THE NOTES

The following is the text of the General Terms and Conditions which, as completed by the relevant Final Terms, will constitute terms and conditions of each Note issued under these General Terms and Conditions. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may supplement, amend, or replace any information in these General Terms and Conditions.

1. Introduction

- a) **General Terms and Conditions:** Joint stock company (AS) "Conexus Baltic Grid", registration number 40203041605 in the Republic of Latvia, (the "**Issuer**") has established these General Terms and Conditions (the "**Terms and Conditions**") for the issuance of up to EUR 80,000,000 (eighty million euro) in aggregate principal amount of notes (the "**Notes**").
- b) **Final Terms:** Notes issued under the Terms and Conditions are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these Terms and Conditions. The terms and conditions applicable to any particular Tranche of Notes are these Terms and Conditions as completed by the relevant Final Terms. The Notes of each Tranche will all be subject to identical terms, except that the Issue Dates (as defined below), the Issue Prices (as defined below), first payment of Interest (as defined below) and issue amount of the Tranche thereof may be different in respect of different Tranches. In the event of any inconsistency between these Terms and Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- c) **The Notes:** All subsequent references in these Terms and Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Notes will be unsecured fixed rate Notes only. The Final Terms and the General Terms and Conditions are available for viewing on the Issuer's website <https://www.conexus.lv>. Copies may also be obtained from the registered office of the Issuer at the address Stigu street 14, Riga, LV-1084, the Republic of Latvia.

2. Interpretation

- a) **Definitions:** In these Terms and Conditions the following expressions have the following meanings:
 - "**Accounting Principles**" means the international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).
 - "**Business Day**" means a day on which the Nasdaq CSD system is open and operational.
 - "**EUR**" means the lawful currency of the Republic of Latvia.
 - "**Event of Default**" means an event or circumstance specified in Clause 14.
 - "**Financial Report of the Issuer**" means financial statements of the Issuer prepared in accordance with the applicable law.
 - "**Final Redemption Amount**" means, in respect of any Note, its principal amount as specified in applicable Final Terms, payable at the Maturity Date.
 - "**Guarantee**" means, in relation to any Indebtedness, any obligation to pay such Indebtedness including (without limitation):
 - i. any obligation to purchase such Indebtedness;
 - ii. any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
 - iii. any indemnity against the consequences of a default in the payment of such Indebtedness; and

iv. any other agreement to be responsible for such Indebtedness.

"Indebtedness" means any indebtedness (whether principal, premium, interest or other amounts) in respect of any bonds, notes or other debt securities or borrowed money by the Issuer.

"Interest" means the interest on the Notes calculated in accordance with Section 11.

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and to the extent such day is not a Business Day, adjusted in accordance with the relevant Business Day Convention.

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date. The last Interest Period ends on the Maturity Date.

"Interest Rate" has the meaning given in applicable Final Terms.

"Issue Date" means the date specified in applicable Final Terms.

"Maturity Date" means the date specified in applicable Final Terms.

"Nasdaq CSD" means Nasdaq CSD SE (Societas Europaea), the regional Baltic central securities depository (CSD), registration No. 40003242879, registered address Vaļņu street 1, Rīga LV-1050, the Republic of Latvia.

"Nasdaq Riga" means the regulated market (as defined in Directive 2014/65/EU on markets in financial instruments) of AS Nasdaq Riga, reg. no. 40003167049, Vaļņu street 1, Riga, the Republic of Latvia.

"Noteholder" means the Person who's Notes are registered on the Securities Account.

"Noteholders' Meeting" means a meeting among the Noteholders held in accordance with Clause 15 (*Noteholders' Meeting and Procedure in Writing, Modification and Waiver*)

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, unincorporated organisation, contractual fund, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality.

"Procedure in Writing" means the written or electronic procedure for decision making among the Noteholders in accordance with Clause 15 (*Noteholders' Meeting and Procedure in Writing, Modification and Waiver*).

"Securities Account" means the account for dematerialised securities opened in the name of Noteholder with a financial institution which is directly or indirectly a participant of Nasdaq CSD.

b) Interpretation: In these Terms and Conditions:

- i. any reference to principal shall be deemed to include the redemption amount, any additional amounts in respect of principal which may be payable under Clause 10 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Terms and Conditions;
- ii. any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Clause 10 (Taxation) and any other amount in the nature of interest payable pursuant to these Terms and Conditions;
- iii. if an expression is stated in Clause 1.a) (Definitions) to have the meaning given in applicable Final Terms, but applicable Final Terms give no such meaning or specify that such expression is "not applicable" then such expression is not applicable to the Notes of the respective Tranche;

- iv. Unless a contrary indication appears, any reference in these Terms and Conditions to:
 - "assets" includes present and future properties, revenues and rights of every description;
 - any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
 - a "regulation" includes any regulation, rule or official directive (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency or department;
 - a time of day is a reference to Latvian local time.
- v. An Event of Default is continuing if it has not been waived.
- vi. When ascertaining whether a limit or threshold specified in EUR has been reached or exceeded, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against EUR for the previous Business Day, as published by the European Central Bank on its website (www.ecb.europa.eu). If no such rate is available, the most recently published rate shall be used instead.
- vii. A notice shall be deemed to be sent by way of press release if it is made available to the public within the Republic of Latvia promptly and in a non-discriminatory manner.
- viii. No delay or omission of any Noteholder to exercise any right or remedy under these Terms and Conditions shall impair or operate as a waiver of any such right or remedy.

3. Issue limit and issuance of the Notes

- a) Under these Terms and Conditions for the issuance of notes the Issuer may issue notes up to an aggregate principal amount of EUR 80,000,000 (eighty million euro).
- b) By subscribing for Notes, each initial Noteholder agrees that the Notes shall benefit from and be subject to these Terms and Conditions and applicable Final Terms, and by acquiring Notes each subsequent Noteholder confirms their agreement to these Terms and Conditions and applicable Final Terms.

4. Status of the Notes

The Notes constitute senior, direct, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Use of Proceeds

Unless otherwise specified in the applicable Final Terms the proceeds of the issue of each Series of Notes will be transferred to the Issuer and used towards general corporate purposes.

6. Denomination, Title, Issue Price, Transfer and Underwriting

- a) **Denomination:** Denomination of each Note is EUR 100,000 (one hundred thousand euro (the "Nominal Amount")).
- b) **Title to Notes:** The title to the Notes will pass to the relevant investors when the respective entries regarding the ownership of the Notes are made in their Securities Accounts.
- c) **Issue Price:** The Notes may be issued at their Nominal Amount or at a discount or a premium to their Nominal Amount (the "Issue Price"). The Issue Price shall be determined by the Issuer and the Dealer in accordance with prevailing market conditions and specified in the applicable Final Terms.

The yield of each Tranche set out in the applicable Final Terms will be calculated as of the relevant Issue Date on an annual basis using the relevant Issue Price. It is not an indication of future yield.

- d) **Transfers of Notes:** The Notes are freely transferrable. Notes subscribed and paid for shall be entered to the respective book-entry Securities Accounts of the Noteholder(s) on a date set out in applicable Final Terms in accordance with applicable legislation governing the book-entry system and book-entry accounts as well as the Nasdaq CSD Rules.
- e) **No charge:** The transfer of a Note will be effected without charge by or on behalf of the Issuer. However, the Noteholders may be obliged to cover expenses which are related to the opening of Securities Accounts with credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the Noteholder's purchase or selling orders of the Notes, the holding of the Notes or any other operations in relation to the Notes. The Issuer, the Arranger or the Dealer will not compensate the Noteholders for any such expenses.
- f) **Underwriting:** None of the Tranches of Notes will be underwritten.

7. Notes in Dematerialised Form

The Notes shall be issued as dematerialised securities recorded as entries within Nasdaq CSD, which is regional Baltic central securities depository (CSD) with a business presence in the Republic of Lithuania, the Republic of Latvia, the Republic of Estonia and Iceland. Nasdaq CSD is licensed under the CSDR (Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012) and authorised and supervised by the Latvian Financial and Capital Market Commission. Nasdaq CSD operates as the operator of the Latvian securities settlement system, which is governed by Latvian law and notified to the ESMA in accordance with the Settlement Finality Directive 98/26/EC and provides central securities deposit services, settlement of securities transactions and maintenance of the dematerialised securities and their Noteholders in accordance with the applicable Latvian legislation. Consequently, the Notes exist as electronic entries in securities accounts with Nasdaq CSD.

8. Right to Act on Behalf of a Noteholder

- a) If any Person other than a Noteholder wishes to exercise any rights under these Terms and Conditions, it must obtain a power of attorney (or, if applicable, a coherent chain of powers of attorney) or other sufficient proof of authorisation for such Person.
- b) A Noteholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Notes held by it. Any such representative may act independently under these Terms and Conditions in relation to the Notes for which such representative is entitled to represent the Noteholder.

9. Payments to the Noteholders

- a) **Payments:** Payments of interest due on the Notes will be made to the Noteholders thereof, as appearing in Nasdaq CSD on the fifth (5th) Business Day preceding the due date for such payment (the "**Record Date**"). The Noteholders list eligible to receive the principal of the Notes will be fixed at the end of the Business Day immediately preceding the payment of the principal of the Notes. Payment of amounts due on the final redemption of the Notes will be made simultaneously with deletion of the Notes. The Noteholders shall not be required to provide any requests to redeem the Notes, as upon Maturity Date of the Notes, the nominal value thereof with the cumulative interest accrued shall be transferred to the accounts indicated by the Noteholders without separate requests/requirements of the Noteholders. As of that moment the Issuer shall be deemed to have fully performed the obligations, related to the Notes and their redemption, disregarding the fact, whether the Noteholder actually accepts the funds or not. Any payments on the Notes shall be paid to the Noteholders through the Nasdaq CSD in accordance with the applicable rules of the Nasdaq CSD.

- b) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Clause 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments by the Issuer. However, the Noteholders may be obliged to cover commissions and/or other expenses, which are charged by the credit institutions or investment brokerage firms in relation to such payments. The Issuer, the Arranger and/or the Dealer will not compensate the Noteholders for any such expenses.
- c) **Payments on Business Days:** If the due date for payment of the Final Redemption Amount of the Notes is not a Business Day, the Noteholder thereof will not be entitled to payment thereof until the next following Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with the Terms and Conditions.

10. Taxation

- a) **Gross up:** All interest payments in the case of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Latvia or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, in respect of interest, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note held by or on behalf of a Noteholder which is liable to such Taxes in respect of such Note by reason of its having some connection with the Republic of Latvia other than the mere holding of the Note.
- b) **Tax jurisdiction:** If the Issuer becomes subject at any time to any tax in a jurisdiction other than the Republic of Latvia, references in these Terms and Conditions to the Republic of Latvia shall be construed as references to the Republic of Latvia and/or such other jurisdiction.

11. Interest

- a) The Notes shall bear fixed annual interest rate which shall be determined by the Issuer and specified in applicable Final Terms.
- b) The interest on the Notes will be paid annually on the Interest Payment Date until the Maturity Date and will be calculated on the aggregate outstanding principal amount of the Notes of the respective Series.
- c) Interest shall accrue for each Interest Period from and including the first day of the Interest Period to (but excluding) the last day of the Interest Period on the principal amount of the Notes of the respective Series outstanding from time to time. The first Interest Period commences on the Interest Commencement Date and ends on a day preceding the first Interest Payment Date (the "**First Interest Period**"). Each consecutive Interest Period begins on the previous Interest Payment Date and ends on a day preceding the following Interest Payment Date. The last Interest Period ends on the Maturity Date.
- d) Interest in respect of the Notes will be calculated on the basis of the actual number of days elapsed in the relevant interest period divided by 365 (or, in the case of a leap year, 366), i.e. a day count convention Act/Act (ICMA) will be used.

12. Redemption and Repurchase of the Notes

- a) **Scheduled redemption at maturity:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount together with accrued

but unpaid Interest on the Maturity Date, in accordance with Clause 9 (*Payments to the Noteholders*).

- b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 10 (ten) but no more than 30 (thirty) calendar days' irrevocable notice to the Noteholders at an amount equal to 100 (one hundred) per-cent of their Nominal Amount together with any accrued but unpaid interest to, but excluding, the date of redemption, if:
- i. the Issuer has or will become obliged to pay additional amounts as provided or referred to in Clause 10 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the Republic of Latvia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
 - ii. such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Noteholders (1) a certificate signed by the director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Clause 12(b), the Issuer shall be bound to redeem the Notes in accordance with this Clause 12(b).

- c) **Redemption at the option of the Issuer (Call Option):**

If Call Option is specified as being applicable in the applicable Final Terms, the Issuer may redeem each Series of such Notes, in whole but not in part, on any Business Day during the period commencing on the first Business Day falling 3 months prior to the Maturity Date (such Business Day included) and ending on the Maturity Date (the Maturity Date excluded) (the "**Voluntary Redemption Period**"), at an amount equal to 100 (one hundred) per cent of their Nominal Amount together with any accrued but unpaid interest to, but excluding, the date of voluntary redemption (the "**Voluntary Redemption Date**").

Redemption in accordance with Clause 12(c) shall be made by the Issuer giving not less than 10 (ten) but no more than 30 (thirty) calendar days' notice to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

- d) **Redemption at the option of the Issuer (Make Whole Call Option)**

If the Make Whole Call Option is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 10 nor more than 30 days' notice (or such other period as specified in the Final Terms) to the Noteholders in accordance with Clause 17 (Notices) and shall specify the date fixed for redemption), redeem, in whole but not in part, the aggregate principal amount of the Notes of the respective Series *then outstanding on* the relevant date (the "**Optional Redemption Date**") and at the Optional Redemption Amount(s) each as specified in or determined in the manner specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

Any such notice of redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case such notice shall state that, in the Issuer's discretion, the Optional Redemption Date may be delayed until such time as any or all such conditions shall

be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the Optional Redemption Date, or by the Optional Redemption Date so delayed.

The Optional Redemption Amount will either be the specified percentage of the Nominal Amount of the Notes stated in the applicable Final Terms or, the "**Make-Whole Amount**" which shall be calculated by the Issuer or on behalf of the Issuer by such a person as the Issuer shall designate and will be the greater of:

- i. 100 per cent. of the Nominal Amount outstanding of the Notes to be redeemed; and
- ii. the sum of the then present values of the Nominal Amount outstanding of the Notes and the Remaining Term Interest (for the avoidance of doubt, not including any interest accrued on the Notes to, but excluding, the relevant Optional Redemption Date) discounted to the relevant Optional Redemption Date on an annual basis at the Make-Whole Redemption Rate plus the Make-Whole Redemption Margin;

The calculations and determinations related to the Make-Whole Redemption Amount made by the Issuer or any party on behalf of the Issuer shall (save for manifest error) be final and binding upon all Noteholders.

"**Make-Whole Redemption Margin**" shall be set out in the applicable Final Terms;

"**Make-Whole Redemption Rate**" means, with respect to the relevant Optional Redemption Date, the rate per annum equal to the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its Nominal Amount) equal to the Reference Bond Price for the Reference Date;

"**Reference Bond**" shall be as set out in the applicable Final Terms;

"**Reference Bond Dealer**" means each of the credit institution selected by the Issuer, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate bond issues;

"**Reference Bond Dealer Quotations**" mean, with respect to each Reference Bond Dealer and the relevant Optional Redemption Date, the arithmetic average, as determined by the Issuer or on behalf of the Issuer by such person as the Issuer shall designate, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its Nominal Amount) at 11.00 a.m. (Brussels time) on the Reference Date quoted by such Reference Bond Dealer;

"**Reference Bond Price**" means (a) the average of five (5) Reference Bond Dealer Quotations, after excluding the highest and lowest of such Reference Bond Dealer Quotations; or (b) if the Issuer obtains fewer than five (5) such Reference Bond Dealer Quotations, the average of all such Reference Bond Dealer Quotations;

"**Reference Date**" means the third (3rd) Business Day prior to the Optional Redemption Date; and

"**Remaining Term Interest**" means with respect to the Notes, the aggregate amount of scheduled payment(s) of interest on the Notes from and including the Optional Redemption Date to the date falling three (3) months prior to the Maturity Date, determined on the basis of the rate of interest applicable to the Notes from and including the date on which the redemption in respect of which the Remaining Term Interest is being calculated is to occur.

e) **De-listing Event or Listing Failure Put Option**

If the De-listing Event or Listing Failure Put Option is specified as being applicable in the applicable Final Terms and if at any time while any Note remains outstanding, there occurs (A) a De-listing Event (as defined below), or (B) a Listing Failure (as defined below), each Noteholder will have the option (the "**De-listing Event or Listing Failure Put Option**") (unless, prior to the giving of the De-listing Event or Listing Failure Event Notice (as defined below), the Issuer gives notice to redeem the Notes under Clause 12 (b), 12 (c) or 12 (d)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, all or part of its Notes, on the De-listing Event or Listing Failure Put Date (as defined below) at a price per Note equal to 100.00 (one hundred) per cent of their Nominal Amount together with interest accrued to, but excluding, the De-listing Event or Listing Failure Put Date.

Where:

A "**De-listing Event**" shall be deemed to have occurred if at any time following the listing of the Notes, trading in the Notes on Nasdaq Riga regulated market is suspended for a period of 15 (fifteen) consecutive Business Days (when Nasdaq Riga is at the same time open for trading).

A "**Listing Failure**" shall be deemed to have occurred if at any time following the Issue Date either i) the Notes issued under the first Tranche of the Notes are not listed on the Baltic Bond List of Nasdaq Riga within 12 (twelve) months after the Issue Date, or ii) upon any subsequent Notes issue with a separate ISIN, the Notes are not listed within 6 (six) months after the relevant Issue Date; or iii) upon any subsequent Notes issue with the same ISIN code as a previous Notes issue, application on listing those subsequent Notes is not submitted to Nasdaq Riga 1 (one) Business Day before the ISIN code is allocated to respective subsequent Notes issue, at the latest.

Promptly upon the Issuer becoming aware that a De-listing Event or Listing Failure has occurred, the Issuer shall give notice (a "**De-listing Event or Listing Failure Notice**") to the Noteholders in accordance with Clause 17 (*Notices*) specifying the nature of the De-listing Event or Listing Failure and the circumstances giving rise to it and the procedure for exercising the De-listing Event or Listing Failure Put Option contained in this Clause 12((d).

To exercise the De-listing Event or Listing Failure Put Option, the Noteholder must notify the Issuer at any time falling within the period (the "**De-listing Event or Listing Failure Put Period**") of 30 (thirty) days after a De-listing Event or Listing Failure Notice is given, accompanied by a duly signed and completed notice of exercise in the form in writing (for the time being current) obtainable from the Issuer within the De-listing Event or Listing Failure Period (a "**De-Listing or Listing Failure Put Exercise Notice**").

Payment in respect of any Notes will be made on the date which is the 5th (fifth) Business Day following the expiration of the De-listing Event or Listing Failure Put Period (the "**De-listing Event or Listing Failure Put Date**"). A De-listing Event or Listing Failure Put Exercise Notice, once given, shall be irrevocable.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any De-listing Event or Listing Failure Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

If 80 (eighty) per cent or more in principal amount of the Notes then outstanding have been redeemed pursuant to this Clause 12, the Issuer may, on not less than 30 (thirty) nor more than 60 (sixty) days' irrevocable notice to the Noteholders in accordance with Clause 17 (*Notices*) given within 30 (thirty) days after the Optional Redemption Date, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at 100 (one hundred) per cent of their Nominal Amount, together with interest accrued to, but excluding, the date of redemption.

The Issuer shall not be required to repurchase any Notes pursuant to this Clause 12(e), if a third party in connection with the occurrence of a De-listing Event or Listing Failure, as applicable, offers to purchase the Notes in the manner and on the terms set out in this Clause 12(e) (or on terms more favourable to the Noteholders) and purchases all Notes validly tendered in

accordance with such offer. If the Notes tendered are not purchased within the time limits stipulated in this Clause 12(e), the Issuer shall repurchase any such Notes within 5 (five) Business Days after the expiry of the time limit.

f) **Redemption at the option of Noteholders upon a Change of Control.**

If the Change of Control Put Option is specified as being applicable in the applicable Final Terms and if at any time while any Note remains outstanding: (i) there occurs a Change of Control (as defined below), and (ii) within the Change of Control Period (as defined below), a Rating Event (as defined below) in respect of that Change of Control occurs (such Change of Control and Rating Event not having been cured prior to the expiry of the Change of Control Period, together, a "**Change of Control Put Event**"), each Noteholder will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer gives notice to redeem the Notes according to Clause 12 (c)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, all or part of its Notes, on the Change of Control Redemption Date at an amount equal to 100 (one hundred) per cent of their Nominal Amount together with any accrued but unpaid interest to, but excluding, the Change of Control Redemption Date.

A "Change of Control" shall be deemed to have occurred if at any time following the Issue Date of the first Tranche of the Notes, any person (or persons acting in concert), other than the Permitted Holder, acquires control (or, as the case may be, operating control) of the Issuer.

For the purpose of the definition of Change of Control above:

- i. "**acting in concert**" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them, either directly or indirectly, of shares in the relevant company, to obtain or consolidate control of the relevant company;
- ii. "**control**" means the power (whether by way of ownership of shares, contractual arrangement or otherwise) to (A) cast or control the casting of 50 per cent plus 1 vote of the votes that might be cast at a shareholder meeting of the relevant company or (B) appoint or remove or control the appointment or removal of the majority of the supervisory board, management board or other equivalent officers of the relevant company;
- iii. "**operating control**" means the power (whether by way of ownership of shares, ability to appoint or remove directors, board (supervisory or management) members or control the appointment or removal of directors, board (supervisory or management) members, contractual arrangement or otherwise) to give directions with respect to the operating and financial policies of the relevant company with which the directors, board (supervisory or management) members or other equivalent officers of the relevant company are obliged to comply; and

"**Permitted Holder**" means joint stock company (AS) "Augstsprieguma tīkls", registration number 40003575567 in the Republic of Latvia.

"**Change of Control Period**" means the period beginning on the date of the first public announcement by or on behalf of the Issuer by any bidder or any designated advisor, of the relevant Change of Control and ending 90 (ninety) days after completion of the relevant Change of Control.

A "**Rating Event**" shall be deemed to have occurred in respect of a Change of Control if (within the Change of Control Period) either:

- i. (A) the rating previously assigned to the Issuer by any Rating Agency solicited by the Issuer is (x) withdrawn or (y) changed from an investment grade rating (BBB-/Baa3 or its equivalent for the time being, or better) to a non-investment grade rating (BB+/Ba1 or its equivalent for the time being, or worse) or (z) (if the rating previously assigned to the Issuer by any Rating Agency solicited by the Issuer was below an investment grade rating (as described above)), lowered by at least one full rating notch (for example, from BB+ to BB, or their respective equivalents) and (B) such rating is not subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) within

the Change of Control Period either to an investment grade credit rating (in the case of (x) and (y)) or to its earlier credit rating or better (in the case of (z)) by such Rating Agency; or

- ii. the Issuer has not been previously assigned a credit rating solicited by the Issuer, and no Rating Agency assigns the Issuer an investment grade rating solicited by the Issuer within the Change of Control Period;

provided that the Rating Agency making the reduction in rating or deciding not to assign an investment grade rating announces or publicly confirms or, having been so requested by the Issuer, informs the Issuer in writing that the lowering or failure to assign an investment grade rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Rating Event).

"Rating Agency" means S&P Global Ratings Europe Limited, Moody's Investor Services or Fitch Ratings Ireland Limited, or any of their affiliates.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give notice (a **"Change of Control Put Event Notice"**) to the Noteholders in accordance with Clause 17 (*Notices*) specifying the nature of the Change of Control Put Event and the circumstances giving rise to it, and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, a Noteholder within the period (the **"Change of Control Put Period"**) of 45 (forty-five) days after a Change of Control Put Event Notice is given must provide to the Issuer in writing a notice on exercise of the Change of Control Put Option (a **"Change of Control Put Option Notice"**).

A Change of Control Put Option Notice once given shall be irrevocable. The Issuer shall redeem or, at the option of the Issuer procure the purchase of, the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above by the date which is the 5th (fifth) Business Day following the end of the Change of Control Put Period (the **"Change of Control Redemption Date"**).

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

If 80 (eighty) per cent or more in principal amount of the Notes then outstanding have been redeemed pursuant to this Clause 12, the Issuer may, on not less than 30 (thirty) nor more than 60 (sixty) days' irrevocable notice to the Noteholders in accordance with Clause 17 (*Notices*) given within 30 (thirty) days after the Optional Redemption Date, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at 100 (one hundred) per cent of their Nominal Amount, together with interest accrued to, but excluding, the date of redemption.

The Issuer shall not be required to repurchase any Notes pursuant to this Clause 12(f), if a third party in connection with the occurrence of the Change of Control Put Event, offers to purchase the Notes in the manner and on the terms set out in this Clause 12(f) (or on terms more favourable to the Noteholders) and purchases all Notes validly tendered in accordance with such offer. If the Notes tendered are not purchased within the time limits stipulated in this Clause 12(f), the Issuer shall repurchase any such Notes within 5 (five) Business Days after the expiry of the time limit.

g) **Purchase**

The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held, resold or surrendered by the purchaser through the Issuer for

cancellation. Notes held by or for the account of the Issuer for its own account will not carry the right to vote at the Noteholders' Meetings or within Procedure in Writing and will not be taken into account in determining how many Notes are outstanding for the purposes of these Terms and Conditions of the Notes.

13. Special Undertakings

So long as any Notes remains outstanding, the Issuer undertakes to comply with the special undertakings set forth in this Clause 13.

- a) **Financial reporting:** The Issuer shall:
- i. prepare and make available the annual audited Financial Reports of the Issuer on Issuer's website not later than 4 (four) months after the expiry of each financial year;
 - ii. prepare and make available the quarterly interim unaudited Financial Reports of the Issuer on Issuer's website not later than 2 (two) months after the expiry of each relevant interim period;
 - iii. prepare the Financial Reports of the Issuer in accordance with the Accounting Principles and applicable law.
- b) **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, create any mortgage, charge, lien, pledge, collateral or other security interest to secure any other notes, bonds or other similar debt securities issued after the issuance of the Notes that are capable of being listed on a stock exchange or subject to trading in a regulated market or multilateral trading facility (or create any such security interest to secure any guarantee or indemnity over such notes, bonds or other similar debt securities), unless the granting of such security interest is required under Latvian law or other law governing such notes, bonds or other debt securities, or unless prior to or simultaneously therewith the Issuer's obligations under the Notes either (a) are secured equally and rateable therewith or (b) have the benefit of such other security interest or other arrangement (whether or not it includes the granting of a security interest) as shall be approved by a resolution of the Noteholders (as referred to in Clause 15 (*Noteholders' Meeting and Procedure in Writing, Modification and Waiver*)).

14. Events of Default

- a) If an Event of Default (as defined below) occurs, any Noteholder may at any time falling within the period of 60 (sixty) days after an Event of Default Notice is given (the "**Early Repayment Notice Period**"), by written notice to the Issuer declare any Note held by it and the interest accrued on such Note to be prematurely due and payable, provided that an Event of Default is continuing on the date of receipt of the Noteholder's notice by the Issuer. Payment in respect of such Notes will be made on the date which is the 5th (fifth) Business Day following the expiration of the Early Repayment Notice Period (the "**Early Repayment Date**"). Interest on such Note accrues until the Early Repayment Date (excluding the Early Repayment Date).
- b) The Issuer shall notify the Noteholders about the occurrence of an Event of Default (and the steps, if any, taken to remedy it) in accordance with Clause 17 (*Notices*) promptly upon becoming aware of its occurrence.
- c) Each of the following events shall constitute an event of default (an "**Event of Default**"):
- i. **Non-payment:** The Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and the default continues for a period of 5 (five) Business Days.
 - ii. **Breach of other obligations:** The Issuer does not comply with these Terms and Conditions in any other way than as set out under Clause 13(c)i above, and it is not

remedied within 30 (thirty) calendar days of the earlier of the Noteholders giving notice or the Issuer should have become aware of the non-compliance.

- iii. **Cross-Default:**
 - (a) any Indebtedness of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period;
 - (b) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer;
 - (c) the Issuer fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;
 - (d) provided that the amount of Indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any Guarantee referred to in sub-paragraph (c) above individually or in the aggregate exceeds EUR 20,000,000 (twenty million euro) (or its equivalent in any other currency or currencies)).
- iv. **Insolvency:**
 - (a) the Issuer admits inability to pay its debts; or
 - (b) the Issuer is declared insolvent by a court having appropriate jurisdiction; or
 - (c) the Issuer enters into any arrangement with at least 75 (seventy-five) per cent of its creditors by value in relation to restructuring of its debts or any meeting is convened to consider a proposal for such arrangement; or
 - (d) an application to initiate insolvency, restructuring (including proceedings such as legal protection proceedings and out-of-court legal protection proceedings) or administration of the Issuer is submitted to the court by the Issuer.

In case of the Issuer's liquidation or insolvency the Noteholders as unsecured creditors shall have a right to receive payment of the outstanding principal amount of the Notes and the interest accrued on the Notes according to the relevant laws governing liquidation or insolvency of the Issuer.
- v. **Illegality:** It is or becomes unlawful for the Issuer to fulfil or perform any of the provisions of these Terms and Conditions or if the obligations under these Terms and Conditions are not, or cease to be, legal, valid, binding and enforceable.
- vi. **Cessation of business:** the Issuer cease to carry on its current business in its entirety or a substantial part thereof, other than:
 - (a) pursuant to any sale, disposal, demerger, amalgamation, reorganization or restructuring or any cessation of business in each case on a solvent basis; or
 - (b) for the purposes of, or pursuant to any terms approved by the Noteholders in accordance with Clause 15 (Noteholders' Meeting and Procedure in Writing, Modification and Waiver);
- vii. **Liquidation:** an effective resolution is passed for the liquidation of the Issuer:
 - (c) pursuant to an amalgamation, reorganization or restructuring; or
 - (d) for the purposes of, or pursuant to any terms approved by the Noteholders in accordance with Clause 15 (Noteholders' Meeting and Procedure in Writing, Modification and Waiver).

15. Noteholders' Meeting and Procedure in Writing, Modification and Waiver

- a) **General provisions:** The decisions of the Noteholders (including decisions on amendments to these Terms and Conditions Notes or applicable Final Terms of the relevant Series or granting of consent or waiver) shall be passed at the Noteholders' Meeting or in Procedure in Writing at the choice of the Issuer.

The Issuer shall have a right to convene the Noteholders' Meeting or instigate the Procedure in Writing at any time and the Issuer shall do so following a written request from the Noteholders who, on the day of the request, represent not less than 1/10 (one-tenth) of the aggregate principal amount of the outstanding Notes or of the aggregate principal amount of the outstanding Notes of the relevant Series (as applicable) (excluding the Issuer). As a general rule, the Noteholders' Meeting or in Procedure in Writing is convened by a decision of the Issuer.

The Issuer may refrain from convening the Noteholders' Meeting or instigating the Procedure in Writing if (i) the suggested decision does not fall under the competence of Noteholders, or (ii) the suggested decision is not in accordance with applicable laws.

In case convening of the Noteholders' Meeting or instigation of the Procedure in Writing is requested by the Noteholders, the Issuer shall be obliged to convene the Noteholders' Meeting or instigate the Procedure in Writing within 1 (one) month after receipt of the respective Noteholders' written request.

All expenses in relation to the convening and holding the Meeting of Bondholders shall be covered by the Issuer.

Only those who were registered as the Noteholders by the end of the 6th (sixth) Business Day prior to convening the Noteholders' Meeting or instigation of the Procedure in Writing or proxies authorised by such Noteholders, may exercise their voting rights at the Noteholders' Meeting or in the Procedure in Writing.

If the Issuer is the Noteholder, the principal amount of the Notes owned by the Issuer will be excluded when a quorum is calculated.

- b) **Quorum:** Quorum at the Noteholders' Meeting or in respect of the Procedure in Writing only exists if (i) at least 2 (two) or more persons representing at least 50 (fifty) per cent of, or (ii) one Noteholder holding 100 (one hundred) per cent of, the principal amount of a Series of Notes outstanding are present in the meeting or provide replies in the Procedure in Writing.

If quorum does not exist at the Noteholders' Meeting or in respect of the Procedure in Writing, the Issuer can convene an adjourned Noteholders' Meeting or instigate a second Procedure in Writing, as the case may be, on a date no earlier than 14 (fourteen) days and no later than 28 (twenty-eight) days after the original meeting at a place to be determined by the Issuer.

The adjourned Noteholders' meeting constitutes a quorum, if (i) at least 2 (two) or more persons representing at least 10 (ten) per cent of, or (ii) one Noteholder holding 100 (one hundred) per cent of, the principal amount of a Series of Notes outstanding are present in the meeting or provide replies in the Procedure in Writing.

The notice of the adjourned meeting or, in the Procedure in Writing, information regarding the extended time for replies, must be given in the same manner as the notice of the original meeting or the Procedure in Writing. The notice must also include the requirements for a constitution of a quorum.

The voting rights of the Noteholders will be determined on the basis of the principal amount of the Notes held.

- c) **Noteholders decisions:** A Noteholders' Meeting or a Procedure in Writing may, at the request of the Issuer, make decisions that are binding on the Noteholders on:
- i. any amendments to the terms and conditions of the relevant Series of Notes, and
 - ii. a temporary waiver regarding the terms and conditions of the relevant Series of Notes. The consent of Noteholders representing at least 75 (seventy-five) per cent of the aggregate principal amount of the outstanding Notes attending the Noteholders' Meeting or participating in the Procedure in Writing will be required to make any amendments to the terms and conditions of the relevant Series of Notes, including:
 - a) change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the

Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes; or

- b) change Clause 4 (Status of the Notes), Clause 12 (f) (Redemption at the option of Noteholders upon a Change of Control), Clause 14 (Events of Default) or Clause 18 (Governing Law and Jurisdiction); or
- c) waive a breach of or amend an undertakings set out in Clause 13 (Special undertakings);
- d) change the quorum requirements of the Noteholders' Meeting or Procedure in Writing; and/or
- e) change the majority required for the decisions of the Noteholders' Meeting or Procedure in Writing.

Consent of simple majority (more than 50 (fifty) per cent) of all Noteholders or the Noteholders of the respective Series (as applicable) attending the Noteholders' Meeting or participating in the Procedure in Writing is required for a waiver regarding the terms and conditions of the relevant Series of Notes or to the decisions not covered in paragraphs (i) or (vi) above (as applicable).

Notes held by or for the account of the Issuer for its own account will not carry the right to vote at the Noteholders' Meetings and will not be taken into account in determining how many Notes are outstanding for the purposes of the present Clauses of these Terms and Conditions.

The Noteholders' Meeting and the Procedure in Writing can authorise a named person to take any necessary actions to enforce the decisions of the Noteholders' Meeting or the Procedure in Writing.

A matter decided at the Noteholders' Meeting or the Procedure in Writing is binding on all Noteholders of the relevant Series of Notes, irrespective of whether they were present at the Noteholders' Meeting or participated in the Procedure in Writing. Decisions made at the Noteholders' Meeting or in the Procedure in Writing are deemed to have been received by the Noteholders of the relevant Series at the time they have been notified to the Noteholders in accordance with Clause 17 (*Notices*), provided that a failure to do so shall not invalidate any decision made or voting result achieved. In addition, the Noteholders are obliged to notify subsequent transferees of the Notes of the resolutions of the Noteholders' meeting and the Procedure in Writing.

A notice to Nasdaq CSD must be given on (i) the convening of a Noteholders' Meeting or the request for a Procedure in Writing, and (ii) on their resolutions made in accordance with Nasdaq CSD Rules.

All expenses in relation to the convening and holding the Noteholders' Meeting or a Procedure in Writing shall be covered by the Issuer.

- d) **Meetings of Noteholders:** If a decision of the Noteholders is intended to be passed at the Noteholders' Meeting, then a respective notice of the Noteholders' Meeting shall be provided to the Noteholders in accordance with Clause 17 (*Notices*) no later than 10 (ten) Business Days prior to the meeting. Furthermore, the notice shall specify the time, place and agenda of the meeting, as well as any action required on the part of the Noteholders that will attend the meeting. No matters other than those referred to in the notice may be resolved at the Noteholders' Meeting.

The Noteholders' Meeting shall be held in Riga, the Republic of Latvia, and its chairman shall be the Issuer's representative appointed by the Issuer. At the choice of the Issuer the Noteholders' Meeting can be held also remotely by use of a videoconference platform. Requirements for the identification of the Noteholders at the Noteholders' Meeting that is held remotely will be set by the Issuer and communicated upon convening the Noteholders' Meeting.

The Noteholders' Meeting shall be organised by the chairman of the Noteholders' Meeting.

The Noteholders' Meeting shall be held in English with translation into Latvian, unless the Noteholders present in the respective Noteholders' Meeting unanimously decide that the respective Noteholders' Meeting shall be held only in Latvian or English.

Representatives of the Issuer and persons authorised to act for the Issuer may attend and speak at the Noteholders' Meeting.

Minutes of the Noteholders' Meeting shall be kept, recording the day and time of the meeting, attendees, their votes represented, matters discussed, results of voting, and resolutions which were adopted. The minutes shall be signed by the keeper of the minutes, which shall be appointed by the Noteholders' Meeting. The minutes shall be attested by the chairman of the Noteholders' Meeting, if the chairman is not the keeper of the minutes, as well as by one of the persons appointed by the Noteholders' Meeting to attest the minutes. The minutes from the relevant Noteholders' Meeting shall at the request of a Noteholder be sent to it by the Issuer.

- e) **Procedure in Writing:** If a decision of the Noteholders is intended to be passed by the Procedure in Writing, then a respective communication of the Procedure in Writing shall be provided to the Noteholders in accordance with Clause 17 (*Notices*). Communication to the Noteholders shall include:
- i. each request for a decision by the Noteholders;
 - ii. a description of the reasons for each request;
 - iii. a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights;
 - iv. instructions and directions on where to receive a form for replying to the request (such form to include an option to vote "yes" or "no" for each request), as well as a form of a power of attorney;
 - v. the stipulated time period within which the Noteholder must reply to the request (such time period to last at least 10 (ten) Business Days from the communication pursuant to paragraph e) above) and a manner of a reply; and
 - vi. a statement that if the Noteholder does not reply to the request in the stipulated time period, then it shall be deemed that the Noteholder has voted against each request.

When the requisite majority consents have been received in a Procedure in Writing, the relevant decision shall be deemed to be adopted even if the time period for replies in the Procedure in Writing has not yet expired.

- f) **Minor modification:** The Notes and these Terms and Conditions may be amended by the Issuer without the consent of the Noteholders to correct a manifest error or is to comply with mandatory provision of the applicable law. In addition, the Issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders.

16. Further Issues

The Issuer may from time to time, without the consent of and notice to the Noteholders, create and issue further Notes whether such further Notes form a single Series with already issued Notes or not. For the avoidance of doubt, this Clause 16 shall not limit the Issuer's right to issue any other notes.

17. Notices

Noteholders shall be advised of matters relating to the Notes by a notice in English and Latvian in the Central Storage of Regulated Information, on the website of Nasdaq Riga and on the Issuer's website www.conexus.

Any such notice shall be deemed to have been received by the Noteholders when sent or published in the manner specified in this Clause 17.

18. Governing Law and Jurisdiction

- a) **Governing law:** These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of the Republic of Latvia.
- b) **Courts of the Republic of Latvia:** Any dispute or claim arising out of or in relation to these Terms and Conditions, including any non-contractual obligation arising out of or in connection with the Notes, shall be finally settled by the courts of the Republic of Latvia.

FORM OF FINAL TERMS OF THE NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the General Terms and Conditions.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS: PRIIPs Regulation / EEA investor – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO THE UNITED KINGDOM ("UK") RETAIL INVESTORS: UK PRIIPs Regulation / UK Investor – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment; however, a distributor subject to UK MiFIR is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALE TO RUSSIAN/BELARUSIAN INDIVIDUALS/LEGAL ENTITIES. The Notes are not addressed to investors who are Russian or Belarusian nationals or natural person residing in the Russian Federation or the Republic of Belarus. The latter shall not apply to nationals of a Member States of the European Union or natural persons holding a temporary or permanent residence permit in a Member State of the European Union. The Notes are also not addressed to investors that is a legal person, entity or body established in the Russian Federation or the Republic of Belarus.

Final Terms dated [●]

JOINT STOCK COMPANY "CONEXUS BALTIC GRID" INTENDED FOR INFORMED INVESTORS

Legal entity identifier (LEI): 485100YDVP9E8GT6PJ90

Issue of [*Issue Amount of Tranche*] Notes due [●]

for the Issuance of Unsecured Fixed Rate Medium Term Notes up to EUR 80,000,000

[to be consolidated and form a single series with [●]]

Terms used herein shall be deemed to have the same meaning as defined for such terms in the section *General terms and Conditions of the Notes* (the "Conditions") set forth in the Base Prospectus for Listing of Unsecured Fixed Rate Medium Term Notes up to EUR 80,000,000 dated [●] 2022 which constitutes a base prospectus (the "Base Prospectus") for the purposes of the Prospectus Regulation. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all relevant information. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus.

The Base Prospectus is available for viewing on the website of the stock exchange of AS Nasdaq Riga ("Nasdaq Riga") (<https://nasdaqbaltic.com/>) and is also available at the Issuer's website www.conexus.lv as well as at the website of the Central Storage of Regulated Information <https://csri.investinfo.lv/>.

The expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

1.	Issuer:	AS "CONEXUS BALTIC GRID"
2.	(i) Series Number:	[●]
	(i) Tranche Number:	[●]
3.	Specified Currency:	Euro (EUR)
4.	Issue Amount:	
	(i) Series:	[●]
	(ii) Tranche:	[●]
5.	Issue Price:	[●]
6.	Nominal Amount:	EUR 100,000
7.	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	Issue Date
8.	Maturity Date:	[●]
9.	Final Redemption Amount:	Subject to any early redemption, the Notes will be redeemed on the Maturity Date at [●]
10.	Put/Call Options:	[●]
		[●]
		[●]
		(See paragraph 13-14-15-16-17 below)

11.	(i) Status of the Notes:	Unsecured
	(ii) Date Management Board decision for issuance of Notes obtained:	The Base Prospectus was approved by the decision of the Issuer's management board, dated 27 October 2022 The Final terms were approved by the decision of the Issuer's management board, dated [●][●][●] [<i>Management board approval on approving the Final Terms</i>]
PROVISIONS RELATING TO INTEREST PAYABLE		
12.	Fixed Rate Note Provisions	
	(i) Interest Rate:	The Fixed Rate of Interest is [●] per cent. per annum in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Maturity Date payable in arrears on each Interest Payment Date.
	(ii) Interest Payment Date(s):	[●] in each year
	(iii) Day Count Fraction:	Actual/Actual (ICMA)
PROVISIONS RELATING TO EARLY REDEMPTION		
13.	Call Option	[Applicable/Not applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	Voluntary Redemption Date(s):	3 months prior the Maturity Date
	Voluntary Redemption Amount(s) of each Note:	100% of Nominal Amount
	Notice period:	Not less than 10 days, no more than 30 days
14.	Make Whole Call Option	[Applicable/Not applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	Optional Redemption Date(s):	In accordance to Make Whole Call Option notice
	Optional Redemption Amount:	[●]/ [Make-Whole Redemption Amount] (i) Make-Whole Redemption Margin [●] (ii) Reference Bond [●]
	Notice period:	[●]
15.	De-Listing Put Option	[Applicable/Not applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) De-listing Event or Listing Failure Put Date:	[●]
	(ii) De-Listing Redemption Amount of each Note:	100% of Nominal Amount
	(iii) De-listing Event or Listing Failure Put Period /Notice period:	[●]
16.	Change of Control Put Option	[Applicable/Not applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Change of Control Redemption Date:	5th (fifth) Business Day following the end of the Change of Control Put Period

	(ii) Change of Control Redemption Amount of each Note:	100% of Nominal Amount
	(iii) Notice period:	Not less than 10 days, no more than 30 days
17.	Early Redemption Amount (Tax):	Applicable
	(i) Early Redemption Amount:	100% of Nominal Amount
	(ii) Notice period:	Not less than 30 days, no more than 60 days

Signed on behalf of the Issuer:

[●]

By:

Duly authorised

PART B – OTHER INFORMATION

1.	LISTING AND ADMISSION TO TRADING	
	(i) Estimate of total expenses related to admission to trading:	[●]
2.	RATINGS	[The Notes to be issued are not rated/ The Notes to be issued are rated]
3.	YIELD	
	Indication of yield:	[●]
		<i>The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.</i>
4.	OPERATIONAL INFORMATION	
	(i) ISIN:	LV [●]
	(ii) Delivery:	[Delivery [against / free of] payment] / [Early prepayment] [other details if needed]
	(iii) Settlement Date	[●]
5.	DISTRIBUTION	
	(i) Distribution period	[●]
	(ii) Method of Distribution:	[Syndicated/Non-syndicated]
	(iii) Name of Dealer[s]:	Skandinaviska Enskilda Banken AB (publ) Helsinki Branch on behalf of Skandinaviska Enskilda Banken AB (publ) [give names]
6.	OTHER INFORMATION	
	(i) Use of Proceeds:	[The proceeds of the issue of each Series of Notes will be used towards general corporate operations / [●]]
	(ii) Information about the securities of the Issuer that are already admitted to trading:	No other securities of the Issuer that are already admitted to trading

PRESENTATION OF FINANCIAL INFORMATION OF THE ISSUER

With the exception of certain alternative performance measures ("APMs"), the financial information included in this Base Prospectus has been derived from:

- the Company's annual report, representing audited financial statements for the financial year ending 31 December 2021 prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS") (the "2021 Financial Statements");
- the Company's annual report, representing audited financial statements for the financial year ending 31 December 2020 prepared in accordance with IFRS (the "2020 Financial Statements");
- the Company's unaudited condensed interim financial statements, representing unaudited condensed financial statements for the six months period ended 30 June 2022, prepared in accordance with the International Accounting Standard No. 34 (the "Interim Financial Statements", and together with the 2021 Financial Statements and 2020 Financial Statements, the "Financial Statements").

SIA "PricewaterhouseCoopers" audited 2021 Financial Statements and issued an unqualified auditor's report on the aforementioned financial statements. SIA "KPMG Baltics" audited the 2020 Financial Statements and issued an unqualified auditors' report on the aforementioned financial statements.

CHANGES IN PRESENTATION OF FINANCIAL INFORMATION

Changes in classification of the balancing income

Balancing income in Interim Financial Statements is presented in Income statement line item Revenue, as this more accurately reflects the nature of transactions. In both financial statements for 2020 and 2021 the balancing income was presented in Income statement line item Other income. Year 2020 and 2021 figures in this Base Prospectus have been restated to be comparable with 2022 interim figures.

Reclassification in the comparative indicators of 2020 within 2021 Financial Statements

As stated within the 2021 Financial Statements' Note 29 Accounting policies – Basis of preparation, in order to more accurately reflect the nature of costs and the model of cost groups used in the tariff calculation methodology, a reclassification was made in comparative indicators of 2020 within the 2021 Financial Statements. Depreciation of lease assets was reclassified from financial statement line item Other operating expenses to line item Depreciation, amortization and impairment of property, plant and equipment. The reclassification increased 2020 EBITDA and Depreciation by 87 thousand EURO, with no impact on the Company's net profit of 2020.

Segment assets definition adjustment

Until 2020, "Segment assets" management financial performance measure excluded Cash and cash equivalents. Starting from 2021, in order to more accurately reflect the nature of this performance measure, it includes Cash and cash equivalents. Within the 2021 Financial Statements, the 2020 comparative indicators were updated accordingly.

ALTERNATIVE PERFORMANCE MEASURES

This Base Prospectus includes certain references to APMs derived from the Financial Statements such as EBITDA, net debt, EBITDA profitability, net profitability, return on equity ratio (**ROE**), net debt to equity, shareholders' equity ratio, net debt to EBITDA ratio and Debt-Service Coverage Ratio (**DSCR**). The Company uses these APMs to evaluate its performance, and this additional financial information is presented in this Base Prospectus. This information should be viewed as supplemental to the Financial Statements. Investors are cautioned not to place undue reliance on this information and should note that the APMs, as calculated by the Company, may differ materially from similarly titled measures reported by other companies, including the Company's competitors.

The APMs presented in this section are not defined by IFRS. An APM should not be considered in isolation from, or as substitute for any analysis of, financial measures defined by IFRS. Investors are advised to review these APMs in conjunction with the Financial Statements contained in this Base Prospectus.

The following tables present the selected APMs of the Company for the indicated periods or as of the indicated dates:

		Year ended 31 December		Six months ended 30 June	
		2020	2021	2021	2022
EBITDA	€ thousand	30,103	33,565	19,292	16,903
Net profitability	per-cent	24%	23%	27%	19%
EBITDA profitability	per-cent	56%	59%	65%	61%
Debt-service Coverage Ratio (DSCR)	ratio	8.3	3.7	7.8	2.4

		As at 31 December		As at 30 June	
		2020	2021	2021*	2022
Return on Equity ratio (ROE)	per-cent	4%	4%	2%	2%
Net debt to equity	per-cent	6%	30%	30%	27%
Shareholders' equity ratio	per-cent	89%	71%	74%	74%
Net debt to EBITDA ratio	Ratio	0.8	3.0	2.9	2.9
Net debt	€ thousand	22,881	99,550	97,768	90,002

*Information derived from unaudited condensed interim financial statements of the Company for the period from 1 January to 30 June 2021.

Management of the Company uses EBITDA, net debt, EBITDA profitability, net profitability, ROE, net debt to equity, shareholders' equity ratio, net debt to EBITDA ratio and DSCR measures because the Company believes that these measures are commonly used by lenders, investors and analysts.

These measures are presented for purposes of providing investors with a better understanding of the Company's financial performance, cash flows or financial position as they are used by the Company when managing its business.

EBITDA

EBITDA should not be considered as alternative to profit before tax as defined by IFRS or to cash flows from operating activities (or any other performance measure determined in accordance with IFRS) or as indicator of operating performance or as measure of the Company's liquidity. EBITDA should not be considered as measures of discretionary cash available to the Company to invest in the growth of the Company's businesses.

EBITDA has certain limitations as an analytical tool, and should not be considered in isolation, or as a substitute for financial information as reported under IFRS. Investors should not place undue reliance on this data.

EBITDA in this Base Prospectus is presented, for each period, as: earnings before interest, corporate income tax, finance costs, and depreciation, amortisation, and impairment of property, plant and equipment.

No statement in this Base Prospectus is intended as a profit/EBITDA forecast and no statement in this Base Prospectus should be interpreted to mean that the earnings of the Company for the current or future years would necessarily match or exceed the historical published earnings of the Company.

The table below presents reconciliation of EBITDA to the net profit:

		Year ended 31 December		Six months ended 30 June	
		2020	2021	2021	2022
Net profit	€ thousand	13,112	13,217	8,138	5,397
Corporate income tax	€ thousand	-	2,257	2,257	2,387
Finance costs	€ thousand	169	286	114	191
Depreciation, amortisation, and impairment of property, plant and equipment	€ thousand	16,823	17,806	8,783	8,928
EBITDA	€ thousand	30,103	33,565	19,292	16,903

EBITDA profitability

EBITDA profitability is a measure that shows how much in earnings a company is generating before interest, taxes, depreciation and amortization, as a percentage of revenue. The EBITDA profitability is calculated by dividing EBITDA by the revenue of the reporting period.

Net debt

Net debt consists of outstanding borrowings at the end of the period subtracting cash and cash equivalents at the end of the period. Outstanding borrowings list all debts on which interest shall be paid – long term loans, short term loans, overdrafts and a bank guarantee. The bank guarantee totalling 16.17 million EUR is issued to cover the Company's liability against Poland gas transmission system operator GAZ-SYSTEM S.A., the implementor of the Gas Interconnection Poland-Lithuania (GIPL) project. The bank guarantee will be terminated, once the Company makes the payment of 14.7 million EUR to GAZ-SYSTEM S.A in the year 2023. The bank guarantee is not recognized as a liability on the Company's balance sheet.

The net debt is used as a finance indicator itself and for the purpose of calculating the net debt to equity ratio by which the Company monitors its capital structure.

The following table illustrates the methodology the Company uses to determine net debt of the Company:

		As at 31 December		As at 30 June	
		2020	2021	2021*	2022
Borrowings	€ thousand	38,045	114,226	100,173	90,275
<i>including</i>					
<i>Long-term borrowings</i>	<i>€ thousand</i>	<i>-</i>	<i>60,283</i>	<i>66,694</i>	<i>58,052</i>
<i>Short-term borrowings</i>	<i>€ thousand</i>	<i>21,875</i>	<i>12,823</i>	<i>12,823</i>	<i>8,964</i>
<i>Overdraft</i>	<i>€ thousand</i>	<i>-</i>	<i>24,950</i>	<i>4,486</i>	<i>7,080</i>
<i>Guarantees</i>	<i>€ thousand</i>	<i>16,170</i>	<i>16,170</i>	<i>16,170</i>	<i>16,179</i>
Cash and cash equivalents	€ thousand	15,164	14,676	2,405	264
Net DEBT	€ thousand	22,881	99,550	97,768	90,011

* Information derived from unaudited condensed interim financial statements of the Company for the period from 1 January to 30 June 2021.

Net profitability

Net profitability is a measure that shows the percentage of profit a Company produces from its total revenue. The net profitability is calculated by dividing net profit by the revenue of the reporting period.

Return on Equity ratio (ROE)

Return on equity (ROE) is a measure of profitability of the equity and indicates the efficiency of equity used in profit generation of the Company. The ROE is calculated by dividing net profit for the period by the average value of total equity over the period. For six-month period, the net profit of corresponding six months is used. The average value of total equity over the period is computed as the sum of the equity value at the beginning and end of the period, divided by 2.

Net debt to equity

Net debt to equity is the ratio of net debt at the end of the year to equity at the end of the year and is used as a measure of both indebtedness and borrowing capacity.

Shareholders' equity ratio

The shareholder equity ratio measures how much of a Company's assets have been generated by issuing equity shares rather than by taking on debt. The Shareholders' equity ratio is calculated by dividing equity at the end of the period by the total assets at the end of the period.

Net debt to EBITDA ratio

Net debt to EBITDA is used as a measure of financial leverage and the Company's ability to pay off its debt. The ratio is calculated by dividing the net debt by the trailing twelve months EBITDA. The ratio gives an indication as to how long the Company would need to operate at its current level to pay off all its debt.

Debt-Service Coverage Ratio (DSCR)

Debt-service Coverage Ratio (DSCR) is a measurement of a Company's available cash flow to pay current debt obligations. The ratio is calculated by dividing the trailing twelve months EBITDA by debt payments.

ROUNDING

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CURRENCIES

In this Base Prospectus, financial information is presented in euro (EUR), the official currency of the EU Member States in the Eurozone.

DATE OF INFORMATION

This Base Prospectus is drawn up based on information which was valid as of the date of the Base Prospectus. Where not expressly indicated otherwise, all information presented in this Base Prospectus (including the financial information of the Company, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than the date of the Base Prospectus, this is identified by specifying the relevant date.

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain statistical data and other information appearing in this Base Prospectus have been extracted from public sources identified in this Base Prospectus. None of the Arranger, the Dealer or the Issuer accepts responsibility for the factual correctness of any such statistics or information, but the Issuer accepts responsibility for accurately extracting and transcribing such statistics and information and believes, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at the dates

and for the periods with respect to which they have been presented. The Issuer confirms that all such third-party information has been accurately reproduced and, so far as the Issuer is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

WEBSITES

Information contained in any website referred to herein does not form part of this Base Prospectus (except information listed in *Information incorporated by reference*).

OVERVIEW OF THE FINANCIAL INFORMATION

HISTORICAL INFORMATION

The following table is a summary of the Company's financial performance and key performance indicators for the two financial years ending 31 December 2020 and 31 December 2021 respectively and interim periods ended 30 June 2021 and 30 June 2022.

With the exception of APMs discussed in *Presentation of Financial Information of the Issuer*, the financial information as of and for the years ended 31 December 2021, 31 December 2020, 30 June 2021 and 30 June 2022 incorporated by reference in this Base Prospectus has been derived from the Financial Statements.

The summary financial data in the tables below should be read together with the Financial Statements, including the notes thereto, and which are appended to this Base Prospectus and form an integral part of it. Please also see *Presentation of Financial Information of the Issuer and Risk Factors – Financial Risks* herein.

		As at 31 December		As at 30 June	
		2020	2021	2021*	2022
Financial indicators					
Total assets	€ thousand	453,092	468,070	442,277	443,869
Total equity	€ thousand	404,649	332,404	327,654	328,230
Total borrowings	€ thousand	21,875	98,056	84,003	74,096
Cash and cash equivalents	€ thousand	15,164	14,676	2,405	264
<hr/>					
		Year ended 31 December		Six months ended 30 June	
		2020	2021	2021	2022
Financial indicators					
Revenue**	€ thousand	54,283	56,911	29,686	27,677
Net profit	€ thousand	13,112	13,217	8,138	5,397
Additions to Property, plant and equipment and intangible assets	€ thousand	22,118	27,352	10,388	5,887
<hr/>					
Cash flow from					
– operating activities	€ thousand	35,531	27,890	17,259	21,227
– investing activities	€ thousand	(21,803)	(19,740)	(7,595)	(1,974)
– financing activities	€ thousand	(20,069)	(8,637)	(22,423)	(33,665)
Net cash flow	€ thousand	(6,341)	(488)	(12,759)	(14,412)
<hr/>					
Management financial performance measures					
EBITDA	€ thousand	30,103	33,565	19,292	16,903
EBITDA profitability	per-cent	55%	59%	65%	61%
Net profitability	per-cent	24%	23%	27%	19%
Return on Equity ratio (ROE)	per-cent	3.5%	3.6%	2.0%	1.6%
Shareholders' equity ratio	per-cent	89%	71%	74%	74%
Net debt to EBITDA ratio	ratio	0.76	2.97	2.94	2.89
Debt-service Coverage Ratio (DSCR)	ratio	8.26	3.73	7.78	2.43

Operating indicators					
Transmitted natural gas	TWh	37.4	39.3	22.1	16.8
Total amount of natural gas stored by system users in Inčukalns UGS at the beginning of withdrawal session***	TWh	21.5	17.4	11.3	9.7
Natural gas for consumption in Latvia	TWh	11.6	12.5	7.0	4.8
Volume of natural gas withdrawn from Inčukalns UGS	TWh	11.6	17.9	12.1	7.2

** Information derived from unaudited condensed interim financial statements of the Company for the period from 1 January to 30 June 2021*

***Includes revenue from gas transmission and gas storage segment, and net income from transmission system balancing activities.*

****for six months periods ended 30 June: as at the 30 June 2021 and 30 June 2022*

TREND INFORMATION

There has been no material adverse change in the Company's financial or trading position since 31 December 2021 – date of the last published audited financial statements of the Issuer.

As of the date of this Base Prospectus there is no information on any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for 2022.

PROFIT FORECASTS OR ESTIMATES

The Company has not made any profit forecast or profit estimate in this Base Prospectus.

USE OF PROCEEDS

Unless otherwise specified in the applicable Final Terms the proceeds of the issue of each Series of Notes will be transferred to the Issuer and used towards general corporate purposes.

DESCRIPTION OF THE COMPANY

OVERVIEW

General information

Legal and commercial name of the Akciju sabiedrība "Conexus Baltic Grid" Company

Legal form of the Company Joint stock company

Place of registration of the Company (legal address) Stigu street 14, Riga, LV-1021, Republic of Latvia

Corporate ID (registration number) of the Company 40203041605

LEI 485100YDVP9E8GT6PJ90

Legislation under which the Company operates The laws of the Republic of Latvia

Date and place of registration (incorporation) 2 January 2017, Riga, Republic of Latvia

Telephone number +371 67 087 900

E-mail info@conexus.lv

Website <https://www.conexus.lv/>

The information on the website does not form part of the Base Prospectus, unless certain information is incorporated by reference into the Base Prospectus (please see *Information Incorporated by Reference*)

Type of principal activity

Main activities:

1. Transport via pipeline, including transportation and transit of natural gas, NACE code 49.50
2. Storage and warehousing, including storage of natural gas, NACE code 52.10

Supporting activities:

1. Engineering activities and related technical consultancy, NACE code 71.12
2. Development of building projects, NACE code 41.1; Construction of residential and non-residential buildings, NACE code 41.2; Civil engineering, NACE code 42
3. Development of building projects, NACE code 41.1; Construction of residential and non-residential buildings, NACE code 41.2; Civil engineering, NACE code 42
4. Plumbing, heat and air-conditioning installation, NACE code 43.22; Other specialised construction activities, NACE code 43.99
5. Other construction installation, NACE code 43.29

Shareholders

Akciju sabiedrība "Augstsprieguma tīkls" (Republic of Latvia) – 68.46%

	"MM Infrastructure Investments Europe Limited" (UK ¹) – 29.06%
	Other shareholders – 2.48%
Management Board members	Uldis Bariss – Chairman of the Management Board Gints Freibergs – Member of the Management Board Mārtiņš Gode – Member of the Management Board
Supervisory Council members	Ilmārs Šņucins – Chairman of the Supervisory Council Tomohide Goto – Deputy Chairman of the Supervisory Council Zane Āboliņa – Member of the Supervisory Council Yukiko Fujii – Member of the Supervisory Council Ivars Moisejs – Member of the Supervisory Council Viktors Sentuhovskis – Member of the Supervisory Council Normunds Šuksts – Member of the Supervisory Council
Accounting period	1 January – 31 December

Strategy

The key medium-term (2022-2027) objectives of the Company are related to three areas: market development, infrastructure development and sustainability. The strategic objectives have been set in line with the Company's values, vision and mission – to ensure reliable operation of natural gas transmission and storage through promotion of energy sector decarbonisation and market development.

The strategic objectives defined in the Company's medium-term strategy for 2022-2027 are as described below.

Promoting development and further integration of natural gas market, including promotion for growth of biomethane, hydrogen and other gaseous energy carriers' markets

- Integration of FINESTLAT and Lithuanian gas markets and ensuring that market participants have no cross-border charges for the usage of Inčukalns UGS;
- Cooperation with other regional transmission system operators to develop a unified position regarding the integration of biogas and hydrogen into the transmission networks;
- Further development of Inčukalns UGS services to improve attractiveness of storage products by improving transparency, flexibility, injection and withdrawal certainty, as well as incorporate compression withdrawal option;
- Support biomethane injection into transmission network.

Ensuring available and secure natural gas transmission and storage infrastructure, at the same time researching and promoting adaptation options for injection of other gaseous energy carriers:

- Implement projects of common interests;
- Preparation and execution of a plan to increase of pressure in the transmission network 's international gas pipelines to 50bar after the completion of the enhancement of the Republic of Latvia – the Republic of Lithuania interconnection project;
- Execution of research and development projects to identify technical options and necessary investments for retrofitting or repurposing the existing infrastructure for blending or pure hydrogen usage, including building a dedicated hydrogen infrastructure;
- Revision of asset maintenance policy considering the new and potential environmental regulations as well as results of the studies concerning hydrogen;

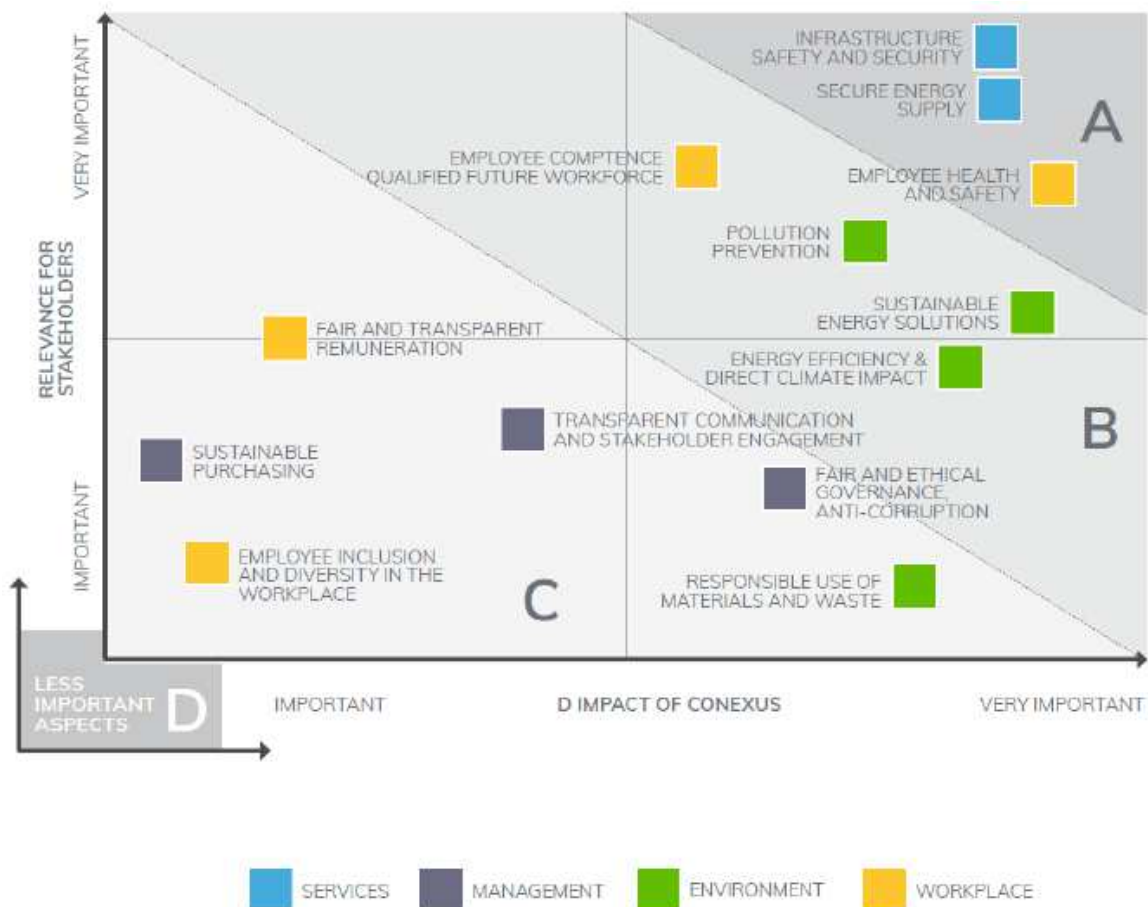
¹ Ultimate shareholder is listed on the Tokyo Stock Exchange in Japan. Please see *Description of the Company – Shareholders* for more details.

- Install a new compressor unit in Inčukalna UGS and optimise other technological aspects for compression withdrawal by 2025.

Focus on climate and environmental sustainability aspects

- To represent the Company's interests that focus on sustainability, the company has developed an internal ESG (environmental, social, governance) standard for its relevant activities, consisting of:
 - **E** - regional market integration that supports renewable gas development, secure transmission and storage infrastructure, while focusing on methane, NO_x and other emission reduction;
 - **S** - safety oriented culture, professional and development-oriented team;
 - **G** - Maintain high corporate governance standards and comply with the Corporate Governance Code.
- In favour of ESG standard, the Company has created a sustainability matrix for classification of sustainability linked activities:
 - **A** - priority aspects which foresee safe and continuous provision of service;
 - **B** - field of aspects where the Company should contribute to reduce its environmental impact and facilitate a change in business model;
 - **C** - field of aspects that contribute to the openness, fairness of the Company and stakeholder involvement;
 - **D** - other aspects of liability where the Company must ensure compliance and a sufficient level of performance.

The Company's sustainability matrix:



- The main sustainability linked strategic initiatives aims to reduce environmental footprint by reduction of green-house gas emissions. The Company plans to achieve particular objective by reducing methane and NO_x emissions.
 - Activities for methane emission reduction:
 - Compliance with the EU regulation on methane emissions reduction in the energy sector from greenhouse gas and energy efficiency scope;
 - Revision of current methodology for CH₄ emission quantification according EU guidelines and best practises till 2023;
 - Implementation of standardized framework (e.g. Greenhouse Gas Protocol) for greenhouse gas management, set proper baseline and target for greenhouse gas reduction for 2030/2050 till 2023;
 - Define approach to venting, flaring, fugitives and other related issues till 2023;
 - Assess implementation of best available technologies to reduce greenhouse gas emissions and to increase energy efficiency considering safety, technical, environmental, and economic aspects till 2024;
 - Implement CH₄ leak detection and repairment program till 2025;
 - Continue ongoing infrastructure modernization projects which will reduce greenhouse gas emissions and increase energy efficiency;
 - Installation of solar electricity production plant (1 MW) in Inčukalns UGS till 2026;
 - Use of biomethane for own consumption where possible.
 - Activities for NO_x emission reduction:
 - Compliance with Directive 2015/2193;
 - Agreement on exception with the State Environmental Service for NO_x emissions limits for GPA 12z330 in Inčukalns UGS, according to Directive 2015/2193 for 2025 - 2030 till 2024;
 - Reviewing long-term viability after 2030 of Compressor station No 2 considering NO_x emission standard and mitigation options, and an overall environmental impact assessment till 2024;
 - Continue modernization project of GPA 12z330 in Inčukalns UGS;
 - Replacement evaluation for small combustion plants with more efficient transmission and storage systems;
 - Assess implementation of best available technologies to reduce NO_x emissions till 2024.
 - Activities for environmental management improvement:
 - Prior installation of new equipment in Inčukalns UGS upgrade of polluting activities permit category from B to A till 2026;
 - Continuous development and certification of environment management system according to ISO 14001, ISO 50001;
 - Continuous improvement of emergency planning and cooperation with involved stakeholders.

Horizontal targets closely related to all planned medium-term activities

Alongside the strategic targets, the Company has defined ***three horizontal targets closely related to all planned medium-term activities***. These horizontal targets complement the strategic objectives and contribute to their implementation. The defined guidelines are as follows:

- Focus on organizational development and efficiency;

- Developing sustainability reporting according to Global Reporting Initiative, and subsequently according to the proposed Corporate Sustainability Reporting Directive;
- Develop and maintain ESG framework to facilitate financing options, including bond issues and compliance with the regulatory requirements;
- Digitalisation and cybersecurity
 - Continue digitalization efforts: SCADA (supervisory control and data acquisition), physical security and fire safety system's modernization; continuous maintenance and development of management IT;
 - The focus on cybersecurity includes modernisation of key IT systems; improvement of cyber crisis response capabilities and IT supply chain security and strengthened cooperation with national cybersecurity authorities;
- Professional and development-oriented team
 - Personnel development (skills, knowledge, work culture) to facilitate sustainability transition by focusing on individual development plans and fostering competencies and expanded knowledge in the field of sustainable gas technologies.

Infrastructure safety and security

Secure, accessible and market-compliant infrastructure is one of the Company's strategic goals, arising from the services provided by the Company. The Company is constantly improving technological solutions to improve inspection and monitoring processes, and significant investments are made in the improvement of the infrastructure. The Occupational Health, Safety and Environmental Management Policy and the Asset Management Policy form the basis for the reliable operation of the transmission and storage infrastructure:

- the Company has a safety management system, a plan for measures to reduce the risk of occupational accidents, and a plan for disaster prevention;
- the Company adheres to mandatory standards and requirements for asset maintenance, inspection, diagnosis and repair;
- the Company has established work procedures and instructions for transmission and storage system diagnosis and analysis, operation and maintenance (e.g., repair), and operations (e.g., emergency and accident response) that ensure identification of potential hazards;
- employees are regularly informed and trained on occupational safety issues;
- civil protection trainings are organised every three years together with other participating organizations;
- emergency preparedness exercises are conducted at least every three months in accordance with approved emergency response plans.

Protected zones have been established around the Company's infrastructure where construction or human activities unrelated to that infrastructure are not permitted. The Company maintains high security requirements and investigates threats and incidents.

Inčukalns UGS is classified as an object of increased danger due to the amount of chemical substances (methanol, natural gas) stored in it. In order to protect the surrounding population and the environment from possible industrial risks, protection zones of different sizes have been established in the storage. Equipment is available at the site to prevent explosions, fires and accidents, as well as a range of measures to manage dangerous situations. One of the most important safety tools is the reporting and monitoring technologies implemented at Inčukalns UGS, as well as agreements with qualified organizations for emergency response and prevention.

In recent years, the physical security systems of Inčukalns UGS and gas transmission infrastructure have been assessed and system modernisation planning has been initiated. In 2021, a construction project for upgrading the physical security and fire protection systems of the Inčukalns UGS and gas transmission infrastructure was developed and approved by the Company's Management Board and Supervisory Council, and procurement of system supply and installation is currently in process.

Secure energy supply

According to the services provided by the Company – gas storage and transmission – the Company's strategic task is to also guarantee a secure and uninterrupted energy supply, directing significant investments for this purpose. The Company ensures transparent, equitable and stable access to transmission and storage services.

Measures taken and initiated by the Company for the supply of secure energy include:

- maintenance and modernization of appropriate technical, information technology and cyber security infrastructure;
- implementation of a digital asset management system and projects of common interest to the EU;
- independent internal system diagnostics and reduction of detected incidents, striving to completely prevent incidents;
- optimised maintenance planning to reduce capacity constraints;
- establishment of a common balancing zone with Estonian natural gas transmission network;
- supply and demand trends are regularly monitored and evaluated to ensure a decrease during the period of higher consumption (winter);
- integration of the emergency plan related to wells into the civil protection plan;
- coordinating repair plan and publishing coordinated UMM (Urgent Market Messaging) on a single website with neighbouring transmission operators;
- compliance with third party access (TPA) rules – capacity reservation, nomination, balancing, billing, timely and correct market information;
- open communication with market participants.

Currently the obligations of the Company in the area of security of natural gas supply have been set in the Cabinet of Ministers Regulation No 312 Procedures for the Supply of Energy Users and Sale of Heating Fuel During Declared Energy Crisis and in Case of Endangerment to the State.

Latvian government ordered to obtain 1.8 - 2.2 TWh gas reserves necessary to ensure the security of energy supply in Latvia. The reserves will be purchased by the state-owned company akciju sabiedrība "Latvenergo" and stored in Inčukalns UGS.

New liquified natural gas terminals are expected to be built in the Republic of Estonia and the Republic of Finland by end of year 2022. These will become additional natural gas sources to the region. Another liquified natural gas terminal is expected to be constructed in the Republic of Latvia in 2023/2024.

EU rule proposes to fill gas storages at 80% of 5 years average domestic gas consumption. Since Inčukalns UGS is regional storage, the target for Latvia is set at 35% rate. This corresponds to 18% from the total storage filling capacity.

Sustainable and efficient management

Sustainability reporting

In 2020 the Company carried out its first sustainability analysis. Building on this, in 2021 the Company defined the 13 most appropriate sustainability aspects that the Company should take care of with the highest degree of responsibility, which were devised by the involvement of representatives of all main stakeholders (a total of 250 main stakeholders and experts were approached. These aspects were addressed within the 2021 Sustainability report, which has been prepared in accordance with GRI² standards and published on the Company's website in April 2022.³

² Global Reporting Initiative, <https://www.globalreporting.org/about-gri/>.

³ <https://www.conexus.lv/financial-statements/akciju-sabiedribas-conexus-baltic-grid-2021-gada-ilgtspijas-un-finansu-parskats>

Corporate governance

The Company has also assessed compliance with the Corporate Governance Code, which consists of 17 principles that promote the long-term enhancement of the Company's value, its efficient management and transparency.

The Corporate Governance Code was developed in December 2020 by the Corporate Governance Advisory Board established by the Ministry of Justice, and is due to be fulfilled for certain companies by 2022. However, the Company has voluntarily reported on its compliance with the Corporate Governance Code in the mentioned Company's 2021 Sustainability Report (published on the Company's website),⁴ ahead of schedule.

Out of 16 principles that are applicable to the Company, the Company has fully complied with 15 principles and partially complied with 1 principle. The Company has not yet fully complied with the principle No. 9 "The Company's Council has independent council members". The Company does not have a policy for evaluation of proportion of independent Supervisory Council members and Supervisory Council membership candidates did not provide proof of eligibility to the independence criteria prior to elections. However, all members of the Supervisory Council comply with the requirements specified in the Commercial Law, as well as have confirmed in writing that they comply with the requirements of the Energy Law as described in *REGULATION – Regulation relating to gas transmission and storage – 0Transmission and storage system operator certification requirements*. Pursuant to Article 58 of the Company's Supervisory Council Regulation, the members of the Supervisory Council must inform Conexus of their participation and positions in other companies, as well as that of their spouses and children. The Company is compliant with a subsection of the principle No. 9, namely "At least half of the members of the Council must be independent", which is corroborated by appropriate declaration of independence submitted by members of the Supervisory Council.

Sustainable energy solutions

The energy sector plays an important role in the society's direction towards a sustainable and carbon-neutral future. The importance of climate-friendly and sustainable energy solutions and stakeholder expectations have grown rapidly in light of Europe's green trajectory, changes in the EU and national policies, plans, and regulations.

According to the draft scenario report Ten-Year Network Development Plan 2022 ("**TYNDP**") of the European Network of Transmission System Operators for Gas and Electricity (ENTSO-G and ENTSO-E)⁵, there are three distinctly different potential scenarios for the development of the energy sector in the EU until 2050:

- national trend scenario;
- global ambition scenario;
- shared energy scenario.

Despite the decline in consumption, natural gas continues to play an important role in the overall structure of the Republic of Latvia's primary energy consumption.

Following global trends, the Company has considered the risks of energy policy in its risk assessments, which are considered in long-term strategic planning.

The Company recognises its role in creating a carbon-neutral, integrated energy system in the long term and is focused on developing renewable gas, carbon-neutral and low-carbon gases, and organising business processes toward a circular economy.

The Company works for the transition to a greener energy sector is based on the following pillars:

- improving the understanding, knowledge and competence of the Company's employees;
- improved infrastructure to be ready for the storage and transmission of sustainable gases;
- collaboration with other stakeholders to develop a sustainable gas market;
- participation in national and regional policy-making processes.

The National Energy and Climate Plan (the "**NECP**") for 2021-2030 is a strategically important energy policy document in the Republic of Latvia. The Republic of Latvia has set a target to obtain 50% of consumed energy from renewable energy sources and to reduce greenhouse gas emissions by 65% (compared to 1990) by 2030. In July 2021, the European Commission launched the "Fit for 55"⁶ energy and climate change package, which aims

⁴ <https://www.conexus.lv/financial-statements/akciju-sabiedribas-conexus-baltic-grid-2021-gada-ilgtspijas-un-finansu-parskatsa>

⁵ <https://2022.entsos-tyndp-scenarios.eu/foreword/>

⁶ <https://www.consilium.europa.eu/lv/policies/green-deal/eu-plan-for-a-green-transition/>

to reduce greenhouse gas emissions by 55% by 2030 and achieve climate neutrality by 2050. In 2021, the Ministry of Economy announced an impact assessment for the "Fit for 55" package. The review of the Latvian NECP will begin in 2022, with the goal of submitting the Latvian NECP to the European Commission by June 2023.

Recent events and investments

- the Company as the natural gas transmission system operator of the Republic of Latvia and the natural gas transmission system operators of the Baltic States and the Republic of Finland have signed a memorandum of understanding⁷, which envisages the promotion of the development of green or renewable energy gases. Transmission system operators cooperate in the following green gas areas: joint research on possible gas transmission system decarbonisation; green gas integration into existing infrastructure; potential development of new infrastructure; research on cross sectoral integration; other technological processes and pilot projects.
- the Company has launched a joint research and development project with its international partners – the natural gas network operators of the Republic of Lithuania, the Republic of Estonia and the Republic of Finland – for the injection and transmission of hydrogen into the gas transmission system⁸;
- the Company has joined the European Hydrogen Backbone Initiative⁹, a group of European gas transmission system operators that has developed proposals for the development of a hydrogen infrastructure based largely on the conversion of natural gas pipelines;
- the Company submitted six projects for inclusion in ENTSOG TYNDP 2022, of which:
 - the projects "Enhancement of the Inčukalns UGS" and " Enhancement of Latvia – Lithuania Interconnection " – are included in the European Parliament's list of projects of common interest under Regulation (EU) No 347/2013 (17 April 2013) and are being implemented;
 - the project "Skulte LNG Terminal with Supply Pipeline" – was resubmitted to TYNDP (was included in TYNDP 2020);
 - the new projects "Implementation of Smart Integrated Solutions for Renewable Gas Supply in the Transmission System", "Adaptation of the Cross-Border Gas Transmission System for Hydrogen Transportation" and "Inčukalns UGS as a Seasonal Storage of Hydrogen in the Baltic Region above 1 TWh" – new projects submitted for clean energy as defined by the European Green Course.
- the Company is participating in the European Gas Infrastructure (GIE) Gas Storage Working Group study "Demonstration of Underground Hydrogen Storage Paths and Values Relevant to the Future Hydrogen Energy Market";
- the Company acts as coordinator of the regional group of operators in matters related to the injection of hydrogen into the gas infrastructure;
- the first direct user connection to the gas transmission network has been put into operation¹⁰;
- international cooperation with other countries' gas transmission system operators, involving the Green Gas Coordination Group, the European Hydrogen Backbone, the European Hydrogen Alliance, GIE, and ENTSOG on low-emission gas issues.

HISTORY AND DEVELOPMENT OF THE COMPANY

The Company's history dates back six decades, when a decision was made on construction of the transmission pipeline Dashau-Minsk-Vilnius-Riga and on the necessity to create a gas storage facility.

In the beginning of the 1960s, the main gas pipeline Dashau-Minsk-Vilnius-Riga reached Riga, with the total length of the pipeline 1,260 km. At the same time, geological studies were carried out with respect to natural gas storage and it was discovered that several geological structures exist in the Republic of Latvia that are suitable for the creation of UGS. Moscow Institute of Science and Research VNIIGAZ developed the technological project of

⁷ <https://www.conexus.lv/press-releases/pso-paraksta-saprasanas-memorandu-par-zalaku-energoresursu-attistibu>

⁸ <https://www.conexus.lv/press-releases/conexus-ar-starptautiskajiem-partneriem-uzsak-vienotu-petniecibas-un-attistibas-projektu-udenraza-ievadisana-un-transportesana-gazes-parvade>

⁹ <https://gasforclimate2050.eu/ehb/>

¹⁰ <https://www.conexus.lv/press-releases/ekspluatacija-nodots-pirmais-tiesais-pieslegums-gazes-parvades-sistemai>

Inčukalns UGS, and Saint-Petersburg Design Institute GIPROSPECGAZ developed the detail design of Inčukalns UGS. By 8 August 1968, Inčukalns UGS was built. It is located between Ragana and Murjāņi, however, in the process of construction all technological equipment was delivered to Inčukalns railway station, specifying Inčukalns as the destination in all shipping documents; as a result, this became the name of the gas storage facility.

On 9 August 1968, natural gas was pumped into Inčukalns UGS for the first time. Starting from 1969, the second and third round of expansion of the facility were being implemented, in order to achieve 4 billion cubic metres of stored natural gas.

During this time, the throughput rate of the main gas pipeline Dashau-Minsk-Vilnius-Riga was no longer deemed sufficient and a new gas pipeline was built: Valdai-Pskov-Riga. On 10 September 1972, the first millions of cubic meters of natural gas were pumped from it into the storage facility. By the end of 1980, the length of gas networks in the Republic of Latvia reached 652 km. Works continued and next gas pipelines Saurieši-Ogre-Jēkabpils-Daugavpils was finished in 1986.

After the collapse of the Soviet Union in 1991, the whole natural gas supply infrastructure and institutions located in the territory of the Republic of Latvia were united in the Joint stock company "Latvijas Gāze".

During 2000-2015, the third round of expansion and complete reconstruction of Inčukalns UGS was implemented in order to achieve the limit of five billion cubic metres of stored natural gas. The limit of a total of 4.5 billion cubic metres of the stored natural gas was reached.

The Company was set up in December 2016 (registered on 2 January 2017), when Joint stock company "Latvijas Gāze" was reorganised into two separate structural units due to following liberalization of the Latvian natural gas market on 3 April 2017, in accordance with the principles of regulated market established by the EU Gas Directive¹¹ and the Cabinet of Ministers. The Company was handed over the natural gas infrastructure: the unified natural gas transmission system and Inčukalns UGS. By separating these units, development opportunity was given, restricting historical natural gas monopolies and freeing up the way for competition both locally and on a European scale.

On 5 January 2017, PUC issued licences to the Company on rights and duties to conduct commercial activity in the transmission of natural gas in the Republic of Latvia and the storage of natural gas at Inčukalns UGS.

In 2019, Baltic Connector – a two-way gas pipeline in the Baltic Sea between the Republic of Estonia and the Republic of Finland – was completed. The pipeline provides the Republic of Finland with access to the Latvian natural gas storage facility at Inčukalns and also enables potential construction of the regional liquefied natural gas terminal.

In 2020, the Republic of Latvia, the Republic of Estonia and the Republic of Finland created a common market area ("**Common Market Area**") that became the first unified market region of such type in the EU. This development brings benefits foremost to the gas traders, as the payments for crossing the national borders of the unified entry tariff zone were cancelled, unified transmission tariffs were set, market competition was promoted and a path was marked to create a unified EU gas market. The unified transmission tariffs and cancellation of internal commercial borders eased materially the administrative burden of the sellers, and a transparent and simple tariff system was developed that had positive influence on the use of natural gas infrastructure. Income gained on the external borders of the Common Market Area is divided among the three countries, which confirms the common purpose of the unified market member states to strengthen the energy safety in the region.. Actions on the possible accession of the Republic of Lithuania to Common Market Area are ongoing.

In recent years, there were changes in the Company's shareholders. In April 2020, MM Infrastructure Investments Europe Limited (Japan) acquired 29.06% of the Company's share capital. In July 2021, Latvian state-owned akciju sabiedrība "Augstsprieguma tīkls" acquired 34.1 % of the Company's shares, resulting in 68.46% of the total share capital of the Company.

On 30 August 2022, international credit rating agency "S&P Global Ratings" evaluated the Company for the first time and assigned rating 'BBB+' with stable outlook. S&P is one of the leading international credit rating agencies, which also determines Latvia's sovereign credit rating at international level. Main benefits of the Company were highlighted by S&P as follows:

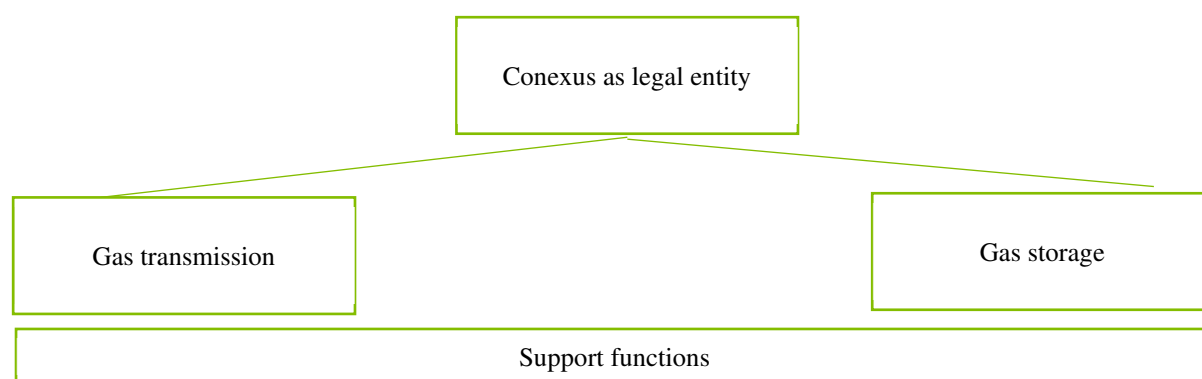
- the Company benefits from regulatory diversification, owning both the storage and the transmission network';
- The storage business will become critical to the region and by owning it the Company is not affected by current natural gas prices, since they are fully passed through as part of the regulatory formula;

¹¹ Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, as amended.

- the Company is also not affected by the stop of natural gas flows to the Baltic states from the Russian Federation since April 2022;
- the Company ' operations are critical for the Republic of Latvia and the region enhancing the importance of the gas utility for akciju sabiedrība "Augstsprieguma tīkls" and indirectly the Latvian government;
- The company also benefits from its integration into the joint unified tariff zone with the Republic of Estonia and the Republic of Finland, making its area of operations larger than if it were to focus on Latvia only.

ORGANISATIONAL STRUCTURE

The Company has no subsidiaries. The Company is a sole legal entity comprising two business segments: natural gas transmission and storage of natural gas. A set of support functions are available on top of the business segments.



The support functions provide corporate management, functional management and shared services. For the purposes of reporting, costs of the support functions are allocated to both business segments by applying a pre-defined key. Internal organisational structure is in place to supervise the business segments, to make decisions on resource allocation to the business segments and to assess the performance of both business segments.

The Company does not have any subsidiaries. For the Company's ownership structure, please see *Shareholders*.

COMPETITIVE STRENGTHS

Market position and customer concentration

The Company utilises its national market position by developing and strengthening its cooperation with regional transmission system operators of the Republic of Finland and the Baltic States in order to provide suitable services across the regional market of Baltic States and the Republic of Finland.

For gas transmission business, the top 3 customers of the Company generated 81% of revenue for year 2021. Transmission service turnover is driven by gas to electricity production in country largest co-generation plants and approx. 400,000 end customers across the nation. For gas storage business, the top 3 customers of the Company generated 71% of revenue for year 2021.

Geographical split of system users as at 31/05/2022:

	Latvia	Lithuania	Finland	Estonia	Poland	Other European
Transmission	38%	18%	13%	11%	4%	16%
Storage	35%	14%	16%	16%	5%	14%

Total market demand for natural gas in the past five years period has been as follows in the Baltic States and the Republic of Finland:

Twh	Latvia	Lithuania	Finland	Estonia
2017	13.1	24.2	24.7	5.2
2018	15.1	22.2	27.4	5.2
2019	14.3	23.6	25.5	4.8
2020	11.6	25.2	25.1	4.4
2021	12.5	24.1	25	5.1

Experience

The Company actively develops programmes to ensure staff's lifelong learning and competence sharing from the experienced professionals.

Infrastructure

In order to provide effective natural gas supply and delivery options for gas traders, the Company maintains and improves the gas transmission system and storage infrastructure, makes the required investments in infrastructure development, monitors and controls the stability of the transmission network and storage facility as well as eliminates any damage that has occurred. The Company actively executes infrastructure development projects and plans for new ones to keep its course to safety and sustainability. The Company in cooperation with its regional partners carries out studies identifying technical options and necessary capital expenses for retrofitting or repurposing existing infrastructure for blending of hydrogen or pure hydrogen usage, including building a dedicated hydrogen infrastructure. Key infrastructure projects to reach objectives set:

- Latvian-Lithuanian and Latvian-Estonian interconnection (ELLI) capacity enhancement projects, where flow capacity is going to be doubled. Project completion is scheduled at the end of 2023;
- development of interim solution for compression withdrawal from Inčukalns UGS with primary aim for security of supply purposes;
- Inčukalns UGS capacity enhancement project, which is oriented to de-couple the extraction capacities from level of commodity in storage. Project completion is scheduled at the end of 2025;
- routine gas pipes diagnostics and maintenance works, including renewal of anti-corrosion isolation, are performed according to the approved plans and schedules.

The Company has obtained a certification from Bureau Veritas as to the fact that the Company's management system related to work safety has been audited and found to be in accordance with the requirements of the management system standards (ISO 45001, ISO 14001, ISO 50001).

Common Market Area

From 1 January 2020, the Common Market Area for natural gas, consisting of the Republic of Latvia, the Republic of Estonia and the Republic of Finland, became operational. The Common Market Area for natural gas is a single entry / exit tariff area for the transmission of natural gas. Common Market Area brings various advantages to the market, mainly:

- no tariffs on crossing state borders within the area;
- single entry tariff area for gas transmission;
- inter-transmission operator compensation mechanism in place to allocate regional revenue to operators based on national consumption pattern;
- free and equal access for traders to the entire gas infrastructure of the Common Market Area;
- customer-oriented market by ensuring digital and efficient market communication.

With the completion of the Common Market Area for natural gas, the market for natural gas is being expanded and competition between natural gas traders is encouraged. Promoting the use of Inčukalns UGS is equally important, thereby strengthening the flexibility and security of supply. New users of storage services have been attracted that are using storage services for balancing and flexibility purposes. Actions on the possible accession of the Republic of Lithuania to the common Market area are ongoing.

Digitalization and cybersecurity

One of top priorities for the Company is to digitalize its operations and improve the level of cybersecurity by modernising key IT infrastructure to respond to modern challenges. Cooperation with national cybersecurity authorities and partners has been strengthened to improve cyber crisis response capabilities. The Company has:

- implemented a new human resources management system, which enabled reduction of manual processes and provided employees with self-service options;
- initiated development of digital asset management solution including digitalization of physical assets technical information;
- develops financial management system;
- continuously digitalized operational technologies.

Risk management

The Company implements a set of risk management principles in its Risk Management Policy in order to timely identify and manage the most significant factors negatively affecting Company's operations and significant loss of opportunities, ensuring the achievement of the Company's strategic goals, successful development and reducing potential financial and reputational damage.

Sustainability

The Company has participated in Latvian Sustainability index review since 2019, finishing in Silver category in 2019-2020 and in Gold category in 2021. The Company has developed and maintains Environmental, Social and Governance (ESG) framework to meet stakeholders' expectations and compliance with regulatory requirements. The Company reviews methane emissions reporting in line with best standards to improve the accuracy and transparency and implement the best available techniques to mitigate emissions as soon as possible considering safety, technical, environmental, and economic aspects.

The Company's emission reduction and prevention targets are as follows:

Reduction Target 2025	Reduction Target 2024	Reduction Target 2024	Reduction Target 2025	Reduction Target 2024
(base year 2020)	(base year 2020)	(base year 2020)	(base year 2020)	(base year 2020)
Incukalns UGS CS No 2	Incukalns UGS CS No 2	Conexus	Conexus	NOx concentration
- 8%	- 12%	-10%	- 50%	below 190 (mg/m ³)
CO ₂	CH ₄	CO ₂	Nox	NOx
Scope 1	Scope 1	Scope 2	t	mg/m ³

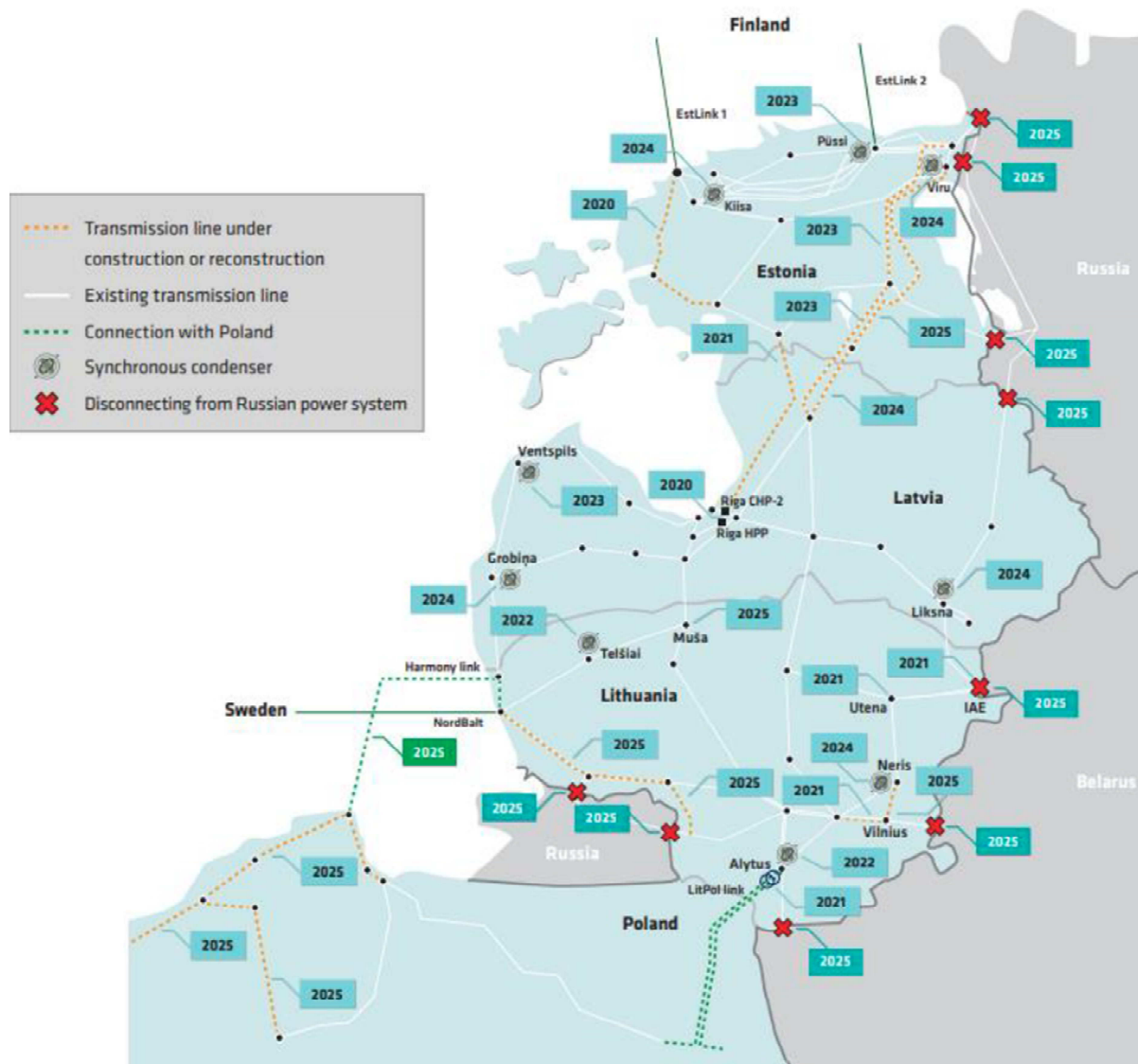
Emission reduction targets relate mainly to Inčukalns storage modernization project

- ISO 14001 Environmental management systems
- ISO 50001 Energy management systems
- Permitted polluting activities - strict rules for monitoring

Role in future energy landscape

Electricity grid of the Baltic States is currently technically part of the Integrated Power System/Unified Power System (IPS/UPS) of the Russian Federation. Russian power system has the capability to influence physical and commercial energy flows in the Baltic States. The strategic goal of the Baltic States is to disconnect their power system from the Integrated Power System/Unified Power System (IPS/ UPS) of Russian Federation and join the Continental European power grid and frequency area. The transition to synchronous operation with the frequency area of Continental Europe will be finished by the end of 2025.

The synchronisation with the continental Europe or the Nordic zone will have a significant impact on the natural gas market. It is expected to increase demand for natural gas across the region. Upon accession to the new synchronisation zone, the Latvian producers of electricity will have to ensure their own generating capacities and natural gas to a large extent will have the role of guaranteeing the stability of power supply.



The Company takes strategic steps forward in order to be ready for transition in energy sector according to the European Green Deal. Ongoing and future research and development projects will ensure the Company's ability to welcome hydrogen in larger rates blended with natural gas. The Company also takes active part in European Hydrogen Backbone initiative, as the Company by partly using its existing infrastructure as well as building the new one can provide vital transport corridor for hydrogen flows from exporting countries in north (the Republic of Finland) to expected hydrogen importers in eastern and central Europe (the Republic of Poland and the Federal Republic of Germany).

INFORMATION ON THE COMPANY'S BUSINESS OPERATION

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

Natural gas transmission system is 1190 km long and directly connects Latvia's natural gas infrastructure with the Republic of Lithuania, with the Republic of Lithuania Estonia and with the Russian Federation. Inčukalns UGS is one of the key infrastructure objects in the Baltic States.



According to the Energy Law, the Company operates in a sector which is regulated by the PUC under the guidance of its Supervisory Board with respect to both mentioned segments – storage and transmission.

Pursuant to the Energy Law, the Company enjoys monopoly position in its natural gas transmission activities. As to natural gas storage, the Company owns the only underground gas storage facility in the Republic of Latvia (there are no such facilities in the Republic of Lithuania, the Republic of Estonia or the Republic of Finland). The Company's main customers are natural gas traders and large natural gas consumers (for example, electricity producers) in the Baltic States and the Republic of Finland.

The information set out in the table below provides overview of segments' financial results and has been extracted (without any material adjustment, except for reclassifications as described in *PRESENTATION OF FINANCIAL INFORMATION OF THE ISSUER – Changes in presentation of financial information*) from and is qualified by reference to and should be read in conjunction with the audited Financial Statements for the years ended 31 December 2020 and 31 December 2021, and unaudited Interim Financial Statements for the six months period ended 30 June 2022.

		Year ended 31 December		Six months ended 30 June
		2020	2021	2022
Revenue				
Storage	€ thousand	21,795	23,996	13,554
Transmission*	€ thousand	32,488	32,915	14,123
EBITDA				
Storage	€ thousand	13,421	14,778	9,410
Transmission	€ thousand	16,682	18,787	7,494
Segment net profit				
Storage	€ thousand	6,283	6,348	4,628

Transmission	€ thousand	6,829	6,869	768
Segment assets				
Storage	€ thousand	210,954	217,410	215,867
Transmission	€ thousand	242,138	250,660	228,001

**Includes net income from balancing activities*

Natural gas storage segment

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

The Inčukalns UGS, being a part of the Company's structure, consists of overground technological equipment, wells and an underground reservoir. The reservoir is a naturally formed Cambrian sedimentary rock in the aquatic medium horizon at a depth of approximately 600 – 750 meters. The geological layer of Cambrian era sediments crosses the Republic of Latvia. In the Republic of Latvia, the porous sandstone sediment of the Cambrian era is characterised by extremely good properties. In fact, its porosity reaches up to 30%, which allows low-cost storage of natural gas.

The central area of Inčukalns UGS and the facilities necessary for ensuring the technological processes – three gas collection points ("GCP") and 180 gas storage wells (control and monitoring wells and 93 operating wells for injection and withdrawal of natural gas) – cover an area of about 8,400 hectares. The area of the geological structure (collector layer) of Inčukalns UGS is ~ 25 km² and belongs to Sigulda, Saulkrasti and Ropaži districts. According to the Cabinet of Ministers Regulation No 773 Regulation on the Determination of the Underground Area of National Importance that was issued on 13 December 2016, the underground area of Inčukalns natural gas reservoir is 83,722 km².

The storage capacity of Inčukalns UGS is 46,6TWh (4.47 bcm³ (billion cubic centimetres)), and the maximum possible amount of active natural gas to be stored as per Inčukalns UGS technological project is 24,219 TWh (2.32 bcm³), while the remaining 22.4TWh (2.15 bcm³) volume is allocated for cushion gas. The maximum technical injection capacity is 178.5 GWh/day (17 mcm³/day (million cubic centimetres per day)) and the maximum withdrawal capacity is 417.6GWh/day (40 mcm³/day). The minimum working pressure is 24 bar and the maximum is 105 bar. The gas pumping unit total power is 33.8 MW (45 500 hp). There are 6 gas compressing units at the Inčukalns UGS.

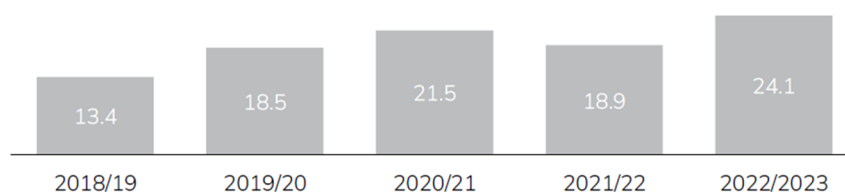
The 2021/2022 Inčukalns UGS capacity reservations reached 18.9 TWh, which is 12% less than previous year. However, the varied product types reserved by the market participants, as well as storage tariffs ensured increase of capacity product revenue by 2,201 thousand EUR, in comparison to 2020. Most of this increase in revenue is due to the reserved capacity of the stock transfer product (STP) in amount of 2.2 TWh.

The revenue of the storage segment during 2021 was 24 million EUR and EBITDA reached 14.8 million EUR, representing 44% of the Company's total EBITDA. Net profit of the storage segment amounted to 6.3 million EUR (0.6% more than in 2020). In the first half of 2022, the revenue of the storage segment was 13.6 million EUR and EBITDA reached 9.4 million EUR, representing 56% of the Company's total EBITDA. Net profit of the storage segment amounted to 4.6 million EUR (195% more than in first 6 months of 2021).

Since the natural gas storage is a regulated sector, the Company's financial performance indicators and economic performance are dependent on the PUC which determines the Company's allowable revenue and the rate of return on capital by approving the tariffs for gas storage system services.

In accordance with Natural Gas Storage System Service Tariff Calculation Methodology adopted by the PUC, the actual-to-allowed revenue variance is accounted in a regulatory account. The revenue included in the regulatory account will impact storage planned revenue of the next tariff period. During the storage tariff period from 1 May 2021 until 30 April 2022, storage service revenue was generated in amount of 26 million EUR, which is 1.8 million EUR above the allowed revenue for this period. These 1.8 million EUR are included in the regulatory account.

Storage capacity bookings TWh by storage cycle are available in the graph below.



Natural gas transmission segment

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

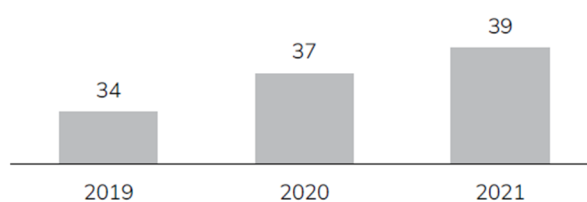
The diameter of the international gas pipelines of the transmission network of the Latvian natural gas transmission system is 720 mm with an operating pressure in the range of 28 to 40 bars, while the diameter of the regional gas pipelines is from 400 mm to 530 mm with an operating pressure of up to 35 bars. 40 gas regulation stations are used to transport natural gas to the local distribution system in the Republic of Latvia. For the supply of natural gas to Latvian consumers, all consumption points on the territory of the Republic of Latvia are combined into one point. There is one natural gas metering station and there are two natural gas reduction nodes on the natural gas transmission network. The Company undertakes 24/7 monitoring of main parameters for security and continuance of operations. Internal diagnostics have been performed on 96% of transmission gas pipes and 29% of transmission system branches.

In 2021, the total volume of transported gas reached 39 TWh, an increase of 5% compared to the previous year. The volumes of gas transported for the needs of Latvian users have also increased (by 8%) and amounted to 12.5 TWh. In 2021, the average air temperatures were lower than in 2020. As a result, the total demand for gas for heating purposes was higher than in prior year, which ensured 806 thousand EUR higher revenue from the usage of exit point for consumption in the Republic of Latvia.

The revenue of the transmission segment during 2021 was 32.9 million EUR and EBITDA reached 18.8 million EUR, representing 56% of the Company's total EBITDA. Net profit of the transmission segment amounted to 6.9 million EUR (1% more than in 2020). In the first half of 2022, the revenue of the transmission segment was 14,1 million EUR and EBITDA reached 7.5 million EUR, representing 44% of the Company's total EBITDA. Net profit of the transmission segment amounted to 0.8 million EUR (87% less than in the first 6 months of 2021).

Since Company's activities are regulated also in respect of natural gas transmission activities, the Company's financial performance indicators and economic performance also in this business segment are dependent on the PUC which determines the Company's allowable revenue and the rate of return on capital by approving the tariffs for gas transmission system services. In accordance with Natural Gas Transmission System Service Tariff Calculation Methodology adopted by the PUC, the actual-to-allowed revenue variance leads to revenue adjustment of the next regulatory period. Actual-to-allowed revenue variance for period from 1 January 2020 until 30 September 2021 was shortage of revenue at 3.9 million EUR. The next transmission tariff period's allowed revenue will be increased by the unearned revenue amount.

Natural gas transmitted TWh by years available in the graph below.



Environmental aspect and impact management

Attention is paid to environmental aspect and impact management in natural gas transmission, for which six confirmations of a category C polluting activity are available (the seventh confirmation has been received for the operation of a small combustion plant in the Company's administrative building), and natural gas storage in the UGS facility with a permit for category B polluting activity and a permit for greenhouse gas emissions. The Company participates in the EU Emissions Trading System. All activities are carried out in accordance with the conditions specified in the permits and confirmations. Pollution monitoring has been carried out and the limit value for pollutants is controlled. Nevertheless, the Company for emissions permitted by law pays a natural resources tax for the amount of pollution emitted. The Company monitors their emissions and plans activities for reduction in the amount of pollution emitted and thus also reducing the amount of payment for natural resources tax.

Investments

The Company's operations are capital-intensive and require significant investments. During 2021, additions to Property, plant and equipment and intangible assets were made in amount of 27.4 million EUR, 55% of which

were as part of European Projects of Common Interest ("PCI"). The information set out in the table below shows amount of the investments made in the recent years.

		Year ended 31 December		Six months ended 30 June
		2020	2021	2022
Additions to Property, plant and equipment and intangible assets				
Storage	€ thousand	13 056	16 772	3 723
Transmission	€ thousand	9 062	10 579	2 164
Total		22,118	27,352	5,887

Planned investments

The main principles of investment planning are related to the Company's strategic values and targets. Company continues development of the following EU supported PCIs.

Enhancement of Inčukalns UGS project – co-financed by Connecting Europe Facility ("CEF") (50%)

On 23 January 2019, the European Commission approved 50% co-financing for the modernisation of the storage facility. The investments will significantly strengthen the importance of Inčukalns UGS as a modern and significant natural gas infrastructure not only in Latvia, but also in the Baltic States generally and Finland.

The aim of the Inčukalns UGS development project is to improve the operation of the storage facility so that it will be functional even after the pressure in the Baltic gas transmission system is increased, as well as to reduce the dependence of the storage facility on the amount of natural gas reserves during the withdrawal season. A new compressor will be installed within the framework of the project to allow compression removal from the storage, i.e., it will be possible to ensure an output pressure of 50-55 bar in Inčukalns UGS connection with the transmission system, even if the pressure in the storage is lower than in the transmission system. In order for the wells and overground technical facilities to operate at sufficient capacity in the new mode, certain improvements are required, which are an integral part of this project. In addition, the project will reduce the environmental impact of storage by reducing CO₂, NO_x, SO_x and other emissions.

The total project funding is 88 million EUR. It is expected that due to inflation effect the project might exceed the determined 88 million EUR budget. In accordance with the CEF co-financing agreement, CEF will not co-finance the expenditure exceeding the budget. The following sections of the project are planned until 2025:

- improvement of overground equipment (reconstruction of the gas collection point No.3) – 29 million EUR;
- restoration of 36 wells – 26 million EUR;
- modernisation of the existing five gas compression units and installation of one additional new gas collection unit – 33 million EUR.

Enhancement of Latvia–Lithuania interconnection (ELLI) project – co-financed by CEF (50%)

At the end of 2019, the European Climate, Infrastructure and Environment Executive Agency (formerly named the Innovation and Networks Executive Agency) approved the allocation of funds for the Lithuanian-Latvia gas pipeline capacity increase project, which envisages a total investment of 10 million EUR, of which 5.5 million EUR relates to the Company. The European Commission has provided EU support under the Connecting Europe Facility (CEF) for increasing the capacity of the Latvian-Lithuanian gas pipeline interconnection in the amount of 50% of the project implementation costs.

The increase in transmission capacity between the Republic of Lithuania and the Republic of Latvia will facilitate market access to the Klaipeda LNG terminal, the Inčukalns UGS and the Polish-Lithuanian gas interconnector. The project aims to increase the capacity of the Lithuanian-Latvian interconnector by 70-80% on average and to achieve this by improving the existing infrastructure. As part of the project, on the Latvian side, it is planned to reconstruct individual sections of the main gas pipeline in order to increase the maximum working pressure from 40 to 50 bar. The investments will increase the gas connection capacity to 130.47 GWh per day towards the Republic of Latvia (currently 67.6 GWh per day) and to 119.5 GWh per day towards the Republic of Lithuania (currently 65.1 GWh per day). The project is scheduled to be completed by the end of 2023 with 17 subprojects.

On top of both PCI projects, the Company plans to invest in:

- repairs and replacements to maintain existing asset base to ensure high standard safe, secure and sustainable operations of assets.
- continuous investments in digital transformation projects and systems – SCADA, Cyber security and physical security systems, Asset Management, Enterprise Content management, ERP / BI, etc.
- investments for support of European Green Deal and decarbonization / reduction of greenhouse gas emissions and increase of renewable energy sources and energy effectiveness: GPU 12z330 start system upgrade; Solar production plant in Inčukalns (1MW); Injection points of renewable gasses in transmission system; Pipeline pressure pump-down technology.

Planned development in transmission and storage of hydrogen

In December 2019, the European Network of Transmission System Operators for Gas ("ENTSOG") published its Roadmap 2050 for Gas Grids, which included recommendations on how the European gas transmission system operators can make gas grids ready for the transition of the energy sector by looking into pathways for decarbonising the gas grids by 2050. Infrastructure needs for transporting hydrogen in certain areas could be met by blending it with natural gas or biomethane (both hereinafter – methane). The existing methane transportation grid could be partially repurposed for the transport of renewable hydrogen over longer distances.

The following projects of transmission and possible storage of hydrogen are under development.

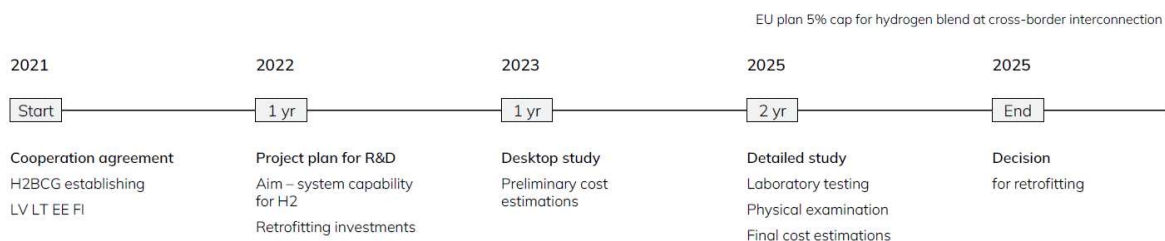
Cross border gas transmission system retrofitting for hydrogen

The European Commission proposes that "Transmission system operators shall accept gas flows with a hydrogen content of up to 5% by volume at interconnection points between Union Member States in the natural gas system from 1 October 2025."

The aim of the project is to retrofit the existing cross-border gas infrastructure (gas pipelines and other network related assets) or build new infrastructure to further integrate hydrogen and transmit methane-hydrogen blending.

The project will cover cross border pipelines (~270 km length) from Kiemenai IP on the border with the Republic of Lithuania to the Karksi metering point with the Republic of Estonia. Planned end of the initial phase of the project – 2025.

H₂ Retrofitting project timeline



Nordic-Baltic Hydrogen Corridor (Latvian section)

The aim of the project is to create a hydrogen corridor from the Republic of Finland to the Federal Republic of Germany via the Republic of Estonia, the Republic of Latvia, the Republic of Lithuania, and the Republic of Poland. The project will contribute to the projects' "REPowerEU" ambitions to make full use of domestically produced hydrogen when decarbonizing EU economies. The project foresees the construction of a corridor to transport green hydrogen produced from renewable sources in the concerned the Baltic Sea countries to supply consumption points and industrial clusters along the corridor as well as in central Europe.

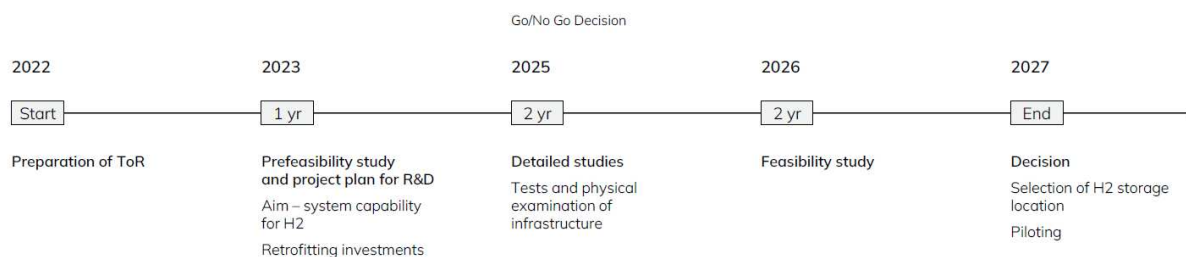
Planned commissioning of the project – end of 2029. It is planned to apply for PCI status.

Inčukalns UGS as hydrogen seasonal storage with capacity above one TWh

Latvia has the most appropriate geological structure in Baltic region for establishment of hydrogen storage. Conexus has technological competencies to evaluate possibility to enable hydrogen storage based on Inčukalns UGS, which is the only natural gas storage that can store at least one TWh gas for longer period.

The initial phase of the project starts with pre-feasibility study on possible hydrogen storage in aquifer Inčukalns underground gas storage considering geological and technical capabilities. Planned selection of the hydrogen storage location – end of 2027.

H₂ Storage project timeline



Project related to injection of biomethane in transmission system grid: implementation of smart solutions for injection of renewable gases

There are about 50 biogas production units in Latvia with a total installed electrical capacity of 60.446 MW and with biomethane production capacity of 0.32- 1.8 TWh. 15 biogas plants are close to the transmission system which can be connected directly to the transmission grid. For other plants which are far away from gas grid, an alternative solution should be offered - possibility to inject biomethane via off-grid solutions.

During pre-feasibility study it was decided to develop biomethane injection off-grid points for biomethane producers which are located far from transmission grid to achieve economic rationality. During the feasibility study economically justified locations for off-grid injection will be determined.

Planned commissioning of the injection points – end of 2024.

Main project indicators:

- Compressor 150 bar
- Injection service for ~ 50 stations
- Construction time 2-2.5 years
- Capacity ~ 120 Mm³/yr
- Service distance 60 km
- Capacity Liepaja direction 45 t.m³/d
- Capacity Daugavpils direction 35 t.m³/d
- Discharging time 1.5-2.5h, ~ truck/d

All projects mentioned above are submitted to the Ten-Year Network Development Plan 2022, developed by the ENTSOG. The Ten-Year Network Development Plan provides an overview of the European gas infrastructure and its future developments. EU Gas Regulation (EC) 715/2009 requires ENTSOG to develop the TYNDP on a biennial basis.

Financing

The financing plan is developed to facilitate Company's capital investment programme and to maintain the Equity ratio in line with the regulatory framework and the investment grade credit rating requirements. Source of finance comprises cash generated from the Company's operating activities, borrowed funds and grants from EU.

Borrowings

External funding consists of bilateral bank loans. The Company has established long-standing funding cooperation with a multilateral financial institution and commercial banks. The Company has not diversified borrowing sources by issuing bonds so far. The Company's outstanding principal amount as at 30 June 2022 is 67 million EUR with the following debt maturity schedule:

<i>(€ million)</i>	HY2-2022	2023	2024	2025	2026	2027-2038	Total
Debt repayment	4.4	10.0	11.0	16.6	2.0	23.0	67.0

The table below provides information about the Company's borrowings by lender category as of 30 June 2022.

<i>(€ million)</i>	30 June 2022
International investment bank	30.0
Commercial banks	37.0
Total	67.0

As at 30 June 2022, the total amount of committed short-term credit lines available to the Company is 65 million EUR. As at 30 June 2022, the overdraft limit has been used in the amount of 7 million EUR. The term of credit lines expires in November 2023.

All borrowings are denominated in EUR. As at 30 June 2022, the weighted average repayment period was 7.65 years, 45 per-cent of the Company's borrowings had a fixed interest rate with an average duration of 15.7 years. The effective weighted average interest rate of the Company's outstanding long-term borrowings was 0.5 per-cent.

Grants from the EU

The EU makes available grants for certain projects which the EU considers will assist the achievement of EU energy objectives. The Company has concluded two agreements with the Innovation and Networks Executive Agency, now – European Climate, Infrastructure and Environment Executive Agency (**CINEA**), an EU institution that finances the infrastructure projects with EU relevance.

The following contracts have been concluded:

Agreement No	Signing date	Project	Grant (€ million)	Received up to 31 December 2021 (€ million)
INEA/CEF/ENER/M2018/1752017	15.05.2019	"Enhancement of Inčukalns Underground gas storage"	44.00	10.70
INEA/CEF/ENER/M2019/1945596*	19.12.2019	"Construction works for the Enhancement of Latvia-Lithuania interconnection"	2.75	0.71
Total			46.75	11.41

*The agreement No INEA/CEF/ENER/M2019/1945596 is concluded between 3 parties: the Innovation and Networks Executive Agency (**INEA**), the Republic of Lithuania gas transmission system operator AB Amber Grid and the Company.

Total amount of 50% co-financing to be received over 2022-2026 is 35 million EUR.

Dividends policy

Dividends are calculated in accordance with the Law on Governance of Capital Shares of a Public person and Capital Companies and the approved medium-term operating strategy. The strategy aims to ensure sustainable dividend policy at the cost level set by the shareholders. The dividend policy defined in the strategy sets the

dividend pay-out ratio at 90% of the Net Profit, while each year's dividend pay-out is set by the General Meeting of Shareholders upon evaluation of the actual results.

As an exception, in 2021, the Company's capital structure was optimised by increasing the debt ratio, bringing it closer to the level typical to the energy sector, while maintaining a high capital adequacy ratio, which made it possible to distribute higher dividends from retained earnings, in amount of 85 million EUR (2.14 EUR per share).

INSURANCE AND RISK MANAGEMENT

The Company procures continuous insurance for its assets, thereby significantly reducing the risk of losses that could materially affect the Company's financial results. The Company insures buildings, equipment, vehicles, Inčukalns UGS wells and technological equipment, as well as natural gas losses in wells, including losses during well repair works. The Company also insures transmission system gas pipelines, gas regulating stations, gas regulating points and other technological equipment, as well as natural gas losses in pipelines, including losses during pipelines' repair works. In order to ensure the successful completion of capital investment projects. The Company also insures these projects to cover risks not insured by suppliers. Conexus maintains directors' and officers' liability insurance cover. The Company also insures its general civil liability and employer liability. Health insurance is available for all the Company's employees.

The Company has also implemented measures in its operations to improve technical operation processes, as well as to prevent occurrence of technical damage and defects – please see *REGULATION – Regulation relating to gas transmission and storage – Technical security*.

SHAREHOLDERS

The share capital of the Company is EUR 39,786,089, consisting of 39,786,089 shares, each in nominal value of EUR 1. The shares grant equal rights and obligations to their owners (shareholders), including voting rights, rights to dividends and to liquidation quota. The Company only has registered shares and no bearer shares. All shares are in dematerialised form.

As at the date of the Base Prospectus, the largest shareholder of the Company is akciju sabiedrība "Augstsprieguma tīkls", a joint stock company operating in the area of electricity supply, owning 68.46% of the Company's shares. All shares of akciju sabiedrība "Augstsprieguma tīkls" are owned by the Republic of Latvia and held by the Ministry of Finance. The second largest shareholder is "MM Infrastructure Investments Europe Limited", a company registered in the UK, owning 29.06% of the Company's shares. "MM Infrastructure Investments Europe Limited" is owned by an investment fund MM Capital Infrastructure Fund I., LP, which in turn is controlled by MM Capital Partners Co., a Japanese investment fund managed by a Japanese Tokyo Stock Exchange-listed company Marubeni Corporation. While the Company has a number of minority shareholders, to the best knowledge of the Company, there is no other legal entity or natural person who owns more than 5% of shares of the Company. Company also confirms that there are no other entities which are not shareholders but which would be able to control the Company.

The management of the shareholding is carried out in accordance with the Commercial Law and the Articles of Association of the Company. The rights and obligations of the shareholders and General Meeting of Shareholders are provided by the Commercial Law and in the Articles of Association of the Company. The Company's Articles of Association foresee the influence and control of the shareholders and their involvement in the governance of the Company.

The largest shareholder akciju sabiedrība "Augstsprieguma tīkls" as a state-owned company exercises all its rights in Company strictly according to Law on Governance of Capital Shares of a Public Person and Capital Companies. The second largest shareholder MM Infrastructure Investments Europe Limited owns 29.06 % of shares only. Such amount of shares does not provide a level of shareholder control above that available under the law and aimed at protecting minority shareholder interests. According to Articles of Association some issues, such as, for example, making amendments to the Company's articles of association, making changes in the share capital of the Company, reorganization or liquidation of the Company inclusion of the Company's shares on the regulated market of financial instruments or exclusion from it, may be decided by the Shareholder's meeting only if at least 75% of the Company's shares with voting rights are represented and the resolutions of the Shareholders' meeting on these issues are adopted if voted for by at least 85 % of the shareholders entitled to take decisions represented at the Shareholders' meeting. That means that shareholder MM Infrastructure Investments Europe Limited could block making of decision, but not abuse shareholder's control. Furthermore, the Company's voluntary following the Corporate Governance code also provides tools for limiting shareholders' influence on the Company by, e.g., rules

for ensuring the Supervisory Council's independence, etc., see also *DESCRIPTION OF THE COMPANY – Overview – Sustainable and efficient management – Corporate governance*.

The Energy Law prescribes certain limitations in place to ensure that if there are any shareholders of the Issuer who are also operating in the energy sector, specifically, in natural gas or electricity production, conflicts of interest are avoided, please see *REGULATION – Regulation relating to gas transmission and storage – 0Transmission and storage system operator certification requirements*.

According to National Security Law, the Company is company of significance for national security. Prior approval by the Cabinet of is required to obtain a qualifying holding or decisive influence in the Company, and for some other types of transactions, please see *REGULATION – Regulation Relating to national security – Status of a company significant for national security*.

The Company is not aware of any arrangement in force at present, which may at a subsequent date result in a change in control of the Company.

MANAGEMENT OF THE COMPANY

In accordance with the Commercial Law and the Company's Articles of Association (approved on 12.05.2021), the Company has the following corporate governance structure:

- General Meeting of Shareholders;
- Supervisory Council and
- Management Board.

Pursuant to the Articles of Association of the Company, the Supervisory Council may establish both temporary as well as permanent committee(s). As of the date of this Base Prospectus, the Supervisory Council has not established any committee.

General Meeting of Shareholders

The competence of the General Meeting of Shareholders and the procedure of convening the meeting and decision-taking by the meeting is prescribed by the Commercial Law and the Company's Articles of Association.

The responsibilities of the General Meeting of Shareholders are deciding upon the following matters which are within exclusive competence of this managing body. Articles of Association of the Company provide for a higher quorum requirement ($\frac{3}{4}$) and votes passed (85%) to adopt certain decisions, for example:

- amendments to the Articles of the Association;
- changes in the Company's share capital;
- Company's reorganization or liquidation;
- issuance of new types or categories of shares of the Company;
- Company's issuance of financial instruments;
- conversion of Company's registered shares into bearer shares and vice versa;
- conclusion, amendments or termination of group of companies' agreement;
- inclusion of the Company or consent to inclusion in the meaning of the Group of Companies' Law;
- inclusion or exclusion of Company's shares in regulated markets;

Other types of decisions which are within the competence of the general Meeting of Shareholders are:

- Company's termination or continuance of operations, suspending or renewing of operations;
- granting of shares to the Company's employees, Management Board and Supervisory Council members;
- approval of the annual report and decision on the use of previous year's profit;
- election and revocation of the Supervisory Council members and auditor (and liquidator and controller);

- remuneration to members of the Supervisory Council and auditor, and setting general principles, types and criteria of remuneration of Supervisory Council and Management Board members;
- bringing or waiving a claim against the Company's Management Board members, Supervisory Council members, auditor and appointment of a representative of Company to maintain a claim against the Supervisory Council member.

The General Meeting of Shareholders is entitled to decide only on the issues provided in the Commercial Law. Any other matters are within the competence of the Management Board.

Certain restrictions applicable to Company's shareholders and their exercise of voting rights at General Meeting of Shareholders are included in the Energy Law and the Company's Articles of Association, see below *REGULATION – Regulation relating to gas transmission and storage – Transmission and storage system operator certification requirements.*

Supervisory Council

The Supervisory Council of the Company is the supervisory body that represents the interests of shareholders in-between the General Meeting of Shareholders as well as oversees the operation of the Management Board. The key principles for the operation of the Supervisory Council of the Company and its main tasks, duties, and responsibilities, are governed by the Commercial Law, the Articles of Association of the Company and the by-laws of the Supervisory Council of the Company.

The principal duties of the Supervisory Council of the Company include:

- approval of the medium-term operational strategy of the Company;
- continuous supervision of the activities of the Management Board of the Company;
- election and dismissal of the members of the Management Board of the Company;
- monitoring the compliance of the Company's operations with applicable law, the Articles of Association of the Company and the decisions of the General Meeting of Shareholders of the Company.
- approval of transactions between the Company and member or the Management Board, Supervisory Council or related party, or auditor;
- approval of the Management Board's decision to increase share capital of the Company (a special procedure that contain a prior authorisation from the General Meeting of Shareholders)
- electing permanent as well as temporary committees;
- approval of the Company's principal management and operation policies;
- approval of internal audit plan and its amendments;
- review of annual statement and the Management Board's proposal on the use of previous year's profit;
- representing the Company in court in any disputes between the Company and its Management Board members and representing the Company in relations with the Management Board;
- review of all matters presented at General Meeting of Shareholders and provision of opinion thereof.

Furthermore, there are several types of decisions within the competence of the Management Board that require a prior consent from the Supervisory Council. The most significant such types of decisions include:

- acquiring, increasing or decreasing shareholding in other companies; acquiring or selling business, opening or closing branches or representative offices, establishing subsidiaries of the Company;
- acquiring or selling assets material to the Company's operations;
- purchase of real estate in the value that is equal or exceeds EUR 400,000 (excluding VAT), alienation of the Company's real estate in the value that is equal or exceeds EUR 200,000 (excluding VAT);
- taking of loan in the amount which is equal or exceeds EUR 1,000,000;
- implementation of the Company's capital investment project, if the value of the project is equal or exceeds EUR 1,000,000, as well as continuation of the implementation of a capital investment project, if the value of the project exceeds the initially planned value by at least 10 % and the amount of the increase is equal or exceeds EUR 300,000;

- transactions outside the ordinary business practice of the Company if the value is at least EUR 300,000;
- transactions with the Company's related parties or auditor;
- approval of the annual budget and business plan, etc.

The Supervisory Council of the Company is composed of seven members that are elected for three years. The Supervisory Board in its current composition was elected in 2022; four members represent akciju sabiedrība "Augstsprieguma tīkls" and three members represent MM Infrastructure Investments Europe Limited. According to the Company's Articles of Association in case of a tied vote the Chairman of the Supervisory Council has a casting vote. Only such persons may be elected to the Supervisory Council that are not restricted from this pursuant to the conditions set forth in the Energy Law, see below *REGULATION – Regulation relating to gas transmission and storage – Transmission and storage system operator certification requirements* Conflicts of interest in the management bodies or the .

As of the date of this Base Prospectus the members of the Supervisory Council of the Company are:

- *Ilmārs Šņucins* – Chairman of the Supervisory Council.
Work experience:
Since 2018 akciju sabiedrība "Conexus Baltic Grid" – member of the Council (Chairman of the Council from 2020)
Since 2012 Ministry of Finance – Deputy State Secretary on Tax, Customs and Accounting issues
2010-2013 Ministry of Finance – Head of the Tax Analysis Department
2006-2010 Ministry of Finance – Deputy Head of the Economic Analysis and Fiscal Policy Department
1999-2006 Ministry of Finance – Head of the Macroeconomics Division of the Economic Analysis and Fiscal Policy Department
Education:
1999 Master's degree, University of Latvia, Faculty of Economics and Management
1997-1998 Visiting Studies at the University of St. Gallen (Switzerland)
- *Tomohide Goto* – Deputy Chairperson of the Supervisory Council.
Work experience:
Since 2020 Deputy Chairman of the Council of akciju sabiedrība "Conexus Baltic Grid"
Since 2019 MM Capital Partners Co., Ltd. – President and CEO (Tokyo)
2016-2018 Marubeni Europe Plc. – General Manager, transport infrastructure (London)
2013-2016 Marubeni Corporation – General Manager, transport infrastructure (Tokyo)
2001-2012 Marubeni Corporation – General Manager, heavy equipment & natural resources (Tokyo)
2000-2001 American Iron Oxide Company – Vice President, Finance (Pennsylvania)
1992-1999 Marubeni Corporation – Assistant Manager, heavy equipment (Tokyo)
Education:
1987-1992 Bachelor's degree in Economics, Kobe University (Kobe)
- *Zane Āboliņa* – Member of the Supervisory Council.
Work experience:
Since 2020 akciju sabiedrība "Conexus Baltic Grid" – member of the Council Since
2017 akciju sabiedrība "Augstsprieguma tīkls" – Head of the Regulation Affairs Department
2016-2017 State Railway Administration – Deputy Head of Administration
2012-2016 PUC – Head of Railway Transport Division
2010-2012 Ministry of Economics – Senior Desk Officer, EU Funds Implementation Department
2007-2010 Ministry of Economics – Senior Desk Officer, Energy Department
Education:
2013-2015 Master's degree in business and administration management, Riga Technical University
2010-2012 Professional Master's Degree in Law, University of Latvia
2006-2009 Bachelor's degree in law, University of Latvia
- *Yukiko Fujii* – Member of the Supervisory Council.
Work experience:
Since 2022 AS "Conexus Baltic Grid" – member of the Council
Since 2019 MM Capital Partners Co., Ltd. – CFO (Tokyo)
2017-2018 Marubeni Corporation – General Manager, Plant Asset Management Section, Power Division (Tokyo)
2013-2016 Marubeni Corporation – Deputy GM, Investment team in Transport Infrastructure Dep.

(Tokyo)

2010-2012 CFMC Management Company – Financial and Commercial Manager (Sydney)

2008-2009 Marubeni Corporation – Manager, Investment team in Transport Infrastructure Dep. (Tokyo)

2004-2007 Marubeni Corporation – Manager, Structured Finance team in Finance Dep. (Tokyo)

2001-2003 Marubeni Corporation – Assistant Manager, Risk Management team in IT Dep. (Tokyo)

Education:

2000-2001 Master's Degree in International Studies, Tokyo University (Japan)

1995-1999 Bachelor's Degree in Civil Engineering, Tokyo University (Japan)

- *Ivars Moisejs* – Member of the Supervisory Council.

Work experience:

Since 2013 akciju sabiedrība "Augstsprieguma tīkls" – Head of Dispatching Service

2000-2013 akciju sabiedrība "Augstsprieguma tīkls" – Senior Dispatcher, Lead Dispatcher

1999-2000 VAS (SJC to be privatized) "Latvenergo", branch "Augstsprieguma tīkls", Senior On-Call Dispatcher

1992-1999 VAS "Latvenergo" Central Dispatching Service, Engineer, Dispatcher

Education:

1988-1993 Bachelor's degree, qualification of electrical engineer, Riga Technical University

- *Viktors Sentuhovskis* – Member of the Supervisory Council.

Work experience:

Since 2021 akciju sabiedrība "Conexus Baltic Grid" – member of the Council

Since 2020 VSE Advisory SIA – Independent Advisor to MM Capital Partners Co., Ltd.

Since 2020 Liepāja Bulk Terminal, LSEZ SIA – member of the Board, Head of Business Development and Investments

2011-2020 EY – Senior Manager, Transactions Advisory and M&A

2010-2011 Baltic International Bank – Head of Investment Department

2009-2010 Maximus Advisors – director

2008-2009 KPMG – Associate (Budapest)

Education:

2002-2006 Bachelor's degree in Business Administration and Finance, Concordia International University (the Republic of Estonia)

- *Normunds Šuksts* – Member of the Supervisory Council.

Work experience:

Since 2020 akciju sabiedrība "Conexus Baltic Grid" – member of the Council

2019-2019 AS AIF "Hipo Fondi aktīvu pārvalde" – Chairman of the Management Board

2003-2013 VAS "Latvijas Hipotēku un zemes banka" – Head of the Financial Management Department

2008-2011 AS IPS "Hipo Fondi" – Chairman of the Management Board

2001-2002 AS "Latvijas Centrālais depozitārijs" – member of the Council

Education:

2015 Chartered Financial Analyst (CFA), CFA Institute

1998 Master's degree in economics and management, University of Latvia

1996 Bachelor's degree in economics and management, University of Latvia

The business address of each member of the Company's Supervisory Council is Stigu street 14, Riga, LV-1021, the Republic of Latvia.

Management Board

All members of the Management Board of the Company are involved in the daily operations of the Company. Their principal duties include:

- management and representation of the Company;
- responsibility for the commercial activities of the Company and for compliance with the applicable legislation including regarding accounting;
- management of the Company's property;
- implementing the strategic direction of the Company, its development plans, goals and policies.

The key principles for the operation of the Management Board of the Company and its main tasks, duties, and responsibilities, are governed by the Commercial Law, the Articles of Association of the Company, and the by-laws of the Management Board of the Company.

The Management Board and the Supervisory Council of the Company are jointly liable for the losses caused to the Company.

As per the Articles of Association of the Company, the Management Board of the Company shall consist of three members who should be elected by the Supervisory Council for a term of five years. The Supervisory Council of the Company also appoints one of the members of the Management Board as a Chairman of the Management Board of the Company. According to the Company's Articles of Association in case of a tied vote the Chairman of the Management Board has a casting vote. Only such persons may be elected to the Management Board that are not restricted from this pursuant to the conditions set forth in the Energy Law, see *REGULATION – Regulation relating to gas transmission and storage – Transmission and storage system operator certification requirements*.

The current members of the Management Board of the Company are:

- *Uldis Bariss* – Chairman of the Management Board, elected in 2020. The Chairman of the Management Board (Chief Executive Officer) is responsible for general management, including strategic management, personnel and legal matters, commercial matters, technical development and investment management, communications and environmental and occupational safety.

Work experience:

Since 2020	akciju sabiedrība "Conexus Baltic Grid", Chairman of the Board
2010-2020	"Elektrum Eesti", OU Chairman of the Supervisory Board
2010-2020	"Elektrum Lietuva", UAB Chairman of the Supervisory Board
2011-2020	akciju sabiedrība "Latvenergo", Chief Commercial Officer, Member of the Board
2005-2011	akciju sabiedrība "Latvenergo", Chief Financial Officer, Member of the Board
2005	akciju sabiedrība "Latvenergo", Project Director
2002-2004	akciju sabiedrība "Latvenergo", Director of Economics Department

Education:

2017	Riga Technical University, Doctor of Science Degree
2008	Stockholm School of Economics in Riga, Master of Business Administration Degree
2004	University of Latvia, Master's Degree in Economics

- *Gints Freibergs* – Member of the Management Board, elected in 2021. The member of the Management Board (Chief Technical Officer) is responsible for the technical management of gas transmission and storage systems.

Work experience:

Since 2016	akciju sabiedrība Conexus Baltic Grid, Member of the Board
1997 – 2017	AS Latvijas Gāze, Member of the Board
Since 1984	Employed in gas industry

Education:

1984	Riga Polytechnic Institute, Engineer, heat power industry
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- *Mārtiņš Gode* – Member of the Management Board, elected in 2021. The member of the Management Board (Chief Financial Officer) is responsible for finance, risk management, information technology (IT), business support and transport.

Work experience:

Since 2018	akciju sabiedrība "Conexus Baltic Grid", Member of the Management Board
2017	SIA "Narvesen Latvija", Chief Financial Officer
2005 – 2017	SIA "Latvijas Mobilais Telefons", Finance Management Director
2000 – 2005	SIA "Latvijas Mobilais Telefons", Head of Management Accounting Division

Education:

2008	Stockholm School of Economics in Riga, Executive Master of Business Administration
2002	University of Latvia, Master of Economics
2000	University of Latvia, Bachelor of Economics
1995-1997	Stockholm School of Economics in Riga

The business address of each member of the Company's Management Board is Stigu street 14, Riga, LV-1021, the Republic of Latvia.

Conflicts of interest in the management bodies or the Company

There are no potential conflicts of interests between the Company's Management Board member or Supervisory Council member duties to the Company and their private interests and or other duties.

Regulation of the Supervisory Council and Regulation of the Management Board stipulates that, in case any conflict of interest situation occurs or may occur between interests of the Company and personal or economic interests of any of the Supervisory Council or Management Board member, their closest relatives, this member of the Supervisory Council or the Management Board does not take part in the voting on the respective matter of the agenda. Failing to do that results in responsibility of the respective Supervisory Council / Management Board member for the losses caused to the Company.

To the date of signing the Base Prospectus, no conflicts of interest have been declared.

In addition, all members of Supervisory Council and Management Board have confirmed that they fulfil the independence requirements stipulated by Section 111 Paragraph 3 Point 4 of the Energy Law.

Auditor

The audit firms that audited the Financial Statements of the Company was:

- for 2020 – KPMG Baltics SIA (during the audit period – KPMG Baltics AS), registration number: 40003235171, legal address: Vesetas street 7, Riga, LV-1013, Republic of Latvia;
- for 2021 – "PricewaterhouseCoopers" SIA, registration number: 40003142793, legal address: Krišjāņa Valdemāra street 21 – 21, Riga, LV-1010, Republic of Latvia.

Employees

As at 30 June 2022, the Company had 324 employees, out of which 80.4 % were men and 19.6 % were women. The average age of the employees was 45.6 years.

As at 30 June 2022, 97.2% of employees were members of a trade union. The Collective Agreement (concluded on 29 November 2019, with amendments on 27 November 2020) provides additional guarantees for all employees of the Company, regardless of their trade union membership, thus ensuring equal economic and social protection.

RELATED PARTY TRANSACTIONS

Related parties include the Company's shareholders, members of the Supervisory Council and Management Board, their close family members, and companies in which they exercise control or significant influence, parent company akciju sabiedrība "Augstsprieguma tīkls", its members of the Supervisory Council and Management Board, their close family members, and companies in which they exercise control or significant influence. As all shares of the Company's parent company are 100% owned by the Republic of Latvia, state-controlled companies are also considered related parties. The Company has no regular or extraordinary transactions with the Republic of Latvia, including ministries and state agencies, as well as transactions with state-controlled companies, which are considered as other related parties, except for the Company's parent company akciju sabiedrība "Augstsprieguma tīkls" and akciju sabiedrība "Latvenergo".

		Year ended 31 December		Six months ended 30 June
		2020	2021	2022
Revenue from related parties				
akciju sabiedrība "Latvenergo"	€ thousand	18,342	18,311	9,186
Purchases from related parties				
akciju sabiedrība "Latvenergo"	€ thousand	3,728	2,865	1,112
akciju sabiedrība "Augstsprieguma tīkls"	€ thousand	1	1	0,2

LEGAL PROCEEDINGS

On 18 September 2018 the Company filed an application to the Administrative District Court against the PUC decision No. 69 "*On JSC "Conexus Baltic Grid" natural gas transmission system tariffs*" dated 18 June 2018. The case relates to expenses not being included in the transmission system tariff project and issuance of a new administrative act, intending to include the excluded expenses in tariff project in the next period. With the decision of the Administrative District Court dated on 7 April 2020 the application was rejected. The Company submitted an appeal in cassation 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 yet been announced.

In case of a negative court decision, the Company will not incur any additional costs or losses, as the dispute in this case concerns costs not partially included in the tariffs in the total amount of EUR 3.2 million. In case of positive court decision, the Company will be able to recover the costs, leading to additional profit to the Company.

On 28 September 2020 the Company filed an application to the Administrative District Court regarding cancellation of the PUC decision No. 109 dated 20 August 2020 "*On the Capital Rate of Return for the Calculation of the Tariff Project for Natural Gas Transmission System, Natural Gas Distribution System and Natural Gas Storage Services*". By the decision of the Regional Administrative Court the proceedings on the merits have been re-initiated due to the need to refer questions for a preliminary ruling by the Court of Justice of the EU concerning the compatibility of national legislation with Directive 2009/73.

In case of a negative court decision, the Company will not incur any additional costs or losses, as the dispute in this case concerns the capital rate of return, which the Company considers to be inappropriately low. In case of positive court decision, the Company' unearned profit will be recovered.

On 7 November 2018 the Company filed an application to the Administrative District Court regarding cancellation of the PUC decision No. 112 "*On the Certification of the Unified Natural Gas Transmission and Storage System Operator*" in the part regarding the determination of the certification conditions. With the decision of the Administrative District Court dated on 2 September 2019 the application was rejected. The Company submitted an appeal in cassation to the Department of Administrative Cases of the Senate on 2 October 2019 and the cassation proceedings have been initiated, but the date of the hearing has not yet been announced. In case of a negative court decision, the Company will not incur any additional costs or losses. Currently the Company fully complies with PUC decision No. 112.

On 13 May 2020 the Company filed an application to the Administrative District Court regarding cancellation of the PUC decision No. 30 "*On the request of the joint stock company "Conexus Baltic Grid" to extend the term of fulfilment of the certification conditions*" dated on 9 April 2020, which refused to extend the term of fulfilment of the certification conditions, and PUC decision No. 31 "*Imposition of an obligation and warning to the joint stock company "Conexus Baltic Grid"*", by which a warning was issued to the Company and new conditions were set with the deadline of 1 October 2020. With the decision of the Administrative District Court dated on 15 January 2021 the decision No. 30 has been recognized as unlawful and the decision No. 31 has been partially cancelled. The PUC submitted an appeal in cassation to the Department of Administrative Cases of the Senate on 15 February 2021 and the cassation proceedings have been initiated, but the date of the hearing has not yet been announced. In case of a negative court decision, the Company will not incur any additional costs or losses. Currently the Company fully complies with the certification conditions.

There have not been any recent events regarding legal proceedings involving the Company material in the context of this Base Prospectus.

DESCRIPTION OF OTHER INDEBTEDNESS

On 11 May 2018, the Company signed an inter-operator agreement on sharing the costs of the Gas Interconnection Poland-Lithuania (GIPL) project with GAZ System, AB Amber Grid and Elering AS. According to the agreement, the Company is required to provide financial security (guarantee) to meet its future obligations. In accordance with the terms of the agreement, the Company has provided a bank guarantee in favour of GAZ-SYSTEM S.A. to ensure fulfilment of the Company's obligations of 16,170 thousand EUR. The bank guarantee expires in October 2023. For description on other indebtedness see *DESCRIPTION OF THE COMPANY – Information on the Company's business* –

Planned development in transmission and storage of hydrogen

In December 2019, the European Network of Transmission System Operators for Gas ("ENTSOG") published its Roadmap 2050 for Gas Grids, which included recommendations on how the European gas transmission system operators can make gas grids ready for the transition of the energy sector by looking into pathways for decarbonising the gas grids by 2050. Infrastructure needs for transporting hydrogen in certain areas could be met by blending it with natural gas or biomethane (both hereinafter – methane). The existing methane transportation grid could be partially repurposed for the transport of renewable hydrogen over longer distances.

The following projects of transmission and possible storage of hydrogen are under development.

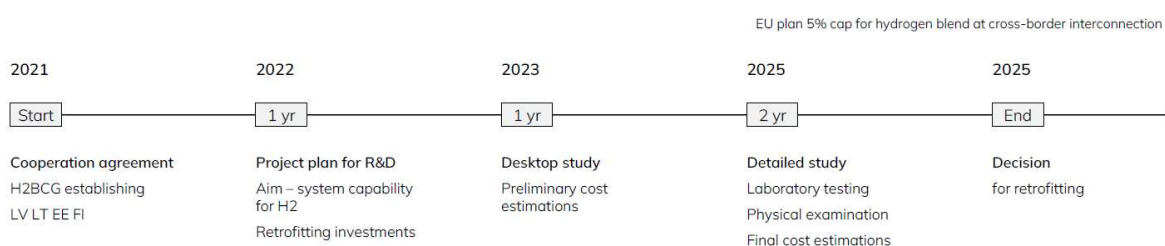
Cross border gas transmission system retrofitting for hydrogen

The European Commission proposes that "Transmission system operators shall accept gas flows with a hydrogen content of up to 5% by volume at interconnection points between Union Member States in the natural gas system from 1 October 2025."

The aim of the project is to retrofit the existing cross-border gas infrastructure (gas pipelines and other network related assets) or build new infrastructure to further integrate hydrogen and transmit methane-hydrogen blending.

The project will cover cross border pipelines (~270 km length) from Kiemenai IP on the border with the Republic of Lithuania to the Karksi metering point with the Republic of Estonia. Planned end of the initial phase of the project – 2025.

H₂ Retrofitting project timeline



Nordic-Baltic Hydrogen Corridor (Latvian section)

The aim of the project is to create a hydrogen corridor from the Republic of Finland to the Federal Republic of Germany via the Republic of Estonia, the Republic of Latvia, the Republic of Lithuania, and the Republic of Poland. The project will contribute to the projects' "REPowerEU" ambitions to make full use of domestically produced hydrogen when decarbonizing EU economies. The project foresees the construction of a corridor to transport green hydrogen produced from renewable sources in the concerned the Baltic Sea countries to supply consumption points and industrial clusters along the corridor as well as in central Europe.

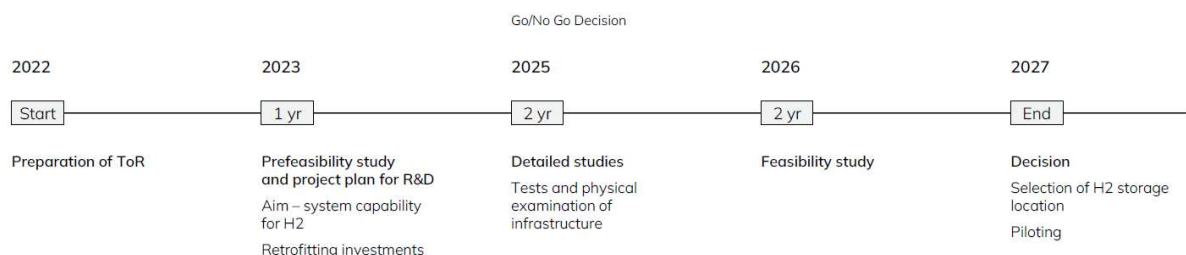
Planned commissioning of the project – end of 2029. It is planned to apply for PCI status.

Inčukalns UGS as hydrogen seasonal storage with capacity above one TWh

Latvia has the most appropriate geological structure in Baltic region for establishment of hydrogen storage. Conexus has technological competencies to evaluate possibility to enable hydrogen storage based on Inčukalns UGS, which is the only natural gas storage that can store at least one TWh gas for longer period.

The initial phase of the project starts with pre-feasibility study on possible hydrogen storage in aquifer Inčukalns underground gas storage considering geological and technical capabilities. Planned selection of the hydrogen storage location – end of 2027.

H₂ Storage project timeline



Project related to injection of biomethane in transmission system grid: implementation of smart solutions for injection of renewable gases

There are about 50 biogas production units in Latvia with a total installed electrical capacity of 60.446 MW and with biomethane production capacity of 0.32- 1.8 TWh. 15 biogas plants are close to the transmission system which can be connected directly to the transmission grid. For other plants which are far away from gas grid, an alternative solution should be offered - possibility to inject biomethane via off-grid solutions.

During pre-feasibility study it was decided to develop biomethane injection off-grid points for biomethane producers which are located far from transmission grid to achieve economic rationality. During the feasibility study economically justified locations for off-grid injection will be determined.

Planned commissioning of the injection points – end of 2024.

Main project indicators:

- Compressor 150 bar
- Injection service for ~ 50 stations
- Construction time 2-2.5 years
- Capacity ~ 120 Mm³/yr
- Service distance 60 km
- Capacity Liepaja direction 45 t.m³/d
- Capacity Daugavpils direction 35 t.m³/d
- Discharging time 1.5-2.5h, ~ truck/d

All projects mentioned above are submitted to the Ten-Year Network Development Plan 2022, developed by the ENTSOG. The Ten-Year Network Development Plan provides an overview of the European gas infrastructure and its future developments. EU Gas Regulation (EC) 715/2009 requires ENTSOG to develop the TYNDP on a biennial basis.

Financing – *Borrowings*.

REGULATION

REGULATION RELATING TO NATIONAL SECURITY

Status of a company significant for national security

The Issuer is a company significant for the national security as per Law on National Security. Thus the Issuer has been registered in the register of commercial companies significant for national security. Based on the National Security Law this means that a prior approval from the Cabinet of Ministers is required in case of the following activities:

- the acquisition of a qualifying holding (as defined by law);
- the acquisition of decisive influence (as defined by law);
- transfer of an undertaking;
- the maintenance of the status of shareholder or participant or the maintenance of the right to use an indirect holding in the event of a change in the beneficial owner (as defined by law).

Performing these actions without obtaining the Cabinet of Ministers' prior approval renders the respective actions invalid.

State pre-emptive rights and veto rights

According to the Energy Law, the Republic of Latvia has a pre-emptive right in case:

- shares of the Issuer representing more than 1% of the Issuer's share capital, have been offered for sale;
- the Issuer alienates the natural gas transmission system or any part thereof, or land plots on which the buildings, structures and technological equipment necessary for ensuring the operation of the UGS are located, as well as technological equipment ensuring the operation of the UGS or cushion gas.

Moreover, if the Republic of Latvia has waived its pre-emptive rights described above, it may decide to use its veto rights, if there are concerns in relation to the prospective purchaser.

Limitations of use of Inčukalns underground gas storage facility

As per the Energy Law the underground part of Inčukalns gas storage facility is owned by the Republic of Latvia. The Issuer only has the rights to use this underground part for the duration of its licence as gas storage system operator. The underground part cannot be used as a collateral for any credit liabilities, except when the credit is taken with the aim of updating or modernising the Inčukalns facility.

REGULATION RELATING TO GAS TRANSMISSION AND STORAGE

General remarks

The Issuer is designated under the Energy Law as the unified transmission and storage system operator. Issuer is a regulated entity with the statutory task of ensuring "safe, constant and stable supply of natural gas in an economically justified quantity and quality".

The operation of energy supply entities is regulated by the Energy Law and the Law on Regulators of Public Utilities along with other energy sector regulations and laws. Relevant EU Regulations apply to the Issuer as well (e.g., Regulation No 1227/2011 on wholesale energy market and transparency, Regulation No 715/2009 on conditions for access to the natural gas transmission networks, Regulation No 2017/1938 concerning measures to safeguard the security of gas supply).

Licensing

Natural gas transmission and storage licenses are required in order to provide these services in the Republic of Latvia. Pursuant to Energy Law, licensing is carried out by the Regulator, and transmission and storage licenses are issued for a 20 year period, covering years from 2017 to 2037.

Transmission and storage system operator certification requirements

As the transmission and storage system operator the Issuer is subject to an obligation to ensure its compliance with the certification requirements provided under the Energy Law, i.e., it must comply with the independence requirements stemming from Energy Law, Section 111 (implementing Directive 2009/72/EC) and it must perform obligations set for a transmission system operator by the applicable laws and EU Regulations.

The most important independence requirements outlined in Section 111 of the Energy Law are as follows:

- the same person or persons who directly or indirectly control an energy supply entity engaged in the production or trade of natural gas or electricity shall not directly or indirectly control the natural gas transmission and storage system operator or the natural gas transmission system or Inčukalns storage facility or exercise any rights in the natural gas transmission and storage system operator;
- the same person or persons who directly or indirectly control the natural gas transmission and storage system operator or the Inčukalns storage facility may not directly or indirectly control an energy supply entity engaged in the production or trade of natural gas or electricity, or exercise any rights in such entity;
- a person may not appoint members of the council, board or institution, that has the right to represent the natural gas transmission and storage system operator or the natural gas transmission system, or the Inčukalns storage facility, and at the same time directly or indirectly control a natural gas supply entity engaged in natural gas production and trade, or to exercise any right in such entity and shall not directly or indirectly control an electricity supply entity engaged in the generation and trade of electricity, or exercise any right in such an entity;
- the same person may not become a member of the council, board or institution, that has the right to represent a natural gas transmission or storage system operator, neither in a natural gas supply entity engaged in the production and sale of natural gas nor in an electricity supply entity engaged in the production and sale of electricity, nor in the natural gas transmission and storage system operator or in the natural gas transmission system or the Inčukalns storage facility;
- the natural gas transmission and storage system operator shall not disclose to natural gas supply entity engaged in the production or trade of natural gas, the commercial and confidential information, which it has acquired while operating as a part of a vertically integrated undertaking;
- the natural gas transmission and storage system operator will own the assets necessary for the performance of the natural gas transmission activity (including the transmission system).

Based on the Energy Law the Issuer must inform the PUC immediately regarding:

- all circumstances due to which a person or persons from a third country or third countries could acquire control over the natural gas transmission system or the natural gas transmission system operator; and
- all planned transactions due to which its compliance with the certification requirements should be re-evaluated.

Furthermore, based on PUC's Board's Decision No. 1/4 of 16 February 2017 Regulations regarding Certification of a Combined Natural Gas Transmission and Storage System Operator and Natural Gas Transmission System Operator the Issuer must provide an annual report to the PUC regarding its conformity with the certification requirements described above.

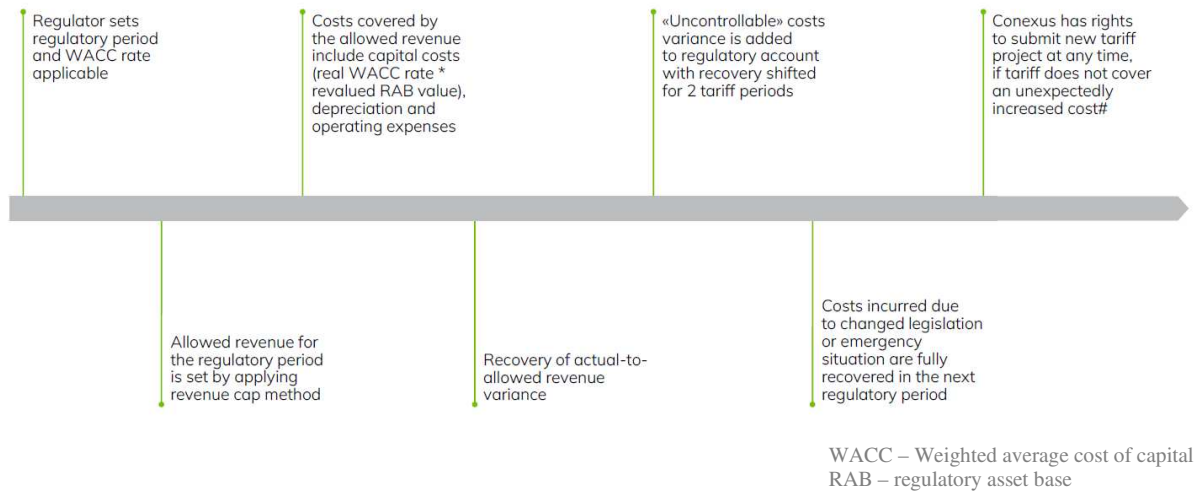
Access to the transmission and storage system and applicable tariffs

In the Republic of Latvia, third-party access to the transmission and storage system is regulated. The PUC approves respective third-party access rules and the tariff calculation methodology. PUC Regulations stipulate rights and obligations of the operator and system users; procedure to conclude agreements on transmission service and balancing service; capacity booking procedures and congestion management procedures.

Thus, the Issuer is not completely free in determining the tariffs that apply to its services and must comply with storage and transmission tariff calculation methodologies approved by the Regulator, see also *Risk factors – Risks relating to the Company – Legal and regulatory risks – Regulated Company risks*.

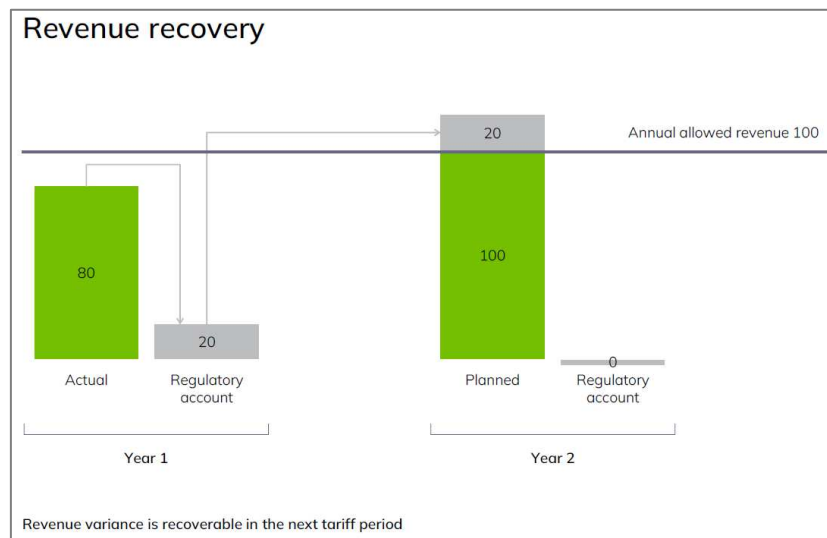
The main elements of tariff setting methodology could be illustrated as follows:

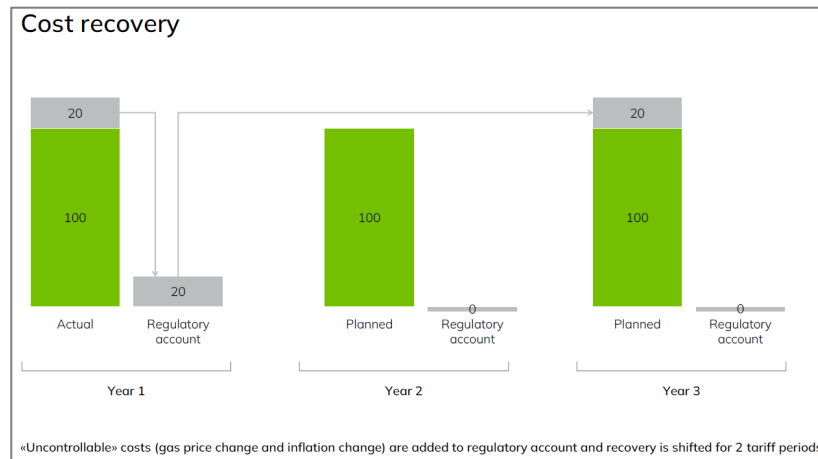
Regulatory framework – tariff setting methodologies



Revenue and cost recovery

The tariff setting methodology allows for revenue and costs recovery. The following diagrams illustrate the process of revenue and cost recovery for storage services:





Balancing services

As a transmission system operator, the Issuer is responsible for the balancing of the natural gas supply system pursuant to the Energy Law. The Issuer as a transmission system operator performs balancing calculation in accordance with regulations developed by it and approved by the Regulator. The issuer must comply with transparency and non-discrimination in relation to all balancing service receivers.

Use of natural gas storage

Rules of Use of the Inčukalns Underground Gas Storage Facility stipulate the rights, obligations and responsibilities of the natural gas storage system operator and the users of Inčukalns UGS facility. The rules also determine the procedure for submitting an application to obtain the rights to use the storage facility and the procedure for concluding a storage service agreement. They also specify the procedure for reservation of storage capacity and the procedure for transferring of natural gas in the storage and storage capacity, procedure for information exchange between the natural gas storage system operator, natural gas transmission system operator and storage users.

Reserve obligation and other obligations related to energy security

The Issuer as the transmission and storage system operator is required as per Cabinet of Ministers Regulations No 312 of 19 April 2011 Procedures for the Supply of Energy Users and Sale of Heating Fuel During Declared Energy Crisis and in Case of Endangerment to the State to ensure storage of a natural gas safety reserve at the Inčukalns storage facility for use during times of crisis by protected customers (in general, household customers connected to a gas distribution network, essential social service providers, district heating installations providing heating to households). In addition, the Issuer is also required to ensure that on 1 March of each year the Inčukalns gas storage facility has enough active natural gas to ensure the 24 hour withdrawal capacity.

Also, at the time of writing this Base Prospectus the Issuer has been instructed by the government to give priority for gas deliveries coming from liquefied natural gas terminal through Latvian-Lithuanian connection as well as gas coming from Polish-Lithuanian connection over gas deliveries coming from Russian Federation. Thus, these deliveries coming from Latvian-Lithuanian connection and Polish-Lithuanian connection have priority for use of Inčukalns storage facility as compared to deliveries from Russian Federation.

Technical security

The Company has also implemented measures in its operations to improve technical operation processes, as well as to prevent occurrence of technical damage and defects in line with the following regulations.

Latvian State Standard "Natural gas storage facilities in aquifers and the operation, maintenance and repair of the transmission system" ("LSS 364: 2020")

LSS 364: 2020 sets out the main requirements to be met by an operator who owns or possesses a natural gas storage facility installed in aquifers or a natural gas transmission system, as well as an operator who performs the

operational management and technical maintenance of these systems. The technical maintenance system specified in the standard includes an interconnected set of organizational and technical measures to ensure the trouble-free and safe operation of storage and transmission systems, uninterrupted transmission and supply of natural gas to system users. The standard sets requirements for the extent of knowledge and training of specialists who perform maintenance of the natural gas storage system and transmission system.

Regulations on the natural gas storage system and the transmission system technical maintenance ("NGSSATSTM")

The NGSSATSTM have been issued to ensure the maximum safe service life of the natural gas storage system and the natural gas transmission system, to prevent their premature wear, to determine the terms, sequence and other requirements for the performance of their technical maintenance in accordance with the Latvian State Standard (LSS) 364: 2020. These regulations are developed on the basis of the requirements of equipment manufacturers and other regulatory documents, operational experience, and they determine the basic functions of the relevant equipment, regulate the work to be performed or permissible operating modes of technological equipment and work equipment, prescribe the technical supervision, the procedure for the change of the operating mode, determine other specific requirements as well as immediate and planned measures to ensure safe, long-term operation of the equipment without disturbances and damage.

Asset management system

Asset management system is in place that ensures compliance and control in accordance with LV 364:2020 and NGSSATSTM.

Penalties

The PUC is entitled to impose penalties on the Issuer if the Issuer is in breach of any of its obligations. The maximum penalty amount is 10% of the Issuer's net revenue of the previous financial year. This maximum amount may be applied if a breach has directly or indirectly affected the transparency and level of competition in the natural gas market, including cross-border trade in natural gas, and the ability of natural gas users to receive natural gas at the required quality and the operator has obtained a direct or indirect benefit or revenue as a result of this breach.

Pursuant to the Law on Regulators of Public Utilities, licenses can be revoked if the licensed entity is found in a breach of the license conditions, or if it violates regulatory requirements related to the provision of respective public services.

ENVIRONMENTAL REGULATION

Pursuant to Latvian law if a company engages in certain polluting activities (e.g. operates a combustion plant), then such company requires polluting activity permit of either category A, B or C. Company that has received such permit must comply with its requirements including regular reporting to the authorities.

Latvian law follows the "polluter pays" principle which means that an entity responsible for environmental harm or threat of such harm must cover cost for averting this harm/threat as well as in certain cases pay penalties. Serious environmental breaches may also trigger criminal liability of the company or members of its decision making bodies.

The Company has received all the polluting activity permits that its operations require, and ensures continuous compliance with the terms of those permits.

TAXATION

Tax legislation of the investor's member state and of the Issuer's country of incorporation may have an impact on the income received from the Notes.

The following is a general summary of certain tax consideration in the Republic of Latvia in relation to the Notes. It is not exhaustive and does not purport to be a complete analysis of all tax consequences relating to the Notes, as well as does not take into account or discuss the tax implications of any country other than the Republic of Latvia. The information provided in this section shall not be treated as legal or tax advice; and prospective investors are advised to consult their own tax advisors as to the tax consequences of the subscription, ownership and disposal of the Notes applicable to their particular circumstances.

This summary is based on the laws of the Republic of Latvia as in force on the date of this Base Prospectus and is subject to any change in law that may take effect after such date, provided that such changes could apply also retroactively.

The Republic of Latvia has entered into a number of tax conventions on elimination of the double taxation, which may provide more favourable taxation regime. Therefore, if there is a valid tax convention with the country of a non-resident prospective investor, it should be also examined. The procedures for application of tax conventions are provided in the Republic of Latvia Cabinet of Ministers' Regulations No 178 of 30 April 2001 Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion.

TAXATION OF THE NOTEHOLDERS INDIVIDUALS

Resident Individuals

An individual will be considered as a resident of the Republic of Latvia for taxation purposes:

- if the individual's declared place of residence is in the Republic of Latvia; or
- if the individual stays in the Republic of Latvia 183 days or more within any 12-month period, starting or ending in the taxation year; or
- if the individual is a citizen of the Republic of Latvia employed abroad by the government of the Republic of Latvia.

In accordance with the Law on Personal Income Tax, the interest income from the Notes for resident individuals will be subject to 20 per-cent withholding tax, deductible by the Issuer before the payment. The income from the alienation of the Notes will be subject to 20 per-cent tax, but the tax would be payable by the individual him/herself.

Non-resident individuals

In accordance with the Law on Personal Income Tax, the interest income from the Notes being circulated publicly as well as income from the alienation of the publicly circulated Notes will not be subject to tax in the Republic of Latvia.

TAXATION OF THE NOTEHOLDERS ENTITIES

Resident entities

An entity will be considered as a resident of the Republic of Latvia for tax purposes if it is or should have been established and registered in the Republic of Latvia in accordance with the legislative acts of the Republic of Latvia. Permanent establishments of foreign entities in the Republic of Latvia are treated as distinct entities for tax purposes.

Interest payments on the Notes and proceeds from the disposal of the Notes received by Latvian resident companies will not be subject to withholding tax in the Republic of Latvia. Under the Corporate Income Tax Law retained earnings are exempt from corporate income tax and only distributions are taxed. Corporate income tax rate on

gross profit distribution is 20 per-cent. Corporate income tax on net amount of profit distribution is determined by dividing net amount with a coefficient of 0.8 (i.e., effective tax rate on net distributed profit is 25 per-cent).

Non-resident entities

In accordance with the Corporate Income Tax Law, the interest income and income from the alienation of the Notes for non-resident entities will not be taxable in the Republic of Latvia.

Taxation of low-tax non-residents

In general, payments (including interest payments) to non-residents located, registered or incorporated in a no-tax or low-tax country or territory as defined in the Regulations of the Cabinet of Ministers No 819 Regulations on No- Tax or Low-Tax Countries and Territories, adopted on 17 December 2020; effective as of 1 January 2021 ("**Low-Tax Non-Latvian Residents**") are subject to withholding tax of 20 per-cent if the payer is a Latvian legal entity or 23 per-cent if the payer is a Latvian individual resident having obligation to withhold tax. However, pursuant to Article 5(6) of the Corporate Income Tax Law payments by Latvian legal entities to Low-Tax Non-Latvian Residents for securities publicly circulated in the EU or EEA are exempt from withholding tax if made at the market price. The State Revenue Service of the Republic of Latvia in a legally non-binding explanation in the context of an issue of debt notes by another issuer has confirmed that, pursuant to Article 5(6) of the of the Corporate Income Tax Law, there is no withholding tax also on the interest payments made by the issuer to the holders of the notes publicly circulated in the EU or EEA who are Low-Tax Non-Latvian Residents, provided that the payments are made at the market price.

SUBSCRIPTION AND SALE

UNITED STATES OF AMERICA

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Dealer has agreed that, except as permitted by the Mandate Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Issuer by Dealer within the United States or to, or for the account or benefit of, U.S. persons, and Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

THE UK

Dealer has represented, warranted and agreed, and each further dealer appointed (if any) will be required to represent, warrant and agree, that:

- **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

PROHIBITION OF SALES TO THE UK RETAIL INVESTORS

UK PRIIPS Regulation / UK Investor – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

REPUBLIC OF LATVIA

Dealer has represented, warranted and agreed, and each further dealer appointed (if any) will be required to represent, warrant and agree, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy any Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in the Republic of Latvia other than in compliance with the Financial Instrument Market Law of the Republic of Latvia and any other laws applicable in the Republic of Latvia governing the issue, offering and sale of Notes.

IMPORTANT – EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALE TO RUSSIAN/BELARUSIAN INDIVIDUALS/LEGAL ENTITIES.

The Base Prospectus is not addressed to investors who are Russian or Belarusian nationals or natural persons residing in the Russian Federation or the Republic of Belarus. The latter shall not apply to nationals of a Member State of the European Union or natural persons holding a temporary or permanent residence permit in a Member State of the European Union. The Base Prospectus is also not addressed to any investor that is a legal person, entity or body established in the Russian Federation or the Republic of Belarus.

THE MANDATE AGREEMENT

Dealer has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Mandate Agreement provides that the Dealer shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer described in the paragraph headed *General* above.

Neither the Issuer or Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

AUTHORISATION

The issuance of Notes was authorised by the:

- resolution of the Annual Meeting of Shareholders of the Issuer dated 28 April 2022 (https://www.conexus.lv/uploads/filedir/Akcionariem/akcionaru_sapulce_2022/Resolutions_28.04.2022.pdf);
- Resolution of Supervisory Council of the Issuer dated 24 March 2022;
- Management Board of the Issuer has at its meeting held on 27 October 2022 approved the Base Prospectus and the General Terms and Conditions of the Notes;
- Each Final terms issued in respect of each issue of the Notes shall be approved by a separate resolution of the management board of the Issuer.

LEGAL AND ARBITRATION PROCEEDINGS

The Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have or have had in the recent past significant effects on the Issuer's financial position or profitability. Please see *Description of the Company – Legal Proceedings* for more detail.

SIGNIFICANT/MATERIAL CHANGE

Since 31 December 2022 – date of the last published audited financial statements of the Issuer there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial position or performance of the Issuer.

AUDITORS

"KPMG Baltics SIA" has audited the financial statements of the Issuer for the year ended 31 December 2020.

"PricewaterhouseCoopers" SIA has audited the financial statements of the Issuer for the year ended 31 December 2021.

All these financial statements are incorporated into this Base Prospectus by reference. Respective audit companies named above issued unqualified auditor's reports regarding all these financial statements.

DOCUMENTS ON DISPLAY

Electronic copies of the following documents (together with English translations thereof, where applicable) may be obtained from during normal business hours at the offices of the Issuer at Stigu street 14, Riga, LV-1084, the Republic of Latvia, or at website www.conexus.lv for 12 months from the date of this Base Prospectus:

- the Articles of Association of the Issuer (available at <https://www.conexus.lv/other-binding-documents:under> section: JSC "Conexus Baltic Grid" Articles of Association);
- this Base Prospectus.

For the avoidance of doubt, unless specifically incorporated by reference to this Base Prospectus, information on the website of the Issuer does not form part of this Base Prospectus.

MATERIAL CONTRACTS

No contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Issuer that are, or may be, material or contain provisions under which the Issuer has an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes.

CLEARING OF THE NOTES

The Notes have been accepted for clearance through Nasdaq CSD. The appropriate common code and the International Securities Identification Number (ISIN) in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

ISSUE PRICE AND YIELD

Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Base Prospectus will be determined by the Issuer in consultation with the relevant Dealer at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

ARRANGER AND DEALER TRANSACTING WITH THE ISSUER

The Arranger and Dealer and other entities within the same group and/or their affiliates have provided, and may provide in the future, the Issuer with investment, insurance, banking and/or other services in the ordinary course of business for which they may have received and may continue to receive customary fees and commissions. The Arranger and Dealer and other entities within the same group and/or their affiliates have also acted in the ordinary course of business as arrangers or lenders under certain loan agreements of the Issuer and its affiliates, for which they have received, and may continue to receive, customary interest, fees and commissions.

INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER OF THE NOTES

Save for commissions to be paid to the Arranger and the Dealer, so far as the Issuer is aware, no person involved in the issue/offer of the Notes has an interest material to the issue/offer.

EXPENSES CHARGED TO THE INVESTORS

No expenses will be charged to the Noteholders by the Issuer in respect to the issue of the Notes. However, the Noteholders may be obliged to cover expenses which are related to the opening of securities accounts with the credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the Noteholder's purchase or selling orders of the Notes, the holding of the Notes or any other operations in relation to the Notes. Neither the Issuer, nor the Arrangers or Dealers shall compensate the Noteholders for any such expenses. Please see *Taxation* in relation to taxation matters.

ISSUER WEBSITE

The Issuer's website is www.conexus.lv. Unless specifically incorporated by reference to this Base Prospectus, information contained on the website does not form part of this Base Prospectus and has not been scrutinised or approved by the FCMC.

VALIDITY OF BASE PROSPECTUS AND BASE PROSPECTUS SUPPLEMENTS

For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

ISSUER

Akciju sabiedrība "Conexus Baltic Grid"

Stigu street 14, Riga,
Republic of Latvia

ARRANGER AND DEALER

Skandinaviska Enskilda Banken AB Helsinki Branch

Eteläesplanadi 18, 00130 Helsinki
Republic of Finland

on behalf of

Skandinaviska Enskilda Banken AB (publ)

Kungsträdgårdsgatan 8
SE-10640 Stockholm
Kingdom of Sweden

ISSUER'S LEGAL ADVISER

Sorainen ZAB SIA

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