

**AUGSTSPRIEGUMA TĪKLS GROUP'S CONSOLIDATED AND
AS "AUGSTSPRIEGUMA TĪKLS" UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS**

FOR 6 MONTHS OF 2021

For the 6 month period
from 01.01.2021. until 30.06.2021.

Prepared in accordance
with the 34. International
Accounting Standard



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**INFORMATION
ABOUT THE GROUP
AND THE COMPANY**



INFORMATION ABOUT THE GROUP AND THE COMPANY

Name of the parent company	Akciju sabiedrība "Augstsprieguma tīkls"
Legal status of the parent company	Joint Stock Company
Registration number, place and date of the parent company	000357556 Riga, 28 December 2001 Re-registration in the Commercial Register was performed on 13 November 2004 under unified registration number 40003575567
Address	Dārziema iela 86 Riga, LV-1073 Latvia
Type of principal activity of the parent company	Electricity supply, NACE code 35.12
Type of principal activity of the Group	Electricity supply, NACE code 35.12 and Pipeline transport (NACE code 49.50)
Parent company shareholder	From 2 January 2012: Ministry of Finance in the name of the Republic of Latvia (100%) Smilšu iela 1, Riga, LV-1050, Latvia
Names, surnames and positions held of the board members	Gunta Jēkabsone – Chairperson of the Board (from 15.07.2021) Imants Zviedris – Board Member Gatis Junghāns – Board Member Mārcis Kauliņš – Board Member Arnis Daugulis – Member of the Board (from 15.07.2021.) Varis Boks – Chairperson of the Board (until 31.03.2021) Arnis Staltmanis – Board Member (until 07.04.2021)
Names, surnames and positions held of Supervisory Board members	Kaspars Āboliņš – Council Chairperson Olga Bogdanova – Deputy Council Chairperson Armands Eberhards – Council Member Madara Melne – Council Member Aigars Ģērmanis – Council Member
Participation in other companies	JSC "Conexus Baltic Grid" (68.46% from 21.07.2020; 34.36% until 20.07.2020.)
Accounting period	1 January 2021 – 30 June 2021

KEY FINANCIAL AND OPERATIONAL INDICATORS

FINANCIAL INDICATORS	JSC "Augstsprieguma tīkls"		GROUP	
	6 months of 2021	6 months of 2020	6 months of 2021	6 months of 2020
Revenue, thous. EUR	50 905	80 156	80 353	72 847
EBITDA, thous. EUR	23 005	21 667	42 298	21 970
Profit, thous. EUR	63 805	7 494	14 135	11 819
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Balance sheet total, thous. EUR	922 222	905 527	1 219 395	1 213 515
Equity, thous. EUR	440 615	384 809	617 671	639 203
Loans, thous. EUR	156 200	202 872	240 203	224 747
Cash and its equivalents, thous. EUR*	72 316	57 225	74 721	72 388
FINANCIAL RATIOS				
Liquidity total ratio	1.8	4.7	1.2	2.0
EBITDA Profitability	45%	27%	52%	30%
Equity ratio ($\geq 35\%$)	48%	42%	51%	53%
OPERATIONAL INDICATORS	6 months of 2021	6 months of 2020	6 months of 2021	6 months of 2020
Electricity transmitted to users in Latvia, MWh	3 087 048	2 925 788	3 087 048	2 925 788
Capital investments in the electricity transmission system, thousand EUR	11 632	36 084	11 632	36 084

* including short-term deposits with a maturity of less than 3 months

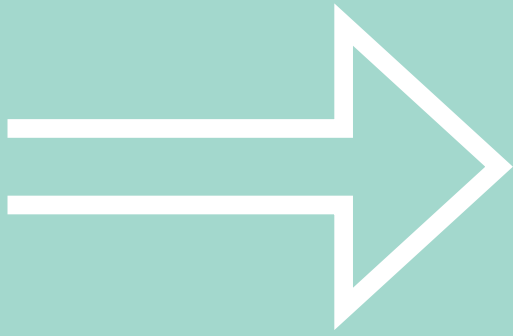
EBITDA – earnings before interest, financial income, taxes, depreciation and amortisation

Total liquidity ratio – current assets/current liabilities (excluding the part of the short-term loan to be refinanced in 2021)

EBITDA profitability – EBITDA/revenue

Equity ratio = Equity/Balance sheet total

Net borrowings = borrowings – cash and cash equivalents (including short-term deposits with original maturity of less than 3 months)



**MANAGEMENT
REPORT**

SIGNIFICANT FACTS AND EVENTS

THE PRICE OF ELECTRICITY IS RISING SIGNIFICANTLY

In June 2021, the average electricity price on the Nord Pool (NP) stock exchange in the Latvian trading area was 76.23 EUR/MWh and, compared to May, the price increased by 57.4%, but compared to June of the previous year, when it was 31.80 EUR/MWh, the price has increased by 140%. One of the most important factors in the rise in electricity prices is the growing prices for energy resources, incl. prices for natural gas and carbon allowances.

INVESTMENTS IN THE SECURITY OF THE ENERGY SUPPLY: THE THIRD ESTONIA-LATVIA 330KV INTERCONNECTION HAS BEEN PUT INTO OPERATION

The State Construction Control Bureau (SCCB) has put into operation the project "The third 330kV interconnection of Estonia and Latvia" developed by JSC "Augstsprieguma tīkls". The project "Third Estonia – Latvia 330 kV Interconnection" is also important for the security of the energy supply and stable operation of the electricity transmission network both in Latvia and in the Baltics as a whole.

THE AMOUNT OF ELECTRICITY TRANSMITTED TO CONSUMERS IN LATVIA IS 6% HIGHER THAN IN THE PREVIOUS YEAR

In the 6 months of 2021, the amount of electricity transmitted to the users of JSC "Augstsprieguma

tīkls" in Latvia was 3 087 GWh, which is 6% more than in the corresponding period of the previous year (2 926 GWh).

THE VOLUME OF NATURAL GAS TRANSPORTED IS 31% HIGHER THAN A YEAR EARLIER

In the 6 months of 2021 a subsidiary of the Augstsprieguma tīkls group, the natural gas transmission operator JSC "Conexus Baltic Grid", ensured a continuous supply of natural gas for the needs of Latvia, Lithuania, Estonia, Finland and Russia. The total amount of natural gas transported reached 22.2 TWh, exceeding the previous year by 31%.

FOR THE THIRD TIME - A PLATINUM RATING IN THE SUSTAINABILITY INDEX

For the third time already, JSC "Augstsprieguma tīkls" received the highest award, the Platinum Award, of the Sustainability Index managed by the Corporate Sustainability and Responsibility Institute, demonstrating the compliance of its corporate responsibility level with the strictest of standards and showing that the company cares about the welfare of its employees and clients.

ABOUT THE AUGSTSPRIEGUMA TĪKLS GROUP

THE PRINCIPAL ACTIVITY OF THE AUGSTSPRIEGUMA TĪKLS GROUP is the provision of electricity transmission system operator functions, efficient management of energy supply system assets, natural gas transmission and storage.

As of 30 June 2021, the Augstsprieguma tīkls group structure consists of a group of commercial companies in which the parent company JSC "Augstsprieguma tīkls" (hereinafter also – AST or the Parent Company) has a decisive influence, and which includes the subsidiary JSC "Conexus Baltic Grid" (hereinafter also – Conexus or the Subsidiary).

All shares of JSC "Augstsprieguma tīkls" are owned by the state and their holder is the Ministry of Finance of the Republic of Latvia.

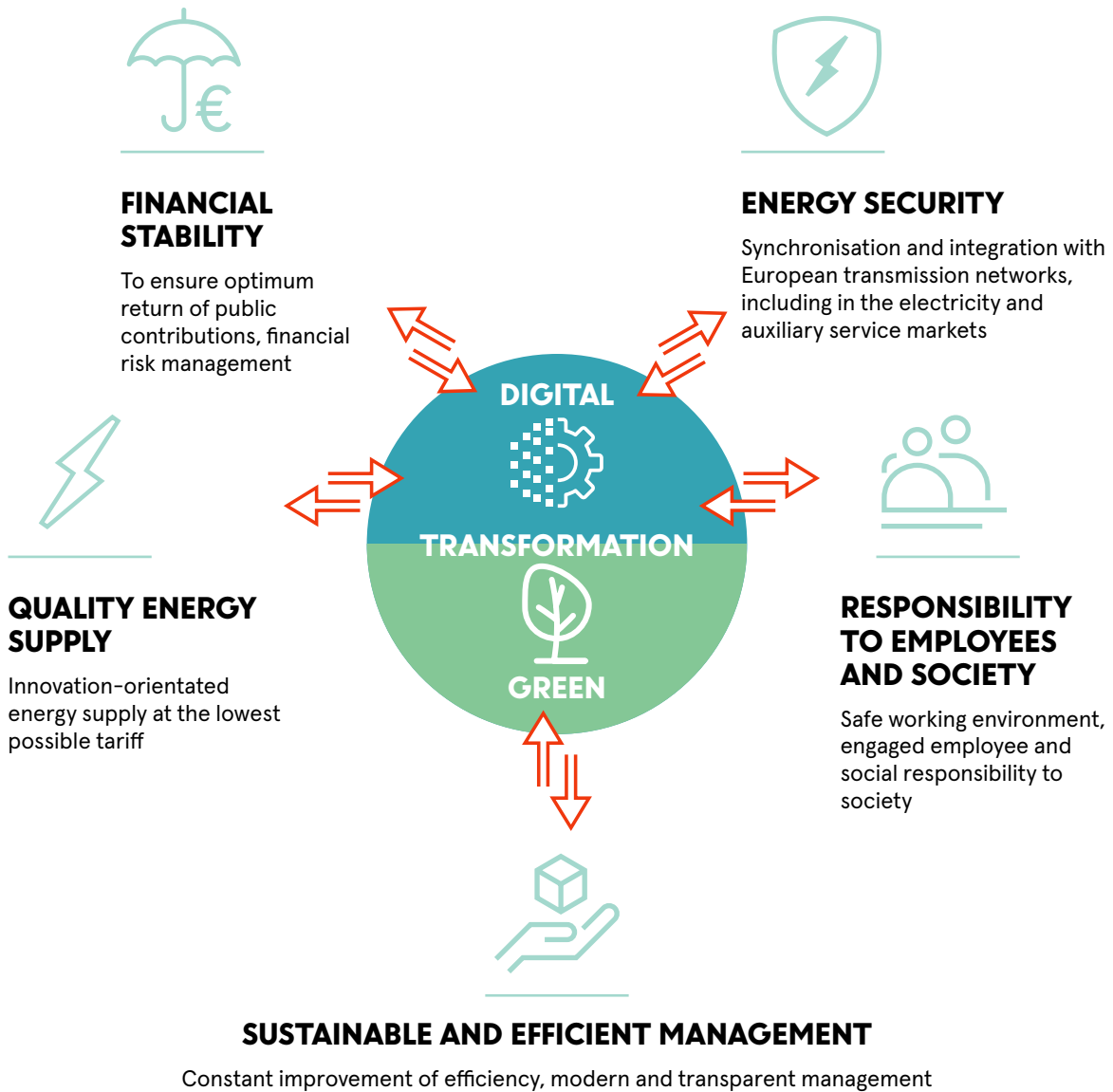
The structure of the Augstsprieguma tīkls group is organised in two operating segments: electricity

transmission and transmission and storage of natural gas. The division is made on the basis of the Group's internal organisational structure, which forms the basis for monitoring and control of the segment's performance.

The **OVERALL STRATEGIC GOAL** of the Augstsprieguma tīkls group is to ensure the security of the energy supply of Latvia, provide a continuous, high-quality and affordable energy transmission service, as well as to implement sustainable management of the energy supply assets of strategic importance to the country and facilitate their integration in the internal energy market of the European Union.

Our **MISSION** is to ensure continuous, secure and sustainably efficient electricity transmission throughout Latvia.

Augstsprieguma tīkls group's
STRATEGIC DEVELOPMENT IS FOCUSED ON:



ELECTRICITY TRANSMISSION

According to the issued licence No. E12001 and Section 11, Paragraph one of the Electricity Market Law, the Joint Stock Company "Augstsprieguma tīkls" is the only electricity transmission system operator (hereinafter also - TSO) in Latvia, and its licence area is the entire territory of Latvia. JSC "Augstsprieguma tīkls" ensures continuous, secure and sustainably efficient electricity transmission throughout Latvia.

According to Section 5 of the Energy Law, electricity transmission is a regulated sector. The sole shareholder of the parent company is the Republic of Latvia being represented by the Ministry of Finance (100%).

Quality Management System and Values

The Parent Company has developed, implemented, and maintains the management system of the company in accordance with the requirements of ISO 9001:2015 (quality), ISO 14001:2015 (environment), ISO 45001:2018 (OHSAS 18001:2007) (occupational safety), ISO 50001:2011 (energy management).

The implemented Integrated Management System ensures the efficient operation of AST, observing internationally accepted operating mechanisms regarding quality, energy management, environment protection, occupational and occupational health management, ensuring correct compliance with regulatory requirements, promoting awareness of

the business context of AST, taking the view of AST's risks and processes into account.

The parent company has developed a quality policy which defines the following **AST CORE VALUES** based on the Energy Law, the Electricity Market Law and the Network Code:



Corporate and Social Responsibility

The strategic direction of the parent company is focused on sustainable development. The company participates in the annual Sustainability Index organized by the Institute of Corporate Sustainability and Responsibility, where in 2021, FOR THE THIRD TIME, A HIGH PLATINUM RATING WAS OBTAINED, which confirms compliance with the strictest standards of corporate responsibility and shows that the company cares about the welfare its employees and clients. The title of the Ministry of Welfare "FAMILY-FRIENDLY MERCHANT" has also been received.

Since 2017, in addition to AST financial statements, a non-financial report - SUSTAINABILITY REPORT - has been prepared in accordance with the Global Sustainability Reporting Guidelines, the Core Approach issued by the non-profit organisation Global Reporting Initiative (GRI).

The Sustainability Report covers corporate social responsibility, economic responsibility, responsibility to society, employees and the work environment, environmental protection and other relevant aspects. The Sustainability Report 2020 of Augstsprieguma tīkls is available on the Augstsprieguma tīkls website at www.ast.lv.

The Parent Company has developed and approved a CORPORATE SOCIAL RESPONSIBILITY POLICY. Corporate and social responsibility (hereinafter - CSR) policy defines the forms, basic principles and directions of CSR, as well as criteria for choosing activities.

The goal of the Parent Company's ENVIRONMENTAL POLICY is to continuously improve environmental performance by preventing or reducing harmful effects on the environment, rationally using natural resources and introducing the best available techniques in all areas of activity.

The Parent Company systematically performs risk assessments, and environmental programmes are established to prevent significant risks. A register of environmental events is maintained. Key environmental pollution indicators are periodically controlled in accordance with the environment monitoring plan. The overall environmental risk is low.

Increased attention is paid to energy efficiency issues. The goal of the Parent Company's ENERGY MANAGEMENT POLICY is to continuously improve the Company's energy performance by reducing technical and technological losses, improving the energy consumption indicators of the company's facilities and improving the company's vehicle purchase and use strategy.

TRANSMISSION AND STORAGE OF NATURAL GAS

Considering the Parent Company's investment in its subsidiary Latvian natural gas transmission and storage system operator JSC "Conexus Baltic Grid", an important direction of the Group's activities is the sustainable management of strategically important energy supply assets and their integration into the European Union (hereinafter - the EU) internal energy market.

JSC "Conexus Baltic Grid" is the unified natural gas transmission and storage operator in Latvia, managing one of the most modern natural gas storage facilities in Europe - the Inčukalns underground gas storage facility (hereinafter - the Inčukalns UGS, storage facility) and the main natural gas transmission system directly connecting the Latvian natural gas market with Lithuania, Estonia and the North-West region of Russia.

Conexus offers its customers natural gas transmission and storage services in accordance with the tariffs set by the Public Utilities Commission.

Conexus **VISION** is to promote the development of the transmission system and use the potential of the underground gas storage to become the most reliable energy source in the region.

Conexus **MISSION** is to promote the sustainable operation of the energy market in the region by ensuring the reliable operation of the natural gas transmission and storage system.

Conexus **VALUES**:

- Safe operation of the system - we take care of the safe operation of the infrastructure by performing regular infrastructure monitoring.

- Flexibility and openness through competent solutions - we support market development and are open to new solutions that support market development.
- Sustainable development - in order to protect the population and the environment from potential security risks, we regularly invest in the modernisation and increase of security of the gas system, as well as in the development of the technological system.
- Professional and united team - we value professionalism in everything, and we can be relied on by colleagues, clients and partners.

SUSTAINABILITY - Conexus is a socially responsible company that ensures the growth of employees and the overall development of the industry, creating sustainable employment and added economic value, while taking care of the impact of technological processes on the environment.

The investment of AST in Conexus is managed in accordance with the Company's Corporate Governance Policy, subject to good governance practices. The Corporate governance policy of AST is based on the principles of global best practice set out in the OECD Guidelines on Corporate Governance of State-Owned Enterprises. Conexus is managed by AST exercising its set of shareholder rights and obligations under the Law on Governance of Capital Shares of a Public Person and Capital Companies (hereinafter - PPKPL) and the Commercial Law, including appointing members of the supervisory board to represent shareholders' interests between shareholders' meetings and oversee the board.

DESCRIPTION OF THE BUSINESS ENVIRONMENT

Electricity Transmission

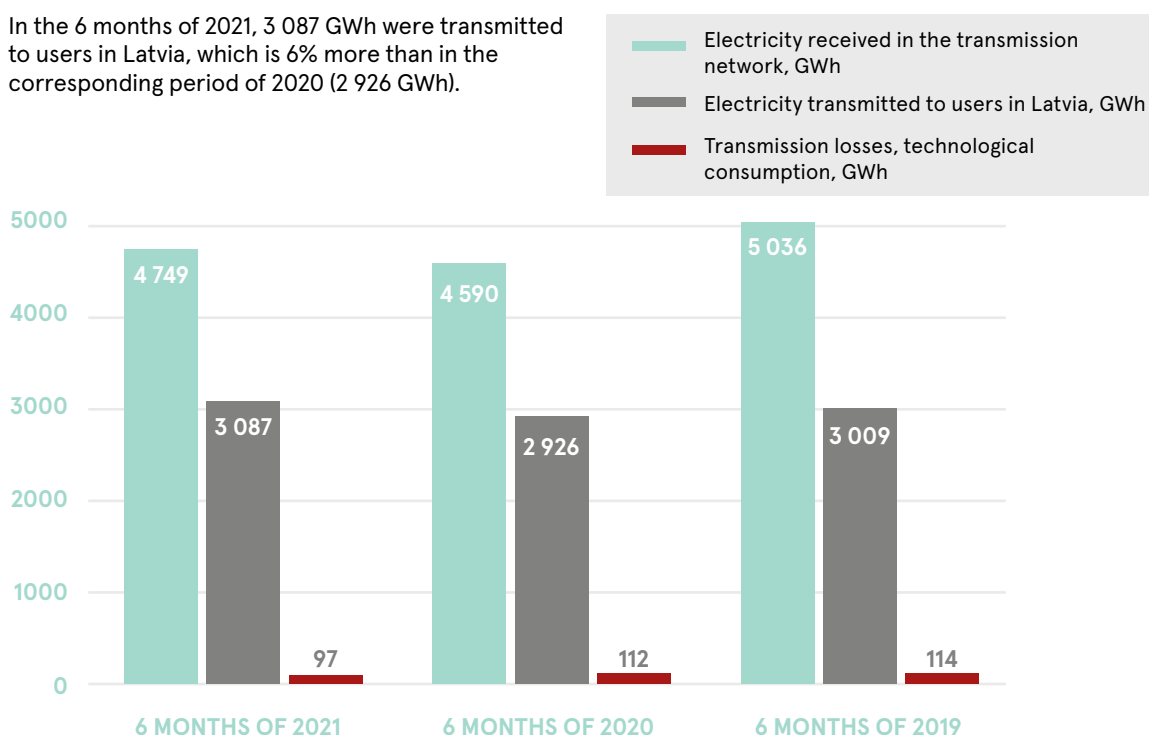
Electricity transmission is carried out by the transmission system operator through a transmission system that includes interconnected networks and equipment, including cross-border connections, with a voltage of 110 kilovolts or more, that are used for transmission to the relevant distribution system or users.

The activities of the electricity transmission system operator are regulated by the Public Utilities Commission (hereinafter – PUC) under the guidance of its Supervisory board.

During the reporting period, the obligations imposed on the Transmission system operator were fulfilled through the following transmission network:

Highest voltage (kV)	Number of substations (pcs)	Number of autotransformers and transformers (pcs)	Installed power (MVA)	Transmission Lines (km)
330 kV	17	27	4 000	1 742.13
110 kV	123	246	5 231	3 870.78
TOTAL	140	273	9 231	5 612.1

In the 6 months of 2021, 3 087 GWh were transmitted to users in Latvia, which is 6% more than in the corresponding period of 2020 (2 926 GWh).



Transmission and Storage of Natural Gas

JSC “Conexus Baltic Grid” is the only natural gas transmission and storage operator in Latvia, which ensures the maintenance of the natural gas transmission system, its safe and uninterrupted operation, and interconnections with transmission systems of other countries, enabling traders to use the natural gas transmission system for natural gas trade.

The main natural gas transmission system is 1 188 km long and is directly connected to the natural gas transmission systems of Lithuania, Estonia and Russia, providing both natural gas transmission in

regional gas pipelines on the territory of Latvia and interconnections with the natural gas transmission systems of neighbouring countries.

In the first six months of 2021, the total amount of gas transported reached 22.2 TWh, which is an increase of 31% compared to the same period a year ago. During the reporting period, the volumes of transported gas for the needs of Latvian users increased by 17%, reaching 32% of the total transported flows.

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 underground gas storage (UGS).

SEGMENT PERFORMANCE RESULTS

During the reporting period, Augstsprieguma tīkls group's net turnover was 80 353 thousand EUR, net profit was 14 135 thousand EUR.

SEGMENT INFORMATION

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 or 30.06.2021 thous. EUR	6 months of 2020 or 30.06.2020 thous. EUR	6 months of 2021 or 30.06.2021 thous. EUR	6 months of 2020 or 30.06.2020 thous. EUR
Net turnover				
Electricity Transmission	50 905	80 156	80 353	80 156
Gas transmission	-	-	18 450	-
Gas storage	-	-	10 998	-
EBITDA				
Electricity Transmission	23 005	21 667	23 005	21 667
Gas transmission	-	-	12 472	-
Gas storage	-	-	6 821	-

Electricity transmission segment

The net turnover of the segment was EUR 50 905 thousand, including revenue from electricity transmission network services of EUR 38 166 thousand, which makes up 75% of the segments' net turnover. Segment profit in the reporting period was 5 519 thousand EUR. Changes in both the net turnover and the amount of profit in 2021, compared to 2020, are related to the reform of the ownership rights of the transmission system assets implemented in 2020.

When evaluating the segment's financial performance indicators and economic performance indicators, it should be taken into account that in accordance with Article 5 of the Energy Law, electricity transmission is a regulated sector, PUC determines the allowed profit by determining the rate of return on capital, approving electricity transmission system service tariffs.

The profitability of the segment from provision of electricity transmission services complies with the terms and conditions of Tariff methodology of the Electricity Transmission System Services.

The procedure for determining and calculating remuneration is regulated in the parent company's internal regulatory documents in accordance with the requirements of the legislation of the Republic of Latvia.

Natural gas transmission and storage segment

In January-June 2021, the total net turnover of the segments was EUR 29 447 thousand, profit EUR 8 138 thousand. Revenues of the natural gas transmission segment in January-June 2021 were EUR 18 450 thousand, of the natural gas storage segment - EUR 10 998 thousand.

In the first six months of 2021, the revenue of the transmission segment was positively affected by the actual air temperatures, which were lower in the winter months than in the corresponding months of 2020. As a result, the total demand of consumers for gas heating needs was higher than in the corresponding period of the previous year.

Natural gas transmission and storage is a regulated operating segment. Revenues of the transmission segment are calculated in accordance with the methodology, return on capital approved by the PUC.

FINANCIAL RISK MANAGEMENT

Financial Risk Management of the Augstsprieguma tīkls group is implemented in accordance with the Financial Risk Management Policy and its subordinate Financial Risk Management Regulations.

Group companies, in which the interest of JSC "Augstsprieguma tīkls" is less than 100%, however, have a direct decisive influence on the basis of participation within the meaning of the Group Law, and develop and approve their Financial Risk Management Policies, if necessary, which are in line with the basic principles of the Group's policy.

The management of financial resources is focused on ensuring the financing of its business activities and financial stability by implementing conservative financial risk management. As part of financial risk management, the Parent Company uses financial risk controls and implements risk mitigation measures to reduce the risk in open positions.

The Parent Company complies with prudential liquidity risk management, ensuring that appropriate financial resources are available to it for the settlement of liabilities within the set time periods.

The financial assets that potentially expose the Parent Company to a certain degree of risk concentration are mainly cash and trade receivables. Although the Parent Company has a significant risk concentration in relation to one counterparty or a group of similar counterparties, this risk is assessed as limited, taking into account the fact that the most important Parent Company's cooperation partner is the state-owned company "Latvenergo", as well as the capital companies of its Group. Trade receivables are presented according to the recoverable value.

In cooperation with banks and financial institutions, such business partners are accepted, the credit rating or credit rating of the parent bank of which, set by an international credit rating agency, is at least at the investment grade level.

The management forecasts that it will not have liquidity problems and the Augstsprieguma tīkls group will be able to settle with creditors within the set deadlines. The management believes that the Augstsprieguma tīkls group will have sufficient cash resources so that its liquidity will not be endangered.

Financing and liquidity

Pursuant to the decisions of the sitting of the Cabinet of Ministers of the Republic of Latvia of 8 October 2019 and 17 December 2019, in 2020 the reorganisation of the ownership rights of the transmission system assets was implemented.

On 10 June 2020, the former subsidiary of JSC "Latvenergo", the owner of the transmission system assets JSC "Latvijas elektriskie tīkli", was separated from the Latvenergo group and on 15 June 2020, JSC "Augstsprieguma tīkls" was invested. According to the decision of the Enterprise Register of the Republic of Latvia of 25 November 2020, on 25 November 2020, JSC "Latvijas elektriskie tīkli" was excluded from the Enterprise Register and was added to JSC "Augstsprieguma tīkls".

JSC "Latvijas elektriskie tīkli" received loans from the parent company JSC "Latvenergo" in accordance with the agreement "On provision of mutual financial resources" concluded within the Latvenergo group to ensure the functions of the transmission system asset owner until the change of shareholder. On 8 May 2020, an agreement was concluded between the parent company JSC "Latvenergo" and JSC "Latvijas elektriskie tīkli" on merging the long-term loans of JSC "Latvijas elektriskie tīkli", refinancing the previously concluded loans in the amount of EUR 184 725 thousand, and envisaging a new loan repayment schedule, as well as setting a fixed interest rate in accordance with the weighted average interest rate at which JSC "Latvenergo" attracts loans in the external market.

After investing the shares of JSC "Latvijas elektriskie tīkli" in JSC "Augstsprieguma tīkls", the Company ensures the attraction of the borrowed capital necessary for financing capital investments. The amount of borrowings of JSC "Latvijas elektriskie tīkli" from the parent company JSC "Latvenergo" on 16 June 2020, the shares of which were invested in JSC "Augstsprieguma tīkls", was 225 232 thousand EUR.

On 18 June 2020, JSC "Augstsprieguma tīkls" concluded a loan agreement with JSC "SEB banka" for EUR 116 200 thousand with a maturity of 18 months and an interest rate of 3 months EURIBOR and the added interest rate (see also Annex 20). The purpose of this loan is to partially refinance the liabilities of JSC "Latvijas elektriskie tīkli" to JSC "Latvenergo". Using the loan of JSC "SEB banka" and the own funds available to JSC "Augstsprieguma tīkls", on 19 June 2020 the loan from JSC "Latvenergo" was refinanced in the amount of EUR 138 560 thousand. AST agreed to repay the remaining part of the loan to Latvenergo in the amount of EUR 86 672 thousand in two equal instalments in 2022 and 2023.

In order to ensure efficient management of available funds, an agreement on early repayment of the loan was concluded between AST and JSC "Latvenergo" on 18 June 2021, providing for repayment of EUR 46 672 thousand of the loan principal in June 2021 and repayment of the remaining EUR 40 000 thousand in July 2021.

According to the above, on 30 June 2021, the AST loan basket consists of a loan from JSC "Latvenergo" of EUR 40 000 thousand with a repayment date of July 2021 and a loan from JSC "SEB banka" of EUR 116 200 thousand with a repayment term of December 2021.

The Board of JSC "Augstsprieguma tīkls" has approved the Financing Attraction Strategy for 2021–2025; a refinancing plan for existing liabilities has been developed and approved. In 2021 it is planned to refinance the JSC "Augstsprieguma tīkls" loan against JSC "SEB banka" in the amount of EUR 116 200 thousand by issuing bonds. The Company's management believes that JSC "Augstsprieguma tīkls" will be able to attract the necessary resources to refinance the loans.

For the financing of working capital, an overdraft agreement was concluded between

JSC "Augstsprieguma tīkls" and JSC "SEB banka" for up to EUR 20 000 thousand. During the reporting period, JSC "Augstsprieguma tīkls" did not receive any loans within the framework of the overdraft agreement.

The natural gas operator JSC Conexus Baltic Grid attracts external financing with its own resources.

In October 2020, the Company initiated the credit rating procedure by concluding an agreement with the international credit rating agency S&P Global Ratings. The international credit rating agency S&P Global Ratings (S&P) has for the first time assessed and ASSIGNED THE LONG-TERM CREDIT RATING BBB+/STABLE TO THE LATVIAN TRANSMISSION SYSTEM OPERATOR JSC "AUGSTSPRIEGUMA TĪKLS".

ELECTRICITY TRANSMISSION SYSTEM SERVICES TARIFF

The electricity transmission services tariffs are determined in accordance with the "Methodology for calculating tariffs for electricity transmission system services" approved by the PUC. In 2021, transmission system services were provided at tariffs approved by the PUC Council Decision of 26 November 2020.

By the PUC Council Decision No. 153 of 26 November 2020, tariffs for electricity transmission services for the regulatory period from 1 January 2021 to 31 December 2022 were approved. In the draft tariff developed by the parent company, the costs of transmission services are 5% lower than in the current tariff.

The Parent Company has set the implementation of measures to reduce the increase in electricity transmission system service tariffs as one of the priority objectives. In order to achieve the set goal, the Parent Company actively attracts

European Union (EU) co-financing to finance capital investments. Currently, EU co-financing is attracted for five capital investment projects. In addition, in order to minimise the impact on the transmission tariffs, the Company redistributes the accumulated transmission congestion income to finance the capital investments.

In 2021, it is planned to continue the activities started in 2017 in improving the efficiency of the Parent Company's business processes and optimising costs.

As a result AST's activities, 84% OF THE FINANCING REQUIRED FOR THE IMPLEMENTATION OF THE DEVELOPMENT PROJECTS INCLUDED IN THE EUROPEAN TEN-YEAR DEVELOPMENT PLAN IS COVERED BY EU CO-FINANCING AND TRANSMISSION CONGESTION INCOME, THUS REDUCING THE IMPACT ON THE ELECTRICITY TRANSMISSION SYSTEM SERVICE TARIFFS.

FURTHER DEVELOPMENT

Synchronization of the Baltic States with Continental Europe

The main challenges for the upcoming years will be related to **THE SYNCHRONISATION OF THE BALTIC COUNTRIES WITH CONTINENTAL EUROPE**.

On 22 May 2019, AST signed the Agreement on the conditions of the future interconnection of the power system of the Baltic States and continental Europe. The annexes to the concluded connection agreement to the continental European electricity system set out the technical requirements to be met by the Baltic TSOs before and after the start of the synchronization process. These requirements are related to changes in settings in the transmission system, investments in infrastructure development, and the obligations of TSOs to maintain a certain amount of frequency maintenance, frequency renewal reserves, as well as to ensure system inertia.

Synchronisation of the Baltic states with continental Europe is expected by 2025. Synchronisation will result in the Baltic electric power transmission system becoming part of the European system, meaning more independence from Russia and a more reliable electric power supply.

Development of the Electricity Transmission System

The decision of the PUC Council of 20 October 2020 "On the Development Plan of the Electricity Transmission System" approved the development plan of the electricity transmission system developed by AST for the period from 2021 to 2030 (hereinafter also - the Development Plan).

THE DEVELOPMENT PLAN HAS BEEN DEVELOPED IN ACCORDANCE WITH THE STRATEGIC GOAL OF AST - strengthening Latvia's energy security by synchronising the Latvian electricity transmission network with the continental European network, observing compliance with the principles of security and cost-effectiveness.

The approved Development Plan determines the development of the transmission system and the necessary financial investments in the transmission infrastructure for the next 10 years, envisaging the **INVESTMENT OF EUR 405 MILLION IN THE DEVELOPMENT OF THE ELECTRICITY TRANSMISSION SYSTEM, EUR**. It is possible to get acquainted in detail with the approved Development Plan at: https://www.ast.lv/sites/default/files/editor/AST_Attistibas_plans_2021_2030.pdf

In order to minimise the impact of the planned capital investments on electricity transmission tariffs, AST has successfully attracted EU co-financing for projects of common European interest included in the Development Plan, including:

- The third Estonia – Latvia 330 kV interconnection – EU co-financing of up to 65% of eligible costs, or EUR 51 198 thousand has been attracted.
- The Project "Synchronisation of the Baltic Power System with the Trans-European Network, Phase 1" – EU co-financing of up to 75% of eligible costs, or EUR 57 750 thousand.
- Project "Synchronisation of the Baltic Electricity Transmission System with the European Network, Phase 2" - in 2020 EU co-financing of 75% of the eligible costs or EUR 55 500 thousand has been attracted for urgent projects of Phase 2. In 2021, it is planned to submit EU co-financing for the remaining part of the project.

During the reporting period, the project "Third Estonia-Latvia 330 kV interconnection" was put into operation. EUR 82 784 thousand has been invested in the mentioned project. Implementation of the project in the amount of 50% was co-financed by the European Union from the funds of the Connecting Europe Facility (CEF). To reduce the impact of the project on the electricity transmission tariff, the additional financing was received from congestion charge revenues of 30 508 thousand EUR.

The company has developed and on 28 June 2021 submitted for consideration to the PUC the electricity transmission system development plan for 2022 – 2031. It is possible to get acquainted with the submitted plan in detail at: https://www.ast.lv/sites/default/files/AST_Attistibas_plans_2022-2031.pdf

System Management and Electricity Market Development

Implementing the policy of the European Union regarding the single electricity market, the strategic direction of JSC "Augstsprieguma tīkls" is focused on the development of electricity and ancillary service markets and integration into European markets.

Over the coming years, **IT IS PLANNED TO CONTINUE WORKING ON THE DEVELOPMENT AND IMPROVEMENT OF THE SINGLE EUROPEAN DAY-AHEAD AND INTRADAY MARKET**. This will include new opportunities for participants in the European Union's internal electricity market, including Latvian and Baltic market participants.

Currently, several projects are being launched, and upon their implementation market participants will have the opportunity to participate in the day-ahead and intraday market with 15 minutes' time resolution and work with energy and transmission power inclusive products, like the current day-ahead market.

It is also planned to continue working on the establishment of the single European mFRR market platform and on the accession of the Baltic TSO to it, which will allow the Baltic balancing service providers to participate in the pan-European reserve market.

To join the platform, a number of changes will have to be made to the operation of the pan-Baltic balancing model, the most important of which is to ensure the transition to the 15-minute balancing market period, which will allow electricity market participants to plan their operations more accurately and control system imbalances more effectively.

Transmission and Storage of Natural Gas

Considering the priorities set in the energy policy planning documents, the development of the natural gas transmission and storage segment is focused on:

1. Strengthening Latvia's security of supply by ensuring the safe and stable operation of the natural gas transmission system and storage infrastructure and high-quality, non-discriminatory and transparent service to system users, while promoting the involvement of new market participants in the market;
2. Promoting energy sustainability and reducing energy dependency by assessing and facilitating the development of the gas transmission system with a view to facilitating the injection of alternative energy sources to natural gas into the transmission system and storage, as well as integrating solutions for the reduction of carbon footprints.
3. Promoting the liquidity of the gas market through the full integration, expansion and harmonisation of market rules in the regional gas market.

EVENTS AND OCCURRENCES AFTER THE END OF THE REPORTING PERIOD

In accordance with the agreement of 18 June 2021 between JSC "Augstsprieguma tīkls" and JSC "Latvenergo", in July 2021 the remaining loan from JSC "Latvenergo" in the amount of EUR 40 000 thousand was repaid.

In August 2021 Augstsprieguma tīkls credit ratings affirmed at BBB+, outlook revised to Positive on lower country risk

After the end of the reporting period there were no other material circumstances or events that could affect the future development of the Company.

Gunta Jēkabsone
Board Chairperson

Imants Zviedris
Board Member

Mārcis Kauliņš
Board Member

Gatis Junghāns
Member of the Board

Arnis Daugulis
Member of the Board

Māra Grava
Head of the Finance and
Accounting Department

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Riga, 21 September 2021



**STATEMENT
OF BOARD'S
RESPONSIBILITY**

STATEMENT OF BOARD'S RESPONSIBILITY

Based on the information being at the disposal of the Board of JSC "Augstsprieguma tīkls", the unaudited interim abridged financial statements of the Augstsprieguma tīkls Group and JSC "Augstsprieguma tīkls" for the 6-month period, which ended on 30 June 2021, provide a true and fair view in all material aspects about the assets, liabilities, financial status and profit or loss of the Augstsprieguma tīkls group and JSC "Augstsprieguma tīkls".

Gunta Jēkabsone
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Riga, 21 September 2021



**CONSOLIDATED
AND SEPARATE
FINANCIAL
STATEMENTS**

CONDENSED PROFIT OR LOSS STATEMENT

	Notes	JSC "Augstsprieguma tīkls"		Group	
		6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
REVENUE	3	50 905 349	80 155 575	80 352 790	72 846 917
Other income	4	1 655 394	150 025	2 100 278	161 363
Used raw materials and materials, repair costs	5	(14 660 512)	(9 663 254)	(17 393 827)	(2 065 918)
Personnel expenses	6	(8 398 917)	(8 242 613)	(14 161 731)	(8 256 895)
Other operating expenses	7	(6 495 892)	(40 733 195)	(8 599 649)	(40 715 169)
Depreciation and amortisation	9, 21	(16 144 684)	(19 572 540)	(24 928 001)	(18 952 204)
Income from participation	10	58 286 236	5 604 642	-	5 604 642
Finance income	8	2 290	54 187	2 549	54 187
Finance costs	8	(1 344 162)	(258 772)	(1 458 552)	(444 006)
Consolidation difference		-	-	-	3 586 293
Profit before taxes		63 805 102	7 494 055	15 913 857	11 819 210
Deferred corporate income tax		-	-	(1 779 103)	-
Profit for the reporting period		63 805 102	7 494 055	14 134 754	11 819 210
Profit attributable to:					
Equity holder of the Parent Company		63 805 102	7 494 055	11 567 918	11 819 210
Non-controlling interests		-	-	2 566 836	-

Notes from page 27 to 65 are an integral part of these financial statements.

Gunta Jēkabsons
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Riga, 21 September 2021

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	JSC "Augstsprieguma tīkls"		Group	
		6 month of 2021 EUR	6 month of 2020, unaudited EUR	6 months of 2021 EUR	6 month of 2020, unaudited EUR
PROFIT FOR THE PERIOD		63 805 102	7 494 055	14 134 754	11 819 210
<i>Items that will not be reclassified to profit or loss statement</i>					
Other income		-	-	-	-
Other income for the reporting period		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		63 805 102	7 494 055	14 134 754	11 819 210
Attributable to:					
Equity holder of the Parent Company		63 805 102	7 494 055	11 567 918	11 819 210
Non-controlling interests		-	-	2 566 836	-

Notes from page 27 to 65 are an integral part of these financial statements.

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Riga, 21 September 2021

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	JSC "Augstsprieguma tīkls"		Group	
		30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
ASSETS					
NON-CURRENT ASSETS					
Intangible investments	9.1	1 786 098	1 435 210	3 602 324	3 307 881
Fixed assets	9.2	653 163 343	654 359 778	1 068 209 639	1 067 674 394
Right-of-use assets	21	15 074 695	14 212 293	15 531 913	14 715 877
Non-current financial investments	10	134 396 393	134 396 393	1 160 466	1 210 860
TOTAL NON-CURRENT ASSETS		804 420 529	804 403 674	1 088 504 342	1 086 909 012
CURRENT ASSETS					
Inventories	11	524 267	514 087	3 473 911	3 535 090
Advances paid for inventories		-	-	24 966	
Trade receivables	12	1 141 163	1 673 797	8 267 231	8 528 491
Deposits	13	-	25 000 000	-	25 000 000
Other current assets	13	31 873 502	31 647 751	31 944 651	31 740 753
Corporate income tax	13	1 611 415	11 512	1 611 415	11 512
Deferred expenses		1 194 797	629 093	1 707 081	979 586
Accrued income	14	9 140 637	9 422 703	9 140 637	9 422 703
Cash	15	72 315 812	32 224 560	74 721 071	47 388 296
Total current assets		117 801 593	101 123 503	130 890 963	126 606 431
TOTAL ASSETS		922 222 122	905 527 177	1 219 395 305	1 213 515 443

Notes from page 27 to 65 are an integral part of these financial statements.

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Rīga, 21 September 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

(continued)

	Notes	JSC "Augstsprieguma tīkls"		Group	
		30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	363 896 079	363 896 079	363 896 079	363 896 079
Reserves		4 001 410	4 172 258	2 194 176	6 304 575
Retained earnings		8 912 359	6 741 633	142 884 629	82 722 433
Profit for the reporting year		63 805 102	9 999 392	11 567 918	64 051 311
Non-controlling interests		-	-	97 128 694	122 228 140
Total equity		440 614 950	384 809 362	617 671 496	639 202 537
Non-current liabilities					
Employee benefit obligations		2 440 205	2 636 255	3 468 699	3 664 749
Lease liabilities	21	14 595 086	13 761 561	15 048 938	14 215 413
Loans	20	-	86 672 207	66 694 444	86 672 207
Deferred revenue	17	282 653 434	279 847 333	293 266 416	290 629 069
Total non-current liabilities		299 688 725	382 917 356	378 478 497	395 181 438
Current liabilities					
Loans	20	156 200 000	116 200 000	173 508 561	138 075 000
Lease liabilities	21	734 265	657 434	750 713	717 652
Deferred revenue	17	7 064 361	6 135 817	10 670 629	7 388 747
Trade payables		10 170 811	8 086 381	17 485 213	15 722 857
Taxes and mandatory state social insurance contributions	22	3 257 939	1 754 449	6 951 665	2 811 710
Deferred corporate income tax liabilities		-	-	5 494 468	5 152 360
Advance payments received	18	300 196	602 252	1 138 525	1 255 537
Other creditors	18	1 919 166	2 232 912	3 041 693	2 963 606
Accrued liabilities	19	2 271 709	2 131 214	4 203 845	5 043 999
Total current liabilities		181 918 447	137 800 459	223 245 312	179 131 468
TOTAL EQUITY AND LIABILITIES		922 222 122	905 527 177	1 219 395 305	1 213 515 443

Notes from page 27 to 65 are an integral part of these financial statements.

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Riga, 21 September 2021

CONDENSED STATEMENT OF CHANGES IN EQUITY

	JSC "Augstsprieguma tīkls"						
	Share capital	Profit for the reporting year	Other reserves	Noncurrent assets revaluation reserve	Post-Employment benefit plan revaluation reserve	Reorganiza-tion reserves	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2019	64 218 079	2 951 011	2 680 615	-	106 006	-	69 955 711
Dividends paid for 2019	-	(1 735 958)	-	-	-	-	(1 735 958)
Share capital increase	299 678 000	-	-	-	-	-	299 678 000
Profit for the reporting period	-	7 494 055	-	-	-	-	7 494 055
Changes in reserves	-	(1 215 053)	1 215 053	-	-	-	-
As at 30 June 2020	363 896 079	7 494 055	3 895 668	-	106 006	-	375 391 808
Profit for the reporting period	-	3 720 390	-	-	-	-	3 720 390
Other income for the reporting year	-	-	-	-	384 250	-	384 250
Addition of JSC Latvijas elektriskie tīkli as a result of reorganisation	-	5 211 434	-	-	-	(27 336 704)	(22 125 270)
Recognition of revaluation reserve as a result of reorganisation	-	-	-	27 438 184	-	-	27 438 184
Transfer of retained earnings	-	315 146	-	(315 146)	-	-	-
As at 31 December 2020	363 896 079	16 741 025	3 895 668	27 123 038	490 256	(27 336 704)	384 809 362
Dividends paid for 2020	-	(7 999 514)	-	-	-	-	(7 999 514)
Retained earnings	-	170 848	-	(170 848)	-	-	-
Profit for the reporting period	-	63 805 102	-	-	-	-	63 805 102
As at 30 June 2021	363 896 079	72 717 461	3 895 668	26 952 190	490 256	(27 336 704)	440 614 950

Notes from page 27 to 65 are an integral part of these financial statements.

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Rīga, 21 September 2021

CONDENSED STATEMENT OF CHANGES IN EQUITY

(continued)

	Group							
	Share capital	Profit for the reporting year	Other reserves	Noncurrent assets revaluation reserve	Post-Employment benefit plan revaluation reserve	Reorganization reserves	Noncontrolling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2019	64 218 079	56 367 925	2 680 615	-	75 844	-	-	123 342 463
Dividends paid for 2019	-	(1 735 959)	-	-	-	-	-	(1 735 959)
Other income for the reporting period		31 719						31 719
Share capital increase	299 678 000	-	-	-	-	-	-	299 678 000
Profit for the reporting period	-	11 819 210	-	-	-	-	-	11 819 210
As at 30 June 2020	363 896 079	66 482 896	2 680 615	-	75 844	-	-	433 135 434
Profit for the reporting period	-	52 200 381	-	-	-	-	1 307 174	53 507 555
Other income for the reporting year	-	-	-	-	381 463	28 120 629	8 275	28 510 367
Transfer of revaluation surplus upon acquisition of control of an associate	-	28 090 467	-	-	-	(28 090 467)	-	-
Transaction between companies under common control – net result	-	-	-	-	-	(25 778 705)	-	(25 778 705)
Transaction between companies under common control – acquisition of revaluation reserve	-	-	-	28 915 196	-	-	-	28 915 196
Acquisition of a subsidiary with a noncontrolling interest	-	-	-	-	-	-	120 912 690	120 912 690
As at 31 December 2020	363 896 079	146 773 744	2 680 615	28 915 196	457 308	(25 748 545)	122 228 140	639 202 537
Dividends paid for 2020	-	(7 999 514)	-	-	-	-	(26 846 636)	(34 846 150)
Write-off of revaluation reserve	-	3 939 550	-	(3 939 550)	-	-	-	-
Retained earnings	-	170 848	-	(170 848)	-	-	-	-
Profit for the reporting period	-	11 567 919	-	-	-	-	-	11 567 919
Non-controlling interest	-	-	-	-	-	-	1 747 190	1 747 190
As at 30 June 2021	363 896 079	154 452 547	2 680 615	24 804 798	457 308	(25 748 545)	97 128 694	617 671 496

Notes from page 27 to 65 are an integral part of these financial statements.

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Riga, 21 September 2021

CONDENSED CASH FLOW STATEMENT

	Notes	JSC "Augstsprieguma tīkls"		Group	
		6 months of 2021 EUR	6 months of 2020, unaudited EUR	6 months of 2021 EUR	6 months of 2020, unaudited EUR
I. CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxes		63 805 102	7 494 055	15 913 857	11 819 210
ADJUSTMENTS:					
- amortisation, depreciation and impairment in value of intangible assets, fixed assets and rights to use assets	9.1, 9.2, 21	16 256 252	18 024 477	24 993 203	18 960 493
- increase/(decrease) in provisions		(196 050)	(161 380)	(196 050)	(161 380)
- finance costs	8	1 921 843	95 112	2 241 025	375 679
- other adjustments	21	1 203 159	-	1 084 797	-
- income from dividends		(58 286 236)	(5 604 642)	-	(5 604 642)
Operating profit before working capital adjustments		24 704 070	19 847 622	44 036 832	25 389 360
ADJUSTMENTS:					
- decrease of trade receivables		29 013 124	23 514 629	28 601 886	4 244 906
- (increase)/reduction of inventory		(10 180)	(8 103)	68 238	12 434
- increase/(reduction) in trade payables		(26 705 365)	6 243 816	(28 559 521)	31 055 292
Gross cash flows from operating activities		27 001 649	49 597 964	44 147 435	60 701 992
Interest payments		(2 105)	(76 270)	111 284	(76 270)
Asset lease interest payments		-	-	-	(9 322)
Corporate income tax payments	22	(1 599 903)	(347 192)	(1 599 903)	(347 192)
Net cash flows from operating activities		25 399 641	49 174 502	42 658 816	60 269 208

Notes from page 27 to 65 are an integral part of these financial statements.

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Riga, 21 September 2021

CONDENSED CASH FLOW STATEMENT

(continued)

	Notes	JSC "Augstsprieguma tīkls"		Group	
		6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
II. Cash flows from investing activities					
Acquisition of fixed assets and intangible investments	9.1, 9.2	(14 369 220)	(844 316)	(25 047 117)	(9 437 117)
Sale of fixed assets and intangible assets	9.2	68 641	105 703	132 633	105 703
Issued loans		-	(138 560 000)	-	-
Received deposits		25 000 000	-	25 000 000	-
Investment in shares		-	77 000 000	-	77 000 000
Dividends received		58 286 236	5 604 642	-	5 604 642
Proceeds from the sale of shares		-	1 729 071	-	1 729 071
Interest income from payments		-	54 187	-	54 187
Net cash flows from/(used in) investing activities		68 985 657	(54 910 713)	85 516	75 056 486
III. Cash flows from financing activities					
Loans from credit institutions, net		-	116 200 000	62 128 005	(44 013 136)
Borrowings from JSC "Latvenergo"	20	(46 672 207)	-	(46 672 207)	40 744 264
Expenses for repayment of loans	20	(1 717 784)	-	(1 819 782)	-
Interest payments, net		-	-	-	(175 105)
Asset lease payments	21	(411 789)	(15 373 191)	(466 951)	(12 296 677)
Asset lease interest payments	21	118 986	-	118 986	-
European Union funding received	17	788 359	3 959	3 807 579	3 959
Expenditure on investments in affiliated or associated companies		-	172 394	-	172 394
Dividends paid to shareholders		(6 399 611)	(1 388 765)	(32 507 187)	(1 388 765)
(decrease) of loans		-	-	-	(19 608 955)
Net cash flows (used in)/from financing activities		(54 294 046)	99 614 397	(15 411 557)	(36 562 021)
Increase in net cash and cash equivalents during the reporting period		40 091 252	93 878 186	27 332 775	98 763 673
Cash and cash equivalents at the beginning of the reporting period		32 224 560	28 216 327	47 388 296	28 216 327
Cash and cash equivalents at the end of the reporting period		72 315 812	122 094 513	74 721 071	126 980 000

Notes from page 27 to 65 are an integral part of these financial statements.

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Riga, 21 September 2021



**NOTES TO THE
CONSOLIDATED
AND SEPARATE
FINANCIAL
STATEMENTS**

1. GENERAL INFORMATION ABOUT THE GROUP

The principal activity of the Augstsprieguma tīkls group is the provision of electricity transmission system operator functions, efficient management of energy supply system assets, natural gas transmission and storage.

The JSC “Augstsprieguma tīkls” heads the Augstsprieguma tīkls group (hereinafter – the Group) group that includes the subsidiary JSC “Conexus Baltic Grid”.

All shares of JSC “Augstsprieguma tīkls” are owned by the state and their holder is the Ministry of Finance of the Republic of Latvia. The registered address of the Company is Dārziema iela 86, Rīga, LV-1073, Latvia.

JSC “Augstsprieguma tīkls” is a transmission system operator, licensed by the Public Utilities Commission under licence No. E12001, that ensures the security of the operation of the transmission network and the power supply system of Latvia, provides the transmission service on the basis of published transmission service tariffs, and ensures the availability of the transmission system services on a continuous basis. JSC “Augstsprieguma tīkls” is engaged in the operational management of the transmission system and ensures secure and reliable electric power transmission. The Company as a transmission system operator operates in a relatively non-cyclical or late-cyclical industry. However, an unexpected downturn in the economy may have an impact on the Group’s customers and negatively

affect its growth and results of operations through reduced electricity consumption.

In 2021, restrictions related to the spread of the coronavirus will continue in the Republic of Latvia and many other countries, which will significantly reduce economic development in the country and in the world. It is not possible to foresee the situation’s development in the future, and thus there is uncertainty about economic development. The Company’s management continuously evaluates the situation; at the time of approval of the annual report the Company has not encountered significant disruptions in business operations, no significant or potentially significant debt losses have been identified, the Company continues to cover liabilities in a timely manner. However, this conclusion is based on the information available at the time of preparation of the document; as influencing circumstances change, the impact on the Company’s operations may differ from the current assessment.

The financial statements were approved by the Board of the Company on 21 September 2021 composed of: Gunta Jēkabsons (Chairperson of the Board), Imants Zviedris (Member of the Board), Mārcis Kauliņš (Member of the Board), Gatis Junghāns (Member of the Board), Arnis Daugulis (Member of the Board).

The auditor of the Company is the certified audit company “PricewaterhouseCoopers” LTD, and the responsible certified auditor is Ilandra Lejiņa.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

This section of the appendix sets out the key accounting principles that are used in the preparation of the financial statements. These principles are applied consistently, reflecting data for all periods presented in the report. The basic accounting and accounting valuation principles set out in this section have been applied consistently throughout the reporting period.

The consolidated and separate financial statements have been prepared in accordance with the 34. International Accounting Standard (IAS). Taking the European Union approval process into account, this Annex also presents standards and interpretations that have not been approved for application in the European Union, as those standards and interpretations may have an impact on the Company’s financial statements in future periods, if they are adopted.

The consolidated and separate financial statements have been prepared under the historical cost convention, except for items carried at fair value. The profit or loss statement is classified by nature of expense. The cash flow statement has been prepared using the indirect method.

The financial statements are presented in the currency of the Republic of Latvia, the euro (hereinafter – EUR).

The comparability of indicators is kept in the financial report; in the case when the presentation of financial statement information is changed during the reporting year, comparative figures are reclassified and are comparable.

Financial statements cover the time period from 1 January to 30 June 2021. The consolidated financial

statements of the Group include the financial results of the subsidiary JSC "Latvijas elektriskie tīkli" from 1 June to 30 September 2020, when the company merged as a result of the reorganisation, and the financial results of the subsidiary JSC "Conexus Baltic Grid" from 1 August 2020. As a result of merger AS Latvijas elektriskie tīkli transferred all its property,

rights and obligations to the Company and ceased to exist without a liquidation process. Following the merger, the Company continues the commercial activities of AS Latvijas elektriskie tīkli.

As at 30 June 2021, the Group's parent company had investments in the following subsidiaries:

Name of subsidiary	Country	Type of business activity	Date of establishment/ acquisition	Shareholding
JSC "Conexus Baltic Grid"	Latvia	Transmission and Storage of Natural Gas Pipeline transport (NACE code 49.50)	21.07.2020	68.46%

Principles of drawing up financial statements

Standards and interpretations applicable during the reporting year

Except for the changes described below, the Group has consistently applied the accounting policies set out in all periods presented in these financial statements.

The Group has adopted the new standards and amendments to the standards described below, including the resulting amendments to other standards, the date of initial application of which was 1 January 2020.

Application of new or revised standards and interpretations

During the current reporting period, the following standards issued by the International Accounting Standards Board (IASB) and the new standards adopted by the EU, as well as amendments to the existing standards and new guidance on the interpretation are in force:

- Amendments to IAS 1 "Financial reporting" and IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors" – definition of "material" (effective for reporting periods starting on 1 January 2020 or later);
- Amendments to IFRS 3 "Business Combinations" – definition of a business (effective for business combinations in which the business has been acquired during the first reporting period starting on 1 January 2020 or later, as well as for asset acquisition made at the beginning of this period or later);
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – The reform of the interest rate benchmark adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020), issued on 26 January 2019 by the IASB;

- Amendments to IFRS 16 "Leases" – Covid-19 related rental concessions (adopted by the EU on 9 October 2020 and effective no later than 1 June 2020 for financial years beginning on or after 1 January 2020);
- Amendments on references to the conceptual framework of IFRSs adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments to existing standards and interpretations have no material impact on the Group's financial statements.

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of approval of the financial statements, the following new standards, amendments to existing standards and interpretations issued by the IASB and adopted by the EU, but not yet effective:

- Amendments to IFRS 4 Insurance Contracts "Temporary Exemption from IFRS 9", adopted by the EU on 16 December 2020 (the deadline of the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 9 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures, IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Reform of the Interest Rate Benchmark – Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

The Group decided not to adopt the new standards, amendments to existing standards and interpretations before their effective date. The Group anticipates that the adoption of these standards and amendments to existing standards will not have a material impact on the Group's financial statements in the period of initial application.

New standards and amendments to existing standards issued by the IASB, but not yet adopted by the EU

At the moment, the IFRS adopted by the EU do not differ significantly from those adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments of existing standards, and guidance on the interpretation not yet endorsed by the EU as of 31 December 2020 (effective dates refer to IFRSs issued by the IASB):

- 14. IFRS “Deferred Items Established by the Regulator” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to initiate the application process for the interim standard, but to await the final version of the standard;
- 17. 17 “Insurance Contracts” and amendments to IFRS 17 (effective for reporting periods beginning on 1 January 2023 or after).
- Amendments to IAS 1 “Presentation of Financial Statements” – classification of liabilities as current or non-current (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure of Accounting Policy (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 “Accounting Policy, Changes in Accounting Estimates, and Errors” – Definition of Accounting Estimates (effective for reporting periods starting on 1 January 2023 or later),
- Amendments to IAS 16 “Fixed Assets” – Revenue Before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts – Contract Performance Costs (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 “Business Combinations” – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for reporting periods beginning on 1 January 2022 or after).
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – asset sales or investment transaction between the investor and its associate or joint venture and further amendments (entry into force pending indefinitely until the completion of the research project on the equity method).
- Amendments to various standards related to “Improvements to IFRSs (2018-2020 Cycle)” resulting from the Annual Improvements to IFRSs (IFRS 1, IFRS, 9 IFRS, 16 and IAS 41 mainly to eliminate inconsistencies and clarify wording (Amendment to IFRS 1 IFRS 9, and IAS 41, shall be effective for reporting periods beginning on

1 January 2022 or after. Amendment to IFRS 16 is for illustrative purposes only, so the effective date is not specified).

The Group anticipates that the adoption of these new standards and amendments to existing standards will not have a material impact on the Group’s financial statements in the period of initial application.

Consolidation

a) Subsidiaries

A subsidiary is a company that is controlled by the Group. Control is presumed to exist when the Group has the power to obtain or obtains control rights over certain benefits from its interest in an investment and if it has the possibility to obtain a return by using its impact on its investment (existing rights that give a current possibility to determine control over the company) (IFRS 10 “Consolidated Financial Statements”).

A subsidiary is consolidated from the date on which control is transferred from the parent company and consolidation is terminated when this control ceases to exist.

All transactions between the companies of the Augstsprieguma tīkls group are determined according to the market value of the transactions, and mutual balances and unrealised gains on transactions between the companies of the Augstsprieguma tīkls group are excluded. Uncovered losses are also eliminated and are considered an indicator of impairment of the transferred asset. If necessary, the accounting and valuation methods of the subsidiary are changed to ensure compliance with the accounting and valuation methods used in the Augstsprieguma tīkls group.

Investments in subsidiaries are stated in the Company’s separate financial statements at historical cost less impairment losses, if any.

b) Transactions with minority shareholders

The Company’s transactions with minority shareholders are treated as external transactions, while the Augstsprieguma tīkls group’s transactions with minority shareholders are treated as transactions with the owners of the parent company. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

c) Associated undertakings

Investments in an associate are investments in a company in which the *Augstsprieguma tīkls* group has significant influence over the group company (owns 20 percent or more), but does not have undisputed sole control over the activities of the other company. Investments in associates that are not held for sale are classified in the balance sheet as non-current financial investments.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and subsequently adjusted to recognise the Group's share of the associate's profit or loss and other comprehensive income. If the Group's share of losses of an associate exceeds the Group's interest in that associate (including long-term interests that are substantially part of the Group's net investment in the associate), the Group derecognises its share of future losses. Additional losses are only recognised to the extent that the Group has a present legal or constructive obligation or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investment becomes an associate. When an investment in an associate is acquired, any excess of the cost of the investment over the fair value of the Group's share of the net identifiable assets and liabilities of the associate is recognised as goodwill, which is included in the carrying amount. Any excess of the fair value of the Group's share of the identifiable net assets and liabilities of the associate after the cost of revaluation is recognised immediately in profit or loss in the period in which the investment is made.

36. The requirements of IAS are applied to determine whether an impairment loss needs to be recognised in respect of the Group's investment in an associate. If necessary, the entire carrying amount of the investment (including goodwill) is reviewed in accordance with IAS 36 as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any reversal of an impairment loss is recognised in accordance with IAS 36.

The Group ceases to use the equity method from the date on which the investment ceases to be an

associate. The difference between the carrying amount of the associate at the date of termination of the equity method and the fair value of the retained interest and the gain on disposal of the interest in the associate is included in determining the gain or loss on disposal. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in respect of that associate, as would be the case if the associate had disposed of the related assets or liabilities directly.

d) Goodwill

Investments in subsidiaries are accounted for using the acquisition method. Acquisition costs are measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of the change. Acquisition costs are charged to the Profit or Loss Statement in the period in which they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the acquisition date, irrespective of the extent of any minority interest. Goodwill is initially measured as the excess of the total sum of an acquisition value and the value of the minority interest, and the amount of identified assets acquired and liabilities assumed. If the amount of the transferred assets is less than the fair value of the net assets acquired, the difference is recognised in the Profit or Loss Statement. Goodwill is presented in the intangible assets section.

Goodwill arising from the acquisition of a company is stated at cost, determined on the acquisition date of the company, less any accumulated impairment losses, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. Impairment losses on goodwill are recognised in the consolidated statement of comprehensive income.

Business combinations involving companies under common control

The Group accounts for a business combination involving companies under common control in accordance with the business combination method, with the acquiring company taking over the carrying amounts of the assets and liabilities of the other company.

2.1. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of the financial position of the Company when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is

best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets

All financial assets recognised on initial recognition are measured at amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions, after initial recognition, are measured at amortised cost:

- the financial asset is held within the framework of a business model, the purpose of which is to hold the financial assets in order to collect the contractual cash flows;
- the terms of a financial asset contract generate cash flows at specified dates that are only principal and interest payments.
- Debt instruments that meet the following conditions after initial recognition are measured at fair value through the statement of Other Comprehensive Income (FVTOCI):
- the financial asset is held in a business model, the objective of which is achieved both by collecting the contractual cash flows and by selling the financial asset;
- the terms of a financial asset contract generate cash flows at specified dates that are only principal and interest payments.

By default, all other financial assets after initial recognition are measured at fair value through the Profit or Loss Statement (FVTPL).

Notwithstanding the above, upon the initial recognition of a financial asset, the Company may irrevocably choose:

- to classify equity instruments at fair value through other comprehensive income, if certain criteria are met.

Equity instruments at fair value through other comprehensive income

After initial recognition, the Company may irrevocably select (for each instrument separately) certain equity instruments at fair value recognised in other comprehensive income. This classification is not allowed, if the equity instrument is held for trading or if it is a variable consideration received as a result of business combination.

Investments in equity instruments recognised in other comprehensive income are measured initially at fair value adding transaction costs. They are subsequently measured at fair value, with profit or loss arising from changes in fair value, recognised in other comprehensive income in the revaluation reserve. At the time the equity instrument is disposed of, the cumulative gain or loss is not reclassified to the profit or loss statement, but it is transferred to retained earnings.

Dividends from those investments in equity instruments are recognised in the profit or loss statement in accordance with IFRS 9, unless the dividends clearly represent a return on the investment cost.

At the initial application of IFRS 9 the Company has classified all investments in equity instruments that are not held for trading, in the category at fair value through other comprehensive income.

Impairment of financial assets

The Company recognises a deduction for expected credit losses on investments in debt instruments that are measured at amortised costs or fair value recognised in other comprehensive income, lease trade receivables, trade receivables, as well as financial guarantee contracts. The expected amount of credit risk losses shall be reviewed at each date of the report to reflect changes in credit risk since the initial recognition of the financial instrument. The Company always recognises life expectancy credit losses on trade receivables and contract assets. The expected credit losses from these financial assets are calculated by using a provision matrix based on the Company's historical credit loss experience.

Derecognition of financial assets

The Company only derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it substantially transfers all the risks and rewards incidental to ownership of the financial asset to another entity. If the Company does not transfer or retain substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest and related liabilities to the extent that it may be required to pay. If the Company substantially retains all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognise the financial asset and also recognises a secured loan for revenue received.

Financial liabilities

All financial liabilities are initially measured at amortised cost using the effective interest method or at fair value, recognising it in the profit or loss statement.

Financial liabilities with evaluation at amortised cost

Financial liabilities other than i) the potential consideration from the acquirer in a business combination, ii) held for trading or iii) initially recognised at fair value through the income statement, after initial recognition, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is the method of calculating the amortised cost of financial liabilities and allocating the interest expense over the period. The effective interest rate is the rate at which discounted future cash flows or revenue (including any fees and interest paid or received by the parties

to the contract that are an integral part of the effective interest rate, transaction costs and any other premiums or discounts) during the expected life of the financial asset or financial liability, the gross carrying amount of a financial asset, or the amortised cost of a financial liability, is precisely obtained.

Derecognition of financial liabilities

The Company only derecognises a financial liability when the Company's liabilities are extinguished, cancelled, or terminated. The difference between the book value of financial liabilities and the consideration paid or payable is recognised in the profit or loss statement.

2.2. TRANSACTIONS IN FOREIGN CURRENCIES

e) Functional and presentation currency

The items of financial statements of the Company are measured in the currency of the economic environment in which the Company operates (the functional currency). The items of the financial statements are presented in euros (EUR), which is the Company's functional and presentation currency.

f) Transactions and balances

All transactions in foreign currencies are revalued into euros at the official exchange rate set by the European Central Bank ruling on the date of the relevant transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to euros at the exchange rates prevailing on the last day of the reporting year. Gained profit or losses are recognised in the income statement for the relevant period.

2.3. INTANGIBLE INVESTMENTS AND FIXED ASSETS

All intangible investments are capitalised on the basis of the costs incurred to acquire and bring them to use. Computer software licences, computer software and related implementation costs are recognised as intangible investments and amortised on a straight-line basis over the estimated useful lives of these assets, up to five years.

The Group's property, plant and equipment (excluding Buildings and structures and technological equipment) are stated at cost less accumulated depreciation and impairment losses. The acquisition value includes expenses that are directly related to the acquisition of the intangible investment or fixed asset. Depreciation of fixed assets is calculated using the straight-line method over the useful life of the asset, to allocate the acquisition cost to its estimated residual value at the end of the useful life period. For other fixed assets and equipment (means of communication and equipment, office supplies and equipment), it shall not exceed two to five years.

The main groups of the Group's fixed assets are real estate (buildings and structures) related to electricity transmission assets, electricity transmission lines and technological equipment, buildings related to natural gas transmission and storage, natural gas transmission gas pipelines and related technological equipment, Inčukalns underground gas storage facilities, equipment and machinery related to natural gas transmission. Buildings and structures and technological equipment are stated at revalued amount in the financial statements. Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the end of the reporting period (but at least every five years). Other fixed assets, including land, buffer gas in the Inčukalns underground gas storage, technological natural gas in transmission pipelines and the emergency reserve for fixed assets spare parts, are stated at cost.

The increase in value resulting from the revaluation of property, plant and equipment is presented in the equity item "Reserves". The revaluation reserve is reduced if the revalued property, plant and equipment is disposed of, liquidated or there is no longer a basis for an increase in value according to management's assessment. The balance of the revaluation reserve written off in the financial statements is included in retained earnings. During the period of use of the revalued asset in each reporting period, a portion of the revaluation reserve, calculated as the difference between the depreciation on the revalued carrying amount of the asset and the depreciation on the asset's original cost, is recognized in retained earnings.

Further expenses are included in the balance sheet value of the asset or only recognised as a separate asset when there is a great possibility that the future commercial benefits related to this item will flow in the Company and expenses related to this item can be credibly determined. Such costs are written off

during the remaining period of the service life of the relevant fixed asset.

Current repairs and maintenance of fixed assets are included in the profit or loss statement for the period when they were incurred.

Profit or loss from excluding fixed assets is calculated as the difference between the balance sheet value of the fixed asset and the revenue obtained as a result of selling it and included in the profit or loss statement for the period when they were incurred.

If the balance value of some intangible investment or fixed asset is above the recoverable value thereof, the value of the relevant intangible investment or fixed asset is written off without delay to the recoverable value thereof. The recoverable value is the highest value from the fair value of the relevant intangible investment or fixed asset, less sales costs or value of use.

2.4. THE FAIR VALUE

IFRS13 establishes a hierarchy of valuation techniques based on whether observable market data is used in the valuation technique or whether there is any observable market data. Observable market data is obtained from independent sources. If market data is not observable, the valuation technique reflects the Company's management's assumptions about the market situation. This hierarchy requires the use of observable market data, if it is available. When carrying out the revaluation, the Company shall take into account the relevant observable market prices, if it is possible. The objective of measuring the fair value, even if the market is not active, is to determine the transaction price at which market participants would be ready to sell the asset or make a commitment at a given valuation date under current market conditions. Several methods are used to determine the fair value of a financial instrument: quoted prices or valuation techniques that incorporate observable market data and are based on internal models. Based on the fair value hierarchy, all valuation techniques are divided into Level 1, Level 2, and Level 3. The level of the fair value hierarchy of a financial instrument should be determined as the lowest level if a significant part of their value consists of lower level data. The classification of a financial instrument in the fair value hierarchy is carried out in two steps: 1. Classify data at each level to determine the fair value hierarchy; 2. Classify the financial instrument itself on the basis of the lowest level if a significant part of its value consists of lower level data.

Quoted market prices - Level 1 The valuation technique in Level 1 uses unadjusted quoted prices

in an active market for identical assets or liabilities, when quoted prices are readily available and the price represents the actual market position for the transactions under fair competition.

Valuation techniques, when using market data – Level 2 In the valuation technique used in Level 2 models, all relevant data, directly or indirectly, is observable from the asset or liability side. The model uses market data that is not the quoted prices at Level 1, but that is observable directly (i.e., price) or indirectly (i.e., derived from price).

Valuation technique using market data that is not based on observable market data – Level 3 Valuation technique using market data that is not based on observable market data (non-observable market data) is classified in Level 3. Non-observable market data is data that is not easily available in an active market due to the illiquidity of the market or the complexity of the financial instrument. Level 3 data is determined mainly on the basis of observable market data of a similar nature, historical observations or analytical approaches.

Assets measured at fair value

The revaluation of the Group's property, plant and equipment is performed by independent externally certified appraisers using the depreciated replacement cost method. Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that the carrying amount of property, plant and equipment subject to revaluation

does not differ materially from that which would be determined using fair value at the end of the reporting period.

Fixed assets of the electricity transmission system

The following transmission system assets (fixed assets) are re-evaluated regularly, but no less than once in 5 years:

- electricity transmission networks,
- transformer substation electrical equipment.

The valuation is performed according to the property valuation standards and is based on the existing use of fixed assets, which is considered to be the best and most efficient. As a result of revaluation, the residual replacement value of each fixed asset is determined. The residual replacement value is the difference between the replacement or replacement cost of an analogue asset at the time of valuation and the accumulated total physical, functional, economic impairment.

The assets of the Parent Company's electricity transmission system (power lines and electrical equipment) were revalued in 2016. The revaluation was performed by an external valuer estimating the cost of replacing or renewing each fixed asset based on the actual cost of creating or acquiring analogue or similar fixed assets shortly before the revaluation in accordance with the Company's records. With regard to fixed assets, which in 2011 were invested in the share capital of JSC "Latvijas elektriskie tīkli" as a property investment, the external valuer performed a revaluation to assess how the components of replacement or renewal costs of these fixed assets have changed, since they were invested in fixed capital, adjusting the values of certain subgroups of fixed assets for changes in material costs, and the wage component was indexed on the basis of publicly available national statistics on wage growth over the period. For each item of property, plant and equipment, the external valuer estimated its functional and physical depreciation, which reduced the estimated replacement or replacement value. Management has assessed changes in the criteria used in the valuation since the revaluation and has estimated that these changes do not have a material effect on the value of the revalued groups of property, plant and equipment.

Fixed assets of the natural gas transmission and storage segment

The Group's buildings, structures, including gas pipeline infrastructure, and technological equipment are stated at revalued amounts that approximate their fair values. The revaluation of fixed assets in the natural gas transmission and storage segment was performed in 2020. Due to the unique nature and use of the assets, Level 3 data was used for the revaluation, which means that the data is not freely observable for the respective type of assets. This was a revaluation (the previous one took place in 2016, when the assets were still owned by JSC Latvijas Gāze), and the level of data of the used assumptions was not changed. The revaluation was performed by an external expert using the amortised replacement cost method. Under this method, the initial value of assets is determined according to the current prices and requirements as well as the materials used. The main assumptions in the revaluation process relate to the cost of materials used and average construction prices at the time of the revaluation. To determine the values, data available from JSC Conexus Baltic Grid on the construction of similar objects in recent years were also used. An important part of the revaluation was the revaluation of underground gas pipelines. The total length of the natural gas transmission pipelines is 1,188 kilometres. If the average construction costs in the country increase or the cost of materials used increases significantly, the value of the assets will also increase. If, as a result, construction costs fall or material costs fall, the value of the assets will also fall. Along with the initial value, the accumulated depreciation of each asset was also determined, taking the physical, functional and technical depreciation of the asset into account as the main factors. If revalued assets are used significantly differently or are functionally depreciated, the value of the revalued assets may decrease significantly. Management has assessed the price level of the pipelines and general construction as of 30 June 2021 and has not identified any material changes since the assessment. In the absence of any other significant changes, the management concluded that the carrying amount of revalued property, plants and equipment does not differ materially from the amount that would have been determined using fair value at the end of the reporting year.

2.5. LONG-TERM FINANCIAL INVESTMENTS

Long-term financial investments are investments in the equity of other companies.

Investments in associates

Investments in associates are investments in companies in which the Company has significant influence, but not control over the other company.

In the parent company's financial statements, investments in associates are stated at cost less impairment losses, if any.

In the consolidated financial statements, investments in equity of an associate are accounted for in accordance with International Accounting Standard (hereinafter – IAS) 28, and such investments are accounted for using the equity method.

Other long-term financial investments

Other long-term financial investments are investments in the equity of other companies in which the Company has no significant influence or control.

According to IFRS 9, equity instruments after initial recognition are measured at fair value. The Company chose the approach allowed by IFRS 9, initially recognising the financial asset, to irrevocably choose to reflect equity instruments that are not held for trading or are acquired in a business combination, at fair value through other comprehensive income.

2.6. LEASE

At the time of concluding the agreement, the Group and the Parent Company assess whether the agreement is a lease or includes a lease. An agreement is a lease or includes a lease if it gives the right to control the use of an identifiable asset for a specified period of time in exchange for consideration.

The Company as the lessee

When concluding a contract, the Company assesses whether the contract is a lease or includes a lease. The Company recognises the right-of-use asset and the corresponding lease liabilities in respect to all lease contracts in which it is the lessee; exceptions are possible for short-term leases (the lease term being 12 months or less) and leases of low-value assets (for example, lease of tablets and personal computers, as well as small office furniture and phone accessories). The Company recognises lease payments related to leases as operating expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which the economic benefits of the leased assets are used.

At the initial date, the Company measures the lease liabilities at the present value of the lease payments outstanding at that date. Lease payments are discounted using the interest rate implied by the lease. If this rate cannot be readily determined, the Company uses its comparable interest rate.

Lease payments included in the evaluation of lease liabilities include the following payments:

- fixed lease payments (including, in substance, fixed lease payments), with the exception of lease payments receivable;
- variable lease payments that depend on an index or rate and were initially evaluated by using an index or rate at the initial date;
- the amounts that the lessee would have to pay as guarantees of residual value;

- the exercise price of the call option, if there are sufficient grounds to believe that the lessee will exercise this option;
- penalty payments for the termination of the lease, if the term of the lease reflects the fact that the lessee uses the option to terminate the lease.

Lease liabilities are presented as a separate item in the statement of financial position.

Leases are subsequently evaluated at cost, using the effective interest method, and decreasing the carrying amount to reflect the lease payments.

The Company reassesses the lease liabilities (and adjusts the related right-of-use asset accordingly) whenever:

- the lease term has changed or a significant event or change in circumstances has occurred, resulting in a change in the measurement of the call option, in which case the lease liabilities are reevaluated by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to a change in an index or rate, or expected payments change due to a guaranteed residual value; in such cases, the lease liability is remeasured by discounting the revised lease payments at a constant discount rate (unless the lease payments change due to a change in a variable interest rate, in which case a revised discount rate is used).

The lease contract is changed and the change in lease is not accounted for as a separate lease, in which case the lease liability is reevaluated based on the term of the modified lease, discounting the revised lease payments by using the revised discount rate at the effective date of the modification.

The right-of-use asset includes the initial evaluation of the corresponding lease liabilities, lease payments made on or before the initial date, deducting any lease discounts received and any initial direct costs. They are subsequently measured at cost from which the accumulated depreciation and impairment losses have been deducted.

The right-of-use asset is amortised over the term of the contract.

Pursuant to the transmission system operator unbundling model introduced in Latvia, on 31 December 2014, the Company entered into a transmission system asset lease agreement with the transmission system asset owner JSC "Latvijas elektriskie tīkli". In accordance with the lease agreement for the transmission system assets by implementing IFRS 16, the lease term is set at 5 years.

Pursuant to the protocol decision of the Cabinet session of 8 October 2019 (No. 46, § 38), supporting

the implementation of the full ownership separation model regarding the electric power transmission system operator and assigning the task to contribute the JSC "Latvijas elektriskie tīkli" shares owned by the State to JSC "Augstsprieguma tīkls" by 1 July 2020, the Company reviewed the lease term and established a deadline of 31 December 2020.

It was established by the protocol decision of the Cabinet session of 17 December 2019 (No. 59, § 75) that after the contribution of JSC "Latvijas elektriskie tīkli" shares owned by the State to JSC "Augstsprieguma tīkls", reorganisation of JSC "Augstsprieguma tīkls" and JSC "Latvijas elektriskie tīkli" should take place by incorporating JSC "Latvijas elektriskie tīkli" into JSC "Augstsprieguma tīkls" by 31 December 2020.

Pursuant to the above-mentioned decisions of the Cabinet of Ministers with the decision of the Register of Enterprises of 25 November 2020, JSC "Latvijas elektriskie tīkli" was added to JSC "Augstsprieguma tīkls" on 25 November 2020.

2.7. INVENTORIES

Stock is presented in the lowest value of the prime cost or net sale value. The net sale value is the selling price of the stock determined during the course of regular operation of the Company, minus variable selling expenses. The prime cost is calculated using the weighted average method.

Purchase costs of stock include the purchase price, import duties and other taxes and fees,

transportation and associated costs, as well as other costs directly related to the delivery of materials and goods. Trade discounts, rebates and similar discounts are deducted in determining the value of inventories.

The amount of inventories is verified by taking an inventory at the end of the year.

2.8. DEFERRED REVENUE

Revenue received before the balance sheet date but relating to the following twelve months (short-term) or after twelve months (long-term) is included in the deferred income in the balance sheet of short-term or long-term creditors.

Deferred income from European Union funding and congestion management income, once it has been used to finance a specific long-term investment project, is amortised through the progressive recognition of that income in the Profit or Loss Statement for the current financial year in accordance with the amortisation/depreciation period of the long-term investment created. Respectively, when the asset is disposed of or excluded, the proceeds are recognised at their residual value.

Connection fees to transmission system are non-refundable upfront fees paid by customers to secure connection to the transmission network, such fees are not distinct performance obligations as are highly interrelated with transmission system services. Connection fees partly reimburses for the cost of infrastructure to be built needed to connect the respective customer to the network. Connection fees to transmission system fee is calculated in accordance with Latvian regulatory authority (Public Utilities Commission) stated methodology. Revenue from connection fees to transmission system are initially recognised as deferred income and recognised over the estimated customer relationship period of 20 years.

2.9. PENSIONS, POST-EMPLOYMENT BENEFITS

a) Pension liabilities

The Company makes monthly contributions to a closed, fixed contribution pension plan on behalf of employees. The plan is managed by the Joint Stock Company "First Closed Pension Fund" in which the Company participates. Contributions to a fixed contribution pension plan does not give the Company any additional legal or practical obligation to make further payments, if the plan does not have sufficient resources to pay all employee benefits for services provided by the employee in current or prior periods. Contributions are made in the amount of 5% (from 1 January 2018 – 6%) of the salary of each member of the pension plan. Contributions to a fixed contribution plan are recognised by the Company at the time when the employee provides the service in exchange for those contributions.

b) Post-employment benefit liabilities

In addition to the above mentioned pension plan, the Company provides certain post-employment benefits to employees whose employment conditions meet certain criteria. The liabilities for the benefits are calculated on the basis of the current salary levels and the number of employees who are required to receive payments, the amount of historical termination of labour relations, and actuarial assumptions.

Liabilities recognised in the balance sheet in respect to post-employment benefits are reflected at their

present value at the balance sheet date, less any past costs.

Post-employment benefit obligations are recalculated for each reporting year by an independent actuary using the projected unit credit method.

The present value of the benefit obligations is determined by discounting the expected future cash outflows using interest rates of government securities.

The Company uses the projected unit valuation method to estimate the present value of its fixed benefit obligations and the related present and future costs.

According to this method it is considered that each period of service creates an additional unit of entitlement to receive the benefit and that the sum of all such units represents the total liability for post-employment benefits.

The Company also uses objective and mutually agreed actuarial assumptions about variable demographic factors (such as staff turnover and mortality rates) and financial factors (such as expected salary increases and certain changes in benefit levels).

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income in the period in which they arise.

2.10. CORPORATE INCOME TAX

Corporate income tax is calculated in accordance with the tax legislation of the Republic of Latvia, taking income subject to income tax in the taxation period into account.

The tax rate is 20 percent of the calculated tax applicable base, which is adjusted before the tax rate is applied, by dividing the object value applicable to corporate tax by a coefficient of 0.8.

Corporate income tax on dividend payments is recognised in the profit or loss statement as an expense in the period in which the dividends are declared, and for other contingent items in the period in which the expenses are incurred in the reporting year, regardless of the time of payment.

Deferred income tax

Deferred income tax arising from temporary differences between the tax bases of assets and liabilities and their carrying amounts has been calculated in these financial statements using the liability method. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences reverse. The main temporary differences arise from the different depreciation rates used for accounting and tax purposes for property, plants and equipment and certain non-deductible provisions for tax purposes, as well as tax losses carried forward.

In accordance with International Accounting Standard No. 12 "Income taxes" requirements in cases where income tax is payable at a higher or lower rate depending on whether the profit is distributed, current and deferred tax assets and liabilities should be measured at the tax rate applicable to the retained earnings. In Latvia, retained earnings will be subject to a 0% tax rate.

As the parent controls the dividend policy of its subsidiaries, it is able to control the timing of the

reversal of the temporary difference relating to that investment, including the temporary difference arising from retained earnings. Therefore, in the consolidated financial statements, the Group was able to recognise deferred tax assets and liabilities in respect to investments in subsidiaries using the tax rate applicable to distributed profits. Where the Parent company has determined that the subsidiary's profits will not be distributed in the foreseeable future, the Parent company does not recognise deferred tax assets and liabilities.

2.11. PROVISIONS

Provisions are recognised when the Company has legal or other construction obligations triggered by a certain past event and there is a probability present that the fulfilment of such liabilities would require the outflow of resources containing economic benefits from the Company, and it is possible to sufficiently assess the scope of liabilities. No provisions are made for future operating losses.

Provisions are recognised in the balance sheet by determining the amount of expenditure that would be required to settle the obligation at the balance sheet date as precisely as possible. Provisions are only used for the expenses for which the provision

was initially recognised, and they are reversed if a potential outflow of resources is no longer expected.

Provisions are measured based on the present value of the expenses that are expected to be incurred to settle the present obligations, using a pre-tax discount rate that includes the current market value of the cash and the risks specific to the liabilities.

Provisions for unused holiday are made to accurately reflect the Company's liabilities to employees for unused holiday, if there are any. Accruals for unused holiday are calculated monthly in the HORIZON resource accounting system.

2.12. REVENUE RECOGNITION

The Company's revenue from customers is the value of products sold and services provided as a result of operating activities. The Company only keeps records for contracts with the client within the scope of IFRS 15 if all of the following criteria are met:

- a) the parties to the contract have approved the contract (in writing, orally or in accordance with other normal commercial practices) and have undertaken to comply with their respective obligations;
- b) the Company may determine the rights of each party regarding the goods or services to be transferred;
- c) the Company may establish payment terms for the goods or services to be transferred;
- d) the agreement is of a commercial nature (i.e. it is expected that the contract will result in a change in the Company's future cash flow risk, schedule or amount);
- e) there is a possibility that the Company will charge an indemnity in exchange for goods or services transferred to the customer. When assessing whether it is possible to collect

the indemnity amount, the Company only takes the ability and intention of the client to repay the indemnity in a timely manner into consideration.

In accordance with IFRS 15 the Company transfers control of a good or service over time, and thereby carries out its obligation of fulfilment and recognises revenue over time, if one of the following criteria is met:

- a) the customer simultaneously receives and consumes the benefits that are assured by the Company's activities in the course of the Company's business;
- b) with the operation of the Company, the asset is created or improved (for example, repairs) and the customer controls the asset at the time the asset is created or improved;
- c) the Company's operation does not constitute an asset that the Company could use as an alternative and the Company has enforceable rights to payment for timely completion.

For each performance obligation that has been discharged over time, the Company only recognises revenue over time if the Company can reasonably measure its progress towards the full implementation of the performance obligation.

The significant types of the Company's revenue are as follows:

a) Electricity transmission system services

Based on the fact that the customer simultaneously receives and consumes the benefits provided by the Company's operations in the course of the Company's operations, the Company transfers control over the service over time and thus fulfils the performance obligation and recognises revenue over time.

The Company only recognises revenue from the performance of obligations over the term when control over the service is transferred to the customer, when (or as soon as) the customer decides to use the asset and benefits from it, and when the Company can reasonably measure its progress towards the full implementation of their obligations.

Based on the fact that revenues from transmission system services are based on tariffs approved by the Public Utilities Commission, according to IFRS 15, the Company is entitled to receive reimbursement from the customer for an amount that directly reflects the value the customer receives from the Company's timely completion of Company activities; for practical purposes, the Company may recognise revenue in the amount the Company is entitled to collect.

The Company recognises revenue from the provided transmission system services at the end of each month on the basis of automatically read meter readings.

b) Congestion and overload management

JSC "Augstsprieguma tīkls" implements transmission system congestion and overload management in accordance with Article 13, Section 4 and Article 13¹, Section 6 of the Electricity Market Law, and receives a fee for cross-section restricted capacity auction in accordance with the mutual compensation mechanism and concluded contracts of the transmission system operators.

According to Article 16 of Regulation (EC) No. 714/2009 of the European Parliament and of the Council "On conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No. 1228/2003" (hereinafter – the "Regulation"), any revenues resulting from the allocation of interconnection capacity shall be used for one or more of the following purposes:

- a) ensuring the actual availability of the allocated capacity and/or
- b) maintaining or improving interconnection capacity through network investments, in particular in new interconnectors;
- c) if the revenues cannot be used effectively for the above purposes, they may – subject to approval by the regulatory authorities of the relevant member states – up to a maximum value to be determined by the mentioned regulatory authorities, be used as revenues to be taken into account by the national regulatory authorities when approving the methodology for calculating network tariffs/or setting network tariffs.

Considering the provisions of the Regulation, revenues received from congestion management, which are not used to eliminate overload and congestion in the transmission network, are reflected in the balance sheet as deferred income. Once this income has been used to finance a specific long-term investment project, deferred income is amortised through the progressive recognition of that income in the profit or loss statement for the current financial year in accordance with the amortisation/depreciation period of the long-term investment created.

Based on the fact that the customer simultaneously receives and consumes the benefits provided by the Company's operations in the course of the Company's operations, the Company transfers control over the service over time and thus fulfils the performance obligation and recognises revenue over time.

The Company only recognises revenue from the performance of obligations over the term when control over the service is transferred to the customer, when (or as soon as) the customer decides to use the asset and benefits from it, and when the Company can reasonably measure its progress towards the full implementation of their obligations.

In accordance with the principle of reconciliation of revenues and costs, the revenues of congestion management that are used to eliminate congestion and overload in the transmission network, shall be shown in the profit or loss statement according to the amount of costs (resource method for measuring progress) associated with congestion and overload elimination.

c) Mandatory procurement component income

In accordance with Paragraph 105 of Cabinet Regulation No. 50 of 21 January 2014, Electricity Trading and Use Regulations, the Company collects mandatory procurement components (hereinafter – MPC) from all electricity end-users or their traders, if the end-user has delegated settlements to the trader with the Company for system and ancillary services.

The revenues of MPC are determined in accordance with the tariffs set by the Public Utilities Commission and the volumes of electricity transmitted. At the same time, the Company is obliged to make MPC payments to the Public Energy Trader for the electricity transmitted to the end users.

Given that the Company has no influence over the pricing of the service and does not have the power to determine the price directly or indirectly, MPC revenue is recognised on an agent basis, with revenue recognised in the profit or loss statement on a net basis.

d) Income from electricity/capacity sales

According to Article 11 Section 2 of the Electricity Market Law, the transmission system operator may participate in electricity trading, if the purchase and sale of electricity or capacity is necessary for system balancing, buying ancillary services, covering electricity transmission losses, for the transmission system operator's own consumption, or if there is a deviation in the system from a normal operation or there has been an accident.

When participating in the trade of electricity, the transmission system operator shall act in accordance with open, non-discriminatory and market based procedures, except in the event of deviations from the normal operating system or if there has been an accident. In the event of deviations from the normal operating system or in the event of an accident, the transmission system operator shall act in accordance with the provisions of the Network code.

Based on the fact that the customer simultaneously receives and consumes the benefits provided by the Company's operations in the course of the Company's operations, the Company transfers control over the service over time and thus fulfils the performance obligation and recognises revenue over time.

The Company only recognises revenue from the performance of obligations over the term when control over the service is transferred to the customer, when (or as soon as) the customer decides to use the asset and benefits from it, and when the Company can reasonably measure its progress towards the full implementation of their obligations.

Revenue from the sale of electricity/capacity is recognised on the basis of acceptance notes and bills, which are invoiced each month for the electricity/capacity delivered during the month in accordance with the contracts entered into with each other.

e) New construction and renewal of transmission assets (until 01.10.2020)

According to Article 13. Section 6 of the Electricity Market Law, the Company shall be responsible for the planning, construction, and commissioning of

new transmission infrastructure objects during the development of the transmission system. In turn, according to Article 21.² Section 2 of the Electricity Market Law, the transmission system asset owner JSC "Latvijas elektriskie tīkli" finances capital investments in the transmission system assets. Within the framework of the service, the Company with its personnel resources plans, organises, documents, and controls the construction, reconstruction, and renovation works in the assets of the recipient of the service – JSC "Latvijas elektriskie tīkli". The service includes the provision of capital investment project management. The service was provided until the addition of JSC "Latvijas elektriskie tīkli" on 25 November 2020.

Based on the fact that the customer simultaneously receives and consumes the benefits provided by the Company's operations in the course of the Company's operations, the Company transfers control over the service over time and thus fulfils the performance obligation and recognises revenue over time.

The Company only recognises revenue from the performance of obligations over the term when control over the service is transferred to the customer, when (or as soon as) the customer decides to use the asset and benefits from it, and when the Company can reasonably measure its progress towards the full implementation of their obligations.

Revenue from the construction and renovation of transmission assets is recognised on the basis of mutually agreed monthly acceptance acts and invoices, which are invoiced monthly for the amount of work performed.

f) Fee for connection to the electricity transmission system

JSC "Augstsprieguma tīkls" ensures the necessary connection of the system participants to the transmission system or the increase of the permitted load of the existing connections in accordance with the system participants' connection regulations issued by the Public Utilities Commission.

Based on the fact that the Company's operations do not constitute an asset that could be used alternatively by the Company, and the Company has an enforceable right to payment on time, the Company transfers control over the service over time and therefore exercises performance and recognises revenue over time.

The Company only recognises revenue from the performance of obligations over the term when control over the service is transferred to the customer, when (or as soon as) the customer decides to use the asset and benefits from it, and when the Company can reasonably measure its progress towards the full implementation of their obligations.

Transmission system connection fees are recognised in the statement of financial position as deferred income and, using the straight-line method, are amortised to the profit and loss statement over the estimated period of the commercial relationship with the customer (lease period) - 20 years. Advance payments made for the provision of the service are reflected in the balance sheet as current liabilities and short-term receivables, they are not included in the profit or loss statement.

g) Revenues from transmission of natural gas

The natural gas transmission service shall be considered as a single performance obligation in accordance with IFRS 15. Trade in natural gas transmission capacity products is a regulated service provided by a subsidiary to transmission system users at approved tariffs. Short-term (quarterly, monthly, daily and current daily capacity) and long-term natural gas transmission capacity (annual capacity) products are offered. Revenues from transmission capacity trading products, which by the nature of the service means the provision of transmission infrastructure and does not change over time for each capacity unit according to the selected product, are recognised in the profit or loss statement for each reporting month in proportion to the user-reserved transmission capacity period.

h) Revenues from the storage of natural gas

The natural gas storage service shall be considered as a single performance obligation in accordance with IFRS. 15. The subsidiary provides the Inčukalns underground gas storage capacity trading services at approved tariffs to storage users who have

reserved natural gas storage capacity during the storage season. Revenues from the sale of storage capacity, which by the nature of the service means the provision of Inčukalns underground gas storage infrastructure and does not change during the storage season, are recognised for each reporting month according to the storage tariff and in proportion to the remaining months until the end of the storage season.

i) Revenue from balancing (natural gas)

The subsidiary shall maintain information regarding the amount of natural gas entered into the transmission system and withdrawn from the transmission system by the natural gas transmission system users and calculate the imbalance. The amount of daily imbalance is the difference between input and output. In cases where a negative imbalance occurs to the transmission system user, the charge for the amount of imbalance for each day is calculated by multiplying the calculated amount by the daily published balancing natural gas sales price (the obligation to perform balancing is equal for each unit of transported gas volume). Revenues from balancing shall be recognised for each reporting month when a negative imbalance occurs in the natural gas transmission system user, which has caused a natural gas shortage in the transmission system. In the financial statements, the income from balancing is presented in the other income section at net value (less income for periods when the balance is positive). If market participants cause differences and if the subsidiary does not have sufficient gas resources to ensure the proper functioning of the gas transmission system, the subsidiary shall purchase appropriate quantities of balancing gas.

2.13. RECOGNITION OF COSTS

Costs are recognised on an accrual basis. Accounting costs include all foreseeable costs and contingent liabilities incurred in the current or prior years, even if they become known between the balance sheet date and the date of preparation of the financial statements, regardless of the date of receipt of the invoice, as the Company's economic transactions are accounted for and presented in the financial

statements on the basis of their economic content and nature, not merely their legal form.

Operating expenses and other expenses indicated in the profit or loss statement are disclosed in the annexes to the financial statements in more detailed terms.

2.14. LONG-TERM AND SHORT-TERM LIABILITIES

The Company's trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate

method. Liabilities to suppliers and contractors are stated in the financial statements according to supporting documents and entries in the accounting

records in the amount of invoices received from suppliers of the Company, but not paid at the end of the reporting period.

Accrued expenses that have been incurred during the reporting year when the amount of such costs or the date of payment during the reporting period is clearly known, but the invoices containing which have not yet been received from the suppliers, are included in the item "Accrued liabilities".

2.15. BORROWINGS AND LOANS

Borrowings are divided into long-term and short-term borrowings.

Borrowings are initially recognised at fair value, net transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost. The difference between the proceeds and the redemption value of the loan, deducting the costs related to the receipt of the loans, is gradually included in the profit or loss statement, except for the capitalised portion.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs that relate directly to the acquisition or construction of

qualifying assets, i.e. assets that require a significant period of time before their expected use or sale, are added to the costs of creating or acquiring those assets until they are actually ready for their intended use.

Loans

Loans are initially recognised at fair value. In subsequent periods, loans are stated at amortised cost. The difference between the proceeds and the redemption value of the loan is recognised in the Profit or Loss Statement over the period of the loan using the effective interest method. Loans are presented as short-term receivables or as long-term receivables if there is an undisputed right to defer the fulfilment of these obligations for at least 12 (twelve) months after the balance sheet date.

2.16. RELATED PARTIES

Company shareholder, members of the Board, members of the Supervisory Board, their close relatives and companies, in which they have significant influence or control, are defined as related parties.

As all the shares of JSC "Augstsprieguma tīkls" are 100% owned by the Republic of Latvia, state-controlled capital companies are also considered related parties.

2.17. SEGMENT INFORMATION

Reportable segments are operating segments or sets of segments that meet certain criteria. An operating segment is a component of the Group that is engaged in business activities from which it can earn revenues and cover expenses (including income and expenses related to transactions with other components of the Group), the results of which are regularly reviewed by the Company's chief operating decision-maker, to make decisions about the resources allocated to the segment, evaluate its performance and for which separate financial

information is available. The Group considers that it operates in three segments (Electricity Supply, Natural Gas Storage and Transmission), the Group operates geographically only in the territory of Latvia.

2.18. USE OF SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing consolidated financial statements in accordance with IFRS, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities on the reporting date and the reported amounts of income and expenses in the current period. The following estimates of the Company's management have a significant impact on the results of the financial statements:

- *Expenditure related to public participation in the compensation mechanism for losses of electricity transit flows developed by ENTSO-E*

Based on statistical and analytical information as well as expert forecasts, the Company makes estimates and assumptions regarding expenses related to the Company's participation in the Inter Transmission System Operator Compensation Mechanism (ITC mechanism) developed by ENTSO-E. The ITC mechanism is a transit mechanism to cover the costs of transit losses of 35 transmission

system operators in Europe, with two funds: the Framework Fund and the united European Union TSOs transit flow volume fund (WWT – with and without transit), which varies according to the electricity market situation. The most important factor influencing the estimate are the electricity transit flows affecting the volume of the WWT Fund in all European electricity transmission networks, as well as the price of transit losses in the ITC Member States. The forecast is made in each Member State on the basis of loss measurements per month and the loss price.

The amount of accrued expenses in June 2021 is 704 748 EUR. Provisions are made on the basis of settlement statements for period January – April accepted by the Company (total amount 484 748 EUR), which are not invoiced on 30 June 2020. EUR 220 000 EUR have been estimated, taking into account the losses caused by transit flows. Below the assessment of the sensitivity of the revenue estimate at June 2021 is provided.

	Transit loss price		WWT amount	
	A decrease of 20%	A increase of 20%	A decrease of 20%	A increase of 20%
The provision of transit expenses changes	(19 306)	19 306	(25 812)	25 812

- *Post-employment benefit liabilities*

Based on statistical and analytical information as well as estimates made by specialists, the Company makes estimates and assumptions about post-employment benefit obligations as described in Annex 2.8.

In the reporting year, the discount rate used to discount post-employment benefit obligations is fixed at 0.392% (in 2019 – 0,744%). The discount rate is determined in accordance with the requirements of International Financial Reporting Standards whereby the discount

rate should be determined by reference to the market rate of return on high-quality corporate bonds on the balance sheet date; moreover, the discount rate should reflect the time value of money rather than the actuarial or investment risk.

Pursuant to the provisions of the Collective Bargaining Agreement, which envisages the annual indexation of employees' wages in the amount of inflation, when calculating post-employment benefit accruals, no increase in employees' salaries is planned in 2021, 1.1% in 2022, 1.6% in 2023, 1.7% in 2024, thereafter – 2.0%.

Sensitivity analysis of the total value of post-employment benefit as of 30 June 2021, EUR		
	Increase	Decrease
Discount rate (+/-1%)	103 014	(230 306)
	4%	-9%
Monthly salary increase (+/- 1%)	248 696	(210 835)
	9%	-8%
Employee turnover rate (+/- 1%)	293 674	(244 688)
	11%	-9%

○ *Book value of intangible assets and property, plants and equipment*

The Group's management evaluates the carrying amount of intangible assets and fixed assets and assesses whether there are any indications that the recoverable amount of assets is lower than the carrying amount. The Group's management calculates and recognises impairment losses of intangible assets and fixed assets based on estimates of their future use, disposal or sale. Given the projected business volumes and the potential market value of the assets, management believes that no significant adjustments to the value of intangible assets and fixed assets as of 30 June 2021 are required.

In accordance with the Group's accounting policy, the Group companies make estimates regarding the useful lives and residual values of property, plants and equipment. These estimates are based on past experience as well as industry practice and are reviewed at the end of each reporting year.

The Company tests property, plants and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. According to the valuation, if necessary, the value of assets is written down to their recoverable amount.

In assessing impairment, management uses various estimates of cash flows arising from the use, sale, maintenance and repair of property, plants and equipment, as well as increases in inflation and interest rates.

Estimates are based on forecasts of the general economic environment, consumption and electricity sales prices. Should the actual situation change in the future, an additional impairment loss would be recognised or the recognised impairment loss could be partially or fully reduced.

Impairment losses are recognised in the respective reporting period.

Revaluation of property, plants and equipment at a revalued amount is performed by external, certified appraisers in accordance with property valuation standards, based on the existing use of the property, plants and equipment that are considered to be the best and most efficient. As a result of revaluation, the fair value of each fixed asset is determined. The Group's management assesses annually whether the carrying amount of revalued property, plants and equipment differs materially from its fair value on the balance sheet date.

The Group's companies make estimates regarding the useful lives of emergency repair spare parts and, based on past experience, including an assessment of future events, this is determined based on the useful life of the original equipment.

○ *Deferred income tax*

Deferred tax liabilities are recognised in the consolidated financial statements for the retained earnings of subsidiaries, from which tax will be calculated at the time of distribution in the foreseeable future. Other deferred tax assets and liabilities are not recognised. In cases where the total result of the deferred tax calculation would be reflected in the balance sheet asset, it is recognised in the balance sheet when it is probable that the relevant enterprise will have sufficient taxable income to cover temporary differences.

Deferred income tax liabilities are recognised in the consolidated financial statements for the pre-tax profit of the subsidiaries to the extent that the parent company, as a shareholder, will decide on the distribution of these profits in dividends in the near future.

○ *Investment into a subsidiary*

An investment in a subsidiary is initially recognised in accordance with IFRS 3 Business Combinations. At the time of investment, the fair value of identifiable assets and liabilities is assessed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values on the acquisition date, irrespective of the extent of any minority interest. Goodwill/gain on a bargain is measured as the excess of the total of acquisition value and value of the non-controlling interest part and the amount of the identified acquired assets and assumed liabilities.

○ *Lease Calculation and Asset Use Rights*

The Group's management applies certain assumptions when calculating the right to use the balance sheet of assets and leasing liabilities. Management believes that such assumptions are reasonably appropriate until 31 December 2020. The accounting policies relevant to IFRS 16 "Leases" are described in Note 21.

2.19. RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS

	JSC "Augstsprieguma tīkls"			Group		
	31.12.2020 EUR	Adjustments	31.12.2020 EUR	31.12.2020 EUR	Adjustments	31.12.2020 EUR
ASSETS						
Non-current assets						
Intangible investments	1 435 210	-	1 435 210	3 307 881	-	3 307 881
Fixed assets	654 359 778	-	654 359 778	1 067 674 394	-	1 067 674 394
Right-of-use assets	14 212 293	-	14 212 293	14 715 877	-	14 715 877
Non-current financial investments	134 396 393	-	134 396 393	1 210 860	-	1 210 860
Total non-current assets	804 403 674	-	804 403 674	1 086 909 012	-	1 086 909 012
Current assets						
Inventories	514 087	-	514 087	3 535 090	-	3 535 090
Trade receivables	1 673 797	-	1 673 797	8 528 491	-	8 528 491
Deposits	25 000 000	-	25 000 000	25 000 000	-	25 000 000
Other current assets	31 647 751	-	31 647 751	31 740 753	-	31 740 753
Corporate income tax	11 512	-	11 512	11 512	-	11 512
Deferred expenses	629 093	-	629 093	979 586	-	979 586
Accrued income	9 422 703	-	9 422 703	9 422 703	-	9 422 703
Cash	32 224 560	-	32 224 560	47 388 296	-	47 388 296
Total current assets	101 123 503	-	101 123 503	126 606 431	-	126 606 431
TOTAL ASSETS	905 527 177	-	905 527 177	1 213 515 443	-	1 213 515 443

	JSC "Augstsprieguma tīkls"			Group		
	31.12.2020 EUR	Adjustments	31.12.2020 EUR	31.12.2020 EUR	Adjustments	31.12.2020 EUR
EQUITY AND LIABILITIES						
Equity						
Share capital	363 896 079	-	363 896 079	363 896 079	-	363 896 079
Reserves	4 172 258	-	4 172 258	6 304 575	-	6 304 575
Retained earnings	6 741 633	-	6 741 633	82 722 433	-	82 722 433
Profit for the reporting year	9 999 392	-	9 999 392	64 051 311	-	64 051 311
Non-controlling interests	-	-	-	122 228 140	-	122 228 140
Total equity	384 809 362	-	384 809 362	639 202 537	-	639 202 537
Non-current liabilities						
Employee benefit obligations	2 636 255	-	2 636 255	3 664 749	-	3 664 749
Lease liabilities	13 761 561	-	13 761 561	14 215 413	-	14 215 413
Loans	86 672 207	-	86 672 207	86 672 207	-	86 672 207
Deferred revenue	279 847 333	-	279 847 333	290 629 069	-	290 629 069
Advance payments received	162 277	(162 277)	-	162 277	(162 277)	-
Total non-current liabilities	383 079 633	(162 277)	382 917 356	395 343 715	(162 277)	395 181 438
Current liabilities						
Loans	116 200 000	-	116 200 000	138 075 000	-	138 075 000
Lease liabilities	657 434	-	657 434	717 652	-	717 652
Deferred revenue	5 973 540	162 277	6 135 817	7 226 470	162 277	7 388 747
Trade payables	4 908 151	3 178 230	8 086 381	12 544 628	3 178 230	15 722 857
Taxes and mandatory state social insurance contributions	1 754 449	-	1 754 449	2 811 710	-	2 811 710
Deferred corporate income tax liabilities	-	-	-	5 152 360	-	5 152 360
Advance payments received	602 252	-	602 252	1 255 537	-	1 255 537
Other creditors	2 232 912	-	2 232 912	2 963 606	-	2 963 606
Accrued liabilities	5 309 444	(3 178 230)	2 131 214	8 222 228	(3 178 230)	5 043 999
Total current liabilities	137 638 182	162 277	137 800 459	178 969 191	162 277	179 131 468
TOTAL EQUITY AND LIABILITIES	905 527 177	-	905 527 177	1 213 515 443	-	1 213 515 443

3. REVENUE

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
Electricity transmission service	38 166 068	36 301 375	38 166 068	36 301 375
Revenues from transmission of natural gas	-	-	18 449 706	-
Revenues from the storage of natural gas	-	-	10 997 735	-
Sale of balancing electricity	7 838 075	5 931 926	7 838 075	5 931 926
Revenues from connection fees	1 673 306	-	1 673 306	-
Cross-border electricity perimeter charges	1 213 461	-	1 213 461	-
Revenue from reactive electricity	276 452	262 204	276 452	262 204
Sale of regulatory electricity	79 133	192 963	79 133	192 963
Liquidation of electrical capacity overload	60 385	100 331	60 385	100 331
Reconstruction and renewal of transmission system assets**	-	36 084 258	-	28 440 491
Electricity transit service	-	650 962	-	650 962
Other services	1 598 469	631 556	1 598 469	966 665
TOTAL REVENUE	50 905 349	80 155 575	80 352 790	72 846 917

* As of 21 July 2020, the Company owns 68.46 per-cent of the shares in AS Conexus Baltic Grid and has a decisive influence in the company. JSC "Conexus Baltic Grid" is the unified natural gas transmission and storage operator in Latvia. Conexus offers its customers natural gas transmission and storage services in accordance with the tariffs set by the Public Utilities Commission.

** Pursuant to Decision No. 18 of the PUC Council of 30 January 2013 "On the Certification of the Electricity Transmission System Operator", from January 1 2015 AST took over the business lines of maintenance and development of transmission system assets from JSC "Latvijas elektriskie tīkli" and ensures active new construction, reconstruction and renovation. According to Section 21² of the Electricity Market Law, the transmission system asset owner JSC "Latvijas elektriskie tīkli" finances capital investments in the transmission system assets, which are decided by JSC "Augstsprieguma tīkls". Pursuant to the minutes of the sitting of the Cabinet of Ministers of the Republic of Latvia of 8 October 2019 (No. 46, § 38) and the protocol decision of the sitting of 17 December 2019 (No. 59, § 75), in accordance with the decision of the Register of Enterprises of the Republic of Latvia of 25 November 2020, JSC "Latvijas elektriskie tīkli" was excluded from the Register of Enterprises on 25 November 2020 and JSC "Augstsprieguma tīkls" was added.

4. OTHER INCOME

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
EU financial support (investment)	1 602 857	3 959	1 771 612	3 959
Sale of current assets and fixed assets	3 657	123 357	3 657	123 357
EU financial support (training)	840	-	840	-
Revenue from balancing, net	-	-	(427 099)	-
Other revenue	48 040	22 709	751 268	34 047
TOTAL OTHER INCOME	1 655 394	150 025	2 100 278	161 363

5. USED RAW MATERIALS AND MATERIALS, REPAIR COSTS

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
Purchase of balancing electricity	6 056 697	4 366 415	6 056 697	4 366 415
Transmission electricity losses and technological consumption	4 486 849	2 717 282	4 486 849	2 717 282
Purchase of regulatory electricity	1 835 192	1 549 953	1 835 192	1 549 953
Natural gas transmission and storage system maintenance services	-	-	1 851 063	-
Electricity transit losses	1 719 575	536 223	1 719 575	536 223
Costs of materials used and repairs	416 375	379 035	793 327	(7 218 301)
Natural gas costs	-	-	505 300	-
Electricity for own consumption	145 824	114 346	145 824	114 346
TOTAL USED RAW MATERIALS AND MATERIALS, REPAIR COSTS	14 660 512	9 663 254	17 393 827	2 065 918

6. PERSONNEL EXPENSES

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
Remuneration for work	6 516 089	6 338 194	10 960 706	6 349 482
State social insurance contributions and benefits determined by the collective agreement	1 573 299	1 604 579	2 630 846	1 607 299
Contributions to the pension plan	309 529	299 840	565 385	300 144
Other staff costs	-	-	4 794	-
TOTAL PERSONNEL EXPENSES (INCLUDING REMUNERATION TO THE MANAGEMENT OF THE COMPANY)	8 398 917	8 242 613	14 161 731	8 256 895

including Remuneration to the company's management (board, council):

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
Remuneration for work	274 136	323 724	590 799	329 534
State social insurance contributions	64 615	77 985	139 370	79 385
Contributions to the pension plan	-	-	24 020	-
TOTAL STAFF COSTS (INCLUDING REMUNERATION TO THE MANAGEMENT OF THE COMPANY)	338 751	401 709	754 189	401 709

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
Number of employees at the end of the reporting year	532	548	887	550
Average number of employees in the reporting year	539	548	875	550

7. OTHER OPERATING EXPENSES

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
Electricity capacity reserve maintenance costs	2 034 680	2 108 445	2 034 680	2 108 445
Telecommunication provision services	1 436 122	1 457 668	1 436 122	1 457 668
Transportation costs	273 930	351 352	388 189	351 352
IT system maintenance costs	534 021	391 755	859 145	391 755
Premises and territory maintenance costs	504 448	463 073	504 448	463 073
Local taxes and fees	102 107	74 158	761 802	74 158
Nature and labour protection costs	53 114	48 492	53 114	48 492
Transmission asset reconstruction and renovation works	-	36 057 747	-	36 057 747
Liquidation of electrical capacity overload	-	27 731	-	27 731
Various business costs	1 557 470	(247 226)	2 562 149	(265 252)
TOTAL OTHER OPERATING EXPENSES	6 495 892	40 733 195	8 599 649	40 715 169

8. NET FINANCE INCOME/(COSTS)

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
a) Finance income				
Interest income from loans	-	35 987	-	35 987
Interest income from placed term deposits	-	18 200	-	18 200
Other financial income	2 290	-	2 549	-
Total finance income	2 290	54 187	2 549	54 187
b) Finance costs				
Borrowing interest costs	(1 425 025)	(248 664)	(1 527 023)	(433 898)
Capitalized borrowing interest	201 945	-	201 954	-
Interest expense on asset leases IFRS16	(118 985)	-	(130 377)	-
Other finance costs	(2 106)	(10 108)	(3 106)	(10 108)
Total finance costs	(1 344 162)	(258 772)	(1 458 552)	(444 006)

9. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

9.1. INTANGIBLE ASSETS

	JSC "Augstsprieguma tīkls"				
	Computer software	Transmission usage rights	Costs of creating intangible investments	Advance payment for rights of use	Total
	EUR	EUR	EUR	EUR	EUR
31 December, 2019					
Initial value	1 163 497	11 493 000	382 708	38 028 090	51 067 295
Accumulated depreciation and impairment	(640 782)	(13 095)	-	-	(653 877)
Residual value as of 31 December 2019	522 715	11 479 905	382 708	38 028 090	50 413 419
2020					
Purchased	90 139		246 521		336 660
Depreciation	(93 000)	(287 326)			(380 326)
Residual value as of 30 June 2020	519 854	11 192 579	629 229	38 028 090	50 369 753
Invested as a result of reorganisation	-	1 080	-	-	1 080
Purchased	208 387	-	209 643	-	418 030
Regrouped	639 372	-	(639 372)	-	-
Disposals	-	(11 048 917)	-	(38 028 090)	(49 077 008)
Depreciation	(132 960)	(143 685)	-	-	(276 645)
Residual value as of 31 December 2020	1 234 653	1 057	199 500	-	1 435 210
Initial value	2 108 318	1 892	199 500	-	2 309 709
Accumulated depreciation and impairment	(873 665)	(835)	-	-	(874 500)
Residual value on 31 December 2020	1 234 653	1 057	199 500	-	1 435 210
2021					
Purchased	361 090	-	143 502	-	504 592
Depreciation	(153 657)	(47)	-	-	(153 704)
Residual value as of 30 June 2021	1 442 086	1 010	343 002	-	1 786 098
On 30 June 2021					
Initial value	2 465 328	1 892	343 002	-	2 810 222
Accumulated depreciation and impairment	(1 023 242)	(882)	-	-	(1 024 124)
Residual value as of 30 June 2021	1 442 086	1 010	343 002	-	1 786 098

	Group				
	Computer software	Transmission usage rights	Costs of creating intangible investments	Advance payment for rights of use	Total
	EUR	EUR	EUR	EUR	EUR
31 December, 2019					
Initial value	1 163 497	11 493 000	382 708	38 028 090	51 067 295
Accumulated depreciation and impairment	(640 782)	(13 095)	-	-	(653 877)
Residual value as of 30 June 2019	522 715	11 479 905	382 708	38 028 090	50 413 418
2020					
Disposals		(11 164 663)		(38 028 090)	(49 192 753)
Depreciation		(47)			(47)
Residual value as of 31 December 2020	522 715	315 195	382 708	-	1 220 618
Balances of JSC "Conexus Baltic Grid" on 31.07.2020 July	1 320 926	-	206 999	-	1 527 923
Balances of JSC "Latvijas elektriskie tīkli"	-	1 080	-	-	1 080
Purchased	298 526	-	1 042 403	-	1 340 929
Regrouped	1 372 573	-	(1 426 240)	-	(53 667)
Disposals	(281)	115 746	-	-	115 465
Depreciation	(413 505)	(430 964)	-	-	(844 469)
Residual value as of 31 December 2020	3 100 954	1 057	205 870	-	3 307 881
Initial value	2 108 318	1 892	199 500	-	2 309 710
As a result of the control, JSC "Conexus Baltic Grid" on 31.12.2020.	7 698 983	-	6 370	-	7 705 353
Accumulated depreciation and impairment	(873 665)	(835)	-	-	(874 500)
As a result of the control, JSC "Conexus Baltic Grid" on 31.12.2020	(5 832 682)	-	-	-	(5 832 682)
Residual value as of 31 December 2020	3 100 953	1 057	205 870	-	3 307 881
2021					
Purchased	361 090	-	438 147	-	799 237
Regrouped	81 767	-	(81 767)	-	-
Disposals	(6 357)				(6 357)
Depreciation	(498 390)	(47)			(498 437)
Residual value as of 30 June 2021	3 039 064	1 010	562 250	-	3 602 324
30 June 2021					
Initial value	10 236 238	1 892	562 250	-	10 800 380
Accumulated depreciation and impairment	(7 197 174)	(882)	-	-	(7 198 056)
Residual value as of 30 June 2021	3 039 064	1 010	562 250	-	3 602 324

9.2. PROPERTY, PLANT AND EQUIPMENT

	JSC "Augstsprieguma tīkls"				
	Land, buildings and civil engineering works EUR	Power transmission lines and technological equipment EUR	Other fixed assets EUR	Costs of unfinished construction objects EUR	Total EUR
31 December, 2019					
Initial value	-	6 815	9 933 969	1 000 165	10 940 949
Accumulated depreciation and impairment	-	(6 815)	(5 442 932)	-	(5 449 747)
Residual value as of 31 December 2019	-	-	4 491 037	1 000 165	5 491 202
2020					
Purchased	-	-	350 165	333 388	683 553
Depreciation	-	-	(791 289)	-	(791 289)
Residual value as of 30 June 2020			4 049 913	1 333 553	5 383 466
Balances of JSC "Latvijas elektriskie tīkli" on 30.09.2020.	39 058 031	495 601 436	1 723 011	106 605 514	642 987 992
Purchased	35 100	-	1 285 814	13 010 330	14 331 244
Regrouped	1 467 941	27 540 385	538 839	(29 547 165)	-
Sold	-	-	-	(283 386)	(283 386)
Written off	(60)	(34 175)	(1 973)	-	(36 208)
Depreciation	(555 509)	(6 280 342)	(1 077 935)	-	(7 913 786)
Adjustment	-	-	-	(109 544)	(109 544)
Residual value as of 31 December 2020	40 005 503	516 827 304	6 517 669	91 009 302	654 359 778
31 December 2020					
Initial/revalued value	47 694 860	1 065 211 783	21 072 775	91 009 302	1 224 988 720
Accumulated depreciation and impairment	(7 689 357)	(548 384 479)	(14 555 106)	-	(570 628 942)
Residual value as of 31 December 2020	40 005 503	516 827 304	6 517 669	91 009 302	654 359 778
2021					
Purchased	-	-	3 359 143	11 274 854	14 633 997
Regrouped	926 744	82 602 748	1 692 615	(85 222 107)	-
Sold	-	-	(3 676)	(64 965)	(68 641)
Written off	-	(110 474)	(1 094)	-	(111 568)
Depreciation	(1 043 762)	(13 039 076)	(1 567 385)	-	(15 650 223)
Residual value as of 30 June 2021	39 888 485	586 280 502	9 997 272	16 997 084	653 163 343
Initial/revalued value	48 621 304	1 144 184 949	26 077 051	16 997 084	1 235 880 388
Accumulated depreciation and impairment	(8 732 819)	(557 904 447)	(16 079 779)	-	(582 717 045)
Residual value as of 30 June 2021	39 888 485	586 280 502	9 997 272	16 997 084	653 163 343

	Group					
	Land, buildings and engineering structures	Production equipment	Other fixed assets	Emergency spare parts	Costs of unfinished construction objects	Total
	EUR	EUR	EUR	EUR	EUR	EUR
31 December, 2019						
Initial value	-	6 815	9 933 969	-	1 000 165	10 940 949
Accumulated depreciation and impairment	-	(6 815)	(5 442 932)	-	-	(5 449 747)
Residual value as of 31 December 2019	-	-	4 491 037	-	1 000 165	5 491 202
2020						
Balances of JSC Latvijas elektriskie tīkli on 31.05.2020.	41 393 506	504 246 362	197 790	-	80 976 728	626 814 386
Purchased			350 165		7 930 724	8 280 889
Depreciation			(3 176 845)			(3 176 845)
Residual value as of 30 June 2020	41 393 506	504 246 362	1 862 147	-	89 907 617	637 409 632
Balances of JSC "Conexus Baltic Grid" on 31.07.2020	318 876 576	73 193 452	2 118 839	1 404 726	10 683 906	406 277 499
Purchased	35 100	226 151	6 628 871	-	44 333 395	51 223 517
Regrouped	8 692 116	20 635 288	538 839	-	(40 771 326)	(10 905 083)
Sold	-	-	-	-	(283 386)	(283 386)
Written off	(2 157 085)	(827 820)	(133 178)	-	-	(3 118 083)
Depreciation	(3 481 458)	(7 505 451)	(1 991 711)	-	-	(12 978 620)
Adjustment	-	-	-	158 462	(109 544)	48 918
Residual value as of 31 December 2020	363 358 755	589 967 982	9 023 807	1 563 188	103 760 662	1 067 674 394
31 December 2020						
Initial value	47 694 860	1 065 211 783	21 072 775	-	91 009 302	1 224 988 720
As a result of the control, JSC "Conexus Baltic Grid" on 31.07.2020.	761 944 987	130 919 337	7 367 348	1 404 727	4 657 656	906 294 055
Accumulated depreciation and impairment	(7 689 357)	(548 384 479)	(14 555 106)	-	-	(570 628 942)
As a result of the control, JSC "Conexus Baltic Grid" on 31.07.2020.	(438 591 735)	(57 778 659)	(4 861 210)	158 461	8 093 704	(492 979 439)
Residual value as of 31 December 2020	363 358 755	589 967 982	9 023 807	1 563 188	103 760 662	1 067 674 394
2021						
Purchased		40 100	3 583 253	-	21 393 896	25 017 249
Regrouped	4 932 560	82 636 500	1 692 615	-	(89 345 613)	(83 938)
Sold			(3 676)		(64 965)	(68 641)
Written off	(144 237)	(140 558)	(2 189)	-	-	(286 984)
Depreciation	(6 699 940)	(15 405 039)	(1 937 462)	-	-	(24 042 441)
Residual value associate as of 30 June 2021	361 447 138	657 098 985	12 356 348	1 563 188	35 743 980	1 068 209 639
Initial value	814 166 172	1 274 918 897	33 575 683	1 563 188	35 743 980	2 159 967 920
Accumulated depreciation and impairment	(452 719 034)	(617 819 912)	(21 219 335)	-	-	(1 091 758 281)
Residual value as of 30 June 2021	361 447 138	657 098 985	12 356 348	1 563 188	35 743 980	1 068 209 639

10. NON-CURRENT FINANCIAL INVESTMENTS

	30.06.2021 EUR	31.12.2020 EUR
Participation in the capital of subsidiaries, including:	134 394 971	134 394 971
JSC "Conexus Baltic Grid"	134 394 971	134 394 971
Ownership in the capital of other companies, including:	1 422	1 422
JSC "Pirmais slēgtais pensiju fonds"	1 422	1 422
Residual value at the end of the reporting period	134 396 393	134 396 393

Name of the Company	Location	Type of business activity	Shares (percentage)
JSC "Conexus Baltic Grid"	Latvia	Natural gas transmission and storage operator in Latvia	68.46%
JSC "Pirmais slēgtais pensiju fonds"	Latvia	Management of pension plans	1.9%

* The parent company owns 1.9% of the capital of JSC "Pirmais slēgtais pensiju fonds". The Company is a nominal shareholder, as all the risks and rewards of the Fund are undertaken or acquired by the Company's employees, who are members of the pension plan

11. INVENTORIES

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
Materials and spare parts	524 267	514 087	2 192 458	2 137 535
Natural gas	-	-	1 354 547	1 477 709
Provisions for slow-moving inventories	-	-	(73 094)	(80 154)
TOTAL STOCK	524 267	514 087	3 473 911	3 535 090

12. TRADE RECEIVABLES

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
Trade receivables				
Electricity transmission system service debt	1 104 031	1 210 290	1 104 031	1 210 290
Other trade receivables	48 376	479 125	7 174 444	7 333 819
Total trade receivables	1 152 407	1 689 415	8 278 475	8 544 109
For other trade receivables	(11 244)	(15 617)	(11 244)	(15 617)
Total provisions for doubtful accounts	(11 244)	(15 617)	(11 244)	(15 617)
Net accounts receivable				
Electricity transmission system service debt	1 104 031	1 210 290	1 104 031	1 210 290
Other trade receivables	37 131	463 508	7 163 200	7 318 201
NET TRADE RECEIVABLES	1 141 163	1 673 798	8 267 231	8 528 491

Impairment of trade receivables

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
At the beginning of the reporting year	15 617	31 154	15 617	31 154
Included in the profit or loss statement	(4 373)	(15 537)	(4 373)	(15 537)
At the end of the reporting period	11 244	15 617	11 244	15 617

13. OTHER DEBTORS

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
Deposits	-	25 000 000	-	25 000 000
Overpaid taxes, including:	1 611 415	11 512	1 611 415	11 512
<i>Corporate income tax</i>	<i>1 611 415</i>	<i>11 512</i>	<i>1 611 415</i>	<i>11 512</i>
EU funding received	31 792 941	31 570 973	31 792 941	31 570 973
The rest of the receivables	80 561	76 778	151 710	169 780
TOTAL OTHER DEBTORS	33 484 917	56 659 263	33 556 066	56 752 265

14. ACCRUED INCOME

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	on 30.06.2021. EUR	on 31.12.2020. EUR
Provisions for income from provided services				
For transmission system service revenue	6 273 063	6 346 934	6 273 063	6 346 934
For the sale of balancing electricity	1 811 441	1 365 183	1 811 441	1 365 183
For mandatory purchase component revenue	393 568	627 107	393 568	627 107
For building maintenance service revenue	194 734	39 779	194 734	39 779
Cross-border electricity perimeter charges	124 830	211 132	124 830	211 132
For revenue from reactive electricity	57 119	50 247	57 119	50 247
For revenue from the sale of regulatory electricity	35 010	71 975	35 010	71 975
Provisions for loss compensation in transformers	-	20 413	-	20 413
Rental services of fixed assets and equipment	68 623	-	68 623	-
For balancing administration service revenue	3 557	3 201	3 557	3 201
Rental services	1 126	-	1 126	-
For revenue from other services	11 355	392 374	11 355	392 374
Total provisions for income from provided services	8 974 426	9 128 345	8 974 426	9 128 345
Electricity transit service revenue (ITC)	68 336	68 336	68 336	68 336
Various accrued income	97 875	226 022	97 875	226 022
TOTAL ACCRUED INCOME	9 140 637	9 422 703	9 140 637	9 422 703

15. CASH AND CASH EQUIVALENTS

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
CASH IN THE BANK	72 315 812	32 224 560	74 721 071	47 388 296

16. EQUITY

As of 30 March 2021, the registered share capital of JSC "Augstsprieguma tīkls" is EUR 363 896 079 (31 December 2020 - EUR 363 896 079), consisting of 363 896 079 shares (as of 31 December 2020 - 363 896 079 shares).

The parent company has made payments to the state budget for the use of state capital from the previous year's net profit:

In 2017 – EUR 299 511;
 In 2018 – EUR 247 395;
 In 2019 – EUR 3 598 352;
 In 2020 – EUR 1 735 958;
 In 2021 – EUR 7 999 514.

The parent company's reserves consist of retained earnings from previous periods, which have been transferred to other reserves to ensure the Company's development by the owner's decision.

The Group's reserves consist of the revaluation reserve for fixed assets, the reserves specified in the Articles of Association of the subsidiary, the revaluation reserve for post-employment benefits, retained earnings, which have been transferred to other reserves for development by the owner's decision.

17. DEFERRED REVENUE

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
a) Long-term deferred revenue				
- from European Union funding	111 089 562	112 672 698	121 702 544	123 454 434
- from congestion charge revenue	99 907 709	95 608 651	99 907 709	95 608 651
- from connection fees	39 863 222	39 995 011	39 863 222	39 995 011
- from the expected European Union funding	31 792 941	31 570 973	31 792 941	31 570 973
TOTAL	282 653 434	279 847 333	293 266 416	290 629 069
b) Short-term deferred revenue				
- from European Union funding (amortization)	2 301 113	2 320 835	5 670 097	2 670 600
- from connection fees	3 375 255	3 379 561	3 375 255	3 379 561
-from European Union funding	950 636	162 277	950 636	162 277
<i>Project "Implementation of Baltic Synchronisation Project Phase II</i>	<i>777 947</i>	<i>-</i>	<i>777 947</i>	<i>-</i>
<i>Project "EU-SysFlex "Pan-European system with an efficient coordinated use of flexibilities for the integration of a large share of RES" (31.12.2020.)</i>	<i>37 812</i>	<i>37 812</i>	<i>37 812</i>	<i>37 812</i>
<i>Project "Study on Dynamic behaviour of synchronously interconnected Baltic States and Continental European electricity network" (31.12.2020.)</i>	<i>26 250</i>	<i>26 250</i>	<i>26 250</i>	<i>26 250</i>
<i>Project "TSO-DSO-Consumer INTERFACE aRchitecture to provide innovative grid services for an efficient power system" (31.12.2020.)</i>	<i>98 215</i>	<i>98 215</i>	<i>98 215</i>	<i>98 215</i>
<i>Project "TSO-DSO-Consumer INTERFACE aRchitecture to provide innovative grid services for an efficient power system"</i>	<i>10 413</i>	<i>-</i>	<i>10 413</i>	<i>-</i>
- from congestion charge revenue	437 357	273 144	437 357	273 144
- from IPGK reserved capacity charges	-	-	237 284	903 165
TOTAL	7 064 361	6 135 817	10 670 629	7 388 747

Movement of deferred revenue (long-term and short-term part):

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
At the beginning of the reporting period	285 983 150	289 601 283	298 017 816	301 033 754
Received deferred revenues from European Union financing (long - term)	221 968	7 507 226	3 241 188	7 507 226
Received deferred revenues from European Union financing (short - term)	788 359	162 277	788 359	162 277
Deferred revenue from congestion charges	4 745 584	-	4 745 584	-
Congestion management revenue received (short-term)	164 214	-	164 214	-
Received deferred revenue from connection fees	1 567 489	40 667	1 567 489	40 667
Long-term deferred revenue from usage rights is excluded	-	(11 043 332)	-	(11 043 332)
Revenue from congestion charges is included in the profit or loss statement	(446 525)	1 141 328	(446 525)	1 141 328
Connection fees are included in the profit or loss statement	(1 703 587)	(844 618)	(1 703 587)	(844 618)
Reserved capacity charges (IPGK)	-	-	318 791	903 165
European Union funding is included in the profit or loss statement	(1 602 857)	(581 681)	(2 756 284)	(882 651)
At the end of the reporting period	289 717 795	285 983 150	303 937 045	298 017 816

18. ADVANCE PAYMENTS AND OTHER CREDITORS

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
Advance payments received from customers	242	-	838 571	-
Settlements with employees	607 661	641 702	607 661	641 702
Connection fee advances received *	299 954	602 252	299 954	602 252
Other creditors	1 311 505	1 591 210	2 434 032	2 975 189
ADVANCE PAYMENTS AND OTHER CREDITORS	2 219 362	2 835 164	4 180 218	4 219 143

* JSC Augstsprieguma tīkls provides system participants with necessary connections to the transmission system or an increase of the permitted load of existing connections in accordance with the connection rules regarding the fee for system participants, issued by PUC, which is determined by the transmission system operator, according to the PUC calculation method for the calculation of the connection fee.

19. ACCRUED LIABILITIES

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
Accrued cost of unused holidays	962 511	745 304	1 478 932	1 261 725
Accrued bonus costs for previous year's results	188 074	333 008	1 383 086	2 072 258
Accrued benefit costs and pension plan contributions	15 895	42 728	15 895	42 728
Accrued interest liabilities	119 415	412 174	119 415	412 174
Accrued liabilities to compensate the transit losses	975 890	598 000	975 890	598 000
Accrued liabilities for annual audit	4 975	-	16 425	16 140
Accrued liabilities for unreceived invoices	-	-	29 253	640 974
Others	4 949	-	184 949	-
ACCRUED LIABILITIES	2 271 709	2 131 214	4 203 845	5 043 999

20. LOANS

As a result of the reorganisation of the ownership rights of the transmission system assets and the successive investment of JSC "Latvijas elektriskie tīkli" in the share capital of JSC "Augstsprieguma tīkls" on 16 June 2020 and resulting from its addition on 25 January 2020, JSC "Augstsprieguma tīkls" took over the loans of JSC "Latvijas elektriskie tīkli" in 2020.

Until 11 June 2020, the shares of JSC "Latvijas elektriskie tīkli" were 100% owned by JSC "Latvenergo". To ensure the functions of the owner of the transmission system assets until the change of shareholder JSC "Latvijas elektriskie tīkli"

received and issued loans to the parent company JSC "Latvenergo" in accordance with the agreement "On the provision of mutual financial resources" concluded within the Latvenergo group.

After the investment of JSC "Latvijas elektriskie tīkli" shares in JSC "Augstsprieguma tīkls" on 16 June 2020, JSC "Augstsprieguma tīkls" ensures the attraction of the borrowed capital necessary for financing capital investments. On 18 June 2020, a loan agreement was concluded with JSC "SEB banka" for EUR 116 200 thousand with a maturity of 18 months (repayment date of the principal amount on 18 December 2021), a base interest rate

of 3 months EURIBOR and an added interest rate of 0.74%. The purpose of this loan is to partially refinance the liabilities of JSC "Latvijas elektriskie tīkli" to JSC "Latvenergo". The loan is unsecured. The most important covenants - equity ratio not less than 25%, restrictions on business activities and change of shareholder. During the term of the Agreement, the Company has fulfilled all covenants.

In 2021, it is planned to refinance the loan of JSC "Augstsprieguma tīkls" against JSC "SEB banka" by issuing bonds.

As of 30 June 2021, JSC "Augstsprieguma tīkls" has a loan from JSC "Latvenergo" in the amount of EUR 40 000 000 with a fixed borrowing rate of 1.6%, which corresponds to the weighted average interest rate at which JSC "Latvenergo" attracts borrowings in the external market. In accordance with the agreement of 18 June 2021 between the Company and JSC "Latvenergo" on early repayment of the loan, the loan was repaid in full in July 2021.

For the financing of working capital, an overdraft agreement was concluded between

JSC "Augstsprieguma tīkls" and JSC "SEB banka" for up to EUR 20 000 thousand with a maturity until 18 June 2023, a base interest rate of 3 months EURIBOR and an added interest rate of 0.35%. During the reporting period, JSC "Augstsprieguma tīkls" did not receive any loans within the framework of the overdraft agreement.

The natural gas operator JSC Conexus Baltic Grid attracts external financing with its own resources. During the reporting period, JSC "Conexus Baltic Grid" received loans from the Nordic Investment Bank, JSC "SEB banka" and JSC "Swedbank", as well as extended the repayment term of the loan from the Latvian branch of OP Corporate Bank plc. At the end of the reporting period, the total amount of the Company's borrowings is EUR 84 003 thousand, including used overdrafts of EUR 4 486 thousand. At the end of the reporting period, the weighted average interest rate on long-term loans is 0.37 % (in 2020: 0.6 %).

Borrowings from credit institutions and related parties:

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	31.12.2020 EUR	30.06.2021 EUR	31.12.2020 EUR
Long-term loans from related parties	-	86 672 207	-	86 672 207
Long-term loans from credit institutions	-	-	66 694 444	-
Short-term loans from credit institutions	116 200 000	116 200 000	133 508 561	138 075 000
Short-term loans from related parties	40 000 000	-	40 000 000	-
Loans	156 200 000	202 872 207	240 203 005	224 747 207
Accrued liabilities for borrowing costs from related parties	119 415	412 174	119 415	412 174
TOTAL loans	156 319 415	203 284 381	240 322 420	225 159 381
Changes in borrowings from credit institutions and related parties:				
At the beginning of the reporting period	203 284 381	-	225 159 381	-
Loans received from related parties	-	86 672 207	-	86 672 207
Loans received from credit institutions	-	116 200 000	64 485 644	138 075 000
Loans repaid to related parties	(46 672 207)	-	(46 672 207)	-
Repaid loans to credit institutions	-	-	(2 357 639)	-
Calculated borrowing rates for related parties	990 308	412 174	990 308	412 174
Estimated borrowing rates for credit institutions	434 717	441 883	434 717	441 883
Paid interest on loans to related parties	(1 283 067)	-	(1 283 067)	-
Paid interest on loans to credit institutions	(434 717)	(441 883)	(434 717)	(441 883)
Changes in loans, net	(46 964 966)	203 284 381	15 163 039	225 159 381
At the end of the reporting period, including:	156 319 415	203 284 381	240 322 420	225 159 381
Borrowings from a related company	40 000 000	86 672 207	40 000 000	86 672 207
Borrowings from a credit institution	116 200 000	116 200 000	200 203 005	138 075 000
TOTAL loans	156 200 000	202 872 207	240 203 005	242 747 207

21. LEASE OF ASSETS

	JSC "Augstsprieguma tīkls"		Group	
	30.06.2021 EUR	30.06.2020 EUR	30.06.2021 EUR	30.06.2020 EUR
Right-of-use assets				
Residual value at the beginning of the reporting period	14 212 293	35 920 323	14 715 877	14 919 735
Recognised changes in lease contracts	1 203 159	896 290	1 203 159	38 485
Depreciation	(340 757)	(18 408 306)	(387 123)	(372 964)
Residual value at the end of the reporting period	15 074 695	18 408 307	15 531 913	14 585 256
Lease liabilities				
Residual value at the beginning of the reporting period	14 418 995	37 475 766	14 933 065	15 066 413
Recognised changes in lease contracts	1 203 159	(659 155)	1 203 159	-
Decrease in lease liabilities	(411 789)	(18 449 616)	(466 951)	(438 147)
Asset lease interest expense	118 986	73 030	130 378	114 397
Residual value at the end of the reporting period	15 329 351	18 440 025	15 799 651	14 742 663
On June 30, 2021, including:				
Long term	14 595 086	-	15 048 938	14 090 278
Short term	734 265	18 440 025	750 713	652 385

22. TAXES AND MANDATORY STATE SOCIAL INSURANCE CONTRIBUTIONS

	JSC "Augstsprieguma tīkls"			Group		
	31.12.2020 EUR	Calculated	Paid	30.06.2021 EUR	30.06.2021 EUR	31.12.2020 EUR
Corporate income tax	-	1 599 903	-	1 599 903	3 856 651	3 539
Value added tax	1 025 328	13 155 187	(13 343 489)	837 026	1 386 784	1 637 290
Mandatory State social insurance contributions	474 949	2 296 255	(2 232 183)	539 021	803 850	742 095
Personal income tax	253 700	1 174 236	(1 146 221)	281 715	751 895	385 067
Entrepreneurship risk state fee	194	1 150	(1 154)	190	190	194
Electricity tax	278	1 351	(1 545)	84	84	278
Natural resource tax	-	-	-	-	121 496	43 237
Real estate tax	-	-	-	-	30 715	10
TOTAL TAXES	1 754 449	18 228 083	(16 724 592)	3 257 939	6 951 665	2 811 710

23. FINANCIAL RISK MANAGEMENT

Financial Risk Management of the Augstsprieguma tīkls group is implemented in accordance with the Financial Risk Management Policy and its subordinate Financial Risk Management Regulations.

Group companies, in which the participation of JSC "Augstsprieguma tīkls" is less than 100%, however, it has a direct decisive influence on the basis of participation within the meaning of the Group Law, develop and approve their Financial Risk Management Policies, if necessary, which are in line with the basic principles of the Group's policy.

The management of financial resources is focused on ensuring the financing of its business activities and financial stability by implementing conservative financial risk management. Within the framework of financial risk management, the Company uses financial risk controls and implements risk mitigation measures to reduce the risk on open positions.

The Company complies with prudential liquidity risk management, ensuring that appropriate financial resources are available to it for the settlement of liabilities within the set time periods.

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 caused by operational risk and hedging of short-term liquidity risk, the Company provides a reserve in the form of cash or subscribed and irrevocably available credit funds for the next 24 months.

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.

As at 30 June 2021, the Company's current liabilities exceed current assets, as current liabilities include a loan agreement in the amount of EUR 116 200,000 with a maturity date of 18 December 2021 (see Annex 20). The Company intends to refinance this loan in 2021, thus it does not pose a risk of going concern.

In order to refinance the liabilities taken over as a result of the reorganisation, to ensure the availability of capital, the Company's management has approved the Fundraising Strategy for 2021–2025, a decision has been made and a procurement procedure for selecting the lead bank for the bond issue has been initiated. After refinancing, the Company's current assets will exceed current liabilities.

The Company's management believes that the Company will have sufficient financial resources to ensure its liquidity is not compromised.

Interest rate risk

Interest rate risk arises primarily from borrowings with a fixed interest rate, with the risk that an increase in interest rates will result in a significant increase in finance costs. To limit the risk, the Company's Financial Risk Management Regulations stipulate that the share of fixed rate or rate with limited increase in the loan portfolio may not be less than 35%. At the same time, the Financial Risk Management Regulations stipulate that deviations from this indicator are allowed in the process of restructuring the liabilities taken over in the process of reorganization of the ownership rights of transmission assets. As of 30 June 2021, 26% of JSC "Augstsprieguma tīkls" loans have a fixed interest rate.

The Company regularly analyses interest rate positions. Different scenarios are modelled taking into account possible refinancing of loans, renewal of existing positions and hedging activities. Based on these scenarios, the effect of changes in interest rates on profit or loss items as well as cash flow is calculated.

Over the next twelve months, if interest rates on euro loans at floating base rates are 50 base points higher than interest rates on 30 June 2021, assuming that other variables remain constant, the Company's profit would be EUR 0.6 thousand lower. The Company's fixed interest rate borrowings do not give rise to fair value interest rate risk.

Credit risk

Credit risk arises if the Company's partner is unable to meet its contractual obligations, as a result of which the Company incurs losses. Credit risk arises from the Company's cash, deposits in commercial banks, and overdue receivables within the terms specified in the agreement. Credit risk may be related to financial counterparty risk and counterparty risk.

In carrying out its economic activities, the Company cooperates with local and foreign financial institutions. Consequently, there is a risk of financial counterparties – in the case of insolvency or suspension of cooperation partners, the Company may suffer losses. In the case of attracted external financing, the risk exists until the loan is withdrawn and transferred to one of the Company's partner banks.

Credit risk arising from the Company's cash in current accounts is managed in accordance with the Company's Financial Risk Management Policy and Financial Risk Management Regulations, balancing the allocation of financial resources.

In accordance with the 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.

In carrying out economic activities, the Company cooperates with local and foreign merchants. As a result, there is a risk of business partners or debtor risk - in the case of insolvency or suspension of business partners, the Company may suffer losses. The Law on International and National Sanctions of the Republic of Latvia imposes a number of financial and civil law restrictions on entities included in the list of sanctions, including the freezing of funds. In view of the above, cooperation with an entity included on the list of sanctions poses a risk of default to the Company, as well as legal and reputational risks.

Although the Company has a significant concentration of receivables risk in relation to one counterparty or a group of similar counterparties, this risk is assessed as limited, taking into account the fact that the most important Cooperation counterparty is a state-owned company - JSC "Latvenergo", as well as its group companies.

Credit risk related to receivables is managed in accordance with the risk management measures

specified in the Financial Risk Management Regulations, on a monthly basis, but not less than once a quarter, by performing an analysis of receivables.

Business Risk Management

The shareholder of the Company is the Ministry of Finance in the name of the Republic of Latvia (100%) The purpose of capital risk management is to ensure the sustainable operation and development of the Company, the financing necessary for the implementation of the development plan in transmission assets, and the fulfilment of the restrictive conditions specified in the loan agreements. The restrictive conditions set out in the loan agreements have not been violated. In order to ensure the fulfilment of the restrictive conditions specified in the loan agreements, a regular analysis of the equity ratio is performed. According to the Augstsprieguma tīkls group's Financial Risk Management Policy, equity must be maintained at a level of at least 35% (the restrictive condition specified in the loan agreements - at a level of at least 25%). As of 30 June 2021, the share of JSC "Augstsprieguma tīkls" equity in the balance sheet is 48%, of the Group - 51%.

Currency risk

The Company's operations are focused on transactions, assets and liabilities in the Company's functional currency, which is the Euro. The Company's currency risk is assessed as insignificant, the Company has no balances in foreign currencies.

24. TRANSACTIONS WITH RELATED PARTIES

Related parties are state-owned entities that are controlled, jointly controlled, or substantially influenced by the state. The Company does not have any material transactions and other transactions which, together, but not individually, are material to the Government of the Republic of Latvia, government agencies and similar institutions of

local, national or international standing within the scope of the Standard, except for JSC "Latvenergo" and its subsidiaries - the transmission assets owner JSC "Latvijas elektriskie tīkli", the power supply service provider JSC "Latvenergo", the distribution system operator JSC "Sadales tīkls", and the public electricity trader JSC "Energijas publiskais tirgotājs".

a) Revenue and expenses from transactions with related parties

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
State controlled companies				
Income				
Revenue from the sale of electricity, electric capacity maintenance services	2 106 793	3 222 940	2 106 793	3 222 940
Mandatory procurement component	1 557 513	1 965 687	1 557 513	1 965 687
Transport system service	37 570 739	35 772 952	37 570 739	35 772 952
Transmission asset reconstruction and renovation works	-	36 083 893	-	36 083 893
Revenue from other services	874 983	437 041	874 983	437 041
Total revenue from transactions with related companies	42 110 028	77 482 513	42 110 028	77 482 513
Distributions				
Electricity purchase	7 054 517	4 898 141	7 054 517	4 898 141
Mandatory procurement component	2 358 541	2 889 308	2 358 541	2 889 308
Lease of fixed assets and land	410 243	-	410 243	-
Communication expenses	1 551 909	1 577 157	1 551 909	1 577 157
Long-term loan % payments	990 308	-	990 308	-
Other costs	85 552	2 142 862	85 552	2 142 862
Total expenses of transactions with related companies	12 451 070	11 507 468	12 451 070	11 507 468

b) balances at the end of the year arising from related company transactions

	JSC "Augstsprieguma tīkls"		Group	
	6 months of 2021 EUR	6 months of 2020 EUR	6 months of 2021 EUR	6 months of 2020 EUR
Accounts receivable:				
State controlled companies	7 387 285	153 612 766	7 387 285	153 612 766
Liabilities of creditors:				
state controlled companies	4 638 330	10 568 695	4 638 330	10 568 695

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of the reporting period there were no other material circumstances or events that could affect the future development of the Company.