

**CONSOLIDATED REPORTS OF AUGSTSPRIEGUMA  
TĪKLS GROUP AND UNAUDITED CONDENSED  
INTERIM FINANCIAL STATEMENTS OF  
JSC "AUGSTSPRIEGUMA TĪKLS"**

**FOR 9 MONTHS OF 2021**

For the 9 month  
period from 01.01.2021.  
until 30.09.2021.

Prepared in accordance  
with the 34. International  
Accounting Standard



**AST**

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**INFORMATION  
ABOUT THE GROUP  
AND THE COMPANY**

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## INFORMATION ABOUT THE GROUP AND THE COMPANY

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

## KEY FINANCIAL AND OPERATIONAL INDICATORS

FINANCIAL INDICATORS	JSC "Augstsprieguma tīkls"		GROUP	
	9 months of 2021	9 months of 2020	9 months of 2021	9 months of 2020
Revenue, thous. EUR	82 229	121 177	123 188	104 884
EBITDA*, thous. EUR	31 751	31 124	56 990	37 331
Profit, thous. EUR	63 598	7 173	15 090	17 737
	<b>30.09.2021.</b>	<b>31.12.2020.</b>	<b>30.09.2021.</b>	<b>31.12.2020.</b>
Balance sheet total, thous. EUR	880 653	905 527	1 180 189	1 213 515
Equity, thous. EUR	440 407	384 809	618 516	639 203
Loans, thous. EUR	116 200	202 872	200 418	224 747
Cash and its equivalents, thousand EUR*	36 704	57 225	38 760	72 388
<b>FINANCIAL RATIOS</b>				
Liquidity total ratio	3.0	4.7	1.4	2.0
EBITDA Profitability	39%	26%	46%	36%
Equity ratio (≥35%)	50%	42%	52%	53%
<b>DARBĪBAS RĀDĪTĀJI</b>	<b>9 months of 2021</b>	<b>9 months of 2020</b>	<b>9 months of 2021</b>	<b>9 months of 2020</b>
Electricity transmitted to users in Latvia, MWh	4 629 607	4 360 093	4 629 607	4 360 093
Capital investments in the electricity transmission system, thousand EUR	53 967	20 113	11 632	20 113

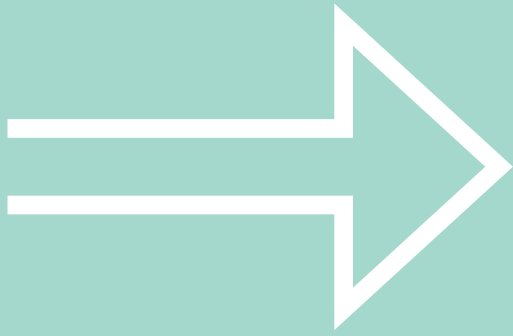
\* including short-term time deposits with a maturity of less than 3 months

**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



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# MANAGEMENT REPORT

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## SIGNIFICANT FACTS AND EVENTS

### JSC "AUGSTSPRIEGUMA TĪKLS" MADE A SUCCESSFUL DEBUT IN THE CAPITAL MARKETS BY ISSUING A GREEN BOND IN THE AMOUNT OF EUR 100 MILLION

On October 2021, Latvian TSO's "Augstsprieguma tīkls" (AST) made a successful debut in the capital markets by issuing a Green Bond in the amount of EUR 100 million. With the transaction, AST becomes the first Baltic transmission system operator to issue a green bond. The successful placement is in line with AST's mission to ensure continuous, secure, and sustainably efficient electricity transmission throughout Latvia. The issue will also facilitate transition towards zero emission power system and will contribute to Baltic market development.

### JSC "AUGSTSPRIEGUMA TĪKLS" MEETS THE REQUIREMENTS OF CERTIFICATION AND INDEPENDENCE

The Public Utilities Commission (PUC) has evaluated the report of JSC Augstsprieguma tīkls on its compliance with the certification and independence requirements last year. PUC concludes that JSC Augstsprieguma tīkls meets the certification requirements and the measures taken to ensure independence are sufficient.

### THE POWER TRANSMISSION SYSTEM DEVELOPMENT PLAN 2022 - 2031 HAS BEEN APPROVED BY RESOLUTION OF THE PUBLIC UTILITIES COMMISSION COUNCIL OF 14 OCTOBER 2021

The Public Utilities Commission (PUC) has approved the transmission system development plan for 2022-2031 developed by JSC Augstsprieguma tīkls. In total, it is planned to invest almost 401 million euros over 10 years, a large part of which is intended to strengthen the security of the system and synchronize it with European networks. Synchronization of the Baltic States with the European electricity transmission networks is not only a strategic goal of Latvia, but also of Europe, which is confirmed by the granted co-financing in the amount of 75% from the European Union funds.

### BALTIC AND POLISH TSO'S APPLIED FOR CEF FUNDING FOR SYNCHRONISATION INVESTMENTS

Transmission system operators (TSO) from the Baltic States: Litgrid (Lithuania), AST (Latvia), Elering

(Estonia) and from Poland (PSE), submitted a joint application for funding from the Connecting Europe Facility (CEF). Four TSOs request a financial support for the investments of Baltic Synchronisation project Phase 2 part II which are crucial for secure and stable synchronisation of Baltic power systems with the Continental European Synchronous Area and desynchronization from the Russian unified power system. The sources will be spent for grid reinforcements, frequency regulation equipment and upgrade of IT control systems. The four countries wish to receive CEF support for the investments worth EUR 237.8 million. The amount of the Lithuanian investments is EUR 40.9 million, Latvian – EUR 49.5 million, Estonian – EUR 36.6 million, and Polish – EUR 110.8 million. The expected CEF co-financing is up to 75% of the total costs of the second phase of the second phase of the synchronization project.

### THE PRICE OF ELECTRICITY IS RISING SIGNIFICANTLY

In September 2021, the average electricity price on the Nord Pool (NP) stock exchange in the Latvian trading area was 123.50 EUR/MWh and, compared to August, the price increased by 41.4%, but compared to September of the previous year, the price was more than three times higher. 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.

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

In the 9 months of 2021, the amount of electricity transmitted to the users of JSC "Augstsprieguma tīkls" in Latvia was 4 630 GWh, which is 6% more than in the corresponding period of the previous year (4 360 GWh).

### THE VOLUME OF NATURAL GAS TRANSPORTED IS 7% HIGHER THAN A YEAR EARLIER

In the 9 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 31.5 TWh, exceeding the previous year by 7%.

## 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 September 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.

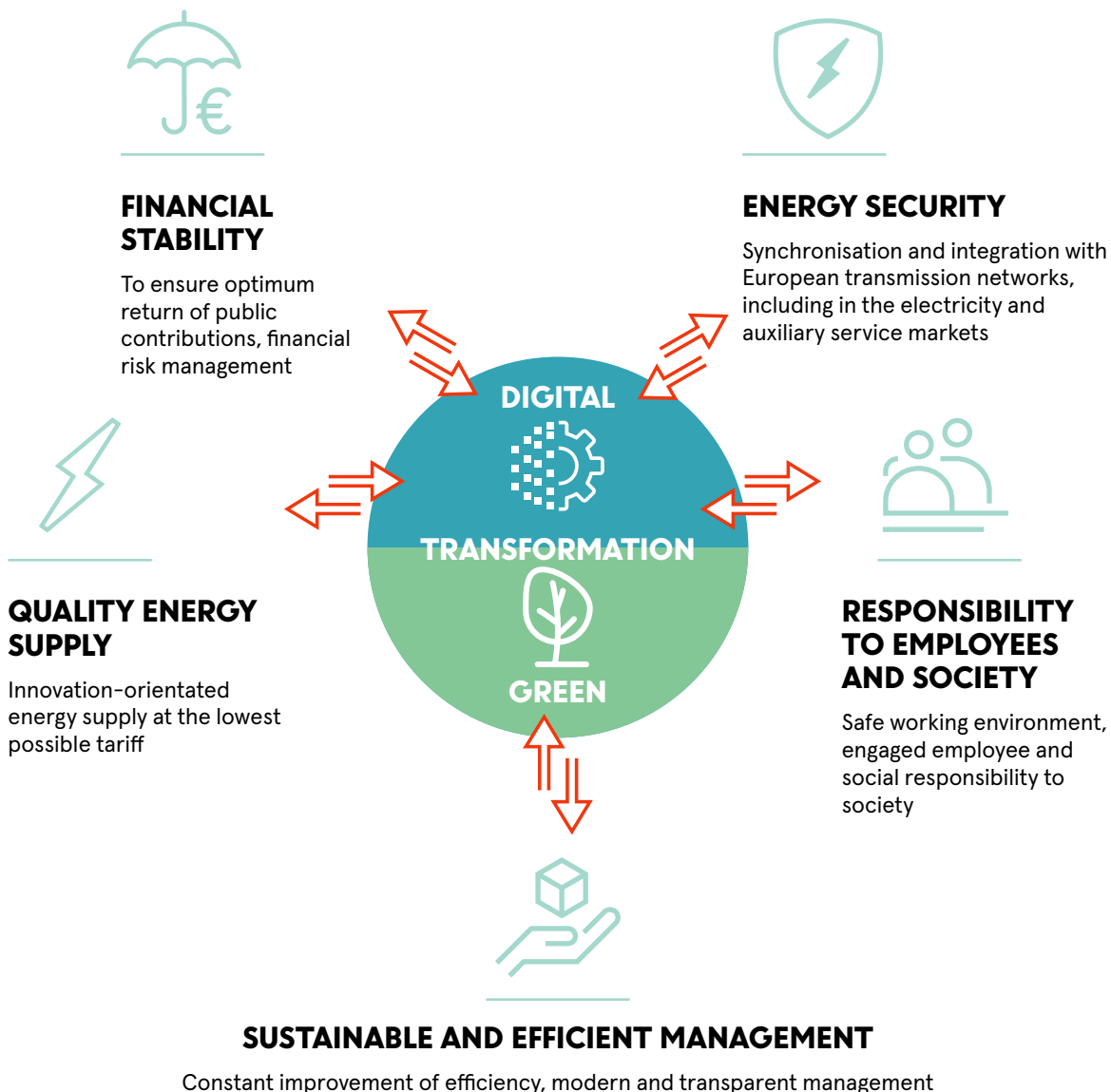
The structure of the *Augstsprieguma tīkls* group is organised in two operating segments: electricity transmission and transmission and storage of natural

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

#### TRUST



#### HONESTY

Independent, ethical and transparent action towards anyone and everyone

#### GROWTH



#### WISDOM

Effectively. Looking forward. Long-term thinking

#### SAFETY



#### RESPONSIBILITY

Deliberate action. With high responsibility towards work, people and nature

#### TEAM



#### TOGETHER

We join forces to achieve more. Strong team that encourages and challenges

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](http://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.

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## TRANSMISSION AND STORAGE OF NATURAL GAS

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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

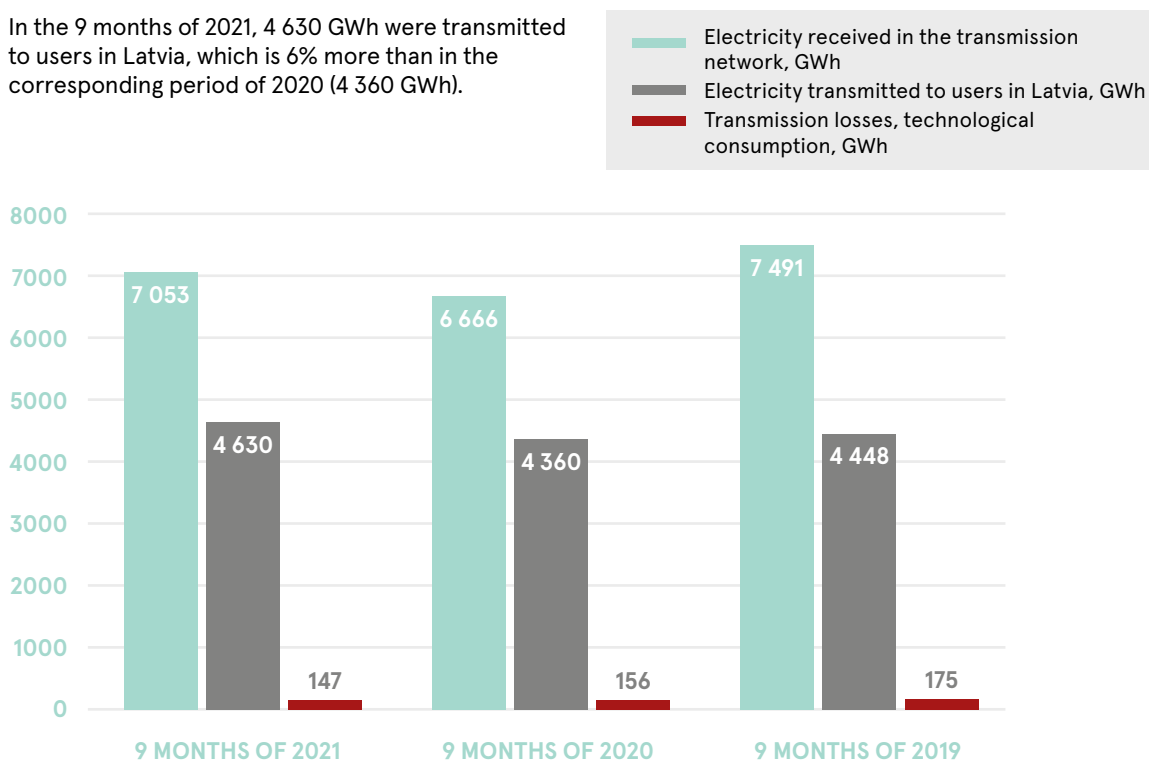
Electricity transmission is carried out by the transmission system operator through a transmission system that includes interconnected networks and equipment, including cross-border connections, with a voltage of 110 kilovolts or more, that are used for transmission to the relevant distribution system 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
<b>TOTAL</b>	<b>140</b>	<b>273</b>	<b>9 231</b>	<b>5 612,91</b>

In the 9 months of 2021, 4 630 GWh were transmitted to users in Latvia, which is 6% more than in the corresponding period of 2020 (4 360 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 nine months of 2021, the total amount of gas transported reached 31.5 TWh, which is an increase of 7% 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 9%, reaching 8.7 TWh.

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

## SEGMENT PERFORMANCE RESULTS

During the reporting period, *Augstsprieguma tīkls* group's net turnover was 123 188 thousand EUR, net profit was 15 090 thousand EUR.

### SEGMENT INFORMATION

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 or 30.09.2021 thous. EUR	9 months of 2020 or 30.09.2020 thous. EUR	9 months of 2021 or 30.09.2021 thous. EUR	9 months of 2020 or 30.09.2020 thous. EUR
<b>Net turnover</b>				
Electricity Transmission	82 229	121 177	82 229	121 177
Gas transmission	-	-	23 471	-
Gas storage	-	-	17 488	-
<b>EBITDA</b>				
Electricity Transmission	31 751	31 124	31 751	31 124
Gas transmission	-	-	14 480	-
Gas storage	-	-	10 760	-

### Electricity transmission segment

The net turnover of the segment was EUR 82 229 thousand, including revenue from electricity transmission network services of EUR 57 196 thousand, which makes up 70% of the segments' net turnover. Segment profit in the reporting period was 5 311 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–September 2021, the total net turnover of the segments was EUR 40 959 thousand, profit EUR 9 541 thousand. Revenues of the natural gas transmission segment in January–September 2021 were EUR 23 471 thousand, of the natural gas storage segment – EUR 17 488 thousand.

In the first nine 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 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 JSC *“Augstsprieguma tīkls”* was invested. According to the decision of the Enterprise Register of the Republic of Latvia of 25 November 2020, on 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 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 September 2021, the AST loan basket consists of 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. On October 2021 the loan from JSC "SEB banka" is refinance by issuing bonds in amount EUR 100 000 thousand and AST's own resources.

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.

The international credit rating agency S&P Global Ratings (S&P) has ASSIGNED THE LONG-TERM CREDIT RATING BBB+/POSITIVE TO THE LATVIAN TRANSMISSION SYSTEM OPERATOR JSC "AUGSTSPRIEGUMA TĪKLS".

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## ELECTRICITY TRANSMISSION SYSTEM SERVICES TARIFF

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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.

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## FURTHER DEVELOPMENT

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### 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 14 October 2021 "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 2022 to 2031 (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 401 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/AST\\_Attistibas\\_plans\\_2022-2031.pdf](https://www.ast.lv/sites/default/files/AST_Attistibas_plans_2022-2031.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. On October 2021, application for EU co-financing for the remaining part of the project in amount EUR 49 500 thousand was submitted. Expected CEF co-financing is up to 75% of the total costs of the second phase of the second phase of the synchronization 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.

## 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.

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## EVENTS AND OCCURRENCES AFTER THE END OF THE REPORTING PERIOD

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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 Jēkabsons**  
Board Chairperson

**Imants Zviedris**  
Board Member

**Mārcis Kauliņš**  
Board Member

**Gatis Junghāns**  
Board Member

**Arnis Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

Rīga, 17 November 2021





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**STATEMENT  
OF BOARD'S  
RESPONSIBILITY**

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## STATEMENT OF BOARD'S RESPONSIBILITY

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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 September 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 Jēkabsons**  
Board Chairperson

**Imants Zviedris**  
Board Member

**Mārcis Kauliņš**  
Board Member

**Gatis Junghāns**  
Board Member

**Arnis Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

Rīga, 17 November 2021



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**CONSOLIDATED  
AND SEPARATE  
FINANCIAL  
STATEMENTS**

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## CONDENSED PROFIT OR LOSS STATEMENT

	Notes	JSC "Augstsprieguma tīkls"		Group	
		9 months of 2021	9 months of 2020	9 months of 2021	9 months of 2020
		EUR	EUR	EUR	EUR
<b>REVENUE</b>	3	82 229 431	121 176 990	123 188 339	104 883 670
Other income	4	2 830 902	164 344	3 510 576	985 115
Used raw materials and materials, repair costs	5	(29 213 837)	(14 806 898)	(33 425 718)	(15 517 613)
Personnel expenses	6	(12 336 951)	(12 135 227)	(21 297 603)	(14 219 086)
Other operating expenses	7	(11 758 740)	(63 275 598)	(14 985 502)	(38 800 719)
Depreciation and amortization	9, 21	(24 513 830)	(29 387 256)	(37 757 654)	(29 640 473)
Income from participation		58 286 236	5 604 642	-	5 604 642
Finance income	8	2 290	352 270	2 952	15 300
Finance costs	8	(1 927 855)	(520 108)	(2 125 888)	(942 769)
Income from investments using the equity method		-	-	-	3 081 168
Consolidation difference		-	-	-	3 586 293
<b>Profit before taxes</b>		63 597 646	7 173 159	17 109 502	19 035 528
Deferred corporate income tax		-	-	(2 019 243)	(1 298 727)
<b>Profit for the reporting period</b>		<b>63 597 646</b>	<b>7 173 159</b>	<b>15 090 259</b>	<b>17 736 801</b>
Profit attributable to:					
Non-controlling interests		-	-	3 009 374	293 204
<b>Equity holder of the Parent Company</b>		<b>-</b>	<b>-</b>	<b>12 080 885</b>	<b>17 443 597</b>

Notes from page 25 to 65 are an integral part of these financial statements.

**Gunta Jēkabsons**  
Board Chairperson

**Imants Zviedris**  
Board Member

**Mārcis Kauliņš**  
Board Member

**Gatis Junghāns**  
Board Member

**Arnīs Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

Riga, 17 November 2021

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	AS "Augstsprieguma tīkls"		Group	
		9 months of 2021	9 months of 2020	9 months of 2021	9 months of 2020
		EUR	EUR	EUR	EUR
<b>PROFIT FOR THE PERIOD</b>		63 597 646	7 173 159	15 090 259	17 736 801
Items that will not be reclassified to profit or loss statement		-	-	-	-
Other income		-	-	-	-
<b>OTHER INCOME FOR THE REPORTING PERIOD</b>					
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		63 597 646	7 173 159	15 090 259	17 736 801
Attributable to:					
Equity holder of the Parent Company				12 080 885	
Non-controlling interests				3 009 374	

Notes from page 25 to 65 are an integral part of these financial statements.

**Gunta Jēkabsone**  
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Board Member

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Board Member

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Board Member

**Arnis Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

Riga, 17 November 2021

## CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Notes	JSC "Augstsprieguma tīkls"		Group	
		30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Intangible assets	9.1	2 137 494	1 435 210	3 997 003	3 307 881
Fixed assets	9.2	651 119 055	654 359 778	1 070 113 970	1 067 674 394
Right-of-use assets	21	14 855 056	14 212 293	15 329 482	14 715 877
Non-current financial investments	10	134 396 393	134 396 393	1 135 269	1 210 860
<b>TOTAL NON-CURRENT ASSETS</b>		<b>802 507 998</b>	<b>804 403 674</b>	<b>1 090 575 724</b>	<b>1 086 909 012</b>
<b>CURRENT ASSETS</b>					
Inventories	11	561 809	514 087	3 606 184	3 535 090
Advances paid for inventories		-	-	24 648	-
Trade receivables	12	305 204	1 673 797	6 135 268	8 528 491
Deposits	13	-	25 000 000	-	25 000 000
Other current assets	13	28 220 366	31 647 751	28 305 168	31 740 753
Corporate income tax	13	1 611 415	11 512	1 611 415	11 512
Deferred expenses		732 806	629 093	1 160 603	979 586
Accrued income	14	10 009 910	9 422 703	10 009 910	9 422 703
Cash	15	36 703 903	32 224 560	38 759 761	47 388 296
<b>TOTAL CURRENT ASSETS</b>		<b>78 145 413</b>	<b>101 123 503</b>	<b>89 612 957</b>	<b>126 606 431</b>
<b>TOTAL ASSETS</b>		<b>880 653 411</b>	<b>905 527 177</b>	<b>1 180 188 681</b>	<b>1 213 515 443</b>

Notes from page 25 to 65 are an integral part of these financial statements..

**Gunta Jēkabsons**  
Board Chairperson

**Imants Zviedris**  
Board Member

**Mārcis Kauliņš**  
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Board Member

**Arnīs Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

Riga, 17 November 2021

## STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

(continued)

	Notes	JSC "Augstsprieguma tīkls"		Group	
		30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	16	365 895 957	363 896 079	365 895 957	363 896 079
Reserves		3 658 331	4 172 258	(178 314)	6 304 575
Retained earnings		7 255 560	6 741 633	143 257 241	82 722 433
Profit for the reporting period		63 597 646	9 999 392	12 080 885	64 051 311
Non-controlling interests		-	-	97 460 596	122 228 140
<b>TOTAL EQUITY</b>		<b>440 407 494</b>	<b>384 809 362</b>	<b>618 516 365</b>	<b>639 202 537</b>
<b>NON-CURRENT LIABILITIES</b>					
Employee benefit obligations		2 399 907	2 636 255	3 428 401	3 664 749
Lease liabilities	21	14 397 134	13 761 561	14 864 645	14 215 413
Loans	20	-	86 672 207	63 488 715	86 672 207
Deferred revenue	17	280 792 652	279 847 333	299 209 284	290 629 069
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>297 589 693</b>	<b>382 917 356</b>	<b>380 991 045</b>	<b>395 181 438</b>
<b>CURRENT LIABILITIES</b>					
Loans	20	116 200 000	116 200 000	136 929 072	138 075 000
Lease liabilities	21	737 033	657 434	754 934	717 652
Deferred revenue	17	7 064 361	6 135 817	7 698 663	7 388 747
Trade payables		11 006 796	8 086 381	16 618 231	15 722 857
Taxes and mandatory state social insurance contributions	22	3 130 508	1 754 449	3 938 728	2 811 710
Deferred corporate income tax liabilities		-	-	5 845 243	5 152 360
Advance payments received	18	665 383	602 252	1 595 661	1 255 537
Other creditors	18	2 176 345	2 232 912	3 204 309	2 963 606
Accrued liabilities	19	1 675 798	2 131 214	4 096 430	5 043 999
<b>TOTAL CURRENT LIABILITIES</b>		<b>142 656 224</b>	<b>137 800 459</b>	<b>180 681 271</b>	<b>179 131 468</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>880 653 411</b>	<b>905 527 177</b>	<b>1 180 188 681</b>	<b>1 213 515 443</b>

Notes from page 25 to 65 are an integral part of these financial statements..

**Gunta Jēkabsone**  
Board Chairperson

**Imants Zviedris**  
Board Member

**Mārcis Kauliņš**  
Board Member

**Gatis Junghāns**  
Board Member  
Riga, 17 November 2021

**Arnīs Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

## 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	Reorganization reserves	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 31 December 2019</b>	<b>64 218 079</b>	<b>2 951 011</b>	<b>2 680 615</b>	-	<b>106 006</b>	-	<b>69 955 711</b>
Dividends paid for 2019	-	(1 735 958)	-	-	-	-	(1 735 958)
Share capital increase	299 678 000	-	-	-	-	-	299 678 000
Addition of JSC Latvijas elektriskie tīkli as a result of reorganisation	-	5 211 434	-	-	-	(27 336 704)	(22 125 270)
Profit for the reporting period	-	7 173 159	-	-	-	-	7 173 159
Changes in reserves	-	(1 215 053)	1 215 053	-	-	-	-
<b>As at 30 September 2020</b>	<b>363 896 079</b>	<b>12 384 593</b>	<b>3 895 668</b>	-	<b>106 006</b>	<b>(27 336 704)</b>	<b>352 945 642</b>
Profit for the reporting period	-	4 041 286	-	-	-	-	4 041 286
Other income for the reporting year	-	-	-	-	384 250	-	384 250
Recognition of revaluation reserve as a result of reorganisation	-	-	-	27 438 184	-	-	27 438 184
Transfer of retained earnings	-	315 146	-	(315 146)	-	-	-
<b>As at 31 December 2020</b>	<b>363 896 079</b>	<b>16 741 025</b>	<b>3 895 668</b>	<b>27 123 038</b>	<b>490 256</b>	<b>(27 336 704)</b>	<b>384 809 362</b>
Share capital increase	1 999 878	(1 999 878)	-	-	-	-	-
Dividends paid for 2020	-	(7 999 514)	-	-	-	-	(7 999 514)
Retained earnings	-	513 927	-	(513 927)	-	-	-
Profit for the reporting period	-	63 597 646	-	-	-	-	63 597 646
<b>As at 30 September 2021</b>	<b>365 895 957</b>	<b>70 853 206</b>	<b>3 895 668</b>	<b>26 609 111</b>	<b>490 256</b>	<b>(27 336 704)</b>	<b>440 407 494</b>

Notes from page 25 to 65 are an integral part of these financial statements..

**Gunta Jēkabsone**  
Board Chairperson

**Imants Zviedris**  
Board Member

**Mārcis Kauliņš**  
Board Member

**Gatis Junghāns**  
Board Member

**Arnīs Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

Rīga, 17 November 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
<b>As at 31 December 2019</b>	<b>64 218 079</b>	<b>56 367 925</b>	<b>2 680 615</b>	-	<b>75 844</b>	-	-	<b>123 342 463</b>
Dividends paid for 2019	-	(1 735 958)	-	-	-	-	-	(1 735 958)
Other income for the reporting period	-	-	-	-	-	28 120 629	-	28 120 629
Retained earnings (Accumulated losses) IFRS16	-	17 284	-	-	-	-	-	17 284
Share capital increase	299 678 000	-	-	-	-	-	-	299 678 000
Transfer of revaluation surplus upon acquisition of control of an associate	-	28 090 467	-	-	-	(28 090 467)	-	-
Addition of JSC Latvijas elektriskie tīkli as a result of reorganisation	-	-	-	-	-	(25 778 705)	-	(25 778 705)
Transaction between companies under common control – acquisition of revaluation reserve	-	-	-	28 915 196	-	-	-	28 915 196
Profit for the reporting period	-	17 443 597	-	-	-	-	293 204	17 736 801
Acquisition of a subsidiary with a noncontrolling interest	-	-	-	-	-	-	120 912 690	120 912 690
<b>As at 30 September 2020</b>	<b>363 896 079</b>	<b>100 183 315</b>	<b>2 680 615</b>	<b>28 915 196</b>	<b>75 844</b>	<b>(25 748 543)</b>	<b>121 205 894</b>	<b>591 208 400</b>
Profit for the reporting period	-	46 590 429	-	-	-	-	1 013 970	47 604 399
Other income for the reporting year	-	-	-	-	381 463	-	8 275	389 738
<b>As at 31 December 2020</b>	<b>363 896 079</b>	<b>146 773 744</b>	<b>2 680 615</b>	<b>28 915 196</b>	<b>457 307</b>	<b>(25 748 544)</b>	<b>122 228 140</b>	<b>639 202 537</b>
Share capital increase	1 999 878	(1 999 878)	-	-	-	-	-	-
Dividends paid for 2020	-	(7 999 514)	-	-	-	-	(26 846 637)	(34 846 151)
Write-off of revaluation reserve	-	5 968 961	-	(5 968 961)	-	-	-	-
Retained earnings	-	513 927	-	(513 927)	-	-	-	-
Profit for the reporting period	-	12 080 885	-	-	-	-	-	12 080 885
Non-controlling interest	-	-	-	-	-	-	2 079 093	2 079 093
<b>As at 30 June 2021</b>	<b>365 895 957</b>	<b>155 338 125</b>	<b>2 680 615</b>	<b>22 432 308</b>	<b>457 307</b>	<b>(25 748 544)</b>	<b>97 460 597</b>	<b>618 516 365</b>

Notes from page 25 to 65 are an integral part of these financial statements..

**Gunta Jēkabsons**  
Board Chairperson

**Imants Zviedris**  
Board Member

**Mārcis Kauliņš**  
Board Member

**Gatis Junghāns**  
Board Member

**Arnis Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

Riga, 17 November 2021

## CONDENSED CASH FLOW STATEMENT

Notes	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before taxes</b>	<b>63 597 646</b>	<b>7 173 160</b>	<b>17 109 502</b>	<b>17 736 801</b>
<b>ADJUSTMENTS:</b>				
- amortisation, depreciation and impairment in value of intangible assets, fixed assets and rights to use assets	9.1, 9.2, 21 24 678 692	27 906 778	37 922 516	29 698 291
- increase/(decrease) in provisions	(236 348)	(198 624)	(236 348)	(228 855)
- finance costs	8 2 171 084	414 895	2 607 125	-
- finance income	8 (245 417)	(130 457)	(245 417)	(321 119)
- other adjustments	1 203 160	-	1 487 632	932 869
- income from dividends	(58 286 236)	(5 604 642)	-	(5 604 642)
- Deferred corporate income tax	-	-	-	1 298 727
- Gain/(loss) on an investment in an associate	-	-	-	(3 081 168)
- Gains/losses on disposal of property, plant and equipment	-	-	-	153 690
- European Union funding (amortization)	-	-	-	(36 214)
<b>Operating profit before working capital adjustments</b>	<b>32 882 581</b>	<b>29 561 110</b>	<b>58 645 010</b>	<b>40 548 380</b>
<b>ADJUSTMENTS:</b>				
- decrease of trade receivables	29 421 141	26 758 974	30 376 455	14 246 135
- (increase)/reduction of inventory	(47 722)	404	(88 683)	184 475
- increase/(reduction) in trade payables	(27 388 005)	3 384 709	(31 176 348)	41 143 674
<b>Gross cash flows from operating activities</b>	<b>34 867 995</b>	<b>59 705 197</b>	<b>57 756 434</b>	<b>96 122 664</b>
Corporate income tax payments	(1 599 903)	(347 192)	(3 856 651)	(347 192)
<b>Net cash flows from operating activities</b>	<b>33 268 092</b>	<b>59 358 005</b>	<b>53 899 783</b>	<b>95 775 472</b>

Notes from page 25 to 65 are an integral part of these financial statements..

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Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department

Riga, 17 November 2021

## CONDENSED CASH FLOW STATEMENT

(continued)

Notes	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
<b>II. Cash flows from investing activities</b>				
Acquisition of fixed assets and intangible investments	(20 462 716)	(1 419 254)	(39 695 379)	(32 129 167)
Sale of fixed assets and intangible assets	68 641	105 703	137 131	105 703
Issued loans	-	(138 560 000)	-	-
Received deposits	25 000 000	-	25 000 000	-
Investment in shares	(1 999 878)	-	(1 999 878)	-
Dividends received	58 286 236	5 604 642	-	5 604 642
Proceeds from the sale of shares	-	1 729 072	-	1 729 072
Interest income from payments	-	409 357	-	409 357
<b>Net cash flows from/(used in) investing activities</b>	<b>60 892 283</b>	<b>(132 130 481)</b>	<b>(16 558 126)</b>	<b>(24 280 394)</b>
<b>III. Cash flows from financing activities</b>				
Loans from credit institutions, net	-	116 200 000	62 342 787	116 200 000
Borrowings from JSC "Latvenergo"	(86 672 207)	-	(86 672 207)	(94 546 864)
Borrowings in the group	-	-	-	(44 013 136)
Expenses for repayment of loans	-	-	-	(583 333)
Interest payments, net	(2 404 780)	(257 677)	(2 584 310)	(1 038 009)
Share capital increase	1 999 878	-	1 999 878	-
Asset lease payments	(666 465)	(21 523 270)	(753 203)	(9 550 759)
European Union funding received	4 462 154	3 959	12 279 663	3 959
Expenditure on investments in affiliated or associated companies	-	172 394	-	172 394
Dividends paid to shareholders	(6 399 611)	(1 388 765)	(32 582 799)	(1 388 765)
<b>Net cash flows (used in)/from financing activities</b>	<b>(89 681 031)</b>	<b>93 206 641</b>	<b>(45 970 191)</b>	<b>(34 744 513)</b>
Money taken over from JSC Latvijas elektriskie tīkli	-	-	-	14 228 700
<b>Increase in net cash and cash equivalents during the reporting period</b>	<b>4 479 343</b>	<b>20 434 165</b>	<b>(8 628 535)</b>	<b>50 979 265</b>
Cash and cash equivalents at the beginning of the reporting period	32 224 560	28 216 327	47 388 296	28 216 327
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>36 703 903</b>	<b>48 650 492</b>	<b>38 759 761</b>	<b>79 195 592</b>

Notes from page 25 to 65 are an integral part of these financial statements..

**Gunta Jēkabsone**  
Board Chairperson

**Imants Zviedris**  
Board Member

**Mārcis Kauliņš**  
Board Member

**Gatis Junghāns**  
Board Member  
Riga, 17 November 2021

**Arnīs Daugulis**  
Board Member

**Māra Grava**  
Head of the Finance and  
Accounting Department



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

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## 1. GENERAL INFORMATION ABOUT THE GROUP

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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 17 November 2021 composed of: Gunta Jēkabsons (Chairwoman 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.

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## 2. SIGNIFICANT ACCOUNTING PRINCIPLES

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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 September 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 September 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", IAS 39 "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.

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## 2.1. FINANCIAL INSTRUMENTS

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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.

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## **2.2. TRANSACTIONS IN FOREIGN CURRENCIES**

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### **(a) 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.

### **(b) 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.

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## **2.3. INTANGIBLE ASSETS AND FIXED ASSETS**

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Recognised as intangible assets are identifiable non-monetary assets without physical substance that are used for the provision of services or for operating purposes. Computer software licences, computer software and related implementation costs are recognised as intangible assets 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.

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## 2.4. THE FAIR VALUE

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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

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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.

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## 2.5. LONG-TERM FINANCIAL INVESTMENTS

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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.

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## 2.7. INVENTORIES

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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.

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## 2.8. DEFERRED REVENUE

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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.

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## 2.9. PENSIONS, POST-EMPLOYMENT BENEFITS

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### (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.

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## 2.10. CORPORATE INCOME TAX

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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.

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## 2.11. PROVISIONS

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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.

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## 2.12. REVENUE RECOGNITION

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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 13<sup>1</sup>, 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.<sup>2</sup> 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.

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## **2.13. RECOGNITION OF COSTS**

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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.

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## 2.14. LONG-TERM AND SHORT-TERM LIABILITIES

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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".

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## 2.15. BORROWINGS AND LOANS

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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.

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## 2.16. RELATED PARTIES

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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.

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## 2.17. SEGMENT INFORMATION

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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 on 30 September 2021 is 696 267 EUR. Provisions are made on the basis of settlement statements for period January – May accepted by the Company (total amount 281 267 EUR), which are not invoiced on 30 September 2020. EUR 415 000 EUR have been estimated, taking into account the losses caused by transit flows. Below the assessment of the sensitivity of the revenue estimate at September 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 31 DECEMBER 2020, EUR

	Increase	Decrease
<b>Discount rate (+/-1%)</b>	103 014	(230 306)
	4%	-9%
<b>Monthly salary increase (+/- 1%)</b>	248 696	(210 835)
	9%	-8%
<b>Employee turnover rate (+/- 1%)</b>	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 EUR	31.12.2020 EUR	31.12.2020 EUR	Adjustments EUR	31.12.2020 EUR
<b>ASSETS</b>						
<b>Non-current assets</b>						
Intangible assets	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
<b>Total non-current assets</b>	<b>804 403 674</b>	<b>-</b>	<b>804 403 674</b>	<b>1 086 909 012</b>	<b>-</b>	<b>1 086 909 012</b>
<b>Current assets</b>						
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
<b>Total current assets</b>	<b>101 123 503</b>	<b>-</b>	<b>101 123 503</b>	<b>126 606 431</b>	<b>-</b>	<b>126 606 431</b>
<b>TOTAL ASSETS</b>	<b>905 527 177</b>	<b>-</b>	<b>905 527 177</b>	<b>1 213 515 443</b>	<b>-</b>	<b>1 213 515 443</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
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
<b>Total equity</b>	<b>384 809 362</b>	<b>-</b>	<b>384 809 362</b>	<b>639 202 537</b>	<b>-</b>	<b>639 202 537</b>
<b>Non current liabilities</b>						
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)	-
<b>Total non current liabilities</b>	<b>383 079 633</b>	<b>(162 277)</b>	<b>382 917 356</b>	<b>395 343 715</b>	<b>(162 277)</b>	<b>395 181 438</b>
<b>Current liabilities</b>						
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
<b>Total current liabilities</b>	<b>137 638 182</b>	<b>162 277</b>	<b>137 800 459</b>	<b>178 969 191</b>	<b>162 277</b>	<b>179 131 468</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>905 527 177</b>	<b>-</b>	<b>905 527 177</b>	<b>1 213 515 443</b>	<b>-</b>	<b>1 213 515 443</b>

### 3. REVENUE

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
Electricity transmission service	57 196 010	54 441 514	57 196 010	54 441 514
Revenues from transmission of natural gas*	-	-	23 470 910	4 185 175
Revenues from the storage of natural gas*	-	-	17 487 998	3 362 972
Sale of balancing electricity	15 857 592	8 600 553	15 857 592	8 600 553
Revenues from connection fees	2 509 959	-	2 509 959	1 008 601
Congestion management at borders (auction)	1 497 627	929 263	1 497 627	929 263
Cross-border electricity perimeter charges	1 502 133	-	1 502 133	-
Liquidation of electrical capacity overload	743 515	-	743 515	-
Revenue from reactive electricity	481 979	461 027	481 979	461 027
Sale of regulatory electricity	338 371	209 219	338 371	209 219
Liquidation of electrical capacity overload	310 412	1 021 234	310 412	1 021 234
Electricity transit service	20 000	655 151	20 000	655 151
Rental of transmission system assets and rental of other fixed assets	-	-	-	1 021 234
Construction services	-	-	-	108 819
Reconstruction and renewal of transmission system assets**	-	53 968 536	-	28 485 159
Other services	1 771 833	890 493	1 771 833	890 493
<b>TOTAL REVENUE</b>	<b>82 229 431</b>	<b>121 176 990</b>	<b>123 188 339</b>	<b>104 883 670</b>

\* 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 21<sup>2</sup> 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	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
EU financial support (investment)	2 525 944	-	2 791 772	815 746
Sale of current assets and fixed assets	254 979	129 167	254 979	122 969
EU financial support (training)	840	3 959	840	-
Revenue from balancing, net	-	-	(1 004 217)	-
Other revenue	49 139	31 218	1 467 202	46 400
<b>TOTAL OTHER INCOME</b>	<b>2 830 902</b>	<b>164 344</b>	<b>3 510 576</b>	<b>985 115</b>



## 5. USED RAW MATERIALS AND MATERIALS, REPAIR COSTS

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
Purchase of balancing electricity	12 177 265	6 145 490	12 177 265	6 145 490
Transmission electricity losses and technological consumption	8 476 799	4 097 762	8 476 799	4 097 762
Purchase of regulatory electricity	3 955 574	2 389 598	3 955 574	2 389 598
Electricity transit losses	3 263 632	863 879	3 263 632	863 879
Natural gas transmission and storage system maintenance services	-	-	2 583 453	484 740
Costs of materials used and repairs	1 121 213	1 161 789	1 937 155	1 334 596
Natural gas costs	-	-	812 486	53 168
Electricity for own consumption	219 354	148 380	219 354	148 380
<b>TOTAL USED RAW MATERIALS AND MATERIALS, REPAIR COSTS</b>	<b>29 213 837</b>	<b>14 806 898</b>	<b>33 425 718</b>	<b>15 517 613</b>

## 6. PERSONNEL EXPENSES

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
Remuneration for work	9 561 647	9 340 443	16 491 733	10 943 017
State social insurance contributions and benefits determined by the collective agreement	2 320 098	2 344 615	3 951 355	2 734 779
Contributions to the pension plan	-	-	10 129	89 126
Other staff cost	455 206	450 169	844 386	452 164
<b>TOTAL PERSONNEL EXPENSES (INCLUDING REMUNERATION TO THE MANAGEMENT OF THE COMPANY)</b>	<b>12 336 951</b>	<b>12 135 227</b>	<b>21 297 603</b>	<b>14 219 086</b>

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

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
Remuneration for work	362 508	547 350	800 530	682 737
State social insurance contributions and benefits determined by the collective agreement	85 462	131 857	191 575	164 553
Contributions to the pension plan	-	-	32 550	5 792
Other staff cost	-	-	2 274	-
<b>TOTAL STAFF COSTS (INCLUDING REMUNERATION TO THE MANAGEMENT OF THE COMPANY)</b>	<b>447 970</b>	<b>679 207</b>	<b>1 026 929</b>	<b>853 082</b>

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
Number of employees at the end of the reporting year	533	545	886	899
Average number of employees in the reporting year	535	547	871	882

## 7. OTHER OPERATING EXPENSES

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
Electricity capacity reserve maintenance costs	3 061 400	3 164 548	3 061 400	3 164 548
Telecommunication provision services	2 153 947	2 167 673	2 153 947	2 168 187
Liquidation of electrical capacity overload	1 717 442	995 317	1 717 442	995 317
IT system maintenance costs	862 165	608 694	1 390 301	671 091
Local taxes and fees	146 996	111 135	1 174 571	445 908
Premises and territory maintenance costs	738 925	678 224	738 925	909 490
Transportation costs	504 512	533 976	668 601	568 343
Nature and labour protection costs	83 301	72 627	83 301	72 627
Transmission asset reconstruction and renovation works	30 103	-	30 103	-
Transmission asset reconstruction and renovation works	-	53 957 701	-	28 474 324
Various business costs	2 459 949	985 703	3 966 911	1 330 884
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>11 758 740</b>	<b>63 275 598</b>	<b>14 985 502</b>	<b>38 800 719</b>

## 8. NET FINANCE INCOME/(COSTS)

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
<b>a) Finance income</b>				
Interest income from placed term deposits	-	15 300	-	15 300
Interest income from loans	-	336 970	-	-
Other financial income	2 290	-	2 952	-
<b>TOTAL FINANCE INCOME</b>	<b>2 290</b>	<b>352 270</b>	<b>2 952</b>	<b>15 300</b>
<b>b) Finance costs</b>				
Borrowing interest costs	(1 992 606)	-	(2 172 136)	(571 872)
Capitalized borrowing interest	245 417	-	245 417	-
Interest expense on asset leases IFRS16	(178 478)	(509 927)	(195 582)	(557 628)
Other finance costs	(2 188)	(10 181)	(3 587)	186 731
<b>Total finance costs</b>	<b>(1 927 855)</b>	<b>(520 108)</b>	<b>(2 125 888)</b>	<b>(942 769)</b>
<b>NET FINANCE INCOME/(COSTS)</b>	<b>(1 925 565)</b>	<b>(167 838)</b>	<b>(2 122 936)</b>	<b>(927 469)</b>

## 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
<b>31 December, 2019</b>					
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)
<b>Residual value as of 31 December 2019</b>	<b>522 715</b>	<b>11 479 905</b>	<b>382 708</b>	<b>38 028 090</b>	<b>50 413 419</b>
<b>2020</b>					
Purchased	693 461	-	-	64 203	757 664
Regrouped	67 584	-	(67 584)	-	-
Depreciation	(141 129)	(430 988)	-	-	(572 117)
<b>Residual value as of 30 September 2020</b>	<b>1 142 631</b>	<b>11 048 917</b>	<b>315 124</b>	<b>38 092 293</b>	<b>50 598 966</b>
Balances of JSC Latvijas elektriskie tīkli	-	1 080	-	-	1 080
Purchased	183 776	-	456 164	-	639 940
Regrouped	-	-	(571 788)	-	(571 788)
Disposals	-	(11 048 918)	-	(38 092 293)	(49 141 211)
Depreciation	(91 754)	(23)	-	-	(91 777)
<b>Residual value as of 31 December 2020</b>	<b>1 234 653</b>	<b>1 056</b>	<b>199 500</b>	<b>-</b>	<b>1 435 210</b>
Initial value	2 108 318	1 892	199 500	-	2 309 709
Accumulated depreciation and impairment	(873 665)	(835)	-	-	(874 500)
<b>Residual value as of 31 December 2020</b>	<b>1 234 653</b>	<b>1 057</b>	<b>199 500</b>	<b>-</b>	<b>1 435 210</b>
<b>2021</b>					
Purchased	771 630	-	243 492	-	1 015 122
Depreciation	(312 767)	(71)	-	-	(312 838)
<b>Residual value as of 30 September 2021</b>	<b>1 693 516</b>	<b>986</b>	<b>442 992</b>	<b>-</b>	<b>2 137 494</b>
<b>Initial value</b>					
Accumulated depreciation and impairment	2 875 869	1 892	442 992	-	3 320 753
Residual value as of 30 September 2021	(1 182 353)	(906)	-	-	(1 183 259)
<b>Residual value as of 30 September 2021</b>	<b>1 693 516</b>	<b>986</b>	<b>442 992</b>	<b>-</b>	<b>2 137 494</b>

	Group				
	Computer software	Transmission usage rights	Costs of creating intangible investments	Advance payment for rights of use	Total
	EUR	EUR	EUR	EUR	EUR
<b>31 December, 2019</b>					
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)
<b>Residual value as of 31 December 2019</b>	<b>522 715</b>	<b>11 479 905</b>	<b>382 708</b>	<b>38 028 090</b>	<b>50 413 418</b>
<b>2020</b>					
Balances of JSC Conexus Baltic Grid on 31 July 2020	1 320 926	-	206 999	-	1 527 925
Purchased	1 001 734	-	-	64 203	1 065 937
Regrouped	67 584	-	(67 584)	-	-
Disposals	-	(11 164 663)	-	(38 028 090)	(49 192 753)
Depreciation	(228 536)	(430 988)	-	-	(659 524)
<b>Residual value as of 30 September 2020</b>	<b>2 684 423</b>	<b>(115 746)</b>	<b>522 123</b>	<b>64 203</b>	<b>3 155 003</b>
Balances of JSC Latvijas elektriskie tīkli	-	1 080	-	-	1 080
Purchased	461 743	-	456 164	-	917 907
Regrouped	-	-	(571 788)	-	(571 788)
Disposals	-	115 745	-	(64 203)	51 542
Depreciation	(245 840)	(23)	-	-	(245 863)
<b>Residual value as of 31 December 2020</b>	<b>2 900 326</b>	<b>1 056</b>	<b>406 499</b>	<b>-</b>	<b>3 307 881</b>
Initial value	9 807 301	1 892	205 870	-	10 015 062
Accumulated depreciation and impairment	(6 706 347)	(835)	-	-	(6 707 182)
<b>Residual value as of 31 December 2020</b>	<b>3 100 954</b>	<b>1 057</b>	<b>205 870</b>	<b>-</b>	<b>3 307 880</b>
<b>2021</b>					
Purchased	771 630	-	744 303	-	1 515 933
Regrouped	116 712	-	(116 712)	-	0
Disposals	(6 357)	-	-	-	(6 357)
Depreciation	(820 382)	(71)	-	-	(820 453)
<b>Residual value as of 30 September 2021</b>	<b>3 162 557</b>	<b>986</b>	<b>833 461</b>	<b>-</b>	<b>3 997 003</b>
<b>Initial value</b>					
Accumulated depreciation and impairment	10 681 724	1 892	833 460	-	11 517 076
Residual value as of 30 September 2021	(7 519 167)	(906)	-	-	(7 520 073)
<b>Residual value as of 30 September 2021</b>	<b>3 162 557</b>	<b>986</b>	<b>833 460</b>	<b>-</b>	<b>3 997 003</b>

## 9.2. PROPERTY, PLANT AND EQUIPMENT

JSC "Augstsprieguma tīkls"					
	Land, buildings and civil engineering works	Power transmission lines and technological equipment	Other fixed assets	Costs of unfinished construction objects	Total
	EUR	EUR	EUR	EUR	EUR
<b>31 December, 2019</b>					
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)
<b>Residual value as of 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>4 491 037</b>	<b>1 000 165</b>	<b>5 491 202</b>
<b>2020</b>					
Purchased	-	-	732 736	333 388	1 066 124
Depreciation	-	-	(1 210 060)	-	(1 210 060)
<b>Residual value as of 30 September 2020</b>	<b>-</b>	<b>-</b>	<b>4 013 713</b>	<b>1 333 553</b>	<b>5 347 266</b>
Balances of JSC Latvijas elektriskie tīkli 30.09.2020	39 058 031	495 601 436	1 723 011	106 605 514	642 987 992
Purchased	35 100	-	903 243	13 010 330	13 948 673
Regrouped	1 467 941	27 540 385	538 839	(29 547 165)	-
Sold	-	-	-	(283 386)	(283 386)
Written of	(60)	(34 175)	(1 973)	-	(36 208)
Depreciation	(555 509)	(6 280 342)	(659 164)	-	(7 495 015)
Adjustment	-	-	-	(109 544)	(109 544)
<b>Residual value as of 31 December 2020</b>	<b>40 005 503</b>	<b>516 827 304</b>	<b>6 517 669</b>	<b>91 009 302</b>	<b>654 359 778</b>
<b>31 December, 2020</b>					
Initial 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)
<b>Residual value as of 31 December 2020</b>	<b>40 005 503</b>	<b>516 827 304</b>	<b>6 517 669</b>	<b>91 009 302</b>	<b>654 359 778</b>
<b>2021</b>					
Purchased	-	1 510	4 001 969	16 629 897	20 633 376
Regrouped	2 117 272	84 016 404	2 325 022	(88 458 698)	-
Sold	-	(3 676)	-	(64 965)	(68 641)
Written of	-	(163 768)	(1 094)	-	(164 862)
Depreciation	(1 517 323)	(19 563 013)	(2 560 260)	-	(23 640 596)
Adjustment	-	-	-	-	-
<b>Residual value as of 30 September 2021</b>	<b>40 605 452</b>	<b>581 114 761</b>	<b>10 283 306</b>	<b>19 115 536</b>	<b>651 119 055</b>
Initial value	49 811 832	1 139 853 403	27 348 884	19 115 536	1 236 129 655
Accumulated depreciation and impairment	(9 206 380)	(558 738 642)	(17 065 578)	-	(585 010 600)
<b>Residual value as of 30 September 2021</b>	<b>40 605 452</b>	<b>581 114 761</b>	<b>10 283 306</b>	<b>19 115 536</b>	<b>651 119 055</b>

	Group					
	Land, buildings and civil engineering works	Power lines/ Technological equipment	Other fixed assets	Emergency spare parts	Costs of unfinished construction objects	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>31 December, 2019</b>						
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)
<b>Residual value as of 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>4 491 037</b>	<b>-</b>	<b>1 000 165</b>	<b>5 491 202</b>
<b>2020</b>						
Balances of JSC "Latvijas elektriskie tīkli" on 31.05.2020.	41 393 506	504 246 362	197 790	-	80 976 728	626 814 386
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	-	68 114	794 126	-	30 597 103	31 459 343
Regrouped	911 694	921 934	-	-	(1 758 310)	75 318
Written of	(94 096)	(15 238)	-	-	-	(109 334)
Depreciation	(1 830 263)	(767 935)	(1 308 419)	-	-	(3 906 617)
<b>Residual value as of 30 September 2020</b>	<b>359 257 417</b>	<b>577 646 689</b>	<b>6 293 373</b>	<b>1 404 726</b>	<b>121 499 592</b>	<b>1 066 101 797</b>
Purchased	35 100	158 037	1 482 844	-	22 919 997	24 595 978
Regrouped	10 115 897	28 358 280	538 839	-	(39 013 016)	-
Sold	-	-	-	-	(283 386)	(283 386)
Written of	(2 062 989)	(812 582)	(133 178)	-	-	(3 008 749)
Depreciation	(1 651 195)	(6 737 516)	(683 292)	-	-	(9 072 003)
Adjustment	(10 708 163)	-	-	158 462	(109 542)	(10 659 243)
<b>Residual value as of 31 December 2020</b>	<b>354 986 067</b>	<b>598 612 908</b>	<b>7 498 586</b>	<b>1 563 188</b>	<b>105 013 645</b>	<b>1 067 674 394</b>
<b>31 December, 2020</b>						
Initial value	809 639 847	1 196 131 120	28 440 123	1 404 727	95 666 958	2 131 282 775
Accumulated depreciation and impairment	(446 281 092)	(606 163 138)	(19 416 316)	158 461	8 093 704	(1 063 608 381)
<b>Residual value as of 31 December 2020</b>	<b>363 358 755</b>	<b>589 967 982</b>	<b>9 023 807</b>	<b>1 563 188</b>	<b>103 760 662</b>	<b>1 067 674 394</b>
<b>2021</b>						
Purchased	-	358 340	4 359 857	-	34 647 032	39 365 229
Regrouped	9 894 187	84 168 232	2 325 022	-	(96 387 441)	-
Sold	-	(3 676)	-	-	(64 965)	(68 641)
Written of	(266 630)	(197 343)	(2 430)	-	-	(466 403)
Depreciation	(10 049 045)	(23 140 985)	(3 116 641)	-	-	(36 306 671)
Adjustment	121 463	(145 135)	23 672	-	(83 938)	(83 938)
<b>Residual value as of 30 September 2021</b>	<b>354 686 042</b>	<b>659 652 341</b>	<b>11 088 066</b>	<b>1 563 188</b>	<b>43 124 333</b>	<b>1 070 113 970</b>
Initial value	818 920 593	1 270 655 330	35 037 478	1 563 188	41 871 350	2 168 047 939
Accumulated depreciation and impairment	(455 861 863)	(619 647 915)	(22 424 191)	-	-	(1 097 933 969)
<b>Residual value as of 30 September 2021</b>	<b>363 058 730</b>	<b>651 007 415</b>	<b>12 613 287</b>	<b>1 563 188</b>	<b>41 871 350</b>	<b>1 070 113 970</b>

## 10. NON-CURRENT FINANCIAL INVESTMENTS

	30.09.2021 EUR	31.12.2020 EUR
<b>Participation in the capital of subsidiaries, including:</b>	<b>134 394 971</b>	<b>134 394 971</b>
JSC "Conexus Baltic Grid"	134 394 971	134 394 971
<b>Ownership in the capital of other companies, including:</b>	<b>1 422</b>	<b>1 422</b>
JSC "Pirmais slēgtais pensiju fonds"	1 422	1 422
<b>Residual value at the end of the reporting period</b>	<b>134 396 393</b>	<b>134 396 393</b>

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	
	9 months of 2021	9 months of 2020	9 months of 2021	9 months of 2020
	EUR	EUR	EUR	EUR
Materials and spare parts	561 809	514 087	2 306 356	2 137 535
Natural gas	-	-	1 372 922	1 477 709
Provisions for slow-moving inventories	-	-	(73 094)	(80 154)
<b>TOTAL INVENTORIES</b>	<b>561 809</b>	<b>514 087</b>	<b>3 606 184</b>	<b>3 535 090</b>

## 12. TRADE RECEIVABLES

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
<b>Trade receivables</b>				
Electricity transmission system service debt	270 250	1 210 290	270 250	1 210 290
Other trade receivables	44 863	479 125	5 874 927	7 333 819
<b>TOTAL TRADE RECEIVABLES</b>	<b>315 113</b>	<b>1 689 415</b>	<b>6 145 177</b>	<b>8 544 109</b>
For other trade receivables	(9 909)	(15 617)	(9 909)	(15 617)
<b>Total provisions for doubtful accounts</b>	<b>(9 909)</b>	<b>(15 617)</b>	<b>(9 909)</b>	<b>(15 617)</b>
<b>Net accounts receivable</b>				
Electricity transmission system service debt	270 250	1 210 290	270 250	1 210 290
Other trade receivables	34 954	463 507	5 865 018	7 318 201
<b>NET TRADE RECEIVABLES</b>	<b>305 204</b>	<b>1 673 797</b>	<b>6 135 268</b>	<b>8 528 491</b>

### Impairment of trade receivables

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
At the beginning of the reporting period	15 617	31 154	15 617	31 154
Included in the profit or loss statement	(5 708)	(15 537)	(5 708)	(15 537)
<b>AT THE END OF THE REPORTING PERIOD</b>	<b>9 909</b>	<b>15 617</b>	<b>9 909</b>	<b>15 617</b>

## 13. OTHER DEBTORS

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
Deposits	1 611 415	11 512	1 611 415	11 512
<i>Overpaid taxes, including:</i>	<i>1 611 415</i>	<i>11 512</i>	<i>1 611 415</i>	<i>11 512</i>
Corporate income tax	28 119 146	31 570 973	28 119 146	31 570 973
EU funding received	-	25 000 000	-	25 000 000
Other receivables	101 220	76 778	186 022	169 780
<b>TOTAL OTHER DEBTORS</b>	<b>29 831 781</b>	<b>56 659 263</b>	<b>29 916 583</b>	<b>56 752 265</b>



## 14. ACCRUED INCOME

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
<b>Provisions for income from provided services</b>				
For transmission system service revenue	6 346 098	6 346 934	6 346 098	6 346 934
For the sale of balancing electricity	2 586 422	1 365 183	2 586 422	1 365 183
For mandatory purchase component revenue	390 426	627 107	390 426	627 107
For revenue from the sale of regulatory electricity	158 555	71 975	158 555	71 975
Cross-border electricity perimeter charges	94 012	211 132	94 012	211 132
For revenue from reactive electricity	72 348	50 247	72 348	50 247
Rental services of fixed assets and equipment	68 623	-	68 623	-
For building maintenance service revenue	36 213	39 779	36 213	39 779
For balancing administration service revenue	3 557	3 201	3 557	3 201
Rental services	2 065	-	2 065	-
Provisions for loss compensation in transformers	1 914	20 413	1 914	20 413
For revenue from other services	22 807	392 374	22 807	392 374
<b>TOTAL PROVISIONS FOR INCOME FROM PROVIDED SERVICES</b>	<b>9 783 040</b>	<b>9 128 345</b>	<b>9 783 040</b>	<b>9 128 345</b>
Electricity transit service revenue (ITC)	20 000	68 336	20 000	68 336
Various accrued income	206 870	226 022	206 870	226 022
<b>TOTAL ACCRUED INCOME</b>	<b>10 009 910</b>	<b>9 422 703</b>	<b>10 009 910</b>	<b>9 422 703</b>

## 15. CASH AND CASH EQUIVALENTS

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
CASH IN THE BANK	36 703 903	32 224 560	38 759 761	47 388 296

## 16. EQUITY

As of 30 September 2021, the registered share capital of JSC "Augstsprieguma tīkls" is EUR 365 895 957 (31 December 2020 - EUR 363 896 079), consisting of 365 895 957 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	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
<b>a) Long-term deferred revenue</b>				
from European Union funding	113 840 271	112 672 698	132 256 903	123 454 434
no sagaidāmā Eiropas Savienības finansējuma	28 119 146	31 570 973	28 119 146	31 570 973
from connection fees	39 016 281	39 995 011	39 016 281	39 995 011
from congestion charge revenue	99 816 954	95 608 651	99 816 954	95 608 651
<b>TOTAL</b>	<b>280 792 652</b>	<b>279 847 333</b>	<b>299 209 284</b>	<b>290 629 069</b>
<b>b) Short-term deferred revenue</b>				
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 European Union funding (amortization)	2 301 113	2 320 835	2 698 131	2 670 600
from connection fees	3 375 254	3 379 561	3 375 254	3 379 561
from congestion charge revenue	437 358	273 144	437 358	273 144
from IPGK reserved capacity charges		-	237 284	903 165
<b>TOTAL</b>	<b>7 064 361</b>	<b>6 135 817</b>	<b>7 698 663</b>	<b>7 388 747</b>

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
<b>Movement of deferred revenue (long-term and short-term part):</b>				
<b>At the beginning of the reporting period</b>	<b>285 983 150</b>	<b>289 601 283</b>	<b>298 017 816</b>	<b>301 033 754</b>
From European Union financing	(3 451 827)	7 507 226	(3 451 827)	7 507 226
Received deferred revenues from European Union financing	4 462 154	162 277	12 279 663	162 277
Received deferred revenue from connection fees	1 572 342	40 667	1 572 342	40 667
Congestion management revenue received	5 154 082	-	5 154 082	-
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	(781 564)	1 141 328	(781 564)	1 141 328
Connection fees are included in the profit or loss statement	(2 555 380)	(844 618)	(2 555 380)	(844 618)
Reserved capacity charges (IPGK)	-	-	367 752	903 165
European Union funding is included in the profit or loss statement	(2 525 944)	(581 681)	(3 694 937)	(882 651)
<b>At the end of the reporting period</b>	<b>287 857 013</b>	<b>285 983 150</b>	<b>306 907 947</b>	<b>298 017 816</b>

## 18. ADVANCE PAYMENTS AND OTHER CREDITORS

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
Advance payments received from customers	242	-	930 520	-
Settlements with employees	714 941	641 702	714 941	641 702
Connection fee advances received *	665 141	602 252	665 141	602 252
Other creditors	1 461 404	1 591 210	2 489 368	2 975 189
<b>ADVANCE PAYMENTS AND OTHER CREDITORS</b>	<b>2 841 728</b>	<b>2 835 164</b>	<b>4 799 970</b>	<b>4 219 143</b>

\* 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	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
Accrued cost of unused holidays	282 111	333 008	1 430 217	2 072 258
Accrued bonus costs for previous year's results	690 697	745 304	1 207 118	1 261 725
Accrued benefit costs and pension plan contributions	696 267	598 000	696 267	598 000
Accrued interest liabilities	-	-	264 420	640 974
Accrued liabilities to compensate the transit losses	4 975	-	21 950	16 140
Accrued liabilities for annual audit	(3 201)	42 728	(3 201)	42 728
Savings to ensure the availability of natural gas	-	412 174	-	412 174
Others	4 949	-	479 659	-
<b>UZKRĀTĀS SAISTĪBAS</b>	<b>1 675 798</b>	<b>2 131 214</b>	<b>4 096 430</b>	<b>5 043 999</b>

## 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 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 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. In October 2021, the loan from JSC SEB banka was fully refinanced by issuing bonds in the amount of EUR 100 million and by JSC "Augstsprieguma tīkls" own resources.

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 84 214 thousand, including used overdrafts of EUR 7 906 thousand. At the end of the reporting period, the weighted average interest rate on long-term loans is 0.37 % (in 2020: 0.6 %).

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	31.12.2020 EUR	30.09.2021 EUR	31.12.2020 EUR
<b>Borrowings from credit institutions and related parties:</b>				
Long-term loans from related parties	-	86 672 207	-	86 672 207
Long-term loans from credit institutions	-	-	63 488 715	-
Short-term loans from credit institutions	116 200 000	116 200 000	136 929 072	138 075 000
<b>Loans</b>	<b>116 200 000</b>	<b>202 872 207</b>	<b>200 417 787</b>	<b>224 747 207</b>
Accrued liabilities for borrowing costs from related parties	-	412 174	-	412 174
<b>TOTAL loans</b>	<b>116 200 000</b>	<b>203 284 381</b>	<b>200 417 787</b>	<b>225 159 381</b>
<b>Changes in borrowings from credit institutions and related parties:</b>				
At the beginning of the reporting period	203 284 381	-	203 284 381	-
Loans received from related parties	-	86 672 207	-	86 672 207
Loans received from credit institutions	-	116 200 000	84 217 787	138 075 000
Loans repaid to related parties	(86 672 207)	-	(86 672 207)	-
Calculated borrowing rates for related parties	1 340 530	412 174	1 340 530	412 174
Calculated borrowing rates for credit institutions	652 076	441 883	652 076	441 883
Paid interest on loans to related parties	(1 752 704)	-	(1 752 704)	-
Paid interest on loans to credit institutions	(652 076)	(441 883)	(652 076)	(441 883)
<b>Changes in loans, net</b>	<b>(87 084 381)</b>	<b>203 284 381</b>	<b>(2 866 594)</b>	<b>225 159 381</b>
<b>At the end of the reporting period, including:</b>	<b>116 200 000</b>	<b>203 284 381</b>	<b>200 417 787</b>	<b>225 159 381</b>
Borrowings from a related company	-	86 672 207	-	86 672 207
Borrowings from a credit institution	116 200 000	116 200 000	200 417 787	138 075 000
<b>TOTAL loans</b>	<b>116 200 000</b>	<b>202 872 207</b>	<b>200 417 787</b>	<b>224 747 207</b>

## 21. LEASE OF ASSETS

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	30.09.2020. EUR	30.09.2021 EUR	30.09.2020. EUR
<b>Right-of-use assets</b>				
Residual value at the beginning of the reporting period	14 212 293	35 920 322	14 715 877	15 452 469
Recognised changes in lease contracts	1 203 160	896 290	1 244 136	95 882
Depreciation	(560 397)	(27 612 458)	(630 531)	(622 809)
<b>Residual value at the end of the reporting period</b>	<b>14 855 056</b>	<b>9 204 154</b>	<b>15 329 482</b>	<b>14 925 542</b>
<b>Lease liabilities</b>				
Residual value at the beginning of the reporting period	14 418 995	37 475 766	14 933 065	15 571 383
Recognized changes in lease contracts	1 203 160	(659 155)	1 244 136	95 883
Decrease in lease liabilities	(666 465)	(27 687 830)	(753 203)	(745 362)
Asset lease interest expense	178 478	92 657	195 582	190 275
<b>Residual value at the end of the reporting period</b>	<b>15 134 167</b>	<b>9 221 438</b>	<b>15 619 580</b>	<b>15 112 179</b>
<b>On September 30, 2021, including:</b>				
Long term	14 397 134		14 864 645	14 439 994
Short term	737 033	9 221 438	754 934	672 185

## 22. TAXES AND MANDATORY STATE SOCIAL INSURANCE CONTRIBUTIONS

	JSC "Augstsprieguma tīkls"				Group	
	31.12.2020 EUR	Aprēķināts	Samaksāts	30.09.2021 EUR	30.09.2021 EUR	31.12.2020 EUR
Corporate income tax	-	1 599 903	-	1 599 903	1 604 980	3 539
Value added tax	1 025 328	8 518 781	(8 674 510)	869 599	1 212 569	1 637 290
Mandatory State social insurance contributions	474 949	3 398 184	(3 436 610)	436 523	672 923	742 095
Personal income tax	253 700	1 735 145	(1 764 772)	224 073	339 047	385 067
Entrepreneurship risk state fee	194	1 720	(1 725)	189	189	194
Electricity tax	278	1 756	(1 813)	221	221	278
Natural resource tax	-	-	-	-	94 003	43 237
Real estate tax	-	71 142	(71 142)	-	14 796	10
Public Utilities Commission fee	-	109 362	(109 362)	-	-	-
<b>TOTAL TAXES</b>	<b>1 754 449</b>	<b>15 435 993</b>	<b>(14 059 934)</b>	<b>3 130 508</b>	<b>3 938 728</b>	<b>2 811 710</b>

## 23. INANCIAL 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 September 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 fully refinanced this loan in October 2021, so it does not pose a risk of continued operations

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.

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.

On 30 September 2021, the Company has the loan from JSC "SEB banka" with a variable interest rate (see Note 20). In October 2021, the loan was fully refinanced by issuing bonds in the amount of EUR 100 million with a maturity of 5.25 years, a fixed annual interest rate (coupon) of 0.5% and a yield of 0.527%.

## 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%. As of 30 September 2021, the share of JSC "Augstsprieguma tīkls" equity in the balance sheet is 50%, of the Group - 52%.

## 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 "Enerģijas publiskais tirgotājs".

### a) Revenue and expenses from transactions with related parties

	JSC "Augstsprieguma tīkls"		Group	
	9 months of 2021 EUR	9 months of 2020 EUR	9 months of 2021 EUR	9 months of 2020 EUR
	State controlled companies		State controlled companies	
<b>Revenue</b>				
Revenue from the sale of electricity, electric capacity maintenance services	56 312 609	53 626 531	56 312 609	53 626 531
Mandatory procurement component	4 081 326	4 330 490	4 081 326	4 330 490
Electricity transmission system service	2 347 950	3 019 370	2 347 950	3 019 370
Transmission asset reconstruction and renovation works	-	53 969 933	-	53 969 933
Revenue from other services	1 385 453	906 679	1 385 453	18 977 285
<b>TOTAL REVENUE FROM TRANSACTIONS WITH RELATED COMPANIES</b>	<b>64 127 338</b>	<b>115 853 004</b>	<b>64 127 338</b>	<b>133 923 610</b>
<b>Expenses</b>				
Advance payments for connection usage rights	-	64 203	-	-
Electricity purchase	13 483 129	7 642 601	13 483 129	7 642 601
Mandatory procurement component	3 512 442	4 465 629	3 512 442	4 465 629
Lease of fixed assets and land	611 861	-	611 861	-
Communication expenses	2 324 483	2 342 028	2 324 483	2 342 028
Long-term loan interest payments	611 861	-	611 861	-
Other costs	1 340 530	-	1 340 530	-
Other costs	123 669	485 699	123 669	3 119 288
<b>TOTAL EXPENSES OF TRANSACTIONS WITH RELATED COMPANIES</b>	<b>21 396 115</b>	<b>15 000 160</b>	<b>21 396 115</b>	<b>17 569 547</b>

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

	JSC "Augstsprieguma tīkls"		Group	
	30.09.2021 EUR	30.09.2020 EUR	30.09.2021 EUR	30.09.2020 EUR
<b>Accounts receivable:</b>				
State controlled companies	7 746 683	12 394 057	7 746 683	12 573 273
<b>Liabilities of creditors:</b>				
State controlled companies	6 219 894	10 611 230	6 219 894	10 698 094



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## **25. EVENTS AFTER THE END OF THE REPORTING PERIOD**

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