



AUGSTPRIEGUMA TĪKLS GROUP'S CONSOLIDATED AND AS "AUGSTPRIEGUMA TĪKLS"

CONDENSED INTERIM FINANCIAL STATEMENTS

for the 12-month period ended 31 December 2022



*Prepared in accordance with
the International Financial Reporting Standards as adopted by the European Union*



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INFORMATION ABOUT THE GROUP AND THE COMPANY

NAME OF THE PARENT COMPANY

AS “Augstsprieguma tīkls”

LEGAL STATUS OF THE PARENT
COMPANY

Joint-stock company

NUMBER, PLACE, AND DATE OF
REGISTRATION OF THE PARENT
COMPANY

000357556
Riga, 28 December 2001

Reregistered in the Commercial Register on 13 November 2004 with the uniform
number 40003575567

REGISTERED OFFICE

Dārzciema iela 86, Riga, LV-1073, Latvia

TYPE OF PARENT
COMPANY'S MAIN ACTIVITY

Transmission of electricity, NACE code 35.12

TYPE OF PARENT
GROUP'S MAIN ACTIVITY

Transmission of electricity, NACE code 35.12, and Transport via pipeline, NACE code 49.50

SHAREHOLDER OF THE PARENT COMPANY

Represented by the Ministry of Finance of the Republic of Latvia (100%)
Smilšu iela 1, Rīga, LV-1050, Latvija

MEMBERS OF THE BOARD AND THEIR OFFICE

Gunta Jēkabsone – Chairwoman of the Board (from 15.07.2021)
Imants Zviedris – a member of the Board (from 02.01.2020)
Gatis Junghāns – a member of the Board (from 25.04.2021)
Arnis Daugulis – a member of the Board (from 15.07.2021)
Mārcis Kauliņš – a member of the Board (until 17.09.2021)
Varis Boks – Chairman of the Board (until 04.06.2021.)
Arnis Staltmanis – a member of the Board (until 01.05.2021.)

MEMBERS OF THE COUNCIL AND THEIR OFFICE

Kaspars Āboliņš – Chairman of the Council
Olga Bogdanova – deputy Chairwoman of the Council
Armands Eberhards – a member of the Council
Aigars Ģērmanis – a member of the Council
Madara Melne – a member of the Council (until 08.02.2022)

HOLDINGS IN OTHER COMPANIES

AS “Conexus Baltic Grid” 68.46%

REPORTING PERIOD

1 January 2022 – 31 December 2022



KEY FINANCIAL AND PERFORMANCE INDICATORS

KEY FINANCIAL AND PERFORMANCE INDICATORS

	Group		Parent Company	
	2022	2021	2022	2021
FINANCIAL INDICATORS				
Revenue, thous. EUR	351 128	182 226	295 997	125 787
EBITDA, thous. EUR	72 613	69 143	40 399	35 578
Profit, thous. EUR	16 165	10 097	11 017	54 846
	31.12.2022.	31.12.2021.	31.12.2022.	31.12.2021.
Total assets, thous. EUR	1 276 946	1 232 245	958 240	909 279
Total equity, thous. EUR	631 293	647 812	447 547	465 343
Borrowings, thous. EUR	182 734	198 060	100 367	99 966
Cash, thous. EUR	103 010	63 190	92 043	48 514
FINANCIAL RATIOS				
Liquidity ratio (≥ 1.2)	1.6	1.0	2.1	1.7
EBITDA Profitability	21%	38%	14%	39%
Equity ratio ($\geq 35\%$)	49%	53%	47%	51%
Net debt to equity, ($\leq 55\%$)	11%	17%	2%	10%
PERFORMANCE INDICATORS				
Electricity transmitted to users in Latvia, GWh	6 193	6 312	6 193	6 312
Natural gas transported, TWh	31.4	39.3	-	-
Natural gas for consumption in Latvia, TWh	8.8	12.5	-	-
EBITDA – Earnings before interest, financial income, corporate income tax, dividends received, the share of profit of associates, gains from acquisitions of controlling interests, depreciation and amortisation				
Liquidity ratio = current assets/current liabilities (excluding the part of the short-term loan to be refinanced)				
EBITDA profitability = EBITDA/revenue				
Equity ratio = total equity/ total assets				
Net debt = borrowings - cash				
Net debt to equity = Net debt/(Net debt + Equity)				



MANAGEMENT REPORT

SIGNIFICANT FACTS AND EVENTS

Memorandum of Understanding signed on establishing the Energy Infrastructure Operators' Cybersecurity Centre

Aiming to strengthen the cybersecurity of the Latvian energy infrastructure, the operator of the Latvian electricity transmission grid AS "Augstsprieguma tīkls" (hereinafter "AST"), the unified natural gas transmission and storage operator AS "Conexus Baltic Grid" (hereinafter "Conexus") and the Information Technology Incident Response Institution CERT.LV signed a Memorandum of Understanding on establishing and operating the Energy Infrastructure Operators' Cybersecurity Centre, thereby also expanding mutual cooperation between all the institutions. The establishment of the Energy Infrastructure Operators' Cybersecurity Centre is the first step towards building cybersecurity capacities specifically targeted at the energy sector. This is important given the increasing number of cybersecurity incidents across the country, especially after the Russian invasion of Ukraine.

Development plan for the electricity transmission system approved for a decade

The 10-year development plan of AST, approved by the Public Utilities Commission (PUC) in October 2022, provides for the continuation of efforts to enhance the reliability of the electricity supply and transmission system, including the introduction of digital solutions to prepare the transmission network for synchronisation with continental European networks, as well as creating the conditions for the injection of a large amount of electricity from renewable sources into the network. In the period until 2033, AST has budgeted capital expenditure of EUR 500.5 million, of which investments amounting to EUR 210.5 million will be 75% co-financed by European Union funds. The co-financing by the European Union will significantly reduce the impact of the contemplated investments on the electricity transmission tariff.

Three synchronous compensators are to be installed in Latvia for synchronisation with the European Transmission Network

After the synchronisation of the Baltic countries' transmission networks with the European Network, each country will have to adjust the frequency of the network, while also ensuring the level of system inertia necessary for system stability. To ensure the necessary inertia in the energy network, three synchronous compensators will be installed in Latvia. In October 2022, AST signed a contract for the supply and installation of three synchronous compensators. The implementation of the synchronous compensator projects will be co-financed by the Connecting Europe Facility (CEF), one of the European Union's main financial instruments in the energy sector, established to promote growth, jobs, and competitiveness through targeted investments in infrastructure at the European level. 75% of the eligible costs of the synchronous compensator projects are to be covered by CEF co-financing.

Credit ratings of S&P Global Ratings AS "Augstsprieguma tīkls" and "Conexus Baltic Grid" remain high

In December 2022, S&P Global Ratings, which had reviewed Latvia's creditworthiness and set its future outlook to negative, announced that Latvian transmission system operators would not have their credit ratings changed and that they will remain high - the credit rating of AS "Augstsprieguma tīkls" (AST) will remain at the A- level with a stable outlook, while the credit rating of AS "Conexus Baltic Grid", a subsidiary of AST, will remain at the BBB+ level with a stable outlook.

AN OUTLINE ABOUT THE GROUP

The Augstsprieguma Tīkls Group (hereinafter also referred to as “the Group”) is one of the largest energy supply companies in the Baltics. The Group’s core business is the provision of electricity transmission system operator functions, efficient management of energy supply system assets, natural gas transmission and storage.

At 31 December 2022, the Augstsprieguma tīkls Group consisted of a group of commercial companies in which the parent company AS “Augstsprieguma tīkls” (hereinafter also “AST” or “the Parent Company”) has a decisive influence and which includes the subsidiary AS “Conexus Baltic Grid” (hereinafter also “Conexus” or the “Subsidiary”). The Group operates geographically in the territory of Latvia. See Note 8 for information on the shareholding in the Subsidiary and its location. AS “Augstsprieguma tīkls” together with the electricity transmission system operators of Estonia and Lithuania established the Regional Coordination Centre for Electricity Systems of the Baltic countries - “Baltic RCC” OÜ. See the information on the shareholdings in the associated company and its location in Note 8.

All shares of AS “Augstsprieguma tīkls” are owned by the State and are held by the Ministry of Finance of the Republic of Latvia.

The Group’s structure is divided into three activity segments - electricity transmission, natural gas transmission and natural gas storage. The division is based on the Group’s internal organizational structure, which forms the basis for monitoring and managing the performance of the segments. For more information on the operating segments and the Parent Company, please refer to the section “An outline of the operating environment and financial performance”.

The overall **strategic goal** of AS “Augstsprieguma tīkls” is to ensure the security of Latvia’s energy supply, provide a continuous, high quality and accessible energy transmission service, and implement the sustainable management of the country’s strategic energy supply assets and promote their integration into the European Union’s internal energy market.

Our **mission** is to ensure a continuous, secure, and sustainably efficient energy supply throughout Latvia.

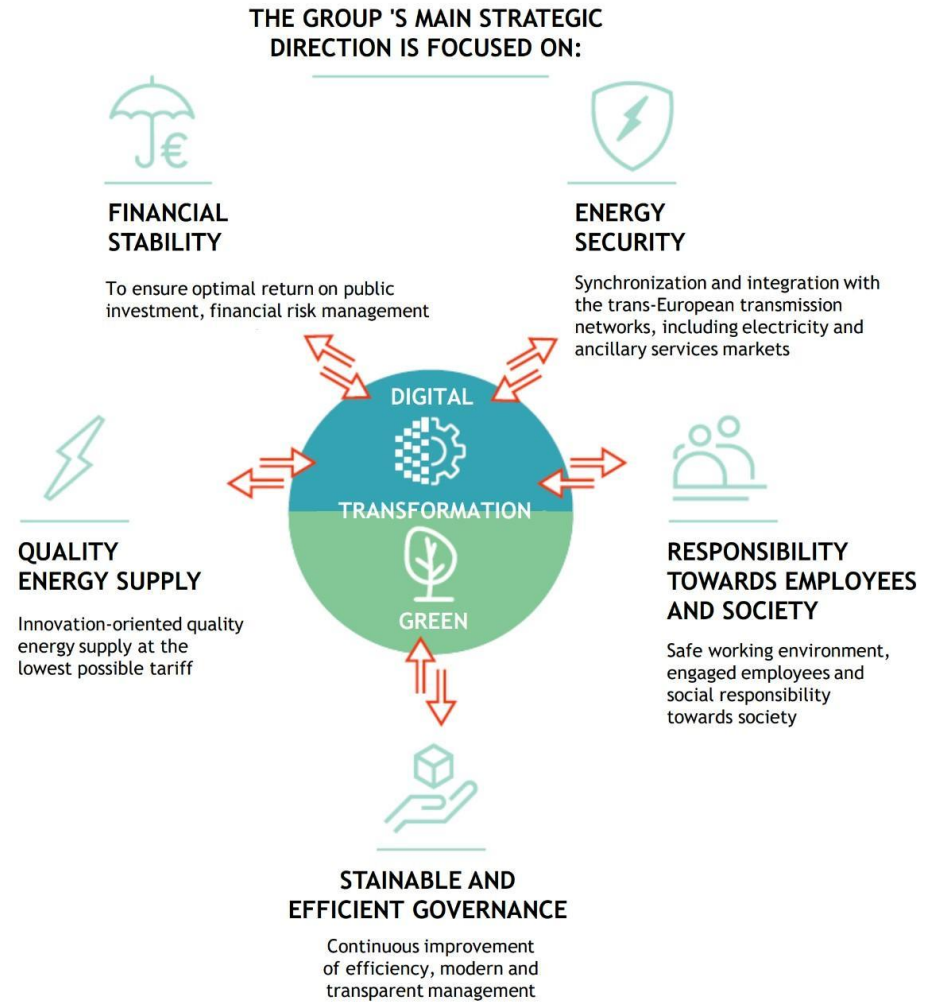
Values

TRUST	DEVELOPMENT	SAFETY	TEAM
			
HONESTLY	WISDOM	RESPONSIBLY	TOGETHER
Independent, ethical, and transparent action towards anyone and everyone	Effectively. Looking forward. Long-term thinking	Deliberate action. With high responsibility towards people, work, and nature	We join forces to achieve more. Strong team that encourages and challenges

Group strategy

In order to promote sustainable economic development, Latvia and the European Union have prioritised reducing environmental impact, limiting climate and environmental change, and digitalisation matters. These priorities follow the European Commission’s 2019 Communication (EC) on a Green Deal for Europe. The Green Deal focuses on the use of renewable energy sources and progress toward climate neutrality by 2050.

Based on the Group’s vision, Augstsprieguma Tīkls Group’s medium-term operating **strategy** for 2021-2025 (hereinafter also referred to as the “Strategy” was developed and approved in 2021. It defines the strategic direction of the Group and sets financial and non-financial goals for the Parent company and Conexus for the next five years. The goals set, projects already started and instructions for action also shape the future goals – heading towards a carbon-neutral economy within the framework of the European Green Deal, achievement of the goals set out in the Latvian National Energy and Climate Plan for 2021-2030.



AN OUTLINE OF THE OPERATING ENVIRONMENT AND FINANCIAL PERFORMANCE

During the reporting period, the net turnover of the Augstspriegums Tīkli Group amounted to EUR 351,128 thousand, while the net profit amounted to EUR 16,165 thousand. As compared to the same period in 2021, the Group's profit increased mainly due to the Public Utility Commission's approval of using the cumulative revenue from congestion charges to absorb the costs associated with the sharp rise in electricity prices.

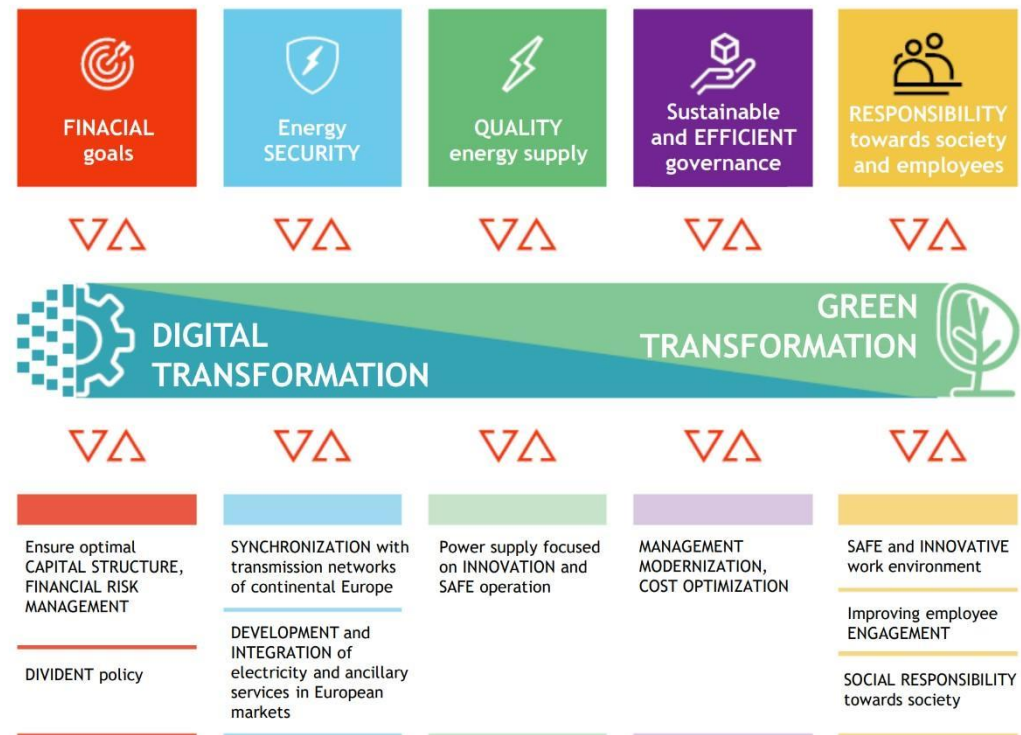
According to the current legislation, unbudgeted cost increases are carried forward to future periods. The decision on costs carried forward to future periods is made by the Public Utilities Commission Council.

Transmission of electricity

Under the issued license No. E12001 and Section 11, paragraph one of the Electricity Market Law, AS "Augstsprieguma tīkls" is the sole electricity transmission system operator in Latvia, and the territory of its license covers the entire territory of Latvia. AS "Augstsprieguma tīkls" ensures continuous, safe and sustainably efficient electricity transmission throughout Latvia. Under Section 5 of the Energy Law, electric transmission is a regulated sector.

The Parent Company considers all of its activities to fall into one business segment – electric power transmission. The following information relates both to the strategic objectives and sustainability aspects of the Parent Company and to the operating environment and financial performance of the segment.

The Group's medium-term operating strategy sets out the Parent Company's financial and non-financial objectives for the next five years:



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

The implemented integrated management system ensures the efficient operation of AST in compliance with internationally agreed regulations for operational, quality, energy, environmental, occupational health, and safety management, correct compliance with the requirements of laws and regulations, promoting awareness of the business context of AST, viewing developments in the company through the prism of corporate risks and processes.

The strategic direction of the Parent Company is focused on sustainable development. The Company participates in the annual "Sustainability Index" organised by the Institute of Corporate Sustainability and Responsibility, and in 2022, it was awarded, for the fourth time, the high Platinum rating, which confirms compliance with the highest standards of corporate responsibility and concern for the well-being of its employees and customers.

Since 2017, in addition to AST's 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 organization Global Reporting Initiative (GRI). The Sustainability Report addresses the Company's social responsibility, economic responsibility, responsibility towards society, employees and the working environment, environmental protection and other important aspects.

By introducing the most optimal techniques and technologies, reducing resource losses and waste, and reducing environmental pollutant emissions, climate change, and biodiversity impacts, the parent company's Environmental and Energy Management Policy aims to continuously improve the company's environmental and energy performance. The parent company systematically assesses and monitors the risk to the environment. To address significant risks, risk management measures or action programmes are identified. As part of the environmental monitoring and energy monitoring plans and processes, an environmental incident register is maintained, and key environmental performance indicators are periodically monitored. Risks associated with the environment are low, with environmental action programmes defined and risk management measures in place for key aspects.

The Parent Company provides electricity through a transmission grid that includes interconnected grids and facilities, including interconnectors with a voltage of 110 kilovolts or more, used for transmission to the respective distribution network or to consumers. During the reporting period, the obligations imposed on the transmission system operator were implemented through the following transmission system:

High voltage (kV)	Number of substations	Number of autotransformers and transformers	Installed capacity (MVA)	Overhead and cable PPAs (km)
330 kV	17	26	3,800	1,742
110 kV	123	245	5,157	3,860
Total	140	271	8,957	5,602

In 2022, electricity prices continued to rise in both Latvia and Europe, reaching new historic highs in each summer month. After peaking in August, when the average monthly electricity price reached EUR 467.75 per megawatt-hour (MWh), prices declined. The average electricity price in Latvia reached EUR 226.91/MWh in 2022, a 156% increase from 2021. The sharp price increase was caused by a number of factors due to the reactions triggered by Russia's invasion of Ukraine. Due to concerns about sufficient supplies of energy resources in the coming winter, gas prices in Europe rose dramatically in the summer months, gradually declining towards the end of the year. The price increase was also fuelled by the refusal of the Baltic States and Finland to import electricity from Russia and Belarus. The hot weather in Europe also contributed to the price increase, which increased energy consumption for cooling purposes and reduced the inflow of water into the reservoirs of the hydropower plants in Scandinavia.

In 2022, Latvia produced 4,794 gigawatt hours (GWh) of electricity, 14.5% less than the previous year, while Latvia's electricity consumption decreased by 3.7%, reaching 7,106 GWh per year. As consumption and – moreover – electricity generation decreased, electricity imports increased in 2022 - 2,311 GWh of electricity were purchased from neighbouring countries, 30.4% more than in 2021, so that 67.5% of Latvian consumption was covered by domestic generation (a decrease of 8.52 percentage points compared to 2021).

In 2022, electricity generation from renewable sources increased. There was a 1.3% increase in production at the Daugava hydropower plants, There was a 34.5% increase in wind energy, a 13.3% increase in small hydropower, and a 122% increase in solar energy. However, their contribution to Latvia's aggregate electricity generation balance remains modest, at 0.11%.

On the other hand, a decrease in production in fossil fuel-fired power plants can be observed - the amount of electricity produced in large CHP plants has decreased by 36.9%, and the contribution of small CHP plants continues the steady decline observed in the last six years with a decline of 67.5% in 2022, produced from biomass – 5.9% less, produced from biogas – 9.4% less.

Changes in the production structure are related to the high gas price, which led to the large CHP plants running at minimum capacity from March to August, as well as the connection of new wind and solar power plants to the grid.

In 2022, AS "Augstsprieguma tīkls" transferred 6,193 GWh of electricity to consumers in Latvia, 1% less than in the corresponding period last year (6,312 GWh).

When evaluating the segment's financial performance indicators and economic performance, it should be taken into account that electricity transmission is a regulated sector under Section 5 of the Energy Law;

Net revenues of the segment in the reporting period amounted to EUR 295,997 thousand, including revenues from electricity transmission network services of EUR 75,232 thousand. The 135 % year-on-year increase in revenues in 2022 was mainly due to revenues from the balancing electricity and congestion management at borders. These revenues are used to absorb the costs associated with balancing the system as well as managing congestion.

The segment's financial performance in the first nine months of 2022 continued to be adversely impacted by the increase in electricity prices. Following the sharp increase in the price of electricity from May 2021, the cost of providing electricity transmission services has increased significantly. As the current tariff for electricity transmission services, approved in November 2020, does not cover the increase in the said costs, permission was received from the Public Utilities Commission to use the accumulated congestion fee revenues in the amount of EUR 36,540 thousand to absorb losses. As a result of the use of congestion fee revenues, the performance of the electricity transmission segment was a profit of EUR 4,480 thousand.

Natural gas transmission segment and natural gas storage segment

Due to the Parent Company's shareholding in its subsidiary, the Latvian operator of the natural gas transmission and storage system AS "Conexus Baltic Grid", an important focus of the Group's activities is on the sustainable management of strategically important energy supply assets and their integration into the internal energy market of the European Union.

AS "Conexus Baltic Grid" is the unified operator of natural gas transmission and storage in Latvia and manages one of the most modern natural gas storage facilities in Europe – Inčukalns Underground Gas Storage (hereinafter - Inčukalns UGS Storage) – as well as the main natural gas transmission system connecting the Latvian natural gas market directly with Lithuania, Estonia and the north-western region of Russia.

Conexus provides natural gas transportation and storage services to its customers in accordance with the tariffs established by the Public Utilities Commission.

Based on the energy policy planning documents, the overall strategic goal of the Group, the following directions of Conexus' development have been established:

- Promotion of security of energy supply in Latvia and provision of high-quality and accessible energy transmission service;
- Ensuring sustainable management of Latvia's energy supply assets;
- Promoting the integration of Latvia's energy supply assets into the European Union's internal energy market.

Transmission of natural gas

AS "Conexus Baltic Grid" is the sole operator of natural gas transmission and storage in Latvia. It ensures the maintenance of the natural gas transmission system, its safe and uninterrupted operation, and interconnection with the transmission systems of other countries and enables traders to use the natural gas transmission system for natural gas trading.

The main natural gas transmission system is 1,190 km long and is directly connected with the natural gas transmission systems of Lithuania, Estonia, and Russia. It ensures the transportation of natural gas in regional gas pipelines on the territory of Latvia and in connections with the natural gas transmission networks of the neighbouring countries:

- The international gas pipelines have a diameter of 720 mm and an operating pressure between 28 and 40 bar;
- The diameter of regional gas pipelines is between 400 mm and 530 mm with an operating pressure of up to 30 bar;

- For the transmission of natural gas to the local distribution network in Latvia, 40 gas regulation stations are used. For the supply of natural gas to the Latvian consumers, all the consumption points on the territory of Latvia are combined into one point.

In the 2022, the total volume of transported gas reached 31,4 TWh, which is 20% less than in the corresponding period of the previous year. The volume of natural gas consumption for the needs of Latvian consumers reached 8,8 TWh, which is 30% less than a year earlier.

Revenues of the natural gas transmission segment in the reporting period amounted to EUR 26,260 thousand and EBITDA reached EUR 13,045 thousand, which accounted for 41% of Conexus' total EBITDA. Profit of the transportation segment reached EUR 2,562 thousand (69% less than a year earlier).

In 2022, revenues in the transmission segment were negatively impacted by lower supply as a result of the Russian invasion of Ukraine, the increase in natural gas prices, weather conditions, preparations for the 2022/2023 annual heating season, and a decrease in electricity production at the country's largest thermal power plants. As a result, total consumer demand for gas was lower than in the corresponding period of the previous year, which led to a shortfall in revenues of EUR 7,900 thousand for the use of the exit point for the needs of Latvian natural gas consumers.

Conexus' operations are regulated, and the regulatory reporting periods differ from the financial reporting year. According to the methodology for calculating tariffs for natural gas transmission services, during a tariff period, revenues and costs may differ from the allowed volumes, which will affect the tariff values in the upcoming tariff cycles. See detailed information in the subsidiary's financial statements.

The assets of the transmission segment at the end of the reporting period amounted to EUR 239 million. EUR. During the reporting period, investments amounting to EUR 5,452 thousand were made. The largest of these were:

- In the 2022, Conexus invested a total of EUR 1,3 million in several sub-projects under the project of common European interest "Improvement of the Latvian-Lithuanian Interconnector" (ELLI);
- Underground gas pipelines were repaired for EUR 890 thousand;
- Inčukalns UGS gas transmission pipeline was replaced in the amount of EUR 4,7 million (EUR 0,8 million in 2022).

Storage of natural gas

The natural gas storage segment provides the natural gas storage required for the heating season and other needs of the network users in the Inčukalns underground gas storage facility.

In 2021/2022, the volume of Inčukalns UGS capacity reservation products reached 18.9 TWh, down 12% from a year earlier. At the same time, the various types of capacity products reserved by market participants and their tariffs ensured an increase in revenues from capacity products by EUR 4,875 thousand compared to the previous year.

In the reporting period, sales in the natural gas storage segment amounted to EUR 28,871 thousand, and EBITDA reached EUR 19,170 thousand. The profit of the natural gas storage segment reached EUR 11,189 thousand. According to the methodology for calculating tariffs for the Natural Gas Storage System service, during the tariff period, revenue and cost deviations may occur against the permitted volumes, which will affect the tariff values in the upcoming tariff cycles. See detailed information in the subsidiary's financial statements.

The segment's assets at the end of the reporting period amounted to EUR 225 million. During the reporting period, investments were made in the amount of EUR 9,5 million, they are EUR 7,3 million less than a year earlier. The largest investments - reconstruction of wells and modernisation of the gas pumping equipment of the compressor shop No. 2, totaling EUR 7.2 million, were carried out as part of the ambitious project of common interest of the European Union PCI 8.2.4 "Enhancement of Inčukalns Underground Gas Storage".

FINANCIAL RISK MANAGEMENT

The financial risks of the Augstsprieguma tīkls Group are managed in accordance with the Financial Risk Management Policy and Financial Risk Management Regulations.

The Subsidiary of the Augstsprieguma tīkls Group develops and approves its own financial risk management policies, which are consistent with the general principles contained in the Group's policy.

The management of financial resources aims to ensure the financing and financial stability of economic activities through conservative financial risk management. As part of financial risk management, the Group and the parent company implement financial risk controls and take risk mitigation measures to reduce the risk of open positions.

a) Liquidity risk

Liquidity risk relates to the ability of the Group and the Parent Company to meet their obligations as they fall due. For unforeseeable cash flow fluctuations and short-term liquidity risks arising from operational risks, the Group and the Parent Company set aside a reserve in the form of cash or subscribed and irrevocably available loans for the next 24 months.

The Group and the Parent Company adhere to prudent liquidity risk management and ensure that they have sufficient financial resources to settle their liabilities when they fall due.

Management believes that there will be no liquidity problems and that the Augstsprieguma tīkls Group will be able to pay its liabilities to creditors when due. Management believes that AS "Augstsprieguma tīkls" will have sufficient cash resources for the Group so that its liquidity is not at risk.

b) Interest rate risk

Interest rate risk arises primarily from fixed-interest borrowings, with the risk that financing costs will increase significantly due to interest rate increases. To limit the risk, the Group's and Parent Company's financial risk management rules stipulate that the proportion of fixed-interest or limited-

rise interest rates in the loan portfolio may not be less than 35%. At the same time, the financial risk management rules provide those deviations from this indicator are permitted in the restructuring of liabilities assumed in the course of the reorganization of ownership of the transmission assets.

c) Credit risk

The financial assets that potentially expose the Group and the Parent Company to a certain degree of risk concentration are mainly cash and receivables from contracts with customers. Credit risk may be associated with counterparty risk and counterparty risk.

In the course of its business activities, the Group and the Parent Company cooperate with local and foreign financial institutions. Consequently, there is a risk of financial counterparties - in case of insolvency or suspension of business partners, the Group and the Parent Company may incur losses. In the case of attracted external financing, there is a risk until the loan is withdrawn and transferred to one of the Group's partner banks or the Parent Company.

Credit risk arising from the Group's and the Parent Company's balances in current accounts is managed in accordance with the Group's financial risk management policy and regulations, balancing the allocation of funds.

In accordance with the financial risk management policy, counterparties are accepted in cooperation with banks and financial institutions that have a minimum credit rating of at least investment grade, as determined by themselves or the Parent Company's international rating agency.

In the course of its business activities, the Group and the Parent Company cooperate with local and foreign companies. This gives rise to counterparty or receivables risk, i.e., in the event of insolvency or default of business partners, the Group or the Parent Company may incur losses. The Law on International and National Sanctions of the Republic of Latvia imposes financial and civil restrictions on companies on the sanctions list, including the freezing of funds. In view of this, cooperation with a sanctioned company exposes the Group or the Parent Company to the risk of default, legal and reputational risks.

Although the Group and the Parent Company have significant concentration risk with respect to a counterparty or a group of similar counterparties, this risk is considered limited as the main counterparty is the state-owned company Latvenergo and its subsidiaries – a group of companies with a high credit rating of Baa2 (investment grade rating) and a stable future outlook from Moody's.

Credit risk related to receivables is managed through monthly analysis of receivables in accordance with the risk management measures set out in the Financial Risk Management Regulation.

d) Management of capital risk

The shareholder of the Parent company is the Republic of Latvia in the person of the Ministry of Finance (100%). The purpose of capital risk management is to ensure the sustainable operation and development of the Group and the Parent Company, the financing required for the implementation of the development plan in the area of transmission assets, and the fulfilment of the restrictive conditions specified in the loan agreements. The restrictive

covenants set forth in the borrowing agreements have not been breached. To ensure compliance with the restrictive covenants set forth in the loan agreements, an equity ratio analysis is performed on a regular basis.

FINANCING AND LIQUIDITY

The Group finances its capital expenditure projects from the funds of its own as well as from the external long-term financing raised regularly and timely on the financial and capital markets. Timely budgeted borrowings are essential to ensure optimal risk management of loan refinancing and to repay the loan principal within the contracted term. In 2021, the Parent Company issued green bonds worth EUR 100 million (see also Note 14).

As at 31 December 2022, the total amount of borrowings of the Parent Company was EUR 100 367 thousand (at 31 December 2021 – EUR 99,966 thousand), which consisted of non-current borrowings from green bonds issued in 2021 (see also Note 14). To finance working capital, AS “Augstsprieguma tīkls” has an overdraft credit agreement with AS SEB banka in the amount of up to EUR 20,000 thousand until 18 June 2023. In addition, in order to ensure funds for the financing of working capital for the next 24 months, an overdraft agreement of up to EUR 10,000 thousand was signed with AS “Swedbank” on 9 December 2022. During the reporting period, AS “Augstsprieguma tīkls” did not receive any borrowings under the said *overdraft* agreements. At the end of the reporting period, 100% of the total long-term loans have a fixed loan interest rate (at 31 December: 100%).

The total borrowings of the Group as of 31 December 2022 amounted to EUR 182,734 thousand, of which EUR 100,367 thousand, loans from credit institutions of EUR 82,367 thousand. The natural gas operator AS "Conexus Baltic Grid" raises external financing on its own. In total, the bank lines of credit in the amount of EUR 65,000 thousand were available to the Subsidiary, which represents a substantial liquidity buffer. The maturity of the agreements of the available lines of credit of EUR 65,000 thousand exceeds one year. At the end of the reporting period, 71% of the Group's total non-current borrowings have a fixed interest rate (at 31 December 2021: 75%). The increase in interest rates in the financial market does not have a significant negative impact on the Group.

The international rating agency S&P Global Ratings (S&P) has rated and ranked the Latvian transmission system operator **AS “Augstsprieguma tīkls” long-term credit rating A-/Stable**. S&P has assigned the Group's subsidiary a long-term credit rating of BBB+ with a stable outlook for the first time.

REGULATORY ACTIVITIES – THE TRANSMISSION AND STORAGE SERVICE TARIFF

Transmission of electricity

Tariffs for electricity transmission services are set in accordance with the “Methodology for Calculating Tariffs for Electric Transmission Services approved by the PUC”.

Under 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 have been approved. Information on tariffs for electricity transmission services can be found on the website of the Parent Company <https://www.ast.lv/lv/content/parvades-pakalpojumu-tarifs>.

The “Methodology for calculating electricity transmission system service tariffs” as well as the “Methodology for accounting and calculating capital costs” were approved by the decision of the PUC Council of 29 August 2022.

Key changes:

- more prompt recovery of the cost difference between the planned and actual costs in the tariff project;
- use of accumulated congestion charge revenues to reduce the tariff to recover operating costs;
- change in the rate of return on capital from real to nominal;
- results of asset revaluations made after 31 December 2021, will not be included in the regulated asset base.

Considering that the current regulatory period expires on 31 December 2022, as well as the sharp increase in electricity prices from May 2021, the Parent Company developed and in October 2022 submitted the draft electricity transmission system service tariffs to the PUC for approval. Detailed information is available on the Parent company's website <https://www.ast.lv/lv/events/augstsprieguma-tikls-iesniedzis-apstiprinasanai-sprk-jaunu-elektroenergijas-parvades-tarifu>.

Considering that high electricity prices and changes in consumption are associated with exceptional circumstances (the impact of the COVID-19 pandemic on economic activity, Russia's invasion of Ukraine, and its impact on energy resource prices), the need for exceptional mechanisms to limit tariff increases and strengthen regional competitiveness was considered.

The Decision of the Republic of Latvia Cabinet of 24 January 2023 advocates one-off exceptional measures to limit the increase in the electricity transmission tariff, including the main contemplated measures for electricity transmission, such as setting an electricity tariff cap, above which the costs will be compensated from the State budget, and diverting the accumulated revenues from congestion charges to tariff reduction.

To this end, it is proposed to develop a detailed project regarding electricity transmission service tariffs that will take effect on 1 July 2023.

In accordance with the Methodology for calculating electricity transmission tariffs, the fluctuations between budgeted and actual revenues and costs will be balanced out over the next regulatory period. On the other hand, according to paragraph 67 of the Methodology, the transmission system operator may ask the regulator for permission to use congestion revenues to cover the costs of electricity losses and the provision of technological processes in 2022. Under the above-mentioned permission granted by the PUC, congestion revenues amounting to EUR 36,540 thousand were directed to cover the costs of electricity transmission losses and to ensure the technological process in 2022.

Transmission and storage of natural gas

On 21 April 2022, the Energy Law was amended to provide for the establishment of energy supply security reserves, which are stored at Inčukalnaš UGS to ensure the continuous supply of natural gas. The energy supply security reserves will ensure that natural gas is available in sufficient quantities

in the country to prevent the occurrence of an energy crisis. The energy supply security reserves in 2023 are set at 1.8 TWh. AS "Latvenergo" organised the purchase and storage of the energy security reserves in Inčukalna PGK on behalf of the state and also ensured their injection into Inčukalna UGS.

On 1 September 2022, the new methodology for accounting and calculating capital costs came into force. The PUC unified and transposed the regulations regarding capital costs from the sectoral tariff methodologies into a single methodology. The methodology for accounting for and calculating the cost of capital provides for several changes related to regulated assets as well as depreciation accounting and the calculation of return on capital.

The PUC developed a new version of the methodology for calculating tariffs for gas transmission services and launched a public consultation in accordance with the European Commission Regulation establishing a network code for harmonised tariffs for gas transmission. The consultation was launched on 15 December 2022. The tariffs applicable in the coming regulatory period will be calculated and submitted according to the new methodology.

FUTURE DEVELOPMENT OF THE GROUP

Electricity transmission

Synchronisation of the Baltic States with Continental Europe

In the coming years, the greatest challenges are related to the synchronisation of the **Baltic States with continental Europe**.

On 22 May 2019, AST signed the *Agreement on the conditions of the future interconnection of electric power system of Baltic States and electric power system of continental Europe*. The annexes to the concluded agreement on interconnection with the Continental European electricity system set out the technical requirements to be met by Baltic TSOs before and after the start of the synchronization process. These requirements relate to changes in transmission system settings, investments in infrastructure development, as well as the obligation of TSOs to ensure a certain level of frequency conservation, frequency renewal reserves, and system inertia.

Synchronization of the Baltic States with continental Europe is planned for 2025 or earlier if necessary. **As a result** of synchronization, the Baltic electric power transmission system will become part of the European system, which will mean independence from the Russian unified (IPS / UPS) system and a more secure electric power supply.

Development of the electricity transmission network

The decision of the PUC Council of 20 October 2022 "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 2023 to 2032 (hereinafter also "Development plan").

The development plan is based on the strategic objective of AST, i.e., strengthening Latvia's energy security by synchronizing the Latvian electricity transmission network with the continental European network in accordance with the principles of security and cost-efficiency.

The approved development plan sets out the development of the transmission network and the necessary financial investments in transmission infrastructure for the next ten years and provides for investments in the development of the electricity transmission network in the amount of EUR 401 million. The approved development plan is available in detail at: <https://www.ast.lv/en/content/power-transmission-system-development-plan>.

To minimise the impact of planned investments on electricity transmission tariffs, AST successfully secured EU co-financing for the projects of common European interest included in the development plan and reallocated congestion charge revenues to fund them:

- Project "Synchronization of the Baltic Electricity Transmission System with the European Network, Phase 1" – attracted EU co-financing up to 75% of the eligible costs, i.e., EUR 57.7 million;
- Project "Synchronization of the Baltic Electricity Transmission System with the European Network, Phase 2" – attracted EU co-financing of 75% of the eligible costs, i.e., EUR 92.6 million.

Investments in the electricity transmission system financed from EU co-financing and congestion charge revenues are not included in the calculation of tariffs for electricity transmission system services.

System management and development of the electricity market

Implementing the European Union's policy for the internal electricity market, AS "Augstsprieguma tīkls" strategic direction is aimed at developing and integrating the electricity and ancillary services markets into the European markets.

In the coming years, it is planned to continue working on the development and improvement of the EU single internal next day and current day market. This will include new opportunities for the participants in the European Union's internal electricity market, including Latvian and Baltic market participants.

Projects are currently underway that will allow market participants to participate in the next-day and day-ahead markets in a 15-minute resolution and to operate in the current-day market with products that include energy and transmission capacity, similar to what is currently done in the next-day market.

It is also planned to continue the work on the establishment of the single European mFRR trading platform and the accession of the Baltic TSOs to this platform, which will allow the Baltic balancing service providers to participate in the common European reserve market.

In order to join the platform, changes need to be made to the way the common Baltic balancing model works. The most important of these is the switch to a 15-minute balancing market period, which will allow electricity market participants to plan their operations more accurately and control system imbalances more effectively.

Innovation and research

In order to ensure the development of the Company, the representatives of the company actively participate in the work of the Committee for Research, Development and Innovation of the European Organization of Transmission System Operators ENTSO-E. In doing so, they are aware of the essential role of innovation for successful operation.

Within the framework of the ENTSO Committee for Research, Development and Innovation, activities are carried out to modify the existing electrical systems with a view to achieving the objectives set by the European Union.

The innovation and research activities are focused on six directions:

- Modernisation;
- Reliability and stability;
- Flexibility;
- Economy and efficiency;
- Digitisation;
- Green transformation.

Transmission and storage of natural gas

Conexus will actively participate in the work on the Inčukalns UGS modernisation project, which, once implemented by 2025, should significantly improve the operational reliability of the technical infrastructure and equipment so that the storage facility can maintain its functionality even after a pressure increase in the Baltic transmission network.

Work will also continue on the Latvian-Lithuanian Gas Pipeline Transport Capacity Enhancement Project to promote market access to the Klaipėda LNG terminal, the Latvian Inčukalns UGS, and the Polish-Lithuanian Gas Interconnector. The Latvian-Lithuanian Gas Interconnector Improvement (ELLI) project envisages the implementation of various activities in both Latvia and Lithuania by the end of 2023, increasing the gas interconnection capacity between Latvia and Lithuania in both directions. On 1 November 2022, the gas transport capacity in the direction from Lithuania to Latvia was already increased by one-third.

On 1 May 2022, the Polish-Lithuanian Gas Pipeline Link (GIPL) was put into operation, ensuring gas flow in both directions. The new interconnector will integrate the Baltic and Finnish regional gas markets into the common European Union gas market. This offers network users the possibility to diversify their gas supply sources and has a positive impact on gas supply security.

The European gas transmission system operators - Conexus, "Gasgrid Finland" (Finland), "Elering" (Estonia), "Amber Grid" (Lithuania), "Gaz System Poland" (Poland), and "Ontras" (Germany) - have signed cooperation agreements to develop hydrogen infrastructure from Finland via Estonia, Latvia, Lithuania, and Poland to Germany in order to fulfil RePowerEU 2030 plans. The network operators have launched the Nordic-Baltic Hydrogen Corridor project, which will strengthen energy security in the region, reduce dependence on imported fossil energy and accelerate the path to decarbonisation in various energy sectors. The project will also contribute to the reduction of greenhouse gas emissions in the EU by replacing the current production and use of fossil energy resources in the industrial, transport, electricity, and heating sectors with a switch to renewable energy - green hydrogen.

Conexus has launched a development solution for biomethane injection into the gas transmission network to promote the development of renewable gases in Latvia and to provide biomethane producers with an unprecedented opportunity to inject biomethane into the gas transmission system without having to construct a separate direct connection. In 2022, Conexus organised a public consultation on the plan to create a regional biomethane injection point into the gas transmission network.

Together with the regional gas transmission system operators "Gasgrid Finland" (Finland), "Elering" (Estonia), and "Amber Grid" (Lithuania), Conexus will continue the research already started on the possibilities of introducing and transporting hydrogen in the gas transmission system. On the other hand, in the field of storage, research activities on the possibilities of hydrogen storage will be launched at Inčukalna UGS.

IMPACT FROM RUSSIAN WAR AGAINST UKRAINE ON THE OPERATIONS OF THE COMPANY AND THE GROUP

On 24 February 2022, escalated the military conflict between Russia and Ukraine. As a result of Russia's invasion of Ukraine, Russia and Belarus are subject to severe economic and political sanctions from the European Union, the United States, and other countries.

The management of the Group continuously performs the necessary activities to ensure the continuity of operations of both the electricity transmission system operator and the unified natural gas transmission and storage operator and the availability of the provided services. Considering that currently, the Latvian power system operates synchronously with Russia's unified (IPS/UPS) system, AS "Augstsprieguma tīkls" has assessed the possible risks related to Russia's military aggression against Ukraine. On 22 May 2019 AST has signed an Agreement on the conditions of the future interconnection of power system of Baltic states and power system of continental Europe. Synchronisation of the Baltic electricity power transmission system with the continental Europe is to be completed until 2025.

In the current situation, it is not possible to assess the level of risk of possible unplanned disconnection of the Baltic power systems from the Russian unified (IPS/UPS) system, however, AS "Augstsprieguma tīkls" together with the electricity transmission system operators of the Baltic States and Poland, has prepared for the operation of the Baltic electricity systems in the event of an emergency desynchronization. The urgent synchronisation of the Baltic energy systems with the continental European power system is expected to lead to an increase in energy supply costs, but given the uncertain and complex situation, it is currently not possible to assess the extent of the financial impact.

Also, due to Russian aggression in Ukraine, on 19 April 2022 the Government of Latvia agreed conceptually on the abandonment of natural gas from Russia. The Economic, Agricultural, Environmental and Regional Policy Commission of the Parliament of the Republic of Latvia directed amendments to the Energy Law, which stipulate that natural gas supplies from Russia are banned from January 1, 2023. In support of the amendments prepared by the commission, on 14 July 2022, the Parliament of the Republic of Latvia adopted amendments to the Energy Law, which set a ban on natural gas supplies from Russia starting from 1 January 2023.

Although these are significant changes in the Baltic and Finnish single natural gas market, it is not expected that the importance of the Subsidiary in the Latvian energy system, as well as the impact on its business continuity and financial stability, will decrease. Due to emergency market conditions indicating need to perform impairment assessment, such assessment was carried out as part of preparation of condensed interim financial statements for nine month of 2022. Potential impairment of assets was considered for non-current assets of AS "Augstsprieguma tīkls" (including investment into AS "Conexus Baltic Grid" as a subsidiary) and for non-current assets of AS "Conexus Baltic Grid" as part of consolidated group.

Management of AST has performed impairment assessment of AST non-current assets (excluding investment into AS "Conexus Baltic Grid" presented as part of AS "Augstsprieguma tīkls" balance sheet). As a result of this assessment, it was concluded that recoverable amount of assets exceeds their balance sheet value, moreover, the value of assets that are directly impacted by potential desynchronisation from Russia is immaterial in the context of financial statements (0.3% of total property, plant and equipment). AST management assumptions are based on the information available at the time of approval of the interim financial statement, and the impact of future events on the future performance of AST may differ from the current assessment.

Investment into AS "Conexus Baltic Grid" presented as part of AS "Augstsprieguma tīkls" balance sheet was assessed alongside with the value of non-current assets presented in the consolidated balance sheet of AS "Augstsprieguma tīkls", as purchase value of AS "Conexus Baltic Grid" historically was determined in respect of value of its property, plant, equipment and other non-current assets. Considering the changes in the geopolitical situation and the ban on natural gas supplies from Russian Federation as from 1 January 2023, as well as the increase of interest rates, Conexus management carried out an impairment assessment. As a result of testing performed, no impairment was recognised for non-current assets of AS "Conexus Baltic Grid", thus there is no need to recognise impairment of assets neither in separate nor in consolidated financial statements of AS "Augstsprieguma tīkls".

The Group provides strategically important public services. The Parent Company is a state-owned (100%) corporation and, in accordance with the Electricity Market Law, the only electricity transmission system operator in Latvia. Management believes that mitigating the impact of volatility in electricity markets and ensuring the security and stability of energy supply as a nationally important mission is supported by ensuring the long-term financial stability of the Group.

EVENTS AFTER THE END OF THE REPORTING PERIOD

During the government's Cabinet meeting held on 14 February 2023, the Ministry of Climate and Energy was designated as AS "Augstsprieguma tīkli"'s capital shareholder. This will promote the participation of the Ministry of Climate and Energy - the energy policy maker - in the development of the transmission system operators AS "Augstsprieguma tīkls" and AS "Conexus Baltic Grid". This participation is an essential prerequisite for energy security. Previously, the owner of the capital shares of AS "Augstsprieguma tīkls" was the Ministry of Finance. The change of the shareholder of AS "Augstsprieguma tīkls" does not affect the structure of the shareholders of the same. AST is 100% owned by the Republic of Latvia.

Since the last day of the reporting period there were no events or circumstances that could significantly affect the non-audited condensed financial statements of AS "Augstsprieguma tīkls" Group and AS "Augstsprieguma tīkls" for the 12 months period ended 31 December 2022. To mitigate cyber security risks, the Parent Company and its Subsidiary AS "Conexus Baltic Grid", as critical infrastructure companies, perform enhanced risk assessment and appropriate risk management. Although the uncertainty about the future impact of events on the Group's and the Parent Company's operations has increased, no circumstances have been identified that would threaten the continuity of operations and the performance of functions determined by law.

Gunta Jēkabsone
Chairwoman of the
Board

Imants Zviedris
Member of the Board

Gatis Junghāns
Member of the Board

Arnis Daugulis
Member of the Board

Riga, 15 February 2023

STATEMENT OF MANAGEMENT RESPONSIBILITY

STATEMENT OF MANAGEMENT RESPONSIBILITY

Based on the information available to the Board of AS “Augstsprieguma tīkls”, the consolidated and unaudited condensed interim financial statements of AS “Augstsprieguma tīkls” for the 12-month period ended 31 December 2022, which include a management report, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and give a true and fair view of the financial position and performance of the Group and the parent company in all material respects. The information contained in the management report is true.

The consolidated AS “Augstsprieguma tīkls” and AS “Augstsprieguma tīkls” unaudited condensed interim financial statements for the 12-month period ended 31 december 2022 were approved by the Board of AS “Augstsprieguma tīkls” on 15 February 2023.

Gunta Jēkabsone
Chairwoman of the
Board

Imants Zviedris
Member of the Board

Gatis Junghāns
Member of the Board

Arnis Daugulis
Member of the Board

Riga, 15 February 2023

INCOME STATEMENT

	Notes	Parent Company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
Revenue	4	295 997 065	125 787 322	351 128 464	182 226 430
Other income		7 191 743	5 002 481	8 073 037	6 113 495
Raw materials and consumables used	5	(147 048 990)	(60 705 009)	(153 347 435)	(67 865 715)
Personnel expenses		(18 599 890)	(16 460 878)	(32 434 095)	(28 644 836)
Other operating expenses		(97 141 136)	(18 045 926)	(100 806 641)	(22 686 206)
EBITDA		40 398 792	35 577 990	72 613 330	69 143 168
Depreciation, amortisation, and impairment, of intangible assets and property, plant and equipment	7.1	(35 307 254)	(36 904 301)	(53 165 786)	(54 710 050)
OPERATING (LOSS)/PROFIT		5 091 538	(1 326 311)	19 447 544	14 433 118
Dividends from subsidiaries		6 536 774	58 286 236	-	-
Finance income	6a	54 910	6 905	61 559	7 607
Finance costs	6b	(666 222)	(2 121 135)	(1 276 967)	(2 407 894)
PROFIT BEFORE TAX		11 017 000	54 845 695	18 232 136	12 032 831
Deferred corporate income tax				320 465	
Corporate income tax				(2 387 165)	(1 936 172)
PROFIT FOR THE REPORTING PERIOD		11 017 000	54 845 695	16 165 436	10 096 659
Profit attributable to:					
Equity holder of the Parent Company		11 017 000	54 845 695	12 479 920	5 827 026
Non-controlling interests		-	-	3 685 516	4 269 633

The notes on pages 36 to 67 form an integral part of these financial statements.

Gunta Jēkabsons
Chairperson of the
Board

Imants Zviedris
Member of the
Board

Gatis Junghāns
Member of the
Board

Arnis Daugulis
Member of the
Board

Māra Grava
Head of the Finance and
Accounting Department

Rīga, 15 February 2023

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Parent Company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
PROFIT FOR THE REPORTING PERIOD		11 017 000	54 845 695	16 165 436	10 096 659
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods					
Revaluation of property, plant and equipment		-	34 762 721	-	34 762 721
Result of re-measurement on defined post-employment benefit plan		329 736	(1 075 235)	388 781	(1 403 458)
Other comprehensive income for the reporting period		329 736	33 687 486	388 781	33 359 263
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		11 346 736	88 533 181	16 554 217	43 455 922
Comprehensive income attributable to :					
Equity holder of the Parent Company		11 346 736	88 533 181	12 850 079	39 389 810
Non-controlling interests		-	-	3 704 138	4 166 112

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Māra Grava
Head of the Finance and
Accounting Department

Riga, 15 February 2023

STATEMENT OF FINANCIAL POSITION

	Notes	Parent Company		Group	
		31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
ASSETS					
NON-CURRENT ASSETS					
Intangible assets		3 055 296	2 121 767	5 163 305	4 163 016
Advance payments for intangible assets		-	-	-	6 720
Property, plant and equipment	7	681 454 229	685 805 790	1 097 824 064	1 105 768 949
Advance payments for property, plant and equipment		4 250	-	5 326 259	2 332 465
Right-of-use assets	15a	14 482 104	14 635 417	14 943 607	15 086 525
Non-current financial investments	8	134 441 393	134 396 393	46 422	1 422
Non-current prepaid costs			-	1 007 865	1 108 651
TOTAL NON-CURRENT ASSETS		833 437 272	836 959 367	1 124 311 522	1 128 467 748
CURRENT ASSETS					
Inventories		425 526	517 327	4 115 796	3 143 866
Advance payments for inventories		-	-	665	-
Receivables from contracts with customers	9	22 391 754	21 508 872	32 568 000	34 882 006
Other current assets	10	9 931 442	1 767 892	12 387 920	2 550 217
Corporate income tax	10	11 512	11 512	11 512	11 512
Deferred expenses		-	-	480 075	-
Accrued income		-	-	60 489	-
Cash	11	92 042 624	48 513 943	103 009 740	63 190 053
TOTAL CURRENT ASSETS		124 802 858	72 319 546	152 634 197	103 777 654
TOTAL ASSETS		958 240 130	909 278 913	1 276 945 719	1 232 245 402

The notes on pages 36 to 67 form an integral part of these financial statements.

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Māra Grava
Head of the Finance and
Accounting Department

Riga, 15 February 2023

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	Parent Company		Group	
		31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12a	391 598 534	365 895 957	391 598 534	365 895 957
Reserves		36 584 810	37 176 552	37 168 879	38 641 445
Retained earnings		19 363 303	62 270 520	102 284 420	143 727 293
Equity attributable to equity holder of the Parent Company		447 546 647	465 343 029	531 051 833	548 264 695
Non-controlling interests		-	-	100 240 917	99 547 615
TOTAL EQUITY		447 546 647	465 343 029	631 292 750	647 812 310
NON-CURRENT LIABILITIES					
Employee benefit obligations		3 294 185	3 426 477	4 645 953	4 800 612
Lease liabilities	15b	13 437 902	14 199 182	13 897 260	14 647 122
Borrowings	14	99 892 726	99 966 288	169 360 909	160 249 274
Deferred income from contracts with customers	13	38 084 750	38 249 840	38 084 750	38 249 840
Other deferred income	13	296 521 984	245 801 904	321 479 732	263 957 949
TOTAL NON-CURRENT LIABILITIES		451 231 547	401 643 691	547 468 604	481 904 797
CURRENT LIABILITIES					
Borrowings	14	473 973	-	13 373 259	37 810 235
Lease liabilities	15b	1 438 755	739 800	1 463 819	759 197
Deferred income from contracts with customers	13	3 658 224	3 375 254	3 658 224	3 612 539
Other deferred income	13	17 080 280	5 755 599	17 847 615	6 295 216
Trade payables	16	29 144 367	25 631 148	36 555 221	32 920 983
Deferred corporate income tax liabilities		-	-	4 511 427	4 831 892
Other creditors	16	7 666 337	6 790 392	20 774 800	16 298 233
TOTAL CURRENT LIABILITIES		59 461 936	42 292 193	98 184 365	102 528 295
TOTAL EQUITY AND LIABILITIES		958 240 130	909 278 913	1 276 945 719	1 232 245 402

The notes on pages 36 to 67 form an integral part of these financial statements.

Gunta Jēkabsons
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Māra Grava
Head of the Finance and
Accounting Department

Riga, 15 February 2023

STATEMENT OF CHANGES IN EQUITY

	Notes	Parent Company						Total EUR
		Share capital EUR	Retained earnings EUR	Other reserves EUR	Noncurrent assets revaluation reserve EUR	Postemployment benefit plan revaluation reserve EUR	Reorganisation reserves EUR	
At 31 December 2020		363 896 079	16 741 025	2 680 615	28 338 091	490 256	(27 336 704)	384 809 362
Profit for the year		-	54 845 695	-	-	-	-	54 845 695
Other comprehensive income for the year		-	-	-	-	(1 075 235)	-	(1 075 235)
Changes in reserve					34 762 721			34 762 721
Total comprehensive income for the year		-	54 845 695	-	34 762 721	(1 075 235)	-	88 533 181
Dividends paid for 2020	12a	-	(7 999 514)	-	-	-	-	(7 999 514)
Disposal of non-current assets revaluation reserve		-	683 192	-	(683 192)	-	-	-
Increase of share capital	12a	1 999 878	(1 999 878)	-	-	-	-	-
Total transactions with owners and other changes in equity		1 999 878	(9 316 200)	-	(683 192)	-	-	(7 999 514)
At 31 December 2021		365 895 957	62 270 520	2 680 615	62 417 620	(584 979)	(27 336 704)	465 343 029
Profit/(loss) for the reporting period		-	11 017 000	-	-	-	-	11 017 000
Other comprehensive income for the year		-	-	-	-	329 736	-	329 736
Total comprehensive income for the reporting year		-	11 017 000	-	-	329 736	-	11 346 736
Dividends paid for 2021	12a	-	(29 143 118)	-	-	-	-	(29 143 118)
Disposal of non-current assets revaluation reserve		-	921 478	-	(921 478)	-	-	-
Increase of share capital	12a	25 702 577	(25 702 577)	-	-	-	-	-
Total transactions with owners and other changes in equity		25 702 577	(53 924 217)	-	(921 478)	-	-	(29 143 118)
At 31 december 2022		391 598 534	19 363 303	2 680 615	61 496 142	(255 243)	(27 336 704)	447 546 647

The notes on pages 36 to 67 form an integral part of these financial statements.

Gunta Jēkabsone,
Chairperson of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

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Member of the Board

Māra Grava,
Head of the Finance
and Accounting
Department

Riga, 15 February 2023

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Notes	Parent Company								
		Attributable to the shareholders of the Parent company						Non - controlling interest EUR	Total EUR	
		Share capital EUR	Retained earnings EUR	Other reserves EUR	Fixed asset revaluation reserve EUR	Valuation reserve for post-employment benefits EUR	Reorganization reserve EUR			Total
At 31 December 2020		363 896 079	146 773 744	2 680 615	28 915 196	457 307	(25 748 543)	516 974 399	122 228 139	639 202 538
Profit for the year		-	5 827 026	-	-	-	-	5 827 026	4 269 633	10 096 659
Other comprehensive income for the year		-	-	-	-	(1 299 937)	-	(1 299 937)	(103 521)	(1 403 458)
Increase of share capital		-	-	-	34 762 721	-	-	34 762 721	-	34 762 721
Total comprehensive income for the reporting year		-	5 827 026	-	34 762 721	(1 299 937)	-	39 289 810	4 166 112	43 455 922
Dividends for 2020	12a	-	(7 999 514)	-	-	-	-	(7 999 514)	(26 846 636)	(34 846 150)
Write - off of the PPE revaluation reserve		-	1 125 914	-	(1 125 914)	-	-	-	-	-
Increase of share capital	12a	1 999 878	(1 999 878)	-	-	-	-	-	-	-
Total shareholder transactions and other changes in equity		1 999 878	(8 873 478)	-	(1 125 914)	-	-	(7 999 514)	(26 846 636)	(34 846 150)
At 31 December 2021		365 895 957	143 727 293	2 680 615	62 552 003	(842 630)	(25 748 544)	548 264 695	99 547 615	647 812 310
Profit / (loss) for the reporting period		-	12 479 920	-	-	-	-	12 479 920	3 685 516	16 165 436
Other comprehensive income for the year		-	-	-	-	370 158	-	370 158	18 623	388 781
Changes in reserve		-	-	-	-	-	-	-	-	-
Total comprehensive income for the reporting year		-	12 479 920	-	-	370 158	-	12 850 078	3 704 139	16 554 217
Dividends paid for 2021	12a	-	(29 143 118)	-	-	-	-	(29 143 118)	(3 010 837)	(32 153 955)
Write-off of revaluation reserve		-	922 902	-	(1 842 724)	-	-	(919 822)	-	(919 822)
Increase of share capital	12a	25 702 577	(25 702 577)	-	-	-	-	-	-	-
Total shareholder transactions and other changes in equity		25 702 577	(53 922 793)	-	(1 842 724)	-	-	(30 062 940)	(3 010 837)	(33 073 777)
At 31 december 2022		391 598 534	102 284 420	2 680 615	60 709 279	(472 472)	(25 748 543)	531 051 833	100 240 917	631 292 750

The notes on pages 36 to 67 form an integral part of these financial statements.

Gunta Jēkabsons,
Chairwoman of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Arnīs Daugulis,
Member of the Board

Māra Grava,
Head of the Finance and
Accounting Department

Riga, 15 February 2023

STATEMENT OF CASH FLOW

	Notes	Parent company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
I. Cash flow from operating activity					
Profit before tax		11 017 000	54 845 695	18 232 136	12 032 831
Adjustments:					
Depreciation, amortization and impairment losses on revaluation of intangible assets and property, plant and equipment	7.1	35 307 254	36 904 301	53 165 786	54 710 050
Depreciation of intangible assets and property, plant and equipment		275 350	257 965	275 350	994 393
Increase / (decrease) in provisions		197 444	(285 013)	197 444	60 628
Financial adjustment, net			-	(671 022)	2 694 754
Interest expense		757 332	2 409 909	757 332	-
Interest income		(47 194)	-	(47 194)	-
Dividends from subsidiaries		(6 536 774)	(58 286 236)	-	-
Operating profit before changes in working capital		40 970 412	35 846 621	71 909 832	70 492 655
Adjustments:					
Decrease / (increase) in debts from customer agreements, deposits and other short-term receivables		(1 592 357)	20 096 580	(509 881)	13 238 545
Inventories (increase) / decrease		91 801	(3 240)	(972 595)	391 224
Increase / (decrease) in debt to suppliers and other creditors)		(10 783 089)	(20 478 596)	(7 745 643)	(18 514 498)
Gross cash flow from operating activity		28 686 767	35 461 365	62 681 713	65 607 927
Interest expense		-	(2 478 825)	609 927	(2 703 452)
Lease interest	15b	(230 893)	(237 970)	(230 983)	(260 821)
Interest expense on issued debt securities (bonds)		(126 027)	-	(126 027)	0
Corporate income tax payments		-	-	(2 387 165)	(2 256 640)
Net cash flow from operating activity		28 377 041	32 744 570	60 594 749	60 387 014

The notes on pages 36 to 67 form an integral part of these financial statements.

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Member of the Board

Māra Grava,
Head of the Finance and
Accounting Department

Riga, 15 February 2023

STATEMENT OF CASH FLOW (CONTINUED)

	Notes	Parent company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
II. Cash flow from investing activity					
Acquisition and creation of fixed assets and intangible assets		(30 958 402)	(31 977 795)	(48 758 506)	(59 605 975)
Sale of fixed assets	7	258 779	95 963	294 645	166 453
EU funding received		489 431	32 393 231	489 431	40 210 739
Revenue from congestion charges received		68 845 836	11 441 072	68 845 836	11 441 072
Deposit refunds received		-	25 000 000	-	25 000 000
Investment in associate		(45 000)	-	(45 000)	-
Dividends received from subsidiaries		6 536 774	58 286 236	-	-
Net cash flow from investing activities		45 127 418	95 238 707	20 826 406	17 212 289
III. Cash flow from financing activities					
Asset lease payments	15b	(832 660)	(683 173)	(872 877)	(770 882)
Loans received from credit institutions	14	-	-	-	84 949 950
Repayment of loans from credit institutions	14	-	(116 200 000)	(15 688 383)	(124 969 097)
Repayment of borrowings from related parties		-	-	(563 790)	-
European Union funding received		-	-	7 643 940	-
Repayment of loans from an associate		-	(86 672 207)	-	(86 672 207)
Issued debt securities (bonds)	14	-	99 861 000	-	99 861 000
Increase of share capital		-	-	-	-
Dividends paid		(29 143 118)	(7 999 514)	(32 120 358)	(34 196 310)
Net cash flow from financing activities		(29 975 778)	(111 693 894)	(41 601 468)	(61 797 546)
Net cash increase / (decrease) during the reporting period		43 528 681	16 289 383	39 819 687	15 801 757
Cash balance at the beginning of the reporting period		48 513 943	32 224 560	63 190 053	47 388 296
Cash balance at the end of the reporting period		92 042 624	48 513 943	103 009 740	63 190 053

The notes on pages 36 to 67 form an integral part of these financial statements.

Gunta Jēkabsone,
Chairwoman of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Arnis Daugulis,
Member of the Board

Māra Grava,
Head of the Finance and
Accounting Department

Riga, 15 February 2023



NOTES TO CONSOLIDATED AND STAND-ALONE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ON THE GROUP

The principal business of the Augstsprieguma Tīkls Group is to provide electricity transmission system operator functions, efficiently manage power system assets, and transport and storage of natural gas.

The Augstsprieguma Tīkls Group comprises the Parent Company AS “Augstsprieguma tīkls”, the subsidiary AS “Conexus Baltic Grid”, the associated company "Baltic RCC" OÜ.

All shares of AS “Augstsprieguma tīkls” are owned by the State and held by the Ministry of Finance of the Republic of Latvia. The registered office of the Company is Darzciema iela 86, Riga, LV -1073, Latvia.

Board and Council of the Augstsprieguma Tīkls Group:

Members of the Board and their positions	<p>Gunta Jēkabsone – Chairwoman of the Board (from 15.07.2021)</p> <p>Imants Zviedris – a member of the Board (from 02.01.2020)</p> <p>Gatis Junghāns – a member of the Board (from 25.04.2021)</p> <p>Mārcis Kauliņš – a member of the Board (until 17.09.2022)</p> <p>Arnis Daugulis – a member of the Board (from 15.07.2021)</p> <p>Varis Boks – Chairman of the Board (until 04.06.2021)</p> <p>Arnis Staltmanis – a member of the Board (until 01.05.2021)</p>
Members of the Council and their positions	<p>Kaspars Āboliņš – Chairman of the Council</p> <p>Olga Bogdanova – Deputy Chairwoman of the Board</p> <p>Armands Eberhards – a member of the Council</p> <p>Madara Melne – a member of the Council (until 08.02.2022)</p> <p>Aigars Ģērmanis – a member of the Council</p>

AS “Augstsprieguma tīkls” is a transmission system operator which, in accordance with the licence No. E12001 issued by the Public Utilities Commission, ensures the security of operation of the transmission system and the supply of electricity to the Latvian electricity system, provides transmission service based on the published tariffs for transmission service, ensures the continuous availability of the services of the transmission system. AS “Augstsprieguma tīkls” carries out the day-to-day management of the transmission system and ensures a safe and stable transmission of electricity. The subsidiary of the Group, AS “Conexus Baltic Grid” is an independent operator of a unified natural gas transmission and storage system in Latvia, managing one of the most modern natural gas storage facilities in Europe - the Inčukalns underground natural gas storage facility - and the main natural gas transmission system connecting the Latvian natural gas market with Lithuania, Estonia, and Russia. Conexus takes care about the sustainability and safety of the infrastructure, the high quality of services that promotes the development of the market and brings economic benefits to customers and society as a whole. The transportation and storage of natural gas by Conexus are regulated by the Public Utilities Commission. The associated company of the group "Baltic RCC" OÜ is the Baltic Regional

Coordination Centre in Tallinn, charged with the main task of coordinating the planning of the development of electricity systems, as well as to coordinate the daily activities of individual operators to ensure the safety of electricity supply.

The financial statements were approved by the Board of the Company on 15 February 2023, as follows: Gunta Jēkabsons (Chairwoman of the Board), Imants Zviedris (a member of the Board), Gatis Junghāns (a member of the Board), and Arnis Daugulis (a member of the Board).

The auditor of the company is a commercial company of sworn auditors SIA "PricewaterhouseCoopers", and the responsible sworn auditor is Ilandra Lejiņa. These financial statements have not been audited.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of Augstsprieguma Tīkls Group and the condensed financial statements of AS "Augstsprieguma tīkls" have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, applying the same accounting policies or policies as used in the preparation of the consolidated statements of Augstsprieguma Tīkls Group and the financial statements of AS "Augstsprieguma tīkls" for 2021. These policies have been consistently applied to all the periods included, unless otherwise stated. Where necessary, prior period comparatives have been reclassified.

The Group's consolidated financial statements and the unaudited condensed financial statements of AS "Augstsprieguma tīkls" have been prepared under the historical cost convention, as modified, except for certain classes of property, plant and equipment that have been stated at revalued amounts, as disclosed in the accounting policies of the consolidated financial statements of the Augstsprieguma tīkls Group and the 2021 financial statements of AS "Augstsprieguma tīkls".

The unaudited condensed financial statements are presented in euros (EUR).

Non- IFRS EBITDA is presented in the income statement. Such presentation is common for the industry and enables a better comparability with other companies operating in this industry. For the purposes of these financial statements, EBITDA is calculated as earnings before interest, finance income, income taxes, dividends received, gains on investments in an associate, net gains on acquisitions, depreciation and amortisation. EBITDA may be calculated differently in the financial statements of other companies.

3. OPERATING SEGMENTS

The division into segments is based on the Group's internal organizational structure, which forms the basis for monitoring and controlling segment performance by the operating segment's decision-maker, the management of the Group company operating in each of the segments. The Parent Company's management board reviews the financial results of the operating segments.

Reportable segments are operating segments or groups of segments that meet certain criteria. An operating segment is a component of the Group that engages in operating activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), the results of which are reviewed regularly by the chief operating decision-maker.

The profit monitored by the chief operating decision-maker is primarily EBITDA, but it also monitors operating profit. In the stand-alone financial statements, operating profit excludes income from dividends and interest income from subsidiaries.

The Group divides its operations into three segments - electricity transmission, natural gas storage and natural gas transmission. The Parent Company divides its operations into one main segment - electricity transmission. Geographically, the Group operates only on the territory of Latvia.

Transmission of electricity

The electricity transmission segment provides power transmission system services and maintains balance and stability in the transmission system.

The electricity transmission system consists of interconnected networks and facilities, including cross-border interconnections of 110 kV or more, used to transmit electricity from electricity generators to the respective distribution network or to end-users.

Transmission of natural gas

The natural gas transmission segment provides transportation of natural gas via high-pressure pipelines to supply the Inčukalns underground gas storage facility, other countries, and the distribution network.

The Company's advanced main natural gas transmission system is 1,190 km long and is directly connected to the natural gas transmission systems of Lithuania, Estonia and Russia. It enables both natural gas transportation through regional gas pipelines on the territory of Latvia and interconnections with the natural gas transportation systems of neighboring countries.

Storage of natural gas

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

The purpose of natural gas storage is to provide a continuous supply of natural gas to consumers, regardless of seasonal fluctuations in consumption, by storing natural gas in summer and withdrawing it in winter. Inčukalns UGS is the only functioning underground gas storage facility in the Baltic States and has ensured the stability of gas supply in the region since 1968.

In the table below there is information on the Group's segment revenues, financial results and earnings, as well as the assets and liabilities of the Group's operating segments and the parent company. Intersegment revenues are eliminated on consolidation and are reported in the "Adjustments and eliminations" column. All inter-segment transactions are conducted on the basis of regulated tariffs, if any, or at arm's length.

Segment information is provided for the Group only, as the Parent Company is considered as one operating segment - the electricity transmission segment.

	Group					
	Electricity transmission EUR	Natural gas transmission EUR	Natural gas storage EUR	Total segments EUR	Adjustments and eliminations EUR	Total Group EUR
Year 2022						
External customers	295 997 065	26 259 950	28 871 449	351 128 464	-	351 128 464
Revenue	295 997 065	26 259 950	28 871 448	351 128 464	-	351 128 464
EBITDA	40 398 792	13 044 716	19 169 822	72 613 330	-	72 613 330
Depreciation and amortization	(35 307 254)	(10 099 447)	(7 759 085)	(53 165 786)	-	(53 165 786)
Segment (loss) / profit before tax	4 480 226	2 562 496	11 189 414	18 232 136	-	18 232 136
Segment assets at the end of the reporting period	823 798 737	238 760 565	225 048 730	1 287 608 032	(10 708 735)	1 276 899 297
Capital expenditure	31 499 703	5 452 438	9 488 226	46 440 367	-	46 440 367
Year 2021						
External customers	125 787 322	32 442 743	23 996 365	182 226 430	-	182 226 430
Revenue	125 787 322	32 442 743	23 996 365	182 226 430	-	182 226 430
EBITDA	35 577 990	18 787 080	14 778 098	69 143 168	-	69 143 168
Depreciation and amortization	(36 904 301)	(10 320 671)	(7 485 078)	(54 710 050)	-	(54 710 050)
Segment profit before tax	(3 440 541)	8 287 047	7 186 325	12 032 831	-	12 032 831
Segment assets at the end of the reporting period	774 882 520	250 659 943	217 410 340	1 242 952 803	(10 707 401)	1 232 245 402
Capital expenditure	33 848 041	10 579 496	16 772 102	61 199 639	-	61 199 639

Adjustments and elimination

Deferred taxes are not allocated to the individual segments as they are managed by the Group. Taxes and certain financial assets and liabilities are not allocated to these segments as they are also managed at the Group level.

Capital expenditures consist of the acquisition of property, plant and equipment, and intangible assets.

Reconciliation of the profit before tax

	Parent Company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
EBITDA	40 398 792	35 577 990	72 613 330	69 143 168
Depreciation and amortisation	(35 307 254)	(36 904 301)	(53 165 786)	(54 710 050)
Segment profit before tax and financial expenses	5 091 538	(1 326 311)	19 447 544	14 433 118
Finance income	54 910	6 905	61 559	7 607
Finance costs	(666 222)	(2 121 135)	(1 276 967)	(2 407 894)
Segment profit /(loss) before tax	4 480 226	(3 440 541)	18 232 136	12 032 831
Dividends from subsidiaries	6 536 774	58 286 236	-	-
Profit before tax	11 017 000	54 845 695	18 232 136	12 032 831

Reconciliation of assets

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Segment assets	823 798 737	774 882 520	1 287 606 888	1 242 952 803
Long term financial investment	134 441 393	134 396 393	46 422	-
Property, plant and equipment (impact of PPA adjustment on consolidation)*	-	-	(10 708 163)	(10 708 163)
Other assets	-	-	572	762
Total assets	958 240 130	909 278 913	1 276 945 719	1 232 245 402

* The value adjustment of PPEs applies to buffer gas in the gas pipelines owned by AS "Conexus Baltic Grid". The value of bufer gas was reduced, assessing the individual PPEs of AS "Conexus Baltic Grid" at the time of allocating the purchase price.

Operating income from significant customers represents at least 10% of the total operating income of the Parent Company and the Group.

Revenue from key customers

	Parent Company		Group	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Electricity transmission	141 889 024	105 480 292	141 889 024	105 480 292
Natural gas transmission	-	-	25 592 141	26 424 607
Natural gas storage	-	-	18 204 528	17 074 136
Total revenue from key customers	141 889 024	105 480 292	174 267 365	148 979 035

4. REVENUE

	Applied IFRS	Parent Company		Group	
		2022	2021	2022	2021
		EUR	EUR	EUR	EUR
Revenue from contracts with customers recognised over time					
Electricity transmission system service	IFRS 15	75 232 088	76 145 380	75 232 088	76 145 380
Sales of balancing electricity	IFRS 15	94 272 698	36 928 136	94 272 698	36 928 136
Revenues from natural gas transmission *	IFRS 15	-	-	25 740 793	32 442 743
Revenue from storage of natural gas *	IFRS 15	-	-	28 871 448	23 996 365
Revenue from connection fees	IFRS 15	3 366 985	3 346 612	3 366 985	3 346 612
Cross-border electricity charges	IFRS 15	614 675	1 717 020	614 675	1 717 020
Revenue from reactive electricity	IFRS 15	697 545	655 931	697 545	655 931
Sales of regulatory electricity	IFRS 15	3 236 885	631 946	3 236 885	631 946
Electricity transit service	IFRS 15	1 282 684	88 241	1 282 684	88 241
Other services	IFRS 15	928 632	764 419	1 447 790	764 419
TOTAL REVENUE from contracts with customers		179 632 192	120 277 685	234 763 591	176 716 793
Other revenue					
Congestion management at borders	IAS 20	63 350 003	3 309 834	63 350 003	3 309 834
Congestion management revenue to cover transmission losses	IAS 20	36 539 596		36 539 596	
Lease of other assets	IFRS 16	1 768 234	1 618 907	1 768 234	1 618 907
Liquidation of electrical capacity overload		14 707 040	580 896	14 707 040	580 896
TOTAL OTHER REVENUE		116 364 873	5 509 637	116 364 873	5 509 637
Total revenue		295 997 065	125 787 322	351 128 464	182 226 430

Revenues and expenses from the components of mandatory procurement, applying the accounting principle of the agent, disclosed in the report at net value:

	Parent Company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Revenue from the mandatory procurement component	564 827	4 857 584	564 827	4 857 584
Costs of the mandatory procurement component	(564 827)	(4 857 584)	(564 827)	(4 857 584)
Compulsory procurement components, net	-	-	-	-

Revenues and expenses from natural gas balancing, applying the accounting principle of the agent, disclosed in the report at net value:

	Parent Company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Revenue from natural gas balancing activities	-	-	35 537 104	18 810 250
Expenditure on natural gas balancing activities	-	-	(35 017 946)	(18 338 074)
Natural gas balancing, net	-	-	519 158	472 176

5. MATERIALS AND CONSUMABLES USED

	Parent Company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Purchase of balancing electricity	73 818 693	27 923 347	73 818 693	27 923 347
Electricity transmission losses and technological consumption	36 539 596	16 395 882	36 539 596	16 395 882
Purchase of regulatory electricity	23 653 879	9 573 605	23 653 879	9 573 605
Electricity transit losses	10 795 719	4 211 314	10 795 719	5 172 301
Natural gas transmission and storage system maintenance services	-	-	4 244 720	4 211 314
Costs of used materials and repairs	1 664 347	2 227 539	3 235 300	3 446 915
Natural gas costs	-	-	482 772	769 029
Electricity for own consumption	576 756	373 322	576 756	373 322
TOTAL RAW MATERIALS AND MATERIALS USED	147 048 990	60 705 009	153 347 435	67 865 715

6. FINANCE INCOME AND COSTS

	Parent Company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
a) Finance income				
Interest income from loans	47 194	-	47 194	-
Other finance income	7 716	6 905	14 365	7 607
Total financial income	54 910	6 905	61 559	7 607
b) Finance costs				
Interest expense on borrowings	-	(2 066 651)	(589 271)	(2 328 646)
Coupon interest costs of issued debt securities (Note 14)	(526 438)	(105 288)	(526 438)	(105 288)
Expenditure on debt securities issued	(49 169)	(2 630)	(49 169)	(2 630)
Capitalised borrowing costs	148 268	301 502	148 268	301 502
Interest expense on leased assets	(230 893)	(237 971)	(251 549)	(260 822)
Other finance costs	(7 990)	(10 097)	(8 808)	(12 010)
Total finance cost	(666 222)	(2 121 135)	(1 276 967)	(2 407 894)

7. PROPERTY, PLANT AND EQUIPMENT

	Parent Company						
	Land, buildings EUR	Electricity transmission engineering EUR	Transmission lines, technological equipment EUR	Other electricity transmission equipment EUR	Other PPE EUR	Costs of construction of PPE and construction in progress EUR	TOTAL EUR
31 December 2020							
Cost or revalued value	39 913 349	7 781 511	1 065 211 783	10 735 329	10 337 446	91 009 302	1 224 988 720
Accumulated depreciation and impairment	(4 013 930)	(3 675 427)	(548 384 479)	(8 607 679)	(5 947 427)	-	(570 628 942)
Net book amount	35 899 419	4 106 084	516 827 304	2 127 650	4 390 019	91 009 302	654 359 778
2021							
Additions	-	-	7 729	1 250	5 280 422	27 414 091	32 703 492
Transfers	2 057 299	209 961	93 107 280	484 847	2 061 772	(97 921 159)	-
Sold	-	-	(3 676)	-	-	(92 287)	(95 963)
Disposals	-	-	(256 871)	-	(1 094)	-	(257 965)
Depreciation	(1 475 357)	(541 405)	(26 275 282)	(729 469)	(2 748 523)	-	(31 770 036)
Increase in value of non - current assets due to revaluation	-	987 460	43 873 271	168 764	-	-	45 029 495
Decrease of non-current assets value due to revaluation	-	(3 045)	(14 077 655)	(82 311)	-	-	(14 163 011)
Closing net book amount as at 31 December 2021	36 481 361	4 759 055	613 202 100	1 970 731	8 982 596	20 409 947	685 805 790
31 December 2021							
Cost or revalued value	41 572 109	8 365 473	1 204 172 346	11 471 818	17 669 409	20 409 947	1 303 661 102
Accumulated depreciation and impairment	(5 090 748)	(3 606 418)	(590 970 246)	(9 501 087)	(8 686 813)	-	(617 855 312)
Net book amount	36 481 361	4 759 055	613 202 100	1 970 731	8 982 596	20 409 947	685 805 790
2022							
Additions	14 313	-	20 591	1 633	764 401	29 129 833	29 930 771
Transfers	2 011 102	172 621	14 454 827	815 459	181 202	(17 635 211)	-
Sold	-	-	(232 479)	-	-	(26 300)	(258 779)
Disposals	(11 007)	(4 344)	(259 464)	(122)	(413)	-	(275 350)
Depreciation	(1 381 106)	(526 959)	(27 866 942)	(465 858)	(3 507 338)	-	(33 748 203)
Adjustment		14 850			(14 850)	-	-
Closing net book amount as at 31 December 2022	37 115 461	4 415 621	599 317 409	2 065 428	6 662 041	31 878 269	681 454 229
31 december 2022							
Cost or revalued value	43 145 635	8 617 617	1 180 904 761	10 418 763	19 966 927	31 878 269	1 294 931 972
Accumulated depreciation and impairment	(6 030 174)	(4 201 996)	(581 587 352)	(8 353 335)	(13 304 886)	-	(613 477 743)
Net book amount	37 115 461	4 415 621	599 317 409	2 065 428	6 662 041	31 878 269	681 454 229

	Group								
	Land, buildings EUR	Electricity transmission engineering EUR	Gas transmission buildings and structures EUR	Transmission lines, technological equipment EUR	Other electricity transmission equipment EUR	Other PPE EUR	Emergency reserve EUR	Costs of construction of PPE and construction in progress EUR	Adjusted TOTAL EUR
31 December 2020									
Cost or revalued value	40 946 703	7 781 511	760 911 633	1 196 131 120	10 735 329	17 704 794	1 563 188	101 707 761	2 137 482 039
Accumulated depreciation and impairment	(4 013 930)	(3 675 427)	(438 591 735)	(606 163 138)	(8 607 679)	(10 808 637)	-	-	(1 071 860 546)
Net book amount	36 932 772	4 106 084	322 319 898	589 967 982	2 127 650	6 896 157	1 563 188	101 707 761	1 065 621 493
2021									
Additions	-	-	-	405 796	1 250	5 789 868	-	53 004 580	59 201 494
Transfers	2 108 113	209 961	12 852 612	96 249 917	484 847	2 193 704	-	(114 099 154)	-
Sold	-	-	(22 006)	(4 577)	-	(240)	-	(92 287)	(119 110)
Disposals	-	-	(404 182)	(472 559)	-	(2 950)	(24 409)	(83 938)	(988 038)
Depreciation	(1 475 357)	(541 405)	(11 405 968)	(31 156 513)	(729 469)	(3 504 662)	-	-	(48 813 374)
Increase in value of non - current assets due to revaluation	-	987 460	-	43 873 271	168 764	-	-	-	45 029 495
Decrease of non-current assets value due revaluation	-	(3 045)	-	(14 077 655)	(82 311)	-	-	-	(14 163 011)
Closing net book amount as at 31 December 2021	37 565 528	4 759 055	323 340 355	684 785 662	1 970 731	11 371 877	1 538 779	40 436 962	1 105 768 949
At 31 December 2021									
Cost or revalued value	42 656 276	8 365 473	771 087 876	1 337 283 799	11 471 818	26 393 089	1 538 779	40 436 961	2 239 234 072
Accumulated depreciation and impairment	(5 090 748)	(3 606 418)	(447 747 521)	(652 498 137)	(9 501 087)	(15 021 212)	-	-	(1 133 465 123)
Net book amount	37 565 528	4 759 055	323 340 355	684 785 662	1 970 731	11 371 877	1 538 779	40 436 962	1 105 768 949
2022									
Additions	22 619	-	44 902	1 266 099	1 633	1 895 697	-	40 864 728	44 095 678
Transfers	2 011 102	172 621	15 832 504	14 731 107	815 459	5 573 800	-	(39 136 593)	-
Sold	-	-	-	(232 479)	-	-	-	(26 300)	(258 779)
Disposals	(11 007)	(4 344)	(338 770)	(805 717)	(122)	(36 542)	-	-	(1 196 502)
Depreciation	(1 381 106)	(526 959)	(11 347 304)	(32 786 674)	(465 858)	(4 363 986)	-	-	(50 871 887)
Adjustment	-	14 850	22 687	1 002 700	0	(1 040 237)	286 605	-	286 605
Closing net book amount as at 31 December 2022	38 207 935	4 415 621	327 554 373	668 286 660	2 065 428	13 329 866	1 825 384	42 138 797	1 097 824 064
31 december 2022									
Cost or revalued value	44 238 109	8 617 617	785 685 819	1 314 599 932	10 418 763	33 446 283	1 825 384	42 138 797	2 240 970 704
Accumulated depreciation and impairment	(6 030 174)	(4 201 996)	(458 131 446)	(646 313 272)	(8 353 335)	(20 116 417)	-	-	(1 143 146 640)
Net book amount	38 207 935	4 415 621	327 554 373	668 286 660	2 065 428	13 329 866	1 825 384	42 138 797	1 097 824 064

Revaluation of PPEs is carried out with sufficient regularity to ensure that the carrying amount of PPE subject to revaluation does not differ materially from that which would be determined using fair value at the end of the reporting period. The Group's accounting policies require that the revaluation of PPE be performed on a regular basis, but at least every five years.

a) PPE in the electricity transmission segment

The following groups of PPEs in the electricity transmission segment, which are reported as power transmission lines and technological equipment, are revalued on a regular basis and at least every five years:

- Electricity transmission engineering structures;
- Transmission lines, technological equipment;
- Other electricity transmission equipment.

The revaluation of the above mentioned PPE groups was carried out in 2021 at their cost at 1 August 2021.

The valuation was conducted in accordance with real estate valuation standards and is based on the use of existing fixed assets, which is considered the best and most efficient use. As a result of the revaluation, the residual replacement value of each fixed asset was determined. The residual replacement value is the difference between the replacement cost of an asset or the replacement cost of an analogous asset at the time of valuation and the accumulated total physical, functional and economic depreciation.

Due to the specific nature and use of the assets, Level 3 data was used for the revaluation, which means that the data for the respective type of asset is not directly observable in the market.

The total fair value of the revalued assets was set at EUR 610,732,095. As a result of the revaluation, an increase in the value of PPE amounting to EUR 45,029,495 and a decrease amounting to EUR 14,163,011 were recognised. Of these amounts:

- EUR 4416,052 related to an increase in the value of assets for which a revaluation loss was previously recognised in the income statement, while EUR 8,312,289 related to a revaluation loss on assets with no revaluation reserve previously recognized. These amounts were recognised in the income statement.
- EUR 34,762,722 relates to the net gain on revaluation of property, plant and equipment recognized in comprehensive income and included in the revaluation reserve.

b) PPE in the natural gas transmission and natural gas storage segments

In accordance with the Group's accounting policies, revalued amounts are recognised for the following groups of property, plant and equipment in the natural gas transmission and natural gas storage segments: Buildings and structures related to natural gas transmission, transmission pipelines and related technical equipment.

The revaluation of fixed assets in the natural gas transmission and Storage segment was carried out in 2020. Due to the uniqueness and use of funds, Level 3 data was used for the revaluation, which means that the data for the respective type of assets are not easily observable in the market. In this revaluation (the previous one took place in 2016, when the assets were owned by AS "Latvijas Gāze") the data status of the assumptions used was not changed. The revaluation was performed by an external expert using the amortised replacement cost method. Under this method, the initial value of the assets is determined according to current prices and requirements and the materials used.

7.1. DEPRECIATION AND AMORTISATION

	Parent Company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Depreciation of PPE (Note 7)	(33 748 203)	(31 770 036)	(50 871 887)	(48 813 374)
Amortisation of intangible assets	(635 403)	(457 992)	(1 344 000)	(1 126 951)
Depreciation of right-to-use (Note 15)	(923 648)	(780 036)	(949 899)	(873 488)
Depreciation and amortization	(35 307 254)	(33 008 064)	(53 165 786)	(50 813 813)
Decrease in value of non - current assets due to revaluation	-	(8 312 289)	-	(8 312 289)
Increase of non-current assets value due to revaluation	-	4 416 052	-	4 416 052
TOTAL depreciation and amortization	(35 307 245)	(36 904 301)	(53 165 786)	(54 710 050)

8. OTHER LONG-TERM FINANCIAL INVESTMENTS

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Investments in subsidiaries, including:	134 394 971	134 394 971	-	-
AS "Conexus Baltic Grid"	134 394 971	134 394 971	-	-
Investments in associates, including:	45 000	-	45 000	-
"Baltic RCC" OÜ	45 000	-	45 000	-
Investments in the capital of other companies, including:	1 422	1 422	1 422	1 422
AS "Pirmais slēgtais pensiju fonds"	1 422	1 422	1 422	1 422
Residual value at the end of the reporting year	134 441 393	134 396 393	46 422	1 422

The Parent Company owns 1.9% of the share capital of AS "Pirmais slēgtais pensiju fonds". The Company is a nominal shareholder because all risks and rewards arising from the operations of the fund are assumed and gained by the Company's employees who are members of the pension plan.

Company	Location	Type of business	Shareholding
AS "Conexus Baltic Grid"	Latvia	Natural gas transmission and storage operator in Latvia	68.46%
"Baltic RCC" OÜ	Estonia	The regional coordination center of the Baltic electricity transmission systems	33.33%
AS "Pirmais slēgtais pensiju fonds"	Latvia	Pension plan management	1.9%

9. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Receivables from contracts with customers				
Receivables for electricity transmission services	20 108 461	21 083 293	20 108 461	21 083 293
Trade receivables	2 461 499	429 929	12 637 745	13 803 063
Total debts from contracts with customers	22 569 960	21 513 222	32 746 206	34 886 356
Expected credit losses				
Other trade receivables	(178 206)	(4 350)	(178 206)	(4 350)
Total expected credit losses	(178 206)	(4 350)	(178 206)	(4 350)
Receivables from contracts with customers, net				
Receivables for electricity transmission services	20 108 461	21 083 293	20 108 461	21 083 293
Other trade receivables	2 283 293	425 579	12 459 539	13 798 713
DEBT FROM CONTRACTS WITH CUSTOMERS, NET	22 391 754	21 508 872	32 568 000	34 882 006

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Impairment of receivables from contracts with customers				
At the beginning of the reporting year	4 350	15 617	4 350	15 617
Charged to profit or loss	173 856	(11 267)	173 856	(11 267)
At the end of the reporting period	178 206	4 350	178 206	4 350

10. OTHER RECEIVABLES

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Receivables related to European Union funded projects	8 384 944	1 174 056	8 384 944	1 174 056
Other financial assets	8 384 944	1 174 056	8 384 944	1 174 056
Overpaid corporate income tax	11 512	11 512	11 512	11 512
Deferred expenses	1 455 318	528 957	1 455 318	946 096
Other debtors	91 180	64 879	2 547 658	430 065
Other non-financial assets	1 558 010	605 348	4 014 488	1 387 673
TOTAL OTHER RECEIVABLES	9 942 954	1 779 404	12 399 432	2 561 729

11. CASH

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Cash in bank	92 042 624	48 513 943	103 009 740	63 190 053
TOTAL CASH	92 042 624	48 513 943	103 009 740	63 190 053

12. EQUITY

a) Share capital

An overview of changes in the Parent Company's share capital is provided in the table below:

	Number of shares	Registered share capital, EUR
At 1 January 2020	64 218 079	64 218 079
New share issue	299 678 000	299 678 000
At 31 December 2020	363 896 079	363 896 079
New share issue	1 999 878	1 999 878
At 31 December 2021	365 895 957	365 895 957
New share issue	25 702 577	25 702 577
At 31 December 2022	391 598 534	391 598 534

The share capital of the Group consists of the ordinary shares of the Parent Company. The share capital is fully paid.

Under the decision of the Shareholder meeting of AS "Augstsprieguma tīkls" of 16 November 2022 (minutes No.3 1.§) an investment in the share capital of the Parent Company in the amount of EUR 25 702 577 has been made, capitalising retained earnings.

Under the decision of the Shareholder meeting of AS "Augstsprieguma tīkls" of 28 May 2021 (minutes No.1, 1.§ and 2.§) an investment in the share capital of the Parent Company in the amount of EUR 1,999,878 has been made, capitalising retained earnings.

The Parent Company made the following payments to the State budget for the use of state capital (dividends) from the previous year's profit:

In 2021: EUR 7 999 514;

In 2022: EUR 29 143 118.

b) Reserves

The Parent Company's reserves consist of retained earnings which are added to other reserves to ensure the Company's development. The Group's reserves consist of the revaluation reserve for fixed assets, the reserves established in the subsidiary's articles of association, the revaluation reserve for post-employment benefits, and retained earnings transferred to other reserves upon the owner's decision to ensure the company's development.

c) Non - controlling interest

Apart from dividends, no other transactions with non-controlling interests have taken place.

13. DEFERRED INCOME

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
a) Non-current deferred income				
- from connection fees	38 084 750	38 249 840	38 084 750	38 249 840
Non-current deferred income from contracts with customers	38 084 750	38 249 840	38 084 750	38 249 840
- on financing from European Union funds	136 421 914	140 707 294	161 379 662	158 863 339
- on financing from European Union funds (interim payment)	18 562 500	-	18 562 500	-
- from congestion charge revenue	141 537 570	105 094 610	141 537 570	105 094 610
Other non-current deferred income	296 521 984	245 801 904	321 479 732	263 957 949
TOTAL non-current deferred income	334 606 734	284 051 744	359 564 482	302 207 789

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
b) Current deferred income				
- from connection fees	3 658 224	3 375 254	3 658 224	3 612 539
Current deferred income from contracts with customers	3 658 224	3 375 254	3 658 224	3 612 539
- unfinished projects funded from European Union, including:	3 881 759	950 636	3 881 759	950 636
<i>Project "Synchronisation of the Baltic Electricity Transmission System with the European Network, Phase 1"</i>	2 950 889	-	2 950 889	-
<i>Project "Synchronisation of the Baltic Electricity Transmission System with the European Network, Phase 2"</i>	777 947	777 947	777 947	777 947
<i>Project "EU-SysFlex- A European system with effectively coordinated use of flexibility to integrate a higher share of RES"</i>	37 812	37 812	37 812	37 812
<i>Project "Study of dynamic stability of Baltic electricity systems"</i>	26 250	26 250	26 250	26 250
<i>Project "TSO-SSO-end-user connection system, INTERRFACE"</i>	88 861	108 627	88 861	108 628
- completed projects funded by European Union	4 540 207	2 443 153	5 302 888	2 978 118
- on financing receivable from European Union funds	7 454 075	1 174 056	7 454 075	1 174 056
- from congestion charge revenue	1 204 239	1 187 754	1 204 239	1 187 754
- from another project financing	-	-	4 654	4 652
Current other deferred income	17 080 280	5 755 599	17 847 615	6 295 216
TOTAL current deferred income	20 738 504	9 130 853	21 505 839	9 907 755

Movement of deferred income from contracts with customers (non-current and current):	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
At the beginning of the reporting period	39 964 854	43 374 572	39 964 854	43 374 572
The connection fee is recognised in the income statement	(3 467 085)	(3 409 718)	(3 467 085)	(3 409 718)
At the end of the reporting period	36 497 769	39 964 854	36 497 769	39 964 854

Movement of other deferred income (non-current and current):	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
At the beginning of the reporting period	253 217 743	242 608 578	272 150 690	254 643 244
EU co-financing received *	7 720 086	1 207 955	7 720 086	1 207 955
Accumulated EU co-financing from previous periods received	(509 198)	(31 604 872)	(509 198)	(31 604 872)
Deferred revenue from EU co-financing	489 431	32 393 231	8 133 371	40 210 739
EU co-financing advance payment received *	21 513 389	-	21 513 389	-
Deferred revenue from connection fee received	3 584 966	1 660 242	3 584 966	1 660 242
Revenue from congestion charges received	68 845 836	11 441 072	68 845 836	11 441 072
IPGK reserved capacity fee	-	-	-	237 284
Capitalised co-financed project	-	-	-	130 468
Revenue from congestion charges is included in the income statement	(32 386 390)	(1 040 506)	(32 386 390)	(1 040 506)
EU co-financing is included in the income statement	(3 628 395)	(3 447 957)	(4 242 915)	(4 734 936)
At the end of the reporting period	318 847 469	253 217 743	344 572 552	272 150 690
TOTAL at the end of the reporting period	355 345 238	293 182 597	381 070 321	312 115 544

*Funding received from the European Union (related to assets) is recognised when the Group and the Parent Company have fulfilled the conditions attached to it and have an unconditional right to receive it. The conditions for receiving the funding are as follows: The Parent Company and the Group shall ensure the management, internal control, and accounting of the projects co-financed by the European Union in accordance with the European Union directives and

the legal requirements of the Republic of Latvia. Accounting records are kept in a separate account for each transaction related to the accounting of the projects co-financed by the EU. The Parent Company and the Group keep separate accounting records for the respective revenues, expenses, long-term investments, and VAT of the co-financed projects. If the funds have not been received by the end of the reporting period, they are recognized as receivables in the balance sheet item "Other receivables".

14. BORROWINGS

The Parent Company issued bonds in October 2021. The total amount of the bond issuance program is up to EUR 160,000 thousand with the possibility of additional issuances if needed. The bonds are listed on the Nasdaq Riga Stock Exchange and bear a fixed coupon of 0.5% per annum. They mature on 20 January 2027, and the Parent Company may repurchase any series of the issued bonds in full, but not in part, at any time within 3 (three) months prior to their maturity, at a price equal to the principal amount of the bonds together with accrued interest.

In addition to the events of default, a cross-default condition is applied if the outstanding debt of the Parent Company and its subsidiary, individually or in the aggregate, exceeds EUR 20,000 thousand.

To finance working capital, AS "Augstsprieguma tīkls" and AS "SEB banka" have concluded an *Overdraft agreement* up to EUR 20,000 thousand with a maturity date of 18 June 2023, a base interest rate of 3 months EURIBOR and an additional interest rate of 0.35%. In addition, in order to ensure funds for the financing of working capital for the next 24 months, an overdraft agreement of up to EUR 10,000 thousand was signed with AS "Swedbank" on 9 December 2022. The overdraft facilities are unsecured. During the reporting period, under this overdraft agreement, AS "Augstsprieguma tīkls" did not receive any borrowing.

The Subsidiary company of the Parent Company, natural gas operator AS "Conexus Baltic Grid", attracts external funding on its own. In the reporting year, AS "Conexus Baltic Grid" had borrowings from North Investment Bank, AS "SEB banka", and OP Latvian Bank plc Latvian branch. At the same time, the Subsidiary has lines of credit of EUR 65,000 thousand (at 31 December 2021: EUR 90,000 thousand), of which at the end of the reporting period a line of credit in the amount of EUR 929 thousand had been used. The terms of the available credit line agreements exceed one year.

At the end of the reporting period, the weighted average interest rate on the Parent Company's long-term borrowings remained unchanged at 0.5% (at 31 December 2021: 0.5%). 100% of the total long-term loans have a fixed loan interest rate (at 31 December : 100%).

At the end of the reporting period, the Group's weighted average interest rate on long-term loans is 0.52% (at 31 December 2021: 0.44%). 71% of the Group's total non-current borrowings have a fixed interest rate (at 31 December 2021: 75%).

All of the Group's loans are denominated in euros and are unsecured.

Borrowings:

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Non-current borrowings from credit institutions	-	-	69 468 183	60 282 986
Non-current portion of issued debt securities (bonds)	99 892 726	99 866 288	99 892 762	99 866 288
Current borrowings from credit institutions	-	-	12 899 286	37 772 866
Borrowings	99 892 726	99 866 288	182 260 195	197 922 140
Non – current accrued liabilities for coupon interest expenses on issued debt securities (bonds)	473 973	100 000	473 973	100 000
Current accrued interest on borrowings from credit institutions	-	-	-	37 369
TOTAL borrowings	100 366 699	99 966 288	182 734 168	198 059 509
Of which:				
Non-current	100 366 699	99 966 288	169 834 882	160 249 274
Current	-	-	12 899 286	37 810 235

Movement of borrowings:

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
At the beginning of the reporting period	99 966 288	203 284 381	198 060 364	225 159 381
Borrowings received from credit institutions	-	-	20 000 000	84 949 950
Receipt from issue of debt securities (bonds)	-	99 861 000	-	99 861 000
Borrowings repaid to related parties	-	(86 672 207)	-	(86 672 207)
Borrowings repaid to credit institutions	-	(116 200 000)	(35 688 383)	(124 969 097)
Calculated borrowing interest rates for related parties	-	1 340 530	-	1 340 530
Calculated borrowing interest rates for credit institutions	-	726 121	(38 224)	988 116
Interest accrued on issued bonds	526 438	105 288	526 438	105 288
Paid interest on loans to related parties	-	(1 752 704)	-	(1 752 704)
Paid interest on loans to credit institutions	-	(726 121)	-	(950 748)
Paid interest on bonds	(126 027)	-	(126 027)	-
Changes in borrowings, net	400 411	(103 318 093)	(15 326 196)	(27 099 872)
At the end of the reporting period	100 366 699	99 966 288	182 734 168	198 059 509

The movement of lease liabilities is presented separately in Note 15.

15. ASSET LEASES

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
15 a) Right-to-use assets				
Carrying value at the beginning of the reporting period	14 635 417	14 212 293	15 086 525	14 715 877
Amendments made to lease contract terms	84 234	57 729	120 880	98 705
Additions to right-of-use assets	686 101	1 145 431	686 101	1 145 431
Depreciation	(923 648)	(780 036)	(949 899)	(873 488)
Carrying value at the end of the reporting period	14 482 104	14 635 417	14 943 607	15 086 525
15 b) Non-current and current lease liabilities				
Liabilities at the beginning of the reporting period	14 938 982	14 418 995	15 406 319	14 933 065
Amendments made to lease contract terms	84 234	57 729	120 880	98 705
New lease contracts	686 101	1 145 431	686 101	1 145 431
Repayment of lease	(832 660)	(683 173)	(872 877)	(770 882)
Interest paid	(230 893)	(237 970)	(230 893)	(260 821)
Interest calculated	230 893	237 970	251 549	260 821
Liabilities at the end of the reporting period	14 876 656	14 938 982	15 361 079	15 406 319
Of which				
Non-current	13 437 902	14 199 182	13 897 260	14 647 122
Current	1 438 755	739 800	1 463 819	759 197

16. TRADE AND OTHER PAYABLES

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Financial liabilities				
Payables for electricity and natural gas	22 684 878	17 595 113	22 684 878	17 639 639
Payables for materials and services	6 459 489	8 036 035	13 870 343	15 281 343
Total accounts payable	29 144 367	25 631 148	36 555 221	32 920 982
Accrued expenses	95 367	15 902	2 418 699	6 108 141
Other financial current payables	2 661 924	2 907 326	2 661 923	3 931 938
TOTAL financial liabilities	31 901 658	28 554 376	41 635 843	42 961 061
	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Non-financial liabilities:				
State social security contributions and other taxes	1 455 828	299 430	2 532 589	504 163
Connection fee advances received	479 283	1 247 950	479 283	1 247 950
Advances received	650	131	8 581 032	956 942
Other non-financial current payables	2 973 285	2 319 653	4 101 274	3 549 100
TOTAL non-financial liabilities	4 909 046	3 867 164	15 694 178	6 258 155
TOTAL trade and other current payables	36 810 704	32 421 540	57 330 021	49 219 216

17. FAIR VALUE CONSIDERATIONS

IFRS 13 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 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 consider 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 its 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 each level of data to determine the fair value hierarchy;
2. Classify the financial instrument itself on the basis of the lowest level if a significant part of their value is formed 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 are not the quoted prices at Level 1 but that are 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

In the valuation technique, market data that are not based on observable market data (non-observable market data) are classified in Level 3. Non-observable market data are the data that are not easily available in an active market due to the illiquidity of the market or the complexity of the financial instrument. Level 3 data are usually determined from observable market data of a similar nature, from historical observations, or from analytical approaches.

Fair value of financial assets and liabilities and assets measured at fair value

The carrying amount of liquid and short-term (up to three months) financial instruments such as cash, short-term deposits, short-term trade receivables and debts to suppliers and contractors is approximately at their fair value.

The fair value of borrowings and lease liabilities is assessed by discounting future cash flows by applying market interest rates. As the interest rates applied to borrowings were determined recently and do not differ materially from market interest rates (although being fixed), while interest rates applied to lease liabilities are assessed as similar to current market interest rates, with the risk premium applied to the Group and the Parent Company not changed significantly, the fair value of non-current liabilities approximates their carrying amount.

Despite bonds (included under borrowings) being listed, market transactions are rare and cannot be considered representative of an active market. Thus Level 1 measurements are not applied to bonds issued. As a result, the fair value of bonds is determined by discounting future cash flows by applying market interest rates. As the interest rates applied to bonds were determined during 2021 and do not differ materially from market interest rates and the risk premium applied to the Group and the Parent Company has not changed significantly, the fair value of bonds approximates their carrying amount.

Management assessed that cash and short-term deposits, receivables, trade payables, bank overdrafts, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

	Parent Company			
	Carrying amount EUR	Level 1, EUR	Level 2, EUR	Level 3, EUR
31.12.2022.				
Assets that are accounted in fair value:				
Revaluated PPE	-	-	-	-
Financial assets:				
Cash (Note 11)	92 042 624	-	92 042 624	-
Receivables from contracts with customers (Note 9)	22 391 754	-	-	22 391 754
Other non-current financial investments (Note 8)	46 422	-	-	46 422
Other receivables (Note 10)	8 384 944	-	-	8 384 944
Financial liabilities:				
Borrowings (Note 14)	100 366 699	-	100 366 699	-
Lease liabilities (Note 15)	14 876 656	-	-	14 876 656
Payables to suppliers and other creditors (Note 16)	31 901 658	-	-	31 901 658
31.12.2021.				
Assets that are accounted in fair value:				
Revaluated PPE	619 931 886	-	-	619 931 886
Financial assets:				
Cash (Note 11)	48 513 943	-	48 513 943	-
Receivables from contracts with customers (Note 19)	21 508 872	-	-	21 508 872
Other non-current financial investments (Note 8)	1 422	-	-	1 422
Other receivables (Note 10)	1 174 056	-	-	1 174 056
Financial liabilities:				
Borrowings (Note 14)	99 966 288	-	99 966 288	-
Lease liabilities (Note 15)	14 938 982	-	-	14 938 982
Payables to suppliers and other creditors (Note 16)	28 554 376	-	-	28 554 376

	Groups			
	Carrying amount EUR	Level 1, EUR	Level 2, EUR	Level 3, EUR
31.12.2022.				
Assets that are accounted in fair value:				
Revaluated PPE	-	-	-	-
Financial assets:				
Cash (Note 11)	103 009 740	-	103 009 740	-
Receivables from contracts with customers (Note 9)	32 568 000	-	-	32 568 000
Other non-current financial investments (Note 8)	46 422	-	-	46 422
Other receivables (Note 10)	8 384 944	-	-	8 384 944
Financial liabilities:				
Borrowings (Note 14)	182 734 168	-	182 734 168	-
Lease liabilities (Note 15)	15 361 079	-	-	15 361 079
Payables to suppliers and other creditors (Note 16)	41 635 843	-	-	41 635 843
31.12.2021.				
Assets that are accounted in fair value:				
Revaluated PPE	1 014 855 803	-	-	1 014 855 803
Financial assets:				
Cash (Note 11)	63 190 053	-	63 190 053	-
Receivables from contracts with customers (Note 9)	34 882 006	-	-	34 882 006
Other non-current financial investments (Note 8)	1 422	-	-	1 422
Other debtors (Note 10)	1 174 056	-	-	1 174 056
Financial liabilities:				
Borrowings (Note 14)	198 059 509	-	198 059 509	-
Lease liabilities (Note 15)	15 406 319	-	-	15 406 319
Payables to suppliers and other creditors (Note 16)	42 961 061	-	-	42 961 061

There has been no reclassification of assets between Level 1, Level 2 and Level 3 during the reporting period.

18. TRANSACTIONS WITH RELATED PARTIES

Related parties are State-owned enterprises that are controlled, jointly controlled or significantly influenced by the State.

Transactions in the ordinary course of business with the Latvian Government, including its departments and agencies, and transactions between state-controlled entities and public service providers are excluded from quantitative related party disclosures based on the provisions of paragraph 25 of IAS 24. The Group and the Parent Company enter into arm's length transactions with many of these entities.

The remuneration of management of the Augstsprieguma tīkls Group includes the remuneration of the members of the Board of the Group companies, the Council and the Council (Audit Committee) of the Parent Company. The remuneration for the management of the Parent Company includes the remuneration for the members of the Board of Management, the Council, and the supervisory body (audit committee) of the Parent Company.

Revenues and expenses from transactions with related parties (other public corporations)

	Parent Company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Revenues				
Electricity transmission system service	73 514 575	74 971 551	73 514 575	74 971 551
Sale of balancing electricity	30 205 990	8 637 314	30 205 990	8 637 314
Sale of regulatory electricity	1 843 615	427 517	1 843 615	427 517
Revenue from reactive electricity	621 896	613 795	621 896	613 795
Mandatory procurement components	223 692	3 325 574	223 692	3 325 574
Revenue from other services	2 396 715	1 993 613	2 396 715	1 993 613
Total revenues from transactions with related companies	108 806 483	89 969 364	108 806 483	89 969 364

	Parent Company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Costs				
Purchase of balancing electricity	14 076 752	10 834 310	14 076 752	10 834 310
Purchase of regulatory electricity	23 652 121	9 572 336	23 652 121	9 572 336
Electricity for own consumption	81 344	136 949	81 344	136 949
Electricity capacity reserve maintenance costs	7 892 280	4 080 085	7 892 280	4 080 085
Mandatory procurement component	1 338 608		1 338 608	
Communication expenses	564 827	4 857 584	564 827	4 857 584
Use of emergency automation, synchronous compensators	3 236 455	3 094 890	3 236 455	3 094 890
Liquidation of electrical capacity overload	220 200	-	220 200	-
Long-term loan interest payments	0	1 340 530	-	1 340 530
Lease of fixed assets and land	814 362	795 693	814 362	795 693
Other costs	164 288	1 443 792	164 288	1 443 792
Total cost of transactions with related companies	52 041 237	36 156 169	52 041 237	36 156 169

Balances at the end of the accounting year arising from transactions with related parties (other public companies)

	Parent Company		Group	
	31.12.2022. EUR	31.12.2021. EUR	31.12.2022. EUR	31.12.2021. EUR
Receivables:				
state-controlled capital companies	7 840 071	10 827 721	7 840 071	10 827 721
Payables:				
state-controlled capital companies	15 998 334	12 343 652	15 998 334	12 343 652

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

During the government's Cabinet meeting held on 14 February 2023, the Ministry of Climate and Energy was designated as AS "Augstsprieguma tīkli"s capital shareholder. This will promote the participation of the Ministry of Climate and Energy - the energy policy maker - in the development of the transmission system operators AS "Augstsprieguma tīkls" and AS "Conexus Baltic Grid". This participation is an essential prerequisite for energy security. Previously, the owner of the capital shares of AS "Augstsprieguma tīkls" was the Ministry of Finance. The change of the shareholder of AS "Augstsprieguma tīkls" does not affect the structure of the shareholders of the same. AST is 100% owned by the Republic of Latvia.

Since the last day of the reporting period there were no events or circumstances that could significantly affect the non-audited condensed financial statements of AS "Augstsprieguma tīkls" Group and AS "Augstsprieguma tīkls" for the 12 months period ended 31 December 2022. To mitigate cyber security risks, the Parent Company and its Subsidiary AS "Conexus Baltic Grid", as critical infrastructure companies, perform enhanced risk assessment and appropriate risk management. Although the uncertainty about the future impact of events on the Group's and the Parent Company's operations has increased, no circumstances have been identified that would threaten the continuity of operations and the performance of functions determined by law.

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