



AUGSTSPRIEGUMA TĪKLS
GROUP'S CONSOLIDATED AND
AS "AUGSTSPRIEGUMA TĪKLS"
STAND-ALONE

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD
ENDED 30 JUNE 2023

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL ACCOUNTING STANDARD NO. 34
"INTERIM FINANCIAL REPORTING"
AS ADOPTED BY THE EUROPEAN UNION

SATURS

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**INFORMATION
ABOUT THE GROUP
AND THE COMPANY**



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 Rīga, 28 December 2001 Re-registered in the Commercial Register on 13 November 2004 under the single registration number 40003575567 |
| LEI code | 64883LC3F1269OGATG87 |
| REGISTERED OFFICE | Darziema iela 86, Rīga, LV-1073, Latvia |
| MAIN BUSINESS OF THE PARENT COMPANY | Transmission of electricity, NACE code 35.12 |
| THE GROUP'S PRINCIPAL ACTIVITY | Transmission of electricity, NACE code 35.12; and Transport via pipeline, NACE code 49.50. |
| SHAREHOLDER OF THE PARENT COMPANY | Republic of Latvia (100%) |
| MEMBERS OF THE BOARD AND THEIR POSITIONS | Gunta Jēkabsone – Chairwoman of the Board (until 01.08.2023) Imants Zviedris – a member of the Board Gatis Junghāns – a member of the Board Arnis Daugulis – a member of the Board Mārcis Kauliņš – a member of the Board (until 17.09.2022) |
| MEMBERS OF THE COUNCIL AND THEIR POSITIONS | 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) |
| SHAREHOLDINGS IN OTHER COMPANIES | AS "Conexus Baltic Grid" (68.46%) |
| REPORTING PERIOD | 1 January 2023 – 30 June 2023 |

Translation note: This version of Augstsprieguma tīkls group's consolidated and AS "Augstsprieguma tīkls" stand-alone Unaudited Condensed Interim Financial Statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of Augstsprieguma tīkls group's consolidated and AS "Augstsprieguma tīkls" stand-alone Unaudited Condensed Interim Financial Statements takes precedence over this translation. consolidated and AS "Augstsprieguma tīkls" Sustainability Report takes precedence over this translation anagement Report



**KEY FINANCIAL
AND OPERATIONAL
INDICATORS**



KEY FINANCIAL AND OPERATIONAL INDICATORS

| | GROUP* | | PARENT COMPANY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 6 months of 2023 | 6 months of 2022 | 6 months of 2023 | 6 months of 2022 |
| FINANCIAL INDICATORS | | | | |
| Revenue, in thous. EUR | 105,117 | 118,928 | 72,720 | 91,251 |
| EBITDA, in thous. EUR | 38,143 | 28,024 | 17,927 | 11,120 |
| Profit, in thous. EUR | 8,409 | (1,607) | 6,056 | (467) |
| | 30.06.2023 | 30.06.2022 | 30.06.2023 | 30.06.2022 |
| Total assets, in thous. EUR | 1,314,795 | 1,198,248 | 999,617 | 899,482 |
| Equity, in thous. EUR | 630,028 | 614,028 | 446,542 | 435,733 |
| Borrowings, in thous. EUR | 176,105 | 174,199 | 100,128 | 100,101 |
| Net cash flow from operating activity, in thous. EUR | 66,922 | 27,006 | 47,378 | 5,922 |
| Cash and short-term deposits, in thous. EUR** | 67,915 | 41,115 | 65,146 | 40,850 |
| FINANCIAL RATIOS | | | | |
| Total liquidity ratio (≥ 1.2)* | 1.5 | 0.9 | 2 | 1.5 |
| EBITDA margin | 36% | 38% | 25% | 28% |
| Equity ratio ($\geq 35\%$)* | 48% | 51% | 45% | 48% |
| Net liabilities to equity ($\leq 55\%$) * | 15% | 22% | 7% | 19% |
| PERFORMANCE INDICATORS | | | | |
| Electricity transmitted to Latvian consumers, GWh | 2 976 | 3,138 | 2 976 | 3,138 |
| Natural gas transmitted, TWh | 14.7 | 16.8 | - | - |
| Average number of employees | 4.3 | 4.8 | - | - |

EBITDA - earnings before interest, depreciation and amortization, dividends received from the Subsidiary, finance income, finance expenses, corporate income tax.

Total liquidity ratio = current assets/current liabilities (excluding refinanced portion of short-term borrowings)

EBITDA margin = EBITDA/revenue

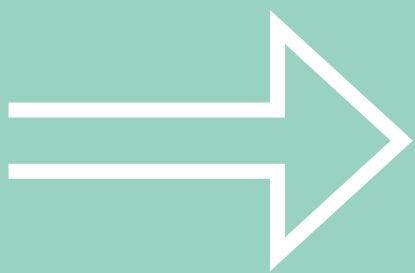
Equity ratio = equity/total assets

Net liabilities = liabilities – cash – short-term deposits

Net liabilities to equity = net liabilities/ (net liabilities + equity)

*The Parent company's target indicators are indicated in brackets next to the financial indicator in brackets.

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



MANAGEMENT REPORT



SIGNIFICANT FACTS AND DEVELOPMENTS

BALTIC TRANSMISSION SYSTEM OPERATORS (TSOS) HAVE SIGNED A COOPERATION AGREEMENT TO ENSURE SYNCHRONISATION WITH CONTINENTAL EUROPE IN FEBRUARY 2025

On 1 August 2023, the Estonian, Latvian and Lithuanian electricity transmission system operators Elering, Augstsprieguma tīkls (hereinafter also referred to as “AST”) and Litgrid signed a cooperation agreement to ensure readiness for synchronisation with the continental European grid in February 2025.

The agreement consolidates a coordinated plan between the operators on the steps to be taken to ensure that the Baltic power system is ready for accelerated synchronisation with the continental European power system, which is critical for the reliable operation of power systems in the region. By the time of the expected accelerated synchronisation, the key infrastructure elements of the Baltic electricity supply system necessary for the reliable operation of the system, including the reconstruction of the Latvian-Estonian interconnectors, will have been implemented.

IN JUNE, LATVIA HAD ITS LOWEST METERED ELECTRICITY CONSUMPTION SINCE 2005

In June 2023, 491 GWh of electricity were consumed in Latvia, which was 5% less than in May and 9% less than in June 2022. This is the lowest monthly metered electricity consumption in Latvia since June 2005. The decrease in metered consumption is due to the increasing number of micro power plants and solar power stations, which result in more electricity being used for self-consumption before being fed into the grid and metered.

EUR 510 MILLION TO BE INVESTED IN ELECTRICITY TRANSMISSION SYSTEM OVER THE NEXT DECADE

AST has prepared a development plan for the Electricity transmission network for the period 2024 to 2033, which it submitted to the Public Utilities Commission for approval in June 2023. According to the development plan, EUR 510 million will be invested in the electricity transmission network over the next ten years, of which EUR 136 million will be co-financed by European Union funds. Fundamental changes are being made to the transmission grid infrastructure and control technologies to fully prepare the Latvian transmission grid for synchronous operation with continental Europe. The decoupling of the Latvian electricity supply system from the grid controlled by Russia and Belarus is an important prerequisite for ensuring Latvia’s energy independence.

AN OUTLINE ABOUT THE AUGSTSPRIEGUMA TĪKLS GROUP

Overview of the business model

The Augstsprieguma tīkls Group is one of the largest energy supply merchants in the Baltics, the Group’s principal business is the provision of electricity transmission system operator functions, efficient management of energy supply system assets, transmission and storage of natural gas.

As at 30 June 2023, the Augstsprieguma tīkls Group consisted of commercial companies in which the Parent Company AS “Augstsprieguma tīkls” had a decisive influence and which included the subsidiary AS “Conexus Baltic Grid”. The Group operates in the territory of Latvia. See Note 8 for information on the shareholding in the Subsidiary and its location.

Together with the Estonian and Lithuanian electricity transmission system operators, AS “Augstsprieguma tīkls” has established the Baltic Regional Coordination Centre for Electricity Systems “Baltic RCC” OÜ, registered in Estonia. See Note 8 for information on the shareholding in the associated undertaking and its location.

All (100%) of the shares of AS “Augstsprieguma tīkls” are owned by the State and held by the Ministry of Climate and Energy of the Republic of Latvia.

The structure of the Augstsprieguma tīkls Group is organised into three operating segments – electricity transmission, natural gas transmission, and natural gas storage. The breakdown is based on the Group’s internal organisational structure, which forms the basis for monitoring and controlling segment performance. For more information on the operating segments as well as the Parent Company, refer to the section “Operating segments”.

The overall strategic objective of the Augstsprieguma tīkls Group is to ensure the security of Latvia’s energy supply, to provide uninterrupted, high-quality, and affordable energy transmission services, as well as to implement sustainable management of the national energy assets of strategic importance and to facilitate their integration into the EU internal energy market. Our mission is to ensure an uninterrupted, secure and sustainably efficient energy supply throughout Latvia.

Values

TRUST



HONEST

Independent, ethical and open behaviour towards anyone and everyone

DEVELOPMENT



SMART

Efficient. Forward-looking. Long-term thinking

SAFETY



RESPONSIBLE

Thoughtful action. High sense of responsibility towards people, work, and nature.

TEAM



UNITED

Joining forces to achieve more. Strong team that encourages and challenges.

AN OVERVIEW OF THE OPERATING ENVIRONMENT

Electricity market

After a decrease in electricity prices since the beginning of the year in Latvia and the Baltics, as well as in Europe, there were an increase in average electricity prices across Europe in June. The highest average electricity price of EUR 118.17/MWh was registered in Poland, while the lowest price of EUR 43.37/MWh was registered in Finland. The highest prices in the Baltics in June 2023 were registered in Latvia and Lithuania, with an average electricity price of 98.70 EUR/MWh, while in Estonia it was lower - 92.08 EUR/MWh. The price difference at the Baltics level is due to insufficient transmission capacity between Latvia and Estonia at certain hours, as well as Estonia's ability to import significantly cheaper electricity from Finland.

The total amount of electricity produced in Latvia in June 2023 decreased by 43% compared to May 2023 and by 30% compared to year 2022. With a significant drop in electricity production in Latvia, only 40% of the country's electricity consumption was generated in June, which was the lowest since October last year. The shortfall of 295 GWh was imported from neighbouring countries. There was a 75% drop in production in hydroelectric plants compared to May 2023 and a 61% drop in production compared to June 2022. Natural gas plants experienced a 172-fold production increase in June 2023 given that they were almost idle in May 2023. Wind power production in June 2023 declined by 35%, but solar power increased by 19% compared to May 2023.

Due to the Russia's initiated hostilities against Ukraine, the Baltic States have suspended commercial electricity flows from Russia and Belarus

since May 2022, replacing it with import of electricity from EU countries.

Natural gas market

In the first six months of 2023, the total volume of natural gas transported in Latvia reached 14.7 TWh, which was 12% less than in the same period of the previous year. The decrease was mainly due to lower volumes of natural gas transported from Inčukalns UGS Facility to Lithuania, as Lithuanian consumers were provided with direct supplies from the Klaipeda LNG terminal.

In accordance with the prohibition to supply natural gas from Russia under the Energy Law, there was no supply of natural gas from Russia during the reporting period. Instead, natural gas traders supplied natural gas from Klaipeda LNG terminal, Inkoo LNG terminal and Inčukalns UGS Facility. In the first six months of this year, Lithuania received 9.2 TWh of natural gas, 41% more than in the same period last year.

In the first six months of 2023, natural gas consumption by Latvian consumers -reached 4.3 TWh, which was 12% less than in the same period last year. This decrease was due to both milder weather conditions in the winter months compared to the corresponding period in 2022, which resulted in lower consumer demand for heating natural gas than in the corresponding period last year, and unprecedentedly high natural gas prices, which prompted consumers to reduce their natural gas consumption. The decrease in natural gas consumption by Latvian consumers was partly offset by a doubling of natural gas consumption for electricity generation in the country's largest thermal power plants.

OPERATING SEGMENTS

Electricity transmission segment

Under the issued licence No. E12001 and Section 11 (1) of the Electricity Market Law, the joint stock company AS "Augstsprieguma tīkls" is the sole electricity transmission system operator in Latvia, and its licence area covers the whole territory of Latvia. AS "Augstsprieguma tīkls" ensures an uninterrupted, reliable and sustainably efficient electricity transmission throughout Latvia. Under Section 5 of the Energy Law, electricity transmission is a regulated sector.

AST manages the backbone of the Latvian electricity system, i.e., the transmission network, which comprises interconnected networks and equipment, including interconnectors, with a voltage of 110 kV or more, used for transmission to the relevant distribution system or users. The Parent Company operates, maintains, and repairs high-voltage lines, substations and distribution points, and develops the transmission network.

The Parent Company divides its activities into one main business segment – electricity transmission.

During the reporting period, the obligations imposed on the Transmission System Operator were implemented through the following transmission network:

| Highest voltage (kV) | Number of substations | Number of autotransformers and transformers | Installed capacity (MVA) | Overhead and cable EPL (km) |
|----------------------|-----------------------|---|--------------------------|-----------------------------|
| 330 kV | 17 | 26 | 3,800 | 1,742 |
| 110 kV | 123 | 245 | 5,157 | 3,812 |
| TOTAL | 140 | 271 | 8,957 | 5,554 |

Natural Gas Transmission and Natural Gas Storage segments

Given the Parent Company's investment in its subsidiary, the Latvian natural gas transmission and storage system operator AS "Conexus Baltic Grid", the sustainable management of energy assets of strategic importance to the country and their integration into the internal energy market of the European Union is a key focus of the Group's activities.

AS "Conexus Baltic Grid" is the single natural gas transmission and storage operator in Latvia, managing one of the most modern natural gas storage facilities in Europe – Inčukalns Underground Gas Storage Facility (hereinafter also referred to as "Inčukalns UGS", the storage facility), and the trunk natural gas transmission system connecting the Latvian market for natural gas with those of Lithuania and Estonia.

Conexus' natural gas transmission and storage services are supervised by the Public Utilities Commission (hereinafter "PUC", the Regulator).

Conexus' customers, i.e., users of the natural gas transmission and storage system, reside in several countries in the Baltic Sea region – Finland, Estonia, Latvia, Lithuania, and Poland, as well as other European countries – Norway, the Czech Republic and Switzerland. Users range from private domestic companies to state-owned and multinational companies representing different business sectors: wholesale and retail of natural gas, energy

producers, heating operators, and manufacturing companies.

As a company, Conexus is committed to the sustainability and safety of its infrastructure and to providing high-quality service in order to promote market development and deliver economic value to customers and society at large.

A socially responsible organization, Conexus ensures the overall development of the industry, the growth of its employees, and sustainable employment by adding economic value while ensuring the minimal impact of its technological processes on the environment at the same time.

Natural gas transmission segment

AS "Conexus Baltic Grid" is the only operator in Latvia that maintains the natural gas transmission system, ensures its safe, uninterrupted operation, and interconnects it with other transmission systems, so that traders may trade natural gas using the natural gas transmission system.

The 1,190 km long natural gas transmission main system is directly connected to the natural gas transmission systems of Lithuania, Estonia, and Russia, providing transmissions of natural gas through regional pipelines within Latvia and interconnections with the natural gas transmission systems of neighbouring countries:

- The international pipelines have a diameter of 720 mm and operating pressures ranging from 28 to 40 bar;

- The regional gas pipelines have a diameter of 400 mm to 530 mm and a working pressure of up to 30 bar;
- 40 gas regulating stations are used to transport natural gas to the local distribution system in Latvia. For supplying natural gas to Latvian consumers, all outlets for consumption in the territory of Latvia are combined at a single exit point.

Natural gas storage segment

The natural gas storage segment provides natural gas storage in the Inčukalns Underground Gas Storage

Facility for the heating season and other needs of system users.

The subsidiary manages the only operational natural gas storage facility in the Baltic States – the Inčukalns Underground Gas Storage Facility, ensuring the stability of the regional gas supply and energy security of the region. The subsidiary provides certified traders with the possibility to store natural gas for trading in Latvia or other markets. The Inčukalns Underground Gas Storage Facility can store up to 2.3 billion cubic metres of active natural gas, which fully covers the region's requirements as energy demand grows during the heating season.

FINANCIAL PERFORMANCE

In the reporting period, the net turnover of the Augstsprieguma tīkls Group amounted to EUR 105,117 thousand. Net profit was EUR 8,409 thousand.

Electricity transmission segment

When assessing the segment's financial performance and operating results, it should be noted that under Section 5 of the Energy Law, electricity transmission is a regulated sector, and the PUC determines the allowed profit by setting the rate of return on capital when approving tariffs for electricity transmission system services.

The segment's net turnover in the reporting period was EUR 72,720 thousand, including EUR 37,280 thousand in revenues from electricity transmission network services. The significant decrease in revenue of EUR 18,531 thousand (down by 20%) compared to 2022 is due to a decrease in balancing and regulating electricity revenues. The decrease in revenue under the mentioned headings corresponds to a decrease in costs, so their impact on profit is neutral.

In the first 6 months of 2023, the price of electricity for transmission losses, and technological consumption significantly (2.9 times) exceeded the price of electricity budgeted in electricity transmission tariff, which was approved on 26 November 2020 and in force till 1 July 2023, negatively affecting the financial performance of the electricity transmission segment. In order to ensure the stability and predictability of electricity transmission tariffs, reducing the negative impacts caused by electricity price fluctuations, as the result of procurement procedure, in 10 March 2023 contract was concluded for electricity for transmission losses, electricity for insuring the technological process purchase at a fixed price, determining the term of the contract until 31 December 2024. In order to ensure the profitability of the transmission system operator, new tariffs

for electricity transmission system services were approved by a decision of the PUC Council on 22 May 2023, with effect from 1 July 2023. At the same time, the decision authorises the use of the revenue generated by the congestion charge to cover losses (see also Appendix 4). In the first 6 months of 2023, overload charge revenues of EUR 12,538 thousand were used to cover losses. As a result, EBITDA of the electricity transmission segment was EUR 17,927 thousand. Profit before tax was EUR 336 thousand.

Natural gas transmission segment

The revenues of the natural gas transmission segment in the reporting period amounted to EUR 12,178 thousand, and EBITDA was EUR 5,877 thousand which was 29% of Conexus' total EBITDA. The profit of the Transmission segment was EUR 98 thousand (down by 87% than in the same period last year). The activity of Conexus is regulated with regulatory periods that differ from the financial reporting year. According to the Methodology for Calculation of Tariffs for the Natural Gas Transmission System Service, deviations of revenues and costs from the allowed volumes may occur during the tariff period, which will affect the tariff values in subsequent tariff cycles. In the transmission segment, such deviations may arise due to differences in actual natural gas consumption compared to the tariffs, resulting in a revenue adjustment. The actual revenues of the Transmission Segment in the regulatory period from 1 January 2020 to 30 September 2022 amounted to EUR 82.2 million, down by EUR 9.1 million from revenue allowed by the current tariffs. The amount of revenue foregone will be used to increase the allowed revenue for the next transmission regulatory period.

According to the PUC Decision No. 171 of 27 November 2019, the current tariffs for natural gas transmission services have been approved for the period from 1 January 2020 to 30 September 2022. The approved tariffs for the natural gas transmission

system service continue to apply after 30 September 2022 until the start of a new regulatory period.

Natural gas storage segment

The revenues of the natural gas storage segment in the reporting period amounted to EUR 20,200 thousand, and EBITDA was EUR 14,339 thousand. The profit of the storage segment was EUR 7,975 thousand.

In the 2023/2024 storage cycle, the volume of Inčukalns UGS Facility capacity reservation products amounted to 22.6 TWh, while in the 2022/2023 storage cycle it was 24.1 TWh. Revenue from capacity products increased by EUR 6,666 thousand in the reporting period, compared to the same period last year. The increase in revenues is due to the auctioning of storage capacity, which resulted in an effective premium rate of EUR 1.62/MWh (total

premium applied divided by the reserved capacity of 22.6 TWh).

According to the Methodology for Calculation of Tariffs for the Natural Gas Storage System Service, revenue and cost deviations from the allowed volumes may occur during the tariff period, which will affect the tariff values in subsequent tariff cycles. During the storage tariff period from 1 May 2022 to 30 April 2023, the amount of storage service revenue generated was EUR 30.4 million, which was by EUR 6.2 million more than the revenue allowed by the current tariffs, the EUR 6.2 million will be credited to the regulatory invoice for the storage service. On 1 May 2023, new tariffs for the natural gas storage system service entered into force. Due to the decrease in the amount of the planned revenues attributable to the tariff period, the tariff values for the most common products of the storage service decreased by 14%.

INVESTMENTS

Electricity transmission segment

Capital investments in the electricity transmission system are made in accordance with the Development Plan for Electricity Transmission System approved by the PUC, implementing projects necessary for the provision of reliable and high-quality electricity transmission system services. To minimise the impact of planned investments on the electricity transmission tariff, investments in the refurbishment and renewal of existing assets are planned at depreciation levels, while EU co-financing and accumulated congestion charge revenues are being actively leveraged to finance network development projects.

The assets of the electricity transmission segment at the end of the reporting period amounted to EUR 865 million. In the first six months of 2023, investments in electricity transmission assets amounted to EUR 23,865 thousand, including:

- Investments made in the synchronisation with the European electricity transmission network (Phase 1 and Phase 2) amounted to EUR 17,094 thousand. The amount of expected investments in the Baltic countries' synchronisation with continental Europe projects in Phase 1 and Phase 2 is EUR 241,654 thousand. The project aims to strengthen Latvia's energy security by synchronising Latvia's electricity transmission network with the continental European network, while adhering to the principles of reliability and cost-efficiency.
- EUR 3,948 thousand have been invested in the reconstruction and rehabilitation

of substations. The substation conversion and renovation projects include complete replacement of old equipment and replacement of grid protection equipment with digital and high-speed equipment with a wide range of functions. In addition, the improved communication solutions ensure that the rebuilt substation can be controlled not only from a workplace in the substation, but also remotely from the central control room, giving the controller all the necessary information for decision making and action both on site and also in place maintains normal operation of the system and in various emergency situations. These projects increase the controllability and observability of the power system and open up opportunities for the development and integration of renewable energy sources.

Natural gas transmission segment

Transmission segment assets at the end of the reporting period amounted to EUR 228 million, representing 50% of the Subsidiary's total assets. Investments of EUR 4,403 thousand were made during the reporting period. The biggest of these are:

- Conexus invested a total of EUR 602 thousand in the sub-projects of the European project of common interest "Improving the Latvia-Lithuania Interconnection" (ELLI) in the reporting period. The major activities have been in the reconstruction of the Zaķumuiža and Daugmale gas regulating stations;

- Repairs to sections of transmission gas pipelines and their anti-corrosion insulation of EUR 3,257 thous. .

Natural gas storage segment

The segment's assets totalled EUR 232 million at the end of the reporting period, representing 50% of the total assets of the Subsidiary. Investments of EUR 11,228 thousand were made in the reporting period, which corresponds to an increase of EUR 7,505 thousand compared to the same period of the previous year. The major investments – new

drilling of wells, modernisation of the gas pumping equipment of compressor workshop No. 2, reconstruction of gas collection point No. 3 and installation of a new gas collection point totalled EUR 10,216 thousand, – are being made within the framework of the ambitious European plan Union PCI 8.2. 4 Project "Improvement of the Inčukalns Underground Gas Storage Facility". As part of the modernisation of the existing gas production facilities, the modernization of gas production facilities 5 and 6 of compressor workshop No. 2 was continued in the first half of 2023 for a total amount of EUR 4,578 thousand.

FUNDING AND LIQUIDITY

The Group finances capital expenditure projects from its own funds and long-term external borrowings raised regularly and in a timely manner on the financial and capital markets. Timely leverage is essential for optimal risk management of loan refinancing, as well as for the repayment of loan principal within the committed maturity.

As at 30 June 2023, the Parent Company's borrowings totalled EUR 100,128 thousand (at 31 December 2022: EUR 100 367 thousand), made up of non-current borrowings from green bonds issued in 2021 (see also Note 14). In order to secure the available resources for working capital financing, on 9 December 2022, an overdraft agreement was signed with AS Swedbank for up to EUR 10,000 thousand with a maturity of 9 December 2024. During the reporting period, as part of the *overdraft* agreement, AS "Augstsprieguma tīkls" did not draw any borrowings under overdraft agreements. At the end of the reporting period, 100% of the Parent Company's total non-current borrowings were at fixed interest rates (at 31 December 2022: 100%). At the end of the reporting period, the weighted average interest rate on the Parent Company's non-current borrowings remained unchanged – at 0.5% (at 31 December 2022: 0.5%).

The Group's borrowings as at 30 June 2023 totalled EUR 176,105 thousand, including bonds issued in the amount of EUR 100,128. Borrowings from credit institutions amounted to EUR 75,977 thousand. The natural gas operator AS "Conexus Baltic Grid"

raises external financing from its own resources. The Subsidiary has a total of EUR 65,000 thousand in available bank lines of credit. At the end of the reporting period, these lines of credit amounted to EUR 1.6 billion and were undrawn, providing a significant liquidity buffer. The lines of credit of EUR 65,000 have a maturity term in over one year. At the end of the reporting period, 73% of the Group's total long-term borrowings are at fixed interest rates (31 December 2022: 71%), so the increase in interest rates in the financial market does not have a material impact on the Group. The Group's weighted average interest rate on non-current loans at the end of the reporting period was 1.56% (at 31 December 2022: 1.07%), the weighted average interest rate on current borrowings was 4.33% (at 31 December 2022: 2.77%). All the Group's borrowings are denominated in euro and are unsecured.

The international credit rating agency S&P Global Ratings (hereinafter also referred to as "S&P") has assessed and assigned a **long-term credit rating A-/Stable** to the Latvian transmission system operator AS "Augstsprieguma tīkls". In 2022, S&P for the first time assessed and assigned the Group's Subsidiary a long-term credit rating of BBB+ with a stable outlook. Confirming the stability and financial soundness of the Augstsprieguma tīkls Group, S&P announced on 14 April 2023 that the credit ratings of the Parent Company are maintained at the same high A-level with a solid outlook for the future.

REGULATORY ACTIVITIES - TARIFF FOR TRANSMISSION AND STORAGE SERVICES

Electricity transmission

The decision of the PUC Council No.64 of 22 May 2023 "On tariffs for electricity transmission system services of joint stock company "Augstsprieguma tīkls"" approved differentiated tariffs for electricity transmission system services, setting their entry into force from 1 July 2023 and the regulatory period until 31 December 2025. By the above-mentioned decision of the PUC Council AST is authorised to use the accumulated congestion revenues in the amount of EUR 62,070.1 thousand within the regulatory period until 31 December 2025 to cover the costs of electricity transmission network services.

Detailed information about usage of accumulated congestion revenues to cover the costs of electricity transmission network services in the 6 month of 2023 is provided in Appendix 4.

The Parent Company has set as one of its priority objectives the implementation of measures to reduce the increase in tariffs for electricity transmission services. To achieve its objective, the Parent Company actively seeks co-financing from the European Union to finance capital investments.

The activities have resulted in attracting EU co-financing of EUR 300 million. In addition to the above, in order to minimise the impact on transmission tariffs, the Parent Company uses the accumulated congestion charge revenues to finance capital expenditure. Investments in the electricity transmission system financed from EU co-financing and congestion charge revenues are not included in the calculation of electricity transmission system services tariffs.

Natural gas transmission and storage

In February 2023, the Subsidiary determined the tariffs for storage capacity services to be applied for the storage cycle starting on 1 May 2023. Due to the decrease in the amount of projected revenues attributable to the tariff period, the tariff values of the most common storage products have decreased by 14%.

The tariffs for transmission products have not been changed in the current gas year and will continue to apply until the start of the new regulatory period.

FUTURE DEVELOPMENT OF THE GROUP

Electricity transmission

Synchronisation of the Baltic States with continental Europe

In the coming years, the most important challenges are related to the synchronisation of the grids of Baltic States with those of continental Europe.

On 22 May 2019, AST signed the *Agreement on the Conditions of the Future Interconnection of Power System of Baltic States and Power System of Continental Europe*. The annexes to the said Agreement set out the technical requirements to be met by the Baltic TSOs before and after the start of the synchronisation process. These requirements relate to changes in both settings in the transmission system, investments in infrastructure development and the obligations of TSOs to maintain a certain level of frequency holding, frequency restoration reserves and system inertia.

The Baltic countries are scheduled to synchronise with continental Europe in 2025, or earlier if necessary. As a result of the synchronisation, the Baltic electricity transmission system will

become part of the European system, which means independence from the combined (IPS/UPS) Russian system and a more reliable electricity supply.

Development of the electricity transmission system

In order to ensure efficient development of the transmission system, safe electricity transmission system service in the compliance with the "Rules on the Electricity System Development Plan", approved by the PUC Decision No. 1/28 of 23 November 2011, AST annually develops and until June 30, submits for approval to PUC electricity transmission system development plan for following 10 years (hereinafter also – Development Plan).

The electricity transmission system development plan developed by AST for the period from 2023 to 2032 is approved by The Decision of the PUC Council of 20 October 2022 "On the Electricity Transmission System Development Plan" .

The Development Plan has been developed in line with AST's strategic objective, i.e., strengthening Latvia's energy security by synchronising the Latvian electricity transmission grid with the continental

European grid, adhering to the principles of reliability and cost efficiency.

The approved Development Plan defines the development of the transmission system and the necessary financial investments in the transmission infrastructure for the next decade, providing for an investment of EUR 501 million in the development of the electricity transmission system. See the details of the approved Development Plan at: <https://www.ast.lv/lv/content/elektroenerģijas-parvades-sistemas-attistibas-plans>

In order to ensure that budgeted capital expenditure has the least possible impact on electricity transmission tariffs, AST has successfully attracted EU co-financing for projects of common European interest included in the Development Plan, and has been redirecting accumulated congestion fee revenues to finance them, including:

- Project “Synchronisation of the Baltic electricity transmission system with the European grid, Phase 1” – EU funding up to 75% of eligible costs or EUR 57.7 million has been attracted, whereas 24% would be covered by accumulated congestion charge revenues;
- Project “Synchronisation of the Baltic electricity transmission system with the European grid, Phase 2” – EU co-financing 75% of the eligible costs or EUR 92.6 million; EUR 25.0 million would be covered by accumulated congestion charge revenue;
- As part of the support programme for the modernisation of electricity transmission and distribution networks under the Recovery and Resilience Mechanism Plan approved by the Cabinet, the Parent Company will have the possibility to receive financing of EUR 38.1 million. With this support, AST plans to build a control and secure data centre, implement the necessary information technology infrastructure to improve the cybersecurity of the information system, and develop the digitalisation of grid management, ensuring the planning and management of renewable energy producers’ operating modes.

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

The Company has developed an Electricity Transmission System Development Plan 2024-2033, which provides for an investment of EUR 510 million in the transmission system and submitted it to the PUC for approval in June 2023. See the Development Plan project at: https://www.ast.lv/sites/default/files/editor/AST_10GAP_2024_2033_final_SPRK.pdf

Renewable electricity generation – connections to the transmission system

In the context of the European Green Deal, there is also great interest in generating electricity from renewable energy sources in Latvia. The total installed capacity of wind farms and solar power plants of various capacities already exceeds Latvia’s peak load many times over if all projects are carried out.

AS “Augstsprieguma tīkls” is not only working on the installation of new electricity transmission system connections for these projects but is also taking the first steps to further interconnect the electricity transmission system with neighbouring electricity transmission systems – preliminary assessments are being carried out to increase the interconnection capacity with Lithuania and to install a new interconnection with Sweden.

The development of renewable energy power plants in Latvia is an important step towards addressing the current energy, security, and climate challenges in the Baltic region

System management and electricity market development

In pursuit of the European Union’s policy towards a single electricity market, the strategic direction of AS “Augstsprieguma tīkls” is focused on the development and integration of the electricity and ancillary services markets into the European markets.

In the coming years, work will be carried on to develop and improve the single EU market for day-ahead and intraday electricity. This will include new opportunities for players in the EU’s internal electricity market, including Latvian and Baltic players.

Projects are currently underway that will allow market participants to participate in the day-ahead and intraday markets with a 15-minute time resolution and to run energy and capacity products on the intraday market, similar to the current day-ahead market. Work is underway to develop and harmonise the timetable for the introduction of the 15-minute resolution at the Baltic Sea Region level. The terms of reference for adding an intraday auction solution to the AST balance management system and preparations for tests with the European Central Intraday Auction System are in preparation.

It is also planned to continue work on the creation of a 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.

Joining this platform requires changes to the functioning of the Baltic common balancing model – the most important of which is ensuring the transition to a 15-minute balancing market period, which will allow electricity market participants to plan their activities more accurately and control system imbalances more efficiently.

Innovation and research

To ensure the development of the Parent Company, the representatives of the Parent Company actively participate in the work of the Research, Development and Innovation Committee of ENTSO-E, the European Organisation of Transmission System Operators for Electricity, as they are aware of the key role of innovation in the success of their activities.

The ENTSO-E Research, Development and Innovation Committee is working to transform existing electricity systems to meet the objectives set by the European Union.

Innovation and research activities are focused along 6 directions:

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

Natural gas transmission and storage

The Subsidiary will actively continue work on the Inčukalns UGS Facility modernisation project, which, to be completed by 2025, will significantly improve the technical infrastructure and operational reliability of the equipment, so that the storage facility can maintain its functionality after the pressure increase in the Baltic transmission system.

Work will also continue on the Latvia-Lithuania gas pipeline transmission capacity expansion project to facilitate market access to the Klaipeda LNG terminal, Latvia's Inčukalns UGS Facility and the Poland-Lithuania gas interconnector. The project "Improving the Latvia-Lithuania Interconnection" (ELLI) will carry out a number of activities in both Latvia and Lithuania until the end of 2023, which will increase the gas interconnection capacity between Latvia and Lithuania in both directions.

In order to promote the production and free circulation of biomethane as a promising renewable energy source in Latvia, the Subsidiary has developed a solution, unique in the Baltics, which allows biomethane producers to transport biomethane with special mobile gas containers to a central biomethane injection point to feed it into the common gas grid. By the end of the reporting period, four such injection points had been identified in Latvia. The first one will be established in Džūkste and will enable the supply of up to 20 biomethane producers within a radius of 50 to 60 km.

Implementing climate-friendly and sustainable energy solutions is one of the strategic directions of the Subsidiary. The subsidiary plans to install solar panels on more than 16,000 square metres of the Inčukalns UGS Facility site with a total capacity of up to 1 MW. The construction of the solar park is projected to provide 25% of the total electricity consumption of the storage facility. During the reporting period, Conexus announced an open tender for the construction of a solar park and the purchase of equipment.

FINANCIAL RISK MANAGEMENT

The Augstsprieguma tīkls Group financial risk management is implemented in accordance with the Financial Risk Management Policy, and the subordinate Financial Risk Management Rules.

The Subsidiary of the Group develops and approves its own Financial Risk Management Policies, which are aligned with the guiding principles of the Group's policies.

Financial resources management 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 apply financial risk controls and hedging measures to reduce the risk on open positions.

a) Liquidity risk

Liquidity risk relates to the Group's and Parent Company's ability to meet their obligations when due. To hedge operational risk, unpredictable cash flow fluctuations and short-term liquidity risk, the Group and the Parent Company maintain a reserve in the form of cash or committed and irrevocably available credit facilities for the next 24 months.

The Group and the Parent Company exercise prudent liquidity risk management to ensure that it has adequate financial resources available to settle its liabilities when due.

Management believes that the Augstsprieguma tīkls Group will not have liquidity problems and will be able to pay its creditors within the required timeframes. Management believes that the Augstsprieguma tīkls Group will provide the Group with sufficient cash resources to ensure that its liquidity is not threatened.

b) Interest rate risk

Interest rate risk arises mainly from borrowings at floating interest rates, with the risk of a significant increase in financing costs due to rising interest rates. To limit the risk, the Group's and the Parent Company's Financial Risk Management Policy stipulates that the share of fixed or capped rate in the loan portfolio must not be less than 35%. At the same time, the Financial Risk Management Rules provide that deviations from this indicator are permitted in the restructuring liabilities assumed in the reorganisation of the ownership of 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 relate to financial counterparty risk and counterparty risk.

In the course of their business activities, the Group and the Parent Company cooperate with domestic and foreign financial institutions. This gives rise to counterparty risk – the Group and the Parent Company may suffer losses in the event of the insolvency or cessation of business activities of counterparties. External funding carries a risk that remains until the borrowings are drawn down and transferred to one of the Group's or the Parent Company's banks.

The credit risk arising from the Group's and Parent Company's current account balances is managed in accordance with the Group's Financial Risk Management Policy and rules, balancing the allocation of financial resources.

In accordance with the Financial Risk Management Policy, counterparties with a minimum credit rating of at least investment grade, either their own or that of the parent company as determined by an international credit rating agency, are accepted in cooperation with banks and financial institutions.

The Group and the Parent Company cooperate with local and foreign companies in the course of their business activities. This gives rise to counterparty or debtor risk – the Group or the Parent Company may suffer losses in the event of the insolvency or suspension of operations of counterparties. The Law on International and National Sanctions of the Republic of Latvia imposes financial and civil restrictions on entities included in the sanctions list, including freezing of financial assets. In view of the above, cooperation with a sanctioned entity entails contractual, legal and reputational risks for the Group or the Parent Company.

Although the Group and the Parent Company have a significant concentration of receivables risk with respect to a single counterparty or a group of similar counterparties, this risk is assessed as limited, given that the most significant counterparty is a state-owned commercial company, the joint stock company "Latvenergo" and its group companies, with a high credit rating of Baa2 (investment grade rating) and a stable future outlook assigned by Moody's to the Latvenergo Group.

Credit risk related to receivables is managed in accordance with the risk management measures set out in the Financial Risk Management Framework, through an analysis of receivables on a monthly basis and at least quarterly.

d) Capital risk management

The 100% shareholder of the Parent Company is the Republic of Latvia. The objective of capital risk management is to ensure the sustainable operation and development of the Group and the Parent Company, the financing required to implement the development plan in the transmission assets, and the fulfilment of the restrictive covenants set out in the borrowing agreements. The restrictive covenants in the borrowing agreements have not been breached. To ensure that the restrictive covenants in the loan agreements are met, the equity ratio is analysed regularly.

CIRCUMSTANCES AND EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 August 2023, the Baltic electricity transmission system operators signed a cooperation agreement to ensure readiness for synchronisation with the continental European grid in February 2025. The agreement consolidates a coordinated plan between operators on the steps to be taken to ensure that the Baltic power system is ready for accelerated synchronisation with the continental European power grid, which is essential for the reliable operation of power systems in the region.

There have been no other material events that occurred between the last day of the reporting period and the date of signing these Unaudited Condensed Interim Financial Statements that would have a material effect on the Unaudited Condensed Interim Financial statements for 6 month period ending on 30 June 2023 of the Group and AS "Augstsprieguma tīkls". Although uncertainty about the future impact of events on the Group's and the Parent Company's operations has increased, no such circumstances have been identified, which would threaten the continuity of operations and the fulfilment of statutory functions.

Arnis Daugulis,
Member of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Riga, 16 August 2023

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**STATEMENT OF
THE BOARD'S
RESPONSIBILITIES**



STATEMENT ON THE BOARD'S RESPONSIBILITIES

The Management Board of AS "Augstsprieguma tīkls" is responsible for the preparation of the financial statements of the Augstsprieguma tīkls Group and AS "Augstsprieguma tīkls".

Based on the information available to the Management Board of AS "Augstsprieguma tīkls", the Unaudited Condensed Interim Financial Statements of the Augstsprieguma tīkls Group and

AS "Augstsprieguma tīkls" for the 6-month period ending 30 June 2023, prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" as adopted by the European Union, present a true and fair view, in all material respects, of the assets, liabilities, financial position, profit or loss, and cash flows of the Augstsprieguma tīkls Group and AS "Augstsprieguma tīkls". The information provided in the management report is true.

Arnis Daugulis,
Member of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Riga, 16 August 2023

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**CONSOLIDATED
AND STAND-
ALONE FINANCIAL
STATEMENTS**



INCOME STATEMENT

| | Note | PARENT COMPANY | | GROUP | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| Revenue | 4 | 72,720,252 | 91,251,176 | 105,117,492 | 118,928,053 |
| Other revenue | | 2,311,211 | 2,764,323 | 2,787,061 | 3,132,274 |
| Raw materials and consumables used | 5 | (31,943,300) | (47,640,007) | (34,963,279) | (51,000,198) |
| Personnel costs | | (10,828,029) | (9,156,188) | (18,563,086) | (15,842,279) |
| Other operating expenses | | (14,333,142) | (26,099,153) | (16,235,326) | (27,194,224) |
| EBITDA* | | 17,926,992 | 11,120,151 | 38,142,862 | 28,023,626 |
| Depreciation and amortisation | 7.4 | (17,750,933) | (17,815,646) | (26,776,789) | (26,744,030) |
| OPERATING PROFIT/(LOSS) | | 176,059 | (6,695,495) | 11,366,073 | 1,279,596 |
| Dividends from subsidiaries | | 5,719,677 | 6,536,774 | - | - |
| Finance income | 6a | 458,728 | 3,469 | 483,532 | 4,182 |
| Finance expenses | 6b | (298,500) | (311,965) | (1,351,650) | (503,881) |
| PROFIT BEFORE TAX | | 6,055,964 | (467,217) | 10,497,955 | 779,897 |
| Corporate income tax | | - | - | (2,088,770) | (2,387,165) |
| PROFIT FOR THE REPORTING PERIOD | | 6,055,964 | (467,217) | 8,409,185 | (1,607,268) |
| Profit attributed to: | | | | | |
| Parent company's shareholders | | 6,055,964 | (467,127) | 5,862,993 | (3,309,394) |
| Non-controlling interests | | - | - | 2,546,192 | 1,702,126 |

* See Note 2 for an explanation on the addition of a non-IFRS indicator.

The Notes on pages 31 to 54 form an integral part of these financial statements.

Arnis Daugulis,
Member of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Māra Grava,
Head of Finance and Accounting
Department

Riga, 16 August 2023

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STATEMENT OF COMPREHENSIVE INCOME

| | Note | Parent company | | Group | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| PROFIT FOR THE REPORTING PERIOD | | 6,055,964 | (467,217) | 8,409,185 | (1,607,268) |
| Other comprehensive income/ (loss) not reclassified to profit or loss in subsequent periods | | | | | |
| Total other comprehensive income for the reporting period | | - | - | - | - |
| TOTAL comprehensive income for the reporting period | | 6,055,964 | (467,217) | 8,409,185 | (1,607,268) |
| Comprehensive income attributable to: | | | | | |
| Parent company's shareholders | | 6,055,964 | (467,217) | 5,862,993 | (3,309,394) |
| Non-controlling interests | | - | - | 2,546,192 | 1,702,126 |

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Department

Riga, 16 August 2023

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STATEMENT OF FINANCIAL POSITION

| | Note | PARENT COMPANY | | GROUP | |
|---|------|--------------------|--------------------|----------------------|----------------------|
| | | 30.06.2023 EUR | 31.12.2022 EUR | 30.06.2023 EUR | 31.12.2022 EUR |
| ASSETS | | | | | |
| Long-term investments | | | | | |
| Intangible assets | 7.1 | 2,842,379 | 3,055,296 | 4,747,421 | 5,163,305 |
| Property, plant, and equipment (PPE) | 7.2 | 687,566,318 | 681,454,229 | 1,110,748,453 | 1,097,824,064 |
| Advance payments for PPE | | 964 | 4,250 | 5,359,144 | 5,326,259 |
| Right-of-use assets | 7.3 | 14,088,989 | 14,471,389 | 14,543,921 | 14,932,892 |
| Long-term financial investments | 8 | 134,441,393 | 134,441,393 | 46,422 | 46,422 |
| Long-term prepayments | | - | - | 957,470 | 1,007,865 |
| Total non-current assets | | 838,940,043 | 833,426,557 | 1 136 402 831 | 1,124,300,807 |
| Current assets | | | | | |
| Inventories | | 409,561 | 425,526 | 4,413,880 | 4,116,461 |
| Receivables from contracts with customers | 9 | 11,340,340 | 22,394,781 | 19,334,396 | 32,631,516 |
| Other, short-term, receivables | 10 | 33,769,868 | 9,490,098 | 36,717,469 | 12,426,651 |
| Deposits | 10 | 71,265,905 | - | 71,265,905 | - |
| Corporate income tax | 10 | 11,512 | 11,512 | 11,512 | 11,512 |
| Cash | 11 | 43,879,640 | 92,042,624 | 46,649,459 | 103,009,740 |
| Total current assets | | 160,676,826 | 124,364,541 | 178,392,621 | 152,195,880 |
| TOTAL ASSETS | | 999,616,869 | 957,791,098 | 1,314,795,452 | 1,276,496,687 |

The Notes on pages 31 to 54 form an integral part of these financial statements.

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Māra Grava,
Head of Finance and Accounting
Department

Riga, 16 August 2023

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STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | Note | PARENT COMPANY | | GROUP | |
|---|------|--------------------|--------------------|----------------------|----------------------|
| | | 30.06.2023 EUR | 31.12.2022 EUR | 30.06.2023 EUR | 31.12.2022 EUR |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 12a | 391,598,534 | 391,598,534 | 391,598,534 | 391,598,534 |
| Reserves | 12b | 36,113,375 | 36,584,810 | 36,696,391 | 37,168,879 |
| Retained earnings | | 18,830,218 | 19,336,624 | 101,573,825 | 102,272,149 |
| Parent company shareholder's share of equity | | 446,542,127 | 447,519,968 | 529,868,750 | 531,039,562 |
| Non-controlling interests | 12c | - | - | 100,159,264 | 100,247,555 |
| Total equity | | 446,542,127 | 447,519,968 | 630,028,014 | 631,287,117 |
| Non-current liabilities | | | | | |
| Employee benefit obligations | | 3,247,799 | 3,294,185 | 4,599,567 | 4,645,953 |
| Lease liabilities | 14 | 13,838,845 | 14,184,247 | 14,292,895 | 14,643,605 |
| Borrowings | 14 | 100,127,802 | 100,366,699 | 163,146,342 | 169,834,882 |
| Deferred income from contracts with customers | 13a | 37,350,881 | 38,084,750 | 37,350,881 | 38,084,750 |
| Other deferred income | 13a | 316,921,944 | 304,906,927 | 342,800,634 | 329,864,675 |
| Total non-current liabilities | | 471,487,271 | 460,836,808 | 562,190,319 | 557,073,865 |
| Current liabilities | | | | | |
| Borrowings | 14 | - | - | 12,958,221 | 12,961,766 |
| Lease liabilities | 14 | 686,255 | 681,707 | 713,459 | 706,771 |
| Deferred income from contracts with customers | 13b | 3,658,224 | 3,658,224 | 3,658,224 | 3,658,224 |
| Other deferred income | 13b | 28,266,339 | 8,695,336 | 29,054,148 | 9,462,671 |
| Trade payables | 15 | 22,130,064 | 28,710,448 | 30,358,235 | 36,121,302 |
| Deferred tax liability | | - | - | 4,490,381 | 4,490,381 |
| Other liabilities | 15 | 26,846,589 | 7,688,607 | 41,344,451 | 20,734,590 |
| Total current liabilities | | 81,587,471 | 49,434,322 | 122,577,119 | 88,135,705 |
| TOTAL LIABILITIES | | 999,616,869 | 957,791,098 | 1,314,795,452 | 1,276,496,687 |

The Notes on pages 31 to 54 form an integral part of these financial statements.

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Member of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Māra Grava,
Head of Finance and Accounting
Department

Riga, 16 August 2023

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STATEMENT OF CHANGES IN EQUITY

| | Note | PARENT COMPANY | | | | | | TOTAL |
|---|------|--------------------|---------------------|------------------|---|---|-------------------------|---------------------|
| | | Share capital | Retained earnings | Other reserves | Revaluation reserve for property, plant and equipment | Reserve of the re-measurement of post-employment benefits | Reorganiza-tion reserve | |
| | | EUR | EUR | EUR | EUR | EUR | EUR | |
| 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 for the year | | - | 10,990,321 | - | - | - | - | 10,990,321 |
| Other comprehensive income for the reporting year | | - | - | - | - | 329,736 | - | 329,736 |
| Total comprehensive income for the year | | - | 10,990,321 | - | - | 329,736 | - | 11,320,057 |
| Paid dividends | 12a | - | (29,143,118) | - | - | - | - | (29,143,118) |
| Write-down of revaluation reserve for property, plant and equipment | | - | 921,478 | - | (921,478) | - | - | - |
| Share capital increase | 12a | 25,702,577 | (25,702,577) | - | - | - | - | - |
| Total transactions with shareholders and other changes in equity | | 25,702,577 | (53,924,217) | - | (921,478) | - | - | (29,143,118) |
| At 31 December 2022 | | 391,598,534 | 19,336,624 | 2,680,615 | 61,496,142 | (255,243) | (27,336,704) | 447,519,968 |
| Profit for the reporting period | | - | 6,055,964 | - | - | - | - | 6,055,964 |
| Other comprehensive income for the reporting period | | - | - | - | - | - | - | - |
| Total comprehensive income for the reporting period | | - | 6,055,964 | - | - | - | - | 6,055,964 |
| Paid dividends | 12a | - | (7,033,805) | - | - | - | - | (7,033,805) |
| Write-down of revaluation reserve for property, plant and equipment | | - | 471,435 | - | (471,435) | - | - | - |
| Share capital increase | | - | - | - | - | - | - | - |
| Total transactions with shareholders and other changes in equity | | - | (6,562,370) | - | (471,435) | - | - | (7,033,805) |
| At 30 June 2023 | | 391,598,534 | 18,830,218 | 2,680,615 | 61,024,707 | (255,243) | (27,336,704) | 446,542,127 |

The Notes on pages 31 to 54 form an integral part of these financial statements.

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Māra Grava,
Head of Finance and Accounting
Department

Rīga, 16 August 2023

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STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | Notes | Group | | | | | | | | |
|---|-------|---|---------------------|------------------|---|---|-------------------------|---------------------|----------------------------------|---------------------|
| | | Attributable to the shareholder of the Parent Company | | | | | | | Non-controlling interests EUR | Total EUR |
| | | Share capital | Retained earnings | Other reserves | Revaluation reserve for property, plant and equipment | Reserve of the re-measurement of post-employment benefits | Reorganiza-tion reserve | Total | | |
| EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | | |
| At 31 December 2021 | | 365,895,957 | 143,727,293 | 2,680,615 | 62,552,003 | (842,630) | (25,748,543) | 548,264,695 | 99,547,615 | 647,812,310 |
| Profit for the year | | - | 12,467,649 | - | - | - | - | 12,467,649 | 3,692,154 | 16,159,803 |
| Other comprehensive income for the reporting year | | - | - | - | (919,822) | 370,158 | - | (549,664) | 18,623 | (531,041) |
| Total comprehensive income for the year | | - | 12,467,649 | - | (919,822) | 370,158 | - | 11,917,985 | 3,710,777 | 15,628,762 |
| Paid dividends | 12a | - | (29,143,118) | - | - | - | - | (29,143,118) | (3,010,837) | (32,153,955) |
| Write-down of revaluation reserve for property, plant and equipment | | - | 922,902 | - | (922,902) | - | - | - | - | - |
| Share capital increase | 12a | 25,702,577 | (25,702,577) | - | - | - | - | - | - | - |
| Total transactions with shareholders and other changes in equity | | 25,702,577 | (53,922,793) | - | (922,902) | - | - | (29,143,118) | (3,010,837) | (32,153,955) |
| At 31 December 2022 | | 391,598,534 | 102,272,149 | 2,680,615 | 60,709,279 | (472,472) | (25,748,543) | 531,039,562 | 100,247,555 | 631,287,117 |
| Profit for the reporting period | | - | 5,862,993 | - | - | - | - | 5,862,993 | 2,546,192 | 8,409,185 |
| Other comprehensive income for the reporting period | | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the reporting period | | - | 5,862,993 | - | - | - | - | 5,862,993 | 2,546,192 | 8,409,185 |
| Paid dividends | | - | (7,033,805) | - | - | - | - | (7,033,805) | (2,634,483) | (9,668,288) |
| Write-down of revaluation reserve for property, plant and equipment | | - | 472,488 | - | (472,488) | - | - | - | - | - |
| Share capital increase | | - | - | - | - | - | - | - | - | - |
| Total transactions with shareholders and other changes in equity | | - | (6,561,317) | - | (472,488) | - | - | (7,033,805) | (2,634,483) | (9,668,288) |
| At 30 June 2023 | | 391,598,534 | 101,573,825 | 2,680,615 | 60,236,791 | (472,472) | (25,748,543) | 529,868,750 | 100,159,264 | 630,028,014 |

The Notes on pages 31 to 54 form an integral part of these financial statements.

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Member of the Board

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Member of the Board

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Member of the Board

Māra Grava,
Head of Finance and Accounting
Department

Riga, 16 August 2023

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STATEMENT OF CASH FLOWS

| | Notes | PARENT COMPANY | | GROUP | |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2023 6 months EUR | 2022 6 months EUR | 2023 6 months EUR | 2022 6 months EUR |
| I. CASH FLOW FROM OPERATING ACTIVITY | | | | | |
| Profit before tax | | 6,055,964 | (467,217) | 10,497,955 | 779,897 |
| Adjustments: | | | | | |
| Amortization of intangible assets and property, depreciation of plant and equipment and impairment | 7.4 | 17,368,533 | 17,353,894 | 26,387,818 | 26,262,598 |
| Depreciation of right-of-use assets | 7.4 | 382,400 | 461,752 | 388,971 | 481,432 |
| Disposals of intangible assets and property, plant and equipment | 7.4 | 394,466 | 74,055 | 396,099 | 42,679 |
| (Decrease) / increase in provisions | | (46,386) | (164,534) | 493,614 | 121,246 |
| Interest expense | | 371,267 | 376,501 | 371,267 | 567,420 |
| Interest income | | (454,138) | - | (454,138) | - |
| Dividends from subsidiaries | | (5,719,677) | (6,536,774) | - | - |
| Operating profit before changes in working capital | | 18,352,429 | 11,097,677 | 38,081,586 | 28,255,272 |
| Adjustments: | | | | | |
| (Increase) /decrease in amounts due from contracts with customers, deposits and other short-term receivables | | (9,635,359) | (4,411,144) | (7,353,247) | 2,521,006 |
| Decrease / (increase) in inventories | | 15,965 | 52,887 | (297,419) | (42,269) |
| Increase / (decrease) in trade payables and amounts due to other creditors | | 39,145,040 | (576,412) | 37,109,102 | (909,239) |
| Gross cash flow from operating activity | | 47,878,075 | 6,163,008 | 67,540,022 | 29,824,770 |
| Interest paid | | - | - | (117,064) | (179,542) |
| Lease interest paid | | - | (115,446) | - | (125,621) |
| Expense on issued debt securities (bonds) | 14 | (500,000) | (126,027) | (500,000) | (126,027) |
| Corporate income tax payments | | - | - | - | (2,387,165) |
| Net cash flow from operating activity | | 47,378,075 | 5,921,535 | 66,922,958 | 27,006,415 |

The Notes on pages 31 to 54 form an integral part of these financial statements.

Arnis Daugulis,
Member of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Māra Grava,
Head of Finance and Accounting
Department

Riga, 16 August 2023

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STATEMENT OF CASH FLOWS (CONTINUED)

| | Note | PARENT COMPANY | | GROUP | |
|--|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2023 6 months EUR | 2022 6 months EUR | 2023 6 months EUR | 2022 6 months EUR |
| II. CASH FLOW FROM INVESTING ACTIVITY | | | | | |
| Acquisition and establishment of property, plant and equipment and intangible assets | | (23,865,029) | (10,389,358) | (38,129,370) | (16,378,310) |
| Proceeds from sale of PPE | 7.2 | 202,858 | 232,479 | 202,858 | 263,855 |
| EU funding received | 13 | (28,289) | 3,060,852 | 1,276,458 | 7,044,268 |
| Congestion charges received | 13 | 1,180,452 | 16,578,364 | 1,180,452 | 16,578,364 |
| Placed deposits | | (71,265,905) | - | (71,265,905) | - |
| Investment in associate | | - | (45,000) | - | (45,000) |
| Dividends received from subsidiaries | | 5,719,677 | 6,536,774 | - | - |
| Net cash flow from investing activity | | (88,056,236) | 15,974,111 | (106,735,507) | 7,463,177 |
| III. Cash flow from financing activity | | | | | |
| Payments for asset leases | 14 | (451,018) | (416,258) | (464,619) | (432,699) |
| Borrowings from credit institutions | | - | - | - | 8,261,931 |
| Repayment of borrowings to credit institutions | 14 | - | - | (6,449,643) | (32,258,945) |
| Dividends paid | | (7,033,805) | (29,143,118) | (9,633,470) | (32,115,264) |
| Net cash flow from financing activity | | (7,484,823) | (29,559,376) | (16,547,732) | (56,544,977) |
| Net increase in cash during the reporting period | | (48,162,984) | (7,663,730) | (56,360,281) | (22,075,385) |
| Cash at the beginning of the reporting year | | 92,042,624 | 48,513,943 | 103,009,740 | 63,190,053 |
| Cash at the end of the reporting year | | 43,879,640 | 40,850,213 | 46,649,459 | 41,114,668 |

The Notes on pages 31 to 54 form an integral part of these financial statements.

Arnis Daugulis,
Member of the Board

Imants Zviedris,
Member of the Board

Gatis Junhāns,
Member of the Board

Māra Grava,
Head of Finance and Accounting
Department

Rīga, 16 August 2023

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**NOTES TO THE
CONSOLIDATED
AND STAND-
ALONE FINANCIAL
STATEMENTS**



1. GENERAL INFORMATION ABOUT THE GROUP

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

Augstsprieguma tīkls Group comprises the parent company AS "Augstsprieguma tīkls", the subsidiary AS "Conexus Baltic Grid", and the associated company "Baltic RCC" OÜ.

All shares in AS "Augstsprieguma tīkls" are owned by the State and held by the Ministry of Finance of the Republic of Latvia. From 14 February 2023, the holder of the State shares is the Ministry of Climate and Energy. The Parent company's registered office is at Dārziema iela 86, Rīga, LV-1073, Latvia.

The Board and Council of Augstsprieguma tīkls Group:

Members of the Board and their positions

Gunta Jēkabsone – Chairwoman of the Board (until 01.08.2023.)

Imants Zviedris – a member of the Board

Gatis Junghāns – a member of the Board

Arnis Daugulis – a member of the Board

Mārcis Kauliņš – a member of the Board (until 17.09.2022)

Members of the Council and their positions

Kaspars Āboliņš – Chairman of the Council

Olga Bogdanova – Deputy Chairwoman of the Council

Armands Eberhards – a member of the Council

Aigars Ģermanis – a member of the Council

Madara Melne – a member of the Council (until 08.02.2022)

AS "Augstsprieguma tīkls" is a transmission system operator which, under the licence No. E12001 issued by the Public Utilities Commission, ensures the operation of the transmission network and security of supply of the Latvian electricity system, provides transmission services on the basis of published transmission tariffs and ensures the availability of transmission system services at all times. AS "Augstsprieguma tīkls" performs operational management of the transmission system and ensures secure and stable electricity transmission. AS "Conexus Baltic Grid", the Group's subsidiary, is an independent operator of the natural gas transmission and storage system in Latvia. It manages one of the most modern natural gas storage facilities in Europe – the Inčukalns Underground Gas Storage facility – and the natural gas transmission network connecting the Latvian natural gas market with Lithuania, Estonia and Russia. Conexus is committed to the sustainability and safety of the infrastructure, a high quality of service that promotes market development and brings economic benefits to customers and society as a whole. Conexus' natural gas transmission and storage services are regulated by the Public Utilities Commission. The associated company of the Group is "Baltic RCC" OÜ. It is the Baltic Regional Coordination Centre in Tallinn, whose main task is to coordinate the development planning of the electricity systems as well as to coordinate the daily activities of the individual operators in order to ensure the security of electricity supply.

The Unaudited Condensed Interim Financial Statements were approved by the Board of the Parent company on 16 August 2023 consisting of the following members: 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 Parent company and the Group is the auditing company SIA "PricewaterhouseCoopers" and the auditor in charge is Ilandra Lejiņa. These Unaudited Condensed Interim Financial Statements have not been audited.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of Augstsprieguma Tīkls Group and the Unaudited Condensed Interim 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 2022. 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 Interim 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 2023 financial statements of AS "Augstsprieguma tīkls".

The consolidated financial statements of the Group include the financial performance of the Subsidiary AS "Conexus Baltic Grid" from the date of acquisition of the Subsidiary 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 2022.

The Unaudited Condensed Interim 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 Unaudited Condensed Interim 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

Segmentation is based on the Group's internal organisational structure, which forms the basis for monitoring and managing segment performance by the operating segment decision maker, the Group's management, which operates in each of the segments. The Parent company's Board reviews the financial results of the operating segments.

The profit monitored by the Chief Operating Decision Maker is mainly EBITDA, but operating profit is monitored, too. Operating profit excludes dividend income and interest income from subsidiaries in the Unaudited Condensed Interim Financial Statements. The Group divides its activities into three segments: electricity transmission, natural gas storage and natural gas transmission. The Parent company

divides its activities into one main business segment - electricity transmission. The Group operates geographically only in Latvia.

The following table provides information on the Group's segment revenue, financial performance and profit, as well as assets and liabilities of the Group's and the Parent company's operating segments. Inter-segment revenue is eliminated at the time of consolidation and is shown in the column "Adjustments and eliminations". All inter-segment transactions are conducted on the basis of regulated tariffs, if any, or at arm's length. Segment information is presented for the Group only, as the Parent company is treated as a single operating segment, i.e., the power transmission segment.

| | GROUP | | | | | |
|---|---------------------------------|---------------------------------|----------------------------|-----------------------|-------------------------------------|--------------------|
| | Electricity transmission EUR | Natural gas transmission EUR | Natural gas storage EUR | Total segments EUR | Adjustments and eliminations EUR | Total Group EUR |
| 6 MONTHS OF 2023 | | | | | | |
| External customers | 72,720,252 | 12,177,715 | 20,219,525 | 105,117,492 | - | 105,117,492 |
| Revenue | 72,720,252 | 12,177,715 | 20,219,525 | 105,117,492 | - | 105,117,492 |
| EBITDA | 17,926,992 | 5,876,978 | 14,338,892 | 38,142,862 | - | 38,142,862 |
| Depreciation and amortization | (17,750,933) | (4,978,314) | (4,047,542) | (26,776,789) | - | (26,776,789) |
| Segment profit before tax | 336,287 | 292,946 | 9,868,722 | 10,497,955 | - | 10,497,955 |
| Segment assets at the end of the reporting period | 865,175,476 | 227,990,735 | 232,291,225 | 1,325,457,436 | (10,708,406) | 1,314,749,030 |
| Capital expenditure | 23,865,030 | 4,402,514 | 11,227,737 | 39,495,281 | - | 39,495,281 |
| 6 MONTHS OF 2022 | | | | | | |
| External customers | 91,251,176 | 14,123,310 | 13,553,567 | 118,928,053 | - | 118,928,053 |
| Revenue | 91,251,176 | 14,123,310 | 13,553,567 | 118,928,053 | - | 118,928,053 |
| EBITDA | 11,120,151 | 7,493,606 | 9,409,869 | 28,023,626 | - | 28,023,626 |
| Depreciation and amortization | (17,815,646) | (5,105,040) | (3,823,344) | (26,744,030) | - | (26,744,030) |
| Segment (loss)/profit before tax | (7,003,991) | 2,268,561 | 5,515,327 | 779,897 | - | 779,897 |
| Segment assets at the end of the reporting period | 765,087,399 | 228,001,345 | 215,867,445 | 1,208,956,189 | (10,708,280) | 1,198,247,909 |
| Capital expenditure | 10,697,344 | 2,163,971 | 3,723,065 | 16,584,380 | - | 16,584,380 |

Adjustments and eliminations

Deferred tax is not attributed to individual segments as the underlying instruments are managed within the Group. Taxes and certain financial assets and

liabilities are not attributed to these segments as they are also managed at the Group level.

Capital expenditure consists of additions to PPE and intangible assets.

RECONCILIATION OF PROFIT BEFORE TAX

| | PARENT COMPANY | | GROUP | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| EBITDA | 17,926,992 | 11,120,151 | 38,142,862 | 28,023,626 |
| Depreciation and amortisation | (17,750,933) | (17,815,646) | (26,776,789) | (26,744,030) |
| Segment profit/(loss) before tax and finance costs | 176,059 | (6,695,495) | 11,366,073 | 1,279,596 |
| Finance income | 458,728 | 3,469 | 458,728 | 4,182 |
| Finance expenses | (298,500) | (311,965) | (1,326,846) | (503,881) |
| Segment profit/(loss) before tax | 336,287 | (7,003,991) | 10,497,955 | 779,897 |
| Dividends received from a subsidiary | 5,719,677 | 6,536,774 | - | - |
| Profit before tax | 6,055,964 | (467,217) | 10,497,955 | 779,897 |

RECONCILIATION OF ASSETS

| | PARENT COMPANY | | GROUP | |
|---|--------------------|--------------------|----------------------|----------------------|
| | 30.06.2023 EUR | 30.06.2022 EUR | 30.06.2023 EUR | 30.06.2022 EUR |
| Segment assets | 865,175,476 | 765,042,399 | 1,325,457,436 | 1,208,956,189 |
| Long-term financial investments | 134,441,393 | 134,439,971 | 46,422 | - |
| PPE* | - | - | (10,708,163) | (10,708,163) |
| Receivables from contracts with customers | - | - | (243) | (117) |
| Total assets | 999,616,869 | 899,482,370 | 1,314,795,452 | 1,198,247,909 |

*The PPE value adjustment relates to the buffer gas in the gas pipelines owned by AS "Conexus Baltic Grid". The value of the buffer gas was reduced by the valuation of individual PPEs of AS "Conexus Baltic Grid" at the time of purchase price allocation.

Operating revenue from major customers, each representing at least 10% of the total operating revenue of the Parent company and the Group.

REVENUE FROM MAJOR CUSTOMERS

| | PARENT COMPANY | | GROUP | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| Electricity transmission | 52,586,962 | 69,901,191 | 52,586,962 | 69,901,191 |
| Natural gas transmission | - | - | 9,350,134 | 14,009,802 |
| Natural gas storage | - | - | 9,839,541 | 9,046,666 |
| Total revenue from major customers | 52,586,962 | 69,901,191 | 71,776,637 | 92,957,659 |

4. REVENUE

| | Applicable IFRS | PARENT COMPANY | | GROUP | |
|---|-----------------|-------------------------|-------------------------|-------------------------|---|
| | | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR <i>Pārkalsificēts*</i> |
| REVENUE FROM CONTRACTS WITH CUSTOMERS RECOGNISED OVER TIME | | | | | |
| Electricity transmission system service | IFRS 15 | 37,279,736 | 37,776,375 | 37,279,736 | 37,776,375 |
| Balancing and regulatory electricity sales | IFRS 15 | 15,481,231 | 31,812,634 | 15,481,231 | 31,812,634 |
| Revenue from natural gas storage | IFRS 15 | - | - | 11,715,558 | 13,553,567 |
| Revenue from natural gas transmission | IFRS 15 | - | - | 20,219,525 | 13,865,048 |
| Revenue from connection charges | IFRS 15 | 1,798,832 | 1,674,511 | 1,798,832 | 1,674,511 |
| Electricity transit service | IFRS 15 | 50,000 | 641,000 | 50,000 | 641,000 |
| Electricity cross-border perimeter charges | IFRS 15 | - | 614,675 | - | 614,675 |
| Reactive electricity revenues | IFRS 15 | 221,703 | 273,769 | 221,703 | 273,769 |
| Revenue from natural gas balancing, net* | IFRS 15 | - | - | 462,157 | 258,262 |
| Other services | IFRS 15 | 377,493 | 334,886 | 377,493 | 334,886 |
| TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS | | 55,208,995 | 73,127,850 | 87,606,235 | 100,804,727 |
| Other revenue | | | | | |
| Congestion management at the borders | IAS 20 | 669,012 | 14,607,548 | 669,012 | 14,607,548 |
| Congestion management revenue to cover the costs of transmission losses** | IAS 20 | 12,537,879 | - | 12,537,879 | - |
| Electric power congestion elimination | IAS 20 | 857,266 | 2,683,682 | 857,266 | 2,683,682 |
| Asset leases | IFRS 16 | 3,447,100 | 832,096 | 3,447,100 | 832,096 |
| TOTAL OTHER REVENUE | | 17,511,257 | 18,123,326 | 17,511,257 | 18,123,326 |
| TOTAL REVENUE | | 72,720,252 | 91,251,176 | 105,117,492 | 118,928,053 |

*Revenue and expenses from balancing are recognized applying the agency principle and are disclosed on a net basis within income statement as part of operating income.

** In accordance with the decision No.64 of the PUC Council of 22 May 2023 "On tariffs for electricity transmission system services of joint stock company "Augstsprieguma tīkls", AST is authorised to use the accumulated congestion revenues in the amount of EUR 62,070.1 thousand within period until 31 December 2025 to cover the costs of electricity transmission network services. In the first 6 months of 2023, congestion charge revenues of EUR 12,537.9 thousand were used to cover the costs of electricity transmission network services. The exact amount of accumulated congestion revenues required for each of the reporting years 2023-2025 to cover the costs of electricity transmission network services will be determined within the scope of the audited annual financial statements, while ensuring that the total revenue amount determined by PUC does not exceed determined EUR 62,070.1 thousand.

REVENUE AND EXPENSES FROM THE COMPULSORY PROCUREMENT COMPONENT ARE DISCLOSED IN THE FINANCIAL STATEMENTS ON A NET BASIS, APPLYING THE AGENCY PRINCIPLE:

| | PARENT COMPANY | | GROUP | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| Compulsory procurement component revenue | - | 291,598 | - | 291,598 |
| Compulsory procurement component expenses | - | 291,598 | - | 291,598 |
| Compulsory purchase components, net | - | - | - | - |

REVENUE AND EXPENSES FROM BALANCING NATURAL GAS ON AN AGENCY BASIS ARE DISCLOSED IN THE ACCOUNTS ON A NET BASIS:

| | PARENT COMPANY | | GROUP | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| Revenue from natural gas balancing activities | - | - | 7,144,638 | 16,545,377 |
| Expenditure from natural gas balancing activities | - | - | (6,682,481) | (16,287,115) |
| Natural gas balancing, net | - | - | 462,157 | 258,262 |

5. RAW MATERIALS AND CONSUMABLES USED

| | PARENT COMPANY | | GROUP | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| Purchase of balancing electricity | 13,953,643 | 23,249,606 | 13,953,643 | 23,249,606 |
| Electricity transmission losses and technological consumption | 10,539,024 | 11,623,379 | 10,539,024 | 11,623,379 |
| Purchase of regulatory electricity | 1,527,902 | 8,547,520 | 1,527,902 | 8,547,520 |
| Natural gas transmission and storage system maintenance services | - | - | 1,858,951 | 1,927,399 |
| Electricity transit losses | 4,616,264 | 3,616,442 | 4,616,264 | 3,616,442 |
| Cost of materials used and repair works | 1,113,731 | 358,249 | 1,595,458 | 1,382,504 |
| Natural gas costs | - | - | 679,301 | 408,537 |
| Electricity for self-consumption | 192,736 | 244,811 | 192,736 | 244,811 |
| TOTAL RAW MATERIALS AND CONSUMABLES USED | 31,943,300 | 47,640,007 | 34,963,279 | 51,000,198 |

6. FINANCE INCOME AND EXPENSES

| | PARENT COMPANY | | GROUP | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| a) Finance income | | | | |
| Interest income from credit institutions | - | - | 24,253 | - |
| Interest income on loans | 454,138 | - | 454,138 | - |
| Other finance income | 4,590 | 3,469 | 5,141 | 4,182 |
| Total finance income | 458,728 | 3,469 | 483,532 | 4,182 |
| b) Finance expenses | | | | |
| Interest expense on borrowings | - | - | (1,042,186) | (180,744) |
| Interest expenses on coupon of debt securities issued (Note 14) | (261,103) | (261,055) | (261,103) | (261,055) |
| Expenditure on debt securities issued | - | (22,950) | - | (22,950) |
| Capitalized interest expenses of borrowings | 76,031 | 88,500 | 76,031 | 88,500 |
| Interest expense on leased assets (Note 14) | (110,165) | (115,446) | (120,598) | (125,621) |
| Other finance expenses | (3,263) | (1,014) | (3,794) | (2,011) |
| Total finance expenses | (298,500) | (311,965) | (1,351,650) | (503,881) |

7. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1. INTANGIBLE ASSETS

| | PARENT COMPANY | | | |
|--------------------------------|--------------------------------|----------------------------------|--------------------------------------|------------------|
| | Computer software and licenses | Transmission right-of-use assets | Intangible assets under construction | Total |
| | EUR | EUR | EUR | EUR |
| At 31 December 2021 | | | | |
| Historical cost | 3,126,796 | 1,892 | 321,492 | 3,450,180 |
| Accumulated depreciation | (1,327,483) | (930) | - | (1,328,413) |
| NBV at 31 December 2021 | 1,799,313 | 962 | 321,492 | 2,121,767 |
| For 2022 | | | | |
| Additions | 585,678 | - | 983,254 | 1,568,932 |
| Transferred | 390,000 | - | (390,000) | - |
| Amortization charge | (635,308) | (95) | - | (635,403) |
| NBV at 31 December 2022 | 2,139,683 | 867 | 914,746 | 3,055,296 |
| At 31 December 2022 | | | | |
| Historical cost | 3,993,948 | 1,892 | 914,746 | 4,910,586 |
| Accumulated amortization | (1,854,265) | (1,025) | - | (1,855,290) |
| NBV at 31 December 2022 | 2,139,683 | 867 | 914,746 | 3,055,296 |
| For 2023 | | | | |
| Additions | 170,420 | - | 43,091 | 213,511 |
| Transferred | - | - | - | - |
| Amortization charge | (426,381) | (47) | - | (426,428) |
| NBV at 30 June 2023 | 1,883,722 | 820 | 957,837 | 2,842,379 |
| At 30 June 2023 | | | | |
| Historical cost | 3,992,743 | 1,892 | 957,837 | 4,952,472 |
| Accumulated amortization | (2,109,021) | (1,072) | - | (2,110,093) |
| NBV at 30 June 2023 | 1,883,722 | 820 | 957,837 | 2,842,379 |

| | GROUP | | | |
|--------------------------------|--------------------------------|----------------------------------|--------------------------------------|------------------|
| | Computer software and licences | Transmission right-of-use assets | Intangible assets under construction | Total |
| | EUR | EUR | EUR | EUR |
| At 31 December 2021 | | | | |
| Historical cost | 11,316,085 | 1,892 | 382,546 | 11,700,523 |
| Accumulated amortisation | (7,536,577) | (930) | - | (7,537,507) |
| NBV | 3,779,508 | 962 | 382,546 | 4,163,016 |
| For 2022 | | | | |
| Additions | 585,678 | - | 1,758,611 | 2,344,289 |
| Transferred | 1,177,416 | - | (1,177,416) | - |
| Amortisation charge | (1,343,905) | (95) | - | (1,344,000) |
| NBV at 31 December 2022 | 4,198,697 | 867 | 963,741 | 5,163,305 |
| At 31 December 2022 | | | | |
| Historical cost | 12,785,449 | 1,892 | 963,741 | 13,751,082 |
| Accumulated depreciation | (8,586,752) | (1,025) | - | (8,587,777) |
| NBV | 4,198,697 | 867 | 963,741 | 5,163,305 |
| For 2023 | | | | |
| Additions | 170,420 | - | 217,718 | 388,138 |
| Transferred | 54,928 | - | (54,928) | - |
| Amortisation charge | (803,975) | (47) | - | (804,022) |
| NBV at 30 June 2023 | 3,620,070 | 820 | 1,126,531 | 4,747,421 |
| At 30 June 2023 | | | | |
| Historical cost | 12,836,922 | 1,892 | 1,126,531 | 13,965,345 |
| Accumulated amortisation | (9,216,852) | (1,072) | - | (9,217,924) |
| NBV | 3,620,070 | 820 | 1,126,531 | 4,747,421 |

7.2. PROPERTY, PLANT AND EQUIPEMNT

| | PARENT COMPANY | | | | | | |
|---|-------------------|-------------------------------------|---------------------------------------|--|------------------|--|--------------------|
| | Land, buildings | Electricity transmission structures | Transmission lines, process equipment | Other electricity transmission equipment | Other PPE | Property, plant and equipment under construction | TOTAL |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| At 31 December 2021 | | | | | | | |
| Historical cost or revalued amount | 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) |
| NBV | 36,481,361 | 4,759,055 | 613,202,100 | 1,970,731 | 8,982,596 | 20,409,947 | 685,805,790 |
| For 2022 | | | | | | | |
| Additions | 14,313 | - | 20,591 | 1,633 | 764,401 | 29,129,833 | 29,930,771 |
| Transferred | 2,011,900 | 187,869 | 14,453,603 | 559,044 | 422,795 | (17,635,211) | - |
| Sold | - | - | (232,479) | - | - | (26,300) | (258,779) |
| Disposals | (11,007) | (4,344) | (259,464) | (122) | (413) | - | (275,350) |
| Depreciation charge | (1,381,106) | (526,959) | (27,866,942) | (465,858) | (3,507,338) | - | (33,748,203) |
| NBV 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 |
| At 31 December 2022 | | | | | | | |
| Historical cost or revalued amount | 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) |
| NBV | 37,115,461 | 4,415,621 | 599,317,409 | 2,065,428 | 6,662,041 | 31,878,269 | 681,454,229 |
| For 2023 | | | | | | | |
| Additions | 4,600 | - | - | 1,265 | 57,352 | 23,588,301 | 23,651,518 |
| Transferred | 8,294 | - | 6,064,107 | 59,278 | 54,455 | (6,186,134) | - |
| Sold | - | - | - | - | - | (202,858) | (202,858) |
| Disposals | - | - | (394,460) | (6) | - | - | (394,466) |
| Depreciation charge | (673,410) | (262,492) | (14,003,972) | (292,316) | (1,709,915) | - | (16,942,105) |
| NBV at 30 June 2023 | 36,454,945 | 4,153,129 | 590,983,084 | 1,833,649 | 5,063,933 | 49,077,578 | 687,566,318 |
| At 30 June 2023 | | | | | | | |
| Historical cost or revalued amount | 43,158,529 | 8,611,517 | 1,180,454,616 | 10,439,171 | 19,988,519 | 49,077,578 | 1,311,729,930 |
| Accumulated depreciation and impairment | (6,703,584) | (4,458,388) | (589,471,532) | (8,605,522) | (14,924,586) | - | (624,163,612) |
| NBV | 36,454,945 | 4,153,129 | 590,983,084 | 1,833,649 | 5,063,933 | 49,077,578 | 687,566,318 |

| | GROUP | | | | | | | | |
|---|-------------------|-------------------------------------|---|---------------------------------------|--|-------------------|-------------------|--|----------------------|
| | Land, buildings | Electricity transmission structures | Gas transmission buildings and structures | Transmission lines, process equipment | Other electricity transmission equipment | Other PPEs | Emergency reserve | Property, plant and equipment under construction | TOTAL |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| At 31 December 2021 | | | | | | | | | |
| Historical cost or revalued amount | 42,656,276 | 8,365,473 | 771,087,876 | 1,337,283,799 | 11,471,818 | 26,393,089 | 1,538,779 | 40,436,962 | 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) |
| NBV | 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 |
| For 2022 | | | | | | | | | |
| Additions | 22,619 | - | 44,902 | 1,266,499 | 1,633 | 1,895,697 | - | 40,864,728 | 44,096,078 |
| Transferred | 2,011,901 | 187,869 | 15,855,381 | 16,059,578 | 559,044 | 4,462,820 | - | (39,136,593) | - |
| Sold | - | - | - | (232,479) | - | - | - | (26,300) | (258,779) |
| Disposals | (11,007) | (4,344) | (338,961) | (805,926) | (122) | (36,542) | - | - | (1,196,902) |
| Depreciation charge | (1,381,106) | (526,959) | (11,347,304) | (32,786,674) | (465,858) | (4,363,986) | - | - | (50,871,887) |
| Moved | - | - | - | - | - | - | 286,605 | - | 286,605 |
| NBV 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 |
| At 31 December 2022 | | | | | | | | | |
| Historical cost or revalued amount | 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) |
| NBV | 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 |
| For 2023 | | | | | | | | | |
| Additions | 4,600 | - | 7,250 | 102,978 | 1,265 | 424,571 | - | 38,566,478 | 39,107,142 |
| Transferred | 8,294 | - | 524,303 | 6,219,079 | 59,278 | 392,862 | - | (7,203,816) | - |
| Sold | - | - | - | - | - | - | - | (202,858) | (202,858) |
| Disposals | - | - | - | (395,751) | (6) | (342) | - | - | (396,099) |
| Depreciation charge | (673,410) | (262,492) | (5,761,195) | (16,346,931) | (292,316) | (2,247,452) | - | - | (25,583,796) |
| NBV at 30 June 2023 | 37,547,419 | 4,153,129 | 322,324,731 | 657,866,035 | 1,833,649 | 11,899,505 | 1,825,384 | 73,298,601 | 1,110,748,453 |
| At 30 June 2023 | | | | | | | | | |
| Historical cost or revalued amount | 44,251,003 | 8,611,517 | 786,217,373 | 1,314,435,942 | 10,439,171 | 34,109,216 | 1,825,384 | 73,298,601 | 2,273,188,207 |
| Accumulated depreciation and impairment | (6,703,584) | (4,458,388) | (463,892,642) | (656,569,907) | (8,605,522) | (22,209,711) | - | - | (1,162,439,754) |
| NBV | 37,547,419 | 4,153,129 | 322,324,731 | 657,866,035 | 1,833,649 | 11,899,505 | 1,825,384 | 73,298,601 | 1,110,748,453 |

Asset impairment assessment

There are three cash – generating units within the Group: Electricity transmission, Natural gas transmission and Natural gas storage.

Parent Company's assets consists of one cash-generating unit: Electricity transmission.

By determining money-generating unit, it is assumed that the infrastructure elements forming the electricity transmission and storage system are unified, inseparable and necessary for the safe operation of the electricity transmission system and the provision of the services.

There are identified two cash-generating units in the Subsidiary: Natural gas transmission and Natural gas storage. By determining money-generating unit, it is assumed that the infrastructure elements forming the gas transmission and storage system are unified, inseparable and necessary for the safe operation of the gas transmission system and the provision of the services.

Considering geopolitical situation and sharp rise in interest rates, AST management performed asset impairment testing on the end of year 2022. Evaluating current situation, AST management concludes, that in the first 6 months of 2023 no other indications have been discovered, assessment of existing indications has not changed since the last evaluation. In compliance with the above, no asset impairment test is performed.

7.3. RIGHT-OF-USE ASSETS

| | PARENT COMPANY Buildings and land EUR | GROUP Buildings and land EUR |
|--|---|------------------------------------|
| At 31 December 2021 | | |
| Historical cost | 19,010,549 | 19,586,019 |
| Accumulated depreciation | (4,375,132) | (4,499,495) |
| NBV | 14,635,417 | 15,086,524 |
| For 2022 | | |
| Changes to lease agreements recognised | 69,881 | 106,527 |
| Increase in right-of-use assets | 686,101 | 686,101 |
| Depreciation charge | (920,010) | (946,261) |
| NBV at 31 December 2022 | 14,471,389 | 14,932,892 |
| At 31 December 2022 | | |
| Historical cost | 19,766,531 | 20,270,161 |
| Accumulated depreciation | (5,295,142) | (5,337,269) |
| NBV | 14,471,389 | 14,932,892 |
| For 2023 | | |
| Changes to lease agreements recognised | - | - |
| Increase in right-of-use assets | - | - |
| Depreciation charge | (382,400) | (388,971) |
| NBV at 30 June 2023 | 14,088,989 | 14 543 921 |
| At 30 June 2023 | | |
| Historical cost | 19,766,531 | 20,270,161 |
| Accumulated depreciation | (5,677,542) | (5,726,240) |
| NBV | 14,088,989 | 14,543,921 |

8. DEPRECIATION AND AMORTISATION

| | PARENT COMPANY | | GROUP | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| Depreciation of PPEs (Note 7.2) | (16,942,105) | (17,040,510) | (25,583,796) | (25,615,508) |
| Amortisation of intangible assets (Note 7.1) | (426,428) | (313,384) | (804,022) | (647,090) |
| Depreciation of right-of-use assets (Note 7.3) | (382,400) | (461,752) | (388,971) | (481,432) |
| Depreciation and amortisation | (17,750,933) | (17,815,646) | (26,776,789) | (26,744,030) |
| Write-offs and other adjustments | (394,466) | (74,055) | (396,099) | (42,679) |
| Decrease in value of intangible assets and property, plant and equipment | (394,466) | (74,055) | (396,099) | (42,679) |
| TOTAL depreciation and amortisation excluding write-offs and other adjustments | (17,750,933) | (17,815,646) | (26,776,789) | (26,744,030) |

9. OTHER LONG-TERM FINANCIAL INVESTMENTS

| | PARENT COMPANY | | GROUP | |
|---|--------------------|--------------------|-------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| Shareholding in the share capital of the Subsidiary, including: | 134,394,971 | 134,394,971 | - | - |
| AS "Conexus Baltic Grid" | 134,394,971 | 134,394,971 | - | - |
| Shareholding in the share capital of associates, including: | 45,000 | 45,000 | 45,000 | 45,000 |
| "Baltic RCC" OÜ | 45,000 | 45,000 | 45,000 | 45,000 |
| Shareholding in the share 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 |
| NBV at the end of the reporting period | 134,441,393 | 134,441,393 | 46,422 | 46,422 |

The parent company owns 1.9% of the capital of AS "Pirmais slēgtais pensiju fonds". The Parent company is a nominee shareholder, since all risks

and rewards arising from the operation of the Fund are borne or acquired by the Parent company's employees, the members of the pension plan.

| Company | Country | Type of business | Shareholding |
|-------------------------------------|---------|--|--------------|
| AS "Conexus Baltic Grid" | Latvia | Natural gas transmission and storage operator in Latvia | 68.46% |
| "Baltic RCC" OÜ | Estonia | Baltic Regional Coordination Centre for Electricity Transmission Systems | 33.33% |
| AS "Pirmais Slēgtais pensiju fonds" | Latvia | Managing pension plans | 1.9% |

10. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

| | PARENT COMPANY | | GROUP | |
|--|-------------------|--------------------|-------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| Receivables from contracts with customers | | | | |
| Receivables for electricity transmission service | 9,782,542 | 20,111,627 | 9,782,542 | 20,111,627 |
| Other trade receivables | 1,563,253 | 2,288,649 | 9,557,309 | 12,525,384 |
| Total receivables from contracts with customers | 11,345,795 | 22,400,276 | 19,339,851 | 32,637,011 |
| Expected credit losses | | | | |
| Other trade receivables | (5,455) | (5,495) | (5,455) | (5,495) |
| Total expected credit losses | (5,455) | (5,495) | (5,455) | (5,495) |
| Receivables from contracts with customers, net | | | | |
| Receivables for electricity transmission service | 9,782,542 | 20,111,627 | 9,782,542 | 20,111,627 |
| Other trade receivables | 1,557,798 | 2,283,154 | 9,551,854 | 12,519,889 |
| RECEIVABLES FROM CONTRACTS WITH CUSTOMERS, NET | 11,340,340 | 22,394,781 | 19,334,396 | 32,631,516 |
| Impairment of the receivables from contracts with customers | | | | |
| At the beginning of the reporting year | 5,495 | 4,350 | 5,495 | 4,350 |
| Recognised in the income statement | (40) | 1,145 | (40) | 1,145 |
| At the end of the reporting year | 5,455 | 5,495 | 5,455 | 5,495 |

11. OTHER RECEIVABLES

| | PARENT COMPANY | | GROUP | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| Deposits | 71,265,905 | - | 71,265,905 | - |
| Expected European Union advance funding | 21,603,634 | 8,384,944 | 21,603,634 | 8,384,944 |
| Receivables related to the fraudulent transaction* | 172,850 | 172,850 | 172,850 | 172,850 |
| Provision for the fraudulent transaction* | (172,850) | (172,850) | (172,850) | (172,850) |
| Other financial assets | 92,869,539 | 8,384,944 | 92,869,539 | 8,384,944 |
| Overpaid corporate income tax | 11,512 | 11,512 | 11,512 | 11,512 |
| Prepayments | 2,161,880 | 1,013,784 | 2,161,880 | 1,013,784 |
| Advance payments for balancing services on an exchange | - | - | 1,984,558 | 2,000,000 |
| Other receivables | 10,004,354 | 91,370 | 10,967,397 | 1,027,923 |
| Other non-financial assets | 12,177,746 | 1,116,666 | 15,125,347 | 4,053,219 |
| TOTAL OTHER RECEIVABLES | 105,047,285 | 9,501,610 | 107,994,886 | 12,438,163 |

*The Parent company has made a provision of EUR 172,850 in 2022 in relation to the fraudulent transaction. Criminal proceedings have been initiated against the fraud.

12. CASH

| | PARENT COMPANY | | GROUP | |
|-------------------|-------------------|--------------------|-------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| Cash in the bank | 43,879,640 | 92,042,624 | 46,649,459 | 103,009,740 |
| TOTAL CASH | 43,879,640 | 92,042,624 | 46,649,459 | 103,009,740 |

13. EQUITY

(a) Share capital

An overview of the changes in the Parent company's equity is presented in the table below:

| | Number of shares | Registered share capital, EUR |
|-------------------------|--------------------|-------------------------------|
| 1 January 2021 | 363,896,079 | 363,896,079 |
| Issue of new shares | 1,999,878 | 1,999,878 |
| 31 December 2021 | 365,895,957 | 365,895,957 |
| Issue of new shares | 25,702,577 | 25,702,577 |
| 31 December 2022 | 391,598,534 | 391,598,534 |
| 30 June 2023 | 391,598,534 | 391,598,534 |

The Group's share capital consists of ordinary shares of the Parent company. The share capital is fully paid up.

In accordance with the decision of the Shareholders' Meeting of AS "Augstsprieguma tīkls" of 3 November 2022 (Minutes No.3, § 1), a contribution of EUR 25,702,577 has been made to the share capital of the Parent company by capitalising retained earnings.

In accordance with the resolution of the Shareholders' Meeting of AS "Augstsprieguma tīkls" of 28 May 2021 (Minutes No.1, § 1 and 2§), a contribution of EUR 1,999,878 has been made to the share capital of the Parent company by capitalising retained earnings.

The Parent company has made payments to the State budget for the use of State capital (dividends) from the previous year's profits:

- EUR 7,999,514 or EUR 0.02198 per share in 2021;
- EUR 29,143,118 or EUR 0.79649 per share in 2022.

- EUR 7,033,805 or EUR 0.01796 per share in 2023.

(b) Reserves

The reserves of the Parent company consist of a revaluation reserve, reserves for post-employment benefits and retained earnings, which are allocated to other reserves at the discretion of the shareholder for development purposes. The Group's reserves consist of the revaluation reserve for property, plant and equipment, the reserves required by the Articles of Association of the Subsidiary, the revaluation reserve for post-employment benefits, retained earnings allocated to other reserves for development purposes at the shareholder's discretion.

(c) Non-controlling interests

Information on non-controlling interests is presented in Note 8. Except for dividends, there have been no transactions with non-controlling interests.

14. DEFERRED REVENUE

| | PARENT COMPANY | | GROUP | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| (a) Non-current deferred revenue | | | | |
| - from connection charges | 37,350,881 | 38,084,750 | 37,350,881 | 38,084,750 |
| Non-current deferred revenue from contracts with customers | 37,350,881 | 38,084,750 | 37,350,881 | 38,084,750 |
| - from European Union funding | 134,635,524 | 136,421,913 | 160,514,214 | 161,379,661 |
| - from the expected European Union advance funding | 21,603,634 | 8,384,944 | 21,603,634 | 8,384,944 |
| - from advances received from European Union funding | 18,562,500 | 18,562,500 | 18,562,500 | 18,562,500 |
| - from congestion charge revenue | 142,120,286 | 141,537,570 | 142,120,286 | 141,537,570 |
| Other non-current deferred revenue | 316,921,944 | 304,906,927 | 342,800,634 | 329,864,675 |
| TOTAL Non-current deferred revenue | 354,272,825 | 342,991,677 | 380,151,515 | 367,949,425 |

| | PARENT COMPANY | | GROUP | |
|--|-------------------|--------------------|-------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| (b) Current deferred revenue | | | | |
| - from connection charges | 3,658,224 | 3,658,224 | 3,658,224 | 3,658,224 |
| Short-term deferred revenue from contracts with customers | 3,658,224 | 3,658,224 | 3,658,224 | 3,658,224 |
| - Unfinished EU co-funded projects, including: | 21,890,297 | 3,881,759 | 21,890,297 | 3,881,759 |
| Project "Synchronisation of the Baltic power system with the European power system, Phase 2" | 777,947 | 777,947 | 777,947 | 777,947 |
| Synchronisation of the Baltic States with Continental Europe, Phase 1 | 20,987,717 | 2,950,889 | 20,987,717 | 2,950,889 |
| Project "EU-SysFlex – Pan- European system with an efficient coordinated use of flexibilities for the integration of a large share of RES" | 9,523 | 37,812 | 9,523 | 37,812 |
| Project "Dynamic stability study of the Baltic power systems" | 26,250 | 26,250 | 26,250 | 26,250 |
| Project "System for TSO-SSO-end-user interconnection, INTERFACE" | 88,861 | 88,861 | 88,861 | 88,861 |
| - finished EU-funded projects | 3,589,970 | 3,609,338 | 4,361,939 | 4,372,019 |
| - from congestion charge revenue (usage rights) | 1,586,620 | - | 1,586,620 | - |
| - from congestion charge revenue | 1,199,452 | 1,204,239 | 1,199,452 | 1,204,239 |
| - from the funding of other projects | - | - | 4,654 | 4,654 |
| - from IUGS reserved capacity charges | - | - | 11,186 | - |
| Other current deferred revenue | 28,266,339 | 8,695,336 | 29,054,148 | 9,462,671 |
| TOTAL current deferred revenue | 31,924,563 | 12,353,560 | 32,712,372 | 13,120,895 |

Movement in deferred revenue from contracts with customers (non-current and current):

| | PARENT COMPANY | | GROUP | |
|---|-------------------|--------------------|-------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| At the beginning of the reporting year | 41,742,974 | 41,625,094 | 41,742,974 | 41,625,094 |
| Connection charges recognized in income statement | (1,798,832) | (3,467,086) | (1,798,832) | (3,467,086) |
| Connection charges received from customer contributions | 1,064,963 | 3,584,966 | 1,064,963 | 3,584,966 |
| At the end of the reporting year | 41,009,105 | 41,742,974 | 41,009,105 | 41,742,974 |

Movement in other deferred revenue (non-current and current):

| | PARENT COMPANY | | GROUP | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| At the beginning of the reporting year | 313,602,263 | 251,557,503 | 339,327,346 | 270,490,450 |
| EU co-financing received* | 13,218,691 | 7,720,085 | 13,218,691 | 7,720,085 |
| Accumulated prior period EU co-financing received | - | (509,198) | - | (509,198) |
| Deferred revenue received from EU co-financing | (28,289) | 489,433 | 1,276,458 | 8,133,373 |
| EU co-financing advance received | 18,036,827 | 21,513,389 | 18,036,827 | 21,513,389 |
| Congestion charge revenue received | 1,180,452 | 37,650,929 | 1,180,452 | 37,650,929 |
| Short-term congestion charge revenue (usage rights) | 1,586,620 | - | 1,586,620 | - |
| Deferred IUGS reserved capacity charge received | - | - | 12,305 | - |
| IUGS reserved capacity charge | - | - | (1,119) | (237,284) |
| Congestion charge revenue recognized in the income statement | (602,523) | (1,191,483) | (602,523) | (1,191,483) |
| EU co-financing recognized in the income statement | (1,805,758) | (3,628,395) | (2,180,275) | (4,242,915) |
| At the end of the reporting year | 345,188,283 | 313,602,263 | 371,854,782 | 339,327,346 |
| TOTAL at the end of the reporting year | 386,197,388 | 355,345,237 | 412,863,887 | 381,070,320 |

*Funding received from the European Union (related to assets) is recognized when the Group and the Parent company have complied with the conditions attached to the receipt of the funding and have an unconditional right to receive the funding. The conditions attached to the financing are: 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 guidelines and the requirements of the legislation of the Republic of Latvia. A separate account is maintained for each transaction related to the accounting of the projects co-financed by the EU. The Parent company and the Group keep separate accounts for the relevant income, expenditure, 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 a receivable under the balance sheet item "Other receivables".

15. BORROWINGS AND LEASE LIABILITIES

BORROWINGS:

| | PARENT COMPANY | | GROUP | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| Non-current borrowings from credit institutions | - | - | 63,018,540 | 69,468,183 |
| Non-current portion of bonds issued | 99,905,836 | 99,892,726 | 99,905,836 | 99,892,726 |
| Current borrowings from credit institutions | - | - | 12,899,286 | 12,899,286 |
| Borrowings | 99,905,836 | 99,892,726 | 175,823,662 | 182,322,675 |
| Non-current accrued liability for interest on bonds issued | 221,966 | 473,973 | 221,966 | 473,973 |
| Current accrued liabilities for interest on borrowings from credit institutions | - | - | 58,935 | 62,480 |
| TOTAL borrowings | 100,127,802 | 100,366,699 | 176,104,563 | 182,796,648 |
| Including: | | | | |
| Non-current borrowings | 100,127,802 | 100,366,699 | 163,146,342 | 169,834,882 |
| Current borrowings | - | - | 12,958,221 | 12,961,766 |

LEASE LIABILITIES:

| | PARENT COMPANY | | GROUP | |
|--------------------------------|-------------------|--------------------|-------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| TOTAL lease liabilities | 14,525,100 | 14,865,954 | 15,006,354 | 15,350,376 |
| Including: | | | | |
| Non-current | 13,838,845 | 14,184,247 | 14,292,895 | 14,643,605 |
| Current | 686,255 | 681,707 | 713,459 | 706,771 |

MOVEMENT OF BORROWINGS AND LEASE LIABILITIES:

| | PARENT COMPANY | | |
|--|--------------------------|-------------------------|--------------------|
| | Lease liabilities EUR | Other borrowings EUR | Total EUR |
| At 31 December 2021 | 14,938,982 | 99,966,288 | 114,905,270 |
| Recognised changes to lease agreements | 69,881 | - | 69,881 |
| New contracts | 686,101 | - | 686,101 |
| Repayments, excluding interest | (829,010) | - | (829,010) |
| Interest payments | (230,846) | (126,027) | (356,873) |
| Calculated interest | 230,846 | 526,438 | 757,284 |
| At 31 December 2022 | 14,865,954 | 100,366,699 | 115,232,653 |
| Recognised changes to lease agreements | - | - | - |
| New contracts | - | - | - |
| Repayments, excluding interest | (451,018) | - | (451,018) |
| Interest payments | - | (500,000) | (500,000) |
| Calculated interest | 110,164 | 261,103 | 371,267 |
| At 30 June 2023 | 14,525,100 | 100,127,802 | 114,652,902 |

| | GROUP | | | |
|--|-------------------|-------------------------------------|--------------------|--------------------|
| | Lease liabilities | Borrowings from credit institutions | Other borrowings | Total |
| | EUR | EUR | EUR | EUR |
| At 31 December 2021 | 15,406,319 | 98,093,221 | 99,966,288 | 213,465,828 |
| Changes to lease agreements recognised | 106,527 | - | - | 106,527 |
| New contracts | 686,101 | 20,000,000 | - | 20,686,101 |
| Repayments, excluding interest | (848,571) | (35,688,383) | - | (36,536,954) |
| Interest payments | (251,502) | - | (126,027) | (377,529) |
| Calculated interest | 251,502 | 25,111 | 526,438 | 803,051 |
| At 31 December 2022 | 15,350,376 | 82,429,949 | 100,366,699 | 198,147,024 |
| Changes to lease agreements recognised | - | - | - | - |
| New contracts | - | - | - | - |
| Repayments, excluding interest | (464,619) | (6,449,643) | - | (6,914,262) |
| Interest payments | - | (1,145,430) | (500,000) | (1,645,430) |
| Calculated interest | 120,597 | 1,141,885 | 261,103 | 1,523,585 |
| At 30 June 2023 | 15,006,354 | 75,976,761 | 100,127,802 | 191,110,917 |

16. PAYABLES TO SUPPLIERS AND OTHER CREDITORS

| | PARENT COMPANY | | GROUP | |
|--|-------------------|--------------------|-------------------|--------------------|
| | 30.06.2023 EUR | 31.12.2022. EUR | 30.06.2023 EUR | 31.12.2022. EUR |
| Financial liabilities | | | | |
| Payables for electricity and natural gas | 10,513,133 | 22,243,344 | 10,513,133 | 22,243,344 |
| Payables for materials and services | 11,616,931 | 6,467,104 | 19,845,102 | 13,877,958 |
| Accrued liabilities | 29,877 | 95,367 | 2,706,112 | 2,356,219 |
| Other current financial liabilities | 5,688,620 | 2,662,036 | 5,688,620 | 2,662,036 |
| TOTAL financial liabilities | 27,848,561 | 31,467,851 | 38,752,967 | 41,139,557 |
| Non-financial liabilities: | | | | |
| National social insurance mandatory contributions and other taxes | 2,399,070 | 1,455,831 | 5,414,671 | 2,532,591 |
| Advances received for connection charges | 1,479,273 | 479,283 | 1,479,273 | 479,283 |
| Advances received for capacity reservation | 12,036,879 | - | 12,036,879 | - |
| Advances received | - | 650 | 7,589,365 | 8,581,032 |
| Other current non-financial liabilities | 5,212,870 | 2,995,440 | 6,429,531 | 4,123,429 |
| TOTAL non-financial liabilities | 21,128,092 | 4,931,204 | 32,949,719 | 15,716,335 |
| TOTAL payables to suppliers and other creditors, including: | 48,976,653 | 36,399,055 | 71,702,686 | 56,855,892 |
| TOTAL payables to suppliers | 22,130,064 | 28,710,448 | 30,358,235 | 36,121,302 |
| TOTAL payables to other creditors | 26,846,589 | 7,688,607 | 41,344,451 | 20,734,590 |

17. FAIR VALUE CONSIDERATIONS

There were no reclassifications of assets between Level 1, Level 2 and Level 3 during the reporting period.

| | PARENT COMPANY | | | |
|--|----------------|-----------------|-----------------|-----------------|
| | NBV EUR | Level 1, EUR | Level 2, EUR | Level 3, EUR |
| At 30.06.2023 | | | | |
| Assets that are measured at fair value: | | | | |
| Revalued property, plant and equipment (Note 7.2) | 596,969,862 | - | - | 596,969,862 |
| Assets for which fair value is reported: | | | | |
| Cash (Note 11) | 43,879,640 | - | 43,879,640 | - |
| Receivables from contracts with customers (Note 9) | 11,340,340 | - | - | 11,340,340 |
| Other non-current financial investments (Note 8) | 46,422 | - | - | 46,422 |
| Other receivables (Note 10) | 92,869,539 | - | - | 92,869,539 |
| Liabilities at fair value: | | | | |
| Borrowings (Note 14) | 100,127,802 | - | 100,127,802 | - |
| Lease liabilities (Note 14) | 14,525,100 | - | - | 14,525,100 |
| Payables to suppliers and other payables (Note 15) | 27,848,561 | - | - | 27,848,561 |
| At 31.12.2022 | | | | |
| Assets that are measured at fair value: | | | | |
| Revalued property, plant and equipment (Note 7.2) | 605,798,458 | - | - | 605,798,458 |
| Assets for which fair value is reported: | | | | |
| Cash (Note 11) | 92,042,624 | - | 92,042,624 | - |
| Receivables from contracts with customers (Note 9) | 22,394,781 | - | - | 22,394,781 |
| Other non-current financial investments (Note 8) | 46,422 | - | - | 46,422 |
| Other receivables (Note 10) | 8,384,944 | - | - | 8,384,944 |
| Liabilities at fair value: | | | | |
| Borrowings (Note 14) | 100,366,699 | - | 84,684,725 | - |
| Lease liabilities (Note 14) | 14,865,954 | - | - | 14,865,954 |
| Payables to suppliers and other payables (Note 15) | 31,467,851 | - | - | 31,467,851 |

| | GROUP | | | |
|--|---------------|-----------------|-----------------|-----------------|
| | NBV EUR | Level 1, EUR | Level 2, EUR | Level 3, EUR |
| At 30.06.2023 | | | | |
| Assets that are measured at fair value: | | | | |
| Revalued property, plant and equipment (Note 7.2) | 986,177,544 | - | - | 986,177,544 |
| Assets for which fair value is reported: | | | | |
| Cash (Note 11) | 46,649,459 | - | 46,649,459 | - |
| Receivables from contracts with customers (Note 9) | 19,334,396 | - | - | 19,334,396 |
| Other non-current financial investments (Note 8) | 46,422 | - | - | 46,422 |
| Other receivables (Note 10) | 92,869,539 | - | - | 92,869,539 |
| Liabilities at fair value: | | | | |
| Borrowings (Note 14) | 176,104,563 | - | 176,104,563 | - |
| Lease liabilities (Note 14) | 15,006,354 | - | - | 15,006,354 |
| Payables to suppliers and other payables (Note 15) | 38,752,967 | - | - | 38,752,967 |
| At 31.12.2022 | | | | |
| Assets that are measured at fair value: | | | | |
| Revalued property, plant and equipment (Note 7.2) | 1,002,322,082 | - | - | 1,002,322,082 |
| Assets for which fair value is reported: | | | | |
| Cash (Note 11) | 103,009,740 | - | 103,009,740 | - |
| Receivables from contracts with customers (Note 9) | 32,631,516 | - | - | 32,631,516 |
| Other non-current financial investments (Note 8) | 46,422 | - | - | 46,422 |
| Other receivables (Note 10) | 8,384,944 | - | - | 8,384,944 |
| Liabilities at fair value: | | | | |
| Borrowings (Note 14) | 182,796,648 | - | 182,796,648 | - |
| Lease liabilities (Note 14) | 15,350,376 | - | - | 15,350,376 |
| Payables to suppliers and other payables (Note 15) | 41,139,557 | - | - | 41,139,557 |

18. RELATED PARTY TRANSACTIONS

INCOME AND EXPENSES FROM RELATED PARTY TRANSACTIONS (OTHER PUBLIC CAPITAL COMPANIES)

| | PARENT COMPANY | | GROUP | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 6 months of 2023 EUR | 6 months of 2022 EUR | 6 months of 2023 EUR | 6 months of 2022 EUR |
| Revenue | | | | |
| Electricity transmission system service | 36,667,034 | 36,779,626 | 36,667,034 | 36,779,626 |
| Balancing and regulating electricity | 3,531,002 | 10,811,230 | 3,531,002 | 10,811,230 |
| Reactive energy revenues | 200,163 | 244,119 | 200,163 | 244,119 |
| Mandatory procurement components | - | 114,783 | - | 114,783 |
| Gas storage and transmission | - | - | 11,496,139 | 9,794,611 |
| Revenue from other services | 1,064,500 | 1,247,450 | 1,064,500 | 1,247,450 |
| Total revenue from transactions with related companies | 41,462,699 | 49,197,208 | 52,958,838 | 58,991,819 |
| Cost | | | | |
| Purchase of balancing electricity | 2,389,393 | 4,017,835 | 2,389,393 | 4,017,835 |
| Purchase of regulatory electricity | 1,527,902 | 8,545,761 | 1,527,902 | 8,545,761 |
| Electricity for losses and technological consumption | 6,286,944 | - | 6,286,944 | - |
| Electricity for transit losses | 885,569 | - | 885,569 | - |
| Electricity for business use | 89,238 | 45,393 | 89,238 | 45,393 |
| Capacity reserve for electricity system security | 4,233,950 | 3,541,535 | 4,233,950 | 3,541,535 |
| Mandatory procurement components | - | 291,598 | - | 291,598 |
| Use of synchronous compensators | 532,491 | 627,723 | 532,491 | 627,723 |
| Communication expenses | 1,821,793 | 1,608,112 | 1,821,793 | 1,608,112 |
| Liquidation of electrical capacity overload | - | 211,425 | - | 211,425 |
| Lease of PPE and land | 406,537 | 407,230 | 406,537 | 407,230 |
| Gas storage and transmission | - | - | 1,771,510 | 1,525,143 |
| Other costs | 38,900 | 91,497 | 38,900 | 91,497 |
| Total cost of transactions with related companies | 18,212,717 | 19,388,109 | 19,984,227 | 20,913,252 |

BALANCES AT THE END OF THE REPORTING YEAR FROM RELATED-PARTY TRANSACTIONS (OTHER PUBLIC CAPITAL COMPANIES)

| | PARENT COMPANY | | GROUP | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30.06.2023 EUR | 30.06.2022 EUR | 30.06.2023 EUR | 30.06.2022 EUR |
| Receivables: | | | | |
| State-controlled capital companies | 7,121,008 | 8,945,536 | 9,213,977 | 10,654,705 |
| Payables: | | | | |
| State-controlled capital companies | 9,859,898 | 9,942,482 | 10,614,206 | 10,159,076 |

19. EVENTS AFTER THE END OF THE REPORTING YEAR

On 1 August 2023, the Baltic electricity transmission system operators signed a cooperation agreement to ensure readiness for synchronisation with the continental European grid in February 2025. The agreement consolidates a coordinated plan between operators on the steps to be taken to ensure that the Baltic power system is ready for accelerated synchronisation with the continental European power grid, which is essential for the reliable operation of power systems in the region.

There have been no other material events that occurred between the last day of the reporting period and the date of signing these Unaudited Condensed Interim Financial Statements that would have a material effect on the Unaudited Condensed Interim Financial statements for 6 month period ending on 30 June 2023 of the Group and AS "Augstsprieguma tīkls". Although uncertainty about the future impact of events on the Group's and the Parent Company's operations has increased, no such circumstances have been identified, which would threaten the continuity of operations and the fulfilment of statutory functions.

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