



2015

ANNUAL REPORT

**PREPARED IN ACCORDANCE WITH THE LAW
ON ANNUAL REPORTS OF THE REPUBLIC OF
LATVIA**

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Information on the Company

Name of the Company	AS "Augstsprieguma tīkls"
Legal status of the Company	Joint Stock Company
Number, place and date of registration	000357556 Riga, 28. December 2001 Re-registered in the Commercial Register 13 November 2004 Registration number 40003575567
Principal activities	Electricity supply, NACE code 35.12
Address	86 Darzciema Street Riga, LV-1073 Latvia
Shareholder	Since 2 January 2012: Ministry of Finance of the Republic of Latvia (100%) 1 Smilsu street 1, Riga, LV-1919, Latvia
Names and positions of Board members (from 1 May 2016)	Varis Boks – Chairman of the Board Arnis Staltmanis – Member of the Board Imants Zviedris – Member of the Board Gatis Junghāns – Member of the Board Mārcis Kauliņš – Member of the Board
Names and positions of Board members (till April 2016)	Varis Boks – Chairman of the Board Arnis Staltmanis– Member of the Board (from 8 April 2016) Imants Zviedris– Member of the Board Inese Bambāne – Member of the Board Gatis Junghāns– Member of the Board (from 25 April 2016)
Names and positions of Board members (till 31 March 2016)	Varis Boks – Chairman of the Board Arnis Staltmanis – Member of the Board Imants Zviedris – Member of the Board Inese Bambāne – Member of the Board Jānis Osītis – Member of the Board
Financial year	1 January - 31 December 2015
Previous reporting year	1 January - 31 December 2014
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA Certified audit company Licence No. 5 Kr. Valdemāra iela 21-21 Riga, LV-1010 Latvia Certified auditor in charge: Ilandra Lejiņa Certificate No. 168

Report of the Management

Type of operations

AS „Augstsprieguma tīkls" (hereinafter - the Company) is an independent transmission system operator in the Republic of Latvia, which provides transmission system services and ensures balance and stability within the transmission system. The electricity transmission system includes interconnected networks and equipment as well as interconnections with neighbouring power systems with voltages of 110kV and above used to transmit electricity from producers of electricity to the distribution systems or end users and cross-border with neighbouring countries.

According to the issued license No E12001 and the 1st part of clause 11 of Electricity Market Law, the Company is the only transmission system operator in Latvia with license effective within Latvia borders.

According to the decision of the Public Utilities Commission (hereinafter - the PUC) of 30th January 2013 No. 18 "On certification of the electricity transmission system operator" the Company has taken over the transmission system maintenance and development functions, as well as the employees of this business line from AS "Latvijas elektriskie tīkli" from 1st January 2015. From 1st January 2015 the Company has taken over 430 employees from AS "Latvijas elektriskie tīkli". On 1st January 2015 the Company had 505 employees (31th December 2014 - 71 employee).

The Company has developed quality, occupational health and safety policies by defining the following core values based on the Law on Energy, Electricity Market Law and Network Codex:

- responsibility - the Company is responsible: 1) for security of power supply, reservation of the power generation, providing firmness of cross-border transmission capacities as well as power flow management, taking in to account power exchanges with other transmission systems; 2) for possible congestions and overloads in the transmission system, as well as for operational stability and compatibility with other interconnected transmission systems; 3) for planning, constructing and implementing new infrastructure elements in order to develop transmission system; 4) for operation, maintenance, security, system management and development of the transmission system within the licensed territory as well as interconnections with other transmission systems, and the sustainability of the transmission network to meet energy demand; 5) for control and monitoring of all generating units connected to the transmission system; 6) for providing distribution system operators with energy in volumes required and corresponding to electricity standard quality requirements;
- fairness - the Company guarantees non-discriminatory electricity transmission system usage conditions to all users and applicants of the transmission system in accordance with the principles of fairness, openness and equality, as well as guarantees the availability of information for the transmission system users and applicants about the conditions to be met in order to access and connect to the transmission system;
- quality - the Company assures that service availability is provided by technology that is constantly being improved. Quality is ensured by operational power system management and monitoring, data acquisition about power system state using the remote control and monitoring tools, continuous improvement of customer satisfaction as well as systematic improvement to the professional qualifications of employees;
- transparency - the Company prepares a report on the balance of transmission system supply and consumption and an assessment report of country's security of electrical supply and provision with the production capacity, including electricity and power demand forecast for

at least 10 years ahead, assessment of consumption and within the reviewed period and forecast for at least 10 years ahead, information on transmission system adequacy related to demand, maintenance quality, compliance with 10 year development plan of the transmission system, as well as information regarding measures to be taken in scenario of highest demand and scenario when one or more suppliers are not available;

- occupational health and safety - the Company carries out legal, social, technical and organizational measures aimed at creating a safe and healthy work environment, as well as to prevent accidents at work and occupational illness;
- personnel - the Company's goals are achieved by its employees. The Company cares about each employee's professionalism, competence and motivation in achieving its goals and ensures continuous improvement of employee qualifications - the Company provides the necessary resources in implementation of lifelong learning principle.

The Company has developed, implemented and maintains its management system based on ISO 9001:2008 (quality) standard requirements.

According to the Law "On public utilities regulators", public regulations are performed by the Public Utilities Commission under management of its council. The Public Utilities Commission's tasks include representation of consumer interests, approval of tariff calculation methodology, tariff determination, public service licensing, promotion of competition in the regulated industries, monitoring of transmission system operator compliance with certification requirements and approval of transmission system 10 year development plan.

Each year, the PUC evaluates the Company's compliance with the requirements for certification, including the measures taken to ensure the independence arising from the Electricity Market Law.

According to the decision of the Council of PUC of 30th July 2015 No. 109 "On compliance of the electricity transmission system operator with the certification requirements" the Company is compliant with the certification requirements and has taken the necessary measures to ensure its independence.

Financial results

During the reporting year the Company's revenue reached EUR 124 775 777, including revenue from electricity transmission network services of EUR 73 657 899, accounting for 59% of the Company's total revenue. The Company's profit for the reporting period is EUR 172 605.

According to the Article 5 of Energy Law, the electricity transmission sector is regulated by the Law "On Public Utilities Regulators" Article 9, the regulator sets the tariff calculation methodology. According to the electricity transmission system service tariff calculation methodology (hereinafter - the Methodology), approved by the Council of PUC 26th February 2015 decision No.1 / 6, the electricity transmission system service tariffs in the project, which was approved by the Council of PUC 18th June 2015 decision No 92 "On A/S "Augstsprieguma tīkls "electricity transmission system service tariffs" (hereinafter - the PUC decision No 92), the Company's authorized profit was fixed at EUR 172.4 thousand after tax.

With the PUC decision adjudicating No 92, Clause 4, the Company in 2015 is allowed to use revenue of management of congestions and overloads to ensure profitability accordingly to the requirements of the Methodology.

According to the law "On Corporate Income Tax", the increase of deferred income tax asset charged to profit and loss account in the reporting period amounts to EUR 335 480.

According to the mentioned, although the Company's operating results before tax is negative (loss of EUR 47 172), the Company's profitability reporting period corresponds to the Methodology.

During the reporting period the Company for users in Latvia transmitted 5,803 GWh of electricity.

AS „Augstsprieguma tīkls” share capital on 31th December 2015 is EUR 5 691 487, which has been fully paid up in cash. All shares of the Company are owned by the state.

During the reporting period, the transmission system operator license obligations have been implemented through the following transmission networks (data as of 31 December 2015.):

Highest voltage (kV)	Number of substations (units)	Number of transformers and autotransformers (units)	Installed power (MVA)	Overhead power lines and cables ETL (km)
330 kV	16	25	3 825.0	1 359.66
110 kV	121	246	5 101.8	3 891.27
Total	137	271	8 926.8	5 250.93

Financial risk management

The Company's performance is primarily associated with the transmission system operator duties, coherent functioning must be ensured between the transmission system and electricity producers, as well as users (including distribution system operators), whose electrical installations are connected to the electrical transmission system, thus the Company's financial risk management is implemented to ensure continuity of operations. The Company's financial risk management is carried out in accordance with the policy approved by the board and accepted by the shareholders.

The Company's operations are exposed to such financial risks as turnover, cost and cash flow risks.

Financial resource management in the Company is focused on the financing of operational activities and securing financial stability by utilizing a conservative financial risk management approach.

The Company's turnover risks are managed by executing strategic and operational risk prevention measures according to the financial risk management policy, thus providing constant monitoring of service tariff compliance with the costs related to the provision of services.

The Company follows prudent liquidity risk management by ensuring that it has adequate financial resources to meet its obligations within due time. During the reporting year the Company has not acquired additional financial resources to help ensuring its liquidity.

Financial assets, which could potentially expose the Company to a certain level of risk, consist mainly of cash and trade receivables. Although the Company has a significant concentration of risk with regard to a single counterparty or group of related counterparties, the risk is assessed as limited, given the fact that the most important cooperation counterparty is a state-owned corporation - AS "Latvenergo", as well as the members of its group. Trade receivables are disclosed at their recoverable value.

Trade partners are accepted in cooperation with banks and financial institutions with the minimal credit rating at least at investment grade, established by the international credit rating agency of the bank or its parent.

The Company's management estimates that the Company will not face liquidity problems, and the Company will be able to settle debts with creditors on agreed terms. The Company's management believes that the Company will have sufficient resources to not compromise its liquidity.

Future development

Development of the electricity transmission system

With the Council of the PUC 6th August 2015 decision No. 115 "On the electricity transmission system development plan" the Company has developed the electricity transmission system development plan for the period from year 2016 to 2025 (hereinafter - the Development Plan). The Development Plan sets out the transmission system development and the necessary financial investment in transmission infrastructure for the next 10 years; planned investment in the development in the period from 2016 to 2025 is 493 million euros.

Capital investments in the transmission system are planned for the projects related to improvements in with the power system security, power system development and TSO license requirement compliance.

Main development activities in the coming decade:

- 3rd stage of 330 kV transmission project "Kurzeme Ring": construction of new 330 kV transmission power line "Ventspils -Tume - Imanta"

Construction of 330 kV transmission lines "Ventspils - Tume" and "Tume - Imanta" in order to finalise full 330 kV Kurzeme Ring project, thus improving security of power supply in the Western Region of Latvia and providing infrastructure for connecting new generating capacities to the transmission network, as well as providing reliable power corridor for possible increase of transit power flows in Baltics from North to South and vice versa after commissioning of 700 MW direct current interconnection between Sweden and Lithuania (NordBalt) and 650 MW direct current second interconnection between Estonia and Finland (Estlink 2). The project includes expansion of existing 330 kV substations "Imanta" (1 connection bay) and constructing new 330 kV switchyard in substation "Tume" (5 connection bays) with installation of autotransformer 125MVA, 330kV shunt reactors and reactive power compensation equipment. In addition, it is intended to reconstruct 110 kV switchyards at "Dundaga", "Talsi", "Valdemārpils", "Kandava" and "Priedaine" substations, as well as to increase transfer capacity via switchgear of 110 kV substations "Tukums", "Tume", "Dzintari", "Kemerī" and "Sloka".

- Latvian - Estonian third electricity interconnection.

Currently the most congested cross section of the Baltic electricity transmission network is the cross-border between Estonia and Latvia. Third Latvian-Estonian electricity interconnection will remove the existing transmission network "bottleneck" in cross-section between Estonia and Latvia and will increase the available Estonian-Latvian cross-border interconnection capacity for the electricity market, increase the security of energy supply in Estonia and Latvia as well as give an opportunity for new generating facilities (using renewable energy sources for production) to be connected to the electricity transmission system. The planned transmission line length in Latvian territory is approx. 180 km.

- 330kV capacity increase of transmission line - Tartu (EE) - Valmiera (LV) between Latvia and Estonia.

The project proposes replacement of the line conductors, insulation and pylons to ensure the line capacity up to 1000MVA as 330 kV power transmission line Tartu (EE) - Valmiera (LV) is built during 70-ies of last century (commissioned in 1971) and is morally and physically aged. Line length in Latvian territory - 48,42 km. Project implementation will be started immediately after commissioning of third Latvian - Estonian electricity interconnection.

- 330kV capacity increase of transmission line Tsirgulina (EE) - Valmiera (LV) between Latvia and Estonia

The project proposes the replacement of line conductors, insulation, mounting armature and pylon replacement to ensure the line capacity up to 1000MVA as 330 kV power transmission line Tartu (EE) - Valmiera (LV) has been built during the 50-ies of the last century (commissioned in 1960) and is morally and physically aged. Line length in Latvian territory - 48,47km. Project implementation will be started immediately after the commissioning of the project "330 kV transmission line Tartu (EE) - Valmiera (LV) capacity increase".

- New transmission line Riga CHP2 - Riga HPP construction.

This transmission line reinforcement will provide full functionality of Estonian-Latvian third electricity interconnection in maintenance modes in transmission network around Riga city, as well as improve the power output from the reconstructed Riga CHP2 power plant. The project envisages construction of a new 330 kV overhead /cable line with the transmission capacity up to 1000MVA, extension of RigaCHP2 330kV substation switchgear (2 connections) and installation of 330 kV shunt reactor for reactive power compensation, as well as reconstruction of 330kV substation RigaHPP with implementation of double-busbar scheme using existing equipment and engineering solutions as far as possible. Power transmission line "RigaCHP2 - Riga HPP" is included in the Ten Year Network Development Plan (TYNDP2014) of European network of transmission system operators of electricity (ENTSO-E) as Investment No.1062, i.e. as a transmission line Riga CHP2 (LV) - Salaspils (LV). When carrying out in-depth research, specialists of AS "Augstsprieguma tīkls" came to the conclusion that from the performance improvement point of view the optimal connection point of the electricity transmission system is in substation Riga HPP instead of substation Salaspils.

The last 3 projects are candidate projects from the second list of European project of common interest (PCI) under the joint project of Baltic Corridor (No. 163 TYNDP 2014) and synchronization project (No. 170 TYNDP 2014), which are candidates for the European Union co-financing under Connecting Europe Facility (CEF) program. The first two projects i.e. "Ventspils-Tume-Imanta" and Latvian-Estonian third electricity interconnection have received European co-financing from CEF programs in November 2014.

- Electricity transmission system sustainability projects

In cooperation with transmission system owner AS "Latvijas elektriskie tīkli" an electricity transmission system development plan has been developed for the next decade, which includes measures to improve transmission system infrastructure - renovations of existing 330 kV and 110 kV substations, refurbishment of transmission lines and transformers.

- Third party access to the electricity transmission network

Taking into consideration operational principles of Latvian electricity market, AS "Augstsprieguma tīkls", according to the principles of integrity, openness and equality, will continue to provide producers of electricity, as well as users of the transmission system with non-discriminatory access to the transmission system by constructing new, or by reconstructing existing grid connections.

The Company's main attention is paid to sustainable growth in order to improve the services provided to Latvian and Baltic electricity market participants.

The Company's strategic goal is to provide secure operating state of the Latvian power system, by timely planning development of the transmission system infrastructure and by increasing efficiency of processes.

Electricity market development

In implementing the European Union's policy on a single European Union internal energy market, in accordance with the Electricity market law of the Republic of Latvia, the transmission system

operator is obliged to take care of the electricity market development, promote the implementation of power exchange.

From 2013 Latvia operates in the power exchange Nord Pool (hereinafter - NP) the next day (Elspot) and existing days (Elbas) electricity markets. Both electricity market systems ensure not only higher Latvian electricity market liquidity, but also more efficient use of capacity and provides operators with reliable and transparent electricity prices.

To continue Latvia's integration of the single European internal electricity market, following the 24th June 2015 the European Commission adopted Regulation (EU) 2015/1222 (hereinafter - Regulation 2015/1222), which created the capacity allocation and congestion management guidelines, requirements, in 2015 AS "Augstsprieguma tīkls" joined the next day electricity market management system, or the European price coupling mechanism. The Company plans to participate in the joint project of the daily market coupling. Regulation 2015/1222 provides that Member States whose transmission lines are connected to the network of another Member State, must take part in a single intraday coupling and single day-ahead coupling. Considering the previously mentioned, across the Europe the project "xBid" on implementing The Cross Border Intraday Market has been launched with purpose to create a joint integrated cross-zonal implicit Intra-day market trading solution where transmission capacity is allocated within the Europe.

In 2016 - 2018, for Latvian and Baltic transmission system operators, as well as the Baltic electricity market participants and market in general new challenges and tasks are expected due to construction and commissioning of new interconnections (Lithuania - Sweden, Lithuania - Poland) at the beginning of 2016, as well as due to ensuring the requirements of European Union electricity network codes are met which are planned to be approved in 2016.

Cross-border electricity trading risk management

In order to offer the Baltic market participants cross-border electricity trading risk management tools, starting from 1st January 2014, the Company together with the Estonian transmission system operator AS "Elering" organize transmission capacity auction (PTR-limited) to the Estonian-Latvian border in the direction of Estonia-Latvia. Based on the Baltic electricity market participants' requests, the Company together with the Estonian TSO made improvements in auction terms effective from 1st January 2015.

Future developments for this cross-border power trading risk management tool depend on the European Union regulation on the forward capacity allocation, which sets unitary terms for the auctions of Limited-PTRs in EU.

The Company together with AS "Elering" within the European Transmission System Operators Association ENTSO-E during the 2015 established European Harmonised Allocation Rules (EU HAR) of forward capacity allocation together with Estonia-Latvia border Regional Annex), which replaces PTR-Limited terms starting from 1st January 2016.

Electricity market transparency

Transparency and access to information are essential to the market efficiency. In 2014 the European Transmission System Operators ENTSO-E framework together worked on a new, pan-European information transparency platform (hereinafter - Platform), according to European Commission Regulation 543/2013 requirements. That Platform started its operations on 5 January 2015.

AS "Augstsprieguma tīkls" publishes relevant information on Latvian electricity market on this platform. The Company was one of the first European TSOs that successfully met all the tests and ensured the data transmission to the platform in the required quality and amount.

System balancing

In 2012-2015, Baltic TSOs, including AST took their first steps in establishing the Baltic unified balancing market. During this period the Baltic TSOs started coordinating cooperation BEMIP plan with the objective to create a single Baltic balancing market.

The most important step to achieve this goal is the total Baltic no balance equalization (Imbalance netting) facility development and introduction in 2015. In 2014 an agreement was reached between all TSOs in the Baltic and Russian system operator on the principles of how the Baltic TSOs together settle for imbalance that arises in Baltic TSOs control area when power system operational interval closes. Introduction of his mechanism has led to significant cost of maintaining the balance in Baltic region savings to all TSOs in Baltic. On 13th May 2014 the Baltic TSOs signed an agreement on conducting a study to identify the opportunities and the necessary actions in the Baltic balancing market. In 2014 this study was conducted in collaboration with the Nordic TSOs.

The research provided detailed recommendations to the Baltic and Nordic balancing market integration and to continue with implementation of Baltic balancing market, a team which started defining project objectives and timeline was formed.

On 29th May 2015 the Baltic TSOs as well as the Nordic TSO representative "Fingrid", signed an agreement on the conditions of the Baltic and Nordic electricity balancing market.

Currently it is expected that a common Baltic electricity balancing market will be created by the end of 2017. This will be one of the important steps towards integration of the Baltic and Nordic electricity balancing market.

Events after the balance sheet date

At present, it is expected that a common Baltic electricity balancing market will be created by the end of 2017, which will be one of the stages on the way to the Baltic and Nordic electricity balancing market integration.

Proposals for distribution of profit

Management of the Company, in fulfilling the requirements of the law "On state and municipality owned shares and companies" transition rules paragraph No 10, complying with Law "On medium term budget model 2016, 2017 and 2018" paragraph No 22, proposes to allocate EUR 155 345 to be paid out as dividends and to transfer the remaining profit portion of EUR 17 260 to the reserves of the Company. The distribution of profit for 2015 is subject to resolution by AS "Augstsprieguma tīkls" shareholder meeting.

AS „Augstsprieguma tīkls” Management Board:

 _____ Varis Boks Chairman of the Board	 _____ Arnis Staltmanis Member of the Board	 _____ Imants Zviedris Member of the Board
 _____ Gatis Junghāns Member of the Board	 _____ Mārcis Kauliņš Member of the Board	

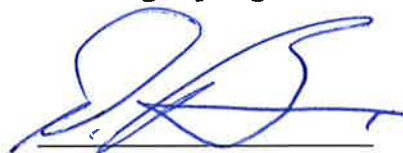
Rīga, 11 May 2016

Profit and Loss account for the year 2015

	Notes	2015 EUR	2014 EUR
Revenue	3	124 775 777	110 502 757
Other operating income	4	257 398	142 026
Raw materials used and repairs	5	(21 464 947)	(31 838 850)
Personnel expenses	6	(12 187 021)	(2 200 698)
<i>a) salaries</i>		<i>(8 764 139)</i>	<i>(1 674 344)</i>
<i>b) contribution to pension fund</i>		<i>(402 425)</i>	<i>(75 075)</i>
<i>c) mandatory state social security contributions and benefits defined in collective labour agreement</i>		<i>(3 020 457)</i>	<i>(451 279)</i>
Depreciation and amortization	10	(813 908)	(44 100)
Other operating expenses	7	(90 712 339)	(75 286 407)
<i>a) IT expenses</i>		<i>(700 752)</i>	<i>(154 001)</i>
<i>b) premises and territory expenses</i>		<i>(219 878)</i>	<i>(115 876)</i>
<i>c) transportation costs</i>		<i>(1 122 197)</i>	<i>(29 901)</i>
<i>d) nature and labour protection costs</i>		<i>(93 947)</i>	<i>(346)</i>
<i>e) other expenses</i>		<i>(88 575 565)</i>	<i>(74 986 283)</i>
Income from investments		-	94 220
Finance income	8(a)	99 314	45 001
Finance expenses	8(b)	(1 446)	(491)
(Loss) / profit before tax		(47 172)	1 413 458
Corporate income tax	9	(115 703)	(312 286)
Increase / (decrease) of deferred tax asset	9	335 480	(102 863)
Profit for the year		172 605	998 309

Notes on pages 17 to 38 form an integral part of these financial statements.

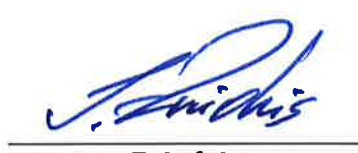
AS „Augstsprieguma tikls” Management Board:



Varis Boks
Chairman of the Board



Arnis Staltmanis
Member of the Board



Imants Zviedris
Member of the Board



Gatis Junghāns
Member of the Board



Mārcis Kauliņš
Member of the Board

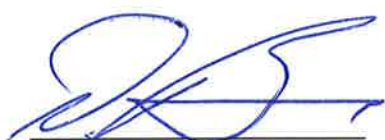
Riga, 11 May 2016

Balance sheet as at 31 December 2015

	Notes	31.12.2015. EUR	31.12.2014. EUR
ASSETS			
Non-current assets			
Intangible assets	10	120 401	90 216
Fixed assets	10	2 542 637	1 886 775
Other non-current financial assets	11	1 902 887	1 902 887
Deferred tax asset	9	281 873	-
Total non-current assets		4 847 798	3 879 878
Currents assets			
Inventories	12	475 304	353 824
Receivables			
Trade accounts receivable, net	13	2 173 617	3 482 051
Other receivables	14	749 833	1 551 817
Deferred expenses		39 453	11 123
Accrued income	15	11 167 813	9 103 771
Total receivables		14 130 716	14 148 762
Cash and cash equivalents		87 733 889	59 109 563
Total current assets		102 339 909	73 612 149
TOTAL ASSETS		107 187 707	77 492 027

Notes on pages 17 to 38 form an integral part of these financial statements.

AS „Augstsprieguma tīkls” Management Board:



Varis Boks
Chairman of the Board



Arnis Staltmanis
Member of the Board



Imants Zviedris
Member of the Board



Gatis Junghāns
Member of the Board



Mārcis Kauliņš
Member of the Board

Rīga, 11 May 2016

Balance sheet as at 31 December 2015 (continued)

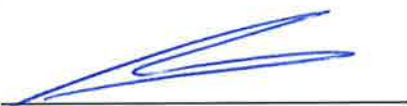
	Notes	31.12.2015. EUR	31.12.2014. EUR
EQUITY AND LIABILITIES			
Equity			
Share capital	17	5 691 487	5 691 487
Reserves		2 601 505	2 501 674
Profit for the year		172 605	998 309
Total equity		8 465 597	9 191 470
Non-current liabilities			
Provisions for post-employment benefits and anniversaries	18	2 282 249	263 395
Provisions for deferred tax		-	53 607
Deferred income		75 650 297	51 500 463
Total non-current liabilities		77 932 546	51 817 465
Current liabilities			
Deferred income		302 670	-
Trade payables		8 815 202	3 007 074
Taxes and state social security contributions	21	896 850	73 438
Advance payments received	19	3 135 639	2 541 787
Other liabilities	19	1 094 028	180 157
Accrued liabilities	20	6 545 175	10 680 636
Total current liabilities		20 789 564	16 483 092
TOTAL EQUITY AND LIABILITIES		107 187 707	77 492 027

Notes on pages 17 to 38 form an integral part of these financial statements.

AS „Augstsprieguma tīkls” Management Board:



Varis Boks
Chairman of the Board



Arnis Staltmanis
Member of the Board



Imants Zviedris
Member of the Board



Gatis Junghāns
Member of the Board



Mārcis Kauliņš
Member of the Board

Riga, 11 May 2016

Statement of Changes in Equity for the year 2015

	Notes	Share capital EUR	Retained earnings / (accumulated losses) EUR	Reserves EUR	Total EUR
AS OF 31 DECEMBER 2013	17	5 691 487	2 761 890	2 225 485	10 678 862
Dividends paid out for the year 2013		-	(2 485 701)	-	(2 485 701)
Transfer to reserves		-	(276 189)	276 189	-
Profit for the year		-	998 309	-	998 309
AS OF 31 DECEMBER 2014	17	5 691 487	998 309	2 501 674	9 191 470
Dividends paid out for the year 2014		-	(898 478)	-	(898 478)
Transfer to reserves		-	(99 831)	99 831	-
Profit for the year		-	172 605	-	172 605
AS OF DECEMBER 2015	17	5 691 487	172 605	2 601 505	8 465 597

Notes on pages 17 to 38 form an integral part of these financial statements.

AS „Augstsprieguma tikls” Management Board:



Varis Boks
Chairman of the Board



Arnis Staltmanis
Member of the Board



Imants Zviedris
Member of the Board



Gatis Junghāns
Member of the Board



Mārcis Kauliņš
Member of the Board

Rīga, 11 May 2016

Statement of Cash Flows for the year 2015

	Notes	31.12.2015. EUR	31.12.2014. EUR
I CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		(47 172)	1 413 458
Adjustments for:			
a) depreciation and amortization	10	814 166	44 100
b) profit from fixed asset disposals		-	(1 030)
c) changes in provisions	18	2 018 854	45 037
d) interest income	8(a)	(99 314)	(45 001)
e) interest expense		1 446	491
f) participation income		-	(94 220)
Profit before adjustments for current assets and current liabilities		2 687 980	1 362 835
Adjustments for:			
a) (increase) / decrease of trade receivables, other receivables and accrued income		(318 670)	4 375 877
b) (increase) / decrease of inventories	12	(121 480)	(353 824)
c) increase / (decrease) of trade and other payables and accrued liabilities		28 580 969	35 766 596
Gross cash flows from operating activities		30 828 799	41 151 484
Interest expense		(1 446)	(491)
Interest income		99 314	45 001
Corporate income tax paid	21	38 035	(287 724)
NET CASH FLOWS FROM OPERATING ACTIVITIES		30 964 702	40 908 270

Notes on pages 17 to 38 form an integral part of these financial statements.

AS „Augstsprieguma tikls” Management Board:



Varis Boks
Chairman of the Board



Arnis Staltmanis
Member of the Board



Imants Zviedris
Member of the Board



Gatis Junghāns
Member of the Board



Mārcis Kauliņš
Member of the Board

Rīga, 11 May 2016

Statement of Cash Flows for the year 2015 (continued)

Notes	31.12.2015. EUR	31.12.2014. EUR
II CASH FLOWS FROM INVESTING ACTIVITIES		
Revenue from long-term investment exclusion	-	14 086
Dividends received	58 316	35 904
Purchase of intangible assets and fixed assets	(1 500 214)	(1 867 934)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1 441 898)	(1 817 944)
III CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(898 478)	(2 485 701)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(898 478)	(2 485 701)
IV NET CASH FLOW FOR THE YEAR		
Cash and cash equivalents at the beginning of the reporting year	59 109 563	22 504 938
Cash and cash equivalents at the end of the reporting year	87 733 889	59 109 563

Notes on pages 17 to 38 form an integral part of these financial statements.

AS „Augstsprieguma tikls” Management Board:



Varis Boks
Chairman of the Board



Arnis Staltmanis
Member of the Board



Imants Zviedris
Member of the Board



Gatis Junghāns
Member of the Board



Mārcis Kauliņš
Member of the Board

Riga, 11 May 2016

Notes to the Financial Statements

1. INFORMATION ON THE COMPANY

AS "Augstsprieguma tīkls" is a transmission system operator which, according to the license No. E12001 issued by the Public Utilities Regulation Commission, provides transmission network services and secures power distribution of the Latvian power system, as well as carries out the following mission: provides transmission services based on published transmission service tariffs and constantly ensures availability of transmission system services. AS "Augstsprieguma tīkls" is engaged in the transmission system's operational management and ensures secure and stable electricity transmission.

At 31 December 2015 all of AS "Augstsprieguma tīkls" shares are owned by the Republic of Latvia and are held by the Latvian Ministry of Finance. The registered address of the Company is 86 Darzciema Street, Riga, LV-1073, Latvia.

Financial statements were approved on 11th May 2016 by the Company's Management Board: Varis Boks (Chairman of the Board), Arnis Staltmanis (Member of the Board), Imants Zviedris (Member of the Board) and Gatis Junghāns (Member of the Board), Mārcis Kauliņš (Member of the Board).

The Company's auditor is a certified audit company „PricewaterhouseCoopers” SIA and the certified auditor in charge Ilandra Lejiņa.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This section of the notes discloses the principal accounting policies applied in the preparation of these Financial Statements. These policies have been consistently applied to all the years presented.

2.1. Basis of preparation

The financial statements have been prepared in accordance with laws of the Republic of Latvia "Law on Accounting" and "Law on Annual Reports".

The financial statements have been prepared under the historical cost method.

The statement of Profit and Loss has been prepared under the current period cost method.

The statement of cash flows has been prepared using the indirect method.

In comparison to the previous reporting period, the Company's accounting policies has not changed.

The information presented in these financial statements is comparable to the information of the prior reporting period, in recognition and classification of accounting items the consistency principle remains.

All amounts shown in these financial statements are presented in euros (EUR), unless stated otherwise.

2.2. Financial investments

Other financial investments are investments in share capital of other companies not exceeding 20% of the company's total share capital. Other financial investments are recognized at acquisition value, less provisions for impairment, if any.

2.3. Transactions in foreign currencies

(a) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The Financial Statements have been prepared in euros (EUR), which is the Company's functional and presentation currency.

(b) Transactions and balances

All transactions denominated in foreign currencies are translated into euros at the exchange rates set by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euros using the exchange rate set by the European Central Bank at the last day of the reporting year. The resulting gain or loss that arises from transactions in foreign currencies and recalculation of assets and liabilities denominated in foreign currencies is charged to the statement of profit and loss in the corresponding period.

2.4. Intangible and fixed assets

All intangible assets are shown at historical cost less accumulated amortization. Computer software licenses, computer software and related computer software development costs are recognized as intangible assets and are amortized on a straight line basis over their estimated useful lives which do not exceed five years.

All fixed assets are shown at historical cost less accumulated depreciation and accumulated impairment loss. The cost includes expenses directly attributable to the acquisition of fixed assets. Depreciation of fixed assets is calculated using the straight line method over their estimated useful lives to write off acquisition value of fixed asset to its estimated residual value at the end of the useful life period. The useful life of other fixed assets and inventories (communication devices and equipment, office equipment and inventories) does not exceed 2-5 years.

Further costs are included in the value of assets or recognized as a separate asset only when there is a high probability that the operational benefits related to the item will flow to the Company and the cost of the item can be reasonably defined. Such costs are written-off during residual useful life of the asset.

Operating repair costs and maintenance costs of fixed assets are charged to the statement of profit and loss in the period in which they are incurred.

Gain and loss from disposals of fixed assets are calculated as the difference between the fixed asset's carrying value and income gained from selling the asset, and is charged to the statement of profit and loss in the period in which they are incurred.

An asset's carrying value is written down immediately to its recoverable value if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the assets fair value less selling costs or value in use.

2.5. Operating lease (the Company as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit and loss on a straight-line basis over the period of the lease. Liabilities that arise from operating lease agreements are recognized by the Company as off balance liabilities (see note 22).

2.6. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of Company's business, less applicable variable selling expenses. Cost is determined using the weighted average method,

Purchase cost of inventories consists of the purchase price, import charges and other fees and charges, freight and related costs as well as other costs directly incurred in bringing the materials and goods to their present location and condition. The value of inventories is assigned by charging trade discounts, reductions and similar allowances.

Amount of inventories at the end of the reporting period is verified by performing a stock take.

2.7. Trade receivables

Trade receivables are amounts due in less than one year, which are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provisions for impairment.

Provisions for impairment are established when there is objective evidence that the Company will not be able to collect the amount in full according to the original terms of repayment.

Provisions for doubtful debts are calculated during the year at least once per quarter on the basis of trade receivables aging according to estimates defined by the Company's Management, which are revised at least once a year.

2.8. Cash and cash equivalents

Cash and cash equivalents include cash on hand, in bank, and short-term deposits with original maturity of three months or less.

2.9. Deferred income

Income that has been received before the balance sheet date but is related to the next 12 months (short-term) or the period after 12 months (long-term) - is shown as deferred income in the statement of financial position as short-term or long-term liabilities.

Deferred income from congestion management revenues after their utilization in a particular long-term investment project financing are amortized, gradually recognizing income in the current period statement of profit and loss, in accordance with the established long-term investment amortization/depreciation period. At the moment of disposal income is recognized at its residual value.

2.10. Pensions, post-employment and anniversary benefits

(a) Pension obligations

The Company makes monthly contributions to a closed fixed-contribution pension plan on behalf of its employees. The plan is managed by a non-profit joint stock company „Pirmais Slēgtais Pensiju Fonds”, where the Company holds a stake. A fixed-contribution plan is a pension plan under which the Company makes contributions into the plan and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions amount to 5% of each pension plan member’s salary. The Company recognizes contributions to the plan when the expense is incurred which is when an employee has rendered services in exchange for those contributions.

(b) Provisions for post-employment benefits and one-off anniversary obligations

In addition to the aforementioned pension plan, the Company provides certain post-employment benefits to employees whose employment meets certain criteria as well as one-off anniversary benefits. Obligations for benefits are calculated taking into account the current level of salary and number of employees eligible to receive the benefits, historical termination rates as well as number of actuarial assumptions. Independent qualified actuaries value these obligations annually. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for fixed-contribution pension plans.

The liability recognized in the statement of financial position in respect of post-employment benefit plan is in present value of the particular balance sheet date less accrued liabilities or income referring to employment relationships until the change of benefit conditions. Post-employment benefit obligations are calculated annually using the expected unit credit method. The present value of the benefit obligations is determined regularly by discounting the estimated future cash outflows. The Company uses the expected unit credit method to measure the present value of its fixed benefit obligations and related current and past employment costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the Company’s total post-employment obligations. The Company also uses unbiased and mutually compatible actuarial assumptions about demographic variables and financial variables (including future increases in salaries and certain changes in benefits).

The Company's net total current employment cost, interest cost, actuarial gains and losses arising from changes in assumptions, past employment costs, and the effect of any settlements is recognized as expense or income in the statement of profit and loss.

Actuary gains and losses arising from experience based adjustments and changes in actuarial assumptions in excess of 10% of the fixed benefit obligations are immediately charged to the statement of profit and loss. Past employment costs are recognized in the statement of profit and losses using the straight line method over the expected average remaining employment period of employees until the benefits are guaranteed. If benefits are guaranteed promptly after the introduction or a change to a fixed benefit plan, the Company immediately recognizes past employment costs in the statement of profit and loss.

2.11. Corporate income tax

Corporate income tax is calculated in accordance with tax regulations of the Republic of Latvia and is based on the taxable income reported for the taxation period.

Deferred income tax is accrued in full, using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Where deferred tax arises from the initial recognition transaction of assets or liabilities, other than a business merger, that at the time of the transaction does not affect profit or loss for financial or tax purposes, the deferred tax is not recognized. Deferred income tax is calculated using tax rates (and laws) that are expected to apply when the temporary differences offset, based on tax rates applied as of the balance sheet date. Temporary differences arise mainly due to different fixed asset depreciation rates used in financial accounting and for tax purposes as well as from accrued expenses.

In cases where the deferred tax asset should be included in the balance sheet, it is recognized in the balance sheet when it is probable that the Company will have sufficient taxable income against which the temporary differences can be offset.

2.12. Borrowing and issued loans

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Differences between the proceeds and the redemption value are gradually recognized in the statement of profit and loss over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability at least for 12 months after the end of reporting period.

Issued loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost. Differences between the principal amount and the repayable value are gradually recognized in the statement of profit and loss over the period of the loan using the effective interest rate method. Loans are classified as current assets if the maturity term does not exceed 12 months from the end of reporting period.

2.13. Provisions

Provisions are recognized when the Company has a present legal or other type of obligations as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are presented in the statement of financial position at the best estimate of the expenditure required to settle the present obligation at the end of reporting period. Provisions are used only for expenditures for which the provisions were originally recognized and are reversed if an outflow of resources is no longer probable.

Provisions are measured at the present value of the expenditures which are expected to be required for settling the obligation, discounted by the pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation.

Provisions for unused vacations are made to precisely reflect the Company's liabilities to its employees in connection with their unused vacation, if any. The Company evaluates the amount of provisions for unused vacations at every balance sheet date. The required provisions are calculated by multiplying every employee's average salary for the past 6 months, including social tax, with the amount of unused vacation days at the end of the reporting year.

2.14. Revenue recognition

Revenue comprises the value of goods sold and services rendered in the Company's ordinary course of business, less value added tax, estimated amount of returns, rebates and discounts.

According to item No 4 in the 1st part of the 25th article of the law on „Annual Reports”, the statement of profit or loss reflects all of the revenues related to the reporting year. Income arising from services rendered during the year, but for which the invoice is issued in the subsequent financial year, provisions are made and shown as the balance sheet item "Accrued income". Revenue is recognized by the Company only when the outcome of the transaction can be reliably measured.

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

(a) Electricity transmission system services

The Company's main activity is rendering electricity transmission system services. Revenue is recognized based on tariffs approved by the Public Utilities Commission and commercial electricity meter readings.

(b) Management of congestions and overloads

According to clause No 4, article No 13 and clause No 6, article No 131 of the Electricity Market Law, AS "Augstsprieguma tīkls" realizes management of congestions and overloads within transmission system, as well as receives remuneration for auctioning of limited cross sectional power, according to the mutual transmission system operator compensation mechanism and signed contracts. Utilization of these revenues is governed by European Parliament and European Council regulations in article No 16 of Regulation No 714/2009 „On conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003" (hereinafter - the Regulation). In respect to the conditions stated in the Regulation, revenues received from management of congestions, which are not used to prevent congestions and overloads in the transmission network are recognized in the statement of financial position as deferred income. After utilization of these revenues in financing of a particular long-term investment project, deferred income is gradually amortized according to the established amortization/depreciation period and recognized at current reporting year statement of profit and loss. Following reconciliation principle of income and expenses, revenues from congestion management which were used in prevention of congestions and overload in transmission system are recognized at statement of profit and loss according to the costs associated with the level of overload and congestion in the transmission system.

(c) Connection fees

AS "Augstsprieguma tīkls" provides system participants with necessary connection to the transmission system or permission to increase load in the current connections, in accordance with the system participants' connection regulations issued by the Public Utilities Regulation Commission on connection fees, which are defined by the transmission system operator in accordance with the connection fee calculation methodology issued by the Public Utilities Regulation Commission. Advance payments for services are reflected in the balance sheet as short-term liabilities and short-term debts, but not included in the profit and loss account.

2.15. Cost recognition

Costs are recognized on an accrual basis. Calculating reporting year expenses, all expected costs and liabilities, which arise from the current reporting period or past reporting periods are taken into account, even when they become known in the period between the balance sheet date and financial statement compilation date and irrespective to the date when invoice was received, because the Company's business transactions are recorded and recognized in the financial statements taking in to the account economic substance of the transaction, not merely its legal form.

Cost of sales and other operating expenses included in the statement of profit and loss are explained and broken down in details in the notes to the financial statements.

2.16. Long term and short term liabilities

The Company's trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Trade payables are recognized in the financial statements according to the supporting documents and records in accounting registers on amounts received by suppliers but not yet paid at the end of the reporting year.

Accrued expenses incurred during the reporting year are included as item in accrued liabilities, if the amount of these expenses or payment date during the reporting period is known for certain, but invoices from the suppliers have not been received yet.

Income that has been received before the balance sheet date and is attributable to the next 12 month period (short-term) or the period after the subsequent 12 months (long-term) is included in deferred income which is shown in the statement of financial position as short-term or long-term accounts payable.

2.17. European Union contributions

The Company ensures project management, effective internal control and accounting according to the EU guidelines and regulations of the Republic of Latvia when receiving financing from the European Union.

2.18. Critical accounting estimates and judgments

In preparing the financial statements the Company's management must make calculations and assumptions, which affect the valuation of assets and liabilities at the date of compilation of financial statements, as well as affect income and expenses of the reporting period. The following estimates used by the Company' management have a significant impact on the financial statements:

- Based on the statistical and analytical information and forecasts made by experts, the Company makes estimates and assumptions concerning the revenues and expenses related to participation in the mechanism developed by ENTSO-E on compensation of losses from transit traffic flow. The Company's management believes that as of 31st December 2015 accrued income is sufficient and reasonable, and there is no need to make adjustments to the financial statements.
- The Company's Management evaluates the carrying amounts of accounts receivable and evaluates their recoverability, making provisions for doubtful debts if necessary. The Company's Management has evaluated the accounts receivable and considers that it is not necessary to make significant additional provisions as at 31st December 2015.

The Company's financial statements do not include items that are subject to highly subjective or complex estimates, except for post-employment benefits and anniversary benefits described in section 2.10. of the notes to these financial statements.

3. REVENUE

	2015	2014
	EUR	EUR
Transmission service	73 657 899	74 000 531
Construction and refurbishment of transmission system assets*	18 384 615	-
Management of congestions and overloads**	8 029 544	4 799 297
Electricity balancing service***	7 467 303	19 116 635
Mandatory procurement component****	6 655 307	6 285 103
Electricity transit services	4 163 585	3 385 744
Electric power overload liquidation*****	3 597 192	708 654
Power regulation service	1 070 299	1 101 397
Reactive power management	607 090	538 168
Power reserve maintenance service	108 869	401 435
Other services*****	1 034 074	165 793
TOTAL REVENUES	124 775 777	110 502 757

According to the Energy Law, the Electricity Market Law and the Network Codex, AS "Augstsprieguma tīkls" is responsible for implementing the operational management of the transmission system and providing secure, stable electricity transmission.

* According to the decision of the PUC of 30th January 2013 No. 18 "On certification of the electricity transmission system operator" the Company has taken over the transmission system maintenance and development functions and ensures development of transmission system, construction of new networks, rebuilding and refurbishment of existing networks (see Note 7). According to the Electricity Market Law article No 21.², the owner of transmission system assets AS "Latvijas Elektriskie Tīkli" is funding the capital investments in transmission system assets.

** According to the Company's accounting policies, congestion management revenue in the income statement is presented in accordance with the costs associated with congestion and removing bottlenecks in the transmission network. In addition, according to the PUC decision adjudicating No 92, Clause 4 the congestion management revenue necessary to ensure profitability accordingly to the Methodology was recognised in profit and loss account.

*** Revenue depends on the accuracy of planning by electricity traders.

**** According to the Regulation of the Cabinet of Ministers of the Republic of Latvia of 29 November 2011 „Electricity trade terms" paragraph 41, AS „Augstsprieguma tīkls" from 1 April, 2014 as transmission system operator is collecting mandatory procurement component from all electricity end-users, including those, who have delegated payments for electricity traders. Received payments for mandatory procurement component according to laws and regulations are transferred to AS „Energijas publiskais tirgotājs" (see Note 7). The Company receives bills from the electricity public trader in accordance with which the Company must pay the mandatory procurement component (MPC). Payment of the invoiced amount must be made, regardless of the extent to which the Company has collected MPC from its customers. The Company has the right to ask the PUC to revise tariffs, to include the costs associated with obligation to pay for the mandatory procurement component according to user consumption to electricity public trader. . Given that the Company is exposed to credit risk, the Company's management believes that it acts as a principal and accounts for respective income and expenses in the profit and loss account on a gross basis.

***** Increase of revenue related to the planning of neighbouring country operator arrangements. .

***** According to the decision of the PUC of 30th January 2013 No. 18 "On certification of the electricity transmission system operator" the Company has taken over the transmission system maintenance and development functions, thereby since 1st January 2015 the Company provides technical inspection, diagnostics services and other services.

4. OTHER OPERATING INCOME

	2015	2014
	EUR	EUR
Income from disposal of fixed assets	186 945	1 030
Received penalties	61 357	-
Received grants and compensation for losses	9 096	-
Other income	-	140 996
TOTAL OTHER OPERATING INCOME	257 398	142 026

5. RAW MATERIALS AND CONSUMABLES AND, REPAIR EXPENSES

	2015	2014
	EUR	EUR
Purchase of balancing electricity*	6 927 729	17 638 805
Electricity transmission losses and technological consumption	8 647 637	10 634 541
Used material and repair costs**	2 534 081	115 912
Electricity transit losses	2 079 870	2 240 268
Purchase of regulating electricity	946 593	1 209 118
Electricity for self consumption	329 037	206
TOTAL RAW MATERIALS AND CONSUMABLES USED, REPAIR COSTS	21 464 947	31 838 850

* Reduction of costs associated with Baltic total no balance equalization (Imbalance netting) mechanism for the development and implementation of the 2015, as well as to the fact that from 1st January 2015, the Company electricity transmission losses, technological and economic consumption of cover purchased by the Nord Pool power exchange.

** Increase of costs due to the fact that, according to the decision of the PUC of 30th January 2013 No. 18 "On certification of the electricity transmission system operator" the Company has taken over the transmission system maintenance and development functions.

6. PERSONNEL EXPENSES

	2015	2014
	EUR	EUR
Remuneration for work	8 764 139	1 674 344
Mandatory state social security contributions and benefits defined in the collective agreement	3 020 457	451 279
Contributions to pension plans	402 425	75 075
TOTAL PERSONNEL COSTS (INCLUDING COMPENSATION OF THE COMPANY'S MANAGEMENT)	12 187 021	2 200 698

Compensation of the Company's management

	2015	2014
	EUR	EUR
Remuneration for work	230 021	161 497
Mandatory state social security contributions and benefits defined in the collective agreement	69 354	39 646
Contributions to pension plans	7 789	6 002
TOTAL COMPANY'S MANAGEMENT COMPENSATIONS	307 164	207 145

The Company's management remuneration included in the Company's Management Board members remuneration

AMOUNT OF EMPLOYEES

	2015	2014
Number of employees at the end of the reporting year	517	71
Average number of employees during the reporting year	513	66

7. OTHER OPERATING EXPENSES

	2015 EUR	2014 EUR
Rent of fixed assets (transmission assets)	43 630 224	37 490 055
Construction and refurbishment of transmission system assets	18 384 615	-
Electric power overload elimination**	10 889 736	5 507 951
Mandatory procurement component***	6 655 307	6 285 103
Electric power reserve maintenance costs	3 768 981	4 259 470
Providing telecommunication services****	2 760 080	46 421
Transport-related costs****	1 122 197	29 901
Replacement power reserve	856 898	722 042
IT system maintenance costs ****	700 752	154 000
Asset management services****	-	19 665 614
Miscellaneous operating expenses	1 943 549	1 125 850
TOTAL OTHER OPERATING EXPENSES	90 712 339	75 286 407

* According to the decision of the PUC of 30th January 2013 No. 18 "On certification of the electricity transmission system operator" the Company has taken over the transmission system maintenance and development functions and ensures development of transmission system, construction of new networks, rebuilding and refurbishment of existing networks

** Increase in costs is mainly due to the electricity system planning regimes in neighbouring countries.

*** According to the trade of electricity and use of the rules of JSC "High Voltage Network" receives the mandatory procurement components payments from end-users, which, according to laws and regulations, shall be transferred to the public trader.

**** According to the decision of the PUC of 30th January 2013 No. 18 "On certification of the electricity transmission system operator" the Company has taken over the transmission system maintenance and development functions.

8. FINANCE INCOME/(EXPENSES), NET

	2015 EUR	2014 EUR
a) Finance income		
Interest income from credit institutions	99 314	45 001
Participation income	-	94 220
Total finance income	99 314	139 221
b) Finance expenses		
Net expenses from foreign currency exchange rate fluctuations	(1 446)	(491)
Total finance expenses	(1 446)	(491)
FINANCE INCOME / (EXPENSES), NET	97 868	138 730

9. CORPORATE INCOME TAX AND DEFERRED TAX

	2015	2014
	EUR	EUR
Corporate income tax	(115 703)	(312 286)
(Increase) / decrease of deferred tax asset	335 480	(102 863)
TOTAL CORPORATE INCOME TAX	219 777	(415 149)

Corporate income tax differs from the theoretical amount that would arise if the tax rate of 15% as stated by law is applied to the Company's profit before tax:

	2015	2014
	EUR	EUR
(Loss)/profit before corporate income tax	(47 172)	1 413 458
Corporate income tax by applying the 15% rate	(7 076)	212 019
Non- deductible expenses	30 934	4 800
Other	(1 187)	1 050
Unrecognized deferred tax asset	-	211 413
Dividends received	-	(14 133)
Overtaken liabilities from AS "Latvijas elektriskie tīkli"	(242 448)	-
TAX (CREDIT)/CHARGE	(219 777)	415 149

The Company offsets deferred tax assets and liabilities when there is a legally enforceable right offset current reporting year tax assets against current reporting year tax liabilities and when deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	2015	2014
	EUR	EUR
Deferred tax asset:		
Deferred tax asset to be recovered after more than 1 year	(342 338)	(37 314)
Deferred tax asset to be recovered within 1 year	(99 467)	(29 183)
TOTAL DEFERRED TAX ASSET	(441 805)	(66 497)
Deferred tax liability:		
Deferred tax liability to be recoverable after more than 1 year	31 986	24 021
Deferred tax liability to be recovered within 1 year	127 946	96 083
TOTAL	(281 873)	53 607

Movement of deferred tax:

	2015	2014
	EUR	EUR
At the beginning of the reporting year	53 607	(49 256)
Charged to profit and loss account	(335 480)	102 863
At the end of the reporting year	(281 873)	53 607
	2015	2014
	EUR	EUR
Deferred tax liability:		
Temporary difference on fixed asset depreciation	159 932	120 104
Deferred tax asset:		
Provisions for post-employment benefit	(295 844)	(31 286)
Temporary difference on provisions for unused vacations	(63 733)	(16 381)
Accrued bonuses	(31 226)	(11 667)
Provisions for anniversary benefits	(46 494)	(6 028)
Provisions for contributions to pension plans	(4 508)	(1 135)
TOTAL DEFERRED TAX	(281 873)	53 607

10. INTANGIBLE ASSETS, FIXED ASSETS**10.1. Intangible assets**

	Computer software	Total
	EUR	EUR
As at 31 December 2013		
Historic cost	128 674	76 327
Accumulated amortization	(105 782)	(66 720)
Net book value	22 892	22 892
2014		
Net book value at the beginning of the year	22 892	22 892
Additions	76 296	76 296
Amortization charged	(8 972)	(8 972)
Net book value at the end of the year	90 216	90 216
As at 31 December 2014		
Historic costs	204 970	204 970
Amortization charged	(114 754)	(114 754)
Net book value	90 216	90 216
2015		
Net book value at the beginning of the year	90 216	90 216
Additions	66 220	66 220
Amortization charged	(46 715)	(46 715)
Net book value at the end of the year	109 721	109 721
As at 31 December 2015		
Historic costs	271 190	271 190
Amortization charged	(161 469)	(161 469)
Advance payments	10 680	10 680
Net book value	120 401	120 401

10.2. Fixed assets

	Technological equipment and machinery	Other fixed assets and inventory	Total
	EUR	EUR	EUR
As at 31 December 2013			
Historic cost	-	177 723	177 723
Accumulated amortization	-	(34 402)	(34 402)
Net book value	-	143 321	143 321
2014			0
Net book value at the beginning of the year	-	143 321	143 321
Additions	12 505	1 779 133	1 791 638
Written off	-	(13 056)	(13 056)
Disposed historical cost	-	5 077	5 077
Depreciation	-	(35 128)	(35 128)
Disposed depreciation	-	(5 077)	(5 077)
Net book value at the year end	12 505	1 874 270	1 886 775
As at 31 December 2014			0
Historic cost	12 505	1 938 723	1 951 228
Accumulated amortization	-	(64 453)	(64 453)
Net book value	12 505	1 874 270	1 886 775
2015			0
Net book value at the beginning of the year	12 505	1 874 270	1 886 775
Additions	-	1 423 313	1 423 313
Written off	-	(258)	(258)
Disposed historical cost	-	405	405
Depreciation	(4 380)	(762 813)	(767 193)
Disposed depreciation	-	(405)	(405)
Net book value at the year end	8 125	2 534 512	2 542 637
As at 31 December 2015			0
Historic cost	12 505	3 361 373	3 373 878
Accumulated amortization	(4 380)	(826 861)	(831 241)
Net book value	8 125	2 534 512	2 542 637

11. NON-CURRENT FINANCIAL ASSETS

	2015	2014
	EUR	EUR
AS "Nord Pool"*	1 901 465	1 901 465
AS "Pirmais slēgtais pensiju fonds"**	1 422	1 422

Name of the company	Location	Type of business	Share
AS "Nord Pool"*	Norvēģija	Elektroenerģijas biržas organizēšana	2.0%
AS "Pirmais slēgtais pensiju fonds"**	Latvija	Pensiju plānu pārvaldīšana	1.9%

* Shares have been acquired in accordance with the Latvian Cabinet of the Ministers order No. 370 as of 14 August 2013 "For joint stock company "Augstsprieguma tīkls" participation in joint stock company "Nord Pool Spot"".

** The Company owns 1.9% of JSC "Pirmais slēgtais pensiju fonds" shares. The Company is a nominal shareholder, as all of the risks and profits arising from the fund's activities are undertaken or received by the Company's employees - pension plan members. For this reason investment is valued at acquisition value.

12. INVENTORIES

	31.12.2015.	31.12.2014.
	EUR	EUR
INVENTORIES		
Raw materials and spare parts	475 304	353 824
TOTAL INVENTORIES	475 304	353 824

13. TRADE RECEIVABLES, NET

	31.12.2015.	31.12.2014.
	EUR	EUR
Receivables		
Electricity transmission service debts	2 127 538	3 494 677
Other trade receivables	58 275	7 486
Total receivables	2 185 813	3 502 163
Provisions for bad and doubtful debts		
Provisions for electricity transmissions service debts	(2 053)	(12 626)
Provisions for other trade receivables	(10 143)	(7 486)
Total provisions for bad and doubtful debts	(12 196)	(20 112)
Receivables, net		
Electricity transmission service debts	2 125 485	3 482 051
Other trade receivables	48 132	-
TRADE RECEIVABLES, NET	2 173 617	3 482 051

Impaired receivables:

	2015	2014
	EUR	EUR
At the beginning of the year	20 112	13 436
Included in the statement of profit and loss	(7 916)	6 676
At the end of the year	12 196	20 112

14. OTHER RECEIVABLES

	31.12.2015.	31.12.2014.
	EUR	EUR
Non-deductible value added tax	544 095	441 030
Overpaid taxes (see Note 21), including:	197 308	1 051 367
Corporate Income Tax	197 308	819 295
Value Added Tax	-	232 045
Personnel Income Tax	-	27
Dividends from AS "Nord Pool" for the year 2014	-	58 315
Advances for connections (See Note 23.(c))	613	613
Other receivables	7 916	492
TOTAL OTHER RECEIVABLES	749 833	1 551 817

15. ACCRUED INCOME

	31.12.2015.	31.12.2014.
	EUR	EUR
Accruals for income from services rendered during the reporting year		
Transmission system service revenues	6 327 751	6 467 906
Balancing electricity sales revenue	606 464	1 113 638
Mandatory procurement components of revenue	575 854	759 523
The transmission assets of new construction and renovation works	498 563	-
Regulating electricity sales revenue	70 057	121 322
Reactive power revenue	60 718	61 055
Building maintenance service revenues	39 505	-
Provisions for loss of earnings compensation transformers	14 257	-

ACCRUED INCOME (continued)

	31.12.2015.	31.12.2014.
	EUR	EUR
For electricity transit service income	9 482	4 485
For balancing administration services income	3 557	3 201
For other services income	38 397	43 614
Total accruals for income from services rendered during reporting year	8 244 605	8 574 744
For electricity transit service income	1 615 912	512 484
Construction and refurbishment of transmission system assets	1 255 398	1 160
Short-term interest income	51 898	15 383
TOTAL ACCRUED INCOME	11 167 813	9 103 771

16. CASH AND CASH EQUIVALENTS

	31.12.2015.	31.12.2014.
	EUR	EUR
CASH AT BANK	87 733 889	59 109 563

During the reporting year the Company received interest income on a daily basis for the cash balance at bank account, calculated on the basis of variable bank deposit rates.

17. SHARE CAPITAL

As of 31st December 2015 AS "Augstsprieguma tīkls" subscribed share capital is 5 691 487 EUR (31 December 2014: EUR 5 691 487) and consists of 5 691 487 (31st December 2014: 5 691 487) ordinary shares with a nominal value of 1 EUR each. All shares are fully paid.

18. NON-CURRENT LIABILITIES

	2015	2014
	EUR	EUR
Provisions for post-employment benefits and anniversary benefits:		
At the beginning of the reporting year	263 395	218 358
Overtaken liabilities from AS "Latvijas elektriskie tīkli"	1 254 680	14 635
Provisions created during the reporting year	764 174	30 402
At the end of the reporting year	2 282 249	263 395
Deferred income:		
Provisions for deferred tax	-	53 607
Long-term part of congestion management income*	75 650 297	51 500 463
Total non-current liabilities	77 932 546	51 817 465

* According to clause No 4, article No 13 and clause No 6, article No 131 of the Electricity Market Law, AS "Augstsprieguma tīkls" realizes management of congestions and overloads within transmission system, as well as receives remuneration for auctioning of limited cross sectional power, according to the mutual transmission system operator compensation mechanism and signed contracts. Utilization of these revenues is governed by European Parliament and European Council regulations No 714/2009 "The conditions for access to the network for cross-border trade and repealing Regulation (EC) No. 1228/2003 cancellation" in article No 16. In Regulation of respect to the conditions stated in the Regulation, revenues received from management of congestions, which are not used to prevent congestions and overloads in the transmission network are recognized in the statement of financial position as deferred income.

19. ADVANCE PAYMENTS AND OTHER LIABILITIES

	2015	2014
	EUR	EUR
Connection fees received in advance *	3 135 639	2 541 787
Payables to employees	448 978	75 123
Other creditors	645 050	105 034
TOTAL ADVANCE PAYMENTS AND OTHER LIABILITIES	4 229 667	2 721 944

* AS "Augstsprieguma tīkls" provides system participants with necessary connection to the transmission system or permission to increase load in the current connections, in accordance with the system participants' connection regulations issued by the Public Utilities Commission on connection fees, which are defined by the transmission system operator in accordance with the connection fee calculation methodology issued by the Public Utilities Commission.

20. ACCRUED LIABILITIES

	2015	2014
	EUR	EUR
Accrued liabilities for the services received during the reporting period		
Transmission asset rent	2 608 947	3 629 411
Mandatory procurement component	575 854	759 523
Electric power reserve maintenance	295 368	297 501
Purchase of balancing electricity	252 586	902 430
Telecommunications charges	231 244	-
Transmission support repairs	176 944	-
Power transmission canal track Cleaning	94 896	-
IT services	54 120	9 382
Transportation service costs	43 353	3 930
Transmission electricity loss and technological consumption	22 848	902 100
Purchase of regulating electricity	16 856	98 230
The use of synchronous compensator	13 760	15 812
Provisions for other services	85 866	7 273
Asset management services	-	1 639 799
Electric power overload liquidation costs	-	657 177
Electricity transit losses	-	111 012
Balancing services	-	35 806
Total accrued liabilities for the services received during the reporting period	4 472 642	9 069 386
Provisions		
Provisions for transmission losses and technological consumption costs*	1 409 417	1 409 417
Provisions for unused vacations	424 884	110 443
Accrued premium costs for prior year results	208 177	77 779
Accrued benefit costs and pension plan contribution	30 055	7 618
Accrued liabilities for transit loss compensation	-	5 993
Total provisions	2 072 533	1 611 250
TOTAL ACCRUED LIABILITIES	6 545 175	10 680 636

** Provisions established in accordance with the electricity transmission system service tariff calculation methodology paragraph 7.1. conditions, Public Utilities Commission's Council decision No. 59 „On AS „Augstsprieguma tīkls" electricity transmission system service tariff proposal of conversion" of 12 March 2015..

21. TAXES AND STATE SOCIAL SECURITY CONTRIBUTIONS

	31.12.2014.	Calculated	Paid	Transferred to another tax overpayment	31.12.2015.
	EUR	EUR	EUR		EUR
Corporate income tax	819 295	(115 703)	38 035	(544 419)	197 208
Value added tax	232 045	(5 653 432)	4 987 787	-	(433 600)
State social security contributions	(57 351)	(3 588 275)	2 803 411	544 419	(297 796)
Personal income tax	(11 223)	(1 624 508)	1 470 880	-	(164 851)
Risk duty	(26)	(2 224)	2 063	-	(187)
Natural resource tax	-	(6)	6	-	-
Electricity tax	-	(3 270)	2 855	-	(415)
Use vehicle tax	-	(9 510)	9 510	-	-
Company Car Tax	(4 811)	(7 704)	12 515	-	-
TOTAL TAXES	977 929	(11 004 632)	9 327 062	-	(699 641)
Tax liabilities	(73 438)				(896 849)
Tax overpayments	1 051 367				197 208

22. OPERATING LEASE CONTRACTS

According to the lease agreements, the Company has following non-cancellable lease commitments at the end of the reporting year:

	31.12.2015.	31.12.2014.
	EUR	EUR
Real estate lease payment obligations		
Due within one year	87 050	87 050
TOTAL	87 050	87 050
The transmission system network asset lease		
Due within one year	46 471 239	44 749 699
Due between one and five years	175 781 480	201 134 315
TOTAL	222 252 719	245 884 014

According to the 30th December 2014 agreement on lease of the transmission system assets , the transmission system assets are leased from AS "Latvijas elektriskie tīkli". Long-term operating lease commitments for 2016 – 2020 are calculated on the basis of AS "Latvijas elektriskie tīkli" financial management plan for years 2016-2025.

23. FINANCIAL RISK MANAGEMENT

(a) Turnover risk

Turnover risk is identified as changes in external environment that can cause an unplanned effect on the Company's net turnover volumes, thus affecting the Company's ability to settle its short-term and long-term financial liabilities (solvency). The Company's operating activities are subject to such turnover risks as service tariff and service volume. Taking in to the account, that according to the 9th article of the law on Public Utilities Regulators, Public Utilities Regulation Commission contributes to the development of public service providers, according to the 20th article public service tariffs are defined at level to cover economically justified costs of public service providers, and maintain public services profitability. The effect of turnover risk on the Company's short-term liquidity is assessed as low. Turnover risks are managed according to the management's defined strategic and operational risk management policy and risk prevention actions, providing constant monitoring of service tariff correspondence to the costs related to the service rendering.

(b) Cash flow risk/balance sheet risk

Financial assets, which could potentially expose the Company to a certain level of risk, consist mainly of cash and trade receivables. Although the Company has significant risk concentration to a single counterparty or a similar counterparty group, this risk is assessed as limited, given the fact that the most important cooperation counterparty is a state-owned commercial company - a joint stock company "Latvenergo", as well as the Group's capital. Trade receivables are stated at their recoverable value.

In co-operation with banks and financial institutions are accepted with the same counterparty or parent banks' international credit rating agencies the minimum credit rating of at least investment grade level.

(c) Liquidity risk

The Company pursues a prudent liquidity risk management, ensuring that it has access to adequate financial resources to meet its obligations. Management of the Company expects that it will not have liquidity problems and the public will be able to settle with creditors agreed terms.

The Company's management believes that the Company will have sufficient cash resources to its liquidity would not be compromised. During the financial year the Company for liquidity purposes and did not use borrowed money resources.

24. REMUNERATION OF THE CERTIFIED AUDIT COMPANY

	2015	2014
	EUR	EUR
Audit of financial statements	8 400	5 773
Training service	-	142
REMUNERATION OF THE CERTIFIED AUDIT COMPANY TOTAL	8 400	5 915

25. SUBSEQUENT EVENTS

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2015, with the exception of those referred to in the management report.

* * * * *



Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Augstsprieguma tīkls AS

Report on the Financial Statements

We have audited the accompanying financial statements of Augstsprieguma tīkls AS set out on pages 11 to 38 of the accompanying annual report, which comprise the balance sheet as of 31 December 2015 and the profit and loss account and the statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Law of the Republic of Latvia on Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Augstsprieguma tīkls AS as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for 2015 set out on pages 4 to 10 of the accompanying annual report for 2015 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2015.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

A handwritten signature in blue ink, appearing to read 'Ilandra Lejiņa', is written over the printed name.

Ilandra Lejiņa
Certified auditor in charge
Certificate No.168
Member of the Board

Riga, Latvia
11 May 2016

* This version of our report 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 our report takes precedence over this translation.