



***Augstsprieguma tīkls* consolidated and JSC
“Augstsprieguma tīkls” unaudited interim
shortened financial statements**

for a period of 9 months ending on 30 September 2020

**Prepared in accordance with the International Financial Reporting Standards, approved in
the European Union**

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Information about the Company

Name of the Company	JSC Augstsprieguma tīkls
Legal status of the company	Joint Stock Company
Registration number, place and date	000357556 Rīga, 28 December 2001
	Re-registration in the Commercial Register is performed On 13 November 2004 under unified registration number 40003575567
Principal activity	Electricity supply, NACE code 35.12
Address	Dārzciema iela 86 Rīga, LV-1073 Latvia
Shareholder	From 2 January 2012: Ministry of Finance in the name of the Republic of Latvia (100%) Smilšu iela 1, Rīga, LV-1050, Latvia
Names, surnames and positions held of the board members	Varis Broks - Chairman of the Board Arnīs Staltmanis - Member of the Board Imants Zviedris - Member of the Board Gatis Junghāns - Member of the Board Mārcis Kauliņš - Member of the Board
Names, surnames and positions held of Supervisory Board members	Kaspars Āboliņš — Council Chairman Olga Bogdanova — Deputy Council Chairman Armands Eberhards — Council Member Madara Melne — Council Member Aigars Ģērmanis — Council Member
Accounting period	1 January 2020 – 30 September 2020

Management Report

Type and character of activity

Pursuant to Paragraph 38 of protocol decision No. 46 of the meeting of the Cabinet of Ministers of 8 October 2019, **the implementation of the complete separation model of property rights of the electricity transmission system operator was supported** and it was assigned to the Ministry of Economics and the Ministry of Finance to ensure that JSC "Latvenergo" and JSC "Augstsprieguma tīkls" fulfils the provisions determined by regulatory enactments regarding the introduction of the model of complete separation of property rights by 1 July 2020.

In turn, paragraph No. 75 of protocol decision No. 59 of the Cabinet session of 17 December 2019 stipulated that after the contribution of JSC "Latvijas elektriskie tīkli" shares owned by the State to JSC "Augstsprieguma tīkls", reorganisation of JSC "Augstsprieguma tīkls" and JSC "Latvijas elektriskie tīkli", LET should take place by incorporating JSC "Latvijas elektriskie tīkli" into JSC "Augstsprieguma tīkls" by 31 December 2020.

Executing the decisions of the sitting of the Cabinet of Ministers of the Republic of Latvia on 8 October 2019 and 17 December 2019:

- On 10 June 2020, the former subsidiary of JSC "Latvenergo" (100%) JSC "Latvijas elektriskie tīkli" was separated from the Latvenergo Group;
- with a decision of the Ministry of Finance of 15 May 2020, the shares of JSC "Latvijas elektriskie tīkli" (100%) were invested into the electricity transmission system operator JSC "Augstsprieguma tīkls".

Considering the above, according to the Register of Shareholders, until 11 June 2020, the sole shareholder of JSC "Latvijas elektriskie tīkli" is JSC "Latvenergo", from 16 June 2020, the sole shareholder of JSC "Latvijas elektriskie tīkli", which owns all the shares of JSC "Latvijas elektriskie tīkli" and which prepares the consolidated annual report, including JSC "Latvijas elektriskie tīkli" as its subsidiary, is JSC "Augstsprieguma tīkls".

On 1 July 2020, the shareholder of JSC "Latvijas elektriskie tīkli" JSC "Augstsprieguma tīkls" has adopted the decision of the Shareholders' Meeting (protocol No. 2/2020, §3) on the conditions for the implementation of the reorganisation of JSC "Latvijas elektriskie tīkli" and JSC "Augstsprieguma tīkls".

By the decision of the Shareholders' Meeting of JSC "Augstsprieguma tīkls" of 18 August 2020, it was decided to reorganise JSC "Augstsprieguma tīkls" (the acquiring company) by incorporating into it JSC "Latvijas elektriskie tīkli" (the company to be merged), as well as the reorganisation agreement of JSC "Augstsprieguma tīkls" and JSC "Latvijas elektriskie tīkli" was approved. According to the decision of the Cabinet of Ministers of 17 December 2019, the reorganisation is planned to be implemented by 31 December 2020.

After the Reorganisation, in accordance with the provisions of Paragraph 335, Section four of the Commercial Law, JSC "Latvijas elektriskie tīkli" shall cease to exist without the liquidation process, JSC "Latvijas elektriskie tīkli" (the company to be merged) transferring all its property, rights and obligations to JSC "Augstsprieguma tīkls" (the acquiring company).

After the Reorganisation, the acquiring company will continue the commercial activities of the company to be merged.

When executing the protocol decision of the Cabinet of Ministers of the Republic of Latvia of 26 May 2020 (Protocol No. 36, Paragraph 38) "Regarding the Use of the Pre-emption Right in the Transaction of the Alienation of Shares of JSC "Conexus Baltic Grid"", on 21 July 2020 JSC "Augstsprieguma tīkls" acquired 34.1% of the shares of JSC "Conexus Baltic Grid", and accordingly **as of**

21 July 2020 the Company owns 68.46% of the shares of JSC “Conexus Baltic Grid” and has a decisive influence in the company.

The principal activity of the Augstsprieguma tīkls group is the provision of the functions of the electricity transmission system operator, effective management and lease of assets of the transmission system, as well as the transmission and storage of natural gas.

The structure of the *Augstsprieguma tīkls* group consists of a set of commercial companies, where the parent company JSC “Augstsprieguma tīkls” has a decisive influence and which includes the subsidiary JSC “Latvijas elektriskie tīkli” and JSC “Conexus Baltic Grid”.

All shares of JSC “Augstsprieguma tīkls” are owned by the Ministry of Finance of the Republic of Latvia.

The structure of the *Augstsprieguma tīkls* group is organised in two operating segments: electricity transmission and the management and lease of transmission assets, as well as the transmission and storage of natural gas. The division is made on the basis of the Group's internal organisational structure, which forms the basis for monitoring and control of the segment's performance.

Electricity Transmission

Joint-stock company “Augstsprieguma tīkls” (hereinafter – the Company) is the sole independent Transmission System Operator of the Republic of Latvia (hereinafter – TSO).

The **overall strategic goal** of the Company is to ensure the security of energy supply of Latvia, to provide a continuous, high-quality and affordable energy transmission service, also to implement sustainable management of energy supply assets of strategic importance to the country and to facilitate their integration in the internal energy market of the European Union.

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

The Company's **activity as an electricity transmission system operator is characterised by three directions:**



Provision of electricity transmission system services



Maintaining and developing the electricity market



Management, development and integration of the electricity transmission system into the European power system

In accordance with the separation model of the electricity transmission system operator that has been implemented in Latvia, the Company leases the assets of the transmission system necessary for the provision of the electricity transmission system services from its owner JSC “Latvijas elektriskie tīkli”.

Quality Management System and Values

A quality policy has been developed in the Company, that, based on the Energy Law, the Electricity Market Law and the Network Code, defines the Company's core values:

Trust		Honesty Independent, ethical and transparent action towards anyone and everyone
Growth		Wisdom Effective. Looking forward. Long-term thinking
Safety		Responsibility Deliberate action. With high responsibility towards work, people and nature
Team		Together We join forces to achieve more. Strong team that encourages and challenges

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

The implemented Integrated Management System ensures the efficient operation of the Company, observing internationally accepted operating mechanisms regarding quality, energy management, environment protection, occupational and occupational health management, ensuring correct compliance with regulatory requirements, promoting awareness of the Company's business context, taking the view of the Company's risks and processes into account.

Transmission asset management and lease

JSC "Latvijas elektriskie tīkli" provides the management of transmission system assets and leasing them to the transmission system operator. The rental price for transmission assets is calculated in accordance with the methodology approved by the Public Utilities Commission (hereinafter also referred to as - PUC).

JSC "Latvijas elektriskie tīkli" is managed by *Augstsprieguma tīkls* Group Corporate Governance Policy; corporate governance documents of JSC "Augstsprieguma tīkls" are binding to JSC "Latvijas elektriskie tīkli".

Pursuant to the decision of the Cabinet of Ministers of 17 December 2019, it is planned to reorganise JSC “Augstsprieguma tīkls” and JSC “Latvijas elektriskie tīkli”, by merging JSC “Latvijas elektriskie tīkli” with JSC “Augstsprieguma tīkls” by 31 December 2020.

Transmission and Storage of Natural Gas

Considering the Company’s investment in its associate, the Latvian natural gas transmission and storage system operator JSC “Conexus Baltic Grid”, an important direction of the Company’s activity is the sustainable management of strategically important energy supply assets and their integration into the internal energy resource market of the European Union (hereinafter – EU).

JSC “Conexus Baltic Grid” (hereinafter also - Conexus) is the unified natural gas transmission and storage operator in Latvia, which manages one of the most modern natural gas storage facilities in Europe - Inčukalns underground gas storage (hereinafter - Inčukalns UGS, storage) and the main natural gas transmission system, which directly connects the natural gas market of Latvia with Lithuania, Estonia and the North-West region of Russia.

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

Conexus was established on 22 December 2016, as a result of the reorganisation, separating the transmission and storage business lines from JSC “Latvijas Gāze”.

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

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

Conexus **values**:

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

Flexibility and openness through competent solutions - we support market development and we are open to new solutions that support market development;

Sustainable development - in order to protect the inhabitants and the environment from potential security risks, we regularly invest in the modernisation and increase of security of the gas system, as well as in the development of the technological system;

Professional and united team - we value professionalism in everything, and we can be relied on by colleagues, clients and partners.

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

The investment of the Company is managed in accordance with the Corporate Governance Policy.

The acquisition of participation in JSC “Conexus Baltic Grid” will not negatively affect the tariffs of electricity transmission system services.

Description of the business environment

Electricity Transmission

Electricity transmission is carried out by a transmission system operator through the transmission system which contains interconnected networks and equipment, including international connectors, with a voltage of 110 kilovolts or more that are used for transmission to the relevant distribution system or users.

The operation of the electricity transmission system operator is regulated by the PUC under the leadership of its council.

The obligations imposed on the Transmission system operator were fulfilled through the following transmission networks, on 30 September 2020:

Highest voltage (kV)	Number of substations (pcs)	Number of autotransformers and transformers (pcs)	Installed power (MVA)	Overhead cable and cable EPL (km)
330 kV	17	27	4,075	1,552.99
110 kV	123	247	5,263	3,870.91
Total	140	274	9,338	5,423.90

4,360 GWh were transmitted to users within 9 months of 2020, which is 1% less than in the corresponding period of 2019 (4,415 GWh). The reduction in electricity transmitted to users is mainly due to warm weather conditions. The impact of the reduction in the amount of electricity transmitted to consumers on the revenues from the provision of transmission services is insignificant.

Maintaining and developing the electricity market

The legal basis for the operation of the electricity market in Latvia is the Electricity Market Law, which stipulates that the transmission system operator, by performing its functions, shall facilitate the functioning of the internal electricity market and cross-border trade, including supporting the development of the electricity stock exchange.

In addition, the development of the electricity market in Latvia is facilitated by the European Commission Regulation resulting from Regulation (EC) No. 714/2009 of the European Parliament and of the Council on conditions for access to the network for cross-border exchanges in electricity.

In 2019, the Company, together with other TSOs of the European Union, actively participated in the implementation of four Regulations (Network Codes) aimed at the development and integration of the European Union internal electricity market:

- Commission Regulation (EU) No. 2015/1222 establishing a Guideline on Capacity Allocation and Congestion Management;
- Commission Regulation (EU) No. 2016/1719 establishing a guideline on forward capacity;
- Commission Regulation (EU) No. 2017/2195 establishing a guideline on electricity balancing;
- Commission Regulation (EU) No. 543/2013 on the submission and publication of data in electricity markets.

These Network codes, that are aimed at market development and integration, allow the operation of cross-border markets to be harmonised across all market activity periods, ensuring more stable functioning of the electricity market and allowing all market participants to operate without restriction in the EU internal electricity market.

The Latvian electricity market is directly integrated with the Baltic and Nordic countries, but the retail market is organised at a national level.

Rental of transmission assets

JSC "Latvijas elektriskie tīkli" is a subsidiary of JSC "Augstsprieguma tīkls", founded on 10 February 2011. JSC "Latvijas elektriskie tīkli" is the owner of the electricity transmission system of Latvia. The electricity transmission systems and related real estate assets owned by it are leased to the transmission system operator JSC "Augstsprieguma tīkls". JSC "Latvijas elektriskie tīkli" provides financing for investments into the electricity transmission system assets, at the same time becoming the owner thereof.

The establishment of JSC "Latvijas elektriskie tīkli" in 2011 was performed in order to comply with the requirements of the EU regulation, which stipulates that the transmission system operator should be separated from the companies engaged in the production and supply of electricity. Following the separation models of transmission assets property rights defined by the EU, a model of an independent system operator was established in Latvia in 2011. As a result of selection of the model, transmission assets have been invested into JSC "Latvijas elektriskie tīkli", which leases them to the transmission system operator JSC "Augstsprieguma tīkls".

Pursuant to the decision of the Cabinet of Ministers of 17 December 2019, it is planned to reorganise JSC "Augstsprieguma tīkls" and JSC "Latvijas elektriskie tīkli", by merging JSC "Latvijas elektriskie tīkli" to JSC "Augstsprieguma tīkls" by 31 December 2020.

Transmission and Storage of Natural Gas

The operation of JSC "Conexus Baltic Grid" after the opening of the Latvian natural gas market on 3 April, 2017 is divided into three basic segments: management of the main transmission system, responsibilities of the Inčukalns underground gas storage operator, as well as performing functions as the responsible company of the market area.

Natural gas transmission system operator (TSO):

- Ensures the stability of the transmission network and is responsible for technical balancing, which provides uninterrupted and secure supply opportunities for traders.
- Ensures the continuity of natural gas services by maintaining the infrastructure in technical order and neutralising gas supply and supply interruptions.
- In accordance with the conditions of the open Latvian natural gas market, JSC "Conexus Baltic Grid" provides traders with access to the gas transmission system.
- Sells gas transmission system capacity products so that certified traders can use the capacity of the main transmission networks according to their needs to supply natural gas to their customers.
- Maintains a virtual point of sale (VPS), allowing certified traders to trade gas with each other.

Storage operator (Inčukalns UGS):

- Provides capacity reservation, enabling traders to use the capacity of the Inčukalns underground gas storage facility in accordance with the traders' sales plans.
- Ensures the continuous operation of the Inčukalns underground gas storage facility by monitoring and controlling the stability of the storage facility, inspecting and preventing infrastructure damage and investing in the development and safety of the storage facility.
- Provides traders with access to the Inčukalns underground gas storage facility, giving traders the opportunity to store natural gas in a strategically advantageous location and in the required quantity, based on the volume of natural gas pumped by traders and the trade plan.

Responsible company of the Market Area (RMA):

- Provides maintenance of the balancing account system.
- Provides the operation of virtual point of sale (VPS).

- Calculates traders' commercial imbalances and monitors the implementation of traders' reserved capacity plan.

During the reporting period, Conexus' revenue amounted to EUR 40,002,187, which is 6% less than in the corresponding period of the previous year. Conexus profit for 9 months of 2020 is EUR 9,896,937.

Financial performance and financial risk management

During the reporting period, revenues of *Augstsprieguma tīkls* Group were EUR 104,884 thousand, profit - EUR 17,747 thousand.

The consolidated financial statements of the Group include the financial results of the subsidiary JSC "Latvijas elektriskie tīkli" from 1 June 2020 to 30 September 2020 and the financial results of the subsidiary JSC "Conexus Baltic Grid" from 1 August 2020 to 30 September 2020.

Electricity transmission segment

During 9 months of 2020 the revenues of JSC "Augstsprieguma tīkls" was EUR 121,177 thousand, including the revenue from electricity transmission network services of EUR 54,442 thousand, which constitutes 45% of the Company's revenue. A significant share (45%) of the total revenue of the Company during the reporting period was generated by revenue from the reconstruction of the transmission assets and construction works of the subsidiary JSC "Latvijas elektriskais tīkls". The profit of the Company in the reporting period was EUR 7,173 thousand.

When evaluating the Company's financial performance indicators, operating results, it should be taken into account that according to Article 5 of the Energy Law, electricity transmission is a regulated sector; PUC determines the allowed profit of the Company, determining the rate of return on capital, and approving tariffs for electricity transmission system services.

The Company's profitability from the provision of electricity transmission services during 9 months of 2020 is appropriate to the one set in the Electricity transmission system services tariff methodology.

Given the above and the fact that the Company is a natural monopoly, its profitability ratios are not comparable to those of the industry. In view of the TSO unbundling model implemented in Latvia - the establishment of an independent transmission system operator - the Company's profitability and other financial ratios are not comparable with other TSOs in the neighbouring countries or Europe, which in most cases own transmission assets.

The procedure for the determination and calculation of wages and salaries is regulated by the Company's internal normative acts in accordance with the requirements of the legislation of the Republic of Latvia.

Segment of Lease of transmission assets

In June 2020, the segment's revenue was EUR 13,948 thousand and it mainly consists of the revenue received from the parent company JSC "Augstsprieguma tīkls" for the lease of transmission assets. The profit of JSC "Latvijas elektriskie tīkli" in June 2020 is EUR 4,265 thousand.

Lease of transmission assets is a regulated operating segment. Revenues of the transmission segment are calculated in accordance with the methodology approved by the PUC. According to decision No. 141 of the Public Utilities Commission of 28 September 2019, a capital return rate of 3.31% is applied in 2020.

Natural gas transmission and storage segment

In August-September 2020, the segment's revenue is EUR 7,548 thousand, profit - EUR 930 thousand.

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

Financial risk management

Financial risk management is implemented in accordance with the Financial risk management policy, which is subject to Financial risk management regulations.

Financial risk management policy of JSC "Augstsprieguma tīkls" applies to the Company and capital companies, all (100%) of which are owned by JSC "Augstsprieguma tīkls".

JSC "Augstsprieguma tīkls" group companies are managed in accordance with JSC "Augstsprieguma tīkls" Corporate Governance Policy (P-6/1/4-35).

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

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

The Company's financial risks are managed in accordance with the established strategic and operational risk prevention measures, ensuring constant monitoring of the service tariffs against the costs related to the provision of services.

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

Financial means that potentially expose the Company to a certain degree of risk concentration are mostly cash and trade receivables. Although the Company has a significant concentration of risk with respect to one counterparty or a group of similar counterparties, this risk is considered to be limited, considering that the most important Cooperation partner is the state-owned commercial company JSC "Latvenergo", as well as its group companies. Trade receivables are presented according to the recoverable value.

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

The management of the Company expects that it will not have liquidity problems and that the Company will be able to settle accounts with creditors within the set terms. The Company's management believes that the Company will have sufficient financial resources to ensure its liquidity is not compromised.

Financing and liquidity

In accordance with the electricity transmission system operator separation model implemented in Latvia, capital investments in the transmission system are financed by their owner JSC "Latvijas elektriskie tīkli".

Pursuant to the decisions of the sitting of the Cabinet of Ministers of the Republic of Latvia of 8 October 2019 and 17 December 2019, the reorganisation of JSC "Latvijas elektriskie tīkli" is planned, merging it with JSC "Augstsprieguma tīkls" by 31 December 2020. As part of the reorganisation, JSC "Latvijas elektriskie tīkli" was separated from the JSC "Latvenergo" group and investments were made in the share capital of JSC "Augstsprieguma tīkls". Accordingly, as of 16 June 2020, JSC "Augstsprieguma tīkls" owns 100% of JSC "Latvijas elektriskie tīkli" shares (detailed information on the Reorganisation is provided in the section "type and description of activity"). Until 11 June 2020, the shares of JSC "Latvijas elektriskie tīkli" were 100% owned by JSC "Latvenergo".

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

After investing the shares of JSC "Latvijas elektriskie tīkli" in JSC "Augstsprieguma tīkls", the Company ensures the attraction of the borrowed capital necessary for financing capital investments. On 18 June 2020, a loan agreement was concluded with JSC "SEB banka" for EUR 116,200 thousand with a term of 18 months, an interest rate of 3 months EURIBOR and the added interest rate. The purpose of this loan is to partially refinance the liabilities of JSC "Latvijas elektriskie tīkli" to JSC "Latvenergo". It is planned to refinance the loan of JSC "Augstsprieguma tīkls" against JSC "SEB banka" by issuing bonds.

An *overdraft* agreement in the amount of up to EUR 20,000 thousand has been concluded between JSC "Augstsprieguma tīkls" and JSC "SEB banka" for financing current assets. During the reporting period, JSC "Augstsprieguma tīkls" did not receive any loans within the framework of the *overdraft* agreement.

After the change of shareholder, JSC "Latvijas elektriskie tīkli" receives loans from the parent company JSC "Augstsprieguma tīkls". On 18 June 2020, a long-term loan agreement was concluded between JSC "Augstsprieguma tīkls" and JSC "Latvijas elektriskie tīkli" for EUR 138,560 thousand, partially refinancing the loan from JSC "Latvenergo". Annual interest rate equal to the 3 month EURIBOR and the added interest rate is applied to the loans, expressed from the weighted average added interest rate of the external financing of JSC "Augstsprieguma tīkls".

An *overdraft* agreement in the amount of up to EUR 26,000 thousand has been concluded between JSC "Augstsprieguma tīkls" and JSC "Latvijas elektriskie tīkli" for financing current assets. During the reporting period, JSC "Latvijas elektriskie tīkli" has not received any loans under the said *overdraft* agreement.

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

Corporate and Social Responsibility

The strategic direction of the Company is focused on sustainable development. The Company participates in the annual "Sustainability Index" managed by the Corporate Responsibility and Sustainability Institute, and in 2020 the Company received the top Platinum award (as an assessment of its work in 2019). At the same time the company received the title "Family-Friendly Merchant" from the Ministry of Welfare.

Corporate and social responsibility policy has been developed and approved by the Company. Corporate and social responsibility (hereinafter - CSR) policy defines the forms, basic principles and directions of CSR, as well as criteria for choosing activities.

The aim of the Company's Environmental Policy is to continuously improve the Company's environmental performance by eliminating or reducing its environmental impact through the rational use of natural resources and the implementation of the best available techniques in all areas of the Company's operations.

The Company carries out systematic risk assessment (environmental review is performed every three years; the next one is scheduled in 2020, for 2017–2019), and environmental programmes are established to prevent significant risks. A register of environmental events is maintained. Key environmental pollution indicators are periodically controlled in accordance with the environment monitoring plan. The overall environmental risk is low.

Increased attention is paid to energy efficiency issues. The Energy management policy of the Company is aimed at continuously improving the Company's energy performance by reducing technical and technological losses, improving the operational energy consumption of the Company's facilities, and improving the Company's vehicle purchasing and utilisation strategy.

Electricity transmission system services tariff

The electricity transmission services tariffs are determined in accordance with the "Methodology for calculating tariffs for electricity transmission system services" approved by the PUC. In 2020 transmission system services were provided at tariffs that were approved by the decision of the PUC Council on 4 April 2017.

As one of its priority objectives the Company has set the implementation of measures to reduce the increase of electricity transmission system service tariffs. In order to achieve the pursued objective, the Company actively attracts co-financing from the European Union (EU) to finance its capital investments. Currently, EU co-financing is attracted for 4 capital investment projects. In addition, in order to minimise the impact on the transmission tariffs, the Company redistributes the accumulated overload charge revenue to finance the capital investments.

In 2020 it is planned to continue the improvement of the efficiency of the Company's business operations that was started in 2017, and also cost optimisation.

As a result of the Company's activities, 80% of the financing required for the implementation of the development projects included in the European ten-year development plan is covered by EU co-financing and overload charge revenues, thus reducing the impact on the electricity transmission system service tariffs.

Further development

The Company focuses on sustainable growth in order to improve the services provided to the Latvian and Baltic electricity market participants.

The **strategic direction** of the Company is focused on:

- Strengthening the energy security of Latvia by synchronising the electricity transmission network of Latvia with the continental European network;
- Safe operation of the Latvian electricity system and quality electricity supply to customers;
- Improving operational efficiency by providing a quality transmission service at a minimum tariff;
- Ensuring the efficiency of the electricity market through integration into the European internal energy market.

Development of the Electricity Transmission System

With decision of the PUC Council No. 138 of 21 October 2020, "On Electricity transmission system development plan", the Company's electricity transmission system development plan for the period from 2021 to 2030 (hereinafter – Development plan) was approved.

The Development Plan determines the development of the transmission system and the necessary financial investments in the transmission infrastructure for the next ten years, defining the investment of 405 million euros for the development of the electricity transmission system.

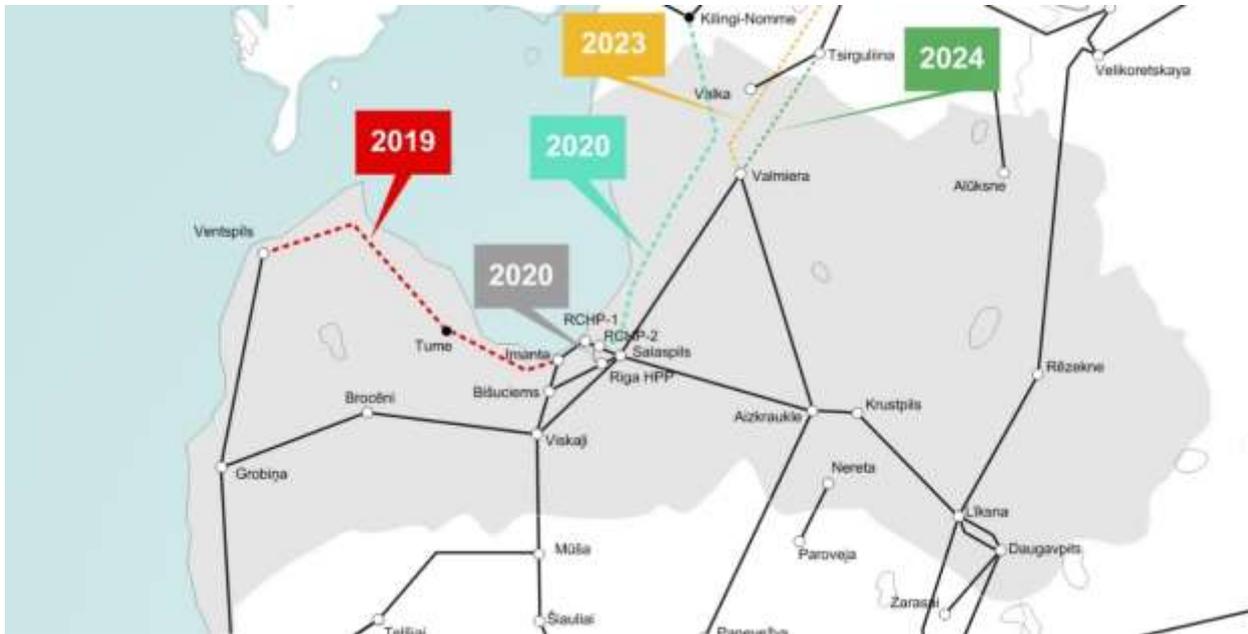
As a result of the implementation of the development plan, in the long term it is planned to reduce the amount of equipment exceeding the critical age limit values.

The most important development measures in the coming years:

The electricity transmission network is being developed in accordance with the Latvian electricity transmission system development plan and the European transmission system ten year development plan. The European ten year development plan includes those Latvian development projects which are of strategic importance, not only nationally but also in the Baltic Sea region as a whole.

Picture

Development projects included in the European ten year development plan.



- 330 kV EPL connection “Kurzemes loks” Step 3: 330 kV overhead line “Ventspils – Tume – Imanta”

Within the framework of the project, it is planned to reconstruct the existing 110 kV overhead power transmission lines to 330 kV lines from Ventspils to Imanta (in Riga), as well as to expand the existing 330 kV substation “Imanta” and to construct a new 330 kV distribution plant at “Tume” substation. The reconstruction of 110 kV distribution plants at the substations “Dundaga”, “Talsi”, “Valdemārpils”, “Kandava”, “Priedaine” is also planned.

The implementation of the project has been completed and it has been put into operation before the deadlines specified in the Grant Agreement.

- Latvia – Estonia third interconnection

The project includes the construction of a new 330 kV line of 180 km that will connect the “TPP-2” substation in Latvia and the “Kilingi-Nomme” substation in Estonia, as well as expand the TPP-2 substation by installing shunt reactor systems for reactive power compensation.

In 2020, the active construction of the new line was actively implemented at virtually all sections from the Latvian-Estonian border to the TPP-2 substation. The expansion works of the TPP-2 substation were also started. The whole project is planned to be completed in June, 2021.

- Construction of a new power transmission line Riga TPP2 - Riga HPP

The project envisages the construction of a new 330 kV overhead/cable line (indicative line length - 13 km), the extension of the 330 kV switchgear of the “Riga TPP2” substation, as well as the reconstruction of the substation “Riga HPP”, using the existing equipment and solutions.

In 2020, the construction of the line “Rīgas TEC2 - Rīgas HES” is being carried out, as well as the reconstruction of the 330 kV switchgear of substation “Rīgas HES” and the extension of the 330 kV

switchgear of substation “TEC-2” Project implementation was completed in October 2020 and it has been put into operation before the deadlines specified in the Grant agreement.

- Increasing the capacity of the 330 kV power transmission line Tartu (EE) - Valmiera (LV) and the 330 kV power transmission line Tsirgulina (EE) - Valmiera (LV) between Latvia and Estonia within the framework of Phase 1 of the Baltic country synchronisation project with continental Europe.

The project provides the complete replacement of both existing 330 kV lines with new high throughput lines. The total length of both lines in the territory of Latvia is 100 km.

On 23 January 2019, European Union co-funding in the amount of 75% has been granted to the Baltic synchronisation project, including the reconstruction of the two existing Estonian-Latvian interconnection 330 kV lines.

The implementation of the project is planned immediately after the implementation of the project “Third Interconnection of Latvia – Estonia”.

All of the above projects are included on List 3 of Projects of Common European Interest (CEI). All projects have received European Union co-financing from the Connecting Europe Facility:

- EU co-financing was granted in 2019 to increase the capacity of the 330 kV power transmission line Tartu (EE) - Valmiera (LV) and the 330 kV power transmission line Tsirgulina (EE) - Valmiera (LV);
- for the construction of the power transmission line “Riga TEC2” - “Riga HPP” in 2017;
- and European co-financing was granted for the projects “Construction of the 3rd stage of project “Kurzemes loks” and “Construction of Latvia-Estonia third stage interconnection”, from the Connecting Europe Facility in November 2014.

Electricity transmission system sustainability projects

The prepared electricity transmission system development plan of Latvia for the next ten years envisages a number of measures to improve the transmission infrastructure - reconstruction of existing 330 kV and 110 kV substations, improvement of power transmission lines, replacement of transformers, etc.

Access of third parties to the electricity transmission network

Taking the principles of operation of the electricity market of Latvia into account, JSC “Augstsprieguma tīkls” will continue to provide non-discriminatory access to the transmission system for both electricity producers and transmission system users in accordance with the principles of fairness, transparency and equality, both by constructing new and renovating existing connections.

System management and electricity market development

Carrying out the policy of the European Union regarding the single electricity market, JSC “Augstsprieguma tīkls” continues to actively participate in the activities of integration of the internal electricity market of the European Union, both within the European Union and in the Baltic region.

The main challenges for the upcoming years will be related to the synchronisation of the Baltic states with continental Europe.

On 14 September 2018, the European Commission supported the synchronisation of the Baltic countries at the political level and recommended the initiation of the Baltic countries synchronisation procedure with continental Europe.

On 19 September 2018, the TSOs of the Baltic countries submitted an application to the TSOs of Poland to join the synchronous area of continental Europe, and on 21 September 2018, the Polish TSO

submitted an application to the continental Europe regional group of ENTSO-E on the extension of the synchronous area to the electricity systems of the Baltic countries.

On 22 May 2019, JSC “Augstsprieguma tīkls” signed the Agreement for accession to the Continental European Electricity System, which entered into force on 27 May 2019.

On 23 January 2019, the CEF Steering Committee approved Phase 1 of the Baltic synchronisation application and decided to grant co-financing of 75% to the projects included in the application.

Occurrences and events after the end of the reporting period

When executing the decisions of the Cabinet of Ministers of the Republic of Latvia of 8 October 2019 and 17 December 2019, by the decision of the Shareholders' Meeting of JSC “Augstsprieguma tīkls” of 18 August 2020, it was decided to reorganise JSC “Augstsprieguma tīkls” by merging it with the acquiring company JSC “Latvijas elektriskie tīkli” (the company to be merged), as well as the reorganisation agreement of JSC “Augstsprieguma tīkls” and JSC “Latvijas elektriskie tīkli” has been approved.

Pursuant to the above, on 20 November 2020, an application was submitted to the Register of Enterprises to make an entry in the Commercial Register regarding the addition of JSC “Latvijas elektriskie tīkli” to JSC “Augstsprieguma tīkls”.

Restrictions related to the spread of coronavirus have entered into force in the Republic of Latvia and many other countries. It is not possible to predict how the situation will develop in the future, and therefore there is uncertainty about economic development. The Company’s management continuously evaluates the situation, and at the time of approval of the annual report the Company has not encountered significant disruptions in its business operations, no significant or potentially significant debt losses have been identified, and the Company continues to settle liabilities in a timely manner.

Note on management responsibility

Based on the information being at the disposal of the Board of JSC “Augstsprieguma tīkls”, the unaudited interim shortened financial statements of the *Augstsprieguma tīkls* Group and JSC “Augstsprieguma tīkls” for the 9-month period, which ended on 30 September 2020, provide a true and fair view in all material aspects about the assets, liabilities, financial status and profit or loss of the *Augstsprieguma tīkls* Group and JSC “Augstsprieguma tīkls”.

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

Māra Grava
Head of the Finance and
Accounting Department

Rīga, 17 November, 2020

Profit or Loss Statement

	Annex	JSC "Augstsprieguma tīkls"			The Group 2020 9 months
		2020 9 months EUR	2019 9 months EUR	2019 EUR	
Income	3	121,176,990	136,160,739	184,742,077	104,883,670
Other income from business activities	4	164,344	131,294	251,390	985,115
Used raw materials and materials, repair costs	5	(14,806,898)	(21,799,799)	(28,640,577)	(15,517,613)
Staff costs	6	(12,135,227)	(11,774,390)	(16,230,471)	(14,219,086)
Depreciation and amortisation		(29,387,256)	(28,062,091)	(36,002,386)	(29,640,473)
Other business costs	7	(63,275,598)	(73,053,177)	(99,607,516)	(38,800,719)
Income from participation		5,604,642	4,193,864	4,193,864	5,604,642
Income from investing in an associated company		-	-	-	3,081,168
Financial income	8a	352,270	28,066	44,224	(14,335)
Finance costs	8b	(520,108)	(1,492,534)	(1,683,631)	(913,134)
Consolidation difference of JSC "Latvijas elektriskie tīkli"		-	-	-	3,586,293
Profit before taxes		(7,173,159)	(4,331,972)	7,066,974	19,035,528
Deferred corporate income tax		-	-	-	(1,298,727)
Profit for the reporting period		(7,173,159)	(4,331,972)	7,066,974	17,736,801
applicable to:					
Minority interest					293,204
Parent Company shareholders					17,443,597

Annexes from page 23 to 48 are an integral part of these financial statements.

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Member of the Board

Māra Grava
Head of the Finance and
Accounting Department

Riga, 17 November, 2020

Statement of Financial Position on 30 September 2020

	Annex	JSC "Augstsprieguma tīkls"		Group
		30.09.2020 EUR	31.12.2019 EUR	30.09.2020 EUR
ASSETS				
Long-term investments				
Intangible investments	9.1	50,598,966	50,413,419	3,155,003
Fixed assets	9.2	5,347,264	5,491,202	1,066,101,797
Right to use assets		9,204,154	35,920,323	14,925,543
Other long-term financial investments	10	1,422	1,902,887	1,210,860
Investment in JSC "Conexus Baltic Grid"	10	134,394,971	57,394,971	-
Investment in JSC "Latvijas elektriskie tīkli":	10	222,678,000	-	-
Total long-term investments		422,224,777	151,122,802	1,085,393,203
Current assets				
Stock	11	479,708	480,112	3,393,442
Accounts receivable				
Net Trade receivables	12	755,555	7,966,220	34,130,256
Deposits		-	20,000,000	-
Other loans		138,560,000	-	-
Other debtors	13	54,822	22,722	745,663
Corporate income tax	13	11,512	11,512	11,512
Deferred expenses		466,235	337,584	490,165
Accrued revenue	14	13,958,370	13,777,092	13,958,370
Total accounts receivable		153,806,494	42,115,130	49,335,966
Cash		48,650,492	28,216,327	79,195,592
Total current assets		202,936,694	70,811,569	131,925,000
SUM TOTAL OF ASSETS		625,161,471	221,934,371	1,217,318,203

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 Chairman of the Board

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 Member of the Board

Māra Grava
 Head of the Finance and
 Accounting Department

Riga, 17 November, 2020

Statement of Financial Position on 30 September 2020 (continued)

	Annex	JSC "Augstsprieguma tīkls"		Group
		30.09.2020 EUR	31.12.2019 EUR	30.09.2020 EUR
LIABILITIES				
Equity				
Share capital		363,896,079	64,218,079	363,896,079
Reserves		4,001,674	2,786,621	51,870,608
Retained earnings		7,173,161	2,951,011	106,262,253
Minority shareholding interest		-	-	126,603,945
Total equity	15	375,070,914	69,955,711	648,632,885
Long-term creditors				
Employee benefit obligations		2,767,589	2,966,213	3,911,886
Lease liabilities		-	-	14,439,994
Loans		77,466,667	-	183,388,874
Deferred revenue		90,999,345	89,963,992	280,639,315
Total long-term creditors	16	171,233,601	92,930,205	482,380,069
Short-term accounts payable				
Loans		38,733,333	-	42,291,114
Lease liabilities		9,221,438	37,475,766	672,185
Deferred revenue	17	6,668,100	4,946,387	12,573,444
Trade payables		13,256,661	6,099,120	13,785,765
Taxes and mandatory state social insurance contributions		1,106,509	864,001	1,106,509
Deferred corporate income tax liabilities		-	-	1,298,727
Advance payments received from customers		-	82,723	716,890
Other creditors	18	2,516,250	3,218,170	4,954,840
Accrued liabilities	19	7,354,665	6,362,288	8,905,775
Total short-term accounts payable		78,856,956	59,048,455	86,305,249
SUM TOTAL OF LIABILITIES		625,161,471	221,934,371	1,217,318,203

Annexes from page 23 to 48 are an integral part of these financial statements.

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Riga, 17 November, 2020

Statement on changes in equity

	JSC "Augstsprieguma tīkls"				Group
	Share capital	Profit for the reporting year	Reserves	Total	Total
	EUR	EUR	EUR	EUR	EUR
BALANCE ON 31 DECEMBER 2018	63,139,313	4,677,118	2,527,228	70,343,659	-
Dividends paid for 2018	-	(3,598,352)	-	(3,598,352)	-
Share capital increase	1,078,766	(1,078,766)	-	-	-
Retained earnings/(Accumulated losses) Implementation of IFRS16	-	(4,115,963)	-	(4,115,963)	-
Profit for the reporting period	-	7,066,974	-	7,066,974	-
Other income for the reporting period	-	-	259,393	259,393	-
BALANCE ON 31 DECEMBER 2019	64,218,079	2,951,011	2,786,621	69,955,711	69,955,711
Dividends paid for 2019	-	(1,735,958)	-	(1,735,958)	(1,735,958)
Retained earnings	-	7,173,161	-	-	106,262,253
Share capital increase	299,678,000	-	-	299,678,000	299,678,000
Changes in reserves	-	(1,215,053)	1,215,053	-	0
Consolidation difference	-	-	-	-	47,868,934
Minority share	-	-	-	-	126,603,945
BALANCE ON 30 SEPTEMBER 2020	363,896,079	7,173,161	4,001,674	375,070,914	648,632,885

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Riga, 17 November, 2020

Cash Flow Statement

	Annex	JSC "Augstsprieguma tīkls"		Group
		30.09.2020	30.09.2019	30.09.2020
		EUR	EUR	EUR
I. Cash flow of the principal activity				
Profit or loss before taxes		7,173,160	(4,331,972)	17,736,801
<u>Adjustments:</u>				
Amortisation, depreciation and impairment in value of intangible assets, fixed assets and rights to use assets		27,906,778	28,058,870	29,698,291
Losses from write-off of long-term assets		-	-	153,690
Depreciation of EU co-financing		-	-	(36,214)
Changes in provisions		(198,624)	(89,583)	(228,855)
Income from dividends		(5,604,642)	(4,193,864)	(5,604,642)
Income from investing in an associated company		-	-	(3,081,168)
Deferred corporate income tax liabilities		-	-	1,298,727
Interest income		(54,187)	(28,066)	(149,518)
Interest expenses (financial expenses), incl. lease of assets		414,895	647	932,869
<u>Adjustments:</u>				
Decrease / (increase) in trade receivables		26,758,974	(29,897,919)	14,246,135
(Increase) / decrease of stocks		404	(8,426)	184,475
(Decrease) / increase of debts to suppliers and other creditors		3,384,709	670,750	41,143,674
Gross cash flow from main business		59,781,467	(1,155,619)	96,294,265
Interest payments		(76,270)	(647)	(171,601)
Recognised asset lease interest payments		-	1,490,166	-
Interest income from term deposits		-	28,066	-
Corporate income tax payments		(347,192)	(719,670)	(347,192)
Net cash flow of the main business		59,358,005	(357,704)	95,775,472

Annexes from page 23 to 48 are an integral part of these financial statements.

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Riga, 17 November, 2020

Cash flow statement (continued)

	Annex	JSC "Augstsprieguma tīkls"		Group EUR
		30.09.2020 EUR	30.09.2019 EUR	
II. Cash flow from investment activities				
Acquisition and creation of fixed assets and intangible investments		(1,419,254)	(75,547,320)	(32,129,167)
Income from the sale of fixed assets and intangible investments		105,703	-	105,703
Income from the sale of financial investments		1,729,071	-	1,729,071
Issued loans		(138,560,000)	-	-
Interest income from term deposits		54,187	-	54,187
Interest income from loans		355,170	-	355,170
Placed deposits, Net		-	30 000 000	-
Dividends received		5,604,642	4,193,864	5,604,642
Net cash flow from investing activity		(132,130,481)	(41,353,456)	(24,280,394)
III. Cash flow from financing activities				
Asset lease payments		(21,523,270)	-	(9,550,759)
Loans repaid		-	-	(583,333)
Received / (repaid) loans from JSC "Augstsprieguma tīkls"		-	-	(44 013 136)
Received / (repaid) loans from JSC "Latvenergo"		-	-	(94,546,864)
Received loans		116,200,000	-	116,200,000
Funding received		3,959	29,609,552	3,959
Expenses from the sale of financial investments		172,394	-	172,394
Paid interest		(257,677)	-	(281,642)
Interest payments paid for the loan from JSC "Latvenergo"		-	-	(756,367)
Dividends paid		(1 388 765)	(2 878 682)	(1 388 765)
8. Net cash flow from financing activity.		93,206,641	26,730,870	(34,744,513)
Cash and cash equivalents as a result of the merger		-	-	14,228,700
Net increase / (decrease) in net cash and cash equivalents during the reporting period		20,434,165	(14,980,290)	50,979,265
Balance of cash and cash equivalents at the beginning of the reporting year		28,216,327	56,636,900	28,216,327
Balance of cash and cash equivalents at the end of the reporting year		48,650,492	41,656,610	79,195,592

Annexes from page 23 to 48 are an integral part of these financial statements.

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Mārcis Kauliņš
Member of the Board

Māra Grava
Head of the Finance and
Accounting Department

Riga, 17 November, 2020

Annexes of financial statements

1. GENERAL INFORMATION ABOUT THE GROUP AND THE PARENT COMPANY

JSC “Augstsprieguma tīkls” is a transmission system operator, licensed by the Public Utilities Commission under licence No. E12001, that ensures the security of the operation of the transmission network and the power supply system of Latvia, provides the transmission service on the basis of published transmission service tariffs, and ensures the availability of the transmission system services on a continuous basis. JSC “Augstsprieguma tīkls” is engaged in operational management of the transmission system and ensures secure and reliable electric power transmission.

As at 30 September 2020 all shares of JSC “Augstsprieguma tīkls” are owned by the Ministry of Finance of the Republic of Latvia. The registered address of the Company is Dārziema iela 86, Rīga, LV-1073, Latvia.

The structure of the *Augstsprieguma tīkls* group consists of a set of commercial companies, where the parent company JSC “Augstsprieguma tīkls” has a decisive influence and which includes the subsidiaries JSC “Latvijas elektriskie tīkli” and JSC “Conexus Baltic Grid”. The financial statements of JSC “Latvijas elektriskie tīkli” are available on the website www.let.lv in the section “Reports”. JSC “Conexus Baltic Grid” Financial statements are available on the website www.conexus.lv in the section “Investors”.

The principal activity of the *Augstsprieguma tīkls* group is the provision of the functions of the electricity transmission system operator, effective management and lease of assets of the transmission system, as well as transmission and storage of natural gas.

The financial statements were approved by the Board of the Company on 17 November 2020 composed of: Varis Boks (Chairman of the Board), Imants Zviedris (Member of the Board), Arnis Staltmanis (Member of the Board), Mārcis Kauliņš (Member of the Board), Gatis Junghāns (Member of the Board).

The auditor of the Company is the certified audit company “Deloitte Audits Latvia” LTD, and the responsible certified auditor is Inguna Staša.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

This section of the appendix sets out the key accounting principles that are used in the preparation of the financial statements. These principles are applied consistently, reflecting data for all periods presented in the report.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, applying the going concern principle. Taking the European Union approval process into account, this Annex also presents standards and interpretations that have not been approved for application in the European Union, as those standards and interpretations may have an impact on the Company's financial statements in future periods, if they are adopted.

These financial statements do not use the equity method in measuring investments in associates. Investments in associates are measured at cost value.

The financial statements have been based on the initial cost accounting method. The cash flow statement has been prepared using the indirect method.

The financial indicators in the financial statements are presented in euros (EUR).

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

Financial statements cover the time period from 1 January to 30 September 2020.

To prepare the financial statements in accordance with the IFRS, the management of the Company based it on certain estimates and assumptions, which affect the balance of separate items reflected in certain statements, as well as the possible amount of liabilities. Future events may affect the assumptions on which the relevant estimates were based. Any impact of the changes of the estimates is reflected in the financial reports at the moment of identification thereof. Although these estimates are based on comprehensive information about the current events and activities available to the Company's management, actual results may differ from those estimates.

Consolidation

The financial statements of subsidiaries, where any of the companies of *Augstsprieguma tīkls* Group control financial or operational activities, are consolidated. Control is presumed to exist when the Group has the power to obtain or obtain control rights over certain benefits from its interest in an investment and if it has the possibility to obtain a return by using its impact on its investment (existing rights that give a current possibility to determine control over the company) (10. IFRS 10 "Consolidated Financial Statements").

A subsidiary is consolidated as of the date on which the parent company has acquired control over the subsidiary, and the consolidation is terminated, when the control ends.

New standards and amendments to existing standards in force during the current reporting period

a) Standards that have been issued and have entered into force and are relevant to the operation of the Company

Changes in the Conceptual Framework for Financial Reporting

The amendments are effective for annual periods beginning on or after 1 January 2020. The revised Conceptual Framework includes a new section on evaluation; guidelines for reporting financial results; improved definitions and clarifications, in particular regarding the definition of a liability; as well as clarifications in important areas such as the role of governance, precaution and valuation uncertainty related to financial reporting. The Company has assessed the impact of these amendments on the financial statements and disclosure of information, but considers that they do not have a material impact on the financial results.

Changes IFRS 3 - Business Definition

The amendments are effective for annual periods beginning on or after 1 January 2020. The amendments concern the revision of the definition of business. Business must consist of inbound resources and significant processes that generally contribute significantly to the ability to generate outbound resources. The new guidelines provide a framework to be applied when assessing whether there are inbound resources and significant processes for companies that are in the process of development and have not yet generated outbound resources. In the case that the business has not yet created outgoing resources, the precondition for its recognition as a business is the existence of an organised workforce. The definition of outgoing resources is narrowed to focus on goods and services supplied or rendered to customers to generate a return on investment or other revenue, and excludes returns associated with lower costs or other economic benefits. It is no longer necessary to assess whether market participants are able to replace missing parts or integrate acquired activities and assets. A company may apply a "concentration test". Acquired assets whose substantially all fair value is concentrated in a single asset (or group of similar assets) cannot be regarded as a business. The company assessed the impact of these amendments. The amendments may result in changes in accounting policies, but they do not have a material effect on the Company's financial statements.

Changes IAS 1 and IAS 8 - Definition of Materiality

The amendments are effective for annual periods beginning on or after 1 January 2020. The amendments clarify the definition of materiality and its application by incorporating the guidelines

previously scattered across different standards into the definition itself. Clarifications previously available with the definition have also been added. In addition, the amendments provide a uniform definition of materiality throughout the IFRS. Information is material if a failure to present it, erroneous presentation or misstatement could materially influence the decisions that basic users of general purpose financial statements make on the basis of those financial statements that provide information about a particular reporting entity. The Company has assessed the impact of these amendments on the Company's financial statements, but they do not have a material impact on the Company's financial position.

b) Standards and their amendments that have been issued and have not yet entered into force, but are important for the operation of the Company

At present, there are no standards or amendments to them that have been issued and have not entered into force, but are important for the operation of the Company.

2.1. Financial instruments

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

Financial assets and financial liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset and financial liabilities (other than a financial asset and financial liabilities at fair value through the income statement) are initially recognised or deducted from financial assets or fair values of financial liabilities.

Financial assets

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

Classification of financial assets

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

- the financial asset is held as part of a business model that seeks to hold financial assets for the purpose of collecting contractual cash flows; and
- the terms of a financial asset contract generate cash flows at specified dates that are only principal and interest payments.

Debt instruments that meet the following conditions after initial recognition are measured at fair value through the statement of Other Comprehensive Income (FVTOCI):

- the financial asset is held in a business model that achieves its objective by both collecting the contractual cash flows and selling the financial asset; and
- the terms of a financial asset contract generate cash flows at specified dates that are only principal and interest payments.

By default, all other financial assets after initial recognition are measured at fair value through profit or loss (FVTPL).

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

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

Equity instruments, at fair value with other comprehensive income

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

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

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

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

Impairment of financial assets

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

Derecognition of financial assets

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

Financial liabilities

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

Financial liabilities with evaluation at amortised cost

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

The effective interest method is the method of calculating the amortised cost of financial liabilities and allocating the interest expense over the period. The effective interest rate is the rate at which discounted future cash flows or revenue (including any fees and interest paid or received by the parties to the contract that are an integral part of the effective interest rate, transaction costs and any other premiums or discounts) at the expected life of the financial asset or financial liability, the carrying amount of a financial asset, or the amortised cost of a financial liability, is precisely obtained.

Derecognition of financial liabilities

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

2.2. Transactions in foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.3. Intangible investments and fixed assets

All intangible investments are counted at initial value less accumulated amortisation. Computer software licences, computer software and related implementation costs are recognised as intangible investments and amortised on a straight-line basis over the estimated useful lives of these assets, up to five years.

JSC "Augstsprieguma tīkls" implements transmission system congestion and overload management in accordance with Article 13, Section 4 and Article 13¹, Section 6 of the Electricity Market Law, and receives a fee for a cross-section restricted capacity auction in accordance with the mutual compensation mechanism and concluded contracts of the transmission system operators. The use of the received congestion charge is regulated by European Commission and Council of Europe 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). Considering the provisions of the Regulation, revenues received from congestion management, which are not used to eliminate overload and congestion in the transmission network, are reflected in the balance sheet as deferred income. Once this income has been used to finance a specific long-term investment project, transmission right-of-use assets are recognised as part of intangible investments and, along with deferred income, are amortised through the progressive recognition of that income and amortisation in the income statement for the current financial year in accordance with the amortisation period of the long-term investment created.

Intangible investments and fixed assets are presented according to their acquisition value, minus any wear and depreciation accrued. The acquisition value includes expenses that are directly related to the acquisition of the intangible investment or fixed asset. Depreciation of fixed assets is calculated using the straight-line method over the useful life of the asset, to allocate the acquisition cost to its estimated residual value at the end of the useful life period. For other fixed assets and equipment (means of communication and equipment, office supplies and equipment) it shall not exceed two to five years.

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

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

Profit or loss from excluding fixed assets is calculated as the difference between the carrying amount of the fixed asset and the revenue obtained as a result of selling it, and included in the relevant profit and loss statement when such has been incurred.

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

2.4. Long-term financial investments

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

Investments in associates

Investments in associates are investments in companies, in which the Company has significant influence but has no control over the activities of the other company.

In these statements, investments in associates are stated at their acquisition cost.

Other long-term financial investments

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

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

2.5. Lease

Leases to which the Company is a lessor are classified as finance leases or operating leases. If the terms of the lease transfer all risks and rewards of ownership to the lessee, the contract is classified as a finance lease. Other leases are classified as operating leases.

If the Company is an intermediate lessor, its main lease and sublease are accounted for as two separate contracts. Subleases are classified as finance leases or operating leases, referring to the right-of-use asset arising from the main lease.

Lease income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are recognised on a straight-line basis over the term of the lease.

The Company as the lessee

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

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

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

- fixed lease payments (including, in substance, fixed lease payments), with the exception of lease payments receivable;
- variable lease payments that depend on an index or rate and were initially evaluated by using an index or rate at the initial date;
- the amounts that the lessee would have to pay as guarantees of residual value;
- the exercise price of the call option, if there are sufficient grounds to believe that the lessee will exercise this option; and
- penalty payments for the termination of the lease, if the term of the lease reflects the fact that the lessee uses the option to terminate the lease.

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

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

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

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

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

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

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

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

Pursuant to paragraph No. 38 of protocol decision No. 46 of the Cabinet session of 8 October 2019, supporting the implementation of the full ownership separation model regarding the electric power transmission system operator and assigning the task to contribute the JSC "Latvijas elektriskie tīkli" shares owned by the State to JSC "Augstsprieguma tīkls" by 1 July 2020, the Company reviewed the lease term and established a deadline of 31 December 2020.

Paragraph No. 75 of protocol decision No. 59 of the Cabinet sitting of 17 December 2019 stipulated that after the contribution of the JSC "Latvijas elektriskie tīkli" shares owned by the State to JSC "Augstsprieguma tīkls", reorganisation of JSC "Augstsprieguma tīkls" and JSC "Latvijas elektriskie tīkli"

should take place by incorporating JSC “Latvijas elektriskie tīkli” into JSC “Augstsprieguma tīkls” by 31 December 2020.

The Company as a lessee recognised the **right-of-use assets**:

	Group EUR	JSC “Augstsprieguma tīkls” EUR
Right-of-use assets		
Residual value on 01.01.2019.		-
Initial recognition value on 01.01.2019.		214,885,303
Recognised changes in lease contracts		(143,133,079)
Depreciation recognised in the income statement		(35,831,901)
Residual value 31.12.2019		35,920,323
Depreciation recognised during the reporting period		(27,612,458)
Changes in lease value		896,290
Residual value on 30.09.2020	14,925,542	9,204,153

The Company as a lessee recognised **lease liabilities in its financial statements**:

	Group EUR	JSC “Augstsprieguma tīkls” EUR
Lease liabilities		
Operating lease liabilities on 31.12.2018 in accordance with IAS 17	-	225,471,486
Discounted value using the original interest rate at the initial date of implementation.	-	(6,470,220)
Initial recognition value on 01.01.2019,	-	219,001,266
Recognised changes in lease contracts	-	(145,629,214)
Decrease in lease liabilities	-	(37,578,581)
Recognised interest liabilities	-	1,682,295
Residual value on 31.12.2019, including:	-	37,475,766
Long-term lease liabilities	-	-
Short-term lease liabilities	-	37,475,766
Decrease in lease liabilities in the reporting period	-	(27,687,830)
Recognised interest liabilities during the reporting period	-	92,657
Changes in lease value	-	(659,155)
Residual value on 30.09.2020, including:	15,112,179	9,221,438
Long-term lease liabilities	14,439,994	-
Short-term lease liabilities	672,185	9,221,438

2.6. Stock

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

Purchase costs of inventories include the purchase price, import duties and other taxes and fees, transportation and associated costs, as well as other costs directly related to the delivery of materials

and goods. Trade discounts, rebates and similar discounts are deducted in determining the value of inventories.

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

2.7. Deferred revenue

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

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

2.8. Pensions, post-employment benefits

(a) Pension liabilities

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

(b) Post-employment benefit liabilities

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

Liabilities recognised in the balance sheet in respect of post-employment benefits are reflected at their present value at the balance sheet date, less any past costs.

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

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

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

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

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

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

2.9 Corporate income tax

Starting from the tax year 2018, the corporate income tax shall be calculated for the distributed profit (20/80 from the net sum to be paid to the shareholders).

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

The corporate tax for distributed profit will be recognised at the time when the shareholder of the Company makes a decision regarding the distribution of profit.

The payment of corporate tax to the Company is deferred until the profits are distributed as dividends or non-operating expenses are paid.

2.10. Provisions

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

Provisions are recognised in the balance sheet by determining the amount of expenditure that would be required to settle the obligation at the balance sheet date as precisely as possible. Provisions are only used for the expenses for which the provision was initially recognised, and they are reversed if a potential outflow of resources is no longer expected.

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

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

2.11. Revenue recognition

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

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

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

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

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

The main types of income of the Company are as follows:

(a) Electricity transmission system services

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

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

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

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

(b) Congestion and overload management

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

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

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

regulatory authorities when approving the methodology for calculating network tariffs/or setting network tariffs.

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

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

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

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

(c) Mandatory procurement component income

According to Article 105 of Regulation No. 50 of the Cabinet of Ministers, "Regulations for electricity trade and use" of 21 January 2014, the Company shall charge the Mandatory procurement component (hereinafter also referred to as MPC) from all electricity end users or traders, if the end user has delegated settlements with the company for system services and ancillary services.

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

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

(d) Income from electricity/capacity sales

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

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

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

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

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

(e) New construction and renovation of transmission assets

According to Article 13 Section 6 of the Electricity Market Law, the Company shall be responsible for the planning, construction and commissioning of new transmission infrastructure objects during the development of the transmission system. In turn, according to Article 21.² Section 2 of the Electricity Market Law, the transmission system asset owner JSC "Latvijas elektriskie tīkli" finances capital investments in the transmission system assets. Within the framework of the service, the Company with its personnel resources, plans, organises, documents, and controls the construction, reconstruction, and renovation works in the assets of the recipient of the service – JSC "Latvijas elektriskie tīkli". The service includes the provision of capital investment project management.

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

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

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

2.12. Recognition of costs

Costs are recognised on an accrual basis. Accounting costs include all foreseeable costs and contingent liabilities incurred in the current or prior years, even if they become known between the balance sheet date and the date of preparation of the financial statements, regardless of the date of receipt of the invoice, as the Company's economic transactions are accounted for and presented in the financial statements on the basis of their economic content and nature, not merely their legal form.

Operating expenses and other operating expenses indicated in the income statement are disclosed in the annexes to the financial statements in more detailed terms.

2.13. Long-term and short-term liabilities

The Company's trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Liabilities to suppliers and contractors are stated in the financial statements according to supporting documents and entries in the accounting records in the amount of invoices received from suppliers of the Company but not paid at the end of the reporting period. Accrued expenses that have been incurred during the reporting year when the amount of such costs or the date of payment during the reporting period is clearly known, but the invoices containing such have not yet been received from the suppliers, are included in the item "Accrued liabilities".

2.14. Related parties

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

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

3. REVENUE

	JSC "Augstsprieguma tīkls"		Group 9 months of 2020 EUR
	2020 9 months EUR	2019 9 months EUR	
Electricity transmission services:			
Transmission network service	54,441,514	54,311,667	54,441,514
Transmission asset reconstruction and renovation works*	53,968,536	60,195,784	28,485,159
Sale of balancing electricity	8,600,553	11,853,915	8,600,553
Electricity transit service	655,151	2,437,349	655,151
Sale of regulatory electricity	209,219	583,298	209,219
Revenue from reactive electricity	461,027	546,760	461,027
Congestion management on borders (auction)	929,263	3,052,627	929,263
Liquidation of electrical capacity overload	1,021,234	2,150,853	1,021,234
Other services	890,493	1,028,486	890,493
Revenues from transmission of natural gas	-	-	4,185,175
Revenues from storage of natural gas	-	-	3,362,972
Revenues from connection fee	-	-	1,008,601
Rental of transmission system assets and rental of other fixed assets	-	-	524,490
Construction services	-	-	108,819
TOTAL INCOME	121,176,990	136,160,739	104,883,670

Pursuant to the Energy Law, the Electricity Market Law, and the Network Code, JSC "Augstsprieguma tīkls" is obliged to implement the operational management of the transmission system and to ensure the safe, stable transmission of electricity.

* Executing decision of the PUC Council No. 18 of 30 January 2013, "On certification of the Electricity Transmission System Operator", from 1 January 2015 the Company has taken over the maintenance and development of business lines of transmission system assets from JSC "Latvijas elektriskie tīkli" and ensures active construction, rebuilding, and renewal of the transmission system (see Annex 7). According to Article 21.² of the Electricity Market Law, the transmission system asset owner JSC "Latvijas elektriskie tīkli" finances capital investments in the transmission system assets, which are decided by JSC "Augstsprieguma tīkls".

4. OTHER INCOME FROM BUSINESS ACTIVITIES

	JSC "Augstsprieguma tīkls"		Group
	2020 9 months EUR	2019 9 months EUR	2020 9 months EUR
Sale of current assets and fixed assets	129,167	5,955	122,969
Other penalties received	31,066	124,108	31,066
EU financial support	3,959		815,746
Received compensation for damages	152	1 231	152
Other services	-	-	15,182
TOTAL OTHER INCOME FROM BUSINESS ACTIVITIES	164,344	131,294	985,115

5. USED RAW MATERIALS AND MATERIALS, REPAIR COSTS

	JSC "Augstsprieguma tīkls"		Group
	2020 9 months EUR	2019 9 months EUR	2020 9 months EUR
Purchase of balancing electricity	6,145,490	8,447,524	6,145,490
Transmission electricity losses and technological consumption	4,097,762	6,680,811	4,097,762
Purchase of regulatory electricity	2,389,598	3,404,043	2,389,598
Costs of materials used and repairs	1,161,790	1,233,158	1,334,597
Electricity transit losses	863,879	1,828,845	863,879
Electricity for own consumption	148,380	205,418	148,380
Natural gas transmission and storage system maintenance services	-	-	484,740
Natural gas costs	-	-	53,168
TOTAL USED RAW MATERIALS AND MATERIALS, REPAIR COSTS	14,806,898	21,799,799	15,517,613

6. PERSONAL COSTS

	JSC "Augstsprieguma tīkls"		Group
	2020 9 months EUR	2019 9 months EUR	2020 9 months EUR
Remuneration for work	9,340,443	9,045,970	10,943,017
Other staff costs			89,126
State social insurance contributions and benefits determined by the collective agreement	2,344,615	2,293,955	2,734,779
Contributions to the pension plan	450,169	434,465	452,164
TOTAL STAFF COSTS (INCLUDING REMUNERATION TO THE MANAGEMENT OF THE COMPANY)	12,135,227	11,774,390	14,219,086

7. OTHER COSTS OF BUSINESS ACTIVITY

	JSC "Augstsprieguma tīkls"		Group
	9 months of 2020 EUR	9 months of 2019 EUR	9 months of 2020 EUR
Transmission asset reconstruction and renovation works	53,957,701	60,179,762	28,474,324
Electricity capacity reserve maintenance costs	3,164,548	3,631,860	3,164,548
Telecommunication provision services	2,167,673	2,190,096	2,168,187
Liquidation of electrical capacity overload	995,317	2,391,124	995,317
IT system maintenance costs	608,694	545,770	671,091
Premises and territory maintenance costs	678,224	671,095	909,490
Transportation costs	533,976	743,172	568,343
Local taxes and fees	111,135	129,339	445,908
Nature and labour protection costs	72,627	66,956	72,627
Various business costs	985,703	2,504,003	1,330,884
TOTAL OTHER COSTS OF BUSINESS ACTIVITY	63,275,598	73,053,177	38,800,719

8. NET FINANCIAL INCOME/(COSTS)

	JSC "Augstsprieguma tīkls"		Group
	2020 9 months EUR	2019 9 months EUR	2020 9 months EUR
a) Financial income			
Interest income from credit institutions	15,300	28,066	15,300
Interest income from loans	336,970	-	-
Other financial income / (costs)	-	-	(29,635)
Total financial income	352,270	28,066	(14,335)

FINANCIAL REVENUE / (COSTS), NET (continued)

	JSC "Augstsprieguma tīkls"		Group 2020 9 months EUR
	2020 9 months EUR	2019 9 months EUR	
b) Financial costs			
Interest expense on borrowings	-	(1,721)	(571,872)
Interest expenses of asset lease IFRS16	(509,927)	(1,490,166)	(557,628)
Other financial income / (costs)	(10,181)	(647)	216,366
Total financial costs	(520,108)	(1,492,534)	(913,134)
NET FINANCIAL INCOME/(COSTS)	(167,838)	(1,464,468)	(927,469)

9. INTANGIBLE INVESTMENTS, FIXED ASSETS**9.1. Intangible investments**

	JSC "Augstsprieguma tīkls"		Group EUR
	30.09.2020 EUR	2019 EUR	
Residual value at the beginning of the reporting period	50,413,419	4 650 393	3,158,957
Purchased	761,046	334 232	962,538
Right-of-use transmission assets	-	11 493 000	-
Unfinished construction	(67,585)	229 533	(67,585)
Advance payment for right-of-use	64,203	33,909,709	64,203
Written off	-	-	(281)
Estimated depreciation	(141,129)	(190 353)	(531,841)
Depreciation part of transmission assets	(430,988)	(13,095)	(430,988)
Residual value at the end of the reporting period	50,598,966	50,413,419	3,155,003

9.2. Fixed assets

	JSC "Augstsprieguma tīkls"		Group EUR
	30.09.2020 EUR	2019 EUR	
Residual value at the beginning of the reporting period	5,491,202	4 318 933	959,585,220
Purchased	732,735	1,600,675	11,261,629
Revalued	-	-	111,186,241
Establishment of fixed assets	333,388	1,000,165	25,962,175
Written off	(172,641)	(90,815)	(2,989,402)
Adjustment	-	-	36
Revalued	-	-	(19,085,816)
Accelerated depreciation is calculated	-	-	211,241
Depreciation and liquidation calculated	(1,037,420)	(1 337 756)	(20,029,527)
Residual value at the end of the reporting period	5,347,264	5,491,202	1,066,101,797

10. OTHER LONG-TERM FINANCIAL INVESTMENTS

The Company's interest in a subsidiary and other long-term financial investments

	30.09.2020 EUR	31.12.2019 EUR
Participation in the capital of subsidiaries, including:	280,072,971	57,394,971
JSC "Latvijas elektriskie tīkli"	222,678,000	-
JSC "Conexus Baltic Grid"*	134,394,971	57,394,971
Ownership in the capital of other companies, including:	1,422	1,902,887
JSC "Nord Pool Holding"	-	1,901,465
JSC "Pirmais slēgtais pensiju fonds"***	1,422	1,422
Residual value at the end of the reporting period	280,074,393	59,297,858

Name of the Company	Location	Type of business activity	Shares (percentage)
JSC "Latvijas elektriskie tīkli"	Latvia	Transmission asset management and lease	100.0%
JSC "Conexus Baltic Grid"	Latvia	Natural gas transmission and storage operator in Latvia	68.46%
JSC "Pirmais slēgtais pensiju fonds"	Latvia	Management of pension plans	1.9%

* Information in accordance with International Financial Reporting Standard IFRS 3 on assets and liabilities arising from the acquisition, goodwill acquired or gains from the transaction is assessed and will be disclosed in the consolidated financial statements of the *Augstsprieguma tīkls* group for the reporting year, therefore significant changes are possible.

*** The Company owns 1.9% of the capital of JSC "Pirmais slēgtais pensiju fonds". The Company is a nominal shareholder, as all the risks and rewards of the Fund are undertaken or acquired by the Company's employees, who are members of the pension plan. For this reason, the investment is measured at cost value.

11. STOCK

	JSC "Augstsprieguma tīkls"		Group 30.09.2020 EUR
	30.09.2020 EUR	31.12.2019 EUR	
STOCK			
Materials and spare parts	479,708	480,112	3,393,442
TOTAL INVENTORIES	479,708	480,112	3,393,442

12. NET TRADE RECEIVABLES

	JSC "Augstsprieguma tīkls"		Group
	30.09.2020	31.12.2019	
	EUR	EUR	EUR
Accounts receivable			
Electricity transmission system service debt	728,742	747,506	728,742
Other trade receivables	50,230	7,249,868	33,424,932
Total debtors	778,972	7,997,374	34,153,674
Provisions for doubtful and hopeless debts			
For electricity transmission system service debt	(2 892)	(24 234)	(2 892)
For other trade receivables	(20,526)	(6,920)	(20,526)
Total provisions for doubtful and hopeless debts	(23,418)	(31,154)	(23,418)
Net accounts receivable			
Electricity transmission system service debt	725,850	723,272	725,850
Other trade receivables	29,704	7,242,948	33,404,406
NET TRADE RECEIVABLES	755,554	7,966,220	34,130,256

13. OTHER DEBTORS

	JSC "Augstsprieguma tīkls"		Group
	30.09.2020	31.12.2019	30.09.2020
	EUR	EUR	EUR
Deposits	-	20,000,000	-
Overpaid taxes, including:	11,512	11,512	11,512
<i>Corporate income tax</i>	<i>11,512</i>	<i>11,512</i>	<i>11,512</i>
Related to participation in a transnational cross-border project	-	-	100,786
The rest of the receivables	54,822	22,722	644,877
TOTAL OTHER DEBTORS	66,334	20 034 234	757,175

14. ACCRUED INCOME

	JSC "Augstsprieguma tīkls"		Group
	30.09.2020	31.12.2019	30.09.2020
	EUR	EUR	EUR
Provisions for revenue from provided services			
For transmission system service revenue	6,054,666	6,247,801	6,054,666
For transmission asset reconstruction and renovation works	5,370,545	3,828,182	5,370,545
For the sale of balancing electricity	1,017,363	850,470	1,017,363
For mandatory purchase component revenue	576,173	379,458	576,173
For revenue from reactive electricity	64,723	41,287	64,723
For building maintenance service revenue	39,779	41,142	39,779
Liquidation of electrical capacity overload	21,114		21,114
Provisions for loss compensation in transformers	17,402	16,610	17,402
For revenue from the sale of regulatory electricity	5,184	34,343	5,184
For balancing administration service revenue	3,201	3,557	3,201
For revenue from other services	122,121	9,947	122,121
Total provisions for revenue from provided services	13,292,271	11,452,797	13,292,271
Electricity transit service revenue (ITC)	657,573	858,728	657,573
Various accrued revenue	8,526	1,465,567	8,526
TOTAL ACCRUED REVENUE	13,958,370	13,777,092	13,958,370

15. EQUITY

The share capital of JSC "Augstsprieguma tīkls" as of 30 June 2020 is EUR 363 896 079 (on 31 December 2019: EUR 64 218 079) consisting of 363 896 079 shares (on 31 December 2019: 64 218 079 shares).

In accordance with the decision of the Shareholders' Meeting of JSC "Augstsprieguma tīkls" of 15 June 2020, Minutes No. 2, Paragraphs 1 and 2, an investment into the share capital of the Company in the amount of EUR 299 678 000 has been made.

The Company has made payments to the state budget for the use of state capital from the net profit of the previous year:

In 2016 - EUR 155 345;

In 2017 - EUR 299 511;

In 2018 – EUR 247 395;

In 2019 – EUR 3 598 352;

In 2020 – EUR 1 735 958.

Reserves consist of retained earnings of the previous period, which, by the decision of the owner, are transferred to other reserves for the development of the Company.

16. LONG-TERM CREDITORS

	JSC "Augstsprieguma tīkls"		Group
	30.09.2020	31.12.2019	30.09.2020
	EUR	EUR	EUR
Long-term share of congestion charge revenue received *	90,999,345	89,963,992	90,999,345
Loans from credit institutions**	77,466,667	-	77,466,667
Employee benefit obligations	2,767,589	2,966,213	3,911,886
Loans	-	-	105,922,207
Deferred revenue	-	-	189,639,970
Long-term lease liabilities	-	-	14,439,994
Total long-term creditors	171,233,601	92,930,205	482,380,069

* According to the conditions of Article 16 of Regulation (EC) No. 714/2009 of the European Parliament and of the Council, "On conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No. 1228/2003", the congestion charge revenue received, which is not used to relieve congestion within the transmission system, shall be entered in the balance sheet as deferred income.

** Long-term part for EUR 116,200 thousand of the loan agreement with JSC "SEB banka" from 18 June 2020. Loan term 18 months, interest rate 3 month EURIBOR and added interest rate. The purpose of this loan is to partially refinance the liabilities of JSC "Latvijas elektriskie tīkli" to JSC "Latvenergo". Detailed information on mutual loans of JSC "Augstsprieguma tīkls" and JSC "Latvijas elektriskie tīkli" is provided in the closing report of JSC "Latvijas elektriskie tīkli" (www.let.lv section "Reports"). It is planned to refinance the loan of JSC "Augstsprieguma tīkls" against JSC "SEB banka" by issuing bonds.

17. SHORT-TERM DEFERRED INCOME

	JSC "Augstsprieguma tīkls"		Group
	30.09.2020	31.12.2019	30.09.2020
	EUR	EUR	EUR
Income from congestion charges	3,880,498	4,776,510	3,880,498
EU financing received	2,787,602	169,877	5,108,437
Other short-term income	-	-	3,584,509
TOTAL deferred income	6,668,100	4,946,387	12,573,444

18. ADVANCE PAYMENTS AND OTHER CREDITORS

	JSC "Augstsprieguma tīkls"		Group
	30.09.2020	31.12.2019	30.09.2020
	EUR	EUR	EUR
Settlements with employees	635,178	619,356	1,045,060
Other creditors	1,881,072	2,598,814	3,909,780
ADVANCE PAYMENTS AND OTHER CREDITORS	2,516,250	3,218,170	4,954,840

19. ACCRUED LIABILITIES

	JSC "Augstsprieguma tīkls"		Group
	30.09.2020	31.12.2019	30.09.2020
	EUR	EUR	EUR
Accrued liabilities for expenses for services received			
Short-term rights to use an asset	3,531,865	3,131,548	3,531,865
Transmission asset reconstruction and renovation works	758,794	130,776	758,794
Mandatory procurement component	576,173	379,458	576,173
Purchase of balancing electricity	405,970	778,154	405,970
Electricity capacity reserve maintenance costs	336,558	345,960	336,558
Purchase of regulatory electricity	309,324	47,437	309,324
Expenses for telecommunications	242,136	248,305	242,136
Use of synchronous compensators	107,268	76,365	107,268
Repairs of power transmission poles	119,982		119,982
Information technology services	22,855	21,679	22,855
Electricity for own consumption	8,445	16,770	8,445
Annual report, accounting audit expenses		16,100	6,615
Provisions for other services	35,726	102,427	35,726
Total accrued liabilities for expenses for services received	6,455,096	5,294,979	6,461,711
Accrued cost of unused holidays	606,498	657,646	981,633
Accrued bonus costs for previous year's results	249,756	342,928	1,419,116
Accrued benefit costs and pension plan contributions	9,893	40,818	9,893
Accrued liabilities to compensate the transit losses	33,422	25,917	33,422
ACCRUED LIABILITIES	7,354,665	6,362,288	8,905,775

20. TAXES AND MANDATORY STATE SOCIAL INSURANCE CONTRIBUTIONS

	JSC "Augstsprieguma tikls"				Group EUR
	31.12.2019 EUR	Calculated EUR	Paid EUR	30.09.2020 EUR	
Corporate income tax	11,512	-	-	11,512	8,757
Value added tax	(187,421)	(3,892,365)	3,870,000	(209,786)	(1,965,961)
Mandatory State social insurance contributions	(442,746)	(3,421,807)	(3,425,029)	(439,524)	(634,528)
Personal income tax	(233,321)	(1,696,112)	1,712,093	(217,340)	(326,098)
Entrepreneurship risk state fee	(198)	(1,765)	1,769	(194)	(194)
Electricity tax	(315)	(1,555)	1,780	(90)	(90)
Natural resource tax	-	-	-	-	(149,251)
Real estate tax	-	-	-	-	(235,630)
TOTAL TAXES	(852,489)	(9,013,604)	9,010,671	(855,422)	(3,302,995)

21. FINANCIAL RISK MANAGEMENT

(a) Turnover risk

External circumstances that could have an unintended effect on the Company's net sales, affecting its ability to meet its current and non-current financial liabilities (solvency), are identified as turnover risks. The economic activity of the Company is exposed to turnover risks such as service tariff and volume of services. Given that, according to Article 9 of the "Law on Public Utilities Regulators", PUC promotes the development of public service providers, and according to Article 20, provides that public service tariffs shall be set at a level that covers the economically justified costs of the public service and ensures the profitability of the public service, the impact of the Company's turnover risks on the Company's liquidity shortage is assessed as low to medium. The Company's turnover risks are managed in accordance with strategic and operational risk mitigation measures specified in the Financial risk management policy, ensuring constant monitoring of the service tariffs against the costs related to the provision of the services.

(b) Cash flow/balance sheet risks

Financial means that potentially expose the Company to a certain degree of risk concentration are mostly cash and trade receivables. Although the Company has a significant concentration of risk with respect to one counterparty or a group of similar counterparties, this risk is considered to be limited, considering that the most important Cooperation partner is the state-owned commercial company JSC "Latvenergo", as well as its group companies. Trade receivables are presented according to the recoverable value. The Company's cash flow/balance sheet risks are managed in accordance with the strategic and operational risk mitigation measures specified in the Financial risk management policy by performing the analysis of receivables every month or at least quarterly. Financial risks arising from the Company's cash and deposits with banks are managed in accordance with the Company's Financial risk management policy. According to this policy, in cooperation with banks and financial institutions, such business partners are accepted, whose credit rating or credit rating of the parent bank set by an international credit rating agency is at least at the investment grade level.

(c) Liquidity risk

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

the Company's liquidity and cash flow hedging is to maintain an adequate amount of cash and cash equivalents or to provide adequate funding through an *overdraft* granted by banks to meet existing and expected liabilities, as well as to compensate for possible cash flow fluctuations.

The management of the Company expects that it will not have liquidity problems and that the Company will be able to settle accounts with creditors within the set terms.

The Company's management believes that the Company will have sufficient financial resources to ensure its liquidity is not compromised. On 30 September 2020, the liquid assets of JSC "Augstsprieguma tīkls" (cash and savings in short-term deposits up to 3 months) reached EUR 48,650 thousand (31 December 2019 - EUR 48,216 thousand), which on 30 September, 2020, are kept in JSC "SEB banka" and JSC "Swedbank" with the investment grade credit rating assigned to its parent company.

(d) Interest rate risk

The shareholder of the Company is the Ministry of Finance in the name of the Republic of Latvia (100%) The objective of capital risk management is to ensure the sustainable operation and development of the Company. In accordance with the separation model of the electricity transmission system operator that has been implemented in Latvia, the Company leases the assets necessary for the provision of transmission system services from JSC "Latvijas elektriskie tīkli".

Interest rate risk in the Company mainly arises from borrowings with a variable interest rate determined, creating the risk that the financial costs will increase significantly as the reference rate increases. Interest rate risk is managed by balancing the loan portfolio. In accordance with the Financial Risk Management Policy, in order to reasonably balance interest rate risk and potential benefits, the share of fixed or limited growth rates in the loan portfolio may not be less than 35%. If the structure of the loan portfolio in terms of interest rates does not meet the specified indicator, measures are taken to fit into the recommended category.

22. PROSPECTIVE TAX LIABILITIES

The tax authorities may carry out an audit of accounts at any time within three years of the tax year and additionally calculate the tax liabilities and penalties. The management of the Company is not aware of any circumstances that could create material future liabilities.

23. TRANSACTIONS WITH RELATED PARTIES

Related parties are state-owned entities that are controlled, jointly controlled, or substantially influenced by the state. The Company has no significant transactions and other transactions which together, but not separately, are material with the Government of the Republic of Latvia, government agencies, and similar local, national, or international institutions that fall within the scope of the standard, except for the capital company JSC "Latvenergo" and its subsidiaries.

a) Revenue and expenses from transactions with related parties

	JSC "Augstsprieguma tikls"		Group 2020 9 months EUR
	2020 9 months EUR	2019 9 months EUR	
State controlled companies			
<i>Income</i>			
Revenue from the sale of electricity, electric capacity maintenance services	4,330,490	5,568,372	4,330,490
Mandatory procurement component	3,019,370	2,942,416	3,019,370
Transport system service	53,626,531	54,084,347	53,626,531
Transmission asset reconstruction and renovation works	53,969,933	59,914,202	53,969,933
Revenue from other services	906,679	567,517	18,977,285
Total revenue from transactions with related companies	115,853,004	123,076,854	133,923,610

	JSC "Augstsprieguma tikls"		Group 2020 9 months EUR
	2020 9 months EUR	2019 9 months EUR	
State controlled companies			
<i>Distributions</i>			
Advance payments for connection usage rights	64,203	54,787,339	-
Right-of-use transmission assets	-	598,825	-
Electricity purchase	7,642,601	10,517,963	7,642,601
Mandatory procurement component	4,465,629	2,981,107	4,465,629
Communication expenses	2,342,028	3,393,888	2,342,028
Other costs	485,699	663,634	3,119,288
Total expenses of transactions with related companies	15,000,160	72,942,756	17,569,547

b) Balances at the end of the reporting period arising from related company transactions

	JSC "Augstsprieguma tikls"		Group EUR
	2020 9 months EUR	2019 9 months EUR	
Accounts receivable:			
state controlled companies	12,394,057	15,975,510	12,573,273
Liabilities of creditors:			
state controlled companies	10,611,230	10,534,881	10,698,094

EVENTS AFTER THE END OF THE REPORTING YEAR

During the period from the last day of the reporting period, no other events that would considerably influence the financial statements of the Company have occurred, except for those mentioned in the management report.

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