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

FINANCIAL STATEMENTS

for the year ended 31 December 2022

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

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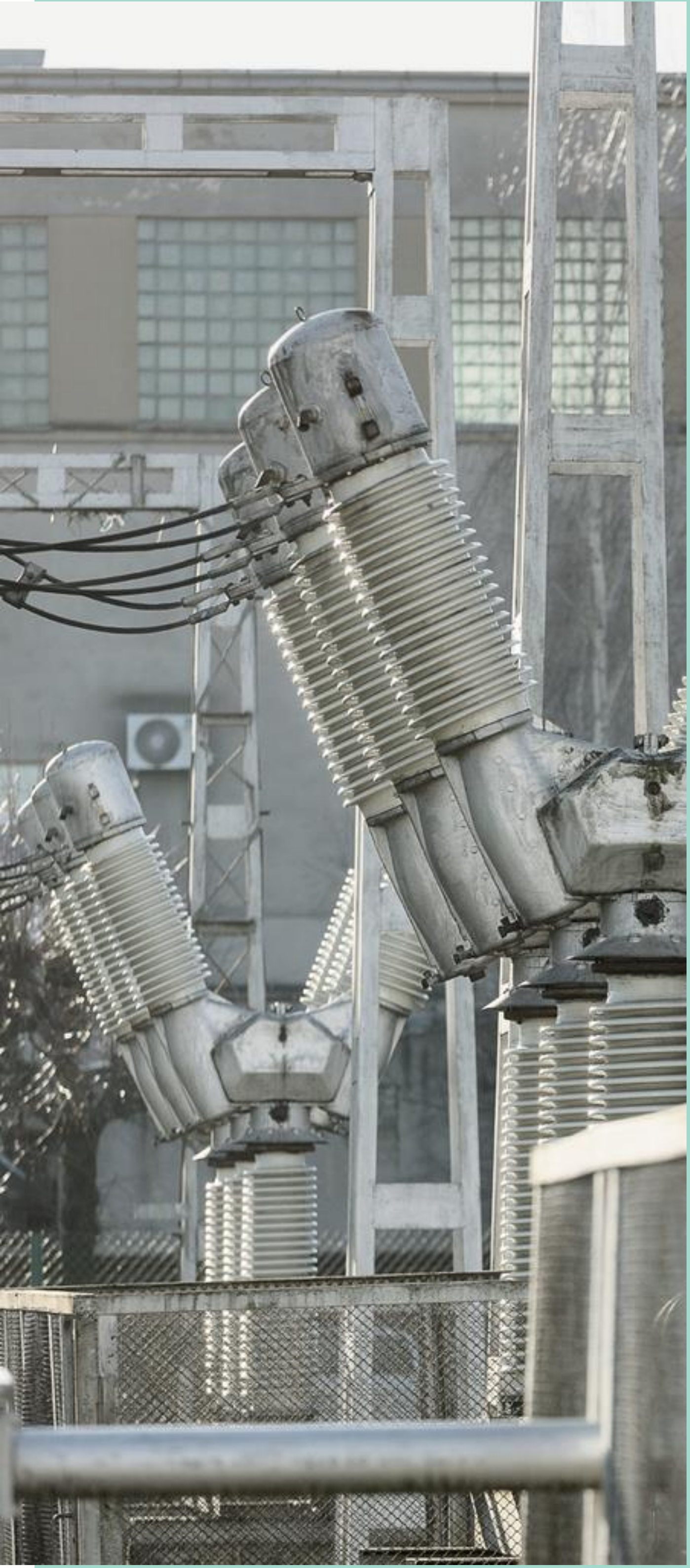
INFORMATION ABOUT THE GROUP AND THE COMPANY

NAME OF THE PARENT COMPANY	AS “Augstsprieguma tīkls”
LEGAL STATUS OF THE PARENT COMPANY	Joint stock company
NUMBER, PLACE AND DATE OF REGISTRATION OF THE PARENT COMPANY	000357556 Riga, 28 December 2001 Re-registered in the Commercial Register on 13 November 2004 under the single registration number 40003575567
REGISTERED OFFICE	Darzciema iela 86, Riga, LV-1073, Latvia
MAIN BUSINESS OF THE PARENT COMPANY	Transmission of electricity, NACE code 35.12
THE GROUP’S PRINCIPAL ACTIVITY	Transmission of electricity, NACE code 35.12; and Transport via pipeline, NACE code 49.50.
SHAREHOLDER OF THE PARENT COMPANY	Republic of Latvia (100%)

MEMBERS OF THE BOARD AND THEIR POSITIONS	Gunta Jēkabsone - Chairwoman of the Board Imants Zviedris – a member of the Board Gatis Junghāns – a member of the Board Mārcis Kauliņš – a member of the Board (until 17.09.2022) Arnis Daugulis – a member of the Board
MEMBERS OF THE SUPERVISORY BOARD AND THEIR POSITIONS	Kaspars Āboliņš – Chairman of the Supervisory Board Olga Bogdanova – Deputy Chairwoman of the Supervisory Board Armands Eberhards – a member of the Supervisory Board Madara Melne – a member of the Supervisory Board (until 08.02.2022) Aigars Ģērmanis – a member of the Supervisory Board
SHAREHOLDINGS IN OTHER COMPANIES	AS "Conexus Baltic Grid" (68.46%)
REPORTING PERIOD	1 January 2022 – 31 December 2022
NAME AND REGISTERED OFFICE OF THE AUDITOR	SIA "PricewaterhouseCoopers", Company license No. 5 Krišjāņa Valdemāra iela 21, LV-1010
THE SWORN AUDITOR IN CHARGE:	Ilandra Lejiņa, Certificate No.168

Translation note: This version of Augstsprieguma tīkls group's consolidated and AS ''Augstsprieguma tīkls'' stand-alone Financial Statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of Augstsprieguma tīkls group's consolidated and AS ''Augstsprieguma tīkls'' stand-alone Financial Statements takes precedence over this translation. This is a translation in pdf format without the European Single Electronics Format (ESEF) markups of the digitally signed original which was prepared in Latvian and submitted in machine-readable xhtml format to the Nasdaq Riga exchange



KEY FINANCIAL AND OPERATIONAL INDICATORS

KEY FINANCIAL AND OPERATIONAL INDICATORS

	Group*		Parent company				
	2022	**2021**	**2022**	**2021**	**2020**	**2019**	**2018**
FINANCIAL INDICATORS							
Revenue, in thous. EUR	351,132	182,699	296,000	125,787	146,849	184,742	193,866
EBITDA, in thous. EUR	72,534	69,143	40,319	35,578	42,351	40,515	1,642
Profit, in thous. EUR	16,160	10,097	10,990	54,846	9,999	7,067	4,677
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2020**	**31.12.2019**	**31.12.2018**
Total assets, in thous. EUR	1,276,497	1,232,245	957,791	909,279	905,527	221,934	193,000
Equity, in thous. EUR	631,287	647,812	447,520	465,343	384,809	69,956	70,344
Borrowings, in thous. EUR	182,797	198,060	100,367	99,966	203,284	-	-
Net cash flow from operating activity, in thous. EUR	69,688	60,387	38,055	32,745	48,181	20,423	7,236
Cash and short-term deposits, in thous. EUR	103,010	63,190	92,043	48,514	57,225	48,216	106,637
FINANCIAL RATIOS							
Total liquidity ratio (≥1.2)**	1.7	1.0	2.5	1.7	4.8	1.1	3.8
EBITDA margin	21%	38%	14%	28%	29%	22%	1%
Equity ratio (≥35%)**	49%	53%	47%	51%	42%	32%	36%
Net liabilities to EBITDA (≤5.0) **	1.1	1.9	0.2	1.4	3.4	-	-
PERFORMANCE INDICATORS							
Electricity transmitted to Latvian consumers, GWh	6,193	6,312	6,193	6,312	5,961	6,012	6,051
Natural gas transmitted, TWh	31.4	39.3	-	-	-	-	-
Average number of employees	878	868	522	534	546	552	548
EBITDA - earnings before interest, depreciation and amortisation, dividends received from the Subsidiary, finance income, finance expenses, corporate income tax.							
Total liquidity ratio = current assets/current liabilities (excluding refinanced portion of short-term borrowings)							
EBITDA margin = EBITDA/revenue							
Equity ratio = equity/total assets							
Net liabilities = liabilities – cash – short-term deposits							

*The financial and performance indicators of the Group are indicated for the financial years after the acquisition of the decisive influence in AS "Conexus Baltic Grid".

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

MANAGEMENT REPORT

SIGNIFICANT FACTS AND DEVELOPMENTS

S&P Global Ratings keeps its ratings on AS “Augstsprieguma tīkls” and AS “Conexus Baltic Grid” high

Following the revision of Latvia’s credit rating and outlook for 2022 from stable to negative, the international rating agency S&P Global Ratings announced in December 2022 that the credit ratings of Latvia's transmission system operators would not change and that they would remain unchanged at a high level, i.e., the credit rating of AS Augstsprieguma tīkls (hereinafter “AST” or “the Parent Company”) remains at A- with a stable outlook, while the credit rating of the AST’s subsidiary AS “Conexus Baltic Grid” (hereinafter “Conexus” or “the Subsidiary”) remains at BBB+ with a stable outlook.

At the summit, the leaders of the Baltic Sea countries sign a declaration on energy security in the region

On 30 August 2022, an agreement on closer energy cooperation was signed at the Baltic Sea Energy Security Summit in Denmark to end dependence on Russian fossil fuels as soon as possible while promoting climate neutrality in the European Union (hereinafter also referred to as “EU”). At the summit, it was also announced that the joint Latvian-Estonian offshore wind farm ELWIND will be given the status of a Project of Common Interest, allowing it to receive EU funding for its future development.

Baltic Regional Coordination Centre for Electricity Systems has launched operations

In 2022, the three Baltic electricity transmission system operators (hereinafter also referred to as “TSOs”), i.e. Elering (Estonia), Litgrid (Lithuania) and AS “Augstsprieguma tīkls” (Latvia), established the Baltic Regional Coordination Centre (hereinafter also referred to as “Baltic RCC”) in Tallinn, the main task of which is to coordinate the development planning of the electricity systems as well as to coordinate certain daily activities of the operators in order to ensure the security of electricity supply. The need for TSOs to establish regional coordination centres is regulated by the European Union’s Clean Energy Package. The Regional Coordination Centre would be managed based on the principle of equality between the three Baltic States - each operator has an equal number of capital shares in the new structure.

Onshore wind park in Tārgale has opened

On 15 September 2022, the largest onshore wind farm in Latvia was opened. The wind farm, owned by the energy group Utilitas, is located in Tārgale in the municipality of Ventspils and has been connected to the 110 kV power grid of AS “Augstsprieguma tīkls” through a connection to the new AST Tārgale substation. The wind farm consists of 14 state-of-the-art turbines supplied by the world’s leading turbine manufacturer Vestas. The farm will generate up to 155 GWh of green electricity per year, enough to meet the annual energy needs of more than 50 000 households. The Tārgale wind farm will significantly increase the proportion of wind energy in Latvia and is also an important step in addressing the current energy, security and climate challenges in the Baltic Sea region.

Electricity transmission network development plan for the period 2023-2032 approved

AST's ten-year development plan, approved by the Public Utilities Commission (hereinafter referred to as "PUC") in October 2022, envisages carrying on work to strengthen the reliability of the electricity supply and transmission network, including the introduction of digital solutions to prepare the transmission network for synchronisation with the continental European networks and to create the conditions for the injection of large amounts of electricity from renewable sources. AST plans to invest EUR 500.5 million in the development of the Baltic electricity network in the period until 2033, including EUR 210.5 million for the synchronisation of the Baltic countries with the European electricity transmission networks. The synchronisation of the Baltic States with the European electricity transmission networks is a strategic goal not only for Latvia but also for Europe, as evidenced by the 75% co-financing from EU funds. The EU co-financing will significantly reduce the impact of the planned investments on the electricity transmission tariff.

Three synchronous compensators to be installed in Latvia for synchronisation with the European transmission network

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

Memorandum of Understanding signed on the establishment of the Energy Infrastructure Operator's Cyber Security Centre

With a view to strengthening the cyber security of Latvia's energy infrastructure, the Latvian electricity transmission system operator AS "Augstsprieguma tīkls", the single natural gas transmission and storage operator AS "Conexus Baltic Grid" and the information technology security incident response authority CERT.LV have signed a Memorandum of Understanding on the establishment and management of a cyber security centre for energy infrastructure operators, thereby also developing cooperation between all institutions. The establishment of the Energy Infrastructure Operator's Cyber Security Centre is a first step towards building a cyber security capability specifically targeted at the energy sector. This is important in the context of rising cyber security incidents across the country, especially after Russia's full-scale invasion of Ukraine.

MANAGEMENT REPORT

Overview of the business model

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

As at 31 December 2022, Augstsprieguma tīkls Group consisted of a number of commercial companies on which the parent company AS "Augstsprieguma tīkls" had a decisive influence and which included the subsidiary AS "Conexus Baltic Grid". Geographically, the Group operates in Latvia. See Note 11 for information on the shareholding in the Subsidiary and its location.

Together with the Estonian and Lithuanian electricity transmission system operators, AS Augstsprieguma tīkls has established the Baltic Regional Coordination Centre for Electricity Systems "Baltic RCC" OÜ, registered in Estonia. See Not 11 for information on the shareholding in the associate and its location.

All (100%) of the shares of AS "Augstsprieguma tīkls" are owned by the State. The shares were held by the Ministry of Finance of the Republic of Latvia, and from 14 February 2023 – by the Ministry of Climate and Energy (for further information see chapter "Circumstances and events after the end of the reporting period").

Augstsprieguma tīkls Group is organised into three operating segments: electricity transmission, natural gas transmission and natural gas storage. The breakdown is based on the Group's internal organisational structure, which forms the basis for monitoring and controlling segment performance. For more information on the operating segments as well as the Parent Company, see "Operating segments".

The overall strategic objective of Augstsprieguma tīkls Group is to ensure the security of Latvia's energy supply, provide uninterrupted, high quality and affordable energy transmission services, as well as implement sustainable management of energy assets that are of strategic importance to the country and facilitate their integration into the European Union's internal energy market.

Our mission is to ensure uninterrupted, secure and sustainably efficient energy supply throughout Latvia.

Our core values

OVERVIEW OF THE OPERATING ENVIRONMENT

The war that Russia started in Ukraine in 2022 has posed great challenges not only to European countries, but to the whole world, in all sectors and areas, but especially in the field of energy. The entire civilised world has done its utmost to reduce its historical dependence on Russian energy resources in order to minimise Russia's ability to finance the war in Ukraine. Europe in particular was affected by this dependence as energy prices began to rise after 24 February 2022 and uncertainties arose about the sources of energy supply. During this period, much higher price spikes and new price records were set on the world markets.

Electricity market

In 2022, electricity prices in Latvia and Europe continued to rise since the summer of 2021. The five-month marathon of continuous price increases ended in August 2022, when the average monthly Latvian electricity price reached a historic high of EUR 467.75 per megawatt-hour (MWh). After August 2022, the average electricity price in Latvia started to slowly decrease, resulting in an annual average price of EUR 226.91/MWh, an increase of 156% compared to 2021.

The sharp price increase was triggered by several factors, most notably the reaction to Russia's invasion of Ukraine: concern about the sufficiency of supply of energy resources in the forthcoming winter, a dramatic increase in gas prices in Europe during the summer months, which gradually decreased towards the end of the year, and the withdrawal of the Baltic States and Finland from electricity imports from Russia and Belarus contributed to the price increase.

In addition, price increases were driven by hot weather in Europe, which led to higher energy consumption for cooling and lower water inflows for hydropower plants in Scandinavia.

In 2022, Latvia generated 4 794 gigawatt hours (GWh) of electricity, down 14.5% from a year earlier, while total Latvian electricity consumption fell by 3.7% to 7 106 GWh per year.

As consumption and generation decreased, electricity imports increased in 2022 - 2 311 GWh of electricity were purchased from neighbouring countries, up by 30.4% compared to 2021, leaving 67.5% of Latvia's consumption covered by domestic generation (a decrease of 8.52 percentage points compared to 2021).

The year 2022 was marked by an increase in electricity generation from renewable sources: 1.3% more electricity from Daugava hydropower plants, 34.5% more - from wind power plants, 13.3% more - from small hydropower plants and a significant increase of 122% in the amount of electricity generated by solar power plants. However, the overall contribution to Latvia's electricity balance is still insignificant at 0.11%.

Fossil power plants, on the other hand, have seen a decrease in production: large CHP plants saw a 36.9% decrease in electricity production, small CHP plants continued their steady decline of the last six years with a 67.5% decrease in 2022, production from biomass decreased by 5.9% and from biogas - by 9.4%.

The change in the production mix is due to the high gas price, which caused the large CHP plants to operate at minimum capacity from March to August, and the connection of new wind and solar power plants to the network.

Considering the decision taken by the Baltic countries to reduce electricity imports from Russia and Belarus from March 2022 and to completely withdraw from Russian and Belarusian electricity from May 2022 due to the war waged by Russia in Ukraine, imports from these countries have fallen by 77% to 1,095 GWh as compared year-on-year to 2021.

Russian and Belarusian electricity imports to the Baltics were replaced by electricity produced in Europe - a total increase of 20%. 12,716 GWh of electricity have been imported: 6,823 GWh from Finland (up by 6%), 4,947 GWh from Sweden (up by 43%) and 946 GWh from Poland (up by 38%).

Natural gas market

The total amount of natural gas transported in Latvia reached 31.4 TWh, 20% less than the year ago. The biggest impact was an 83% decrease in the amount of natural gas purchased from Russia. In 2022, only 3.4 TWh of natural gas (excluding transit) was supplied from Russia, compared to 19.7 TWh in 2021. Instead, natural gas traders actively increased their deliveries from the Klaipeda LNG terminal. In 2022, the amount of natural gas purchased from Lithuania was 17.0 TWh (excluding transit), almost 9 times more than in the previous year.

Due to high gas prices, the amount of natural gas consumption in Latvia decreased to 8.8 TWh, a decrease of one third compared to the previous year. The sharp increase in the price of natural gas has also led to a decrease in electricity production in the country’s largest thermal power plants. The decrease in natural gas consumption has made it possible to reduce the amount of natural gas withdrawn from Inčukalns Underground Gas Storage (hereinafter “UGS”) - 10.6 TWh of natural gas was withdrawn in 2022, which is 41% less than a year ago.

Following the Russian invasion of Ukraine on 24 February 2022, the Saeima passed amendments to the Energy Law in its final reading on 14 July 2022, banning natural gas supplies from Russia from 1 January 2023. After that date, Latvia may buy natural gas from the Klaipėda LNG terminal in Lithuania and, from 2023, from the already built Inkoo LNG terminal in Finland.

In response to the geopolitical situation in Europe, natural gas injection at Inčukalns Underground Gas Storage (UGS) facility started already at the end of February 2022. Generally, injection at the Inčukalns UGS facility starts after the end of the withdrawal season, which was scheduled for 30 April 2022. In order to contribute to the security and continuity of natural gas supply, natural gas will continue to be pumped into the storage facility during the 2022/2023 withdrawal season.

The technical capacity of the Inčukalns UGS facility available to the market for the 2022/2023 storage cycle was set at 24.1 TWh, which is 27% more than in the previous year. During the reporting period, several capacity auctions were held in Inčukalns UGS, where a total of 19.6 TWh of capacity was allocated to network users, fully reserving all available storage capacity until 2 August 2022.

The injection of natural gas into storage was completed on 15 November 2022 (14 October 2021), reaching a storage capacity of 14.5 TWh, a decrease of 18% compared to the previous year. As of 31 December 2022, there are 11.3 TWh of natural gas stored by network users in the Inčukalns UGS facility. This is 7% less than the volume stored in the Inčukalns UGS facility December last year.

OPERATING SEGMENTS

Electricity transmission segment

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

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

The Parent Company is engaged in one primary business segment - electricity transmission.

During the reporting period, the obligations imposed on the Transmission system operator were implemented through the following transmission network (31.12.2022):

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

Natural gas transmission and natural gas storage segments

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

AS "Conexus Baltic Grid" is the single natural gas transmission and storage operator in Latvia, managing one of the most modern natural gas storage facilities in Europe – the Inčukalns Underground Gas Storage facility (hereinafter "Inčukalns UGS", "the storage facility") - and the trunk natural gas transmission network that directly connects the Latvian natural gas market with Lithuania, Estonia and the North-West region of Russia.

Conexus provides natural gas transmission and storage services to its customers at the tariffs set by the Public Utilities Commission.

Based on the energy policy planning documents, the overall strategic objective of the Group, Conexus has identified the following development directions:

- Promoting Latvia's energy supply security and **ensuring quality and affordable energy transmission service**;
- Ensuring **sustainable management** of Latvia's energy supply assets;
- Promoting the **integration** of Latvia's energy supply assets **into the EU's** internal energy market.

Natural gas transmission segment

AS "Conexus Baltic Grid" is the only natural gas transmission and storage operator in Latvia that ensures the maintenance of the natural gas transmission network, its safe and continuous operation and interconnections with transmission networks in other countries, enabling traders to use the natural gas transmission system to trade in natural gas.

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

- International pipelines have a diameter of 720 mm and operating pressures ranging from 28 to 40 bar;
- Regional gas pipelines have a diameter of 400 mm to 530 mm and operating pressure of up to 30 bar;
- There are 40 gas regulating stations used to transport natural gas to the local distribution system in Latvia. For the purpose of supplying natural gas to Latvian consumers, all outlets for consumption in the territory of Latvia are combined at a single exit point.

Natural gas storage segment

The natural gas storage segment provides natural gas storage in the Inčukalns Underground Gas Storage facility for the heating season and other needs of system users.

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

FINANCIAL PERFORMANCE

In the reporting period, the net turnover of Augstsprieguma tīkls Group was EUR 351,132 thousand. Net profit was EUR 16,160 thousand. In 2022, the Group's profit was positively affected by the permission granted by the PUC to use accumulated congestion charge revenue of EUR 36,540 thousand to cover the costs related to electricity transmission losses.

Electricity transmission segment

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

The segment's net turnover for the reporting period was EUR 296,000 thousand, including revenue from electricity transmission network services of EUR 75,232 thousand. The substantial increase in revenue of EUR 170,213 thousand or 135%, compared to 2021 is due to an increase in revenues from balancing and regulating electricity as well as congestion management as a result of the increase in electricity prices. The increase in revenue under these headings corresponds to the increase in costs, so their impact on profit is neutral.

The segment's financial performance in 2022 was adversely impacted by the increase in electricity prices. Given the sharp increase in electricity prices from May 2021, the costs of providing electricity transmission services have increased significantly. As the existing tariff for electricity transmission services, which was approved in November 2020, does not cover this cost increase, the Public Utilities Commission has granted permission to use the accumulated congestion charge revenues of EUR 36,540 thousand to cover the costs of electricity transmission losses. As a result of the use of congestion charge revenue, the performance of the electricity transmission segment was a profit of EUR 4,454 thousand in 2022.

Natural gas transmission segment

The natural gas transmission segment generated revenue of EUR 26,260 thousand and EBITDA of EUR 13,045 thousand during the period, representing 41% of Conexus' total EBITDA. The transmission segment's profit before tax in 2022 was EUR 2,562 thousand (69% lower than a year ago).

In 2022, the amount of transmission segment's revenue was negatively impacted by lower deliveries as a result of the Russian invasion of Ukraine, higher natural gas prices, meteorological conditions, preparations for the 2022/2023 heating season and lower electricity generation at the country's largest thermal power plants.

As a result, total gas demand from consumers was lower than in the corresponding period of the previous year, resulting in a decrease of EUR 7,900 thousand in revenue for the use of the exit point for the needs of Latvian natural gas consumers.

Conexus is a regulated company, and the regulatory periods differ from the financial reporting year. In accordance with the Methodology for calculating the tariffs for the natural gas transmission service, deviations of revenue and costs from the permitted volumes may occur during the tariff period, which will affect the tariff values in subsequent tariff cycles. Detailed information on this can be found in the financial statements of the Subsidiary.

Natural gas storage segment

The revenue of the natural gas storage segment in the reporting period was to EUR 28,871 thousand, and EBITDA amounted to EUR 19,170 thousand. The natural gas storage segment generated a profit before tax of EUR 11,189 thousand. According to the Methodology for calculating natural gas transmission service tariffs, revenue and cost deviations from the permitted volumes may occur during the tariff period, which will affect the tariff values in subsequent tariff cycles. Detailed information is provided in the financial statements of the Subsidiary.

INVESTMENTS

Electricity transmission segment

Investments in the electricity transmission system are made in accordance with the Electricity Transmission System Development Plan approved by the PUC, by implementing projects necessary to provide safe and high-quality electricity transmission services. To minimise the impact of the planned investments on the electricity transmission tariff, investments in the reconstruction and renewal of existing assets are budgeted at depreciation levels, whereas accumulated congestion charge revenues and EU co-financing are actively being utilised to finance network development projects.

The assets of the electricity transmission segment at the end of the reporting period totalled EUR 823 million. In 2022, EUR 31,485 thousand were invested in electricity transmission assets, including:

- Synchronisation with the European electricity transmission network (Phase 1 and Phase 2): EUR 11, 436 thousand have been invested; EUR 241,654 thousand are to be invested in the projects for synchronisation of the power system of Baltic countries with that of continental Europe in Phase 1 and Phase 2. By the beginning of the reporting period, EUR 2,117 thousand had already been invested. In 2022, the reconstruction of the Valmiera - Tartu 330kV power transmission line, the upgrading of the “Ventspils” and “Līksna” 330kV substations to connect synchronous compensators, the supply and installation of phase measurement units (PMU) and Wide Area Monitoring System (WAMS)) and the installation of the active booking devices of the dispatching control system (DVS) in the “Rīgas HES” and “Ķegums-2” substations were started. The project aims to strengthen Latvia’s energy supply security by synchronising the Latvian electricity transmission network with the continental European electricity network, while complying with the principles of reliability and cost efficiency.
- EUR 9,284 thousand have been invested in the reconstruction and rehabilitation of substations. In 2022, the following works were completed: rebuilding of the switchgear of the 110kV substation “Daugavpils”, rebuilding of the switchgear of the 110kV substation “Mīlgrāvis” and replacement of 110kV transformers. The construction of the closed 110kV switchgear of the 110kV of the 110kV substation “Šķirotava”, with the installation of a gas-insulated circuit breaker, reconstruction of the 110kV switchgear and replacement of 110kV transformers at the substation “Viļaka”, as well as the start of construction planning for the reconstruction of several 110kV substations. As part of the substation’s reconstruction and renovation projects, the old equipment installed in the substation is replaced completely. The network element protection equipment is replaced with digital and high-speed equipment with a wide range of functionalities. In addition, the upgraded communication solutions ensure that the rebuilt substation can be controlled not only from a workstation in the substation, but also remotely from the central

dispatcher centre, with the controller receiving all the necessary information for decision-making and action both in the normal operation of the system and in various emergency situations. The said projects increase the controllability and observability of the electricity system and open up opportunities to develop and integrate renewable energy sources.

- Replacement of transformers worth EUR 4,436 thousand, i.e., the obsolete 330 kV and 110 kV transformers are replaced in accordance with the “eco-design” requirements for power transformers (in line with Directive 2009/125/EC of the European Parliament and of the Council) and life-cycle costing. This strikes a balance between the price of the transformer, the level of life-cycle losses and the cost of losses.

Natural gas transmission segment

Transmission segment assets at the end of the reporting period totalled EUR 239 million. Investments were made in the amount of EUR 5,452 thousand during the reporting period. The most significant of them were:

- Within the framework of the European Project of Common Interest (PCI) “Improving the Latvia-Lithuania Interconnection” (ELLI), Conexus invested a total of EUR 1.3 million in several sub-projects in 2022;
- Repairs of the underground gas pipelines in the amount of EUR 890 thousand;
- Replacement of the insulation of the Izborska - Inčukalns UGS facility transmission pipeline with investments totalling EUR 4.7 million (EUR 0.8 million in 2021).

Natural gas storage segment

The assets of this segment totalled EUR 225 million at the end of the reporting period. Investments made during the reporting period totalled EUR 9,488 thousand, down EUR 7,284 thousand from a year ago. Major investments carried out were the reconstruction of the drillings and upgrading of the gas pumping unit of compressor shop No. 2 and rebuilding of gas gathering point No 3, totalling EUR 7.2 million. The project is being implemented under the ambitious European Union PCI 8.2.4 “Improvement of the Inčukalns Underground Gas Storage Facility”.

FUNDING AND LIQUIDITY

The Group funds its capital expenditure projects from its own funds and long-term external borrowings raised regularly and in a timely manner on the financial and capital markets. Timely planned borrowing is key for optimal risk management in refinancing loans as well as for repaying the loan principals upon maturity.

At 31 December 2022, the Parent Company’s borrowings totalled EUR 100,367 thousand (at 31 December 2021: EUR 99,966 thousand), consisting of non-current borrowings from green bonds issued in 2021 (see also Note 14). For financing of working capital, an overdraft agreement has been signed between AS “Augstsprieguma tīkls” and AS “SEB banka” for up to EUR 20,000 thousand, maturing on 18 June 2023. In addition, in order to secure the available resources for working capital financing for the next 24 months, on 9 December 2022, an overdraft agreement was concluded with AS “Swedbank” for up to EUR 10,000 thousand. During the reporting period, AS “Augstsprieguma tīkls” did not receive any borrowings under the two overdraft agreements. At the end of the reporting period, 100% of the Parent Company's total long-term borrowings were at fixed interest rates (at 31 December 2021: 100%).

At 31 December 2022, the Group's borrowings totalled EUR 182,796 thousand, including bonds issued in the amount of EUR 100,367 thousand and loans with credit institutions of EUR 82,430 thousand. The natural gas operator AS "Conexus Baltic Grid" raises external financing with its own resources. The Subsidiary has availed itself to bank credit lines of EUR 65,000 thousand in total. At the end of the reporting period, these credit lines were undrawn, thus representing a significant liquidity cushion. The credit line agreements of EUR 65,000 thousand mature in more than 1 year. At the end of the reporting period, 71% of the Group's total long-term borrowings were at fixed interest rates (31 December 2021: 75%), thus the increase in interest rates on the financial market does not have a significant impact on the Group.

The international credit rating agency S&P Global Ratings (hereinafter also "S&P") assessed and assigned a **long-term credit rating A-/Stable** to the Latvian transmission system operator **AS "Augstsprieguma tīkls"**. In 2022, S&P for the first time assessed and assigned the Group's Subsidiary a long-term credit rating of BBB+ with a stable outlook.

As evidence of the stability and financial soundness of Augstsprieguma tīkls Group, after revising Latvia's credit rating and outlook for 2022 from stable to negative, S&P announced on December 8, 2022 that it would not change the credit ratings of Latvia's transmission system operators and that they would remain unchanged at high levels, i.e., the credit rating of AS "Augstsprieguma tīkls" would remain at A- with a stable outlook, while the credit rating of the AST's subsidiary AS "Conexus Baltic Grid" would remain at BBB+ with a stable outlook.

REGULATORY ACTIVITIES – THE TRANSMISSION AND STORAGE SERVICES TARIFF

Electricity transmission

Electricity transmission service tariffs are determined in accordance with the *Methodology for calculating natural gas transmission service tariffs* approved by the PUC. In 2022, transmission system services were provided at tariffs approved under the PUC Council Decision of 26 November 2020.

With Decision No. 153 of the PUC Council of 26 November 2020 tariffs for electricity transmission services were approved for the regulatory period from 1 January 2021 to 31 December 2022. Information on tariffs for electricity transmission services is available on the Parent Company's website https://www.ast.lv/lv/content/parvades-pakalpojumu-tarifs. Owing to the efficiency measures implemented by the Parent Company, the reform of the ownership of the transmission system assets resulted in a cost reduction of 5% compared to the previous tariff.

In 2022, the *Methodology for calculating the natural gas transmission service tariffs* and the *Methodology for accounting and calculating capital expenditure* were revised and approved under the decision of the PUC Council of 29 August 2022.

Key changes:

- Faster recovery of cost differences between the budgeted and actual tariffs;

- Using the accumulated congestion charge revenues to reduce the tariff and cover operating costs;
- Changing the rate of return on capital from real to nominal from 2025;
- The results of asset revaluations carried out after 31 December 2021 are not included in the regulated asset base.

Because the current regulatory period expired on 31 December 2022, and given the sharp increase in the electricity price from May 2021, in October 2022, the Parent Company developed and submitted to the PUC for approval the draft electricity transmission system service tariff document. Detailed information is available on the Parent Company's website https://www.ast.lv/lv/events/augstsprieguma-tikls-iesniedzis-apstiprinasanai-sprk-jaunu-elektroenergijas-parvades-tarifu.

Because the high electricity prices and changes in consumption can be related to exceptional circumstances (the impact of the COVID-19 pandemic on business activity, the Russian invasion of Ukraine and its impact on energy prices), the need for non-routine mechanisms to limit tariff increases and strengthen regional competitiveness has been assessed.

Under the Decision of the Republic of Latvia Cabinet of 24 January 2023, extraordinary, one-off measures were approved to limit the increase in the electricity transmission tariff, including the main planned measures for electricity transmission - setting a cap on the electricity tariff, above which the costs will be compensated from the state budget, redirecting the accumulated revenue from congestion charges to reduce the tariff.

In light of the above, there are plans to prepare a revised electricity transmission service tariff draft documents with a planned effective date of 1 July 2023.

According to the *Methodology for calculating electricity transmission network service tariff*s, fluctuations between budgeted and actual revenue and costs are compensated in the next regulatory period. However, in accordance with paragraph 67 of the Methodology, the transmission system operator may request permission from the PUC to use the congestion charge revenue to cover the costs related to electricity losses and maintaining the technological process in 2022. Considering the foregoing, and with the permission of the PUC, the revenue in amount of EUR 36,540 thousand from congestion charges for 2022 was channelled into absorbing electricity transmission losses and costs for maintaining the technological process.

The Parent Company has set as one of its priority objectives the implementation of measures to reduce the increase in tariffs for electricity transmission services. To achieve its objective, the Parent Company actively seeks co-financing from the European Union to finance capital investments. EU co-funding has currently been attracted to five capital expenditure projects included in the European Decade Policy Programme. In addition to the above, in order to minimise the impact on transmission tariffs, congestion charge revenues are used by the Parent Company to fund capital investments. Investments in the electricity transmission network financed from EU co-financing and congestion charge revenues are not included in the calculation of electricity transmission system services tariffs.

In 2023, there are plans to continue the activities aimed at improving the efficiency of the Parent Company's business processes, implementing digital transformation and optimising costs.

As a result of AST's activities, 75% of the funding needed to implement the development projects included in the European Decade Plan is covered by EU co-financing and congestion charge revenues, thus reducing the impact on electricity transmission network tariffs.

Natural gas transmission and storage

On 21 April 2022, the Energy Law was amended to provide for setting up safety reserves for electricity supply, which will be stored in the Inčukalns UGS facility to ensure uninterrupted supply of natural gas. The safety reserves for electricity supply will ensure that sufficient natural gas is available in the country to prevent an energy crisis. The 2023 safety reserves for electricity supply are set at 1.8 TWh. The purchase and storage of safety reserves for electricity supply in Inčukalns UGS facility was organised by AS "Latvenergo" on behalf of the State, and their pumping was ensured in Inčukalns UGS facility.

On 1 September 2022, the new Methodology for accounting for and calculating capital expenditure entered into force. PUC has transferred and unified the regulation of capital expenditure accounting from sectoral tariff methodologies to a single capital expenditure accounting methodology. The methodology for accounting and calculating capital expenditure includes a number of changes to the accounting for regulated assets as well as depreciation and the calculation of return on capital.

The PUC has developed a new version of the Methodology for calculating natural gas transmission service tariffs, and, in accordance with the European Commission Regulation establishing a network code for harmonised gas transmission tariff structures, has launched a public consultation on it. The consultation was launched on 15 December 2022. In the next regulatory period, the applicable tariffs will be calculated and submitted according to the new methodology.

CORPORATE GOVERNANCE

Concurrently with the financial performance of the Augstsprieguma tīkls Group, the Corporate Governance Report 2022 of AS "Augstsprieguma tīkls" has been published. The Corporate Governance Report is based on the Corporate Governance Code published in 2020 by the Corporate Governance Advisory Board established by the Ministry of Justice. Having assessed both the corporate governance system and compliance with the principles in 2022, the Board considers that AS "Augstsprieguma tīkls" has complied, in all material aspects, with all the principles set out in the Code, except for the criterion on representation of both genders on the Company's Supervisory Board.

Detailed information is available in the Corporate Governance Report 2022 of AS "Augstsprieguma tīkls", published on the Company's website: https://www.ast.lv/lv/content/korporativas-parvaldibas-modelis.

NON-FINANCIAL STATEMENT

Augstsprieguma tīkls Group has prepared The Non-financial statement in compliance with the requirements of Section 56^4 of the Financial Instruments Market Law.

The consolidated and stand-alone non-financial statements of Augstsprieguma Tīkls Group have been prepared in accordance with the requirements of GRI Standards.

This report is publicly available on the Parent Company's website: https: //www.ast.lv/lv/content/ilgtspejas-parskati.

FUTURE DEVELOPMENT OF THE GROUP

Electricity transmission

Synchronisation of the power systems of the Baltic States and continental Europe

In the forthcoming years, the most important challenges are related to the synchronisation of the power systems of the Baltic States with those of continental Europe.

On 22 May 2019, AST signed the *Agreement on the conditions of the future interconnection of power system of Baltic States and power system of continental Europe*. The annexes to the concluded Agreement for the interconnection to the power system of continental Europe set out the technical requirements to be met by the Baltic TSOs before starting the synchronisation and after it. These requirements relate to changes in both settings in the transmission system, investments in infrastructure development and the obligations of TSOs to maintain a certain amount of frequency, frequency restoration reserves and system inertia.

The Baltic countries are expected to synchronise with continental Europe in 2025, or earlier if necessary. As a result of the synchronisation, the Baltic electricity transmission network will become part of the European network, which means independence from the Russian combined (IPS/UPS) system and a more secure electricity supply.

Development of the electricity transmission network

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

The Development Plan has been developed in line with AST's strategic objective – to enhance the security of Latvia's energy supply by synchronising Latvia's electricity transmission network with that of continental Europe, while adhering to the principles of safety and cost-efficiency.

The approved Development Plan defines the development of the transmission network and the required financial investments in the transmission infrastructure for the next decade, providing for an investment of EUR 501 million in the development of the electricity transmission network. Detailed information on the approved Development Plan: https://www.ast.lv/lv/content/elektroenergijas-parvades-sistemas-attistibas-plans.

In order to ensure that planned capital investments have the least possible impact on electricity transmission tariffs, AST has successfully attracted EU co-financing for the European projects of common interest included in the Development Plan, and is also redirecting accumulated congestion charge revenue to fund them, including:

- Project "Synchronisation of the Baltic power system with the European power system, Phase 1" - EU funding up to 75% of eligible costs or EUR 57.7 million has been attracted, and 24% is planned to be funded with the accumulated revenues from congestion charges;
- Project "Synchronisation of the Baltic power system with the European power system, Phase 2" - EU co-financing 75% of the eligible costs or EUR 92.6 million, additional EUR 25 million would be funded with the accumulated revenue from congestion charges;
- As part of the support programme for the modernisation of electricity transmission and distribution networks under the Recovery and Resilience Mechanism Plan approved by the Cabinet, the Parent Company will be eligible to receive financing of EUR 38.1 million. With the support, AST plans to build a dispatcher control and secure data centre, implement the necessary information technology infrastructure to improve the cyber security of the information system, and develop the digitalisation of grid management to ensure the planning and management of renewable energy generators' modes of operation.

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

Renewable electricity generation - connections to the transmission network

In the context of the European Green Deal, there is also a huge interest in Latvia in the production of electricity using renewable energy sources. The total installed capacity of wind farms and solar power plants of various capacities, if all projects are implemented, already exceeds Latvia's peak electricity load multiple times.

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

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

Network management and electricity market development

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

In the forthcoming years, work will be carried on developing and improving the single EU day-ahead and intraday electricity market. This will unfold new opportunities for the players in the EU's internal electricity market, including Latvian and Baltic players.

Projects have been started that will allow market participants to participate in the day-ahead and intraday markets with a 15-minute time resolution, as well as to operate energy and capacity inclusive products on the intraday market, similar to the day-ahead market. Work is underway to develop and harmonise the timetable for the implementation of the 15-minute resolution at Baltic Sea Region level. There is a task being prepared to complement the balance sheet management system that AST is developing with an intraday market auction solution, and preparations are being made for testing with the European central intraday market auction system.

Work would also be carried on creating a single European mFRR trading platform and the accession of Baltic TSOs to it, which will allow Baltic balancing service providers to participate in the common European reserve market.

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

Innovations and research

To ensure the development of the Parent Company and understanding the key role of innovation in the success of its operations, the representatives of the Parent Company actively participate in the work of the ENTSO-E's Research, Development and Innovation Committee of the European Organisation of Transmission System Operators for Electricity.

As part of the ENTSO-E Research, Development and Innovation Committee, activities are being carried out aiming to achieve the transformation of the existing electrical systems to meet the objectives set by the European Union.

There are six directions in which innovation and research are focused:

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

Further development in terms of flexibility is ensured by the Parent Company's participation in the projects of the European Union's Horizon 2020 research and innovation funding programme - INTERRFACE and OneNet. They are based on the challenges of the future energy system arising from the European Union's goals under the European Green Deal and the Clean Energy Package, which promote European climate neutrality and centralised participation of electricity end-users in electricity markets, including balancing energy markets. Horizon 2020 projects address these challenges by developing innovative platform concepts that facilitate electricity network operators to maintain a stable system with a high share of renewable energy through the coordinated operation of transmission and distribution network levels and the efficient use of decentralised system resources with low capacity for ancillary services.

The INTERRFACE project finished its activities in 2022, providing a multifaceted experience to several structural units of the Parent Company to better understand and further develop the Latvian aggregation topic. Furthermore, the experience gained, and the solution concept developed form the basis for the development of an equivalent but improved solution within the framework of the OneNet project.

In 2022, the OneNet project built on the experience of the INTERRFACE project and began software development of a platform concept capable of identifying congestion in the electricity grid operator's network and finding a solution with the help of electricity market bids. The procedure could be used in the future as a new additional service for the management of congestion in the national grid. In addition, the concept provides for an equivalent process to optimise grid congestion in order to limit the occurrence of congestion in the grid. The proof-of-concept will be tested and refined during 2023 and 2024, which will provide valuable experience for the functionality of the solution in the future Latvian energy system.

Natural gas transmission and storage

The Subsidiary will actively continue work on the project to upgrade the Inčukalns UGS facility. This project, which is expected to be completed by 2025, will significantly improve the technical infrastructure and operational reliability of the storage facility, allowing it to maintain its functionality after the pressure increase in the Baltic transmission system. As part of the continued modernisation of the Inčukalns UGS facility within the framework of the European investment Project of Common Interest, Conexus has signed a contract for the purchase and installation of a new gas pumping unit. The tenderer was selected following an open call for tenders. The total value of the contract awarded is EUR 21.6 million.

Work will also continue on the Latvia-Lithuania gas pipeline transmission capacity expansion project to facilitate market access to the Klaipeda LNG terminal, Latvia's Inčukalns UGS facility, and the Poland-Lithuania gas interconnector. The project "Improving the Latvia-Lithuania Interconnection" (ELLI) will carry out a number of activities in both Latvia and Lithuania until the end of 2023, which will increase the gas interconnection capacity between Latvia and Lithuania in both directions. From 1 November 2022, gas transmission capacity from Lithuania to Latvia has already been increased by a third.

On 1 May 2022, the Poland-Lithuania Gas Pipeline Interconnector (GIPL) became operational, allowing gas to flow in both directions. The new interconnector integrates the Baltic and Finnish regional gas markets into the EU's common gas market. This enables system users to diversify their sources of gas supply and has a positive impact on the security of gas supply.

European gas transmission system operators - Conexus, Gasgrid Finland (Finland), Elering (Estonia), Amber Grid (Lithuania), Gaz-System (Poland), and Ontras (Germany) - have signed a cooperation agreement to develop hydrogen infrastructure from Finland through Estonia, Latvia, Lithuania, and Poland to Germany to meet RePowerEU 2030 plans. The network operators have launched the Nordic-Baltic Hydrogen Corridor project, which will strengthen energy security in the region, reduce dependence on imported fossil energy and accelerate the decarbonisation of various energy sectors.

The project will also contribute to reducing EU greenhouse gas emissions by replacing current fossil energy production and use in the sector, as well as in transport, electricity, and heating services by switching to renewable energy, i.e., green hydrogen.

On 14 July 2022, the Saeima (Parliament) approved amendments to the Energy Law, which provides for the establishment of a system of gas certificates of origin in Latvia and designates Conexus as the issuing authority and registry administrator. A certificate of origin is a document that proves that the gas has been obtained from renewable energy sources and will therefore be usable in Latvia, both to prove to the end user that the energy used is environmentally friendly and to open up new opportunities for renewable gas producers to export it. As provided for in the Energy Law, the system of certificates of origin is expected to become operational on 1 July 2023.

Conexus has launched a development solution for biomethane feed into the gas transmission system to promote the development of renewable gases in Latvia and provide biomethane producers with an unprecedented opportunity to feed biomethane produced into the gas transmission system without a separate direct connection. In 2022, Conexus arranged a public consultation on the idea of creating regional biomethane entry points into the gas transmission system.

Conexus, together with the region’s gas transmission system operators Gasgrid Finland (Finland), Elering (Estonia) and Amber Grid (Lithuania), will continue its ongoing study on the possibilities of injecting and transporting hydrogen into the natural gas transmission system. In the field of storage, research activities will be launched on the possibility of storing hydrogen in the Inčukalns PUC Facility.

FINANCIAL RISK MANAGEMENT

Augstsprieguma tīkls Group manages financial risk in accordance with its Financial risk management policy and the Financial risk management rules subordinated to it.

The Group’s subsidiaries develop and approve their own financial risk management policies, which are aligned with the underlying principles of the Group’s policy.

Financial resource management aims to ensure funding and financial stability of operations through conservative financial risk management. As part of financial risk management, the Group and the Parent Company apply financial risk controls and hedging measures to reduce the risk of open positions.

a) Liquidity risk

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

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

Management believes that Augstsprieguma tīkls Group will not have liquidity problems and will be able to pay its creditors when the payments fall due. Management believes that Augstsprieguma tīkls Group will have sufficient cash resources to ensure that the liquidity thereof is not threatened.

b) Interest rate risk

Interest rate risk arises mainly from floating rate borrowings, with the risk of a significant increase in financing costs due to rising interest rates. In order to limit the risk, the Group's and the Parent Company's Financial risk management policy stipulates that the share of fixed or capped interest rates in the loan portfolio must not be below 35%. At the same time, the financial risk management rules provide that deviations from this indicator are permitted in the restructuring of liabilities assumed as part of the reorganisation of ownership of the transmission assets.

c) Credit risk

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

In the course of their business activities, the Group and the Parent Company cooperate with domestic and foreign financial institutions. This gives rise to counterparty risk - the Group and the Parent Company may suffer losses in the event of the insolvency or suspension of activity of a counterparty. In the case of external financing, the risk remains until the loan is drawn down and transferred to one of the Group's partner banks or the Parent Company's partner banks.

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

In accordance with the Financial risk management policy, counterparties with a minimum credit rating of at least investment grade as determined by an international rating agency, either its own or that of the parent company, are accepted when working with banks and financial institutions.

The Group and the Parent Company work with local and foreign companies as part of their business activities. This gives rise to counterparty or debtor risk - the Group or the Parent Company may suffer losses in the event of insolvency or cessation of business by counterparties. The Law on International and National Sanctions of the Republic of Latvia imposes financial and civil restrictions on companies on the sanctions list, including the freezing of financial assets. In view of this, cooperation with a sanctioned company entails contractual, legal and reputational risks for the Group or the Parent Company.

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

Credit risk related to receivables is managed in accordance with the risk management measures set out in the Financial risk management rules by analysing receivables on a monthly and at least quarterly basis.

d) Capital risk management

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

THE IMPACT OF RUSSIA'S WAR IN UKRAINE ON THE OPERATIONS OF THE PARENT COMPANY AND THE GROUP

On 24 February 2022, the military conflict between Russia and Ukraine escalated. Russia's invasion of Ukraine has resulted in Russia and Belarus being under severe economic and political sanctions by the European Union, the USA, and other countries.

The Group's management is continuously taking the necessary measures to ensure the continuity of business operations and the availability of services provided by the electricity transmission system operator and the sole operator for the transport and storage of natural gas.

Considering the fact that the Latvian electricity system currently operates synchronously with the Russian combined (IPS /UPS) system, AS ”Augstsprieguma tīkls” has assessed the potential risks related to Russian military aggression against Ukraine. On 22 May 2019, AST signed the agreement on the terms of the future interconnection of the Baltic States' electricity network and the electricity network of continental Europe. The electricity transmission of the Baltic countries is to be synchronised with Continental Europe by 2025.

In the current situation, it is not possible to assess the risk of a possible unplanned disconnection of the Baltic electricity networks from the Russian interconnected grid (IPS / UPS). AS "Augstsprieguma tīkls", together with the transmission system operators of the Baltic States and Poland, has, however, prepared to ensure the operation of the Baltic electricity grids even in the event of emergency desynchronisation. It is expected that the accelerated synchronisation of the Baltic electricity networks systems with those of continental Europe will lead to an increase in energy supply costs. However, given the uncertain and complex situation, it is not possible to estimate the financial impact at this stage.

On 19 April 2022, the Latvian government decided to withdraw from the Russian Federation's natural gas supply due to Russian aggression in Ukraine. The Saeima Committee on National Economy, Agricultural, Environmental and Regional Policy advocated for an amendment to the Energy Law to ban natural gas supplies from the Russian Federation from 1 January 2023. On 14 July 2022, the Saeima adopted amendments to the Energy Law in its final reading, supporting the amendments introduced by the Commission to ban natural gas supplies from the Russian Federation effective from 1 January 2023.

Although these are significant changes in the Baltic-Finnish internal gas market, the subsidiary's importance in the Latvian energy system is not expected to diminish, nor is the impact on the continuity and financial stability of its operations.

Due to extraordinary market conditions that indicate the need for impairment testing, impairment was assessed for both non-current assets of Augstsprieguma tīkls AS (including the investment in AS "Conexus Baltic Grid" as a subsidiary) and non-current assets of AS "Conexus Baltic Grid" as part of the consolidated group.

AST's management has performed an assessment of the value of AST's assets (except for the investment in AS "Conexus Baltic Grid" presented on the balance sheet of AS "Augstsprieguma tīkls"), which resulted in the conclusion that no impairment of assets should be recognised as the total recoverable amount of assets exceeds their carrying amount, and the value of assets directly affected by the potential desynchronisation from Russia is not material in the context of the financial statements (0.3% of the total value of property, plant and equipment). AST's management assumptions are based on information available at the time of approving the financial statements. The impact of future events on AST's future performance may differ from the current assessment.

In turn, the investment of AS "Augstsprieguma tīkls" in AS "Conexus Baltic Grid" is assessed in relation to the value of long-term assets of AS "Conexus Baltic Grid" in the consolidated balance sheet AS "Augstsprieguma tīkls", on the basis that the acquisition value of AS "Conexus Baltic Grid'" was determined in relation to the value of its property, plant and equipment and other non-current assets. AS "Conexus Baltic Grid" has performed an impairment review of its assets, which resulted in the conclusion that the non-current assets of AS "Conexus Baltic Grid" are not impaired, and therefore no impairment of investments needs to be recognised in the stand-alone and consolidated accounts of AS "Augstsprieguma tīkls". Detailed information on impairment tests of non-current assets of AS "Conexus Baltic Grid" is provided in the financial statements of the Subsidiary https://www.conexus.lv/finansu-parskati.

The Group provides strategically important public services. The Parent Company is a state-owned (100%) capital company and is the sole operator of the electricity transmission network in Latvia in accordance with the Electricity Market Law. The Group's management believes that the impact of volatility in the energy supply markets is mitigated and that the security and stability of energy supply is supported as a function of national importance, thereby ensuring the Group's long-term financial stability.

CIRCUMSTANCES AND EVENTS AFTER THE END OF THE REPORTING PERIOD

At the Cabinet meeting on 14 February 2023, the Government decided to designate the Ministry of Climate and Energy as the shareholder of AS "Augstsprieguma tīkls". This facilitates the participation of the Ministry of Climate and Energy - the energy policy maker - in the development of the transmission system operators AS "Augstsprieguma tīkls" and AS "Conexus Baltic Grid". This engagement is essential for energy security. Previously, the shareholder of AS "Augstsprieguma tīkls" was the Ministry of Finance. The change of shareholder of AS "Augstsprieguma tīkls" does not affect the shareholding of AST. 100% of AST's shares are still owned by the State.

On 14 April 2023, the decision of Guntas Jēkabsone, the chairman of the board of AS "Augstsprieguma tīkls", to leave the position of the board chairwoman as of 1 August 2023 was announced. Changes in the composition of the Board of the Parent Company will not affect the operation of the company and AS "Augstsprieguma tīkls" will always provide safe and stable power transmission under the leadership of an experienced team.

There have been no other material events that occurred between the last day of the reporting period and the date of signing these financial statements that would have a material effect on the financial statements of the Group and AS “Augstsprieguma tīkls”. Even though uncertainty has increased over the future impact of events on the Group's and Parent Company's operations, no circumstances have been identified that could threaten the continuity of operations or the fulfilment of statutory obligations.

PROPOSED PROFIT DISTRIBUTION

Pursuant to Section 28 of the Law on the Management of Capital Shares and Capital Companies of Public Persons and in compliance with paragraph 3.1 of Cabinet Regulation No. 72 “Procedure for estimating, determining and making payments for the use of state capital” of 25 January 2022, the management of AS “Augstsprieguma tīkls” proposes to distribute 64% of the Parent Company’s profit for 2022, i.e., EUR 7,033,805 as dividends to the State.

The 2022 profit distribution is at the discretion of the shareholder’s meeting of AS “Augstsprieguma tīkls”.

Gunta Jēkabsone, Chairwoman of the Board	**Imants Zviedris,** Member of the Board	**Gatis Junghāns,** Member of the Board	**Arnis Daugulis,** Member of the Board

Riga, 28 April 2023

This document is signed electronically with a secure electronic signature and contains a time stamp.

STATEMENT OF THE BOARD'S RESPONSIBILITIES

STATEMENT ON THE BOARD'S RESPONSIBILITIES

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

Based on the information available to the Board of AS "Augstsprieguma tīkls", the 2022 annual reports of Augstsprieguma tīkls Group and AS "Augstsprieguma tīkls" are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, present a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of Augstsprieguma tīkls Group and AS "Augstsprieguma tīkls", in all material respects. The information provided in the management report is true.

Gunta Jēkabsone, Chairwoman of the Board	**Imants Zviedris,** Member of the Board	**Gatis Junghāns,** Member of the Board	**Arnis Daugulis,** Member of the Board

Riga, 28 April 2023

This document is signed electronically with a secure electronic signature and contains a time stamp.

INCOME STATEMENT

	Note	Parent company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR *(reclassified**)*
Revenue	4	296,000,232	125,787,322	351,131,631	182,698,606
Other revenue	5	7,191,743	5 002,481	8,073,037	5,641,319
Raw materials and consumables used	6	(147,049,033)	(60,705,009)	(153,347,478)	(67,865,715)
Personnel costs	7	(18,622,046)	(16,460,878)	(32,456,251)	(28,644,836)
Other operating expenses	8	(97,201,639)	(18,045,926)	(100,867,144)	(22,686,206)
EBITDA*		**40,319,257**	**35,577,990**	**72,533,795**	**69,143,168**
Depreciation and amortisation	10.4	(35,303,616)	(36,904,301)	(53,162,148)	(54,710,050)
Operating profit/(loss)		**5,015,641**	**(1,326,311)**	**19,371,647**	**14,433,118**
Dividends received from the Subsidiary	11	6,536,774	58,286,236	-	-
Finance income	9a	54,910	6,905	61,559	7,607
Finance expenses	9b	(617,004)	(2,121,135)	(1,227,749)	(2,407,894)
Profit before tax		**10,990,321**	**54,845,695**	**18,205,457**	**12,032,831**
Corporate income tax	15	-	-	(2,045,654)	(1,936,172)
Profit for the year		**10,990,321**	**54,845,695**	**16,159,803**	**10,096,659**
Attributable to:					
Parent company’s shareholders		10,990,321	54,845,695	12,467,649	5,827,026
Non-controlling interests		-	-	3,692,154	4,269,633

* See Note 2 for an explanation on the addition of a non-IFRS indicator.
** See Note 28.
The Notes on pages 40 to 131 form an integral part of these financial statements.

Gunta Jēkabsone,
Chairwoman of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Arnis Daugulis,
Member of the Board

Māra Grava,
Head of Finance and Accounting Department

Riga, 28 April 2023

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STATEMENT OF COMPREHENSIVE INCOME

	Note	Parent company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
PROFIT FOR THE YEAR		**10,990,321**	**54,845,695**	**16,159,803**	**10,096,659**
Other comprehensive income/ (loss) not reclassified to profit or loss in subsequent periods					
Revaluation of property, plant and equipment (decrease)/increase	10.2a	-	34,762,721	(919,822)	34,762,721
Result of the re-measurement of post-employment benefits		329,736	(1,075,235)	388,781	(1,403,458)
Total other comprehensive income for the year		**329,736**	**33,687,486**	**(531,041)**	**33,359,263**
TOTAL comprehensive income for the reporting year		**11,320,057**	**88,533,181**	**15,628,762**	**43,455,922**
Comprehensive income attributable to:					
Parent company's shareholders		11,320,057	88,533,181	11,917,985	39,289,810
Non-controlling interests		-	-	3,710,777	4,166,112

The Notes on pages 40 to 131 form an integral part of these financial statements.

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Chairwoman of the Board	Member of the Board	Member of the Board	Member of the Board	Head of Finance and Accounting Department

Riga, 28 April 2023

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STATEMENT OF FINANCIAL POSITION

	Note	Parent company		Group	
		31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
ASSETS					
Long-term investments					
Intangible assets	10.1	3,055,296	2,121,767	5,163,305	4,163,016
Advance payments for intangible assets		-	-	-	6,720
Property, plant and equipment (PPE)	10.2	681,454,229	685,805,790	1,097,824,064	1,105,768,949
Advance payments for PPE		4,250	-	5,326,259	2,332,465
Right-of-use assets	10.3	14,471,389	14,635,417	14,932,892	15,086,525
Long-term financial investments	11	134,441,393	134,396,393	46,422	1,422
Long-term prepayments		-	-	1,007,865	1,108,651
Total non-current assets		**833,426,557**	**836,959,367**	**1,124,300,807**	**1,128,467,748**
Current assets					
Inventories	12	425,526	517,327	4,116,461	3,143,866
Receivables from contracts with customers	13	22,394,781	21,508,872	32,631,516	34,882,006
Other short-term receivables	14	9,490,098	1,767,892	12,426,651	2,550,217
Corporate income tax	14	11,512	11,512	11,512	11,512
Cash	16	92,042,624	48,513,943	103,009,740	63,190,053
Total current assets		**124,364,541**	**72,319,546**	**152,195,880**	**103,777,654**
TOTAL ASSETS		**957,791,098**	**909,278,913**	**1,276,496,687**	**1,232,245,402**

The Notes on pages 40 to 131 form an integral part of these financial statements.

Gunta Jēkabsone,	**Imants Zviedris,**	**Gatis Junghāns,**	**Arnis Daugulis,**	**Māra Grava,**
Chairwoman of the Board	Member of the Board	Member of the Board	Member of the Board	Head of Finance and Accounting Department

Riga, 28 April 2023

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STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	Parent company		Group	
		31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
EQUITY AND LIABILITIES					
Equity					
Share capital	17a	391,598,534	365,895,957	391,598,534	365,895,957
Reserves	17b	36,584,810	37,176,552	37,168,879	38,641,445
Retained earnings		19,336,624	62,270,520	102,272,149	143,727,293
Parent company shareholder’s share of equity		**447,519,968**	**465,343,029**	**531,039,562**	**548,264,695**
Non-controlling interests	17c	**-**	**-**	**100,247,555**	**99,547,615**
Total equity		**447,519,968**	**465,343,029**	**631,287,117**	**647,812,310**
Non-current liabilities					
Employee benefit obligations	18	3,294,185	3,426,477	4,645,953	4,800,612
Lease liabilities	20	14,184,247	14,199,182	14,643,605	14,647,122
Borrowings	20	100,366,699	99,966,288	169,834,882	160,249,274
Deferred income from contracts with customers	19a	38,084,750	38,249,840	38,084,750	38,249,840
Other deferred income	19a	304,906,927	245,801,904	329,864,675	263,957,949
Total non-current liabilities		**460,836,808**	**401,643,691**	**557,073,865**	**481,904,797**
Current liabilities					
Borrowings	20	-	-	12,961,766	37,810,235
Lease liabilities	20	681,707	739,800	706,771	759,197
Deferred income from contracts with customers	19b	3,658,224	3,375,254	3,658,224	3,612,539
Other deferred income	19b	8,695,336	5,755,599	9,462,671	6,295,216
Trade payables	21	28,710,448	25,631,148	36,121,302	32,920,983
Deferred tax liability	15	-	-	4,490,381	4,831,892
Other liabilities	21	7,688,607	6,790,392	20,734,590	16,298,233
Total current liabilities		**49,434,322**	**42,292,193**	**88,135,705**	**102,528,295**
TOTAL LIABILITIES		**957,791,098**	**909,278,913**	**1,276,496,687**	**1 232,245,402**

The Notes on pages 40 to 131 form an integral part of these financial statements.

Gunta Jēkabsone,	**Imants Zviedris,**	**Gatis Junghāns,**	**Arnis Daugulis,**	**Māra Grava,**
Chairwoman of the Board	Member of the Board	Member of the Board	Member of the Board	Head of Finance and Accounting Department

Riga, 28 April 2023

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STATEMENT OF CHANGES IN EQUITY

	Note	Parent company						
		Share capital EUR	Retained earnings EUR	Other reserves EUR	Revaluation reserve for property, plant and equipment EUR	Reserve of the re-measurement of post-employment benefits EUR	Reorganisation reserve EUR	Total EUR
At 31 December 2020		**363,896,079**	**16,741,025**	**2,680,615**	**28,338,091**	**490,256**	**(27,336,704)**	**384,809,362**
Profit for the year		-	54,845,695	-	-	-	-	54,845,695
Other comprehensive income for the reporting year		-	-	-	34,762,721	(1,075,235)	-	33,687,486
Total comprehensive income for the year		**-**	**54,845,695**	**-**	**34,762,721**	**(1,075,235)**	**-**	**88,533,181**
Paid dividends	17a	-	(7,999,514)	-	-	-	-	(7,999,514)
Write-down of revaluation reserve for property, plant and equipment		-	683,192	-	(683,192)	-	-	-
Share capital increase	17a	1,999,878	(1,999,878)	-	-	-	-	-
Total transactions with shareholders and other changes in equity		**1,999,878**	**(9,316,200)**	**-**	**(683,192)**	**-**	**-**	**(7,999,514)**
At 31 December 2021		**365,895,957**	**62,270,520**	**2,680,615**	**62,417,620**	**(584,979)**	**(27,336,704)**	**465,343,029**
Profit for the year		-	10,990,321	-	-	-	-	10,990,321
Other comprehensive income for the reporting year		-	-	-	-	329,736	-	329,736
Total comprehensive income for the year		**-**	**10,990,321**	**-**	**-**	**329,736**	**-**	**11,320,057**
Paid dividends	17a	-	(29,143,118)	-	-	-	-	(29,143,118)
Write-down of revaluation reserve for property, plant and equipment		-	921,478	-	(921,478)	-	-	-
Share capital increase	17a	25,702,577	(25,702,577)	-	-	-	-	-
Total transactions with shareholders and other changes in equity		**25,702,577**	**(53,924,217)**	**-**	**(921,478)**	**-**	**-**	**(29,143,118)**
At 31 December 2022		**391,598,534**	**19,336,624**	**2,680,615**	**61,496,142**	**(255,243)**	**(27,336,704)**	**447,519,968**

The Notes on pages 40 to 131 form an integral part of these financial statements.

Gunta Jēkabsone,	**Imants Zviedris,**	**Gatis Junghāns,**	**Arnis Daugulis,**	**Māra Grava,**
Chairwoman of the Board	Member of the Board	Member of the Board	Member of the Board	Head of Finance and Accounting Department

Riga, 28 April 2023

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STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Notes	Group								
		Attributable to the shareholder of the Parent Company							Non-controlling interests EUR	Total EUR
		Share capital EUR	Retained earnings EUR	Other reserves EUR	Revaluation reserve for property, plant and equipment EUR	Reserve of the re-measurement of post-employment benefits EUR	Reorganisation reserve EUR	Total		
At 31 December 2020		**363,896,079**	**146,773,744**	**2,680,615**	**28,915,196**	**457,307**	**(25,748,544)**	**516,974,398**	**122,228,139**	**639,202,538**
Profit for the year		-	5,827,026	-	-	-	-	5,827,026	4,269,633	10,096,659
Other comprehensive income for the reporting year		-	-	-	34,762,721	(1,299,937)	-	33,462,784	(103,521)	33,359,263
Total comprehensive income for the year		**-**	**5,827,026**	**-**	**34,762,721**	**(1,299,937)**	**-**	**39,289,810**	**4,166,112**	**43,455,922**
Paid dividends	17a	-	(7,999,514)	-	-	-	-	(7,999,514)	(26,846,636)	(34,846,150)
Write-down of revaluation reserve for property, plant and equipment		-	1,125,914	-	(1,125,914)	-	-	-	-	-
Share capital increase	17a	1,999,878	(1,999,878)	-	-	-	-	-	-	-
Total transactions with shareholders and other changes in equity		**1,999,878**	**(8,873,478)**	**-**	**(1,125,914)**	**-**	**-**	**(7,999,514)**	**(26,846,636)**	**(34,846,150)**
At 31 December 2021		**365,895,957**	**143,727,293**	**2,680,615**	**62,552,003**	**(842,630)**	**(25,748,544)**	**548,264,695**	**99,547,615**	**647,812,310**
Profit for the year		-	12,467,649	-	-	-	-	12,467,649	3,692,154	16,159,803
Other comprehensive income for the reporting year		-	-	-	(919,822)	370,158	-	(549,664)	18,623	(531,041)
Total comprehensive income for the year		**-**	**12,467,649**	**-**	**(919,822)**	**370,158**	**-**	**11,917,985**	**3,710,777**	**15,628,762**
Paid dividends	17a	-	(29,143,118)	-	-	-	-	(29,143,118)	(3,010,837)	(32,153,955)
Write-down of revaluation reserve for property, plant and equipment		-	922,902	-	(922,902)	-	-	-	-	-
Share capital increase	17a	25,702,577	(25,702,577)	-	-	-	-	-	-	-
Total transactions with shareholders and other changes in equity		**25,702,577**	**(53,922,793)**	**-**	**(922,902)**	**-**	**-**	**(29,143,118)**	**(3,010,837)**	**(31,153,955)**
At 31 December 2022		**391,598,534**	**102,272,149**	**2,680,615**	**60,709,279**	**(472,472)**	**(25,748,543)**	**531,039,562**	**100,247,555**	**631,287,117**

The Notes on pages 40 to 131 form an integral part of these financial statements.

Gunta Jēkabsone,
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Māra Grava,
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Riga, 28 April 2023

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STATEMENT OF CASH FLOWS

	Notes	Parent company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
I. Cash flow from operating activity					
Profit before tax		**10,990,321**	**54,845,695**	**18,205,457**	**12,032,831**
Adjustments:					
Amortisation of intangible assets and property, depreciation of plant and equipment and impairment	10.4	34,383,606	36,124,265	52,215,887	53,836,562
Depreciation of right-of-use assets	10.4	920,010	780,036	946,261	873,488
Disposals of intangible assets and property, plant and equipment	10.4	275,350	257,965	241,215	994,393
Increase / (decrease) in provisions		197,444	(285,013)	175,077	60,628
Interest expense		757,285	2,409,909	1,367,212	2,694,754
Interest income	9	(47,194)	-	(47,194)	-
Dividends from the Subsidiary	11	(6,536,774)	(58,286,236)	-	-
Operating profit before changes in working capital		**40,940,048**	**35,846,621**	**73,103,915**	**70,492,656**
Adjustments:					
(Increase) /decrease in amounts due from contracts with customers, deposits and other short-term receivables		(223,171)	20,096,580	859,305	13,238,545
Decrease / (increase) in inventories		91,801	(3,240)	(972,595)	391,224
Increase / (decrease) in trade payables and amounts due to other creditors		(2,396,898)	(20,478,596)	26,028	(18,514,498)
Gross cash flow from operating activity		**38,411,780**	**35,461,365**	**73,016,653**	**65,607,927**
Interest paid	20	-	(2,478,825)	(563,790)	(2,703,452)
Lease interest paid	20	(230,846)	(237,970)	(251,502)	(260,821)
Expense on issued debt securities (bonds)		(126,027)	-	(126,027)	-
Corporate income tax paid	15	-	-	(2,387,165)	(2,256,640)
Net cash flow from operating activity		**38,054,907**	**32,744,570**	**69,688,169**	**60,387,014**

The Notes on pages 40 to 131 form an integral part of these financial statements.

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Riga, 28 April 2023

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STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Parent company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
II. Cash flow from investing activity					
Acquisition and establishment of property, plant and equipment and intangible assets		(30,958,402)	(31,977,795)	(48,758,506)	(59,605,975)
Proceeds from sale of PPE	10.2	258,779	95,963	294,645	166,453
EU funding received	19	22,002,822	32,393,231	29,646,762	40,210,739
Congestion charges received	19	37,650,929	11,441,072	37,650,929	11,441,072
Deposits received		-	25,000,000	-	25,000,000
Investment in shares		(45,000)	-	(45,000)	-
Dividends received from the Subsidiary	11	6,536,774	58,286,236	-	-
Net cash flow from investing activity		**35,445,902**	**95,238,707**	**18,788,830**	**17,212,289**
III. Cash flow from financing activity					
Payments for asset leases	20	(829,010)	(683,173)	(848,571)	(770,882)
Borrowings from credit institutions	20	-	-	20,000,000	84,949,950
Repayment of borrowings to credit institutions	20	-	(116,200,000)	(35,688,383)	(124,969,097)
Repayment of borrowings to a related party	20	-	(86,672,207)	-	(86,672,207)
Bonds issued	20	-	99,861,000	-	99,861,000
Dividends paid	17a	(29,143,118)	(7,999,514)	(32,120,358)	(34,196,310)
Net cash flow from financing activity		**(29,972,128)**	**(111,693,894)**	**(48,657,312)**	**(61,797,546)**
Net increase in cash during the reporting period		**43,528,681**	**16,289,383**	**39,819,687**	**15,801,757**
Cash at the beginning of the reporting year		48,513,943	32,224,560	63,190,053	47,388,296
Cash at the end of the reporting year		**92,042,624**	**48,513,943**	**103,009,740**	**63,190,053**

The Notes on pages 40 to 131 form an integral part of these financial statements.

Gunta Jēkabsone,
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Riga, 28 April 2023

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NOTES TO THE CONSOLIDATED AND STAND-ALONE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE GROUP

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

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

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

The Board and Supervisory Board of Augstsprieguma tīkls Group:

Members of the Board and their positions	Gunta Jēkabsone – Chairwoman of the Board Imants Zviedris – a member of the Board Gatis Junghāns – a member of the Board Arnis Daugulis – a member of the Board Mārcis Kauliņš – a member of the Board (until 17.09.2022)
Members of the Supervisory Board and their positions	Kaspars Āboliņš – Chairman of the Supervisory Board Olga Bogdanova – Deputy Chairwoman of the Supervisory Board Armands Eberhards – a member of the Supervisory Board Aigars Ģērmanis – a member of the Supervisory Board Madara Melne – a member of the Supervisory Board (until 08.02.2022)

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

The war started by Russia in Ukraine in 2022 is expected to continue in 2023, which will have a significant impact on the economic development of the country and the world (as described in Note 29). In view of this, it is not possible to predict future developments and there is therefore uncertainty about the development of the economy. The management of the Parent company and the Group is continuously assessing the situation and considering ways to mitigate the negative impact of the market turmoil. As at the date of approval of these financial statements, the Parent company and the Group have not experienced any material disruption in their operations, there are no significant or potentially significant overdue receivables and the Parent company and the Group continue to pay their liabilities on time. However, this conclusion is based on information available at the date of preparation of these financial statements and the impact on the Parent company's and Group's operations may differ from the current assessment if circumstances change. However, management is confident that the Parent company's and Group's ability to continue as a going concern is not at risk.

The financial statements were approved by the Board of the Parent company on 28 April 2023 consisting of the following members: Gunta Jēkabsone (Chairwoman of the Board), Imants Zviedris (a member of the Board), Gatis Junghāns (a member of the Board), and Arnis Daugulis (a member of the Board). The Financial Statements are subject to Shareholder's approval on the Shareholder's Meeting.

The auditor of the Parent company and the Group is the auditing company SIA "PricewaterhouseCoopers" and the auditor in charge is Ilandra Lejiņa.

2. SIGNIFICANT ACCOUNTING POLICIES

This section sets out the significant accounting policies that have been applied in the preparation of the financial statements. These policies are applied consistently in the presentation of data for all periods covered by the financial statements. The accounting and measurement principles presented in this section have been applied consistently throughout the reporting period unless otherwise stated.

The consolidated and stand-alone financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. Due to the European Union endorsement process, this note also includes standards and interpretations that have not yet been endorsed for use in the European Union, as these standards and interpretations may have an impact on the financial statements of future periods when they are endorsed.

The consolidated and stand-alone financial statements are prepared on the historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts (see Notes 2.3 and 10.2). The income statement is classified by type of expense. The statement of cash flows is prepared using the indirect method. Investing activity cash flows and financing activity cash flows are prepared using the direct method.

The non- IFRS indicator EBITDA is presented on the income statement. This is customary in the industry and enables a better comparability with other companies operating in the same industry. For the purpose of these financial statements, EBITDA is calculated as profit before depreciation and amortisation dividends from subsidiaries, finance income, finance expenses and corporate income tax. EBITDA may be calculated differently in the financial statements of other companies.

The financial indicators in the financial statements are presented in the official currency of the Republic of Latvia, the euro (hereinafter referred to as “EUR”).

The financial statements are prepared in a way that ensures comparability of indicators. If the presentation of the financial statements changes during the year, the comparative figures are reclassified to ensure comparability. A reclassification in the Group’s 2022 financial statements, which also resulted in a number of reclassifications in the comparative figures for 2021, is explained in Note 28.

The financial statements cover the period from 1 January to 31 December 2022.

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

As at 31 December 2022 and 31 December 2021, the Parent company had the following investments:

Subsidiary	**Country**	**Type of business**	**Date of foundation/Date of acquisition**	**Shareholding**
AS “Conexus Baltic Grid”	Latvia	Natural gas transmission and storage Transport via pipeline (NACE code 49.50)	21.07.2020	68.46%

Standards and interpretations applicable during the year

During the reporting year, the following standards, amendments or new guidance in interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU became effective and have been applied in the preparation of these financial statements: Income before the expected use of property, plant and equipment; Onerous contracts – cost of fulfilling a contract, Reference to IFRS Conceptual Framework – IAS 16, IAS 37, and IFRS 3 Narrow-scope amendments and annual improvements to IFRSs for the 2018-2020 year cycle - Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022):

- Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any revenue received from the sale of goods produced while the entity is preparing the asset for its intended use. The proceeds from the sale of such items, together with their production costs, are now recognised in the income statement. The entity must apply IAS 2 to measure those costs. The cost does not include depreciation of the asset being tested because it is not ready for its intended use. The amendments to IAS 16 also clarify that an entity 'verifies that an asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance indicators of the asset are not relevant for this assessment. Consequently, the asset can operate as management expects and is depreciated before it achieves the performance indicators expected by management.
- Amendments to IAS 37 clarify the meaning of the term 'cost of fulfilling a contract'. The amendments clarify that the direct costs of fulfilling a contract include the incremental costs of fulfilling a contract and other eligible costs directly related to performance. The amendments also clarify that, before a separate provision is made for an onerous contract, an entity recognises any impairment loss that arises on the assets used to fulfill the contract rather than on the assets designated for that contract.
- IFRS 3 has been amended to refer to the 2018 Conceptual Framework for Financial Statements to determine what constitutes an asset or liability in a business combination. Before the amendments, IFRS 3 referred to the 2001 Conceptual Framework for Financial Statements. Furthermore, a new exception for commitments and contingent liabilities was added to IFRS 3. The exception provides that, for certain types of liabilities and contingent liabilities, an undertaking that applies IFRS 3, should make a reference to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not have recognised under IAS 37. Therefore, the entity should have derecognised the liability immediately after the acquisition and recognised a gain that does not reflect the economic benefits. It was also clarified that the acquirer is not required to recognise contingent assets at the acquisition date as set out in IAS 37.
- Amendments to IFRS 9 set out which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees may be paid to third parties or to the lender. Under the amendments, costs or fees paid to third parties must not be included in the 10% test.
- Illustrative Example 13, enclosed to IFRS 16 was amended to remove the illustration of a lessor's payments for leasehold improvements. The purpose of the amendments is to remove any possible confusion about the accounting for lease incentives.
- IFRS 1 allows an exemption if a subsidiary applies IFRS later than its parent company. A subsidiary may measure its assets and liabilities at the carrying amounts that would have been included in its parent's consolidated financial statements based on the parent's date of transition to IFRS if no adjustments had been made as part of the consolidation procedures and as a result of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have applied this exemption under IFRS 1 to also measure cumulative remeasurement differences using the amounts reported by the parent entity based on the parent entity's date of transition to IFRS. After the amendments to IFRS 1, the exemption described above applies to cumulative translation differences to reduce costs for first-time adopters of IFRS. These amendments will also apply to associates and joint ventures that have used the same IFRS 1 exemption.

The requirement for entities not to include tax cash flows in determining fair value under IAS 41 has been removed. The purpose of this amendment is to align with the standard's requirement to discount after-tax cash flows.

- Amendments to IFRS 16 – COVID-19 related rent concessions (effective for annual periods beginning on or after 1 April 2021). In May 2020, the amendments to IFRS 16 were issued that provide lessees with the option to use an exemption from the standard to assess whether Covid-19 related rent concessions that resulted in reduced rent payments to be made on or before 30 June 2021 constitute a modification of the lease. The amendment to the standard dated 31 March 2021 provides for an extension of the period of use of the exemption from 30 June 2021 to 30 June 2022

The application of these new standards, amendments to existing standards and interpretations did not have a material impact on the financial statements of the Parent company and the Group.

Standards or interpretations that are effective for the first time for annual periods beginning after 1 January 2023

At the date of approval of the financial statements, the following new standards, amendments to existing standards and interpretations have been issued by the IASB but were not yet effective:

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023). IAS 1 has been amended to require entities to disclose material accounting policies instead of significant accounting policies. The amendments include a definition of material accounting policy information. The amendments also clarify that accounting policies may be considered material if users of the financial statements would not be able to understand other material information in the financial statements without that information. The amendments provide illustrative examples of accounting policy information that may be considered material to an entity's financial statements. In addition, the amendments to IAS 1 clarify that immaterial disclosures about accounting policies are not required. However, if disclosures are made, they should not obscure material accounting policy information. In addition, IFRS Practice Statement 2: Making Materiality Judgements has been amended to provide guidance on the application of the concept of materiality to disclosures about accounting policies.
- Amendments to IAS 8: Definition of accounting estimates (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates.
- Deferred tax relating to assets and liabilities arising from a single transaction - Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how deferred tax should be accounted for on transactions such as leases and use termination obligations. In certain circumstances, entities are exempt from recognising deferred tax when they first recognise assets or liabilities. Previously, there was some uncertainty about whether the exemption applied to transactions such as leases and use termination obligations - transactions in which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply

and that entities must recognise deferred tax on such transactions. The amendments require entities to recognise deferred tax on transactions that give rise to the same taxable and deductible temporary differences on initial recognition.

- Amendments to IFRS 16 - Leases: Lease liability in a sale and leaseback transaction (effective for annual periods beginning on or after 1 January 2024, not approved for use in the EU). The amendments apply to sale and leaseback transactions that comply with sale recognition requirements under IFRS 15. The amendments require the seller/lessee to measure the liability arising from the transaction in a way that does not result in a gain or loss associated with its retained right-of-use. This also means deferring the recognition of a gain or loss when the lease liability includes variable payments that are not index- or rate-linked.
- Classification of liabilities as current or non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024, not adopted for use in the EU). These amendments clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. A liability is non-current if, at the end of the reporting period, the entity has a material right to defer settlement for at least twelve months. The guidance no longer requires this right to be unconditional. The October 2022 amendments state that credit covenants to be settled after the reporting date do not affect the classification of the liability as current or non-current at the reporting date. Management's plans as to whether it will exercise its right to defer settlement after the year end do not affect the classification of the liability. A liability is classified as current if a condition is breached on or before the reporting date, even if the lender has obtained a waiver of the condition after the end of the reporting period. Conversely, a borrowing is classified as non-current if the conditions (covenants) of the borrowing are not breached until after the reporting date. In addition, the amendments clarify the classification requirements for debt that an entity could settle by converting it into equity. The term 'settlement' is defined as the repayment of a liability in cash, other resources embodying economic benefits or the entity's own equity instruments. There is an exception for convertible instruments that could be converted into equity, but only for those instruments whose conversion feature as an equity instrument is classified as a separate component of the compound financial instrument.

The Parent company and the Group do not expect that the adoption of these standards and amendments to existing standards will have a material impact on the financial statements in the period of initial application.

Consolidation

a) Subsidiaries

A subsidiary is a company that is controlled by the Parent company. A Parent company controls another entity when it receives, or is entitled to receive, variable returns from its shareholding in the entity or is entitled to variable returns and has the ability to affect the amount of those returns through its power to direct the activities of the subsidiary (IFRS 10 Consolidated Financial Statements).

The financial statements of a subsidiary are consolidated from the date the Parent company obtains control of the subsidiary and consolidation ceases when that control ends.

All intragroup transactions, intragroup balances and unrealised gains on intragroup transactions are eliminated. Unrealised losses are also eliminated but treated as an indicator of impairment of the transferred asset. Where necessary, the accounting policies of the Group's subsidiaries are changed to ensure consistency with the Group's accounting policies.

Investments in the equity of subsidiaries are recognised in the Parent company's separate financial statements at historical cost less any impairment losses. An impairment loss is recognised for the amount by which the carrying amount of an investment in a subsidiary exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Previous impairments (if any) of subsidiaries are reviewed for possible reversal at each reporting date.

b) Transactions with non-controlling interests and shareholders

The Group's transactions with non-controlling interests are treated as transactions with the shareholders of the entity. Changes in the Parent company's ownership interest in the Subsidiary that are not recognised in the Parent company when it loses control of the subsidiary are equity transactions (i.e., transactions that are treated as transactions with shareholders). Gains or losses arising from transactions with non-controlling interests are recognised in the Group's equity.

c) Associated companies

An investment in an associate is an investment in a company in which the Group has significant influence (directly or indirectly), which generally means ownership that gives 20 to 50 per cent of the voting rights.

Investments in associates are accounted for in the Group's financial statements using the equity method, whereby they are initially recognised at cost, with the carrying amount increased or decreased in subsequent periods to reflect the Group's share of post-acquisition profits or losses of the associate. Dividends received from an associate reduce the carrying amount of the investment in the associate. Other post-acquisition changes in the net assets of an associate owned by the Group are recognised as follows: (i) the Group's share of the associate's profit or loss for the period is recognised in the consolidated income statement as part of the performance of the investment in the associate, (ii) the Group's share of the associate's comprehensive income is presented separately in the statement of comprehensive income, (iii) other changes related to a change in the Group's interest in the net assets of the associate are recognised in the income statement as part of the result of the associate's investment.

When the Group's share of an associate's loss equals or exceeds its initial investment in the associate plus unsecured receivables, the Group derecognises the subsequent loss unless it is obliged to make, or has made, payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction results in a recognised impairment loss on the transferred assets.

An impairment loss is recognised to the extent that the carrying amount of an investment in an associate exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. At each balance sheet date, an assessment is made as to establish whether it is necessary to reverse an impairment loss recognised in prior periods in respect of the associate.

The Group no longer applies the equity method from the date the investment ceases to be an associate. The Group/Parent company ceases to have significant influence when it loses the right to participate in the financial or operating activities of the entity. The loss of significant influence may occur with or without a change in the absolute or relative ownership interest.

When the Group loses control or significant influence, any remaining interest is measured at fair value at the date when control or significant influence is lost, with any difference from the carrying amount recognised in profit or loss. In addition, any amounts previously recognised in the statement of comprehensive income for that investment are treated as if the Group had sold the related assets or liabilities.

Investments in the equity of associates are carried in the Parent company's stand-alone financial statements at historical cost less any impairment losses. An impairment loss is recognised for the amount by which the carrying amount of an investment in an associate exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Previous impairment losses (if any) of associates are reviewed for reversal at each reporting date.

d) Goodwill

Investments in subsidiaries are accounted for using the acquisition method. The acquisition cost is measured at the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognised in profit or loss in the period in which they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is initially measured as the excess of the cost of acquisition, the value of the minority interest and the fair value of the Group's investment immediately before acquisition over the sum of the identified net assets. A negative value ('negative goodwill' or 'bargain purchase') is recognised in the income statement, subject to reassessment by management as to whether all assets, liabilities and contingent liabilities acquired have been identified and measured correctly.

Goodwill is stated at cost less accumulated impairment losses, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it may be impaired. The carrying amount of goodwill is compared to its recoverable amount, which is the higher of its value in use and its fair value less costs to sell. Impairment losses on goodwill are recognised immediately as an expense and cannot be reversed in subsequent periods.

2.1. FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets (financial assets at amortised cost and financial assets at fair value through profit or loss) and financial liabilities (financial liabilities at amortised cost).

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not at fair value through profit or loss. Purchases or sales of financial assets that require delivery of the asset within a specified period of time determined by specific market terms or arrangements (regular way transactions) are recognised at the time of purchase/sale, i.e., the date on which the Group and the Parent company commit to purchase or sell the asset.

Financial assets

The Group and the Parent company classify their financial assets in accordance with IFRS 9 in the following measurement categories:

- those that are subsequently measured at fair value (through other comprehensive income or profit or loss); and
- those to be measured at amortised cost.

Classification of financial assets

The classification of debt instruments depends on the business model adopted by the Group and the Parent company for the management of financial assets and whether the contractual cash flows consist solely payments of principal and interest (SPPI). If a debt instrument is held to collect cash flows, it may be carried at amortised cost if it meets the requirements of SPPI. Financial assets whose cash flows do not meet the requirements of the SPPI are measured at fair value through profit or loss (FVTPL), such as derivatives. Embedded derivatives are not separated from financial assets but are assessed for SPPI requirements as part of the financial assets.

Equity instruments are always measured at fair value. However, management has the irrevocable election right to present a change in fair value in other comprehensive income if the instrument is not held for trading. If an equity instrument is held for trading, the change in fair value shall be recognised in profit or loss.

Debt instruments

The future measurement of debt instruments depends on the Group’s and the Parent company’s business model and cash flow characteristics of assets. The Group and the Parent company classify all their debt instruments (including deposits with credit institutions) at amortised cost: assets held for the contractual collection of cash flows, where those cash flows are solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in income statement. Impairment is recognised as a separate line item on the income statement.

Equity instruments at fair value through other comprehensive income

Subsequent to initial recognition, the Group and the Parent company measure all equity instruments at fair value. If management has elected to present fair value gains or losses on equity instruments in other comprehensive income, changes in fair value are not reclassified to profit or loss on derecognition.

Dividends from such investments continue to be recognised in profit or loss to the extent that the Group and the Parent company have a right to receive the payments.

Impairment losses (and reversed impairment losses) on equity instruments measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

At the date of the initial application of IFRS 9, the Parent company classified all investments in equity instruments not held for trading as at fair value through other comprehensive income.

Cash

Cash and cash equivalents consist of cash balances on current accounts with banks.

Impairment of financial assets

Impairment is recognised according to the expected credit loss (ECL) model. The Group and the Parent company recognise an immediate loss equal to 12 months ECL on initial recognition of a financial asset, even if the financial asset has no impairment indicators (lifetime ECL is recognised for receivables from contracts with customers and other debtors). In the event of a significant increase in credit risk, impairment is measured using the lifetime ECL of an asset rather than the 12-month ECL. The model includes operational simplifications for receivables arising from contracts with customers.

For individually assessed financial assets, a material increase in credit risk is defined as a downgrade below investment grade or a change in the composition of participants that may have a negative impact on the external credit rating. For financial assets valued at portfolio level, a material increase in credit risk is defined as a default and insolvency of the debtor.

The Group and the Parent company have applied the operational simplification provided in IFRS 9 for the measurement of receivables from contracts with customers by grouping the receivables by credit quality and days past due and applying an expected credit loss percentage to each group. The ECL rates are estimated considering the payment history of the last three years and adjusted to reflect information on current and future forecasts.

Related party debt as well as loans to related parties are categorised into a separate group, for which ECL is calculated considering not only past experience but also the credit rating of the ultimate owner, the Republic of Latvia, and projections of future developments.

Although cash and deposits with an original maturity of less than three months are also subject to the requirements for calculating the ECL under IFRS 9, the amount of expected credit losses is immaterial given that predominantly all cash and deposits with original maturities of less than three months are held with financial institutions that themselves or their parent banks have an investment grade credit rating (predominantly A) (Level 1).

The impairment provision is included in a separate provision account and the loss is recognised in the income statement. If, in a subsequent period after impairment is recognised, the amount of the loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised (e.g., the debtor's credit rating improves), a reversal of the previously recognised impairment loss is recognised in income statement.

Derecognition of financial assets

A financial asset (or, if possible, a part of a financial asset or a part of a group of similar financial assets) is derecognised when:

- the contractual rights to the cash flows from the financial asset expire,
- the Group and the Parent company transfer the contractual rights to the cash flows from the financial asset or undertake to transfer the cash received to third parties in full without material delay in accordance with the agency agreement; or (a) the Group and the Parent company have transferred substantially all the risks and rewards of the financial asset and (b) the Group and the Parent company have neither transferred nor retained substantially all the risks and rewards of the financial asset but have transferred control of the financial asset.

Financial liabilities

Financial liabilities are measured at amortised cost or fair value through profit or loss. All financial liabilities of the Group and the Parent company are financial liabilities at amortised cost.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value. In subsequent periods, financial liabilities at amortised cost are carried at amortised cost using the effective interest rate. Financial liabilities at amortised cost are classified as current if they are due in one year or less. If the maturity date exceeds one year, they are presented as non-current liabilities.

Derecognition of financial liabilities

The Group and the Parent company derecognise a financial liability when its contractual obligations are discharged or cancelled or expire. The Group and the Parent company also derecognise financial liabilities when their terms are modified and the cash flows of the modified liability are materially different, in which case a new financial liability based on the modified terms is recognised at fair value. For derecognition of a financial liability, the difference between the derecognised carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in income statement.

2.2. TRANSACTIONS IN FOREIGN CURRENCIES

a) Functional and presentation currency

Items in the Group's financial statements are measured in the currency of the economic environment in which the Group operates (functional currency). The financial statements are prepared, and all items are presented in *euro* (EUR), which is the functional and presentation currency of the Group and the Parent company.

b) Transactions and balances

All transactions in foreign currencies are revalued in the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued in the functional currency at the exchange rate on the last day of the reporting year. The gain or loss is included in the profit or loss account for the period. Non-monetary items that are measured at historical cost in a foreign currency are revalued at the exchange rate on the date of the original transaction.

2.3. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets are initially recognised at cost. After initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Computer licences, software and their implementation costs are recognised as intangible assets and amortised on a straight-line basis over the useful lives of the assets, not exceeding 5 years.

Property, plant and equipment (PPE) of the Parent company and the Group (excluding electricity transmission structures, gas transmission buildings and structures, transmission lines and process equipment and other electricity transmission equipment) are carried at cost less accumulated depreciation and impairment losses. Acquisition costs include expenditure that is directly attributable to the acquisition of an asset. The land is not depreciated. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the value of the asset to its estimated useful life (considering the asset's residual value).

PPE category	**Useful life, in years**
Buildings and structures:	
Buildings	40 - 150
Power station structures	50
Transport structures (squares, roads)	30 - 50
Other civil engineering structures	15 - 65
Transmission lines:	
High-voltage electricity transmission lines	50
Other transmission lines	20-30
Technological equipment:	
Transformers	30 - 40
Substation process equipment, 110 kV-330 kV	20 - 40
Other technological equipment	10 - 15
Other PPEs	2 – 20

The main groups of PPEs of the Group and the Parent company are real estate related to electricity transmission facilities (buildings and structures), electricity transmission lines and engineering equipment, buildings related to natural gas transmission and storage, natural gas transmission lines and related engineering equipment, Inčukalns underground gas storage facility, as well as equipment and machinery related to natural gas transmission.

Engineering structures for electricity transmission, buildings and structures for gas transmission, transmission pipelines and technical equipment and other equipment for electricity transmission are presented in the financial statements at revalued amounts. Revaluation is performed with such regularity that the carrying amount of these assets does not differ materially from what it would be if fair value were used at the end of the reporting period (but at least once every five years). Other PPEs, including land, technological gas in pipelines and the emergency reserve for spare parts of PPEs, are presented at cost.

The increase in value resulting from the revaluation is recognised in the statement of comprehensive income as a change in the "Long-term asset revaluation reserve " in equity. If an impairment loss has been incurred as a result of the revaluation, it is first written off against the increase in value recognised in comprehensive income in previous years; if the impairment loss exceeds the revaluation reserve, the excess is recognised in the income statement for the year.

At the date of revaluation, the original carrying amount and the accumulated depreciation are increased or decreased in proportion to the change in the carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. The revaluation reserve for non-current assets is reduced and transferred to retained earnings when the revalued asset is written-off or disposed of. The revaluation reserve shall not be distributed as dividends, invested in share capital, used to cover losses, credited to other reserves or used for other purposes.

Future costs are included in the carrying amount of an asset or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group or the Parent company and the cost of the item can be measured reliably. Such costs are amortised over the remaining useful life of an asset.

The cost of routine repairs and maintenance of property, plant and equipment is charged to the income statement in the period in which it is incurred.

Gains or losses on disposal of property, plant and equipment are calculated as the difference between the carrying amount of the asset and the proceeds from disposal and included in the income statement of the period in which they arise. When revalued property, plant and equipment items are sold, the amount of the revaluation reserve attributable to that property, plant and equipment is transferred to retained earnings.

If the carrying amount of an intangible asset or property, plant and equipment is greater than its recoverable amount, the value of the intangible asset or property, plant and equipment item is written down immediately to its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the intangible asset or property, plant and equipment item (see Note 10).

2.4. LONG-TERM FINANCIAL INVESTMENTS

Other long-term financial investments are equity investments in other entities in which the Parent company and the Group do not have significant influence or control.

Under IFRS 9, equity instruments are measured at fair value on initial recognition. The Parent company and the Group applied the approach permitted by IFRS 9, i.e., electing, on initial recognition of a financial asset, to classify equity instruments not held for trading at fair value through other comprehensive income.

2.5. LEASES

At the inception of a contract, the Group and the Parent company assess whether the contract is a lease or contains a lease. A contract is, or contains, a lease if the contract confers the right to control the use of an identifiable asset for a fixed period of time in exchange for consideration.

The Group and the Parent company as lessee

When entering into a contract, the Group and the Parent company assess whether the contract is a lease or contains a lease. The Group and the Parent company recognise the right-of-use asset and the corresponding lease liability for all leases in which they are the lessee, except for short-term leases (where the lease term is 12 months or less) and leases of low-value assets (such as tablets, PCs, office equipment, small appliances and telephones).

Upon initial recognition, the Group and the Parent company measure the lease liability as the present value of the lease payments outstanding at that date. The lease payments are discounted using the interest rate implicit in the lease agreement. If this interest rate cannot be readily determined, the Group and the Parent company use their comparable borrowing rate.

The lease payments included in the lease liability comprise:

- fixed lease payments (including substantially fixed lease payments), less lease incentives receivable;
- variable lease payments that are index- or rate-dependent and were initially measured using an index or rate at the date of initial recognition;
- the amounts that the lessee would have to pay as residual value guarantees;
- the exercise price of the call option if there are reasonable grounds to believe that the lessee will exercise the option;
- lease termination fines if the lease term reflects the lessee exercising an option to terminate the lease.

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

Lease liabilities are subsequently measured at amortised cost using the effective interest method, with the carrying amount reduced to reflect the lease payments made.

The Group and the Parent company reassess the lease liability (and adjust the related right-of-use asset accordingly) whenever:

- the lease term has changed or there is a material event or change in circumstances that results in a change in the valuation of the option to purchase, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- lease payments change because of a change in an index or rate, or expected payments change because of a guaranteed residual value; in such cases, the lease liability is remeasured by discounting the revised lease payments using the original discount rate (unless the change in lease payments is due to a change in a variable interest rate, in which case the revised discount rate is used), the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use asset comprises from the initial amount of the corresponding lease liability, lease payments made on or before the commencement date less any lease discounts received and any initial direct costs. Subsequently these are measured at cost less accumulated depreciation and impairment losses.

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

The Group and the Parent company as lessor

The Group and the Parent company, as lessors, have only operating lease agreements. Lease income is recognised based on the amount of the lease payment, determined by reference to the fixed fee for each lease contract, and is recognised on a straight-line basis over the lease term.

2.6. INVENTORIES

Inventories are carried at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling costs. Cost is calculated using the weighted average method, except for natural gas, which is accounted for using the FIFO method. Inventories are recognised as an expense in the income statement in the reporting period in which they are used.

The cost of purchasing inventories includes the purchase price, import duties and other taxes and charges, transport and related costs, and other costs directly attributable to the supply of materials and goods. Trade discounts, rebates and similar discounts are deducted in determining the value of inventories.

The quantity of inventories is checked at the end of the year, when carrying out a stock-take.

2.7. DEFERRED REVENUE

Deferred revenue consists of grants, congestion management revenues and transmission connection charges.

Grants

Grants are recognised when there is a reasonable assurance that the grant will be received and that all related conditions will be met. A description of the conditions is provided in Note 19. Grants are recognised as income over the period necessary to allocate them systematically to the related costs for which they are intended to offset.

Asset-related grants

Grants related to the acquisition of property, plant and equipment are recognised at fair value as deferred income and credited to the income statement using the straight-line method over the estimated useful lives of the related assets.

Grants related to items of expenditure

If the grant relates to an item of expenditure and has a number of conditions attached, it is initially recognised at fair value as deferred income. The conditions attached to these grants are that the grant is to be used only for related expenditure, only for the purpose intended, the amount spent must be identifiable and separately accounted for (by providing separate accounting records). Grants are systematically charged to revenue in the periods when the related costs to be reimbursed are charged to expenditure.

A grant receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to an enterprise without further cost is recognised in income statement in the period in which it becomes receivable.

Congestion management at borders (auctions) and elimination of electricity capacity congestion

Under Section 13(4) and Section 13^1(6) of the Electricity Market Law, AS “Augstsprieguma tīkls” takes care of managing congestions and overloads in the transmission network, as well as receives fees for the auction of the limited capacity of the cross-section in accordance with the mutual compensation mechanism of the transmission system operators and the concluded agreements.

In situations where market participants demand more cross-border electricity capacity than is technically feasible, cross-border electricity capacity rights are sold in special auctions. Under the principle used in these auctions, 50% of the auction revenues belong to the transmission system operator of any country. Types of auctions:

1. The revenues of the intraday market auction are generated from the difference between the Latvian and the neighbouring Nord Pool electricity exchange price areas’ intraday exchange prices. The electricity exchange receives the price difference and passes it on to the relevant TSOs.

2. A long-term auction of transmission capacity aimed at reducing the inter-regional price risk resulting from a shortage of transmission capacity. Latvian and Estonian system operators AS “Augstsprieguma tīkls” and AS “Elering” offer transmission rights auctions (FTR) on an annual, quarterly and monthly basis. Market participants who have purchased FTR capacity are entitled to the proceeds of the day-ahead market auction for the same amount. The auctions are organised and the revenues distributed by the Single Allocation Platform (SAP) under the European System Operators, managed by the Joint Allocation Office (JAO).

Under Article 16 of Regulation (EC) No 714/2009 of the European Commission and of the Council of the European Union on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003 (hereinafter ‘the Regulation’), any revenues resulting from the allocation of interconnection shall be used for one or more purposes:

(a) guaranteeing the actual availability of the allocated capacity; and/or

(b) maintaining or increasing interconnection capacities through network investments, in particular new interconnectors;

(c) if the revenues cannot be efficiently used for the purposes above, they may use, subject to the approval of the regulatory authorities of the Member States, up to a maximum amount to be decided by those regulatory authorities, as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs and/or when setting network tariffs.

Under the provisions of the Regulation, revenues from congestion management that are not used for congestion and congestion relief on the transmission network are presented as deferred revenues in the balance sheet. Once these proceeds have been used to finance a specific long-term investment project, as determined by the Public Utilities Commission, the deferred revenue is amortised by recognising this income in the current year's income statement (line item "Other income") on a straight-line basis over the amortisation/depreciation period of the established long-term investment.

In accordance with the principle of matching revenues and costs, congestion management revenues used to address congestion and congestion on the transmission network are presented gross in the income statement under "Other revenues" in the same period as the costs of addressing congestion and congestion.

In accordance with the Methodology for calculating electricity transmission network service tariffs, and the permission granted by the PUC, in 2022, revenue from congestion charges were allocated to absorb the costs of electricity transmission losses and technological process support in the amount of EUR 36,540 thousand. This congestion charge revenue is presented in the income statement under "Revenue" (see Note 4).

2.8. EMPLOYEE BENEFITS

a) Defined contribution plans

The Group and the Parent company make monthly contributions to a closed defined contribution pension plan on behalf of employees. The Plan is managed by the joint stock company "Pirmais slēgtais pensiju fonds", in which the Parent company has an interest. The Group and the Parent company do not incur any additional legal or constructive obligation to make additional contributions to a defined contribution pension plan if the plan does not have sufficient assets to pay all employee benefits for services rendered by the employee in the current or prior periods. Contributions are made at 6% of each pension plan member's salary. Pension contributions are recognised as an expense on an accrual basis and included in Personnel costs.

b) Defined benefit plans

In addition to the above pension plan, the Group and the Parent company provide certain post-employment benefits (defined benefit obligations) to employees whose employment conditions meet certain criteria. The benefit obligation is calculated annually considering the current salary level and the number of employees who are due to receive payments, the historical number of terminations and actuarial assumptions. The defined benefit obligation is recalculated annually by independent actuaries.

The present value of the benefit obligation is determined by discounting the estimated future cash flows using government bond market rates. The net interest cost is calculated by applying a discount rate to the net balance of the specified liability obligation. These costs are included in employee liability expense in the income statement.

Actuarial gains or losses arising from experience-based calculations and changes in actuarial assumptions are included in the statement of comprehensive income in the reporting period in which they arise in a separate reserve called 'Post-employment benefit plan revaluation reserve'. They are included in retained earnings in the statement of changes in equity and on the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or reductions are recognised immediately in income statement as an expense in respect of the past service cost.

c) Accrued unused annual leaves

The accrued costs of unused annual leaves are calculated for each employee by multiplying the number of days of unused leave at the end of the reporting period by the average daily wage during the last six months of the reporting period, plus the employer's share of national social insurance compulsory contributions.

2.9. CORPORATE INCOME TAX

Corporate income tax

Corporate income tax is charged on distributed profits (net of dividends received from subsidiaries) and conditionally distributed profits (for example, expenses not related to economic activity, and other specific cases determined by law). Distributed profits and other items of deemed profit are taxed at a rate of 20% of their gross amount or 20/80 of net expenses.

Corporate income tax on dividends is recognised as an expense in the income statement in the accounting period in which the dividend is declared and, for other items of deemed profit, when the cost is incurred within the accounting year, irrespective of when the payment is made.

Deferred tax

A deferred tax liability is recognised in the consolidated financial statements for the undistributed profits of subsidiaries of the Parent company that will be taxed in the foreseeable future. Other deferred tax assets and liabilities are not recognised.

2.10. PROVISIONS

Provisions are recognised when the Group or the Parent company has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions for future operating losses are not recognised.

Provisions are recognised in the balance sheet by measuring as closely as possible the amount of expenditure that would be required to settle the liability at the balance sheet date. Provisions are used only for the expenditure for which the provision was originally recognised and are reduced when the potential outflow of resources is no longer foreseeable.

Provisions are measured by reference to the present value of the expenditure expected to be incurred to settle the present obligation, using a pre-tax rate that reflects current market assessments of the value of money and the risks inherent in the obligation as a discount rate. The increase in the provision over time is recognised as interest expense.

2.11. REVENUE RECOGNITION

Revenue from customers within the scope of IFRS 15 is the value of products sold and services rendered as a result of operating activities. The Group and the Parent company account for contracts with a customer only 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 customary commercial practice) and have committed to perform their respective obligations;

(b) it is possible to determine the rights of each party in respect of the goods or services to be transferred;

(c) down payment may be required for the goods or services to be transferred;

(d) the contract is commercial in nature (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract);

(e) it may be that the entity will collect the consideration due to it in exchange for the goods or services that will be transferred to the customer.

In assessing whether it is probable that the amount of the receivable will be collected, the Group and the Parent company consider only the customer's ability and intention to repay the amount of the receivable in a timely manner.

A performance obligation is a promise (express or implied) in contracts with customers of the Group and the Parent company to transfer to the customer either distinct goods and services or a series of distinct goods and services that are substantially the same and have the same characteristics in relation to the transfer to the customer.

Promised goods or services are separate performance obligations when the goods or services are different. A promised good or service is distinct if the customer can obtain the benefits of the good or service separately or through other readily available resources (i.e., distinct) and the good or service is separable from other contractual promises (i.e., distinct within the contract). Both criteria must be met in order to conclude that a good or service is distinct.

The Group and the Parent company recognise revenue when (or as) they have fulfilled their obligation to deliver the promised good or service to the customer. Revenue is recognised when the customer obtains control of the identified good or service.

The Group and the Parent company use the outcome-based approach to measure the entity’s progress towards complete satisfaction of its performance obligations.

All revenue is recognised over time as the continuous delivery of these goods and services occurs over the term of the respective contracts. For such contracts, revenue from completed performance obligations is recognised over time when one of the following criteria is met:

- the customer receives and consumes benefits at the same time;
- the customer controls the asset at the time the asset is constructed or improved;
- The Group’s and the Parent company’s activities do not constitute an asset with an alternative use but may receive payment for timely completion.

Revenue from the exercise of performance obligations is recognised based on the agreed transaction price (net of value added tax and discounts). The transaction price reflects the amount to which the Group and the Parent company are entitled under the current contract. It applies to different performance obligations based on the individual prices of the goods or services promised in the contract. The Group and the Parent company allocate the transaction price to the different performance obligations pro rata to their observable individual prices and recognise revenue when the performance obligations are satisfied.

Payment deadlines, according to the terms of the contracts for goods or services delivered to customers, are 20 to 45 days after the provision of services or sale of goods. Invoices are mostly issued on a monthly basis.

a) Electricity transmission network service (IFRS 15)

Revenues for transmission system services are based on tariffs approved by the Public Utilities Commission and are recognised in accordance with IFRS 15. The Parent company is entitled to a refund from the customer of an amount directly corresponding to the value that the customer obtains from the timely completion of the Parent company’s activities.

The Parent company's revenue from transmission system services is recognised at the end of each month on the basis of the measurements automatically read by meters.

b) Compulsory Procurement Components (IFRS 15)

Pursuant to Paragraph 105 of the Cabinet Regulation No.50 *Regulation on the sale and use of electricity* dated 21 January 2014, the Parent company collects the compulsory procurement components (hereinafter referred to as "MPC") from all end-users of electricity or their traders if the end-user has delegated to the trader settlements with the Parent company for system services and ancillary services.

Revenue from MPC is determined according to the tariffs set by the Public Utilities Commission and the volumes of electricity transported. At the same time, the Parent company is required to make MPC payments to the Public energy trader for the electricity transported to end-users.

Considering that the Parent company has no influence on the pricing of the service and no right to directly or indirectly set its own prices, MPC revenue is recognised on an agency basis, with revenue recognised in the income statement on a net basis.

c) Revenues from electricity/power sales (sale of balancing electricity and sale of regulating electricity, IFRS 15)

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

When participating in electricity trading, the transmission system operator must follow open, non-discriminatory and market-based procedures, except in the event of a deviation from normal operation of the system or an accident. In the event of a deviation from normal operation or an accident, the transmission system operator shall act in accordance with the provisions of the Network Code.

Revenue from the sale of electricity/power is recognised on the basis of the acceptance and transfer notes and invoices issued each month for the electricity/power supplied during that month in accordance with the mutually agreed contracts. The Parent company considers that it acts as a principal in the sale of electricity under the balancing service as the Parent company is responsible for balancing the electricity transmission system.

d) Charge for connection to the electricity transmission network (IFRS 15)

AS "Augstsprieguma tīkls" ensures the necessary connections to the electricity transmission network for the network participants or increase the allowable load of existing connections in accordance with the system participant connection rules adopted by the Public Utilities Commission.

The charge for connection to the transmission network is a non-refundable advance payment made by customers for secure connection to the transmission network. These charges are not separate operational obligations as they are closely related to transmission network services. The connection charge partially covers the cost of the infrastructure that must be built to connect the customer to the grid. The transmission connection charge is calculated in accordance with the methodology established by the Public Utilities Commission.

Charges for connection to the transmission network are recognised as short-term and long-term deferred revenue in the statement of financial position (liabilities that are planned to be covered within the next year are included in the short-term position) and amortised in the income statement on a straight-line basis over the estimated period of commercial relationship with the customer (lease term) of 20 years. The advance payments made for the provision of the service are recognised as current liabilities in the statement of financial position.

e) Revenue from natural gas transmission (IFRS 15)

The natural gas transmission service is considered a single performance obligation in accordance with IFRS 15. The sale of natural gas transmission capacity products is a regulated service provided by the Group to the users of the transmission network applying approved tariffs. Short-term (quarterly, monthly, daily and intraday capacity) and long-term natural gas transmission capacity products (annual capacity) are offered. Revenue from trading in transmission capacity products, which by the nature of the service means the provision of transmission infrastructure and does not vary in time depending on the product chosen for each unit of capacity, is recognised in the income statement for each billing month on a pro rata basis for the period of the respective transmission capacity product booked by the user.

f) Revenue from natural gas storage (IFRS 15)

The service of natural gas storage is considered a single performance obligation under IFRS 15. The Group provides the service of selling capacity in Inčukalns UGS facility at approved tariffs to storage users who have reserved natural gas storage capacity for the storage season. Revenue from the sale of storage capacity, which by the nature of the service represents the provision of infrastructure at the Inčukalns UGS facility and does not change during the storage season, is recognised at the storage tariff for each reporting month and pro rata over the remaining months until the end of the storage season.

g) Revenue from natural gas balancing (IFRS 15)

The Group manages information on the amount of natural gas injected into and withdrawn from the transmission system by the users of the transmission system and calculates imbalances. The daily imbalance is the difference between the input and the output. Balancing revenue must be reported for each reporting month in which a user of the natural gas transmission system has a negative imbalance that has resulted in an undersupply of natural gas to the transmission system. In the case of a positive imbalance, the Group reports a charge in the reporting month. In the financial statements, the balancing income is reported in net amounts under “Other revenue” (revenue less expenses for periods with a positive balance). The net balancing result reflects the level of administration expenses. In order to comply with the principle of profit neutrality, the Group charges a neutrality charge. The neutrality charge is a charge that a natural gas transmission system operator pays to or receives from transmission network users in connection with balancing the natural gas transmission system. This charge is the difference between the costs of the natural gas transmission system operator and the revenues from balancing activities. The cost of neutrality can be positive or negative. In the case of a negative neutrality charge, the natural gas transmission network operator shall pay the neutrality charge to the users of the transmission system. In the case of a positive neutrality charge, the natural gas transmission network operator shall collect the neutrality charge from the transmission system users. Under Regulation of the balancing rules for the natural gas transmission entrance-exit system issued by the PUC, the financial neutrality of the natural gas transmission system operator is ensured using the neutrality charge.

The Group acts as an intermediary performing the balancing administration function. The Group acts as an intermediary due to the following: the Group has no control over the services before they are passed on to the customers; the Group is obliged to bill and charge the customers for the services but has no right to the revenue; the Group has no right to set the price of the services itself, directly or indirectly. Having assessed the available information, the Group assumes that it acts as an intermediary in these transactions. Therefore, the revenue from natural gas balancing revenue is recognised in the income statement on a net basis, applying the agency basis of accounting.

h) Electricity cross-border perimeter charges and electricity transit revenues (IFRS 15)

From November 2020, the Parent company receives revenue in the form of a perimeter charge for electricity trading at the border with a third country (the border between Latvia and Russia). An inter-transmission system operator (TSO) compensation mechanism (ITC) has been established in line with the requirements of Regulation (EU) 838/2010 of 23 September 2010, which provides for the establishment of a single TSO compensation mechanism.

The ITC mechanism lays down common principles for compensation for the provision of transit flows and for the provision of infrastructure necessary for transit flows. Under the ITC mechanism, the perimeter charge is paid to the ITC Member State through which the trade with the third country takes place. In addition, revenue is generated from the provision of infrastructure required for transit flows through the Parent company’s network.

The Parent company receives a perimeter charge for monthly trading at the Latvian-Russian border. The total amount of the charge is directly linked to the monthly volume of cross-border transactions carried out by third parties and is collected monthly. Transit revenue is also collected monthly and is linked to the actual transit volume of electricity in the network.

i) Revenue from reactive electricity (IFRS 15)

In addition to transmission services, there is a charge for reactive electricity transferred to the network. The fee for the transfer of reactive electricity is calculated in accordance with the Regulation of the Cabinet of Ministers No 50 Regulations on the Sale and Use of Electricity dated 21 January 2014.

The amount of electricity fed into the network is based on meter readings. Charges are billed monthly for reactive electricity fed into the network at the statutory rate of EUR 0.013/kVArh.

j) Other services (IFRS 15)

Other revenue includes revenue from technical laboratory services, equipment maintenance services, and similar services. Services are billed monthly in accordance with mutually concluded agreements.

2.12. BORROWINGS AND LOANS

Borrowings and loans are classified as current liabilities unless there is an unconditional right to defer payment for at least 12 months after the balance sheet date.

General and specific borrowing costs that relate directly to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their expected use or sale, are added to the cost of constructing or acquiring those assets until they are actually ready for their expected use.

2.13. RELATED PARTIES

Parties are considered related if one party has the ability to control the other or exercises significant influence over the other party in financial and operational decisions. Related parties of the Group and the Parent company are the shareholder who controls the Parent company in making economic decisions, members of the Boards of the Group companies, members of the Board of the Parent company, members of the Supervisory Board of the Parent company - the Audit Committee and close family members of any of the above persons, as well as companies over which these persons have control or significant influence.

Since all shares of AS “Augstsprieguma tīkls” are 100% owned by the Republic of Latvia, the state-controlled capital companies are also considered to be related parties.

2.14. APPLICATION OF MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management of the Group and the Parent company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The following judgements made by the Group’s and Parent company’s management have a significant influence on the financial statements:

Post-employment benefit obligations

Based on statistical and analytical information and specialist estimates, the Group and the Parent company make estimates and assumptions about post-employment benefit obligations as described in Note 2.8.

For the reporting year, the discount rate used to discount the post-employment benefit obligation is set at 3.2381% (0.501% in 2021). The discount rate is determined in accordance with International Financial Reporting Standards, which require the discount rate be based on the market yield on high-quality government bonds at the balance sheet date. In addition, the discount rate should reflect the time value of money and not actuarial or investment risk.

Under the provisions of the Collective Bargaining Agreement, which provides for annual indexation of employees' remuneration to previous year inflation, the calculation of post-employment benefit provisions considers projected indexation of employees' remuneration of 20.8% in 2023, 10% in 2024, 4.4% in 2025 and 3% in 2026 and thereafter.

SENSITIVITY ANALYSIS OF THE TOTAL VALUE OF POST-EMPLOYMENT BENEFITS AT 31 DECEMBER 2021, IN EUR		
	Increase	**Decrease**
Discount rate (+/-1 percentage point)	186,059	(321,940)
	5%	-9%
Monthly salary increase (+/- 1 percentage point)	374,027	(315,781)
	11%	-9%
Staff turnover rate (+/- 1 percentage point)	411,869	(342,908)
	12%	-10%
SENSITIVITY ANALYSIS OF THE TOTAL VALUE OF POST-EMPLOYMENT BENEFITS AT 31 DECEMBER 2022, IN EUR		
	Increase	**Decrease**
Discount rate (+/-1 percentage point)	300,666	(254,261)
	9%	-8%
Monthly salary increase (+/- 1 percentage point)	290,439	(250,700)
	9%	-8%
Staff turnover rate (+/- 1 percentage point)	328,022	(279,156)
	10%	-8%

Revenue and expenses related to the participation of the Parent company in the ENTSO-E mechanism for the compensation of losses caused by electricity transit flows

Based on statistical and analytical information as well as expert forecasts, the Parent company estimates and makes assumptions regarding the revenue and expenses related to its participation in the ENTSO-E mechanism for the compensation of losses caused by electricity transit flows (ITC mechanism). The ITC mechanism is a transit loss cost recovery mechanism for transmission system operators of 35 European transmission networks, with two funds: the *Framework fund* and a common European Union TSO transit volume fund (WWT - *with and without transit*), which varies according to the situation on the electricity market. The most important factors influencing the estimate are the transit flows of electricity across the European electricity transmission networks, as well as the price of transit losses in the ITC Facility Member States, which affect the size of the WWT Fund. The forecast is made in each Member State on the basis of six loss measurements per month and a loss price. Revenue is forecast on a prudent basis.

The accrued revenue at December 2022 was EUR 1,282,684, and the accrued expenses were EUR 960,093. Of the accrued income, EUR 316,684 is based on settlement notices accepted by the Parent company which were unbilled at 31 December 2022. Of the accrued expenses, EUR 895,093 are based on settlement notices accepted by the Parent company for which no invoices were received as at 31 December 2022.

Carrying amounts of intangible assets and property, plant and equipment

The Group's and the Parent company's management assesses the carrying amounts of intangible assets and property, plant and equipment and assesses whether there is any indication that the recoverable amounts of the assets is less than their carrying amounts. The Group's and Parent company's management calculates and recognises impairment losses on intangible assets and property, plant and equipment based on estimates of their future use, disposal or sale.

In assessing impairment, management uses various estimates of cash flows arising from the use, sale, maintenance and repairs of assets, as well as inflation and interest rate increases.

The estimates are based on forecasts of the general economic environment, consumption and electricity sales prices. If future realities change, an additional impairment loss would be incurred, or the recognised impairment loss could be partially or fully reversed.

The impairment loss is recognised in the reporting period.

Given the projected volume of business and the probable fair value of the assets, management believes that no material adjustments to the value of intangible assets and property, plant and equipment are required as at 31 December 2022.

In accordance with the Group's accounting policies, the Group companies make estimates of the useful lives and book values of property, plant and equipment. These estimates are based on past experience and industry practice and are reviewed at the end of each reporting year. Past experience has shown that the actual useful lives have sometimes been longer than the estimates. The values of fully amortised intangible assets and property, plant and equipment are disclosed in Notes 10.1 and 10.2. Quantifying the impact of possible changes during the useful life is not considered practicable, therefore no sensitivity analysis is disclosed.

The Group and the Parent company do not calculate depreciation for emergency spare parts. The reason for this is past experience that the potential depreciation charges for such items would not be material in the context of the financial statements. In addition, impairment losses are recognised for damaged goods, where applicable, to reflect changes in the recoverable amount of spare parts.

Part of the Group's and Parent company's property, plant and equipment is revalued by independent, external and certified valuation experts using a depreciated replacement cost model. The valuation is performed in accordance with international property valuation standards based on the current use of the PPEs, which is assessed as the most efficient and best use of these assets. The valuation resulted in a depreciated replacement cost for each asset. The depreciated replacement cost is the difference between the cost of replacing or renewing a comparable asset at the date of revaluation and the accumulated depreciation of the asset, which includes physical deterioration, functional (technical) obsolescence and economic (external) obsolescence. Physical depreciation was determined in relation to the age of the asset. For property, plant and equipment items that are to be overhauled in the near future, an additional functional depreciation is determined. The remaining useful life of property, plant and equipment after revaluation is reviewed in accordance with the estimated accumulated depreciation. The Group's management assesses annually whether the carrying amount of revalued property, plant and equipment differs materially from its fair value at the balance sheet date.

Details of the revaluation of property, plant and equipment are given in Note 10.2.

3. OPERATING SEGMENTS

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

Reportable segments are operating segments or clusters of segments that meet certain criteria. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses associated with transactions with other components of the Group), whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment, assess its performance and for which separate financial information is available.

The profit monitored by the Chief Operating Decision Maker is mainly EBITDA, but operating profit is monitored, too. Operating profit excludes dividend income and interest income from subsidiaries in the separate financial statements.

The Group divides its activities into three segments: electricity transmission, natural gas storage and natural gas transmission. The Parent company divides its activities into one main business segment - electricity transmission. The Group operates geographically only in Latvia.

Electricity transmission

The electricity transmission segment provides electricity transmission network services and ensures balancing and stability on the transmission network.

The electricity transmission network consists of interconnected networks and facilities, including cross-border connections of 110kV and above, used to transmit electricity from electricity producers to the relevant distribution network or end-users.

Natural gas transmission

The natural gas transmission segment transports natural gas through high-pressure pipelines to supply the Inčukalns underground gas storage facility, other countries and the distribution system.

The Group's advanced main natural gas transmission system is 1,190 km long and is directly connected to the natural gas transmission systems of Lithuania, Estonia and Russia, providing both natural gas transmission through regional pipelines in the territory of Latvia and interconnections with the natural gas transmission systems of neighbouring countries.

Natural gas storage

The natural gas storage segment provides natural gas storage required for the heating season and other needs of system users at Inčukalns PUC facility.

The purpose of natural gas storage is to ensure a constant supply of natural gas to consumers, regardless of seasonal fluctuations in consumption, by pumping in natural gas in the summer and withdrawing it in the winter. Inčukalns PUC facility is the only operating underground gas storage facility in the Baltic States, which has ensured the stability of gas supply in the region since 1968.

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

Segment information is presented for the Group only, as the Parent company is treated as a single operating segment, i.e., the power transmission segment.

	Group					
	Electricity transmission EUR	Natural gas transmission EUR	Natural gas storage EUR	Total segments EUR	Adjustments and eliminations EUR	Total Group EUR
2022						
External customers	296,000,232	26,259,951	28,871,448	351,131,631	-	351,131,631
Revenue	**296,000,232**	**26,259,951**	**28,871,448**	**351,131,631**	**-**	**351,131,631**
EBITDA	**40,319,257**	**13,044,716**	**19,169,822**	**72,533,795**	**-**	**72,533,795**
Depreciation and amortisation	(35,303,616)	(10,099,447)	(7,759,085)	(53,162,148)	-	(53,162,148)
Segment profit before tax	**4,453,547**	**2,562,496**	**11,189,414**	**18,205,457**	**-**	**18,205,457**
Segment assets at the end of the reporting year	823,396,127	238,760,565	225,048,730	1,287,205,422	(10,708,735)	1,276,496,687
Segment liabilities at the end of the reporting year	510,271,130	81,986,964	48,461,667	640,719,761	4,489,809	645,209,570
Capital expenditure	31,485,391	5,452,438	9,488,226	46,440,367	-	46,426,055
2021						
External customers	125,787,322	32,914,919	23,996,365	182,698,606	-	182,698,606
Revenue	**125,787,322**	**32,442,743**	**23,996,365**	**182,226,430**	**-**	**182,226,430**
EBITDA	**35,577,990**	**18,787,080**	**14,778,098**	**69,143,168**	**-**	**69,143,168**
Depreciation and amortisation	(36,904,301)	(10,320,671)	(7,485,078)	(54,710,050)	-	(54,710,050)
Segment (loss)/profit before tax	**(3,440,541)**	**8,287,047**	**7,186,325**	**12,032,831**	**-**	**12,032,831**
Segment assets at the end of the reporting year	774,882,520	250,659,943	217,410,340	1,242,952,803	(10,707,401)	1,232,245,402
Segment liabilities at the end of the reporting year	443,935,884	85,266,066	50,399,910	579,601,860	4,831,232	584,433,092
Capital expenditure	33,848,041	10,579,496	16,772,102	61,199,639	-	61,199,639

Adjustments and eliminations

Deferred tax is not attributed to individual segments as the underlying instruments are managed within the Group. Taxes and certain financial assets and liabilities are not attributed to these segments as they are also managed at the Group level.

Capital expenditure consists of additions to PPE and intangible assets.

Reconciliation of profit before tax

	Parent company		Group	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
EBITDA	**40,319,257**	**35,577,990**	**72,533,795**	**69,143,168**
Depreciation and amortisation	(35,303,616)	(36,904,301)	(53,162,148)	(54,710,050)
Segment profit/(loss) before tax and finance costs	**5,015,641**	**(1,326,311)**	**19,371,647**	**14,433,118**
Finance income	54,910	6,905	61,559	7,607
Finance expenses	(617,004)	(2,121,135)	(1,227,749)	(2,407,894)
Segment profit/(loss) before tax	**4,453,547**	**(3,440,541)**	**18,205,457**	**12,032,831**
Dividends received from a subsidiary	6,536,774	58,286,236	-	-
Profit before tax	**10,990,321**	**54,845,695**	**18,205,457**	**12,032,831**

Reconciliation of assets

	Parent company		Group	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021,
	EUR	EUR	EUR	EUR
Segment assets	823,396,127	774,882,520	1,287,157,856	1,242,952,803
Long-term financial investments	134,394,971	134,396,393	46,422	-
PPE *	-	-	(10,708,163)	(10,708,163)
Receivables from contracts with customers	-	-	572	762
Total assets	**957,791,098**	**909,278,913**	**1,276,496,687**	**1,232,245,402**

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

Reconciliation of liabilities

	Parent company		Group	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Segment liabilities	510,271,130	443,935,884	640,719,761	579,591,860
Deferred tax liability	-	-	4,490,381	4,841,892
Trade payables	-	-	(572)	(660)
Total liabilities	**510,271,130**	**443,935,884**	**645,209,570**	**584,433,092**

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

Revenue from major customers

	Parent company		Group	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Electricity transmission	263,796,445	105,480,292	263,796,445	105,480,292
Natural gas transmission	-	-	25,592,141	26,424,607
Natural gas storage	-	-	18,204,528	17,074,136
Total revenue from major customers	**263,796,445**	**105,480,292**	**307,593,114**	**148,979,035**

4. REVENUE

	Applicable IFRS	Parent company		Group	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR *(reclassified*)*
Revenue from contracts with customers recognised over time					
Electricity transmission system service	IFRS 15	75,232,089	76,145,380	75,232,089	76,145,380
Balancing electricity sales	IFRS 15	94,272,698	36,928,136	94,272,698	36,928,136
Revenue from natural gas storage	IFRS 15	-	-	28,871,448	23,996,365
Revenue from natural gas transmission	IFRS 15	-	-	25,740,793	32,442,743
Revenue from connection charges	IFRS 15	3,467,086	3,409,719	3,467,086	3,409,719
Regulatory electricity sales	IFRS 15	3,236,885	631,946	3,236,885	631,946
Electricity transit service	IFRS 15	1,285,850	88,241	1,285,850	88,241
Electricity cross-border perimeter charges	IFRS 15	614,675	1,717,020	614,675	1,717,020
Reactive electricity revenues	IFRS 15	697,545	655,931	697,545	655,931
Revenue from natural gas balancing, net*	IFRS 15	-	-	519,158	472,176
Other services	IFRS 15	828,531	701,312	825,531	701,312
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS		**179,635,359**	**120,277,685**	**234,766,758**	**177,188,969**
Other revenue					
Congestion management at the borders	IAS 20	63,350,003	3,309,834	63,350,003	3,309,834
Congestion management revenue to cover the costs of transmission losses**	IAS 20	36,539,596	-	36,539,596	-
Electric power congestion elimination	IAS 20	14,707,040	580,896	14,707,040	580,896
Asset leases	IFRS 16	1,768,234	1,618,907	1,768,234	1,618,907
TOTAL OTHER REVENUE		**116,364,873**	**5,509,637**	**116,364,873**	**5,509,637**
TOTAL REVENUE		**296,000,232**	**125,787,322**	**351,131,631**	**182,698,606**

* Revenue and expenses from balancing are recognised applying the agency principle and are disclosed on a net basis within income statement as part of operating income (reclassified from other income, disclosed in Note 28).

** According to the *Methodology for calculating electricity transmission network service tariffs*, fluctuations between budgeted and actual revenue and costs are compensated in the next regulatory period. However, in accordance with paragraph 67 of the Methodology, the transmission system operator may request permission from the PUC to use the congestion charge revenue to cover the costs related to electricity losses and maintaining the technological process in 2022. Considering the foregoing, and with the permission of the PUC, the revenue in amount of EUR 36,539,596 from congestion charges for 2022 was channelled into absorbing electricity transmission losses and costs for maintaining the technological process.

Revenue and expenses from the compulsory procurement component are disclosed in the financial statements on a net basis, applying the agency principle:

	Parent company		Group	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Compulsory procurement component revenue	564,827	4,857,584	564,827	4,857,584
Compulsory procurement component expenses	(564,827)	(4,857,584)	(564,827)	(4,857,584)
Compulsory purchase components, net	**-**	**-**	**-**	**-**

Revenue and expenses from balancing natural gas on an agency basis are disclosed in the accounts on a net basis:

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

5. OTHER REVENUE

	Parent company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR *(reclassified*)*
Recognised deferred revenue from EU co-financing for capital investments (see Note 19)	3,628,395	3,447,957	4,242,915	3,831,771
Recognised deferred revenue from congestion charges	1,191,483	1,040,506	1,191,483	1,040,506
Proceeds from sale, disposal of current assets and property, plant and equipment, net	585,670	365,548	585,670	365,548
EU financial support (for training)	-	840	-	840
Other revenue	1,786,195	147,630	2,052,969	402,654
TOTAL OTHER REVENUE	**7,191,743**	**5,002,481**	**8,073,037**	**5,641,319**

*see Note 28

6. RAW MATERIALS AND CONSUMABLES USED

	Parent company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Purchase of balancing electricity	73,818,693	27,923,347	73,818,693	27,923,347
Electricity transmission losses and technological consumption	36,539,596	16,395,882	36,539,596	16,395,882
Purchase of regulatory electricity	23,653,879	9,573,605	23,653,879	9,573,605
Natural gas transmission and storage system maintenance services	-	-	4,244,720	5,172,301
Electricity transit losses	10,795,719	4,211,314	10,795,719	4,211,314
Cost of materials used and repair works	1,664,347	2,227,539	3,235,300	3,446,915
Natural gas costs	-	-	482,772	769,029
Electricity for self-consumption	576,799	373,322	576,799	373,322
TOTAL RAW MATERIALS AND CONSUMABLES USED	**147,049,033**	**60,705,009**	**153,347,478**	**67,865,715**

7. PERSONNEL COSTS

	Parent company		Group	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Remuneration for work	13,813,365	12,656,478	24,554,512	22,078,405
National social insurance mandatory contributions	3,317,599	2,931,714	5,825,131	5,158,783
Contributions to a pension plan (defined contribution plan)	700,257	657,497	1,270,790	1,178,216
Other benefits under collective agreements (defined benefit plans)*	790,825	215,189	790,825	215,189
Other personnel costs	-	-	14,993	14,243
TOTAL PERSONNEL COSTS	**18,622,046**	**16,460,878**	**32,456,251**	**28,644,836**
including remuneration to the Parent Company's management (Board and Supervisory Board):				
Remuneration for work	840,310	671,290	1,458,660	1,228,776
National social insurance mandatory contributions	198,258	157,908	344,532	294,007
Contributions to a pension plan (defined contribution plan)	-	-	45,358	45,097
Other personnel costs	-	-	3,000	-
TOTAL REMUNERATION OF THE PARENT COMPANY'S MANAGEMENT	**1,038,568**	**829,198**	**1,851,550**	**1,567,880**
Number of employees at the end of the reporting period	522	529	878	882
Average number of employees during the reporting period	522	534	878	868

*In 2022, additional actuarial gains or losses for previous periods in the amount of EUR 490,256 are included.

8. OTHER OPERATING EXPENSES

	Parent company		Group	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Elimination of electric power congestion*	77,916,884	3,781,782	77,916,884	3,781,782
Reserve electricity capacity for electricity system reliability	7,892,280	4,088,585	7,892,280	4,088,585
Telecommunications for power system reliability	2,995,180	2,871,898	2,995,180	2,871,898
Transport costs	946,951	721,158	1,192,118	934,786
IT system maintenance costs	1,443,195	1,279,676	2,225,235	2,004,598
Premises and grounds maintenance expenses	1,349,990	1,046,644	1,349,990	1,046,644
Synchronous compensators for power system reliability	1,338,608	1,269,887	1,338,608	1,269,887
Taxes and duties	184,525	187,937	1,059,157	1,522,873
Nature and job safety costs	129,693	120,482	129,693	120,482
Transmission system asset reconstruction and renewal works	15,634	-	15,634	-
Other costs	2,988,699	2,677,877	4,752,365	5,044,671
TOTAL OTHER OPERATING EXPENSES	**97,201,639**	**18,045,926**	**100,867,144**	**22,686,206**

* As a result of the increase in the price of electricity, the Parent company's costs increased significantly within the framework of the Financial Transmission Rights - option auction organized by the Estonian transmission system operator ''Elering'' AS on the Estonia-Latvia border in the direction of Estonia-Latvia. The optional financial transmission right is a financial instrument with the help of which electricity market participants can limit the risk of electricity exchange price fluctuations between the electricity trading areas of Estonia and Latvia. The mentioned costs are covered by the received congestion fee revenues.

9. FINANCE INCOME AND EXPENSES

	Parent company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
a) Finance income				
Interest income on loans	47,194	-	47,194	-
Other finance income	7,716	6,905	14,365	7,607
Total finance income	**54,910**	**6,905**	**61,559**	**7,607**
b) Finance expenses				
Interest expense on borrowings	-	(2,066,651)	(589,271)	(2,328,646)
Interest expenses on coupon of debt securities issued (Note 20)	(526,438)	(105,288)	(526,438)	(105,288)
Expenditure on debt securities issued	-	(2,630)	-	(2,630)
Capitalised interest expenses of borrowings	148,268	301,502	148,268	301,502
Interest expense on leased assets (Note 20)	(230,846)	(237,971)	(251,502)	(260,822)
Other finance expenses	(7,988)	(10,097)	(8,807)	(12,010)
Total finance expenses	**(617,004)**	**(2,121,135)**	**(1,227,749)**	**(2,407,894)**

10. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

10.1. INTANGIBLE ASSETS

	Parent company			
	Computer software and licences EUR	**Transmission right-of-use assets EUR**	**Intangible assets under construction EUR**	**Total EUR**
At 31 December 2020				
Historical cost	2,108,318	1,892	199,500	2,309,710
Accumulated depreciation	(873,665)	(835)	-	(874,500)
NBV at 31 December 2020	**1,234,653**	**1,057**	**199,500**	**1,435,210**
For 2021				
Additions	887,557	-	256,992	1,144,549
Transferred	135,000	-	(135,000)	-
Amortisation charge	(457,897)	(95)	-	(457,992)
NBV at 31 December 2021	**1,799,313**	**962**	**321,492**	**2,121,767**
At 31 December 2021				
Historical cost	3,126,796	1,892	321,492	3,450,180
Accumulated amortisation	(1,327,483)	(930)	-	(1,328,413)
NBV at 31 December 2021	**1,799,313**	**962**	**321,492**	**2,121,767**
For 2022				
Additions	585,678	-	983,254	1,568,932
Transferred	390,000	-	(390,000)	-
Amortisation charge	(635,308)	(95)	-	(635,403)
NBV at 31 December 2022	**2,139,683**	**867**	**914,746**	**3,055,296**
At 31 December 2022				
Historical cost	3,993,948	1,892	914,746	4,910,586
Accumulated amortisation	(1,854,265)	(1,025)	-	(1,855,290)
NBV at 31 December 2022	**2,139,683**	**867**	**914,746**	**3,055,296**

	Group			
	Computer software and licences EUR	**Transmission right-of-use assets EUR**	**Intangible assets under construction EUR**	**Total EUR**
At 31 December 2020				
Historical cost	9,807,301	1,892	205,870	10,015,063
Accumulated amortisation	(6,706,347)	(835)	-	(6,707,182)
NBV at 31 December 2020	**3,100,954**	**1,057**	**205,870**	**3,307,881**
For 2021				
Additions	887,557	-	1,100,886	1,988,443
Transferred	924,210	-	(924,210)	-
Disposals	(6,357)	-	-	(6,357)
Amortisation charge	(1,126,856)	(95)	-	(1,126,951)
NBV at 31 December 2021	**3,779,508**	**962**	**382,546**	**4,163,016**
At 31 December 2021				
Historical cost	11,316,085	1,892	382,546	11,700,523
Accumulated depreciation	(7,536,577)	(930)	-	(7,537,507)
NBV at 31 December 2021	**3,779,508**	**962**	**382,546**	**4,163,016**
For 2022				
Additions	585,678	-	1,758,611	2,344,289
Transferred	1,177,416	-	(1,177,416)	-
Amortisation charge	(1,343,905)	(95)	-	(1,344,000)
NBV at 31 December 2022	**4,198,697**	**867**	**963,741**	**5,163,305**
At 31 December 2022				
Historical cost	12,785,449	1,892	963,741	13,751,082
Accumulated amortisation	(8,586,752)	(1,025)	-	(8,587,777)
NBV at 31 December 2022	**4,198,697**	**867**	**963,741**	**5,163,305**

10.2. PROPERTY, PLANT AND EQUIPEMNT

	Parent company						
	Land, buildings EUR	Electricity transmission structures EUR	Transmission lines, process equipment EUR	Other electricity transmission equipment EUR	Other PPE EUR	Property, plant and equipment under construction EUR	TOTAL EUR
At 31 December 2020							
Historical cost or revalued amount	39,913,349	7,781,511	1,065,211,783	10,735,329	10,337,446	91,009,302	1 224 988 720
Accumulated depreciation and impairment	(4,013,930)	(3,675,427)	(548,384,479)	(8,607,679)	(5,947,427)	-	(570 628 942)
NBV	**35,899,419**	**4,106,084**	**516,827,304**	**2,127,650**	**4,390,019**	**91,009,302**	**654 359 778**
For 2021							
Additions	-	-	7,729	1,250	5,280,422	27,414,091	32 703 492
Transferred	2,057,299	209,961	93,107,280	484,847	2,061,772	(97,921,159)	-
Sold	-	-	(3,676)	-	-	(92,287)	(95 963)
Disposals	-	-	(256,871)	-	(1,094)	-	(257 965)
Depreciation charge	(1,475,357)	(541,405)	(26,275,282)	(729,469)	(2,748,523)	-	(31 770 036)
Increase in value due to revaluation	-	987,460	43,873,271	168,764	-	-	45 029 495
Decrease in value due to revaluation	-	(3,045)	(14,077,655)	(82,311)	-	-	(14 163 011)
NBV at 31 December 2021	**36,481,361**	**4,759,055**	**613,202,100**	**1,970,731**	**8,982,596**	**20,409,947**	**685 805 790**
At 31 December 2021							
Historical cost or revalued amount	41,572,109	8,365,473	1,204,172,346	11,471,818	17,669,409	20,409,947	1 303 661 102
Accumulated depreciation and impairment	(5,090,748)	(3,606,418)	(590,970,246)	(9,501,087)	(8,686,813)	-	(617 855 312)
NBV	**36,481,361**	**4,759,055**	**613,202,100**	**1,970,731**	**8,982,596**	**20,409,947**	**685 805 790**
For 2022							
Additions	14,313	-	20,591	1,633	764,401	29,129,833	29 930 771
Transferred	2,011,900	187,869	14,453,603	559,044	422,795	(17,635,211)	-
Sold	-	-	(232,479)	-	-	(26,300)	(258 779)
Disposals	(11,007)	(4,344)	(259,464)	(122)	(413)	-	(275 350)
Depreciation charge	(1,381,106)	(526,959)	(27,866,942)	(465,858)	(3,507,338)	-	(33 748 203)
NBV at 31 December 2022	**37,115,461**	**4,415,621**	**599,317,409**	**2,065,428**	**6,662,041**	**31,878,269**	**681 454 229**
At 31 December 2022							
Historical cost or revalued amount	43,145,635	8,617,617	1,180,904,761	10,418,763	19,966,927	31,878,269	1 294 931 972
Accumulated depreciation and impairment	(6,030,174)	(4,201,996)	(581,587,352)	(8,353,335)	(13,304,886)		(613 477 743)
NBV	**37,115,461**	**4,415,621**	**599,317,409**	**2,065,428**	**6,662,041**	**31,878,269**	**681 454 229**

	Group								
	Land, buildings EUR	Electricity transmission structures EUR	Gas transmission buildings and structures EUR	Transmission lines, process equipment EUR	Other electricity transmission equipment EUR	Other PPEs EUR	Emergency reserve EUR	Property, plant and equipment under construction, EUR	TOTAL EUR
At 31 December 2020									
Historical cost or revalued amount	40,946,703	7,781,511	760,911,633	1,196,131,120	10,735,329	17,704,794	1,563,188	101,707,761	2,137,482,039
Accumulated depreciation and impairment	(4,013,930)	(3,675,427)	(438,591,735)	(606,163,138)	(8,607,679)	(10,808,637)	-	-	(1,071,860,546)
NBV	**36,932,772**	**4,106,084**	**322,319,898**	**589,967,982**	**2,127,650**	**6,896,157**	**1,563,188**	**101,707,761**	**1,065,621,493**
For 2021									
Additions	-	-	-	405,796	1,250	5,789,868	-	53,004,580	59,201,494
Transferred	2,108,113	209,961	12,852,612	96,249,917	484,847	2,193,704	-	(114,099,154)	-
Sold	-	-	(22,006)	(4,577)	-	(240)	-	(92,287)	(119,110)
Disposals	-	-	(404,182)	(472,559)	-	(2,950)	(24,409)	(83,938)	(988,038)
Depreciation charge	(1,475,357)	(541,405)	(11,405,968)	(31,156,513)	(729,469)	(3,504,662)	-	-	(48,813,374)
Increase in value due to revaluation	-	987,460	-	43,873,271	168,764	-	-	-	45,029,495
Decrease in value due to revaluation	-	(3,045)	-	(14,077,655)	(82,311)	-	-	-	(14,163,011)
NBV at 31 December 2021	**37,565,528**	**4,759,055**	**323,340,355**	**684,785,662**	**1,970,731**	**11,371,877**	**1,538,779**	**40,436,962**	**1,105,768,949**
At 31 December 2021									
Historical cost or revalued amount	42,656,276	8,365,473	771,087,876	1,337,283,799	11,471,818	26,393,089	1,538,779	40,436,962	2,239,234,072
Accumulated depreciation and impairment	(5,090,748)	(3,606,418)	(447,747,521)	(652,498,137)	(9,501,087)	(15,021,212)	-	-	(1,133,465,123)
NBV	**37,565,528**	**4,759,055**	**323,340,355**	**684,785,662**	**1,970,731**	**11,371,877**	**1,538,779**	**40,436,962**	**1,105,768,949**

	Group (continued)								
	Land, buildings EUR	**Electricity transmission structures EUR**	**Gas transmission buildings and structures EUR**	**Transmission lines, process equipment EUR**	**Other electricity transmission equipment EUR**	**Other PPEs EUR**	**Emergency reserve EUR**	**Property, plant and equipment under construction, EUR**	**TOTAL EUR**
For 2022									
Additions	22,619	-	44,902	1,266,499	1,633	1,895,697	-	40,864,728	44,095,678
Transferred	2,011,901	187,869	15,855,381	16,059,578	559,044	4,462,820	-	(39,136,593)	-
Sold	-	-	-	(232,479)	-	-	-	(26,300)	(258,779)
Disposals	(11,007)	(4,344)	(338,961)	(805,926)	(122)	(36,542)	-	-	(1,196,502)
Depreciation charge	(1,381,106)	(526,959)	(11,347,304)	(32,786,674)	(465,858)	(4,363,986)	-	-	(50,871,887)
Moved	-	-	-	-	-	-	286,605	-	286,605
NBV at 31 December 2022	**38,207,935**	**4,415,621**	**327,554,373**	**668,286,660**	**2,065,428**	**13,329,866**	**1,825,384**	**42,138,797**	**1,097,824,064**
At 31 December 2022									
Historical cost or revalued amount	44,238,109	8,617,617	785,685,819	1,314,599,932	10,418,763	33,446,283	1,825,384	42,138,797	2,240,970,704
Accumulated depreciation and impairment	(6,030,174)	(4,201,996)	(458,131,446)	(646,313,272)	(8,353,335)	(20,116,417)	-	-	(1,143,146,640)
NBV	**38,207,935**	**4,415,621**	**327,554,373**	**668,286,660**	**2,065,428**	**13,329,866**	**1,825,384**	**42,138,797**	**1,097,824,064**

Revaluation of property, plant and equipment is carried out with sufficient regularity to ensure that the carrying amount of property, plant and equipment subject to revaluation does not differ materially from the amount that would be determined if it were measured at fair value at the end of the reporting period. Under the Accounting policy of Augstsprieguma tīkls Group, PPE must be revalued on a regular basis, but not less frequently than every five years.

At 31 December 2022, the Group's property, plant and equipment comprised fully depreciated property, plant and equipment with historical cost of EUR 23,078,576 (at 31 December 2021: EUR 14,011,053), while the Parent company's property, plant and equipment at 31 December 2022 comprised fully depreciated property, plant and equipment with historical cost of EUR 11,504,886 (at 31 December 2021: EUR 6,089,750).

In 2022, the Group and the Parent company capitalised borrowing costs of EUR 148,268 (2021: EUR 301 502) (Note 9b).

The Group's PPE under construction of EUR 42,138,797 consists of the following major projects:

PPE under construction costs	The planned completion date	31.12.2022 EUR	31.12.2021 EUR
330kV interconnection Valmiera (LV) - Tartu (EE) capacity increase	31.12.2023	8,756,682	611,711
Inčukalns underground gas storage facility improvement	01.12.2025	8,534,857	11,638,212
330 kV interconnection Valmiera (LV) - Tsirgulina (EE) capacity increase	31.12.2024	1,806,338	536,606
Project of common interest "Improvement of the Latvia-Lithuania interconnection"	31.12.2023	1,180,131	488,232
Reconstruction of 110kV switchgear of substation No 208 "Šķirotava"	31.12.2023	4,587,227	2,425,842
110kV power transmission cable line No 210 a/st "Torņkalns" - "Centrālā" capacity increase	31.12.2023	2,679,723	2,291,962
Other projects	2023-2025	14,593,839	18,550,079
Total		**42,138,797**	**40,436,962**

The table below summarises the carrying amounts of the Group's revalued asset classes, assuming that the assets are carried at historical cost:

	NBV if no revaluation 31.12.2022 EUR	NBV 31.12.2022 EUR
Electricity transmission engineering structures	3,639,527	4,415,621
Gas transmission buildings and structures	168,144,521	327,554,373
Transmission lines, plant equipment	620,395,134	668,286,660
Other electricity transmission equipment	1,626,768	2,065,428
Total	**793,805,950**	**1,002,322,082**

	NBV if no revaluation at 31.12.2021 EUR	NBV at 31.12.2021 EUR
Electricity transmission structures	1,564,959	4,759,055
Gas transmission buildings and structures	159,022,487	323,340,355
Transmission lines, process equipment	630,850,339	684,785,662
Other electricity transmission equipment	1,512,509	1,970,731
Total	**792,950,294**	**1,014,855,803**

a) Property, plant and equipment of the electricity transmission segment

The following groups of property, plant and equipment of the Electricity Transmission Segment are revalued on a regular basis, but at least once every five years:

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

The above groups of property, plant and equipment were revalued in 2021, as at 1 August 2021. The revaluation was carried out by an independent external certified valuer.

The valuation was carried out in accordance with property valuation standards and based on the best and most efficient use of existing PPEs. The revaluation resulted in a residual replacement value for each asset. The residual replacement cost is the difference between the replacement cost of an asset or an analogous asset at the time of measurement and the accumulated total physical, functional and economic depreciation.

Due to the unique nature and use of the assets, Level 3 data are used for the revaluation, which means that the data are not directly observable in the market for the asset type grouped.

The total fair value of the revalued assets was determined at EUR 610,732,095. The revaluation resulted in an appreciation of EUR 45,029,495, and the value decrease of EUR 14,163,011 of property, plant and equipment. Of these amounts:

- EUR 4,416,052 relates to the appreciation of assets for which revaluation losses were previously recognised in the income statement, while EUR 8,312,289 relates to revaluation losses on assets without a previously recognised revaluation reserve. These amounts were recognised as gains or losses in the income statement.
- EUR 34,762,722 relates to the net gain on revaluation of property, plant and equipment recognised in comprehensive income for the year and included in the revaluation reserve.

The replacement cost was based on current material costs and personnel costs indexed to the increase in the material price index and average wage growth rates respectively. The main assumptions relate to the useful lives of the PPEs and the range of depreciation within the regulatory useful lives. The scrap value remaining at the end of useful life was generally assumed to be around 5% of the unit cost of the asset.

The table below summarise the carrying amounts of the revalued asset groups, assuming that the assets are carried at historical cost:

	Historical cost if no revaluation EUR	**Accumulated depreciation if no revaluation EUR**	**NBV if no revaluation 31.12.2022 EUR**	**NBV at 31.12.2022 EUR**
Electricity transmission engineering structures	8,660,301	5,020,774	3,639,527	4,415,621
Transmission lines, process equipment	1,120,791,336	554,897,533	565,893,803	599,317,409
Other electricity transmission equipment	10,283,091	8,656,323	1,626,768	2,065,428
TOTAL	1,139,734,728	568,574,630	571,160,098	605,798,458

	Historical cost if no revaluation EUR	Accumulated depreciation if no revaluation EUR	NBV if no revaluation 31.12.2021 EUR	NBV 31.12.2021 EUR
Electricity transmission engineering structures	6,034,892	4,469,933	1,564,959	4,759,055
Transmission lines, process equipment	1,136,669,755	560,896,132	575,773,623	613,202,100
Other electricity transmission equipment	9,542,738	8,030,229	1,512,509	1,970,731
TOTAL	**1,152,247,385**	**573,396,294**	**578,851,091**	**619,931,886**

Management has assessed the price level in 2022 and identified that inflation, labour and material cost has increased compared to August 2021 when the revaluation was performed and the fair value of property, plant and equipment was determined using the depreciated replacement cost method. As a result, it is reasonable to expect that the fair value could be materially higher than the current carrying amount of the assets as at 31 December 2022. However, as a precautionary measure, given the geopolitical situation and uncertainty in the industry, the value in use of the assets was also assessed as a basis for determining the recoverable amount of the electricity transmission infrastructure (Note 23).

In performing the impairment test, the Parent company's management concluded that the value of the property, plant and equipment in the financial statements does not differ materially from its recoverable amount, which is the higher of its fair value (less costs to sell) and its value in use, and therefore no revaluation or impairment of property, plant and equipment is recognised.

b) PPEs of the natural gas transmission and natural gas storage segments

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

The revaluation of property, plant and equipment in the natural gas transmission and storage segment was carried out in 2020. Due to the unique nature and use of the assets, Level 3 data is used for the revaluation, which means that the data for the relevant type of assets is not readily observable in the market. The level of assumptions used in the 2020 revaluation (the previous one took place in 2016 when the assets were owned by AS "Latvijas Gāze") was not changed. The revaluation was carried out by an independent external certified valuer.

In this method, the historical cost of assets is determined by reference to current prices and requirements and the materials used. The main assumptions in the revaluation process relate to the cost of materials used and the average cost of construction at the time of revaluation. Data available to AS “Conexus Baltic Grid” on the construction of similar plants in recent years was also used to determine the values. If the average national construction costs or the costs of the materials used increase significantly, the cost of the assets will also increase. If the construction or material costs decrease, the value of the assets will also decrease.

In addition to the historical cost, the accumulated depreciation was determined for each asset, considering the physical, functional and technical depreciation of the asset as the main factors. If the revalued assets are used in a significantly different way or are functionally depreciated, the value of the revalued assets may decrease or increase significantly. When revaluing property, plant and equipment in accordance with IAS 16, the carrying amount of an asset is adjusted to the revalued amount. When recording the results of revaluations of property, plant and equipment, the historical and book values of the property, plant and equipment are replaced by the revalued amounts. Disproportionate accumulated depreciation is adjusted at the date of revaluation to equal the difference between the asset’s original carrying amount and its remaining carrying amount less any accumulated impairment losses. As a result of the revaluation, the NBV of the assets of Conexus subject to revaluation was increased by EUR 92,311,666 as at 1 January 2020. The revaluation reserve was increased by EUR 92,100,425 and the positive effect of EUR 211,241 was recognised in the 2020 income statement.

In 2022, the Subsidiary’s management assessed the price level for pipelines, process plant and general construction and identified changes in inflation and labour and material cost increases compared to January 2020, when the revaluation was performed and the fair value of property, plant and equipment was determined using the depreciated replacement cost method. As a result, it is reasonable to expect that the replacement cost might be significantly higher than the current carrying amount of the assets as at 31 December 2022. However, in view of the geopolitical situation and the uncertainty in the industry, the value in use of the asset was also determined as a precautionary measure as a basis for determining the recoverable amount of the natural gas transmission and storage infrastructure (Note 23).

10.3. RIGHT-OF-USE ASSETS

	Parent company	Group
	Buildings and land EUR	Buildings and land EUR
At 31 December 2020		
Historical cost	17,807,389	18,341,883
Accumulated depreciation	(3,595,096)	(3,626,007)
NBV	**14,212,293**	**14,715,876**
For 2021		
Changes to lease agreements recognised	57,729	98,705
Increase in right-of-use assets	1,145,431	1,145,431
Depreciation charge	(780,036)	(873,488)
NBV at 31 December 2021	**14,635,417**	**15,086,524**
At 31 December 2021		
Historical cost	19,010,549	19,586,019
Accumulated depreciation	(4,375,132)	(4,499,495)
NBV	**14,635,417**	**15,086,524**
For 2022		
Changes to lease agreements recognised	69,881	106,527
Increase in right-of-use assets	686,101	686,101
Depreciation charge	(920,010)	(946,261)
NBV at 31 December 2022	**14,471,389**	**14,932,892**
At 31 December 2022		
Historical cost	19,766,531	20,270,161
Accumulated depreciation	(5,295,142)	(5,337,269)
NBV	**14,471,389**	**14,932,892**

10.4. DEPRECIATION AND AMORTISATION

	Parent company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Depreciation of PPEs (Note 10.2)	(33,748,203)	(31,770,036)	(50,871,887)	(48,813,374)
Amortisation of intangible assets (Note 10.1)	(635,403)	(457,992)	(1,344,000)	(1,126,951)
Depreciation of right-of-use assets (Note 10.3)	(920,010)	(780,036)	(946,261)	(873,488)
Depreciation and amortisation	**(35,303,616)**	**(33,008,064)**	**(53,162,148)**	**(50,813,813)**
Decrease in value as a result of revaluation (Note 10.2a)	-	(8,312,289)	-	(8,312,289)
Value appreciation as a result of revaluation (Note 10.2a)	-	4,416,052	-	4,416,052
Write-offs and other adjustments	(275,350)	(257,965)	(1,196,902)	(994,393)
Decrease in value of intangible assets and property, plant and equipment	**(275,350)**	**(4,154,202)**	**(1,196,902)**	**(4,890,630)**
TOTAL depreciation and amortisation excluding write-offs and other adjustments	**(35,303,616)**	**(36,904,301)**	**(53,162,148)**	**(54,710,050)**

11. OTHER LONG-TERM FINANCIAL INVESTMENTS

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Shareholding in the share capital of the Subsidiary, including:	**134,394,971**	**134,394,971**	**-**	**-**
AS ‘‘Conexus Baltic Grid’’	134,394,971	134,394,971	-	-
Shareholding in the share capital of associates, including:	**45,000**	**-**	**45,000**	**-**
‘‘Baltic RCC” OÜ	45,000	-	45,000	-
Shareholding in the share capital of other companies, including:	**1,422**	**1,422**	**1,422**	**1,422**
AS ‘‘Pirmais Slēgtais pensiju fonds’’	1,422	1,422	1,422	1,422
NBV at the end of the reporting period	**134,441,393**	**134,396,393**	**46,422**	**1,422**

The parent company owns 1.9% of the capital of AS "Pirmais slēgtais pensiju fonds". The Parent company is a nominee shareholder, since all risks and rewards arising from the operation of the Fund are borne or acquired by the Parent company's employees, the members of the pension plan.

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

Summary of the Subsidiary's financial performance

Name	**Equity**		**Profit**		**Dividends received from the Subsidiary**	
	31.12.2022 EUR	**31.12.2021 EUR**	**2022 EUR**	**2021 EUR**	**2022 EUR**	**2021 EUR**
AS ''Conexus Baltic Grid''	333,360,664	332,404,307	11,364,745	13,216,732	6,536,774	58,286,236

In 2022, cash dividends of EUR 6,536,774 were received from the Subsidiary (2021: EUR 58,286,236). Dividends paid to non-controlling interests amounted to EUR 3,011,887 (2021: EUR 26,855,994).

Summarised financial information of the non-controlling interests is as follows:

Company name	**Long-term assets**		**Current assets**		**Non-current liabilities**		**Current liabilities**	
	31.12.2022 EUR	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**
AS ''Conexus Baltic Grid'' (31.54%)	435,977,384	436,611,515	27,831,911	31,458,768	96,237,057	80,261,106	34,211,574	55,404,870

12. INVENTORIES

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Materials and spare parts	425,526	517,327	3,240,045	2,214,542
Natural gas	-	-	1,015,561	983,496
Advances paid for inventories	-	-	665	30,051
Provisions for slow-moving stocks	-	-	(139,810)	(84,223)
TOTAL INVENTORIES	**425,526**	**517,327**	**4,116,461**	**3,143,866**

13. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Receivables from contracts with customers				
Receivables for electricity transmission service	20,111,627	21,083,293	20,111,627	21,083,293
Other trade receivables	2,288,649	429,929	12,525,384	13,803,063
Total receivables from contracts with customers	**22,400,276**	**21,513,222**	**32,637,011**	**34,886,356**
Expected credit losses				
Other trade receivables	(5,495)	(4,350)	(5,495)	(4,350)
Total expected credit losses	**(5,495)**	**(4,350)**	**(5,495)**	**(4,350)**
Receivables from contracts with customers, net				
Receivables for electricity transmission service	20,111,627	21,083,293	20,111,627	21,083,293
Other trade receivables	2,283,154	425,579	12,519,889	13,798,713
RECEIVABLES FROM CONTRACTS WITH CUSTOMERS, NET	**22,394,781**	**21,508,872**	**32,631,516**	**34,882,006**

	Parent company		Group	
Impairment of the receivables from contracts with customers	31.12.2022, EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
At the beginning of the reporting year	4,350	15,617	4,350	15,617
Recognised in the income statement	1,145	(11,267)	1,145	(11,267)
At the end of the reporting year	**5,495**	**4,350**	**5,495**	**4,350**

14. OTHER RECEIVABLES

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Expected European Union advance funding (see Note 19)	8,384,944	1,174,056	8,384,944	1,174,056
Receivables related to the fraudulent transaction*	172,850	-	172,850	-
Provision for the fraudulent transaction*	(172,850)	-	(172,850)	-
Other financial assets	**8,384,944**	**1,174,056**	**8,384,944**	**1,174,056**
Overpaid corporate income tax	11,512	11,512	11,512	11,512
Prepayments	1,013,784	528,957	1,013,784	946,096
Advance payments for balancing services on an exchange	-	-	2,000,000	-
Other receivables	91,370	64,879	1,027,923	430,065
Other non-financial assets	**1,116,666**	**605,348**	**4,053,219**	**1,387,673**
TOTAL OTHER RECEIVABLES	**9,501,610**	**1,779,404**	**12,438,163**	**2,561,729**

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

15. CORPORATE INCOME TAX

	Parent company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Corporate income tax	-	-	(2,387,165)	(2,256,640)
Deferred tax	-	-	341,511	320,468
TOTAL corporate income tax	**-**	**-**	**(2,045,654)**	**(1,936,172)**

Corporate income tax relates to the Group Subsidiary’s payment of corporate income tax during the year on the payment of dividends.

Deferred tax

The Group's deferred tax is calculated for the future corporate income tax payable on the Subsidiary's retained earnings that is expected to be paid to the Parent in dividends over the next three years, based on the dividend rate set out in the Subsidiary's strategy, which is that 90% of the Subsidiary's earnings are paid out in dividends. The deferred tax attributable to dividends received by the minority interest is allocated to the value of the minority interest in equity.

	2022 EUR	2021 EUR
Deferred tax liability at the beginning of the year	4,831,892	5,152,360
Decrease in deferred tax liability	(341,511)	(320,468)
Deferred tax liability at year-end	**4,490,381**	**4,831,892**

16. CASH

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Cash in the bank	92,042,624	48,513,943	103,009,740	63,190,053
TOTAL CASH	**92,042,624**	**48,513,943**	**103,009,740**	**63,190,053**

17. EQUITY

a) Share capital

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

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

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

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

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

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

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

(b) Reserves

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

c) Non-controlling interests

Information on non-controlling interests is presented in Note 11. Except for dividends, there have been no transactions with non-controlling interests.

18. EMPLOYEE BENEFIT OBLIGATIONS

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
At the beginning of the reporting year	**3,426,477**	**2,636,255**	**4,800,612**	**3,664,749**
Recognised in the statement of comprehensive income	(329,736)	1,075,235	(193,511)	1,403,457
Recognised in the income statement	197,444	(285,013)	38,852	(267,594)
At the end of the reporting year	**3,294,185**	**3,426,477**	**4,645,953**	**4,800,612**

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
At the beginning of the reporting year	**3,426,477**	**2,636,255**	**4,800,612**	**3,664,749**
Post-employment benefits paid	(352,360)	(325,546)	(451,907)	(428,438)
Changes in provisions	220,068	1,115,768	297,248	1,564,301
At the end of the reporting year	**3,294,185**	**3,426,477**	**4,645,953**	**4,800,612**

Details of the assumptions used in the calculations as well as the sensitivity analysis are provided in Note 2.14.

19. DEFERRED REVENUE

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
(a) Non-current deferred revenue				
- from connection charges	38,084,750	38,249,840	38,084,750	38,249,840
Non-current deferred revenue from contracts with customers	**38,084,750**	**38,249,840**	**38,084,750**	**38,249,840**
- from European Union funding	136,421,913	140,707,294	161,379,662	158,863,339
- from the expected European Union advance funding	8,384,944	-	8,384,944	-
- from advances received from European Union funding	18,562,500	-	18,562,500	-
- from congestion charge revenue	141,537,570	105,094,610	141,537,570	105,094,610
Other non-current deferred revenue	**304,906,927**	**245,801,904**	**329,864,675**	**263,957,949**
TOTAL Non-current deferred revenue	**342,991,677**	**284,051,744**	**367,949,425**	**302,207,789**

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
(b) Current deferred revenue				
- from connection charges	3,658,224	3,375,254	3,658,224	3,612,539
Short-term deferred revenue from contracts with customers	**3,658,224**	**3,375,254**	**3,658,224**	**3,612,539**
- Unfinished EU co-funded projects, including:	3,881,759	950,636	3,881,759	950,636
Project "Synchronisation of the Baltic power system with the European power system, Phase 2"	*777, 947*	*777,947*	*777,947*	*777,947*
Synchronisation of the Baltic States with Continental Europe, Phase 1	*2,950,889*	-	*2, 950,889*	-
Project "EU-SysFlex – Pan- European system with an efficient coordinated use of flexibilities for the integration of a large share of RES''	*37,812*	*37,812*	*37,812*	*37,812*
Project ''Dynamic stability study of the Baltic power systems''	*26,250*	*26,250*	*26,250*	*26,250*
Project ''System for TSO-SSO-end-user interconnection, INTERRFACE''	*88,861*	*108,628*	*88,861*	*108,628*
- finished EU-funded projects	3,609,338	2,443,153	4,372,019	2,978,118
- from the expected European Union funding	-	1,174,056	-	1,174,056
- from congestion charge revenue	1,204,239	1,187,754	1,204,239	1,187,754
- from the funding of other projects	-	-	4,654	4,652
Other current deferred revenue	**8,695,336**	**5,755,599**	**9,462,671**	**6,295,216**
TOTAL current deferred revenue	**12,353,560**	**9,130,853**	**13,120,895**	**9,907,755**

Movement in deferred revenue from contracts with customers (non-current and current):	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
At the beginning of the reporting year	**41,625,094**	**43,374,572**	**41,625,094**	**43,374,572**
Connection charges recognised in income statement	(3,467,086)	(3,409,719)	(3,467,086)	(3,409,719)
Connection charges received from customer contributions	3,584,966	1,660,241	3,584,966	1,660,241
At the end of the reporting year	**41,742,974**	**41,625,094**	**41,742,974**	**41,625,094**

Movement in other deferred revenue (non-current and current):	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
At the beginning of the reporting year	**251,557,503**	**242,608,578**	**270,490,450**	**254,643,244**
EU co-financing received*	7,720,085	1,207,957	7,720,085	1,207,957
Accumulated prior period EU co-financing received	(509,198)	(31,604,872)	(509,198)	(31,604,872)
Deferred revenue received from EU co-financing	489,433	32,393,231	8,133,373	40,210,739
EU co-financing advance received**	21,513,389	-	21,513,389	-
Congestion charge revenue received***	37,650,929	11,441,072	37,650,929	11,441,072
IUGS reserved capacity charge	-	-	(237,284)	237,284
Co-financed project capitalised	-	-	-	130,468
Congestion charge revenue recognised in the income statement	(1,191,483)	(1,040,506)	(1,191,483)	(1,040,506)
EU co-financing recognised in the income statement	(3,628,395)	(3,447,957)	(4,242,915)	(4,734,936)
At the end of the reporting year	**313,602,263**	**251,557,503**	**339,327,346**	**270,490,450**
TOTAL at the end of the reporting year	**355,345,237**	**293,182,597**	**381,070,320**	**312,115,544**

*Funding received from the European Union (related to assets) is recognised when the Group and the Parent company have complied with the conditions attached to the receipt of the funding and have an unconditional right to receive the funding. The conditions attached to the financing are: The Parent company and the Group shall ensure the management, internal control and accounting of the projects co-financed by the European Union in accordance with the European Union guidelines and the requirements of the legislation of the Republic of Latvia. A separate account is maintained for each transaction related to the accounting of the projects co-financed by the EU. The Parent company and the Group keep separate accounts for the relevant income, expenditure, long-term investments and VAT of the co-financed projects. If the funds have not been received by the end of the reporting period, they are recognised as a receivable under the balance sheet item “Other receivables”.

**Taking into account planned investments in projects of common interest co-financed by the EU “Synchronisation of the Baltic power system with the European power system, Phase 1” and “Synchronisation of the Baltic power system with the European power system, Phase 2” (see chapter “Future development of the group”), advances have been received for the implementation of projects under the grant agreements concluded.

***Total revenue received from congestion charges and the liquidation of electrical capacity congestion in 2022 is EUR 152,247,568, of which EUR 78,057,043 has been recognised in the income statement to cover congestion avoidance costs and EUR 36,539,596 to cover electricity transmission losses costs. The remaining part of EUR 37,650,929 has been transferred to deferred revenue.

Breakdown of deferred revenue by period:

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Deferred revenue from European Union funding				
1 year or less	7,491,097	4,567,845	8,253,778	5,102,810
1-5 years	17,441,591	14,119,928	17,441,591	14,119,928
Over 5 years	145,927,766	126,587,366	170,885,514	144,743,411
Deferred revenue from congestion charges				
1 year or less	1,204,239	1,187,754	1,204,239	1,187,754
1-5 years	5,788,368	4,642,837	5,788,368	4,642,837
Over 5 years	135,749,202	100,451,773	135,749,202	100,451,773
Deferred revenue from connection charges				
1 year or less	3,658,224	3,375,254	3,658,224	3,612,539
1-5 years	17,512,079	13,555,075	17,512,079	13,555,075
Over 5 years	20,572,671	24,694,765	20,572,671	24,694,765
Deferred revenue from connection to the natural gas transmission system				
1 year or less	-	-	4,654	4,652
TOTAL deferred revenue	**355,345,237**	**293,182,597**	**381,070,320**	**312,115,544**

20. BORROWINGS AND LEASE LIABILITIES

In October 2021, the Parent company issued bonds of EUR 100,000 thousand. The total amount of the bond issue programme is up to EUR 160,000 thousand, with the possibility of additional issues as needed. The bonds are listed on Nasdaq Riga with a fixed coupon rate of 0.5% per annum and a maturity date of 20 January 2027. The Parent company shall be entitled to redeem each series of Bonds issued in whole but not in part at any time within 3 (three) months prior to their maturity at a price equal to the nominal value of the Bonds together with accrued interest.

In addition to the events of default, a *cross-default* provision is included if the outstanding debts of the Parent company and its Subsidiary individually or in aggregate exceed EUR 20,000 thousand.

For financing of working capital, AS "Augstsprieguma tīkls" and AS "SEB banka" entered into the *overdraft* agreement up to EUR 20 000 thousand with a maturity of 18 June 2023, the base interest rate is 3-month EURIBOR plus 0.35%. In addition, in order to ensure a liquidity buffer for the next 24 months, on 9 December 2022, the overdraft agreement was concluded with AS "Swedbank" up to EUR 10,000 thousand with a maturity of 9 December 2024, a base interest rate of 3-month EURIBOR and an added interest rate of 1.4%. Both these *overdrafts* are unsecured. During the reporting period, AS "Augstsprieguma tīkls" did not receive any borrowings under the two overdraft agreements. The financial covenants in the Parent company's existing borrowing agreements have been complied with during the reporting period and at the date of approval of the financial statements:

Limits on financial ratios	**31.12.2022**	**31.12.2021**
Capital adequacy >25%	47%	51%
Net borrowings / EBITDA <6	0.2	1.4

The Parent company's subsidiary, natural gas operator AS "Conexus Baltic Grid", raises external financing on its own. In the reporting year AS ‘‘Conexus Baltic Grid’’ has borrowings from Ziemeļu Investīciju banka, AS ‘‘SEB banka’’, OP Corporate Bank plc Latvian branch and Swedbank AS. At the same time, the Subsidiary has available credit lines of EUR 65,000 thousand (at 31.12.2021: EUR 90,000 thousand). At the end of 2022, these credit lines were unused. The available credit line agreements mature in more than one year. All borrowings of AS "Conexus Baltic Grid" are denominated in euro and are unsecured. At the end of the reporting period, AS ‘‘Conexus Baltic Grid’’ has entered into long-term borrowing agreements in the amount of EUR 55,000 thousand, where receipt of the funds is expected during 2023.

The financial covenants in the Subsidiary's existing borrowing agreements have been complied with during the reporting period and at the date of approval of the financial statements:

Limits on financial ratios	31.12.2022	31.12.2021
Capital adequacy >50%	72%	71%
Net borrowings / EBITDA <5	2.72	2.97
Debt service coverage ratio (DSCR) >1.2x	2.85	3.73

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

The Group’s weighted average interest rate on long-term loans at the end of the reporting period was 1.07% (at 31 December 2021: 0.44%), the weighted average interest rate on short-term borrowings is 2.77% (at 31.12.2021: 0.24%). 71% of the Group’s total long-term borrowings are at fixed interest rates (at 31 December 2021: 75%). All the Group’s borrowings are denominated in euro and are unsecured.

The Group and the Parent company have entered into various land and property leases, the most significant of which is a long-term lease dated 2011 and expiring in 2044. The lease agreement for the electrical part of the combined optical grounding wire 126 with dual function (OPGW), which is installed on the supports of the transmission lines and whose metal reinforcement also provides lightning protection for the 330 kV and 110 kV transmission lines, was concluded with AS “Latvenergo” (which has the ownership title).

Borrowings from credit institutions and related parties:

	Parent company		Group	
	31.12.2022 EUR	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**
Non-current borrowings from credit institutions	-	-	69,468,183	60,282,986
Non-current portion of bonds issued	99,892,726	99,866,288	99,892,726	99,866,288
Current borrowings from credit institutions	-	-	12,899,286	37,772,866
Borrowings	**99,892,726**	**99,866,288**	**182,322,675**	**197,922,140**
Non-current accrued liability for interest on bonds issued	473,973	100,000	473,973	100,000
Current accrued liabilities for interest on borrowings from credit institutions	-	-	62,480	37,369
TOTAL borrowings	**100,366,699**	**99,966,288**	**182,796,648**	**198,059,509**
Including:				
Non-current borrowings	100,366,699	99,966,288	169,834,882	160,249,274
Current borrowings	-	-	12,961,766	37,810,235

Lease liabilities:

	Parent company		Group	
	31.12.2022 EUR	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**
TOTAL lease liabilities	**14,865,954**	**14,938,982**	**15,350,376**	**15,406,319**
Including:				
Non-current	14,184,247	14,199,182	14,643,605	14,647,122
Current	681,707	739,800	706,771	759,197

Movement of borrowings and Lease liabilities:

	Parent company				
	Lease liabilities EUR	Borrowings from related parties EUR	Borrowings from credit institutions EUR	Other borrowings EUR	Total EUR
At 31 December 2020	**14,418,995**	**87,084,381**	**116,200,000**	**-**	**217,703,376**
Recognised changes to lease agreements	57,729	-	-	-	57,729
Debt securities (bonds) issued	-	-	-	99,861,000	99,861,000
New contracts	1,145,431	-	-	-	1,145,431
Repayments, excluding interest	(683,173)	(86,672,207)	(116,200,000)	-	(203,555,380)
Interest payments	(237,970)	(1,752,704)	(726,121)	-	(2,716,795)
Calculated interest	237,970	1,340,530	726,121	105,288	2,409,909
At 31 December 2021	**14,938,982**	-	-	**99,966,288**	**114,905,270**
Recognised changes to lease agreements	69,881	-	-	-	69,881
New contracts	686,101	-	-	-	686,101
Repayments, excluding interest	(829,010)	-	-	-	(829,010)
Interest payments	(230,846)	-	-	(126,027)	(356,873)
Calculated interest	230,846	-	-	526,438	757,284
At 31 December 2022	**14,865,954**	-	-	**100,366,699**	**115,232,653**

	Group				
	Lease liabilities EUR	Borrowings from related parties EUR	Borrowings from credit institutions EUR	Other borrowings EUR	Total EUR
At 31 December 2020	**14,933,065**	**87,084,381**	**138,075,000**	**-**	**240,092,446**
Changes to lease agreements recognised	98,705	-	-	-	98,705
Debt securities (bonds) issued	-	-	-	99,861,000	99,861,000
New contracts	1,145,431	-	84,949,950	-	86,095,381
Repayments, excluding interest	(770,882)	(86,672,207)	(124,969,096)	-	(212,435,036)
Interest payments	(260,821)	(1,752,704)	(950,748)	-	(2,918,571)
Calculated interest	260,821	1,340,530	988,116	105,288	2,671,904
At 31 December 2021	**15,406,319**	**-**	**98,093,221**	**99,966,288**	**213,465,828**
Changes to lease agreements recognised	106,527	-	-	-	106,527
New contracts	686,101	-	20,000,000	-	20,686,101
Repayments, excluding interest	(848,571)	-	(35,688,383)	-	(36,536,954)
Interest payments	(251,502)	-	-	(126,027)	(377,529)
Calculated interest	251,502	-	25,111	526,438	803,051
At 31 December 2022	**15,350,376**	**-**	**82,429,949**	**100,366,699**	**198,147,024**

Borrowings by maturity:

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Long-term and short-term borrowings at fixed interest rates:				
1 year or less (short-term portion of long-term borrowings)	473,973	100,000	2,446,332	100,000
1-5 years	-	-	7,741,935	8,000,000
over 5 years	99,892,726	99,866,288	120,215,307	121,866,288
Total	**100,366,699**	**99,966,288**	**130,403,574**	**129,966,288**
Long-term and short-term borrowings at variable interest rates:				
1 year or less (short-term borrowings)	-	-	2,354	24,949,950
1 year or less (short-term portion of long-term borrowings)	-	-	10,987,053	12,860,285
1-5 years	-	-	41,403,667	30,282,986
Total	**-**	**-**	**52,393,074**	**68,093,221**
TOTAL borrowings	**100,366,699**	**99,966,288**	**182,796,648**	**198,059,509**

Breakdown of lease liabilities by maturity:

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
1 year or less	681,707	739,800	706,771	759,197
1-5 years	3,242,843	2,149,613	3,343,099	2,597,553
Over 5 years	10,941,404	12,049,569	11,300,506	12,049,569
TOTAL lease liabilities	**14,865,954**	**14,938,982**	**15,350,376**	**15,406,319**

21. PAYABLES TO SUPPLIERS AND OTHER CREDITORS

	Parent company		Group	
	31.12.2022 EUR	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**
Financial liabilities				
Payables for electricity and natural gas	22,243,344	17,595,113	22,243,344	17,639,640
Payables for materials and services	6,467,104	8,036,035	13,877,958	15,281,343
Accrued liabilities	95,367	15,902	2,356,219	6,108,141
Other current financial liabilities	2,662,036	2,907,326	2,662,036	3,931,938
TOTAL financial liabilities	**31,467,851**	**28,554,376**	**41,139,557**	**42,961,062**
Non-financial liabilities:				
National social insurance mandatory contributions and other taxes	1,455,831	299,430	2,532,591	504,162
Advances received for connection charges	479,283	1,247,950	479,283	1,247,950
Advances received	650	131	8,581,032	956,942
Other current non-financial liabilities	2,995,440	2,319,653	4,123,429	3,549,100
TOTAL non-financial liabilities	**4,931,204**	**3,867,164**	**15,716,335**	**6,258,154**
TOTAL payables to suppliers and other creditors, including:	**36,399,055**	**32,421,540**	**56,855,892**	**49,219,216**
TOTAL payables to suppliers	28,710,448	25,631,148	36,121,302	32,920,983
TOTAL payables to other creditors	7,688,607	6,790,392	20,734,590	16,298,233

Movement of connection charge advances received:

	Parent company		Group	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
At the beginning of the reporting period	**1,247,950**	**602,252**	**1,247,950**	**602,252**
Advances received for connection charges	1,377,194	985,256	1,377,194	985,256
Advances reclassified to deferred revenue after completion of connections	(2,145,861)	(339,558)	(2,145,861)	(339,558)
At the end of the reporting period	**479,283**	**1,247,950**	**479,283**	**1,247,950**

22. FAIR VALUE CONSIDERATIONS

IFRS 13 establishes a hierarchy of valuation techniques based on whether the valuation technique uses observable market data or unobservable market data. Observable market data are obtained from independent sources. Where market data are not observable, the valuation technique reflects the Group's assumptions about market conditions.

This hierarchy requires the use of observable market data where available. In making the revaluation, the Group and the Parent company takes into account relevant observable market prices, where practicable.

The objective of fair value measurement, even when the market is not active, is to determine the transaction price at which market participants would be willing to sell an asset or assume a liability at a particular measurement date under current market conditions.

Several methods are used to determine the fair value of a financial instrument: quoted prices or valuation techniques that incorporate observable market inputs and are based on internal models. Based on the fair value hierarchy, all valuation techniques are divided into Level 1, Level 2 and Level 3.

A level in the fair value hierarchy of a financial instrument shall be designated as the lowest level if a significant part of its value is derived from inputs at a lower level.

The classification of a financial instrument into the fair value hierarchy is made in two steps:

1. Classify the inputs at each level to determine the fair value hierarchy;

2. Classify own financial instruments on the basis of the lowest level if a significant part of their value is derived from lower-level inputs.

Quoted market prices - Level 1

The Level 1 valuation technique uses unadjusted quoted prices in an active market for identical assets or liabilities, where the quoted prices are readily available, and the price is representative of the actual market situation for arm's length transactions.

Valuation technique using market data - Level 2

In the models used in the Level 2 valuation technique, all relevant inputs are directly or indirectly observable on the asset or liability side. The model uses market data other than quoted prices included in Level 1, which are observable directly (i.e., the price) or indirectly (i.e., derived from the price).

Valuation technique using market data that is not based on observable market data - Level 3

In the valuation technique, market data that are not based on observable market data (unobservable market data) are classified at Level 3. Unobservable market data are data that are not readily available in an active market due to the illiquid nature of the market or the complexity of the financial instrument. Level 3 data are mostly determined on the basis of observable market data of a similar nature, historical observations or analytical approaches.

Assets and liabilities reported at fair value is reported and assets measured at fair value

The carrying amounts of liquid and short-term (maturities of three months or less) financial instruments, such as cash and short-term deposits, short-term trade receivables and trade payables, approximate their fair values.

The fair value of borrowings from credit institutions and lease liabilities is determined by discounting future cash flows using market interest rates. As the interest rates applied to borrowings from credit institutions were recently determined and are not significantly different from market interest rates (although part of them are fixed), while the interest rates applied to lease liabilities are estimated to be similar to current market interest rates, while the risk premium applied to the Group and the Parent company has not changed significantly, the fair value of non-current liabilities approximates their carrying amount.

Although the bonds issued (included under borrowings) are quoted on the market, transactions in these securities are infrequent and cannot be considered as evidence of an active market. Bonds are therefore not valued using Level 1 data. The fair value of bonds is determined by discounting future cash flows using market interest rates. As the interest rates applied to the bonds were set in 2021 taking into account the increase in interest rates in the market, the accounting value of the bonds issued by the Parent Company exceeds their market value. The risk premium applied to the Group and the Parent company has not significantly changed. Management assessed that cash and short-term deposits, receivables, payables to suppliers and contractors, bank overdrafts and other current liabilities approximate their carrying amounts, mainly due to the short maturity of these instruments.

	Parent company			
	NBV EUR	**Level 1, EUR**	**Level 2, EUR**	**Level 3, EUR**
At 31.12.2022				
Assets that are measured at fair value:				
Revalued property, plant and equipment (Note 10.2)	605,798,458	-	-	605,798,458
Assets for which fair value is reported:				
Cash (Note 16)	92,042,624	-	92,042,624	-
Receivables from contracts with customers (Note 13)	22,394,781	-	-	22,394,781
Other non-current financial investments (Note 11)	46,422	-	-	46,422
Other receivables (Note 14)	8,384,944	-	-	8,384,944
Liabilities at fair value:				
Borrowings (Note 20)	100,366,699	-	84,684,725	-
Lease liabilities (Note 20)	14,865,954	-	-	14,865,954
Payables to suppliers and other payables (Note 21)	31,467,851	-	-	31,467,851
At 31.12.2021				
Assets that are measured at fair value:				
Revalued property, plant and equipment (Note 10.2)	619,931,886	-	-	619,931,886
Assets for which fair value is reported:				
Cash (Note 16)	48,513,943	-	48,513,943	-
Receivables from contracts with customers (Note 13)	21,508,872	-	-	21,508,872
Other non-current financial investments (Note 11)	1,422	-	-	1,422
Other receivables (Note 14)	1,174,056	-	-	1,174,056
Liabilities at fair value:				
Borrowings (Note 20)	99,966,288	-	99,966,288	-
Lease liabilities (Note 20)	14,938,982	-	-	14,938,982
Payables to suppliers and other creditors (Note 21)	28,554,376	-	-	28,554,376

	Group			
	NBV EUR	**Level 1, EUR**	**Level 2, EUR**	**Level 3, EUR**
At 31.12.2022				
Assets that are measured at fair value:				
Revalued property, plant and equipment (Note 10.2)	1,002,322,082	-	-	1,002,322,082
Assets for which fair value is reported:				
Cash (Note 16)	103,009,740	-	103,009,740	-
Receivables from contracts with customers (Note 13)	32,631,516	-	-	32,631,516
Other non-current financial investments (Note 11)	46,422	-	-	46,422
Other receivables (Note 14)	8,384,944	-	-	8,384,944
Liabilities for which fair value is reported:				
Borrowings (Note 20)	182,796,648	-	167,114,674	-
Lease liabilities (Note 20)	15,350,376	-	-	15,350,376
Payables to suppliers and other creditors (Note 21)	41,139,557	-	-	41,139,557
At 31.12.2021				
Assets that are measured at fair value:				
Revalued property, plant and equipment (Note 10.2)	1,014,855,803	-	-	1,014,855,803
Assets for which fair value is reported:				
Cash (Note 16)	63,190,053	-	63,190,053	-
Receivables from contracts with customers (Note 13)	34,882,006	-	-	34,882,006
Other non-current financial investments (Note 11)	1,422	-	-	1,422
Other receivables (Note 14)	1,174,056	-	-	1,174,056
Liabilities for which fair value is reported:				
Borrowings (Note 20)	198,059,509	-	198,059,509	-
Lease liabilities (Note 20)	15,406,319	-	-	15,406,319
Payables to suppliers and other creditors (Note 21)	42,961,062	-	-	42,961,062

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

23. ASSET IMPAIRMENT ASSESSMENT

The Group can be divided into three cash-generating units (CGU): electricity transmission, natural gas transmission, and natural gas storage. In light of the geopolitical situation and the sharp rise in interest rates, management carried out an impairment test on the assets.

The assets of the Parent company consist of one cash-generating unit: **electricity transmission**. The determination of cash generating units assumes that the infrastructure elements that make up the electricity transmission and storage system are unified, indivisible and necessary for the reliable operation of the electricity transmission system and the provision of services.

The calculation of the recoverable amount of assets is based on the value in use of the cash-generating units, determined by discounting the future cash flows expected to arise from the continued use of the cash-generating units. Cash flows are based on the projected performance of the cash-generating units and management's forecasts of the cash-generating units' performance.

The NBV of the long-term assets of the Parent company at 31 December 2022:

	million EUR
Electricity transmission	765

Key assumptions used in estimating the value in use of the assets:

Discount rate	6.55%
Revenue growth rate from 2023	2.0%
Compound annual growth rate of Transmission segment EBITDA 2024-2032	2.9%

The recoverable amount of the electricity transmission assets is higher than their carrying amounts and therefore no impairment loss is recognised. Other factors remaining constant, the recoverable amount of the long-term electricity transmission asset becomes equal to it's carrying amount, with a discount rate of 7.2%. With the discount rate unchanged at 6.55%, the recoverable amount of the electricity transmission asset becomes equal to it's carrying amount at a 1.3% rate of revenue growth. With the discount rate remaining unchanged at 6.55% and the revenue growth rate remaining unchanged at 2.0%, the recoverable value of the long-term assets of electricity transmission becomes equal to its book value, with the compound annual growth rate of EBITDA reaching 1.7% in 2024-2032.

The subsidiary can be divided into two cash-generating units: natural gas transmission and natural gas storage. The definition of cash generating units assumes that the infrastructure elements that make up the transmission and storage system are integrated, indivisible and necessary for the reliable operation of the transmission and storage systems and the provision of services.

The calculation of the recoverable amount of assets is based on the value in use of the cash-generating units, determined by discounting the future cash flows expected to arise from the continued use of the cash-generating units. Cash flows are based on the projected performance of the cash-generating units and management's forecasts of the cash-generating units' performance.

31 December 2022 carrying amount of the long-term assets of the Subsidiary:

	million EUR
Natural gas transmission	216
Natural gas storage	193

Key assumptions used in estimating the value in use of assets:

Discount rate	6.55%
Revenue growth rate from 2023	1.0%
Compound annual growth rate of Transmission segment EBITDA 2024-2032	6.8%
Storage segment EBITDA compound annual growth rate 2024-2032	3.3%

The recoverable amount of the natural gas transmission assets and the recoverable amount of the natural gas storage assets are higher than their carrying amounts and therefore no impairment loss is recognised. Other factors remaining constant, the recoverable amount of the long-term natural gas transmission CGU becomes equal to it's carrying amount at a discount rate of 9.7%, while the recoverable amount of the long-term natural gas storage CGU becomes equal to it's carrying amount at a discount rate of 10.3%. If the discount rate remained unchanged at 6.55%, the recoverable amount of the natural gas transmission non-current assets with 0% revenue growth rate would exceed their carrying amount, while the recoverable amount of the natural gas storage non-current assets with 0% revenue growth rate would be only EUR 0.2 million less than their carrying amount. With the discount rate remaining unchanged at 6.55% and the revenue growth rate remaining unchanged at 1.0%, the recoverable amount of long-term assets of natural gas transmission becomes equal to its book value, the compound annual growth rate of EBITDA in 2024-2032 reaching 5.7%, while the recoverable amount of long-term assets of natural gas storage becomes equal to its accounting value, with the compound annual growth rate of EBITDA reaching 2.3% in 2024-2032.

Management's assumptions are based on information available at the time of approving the financial statements. The impact of future events on the Group's future performance may differ from the current assessment.

24. FINANCIAL RISK MANAGEMENT

Augstsprieguma tīkls Group manages financial risk in accordance with the Financial risk management policy and the Financial risk management rules subordinate to it.

The Group's subsidiary AS "Conexus Baltic Grid" develops and approves its own Financial risk management policies, which are aligned with the guiding principles contained in the Group's policies.

The purpose of financial resource management is to ensure the financing and financial stability of economic activities by managing financial risks conservatively. As part of its financial risk management program, the Group and the Parent company have implemented financial risk controls and hedging measures to reduce the risks associated with open positions.

Liquidity risk

Liquidity risk refers to the ability of the Group and the Parent company to meet their obligations as they fall due. To hedge operational risk resulting in unpredictable cash flow fluctuations and to limit short-term liquidity risk, the Group and the Parent company maintain a reserve in the form of cash or committed and irrevocably available credit facilities for the next 24 months.

Both the Group and the Parent company are committed to prudent liquidity risk management by monitoring and forecasting short- and long-term cash flows and making certain that sufficient financial resources are available to cover liabilities when they become due.

The management of the Group and the Parent company believes that the Group and the Parent company will have sufficient cash to maintain their liquidity.

Maturity analysis of financial liabilities by their contractual cash flows including interest, EUR

	NBV	Parent company				
		2022	**2023**	**2024**	**2025 -...**	**Total**
At 31.12.2021						
Lease liabilities	14,938,982	838,508	806,478	764,375	15,461,699	17,871,060
Bonds issued	99,966,288	98,630	472,603	472,603	101,417,883	102,461,719
Payables to suppliers and other creditors	28,554,376	28,554,376	-	-	-	28,554,376
Total	**143,459,646**	**29,491,514**	**1,279,081**	**1,236,978**	**116,879,582**	**148,887,155**
		2023	**2024**	**2025**	**2026 -...**	**Total**
At 31.12.2022						
Lease liabilities	14,865,954	902,036	901,945	901,793	14,871,322	17,577,096
Bonds issued	100,366,699	472,603	472,603	472,678	100,945,205	102,363,089
Payables to suppliers and other creditors	31,467,851	31,467,851	-	-	-	31,467,851
Total	**146,700,504**	**32,842,490**	**1,374,548**	**1,374,471**	**115,816,527**	**151,408,036**
	NBV	**Group**				
		2022	**2023**	**2024**	**2025 -...**	**Total**
At 31.12.2021						
Lease liabilities	15,406,319	877,774	831,542	789,439	16,302,379	18,801,134
Borrowings from credit institutions	98,093,221	38,022,412	31,423,136	2,108,646	27,718,781	99,272,975
Bonds issued	99,966,288	98,630	472,603	472,603	101,417,883	102,461,719
Payables to suppliers and other creditors	42,961,061	42,961,061	-	-	-	42,961,061
Total	**256,426,889**	**81,959,877**	**32,727,281**	**3,370,688**	**145,439,043**	**263,496,889**
		2023	**2024**	**2025**	**2026 -...**	**Total**
At 31.12.2022						
Lease liabilities	15,350,376	927,100	927,009	926,857	15,739,206	18,520,172
Borrowings from credit institutions	82,429,949	15,171,022	14,743,768	19,545,505	45,377,570	94,837,865
Bonds issued	100,366,699	472,603	472,603	472,678	100,945,205	102,363,089
Payables to suppliers and other creditors	41,139,557	41,139,557	-	-	-	41,139,557
Total	**239,286,581**	**57,710,282**	**16,143,380**	**20,945,040**	**162,061,981**	**256,860,683**

Interest rate risk

Interest rate risk arises mainly from borrowings at floating interest rates, with the risk of a significant increase in financing costs due to rising interest rates. To limit the risk, the Group's and the Parent company's Financial risk management policy stipulates that the share of fixed or capped rate in the loan portfolio must not be less than 35%. At the same time, the Financial risk management rules provide that deviations from this indicator are allowed in the process of restructuring liabilities assumed in the reorganisation of the ownership of transmission assets.

The Parent company's borrowing portfolio as at 31 December 2022 consisted of bonds amounting to EUR 99,893 thousand (31.12.2021: EUR 99,866 thousand) (the nominal value of EUR 100,000 thousand) with a maturity of 5.25 years, a fixed annual interest rate (coupon) of 0.5% and a yield of 0.527%. Long-term fixed-rate borrowings accounted for 100% of the total loan portfolio. As at 31 December 2022, the Parent company's borrowing portfolio is 100% fixed rate borrowings and therefore the Parent company is not exposed to interest rate risk as at 31 December 2022.

The Group's borrowing portfolio as at 31 December 2022 consisted of borrowings of EUR 103,404 thousand at fixed interest rate and EUR 52,393 thousand at a floating interest rate. Long-term fixed-rate borrowings accounted for 71% of the total loan portfolio (31.12.2021: 75%).

The following table shows the sensitivity of the Group's profit before tax to reasonably possible changes in interest rates at the end of each reporting period, with all other variables held constant.

	Group			
	Rate changes (base points)	**Impact on profit before tax (EUR)**	**Rate changes (base points)**	**Impact on profit before tax (EUR)**
	2022		**2021**	
EURIBOR	(+50)	(235,444)	(+50)	(213,917)
	(-50)	42,070	(-50)	-

Credit risk

Credit risk arises when a partner of the Group or the Parent company is unable to meet their contractual obligations, resulting in a loss to the Group or the Parent company. Credit risk arises from the Group's and Parent company's cash, deposits with commercial banks and receivables. Credit risk can be related to financial counterparty risk and counterparty risk.

In the course of their business activities, the Group and the Parent company cooperate with domestic and foreign financial institutions. This creates **counterparty risk** - the Group and the Parent company may suffer losses in the event of the insolvency or termination of operations of counterparties. In the case of external financing, the risk remains until the borrowing is drawn down and transferred to one of the Group's or the Parent company's partner banks.

Credit risk arising from the Group's and Parent company's cash in current accounts is managed in accordance with the Group's Financial risk management policy and Financial risk management rules, balancing the allocation of financial resources.

In accordance with the Financial risk management policy, counterparties with a minimum credit rating of at least investment grade by an international credit rating agency, either their own or the parent bank, are accepted in cooperation with banks and financial institutions.

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

Although the Group and the Parent company have a significant concentration of receivables risk in relation to a single counterparty or a group of similar counterparties, this risk is considered to be limited as the main counterparty is the state-owned trading company AS "Latvenergo" and its group companies.

Credit risk related to receivables is managed in accordance with the risk management measures set out in the Financial risk management rules by analysing receivables on a monthly and at least quarterly basis.

Maximum exposure to credit risk	Parent company	
	31.12.2022 EUR	31.12.2021 EUR
Cash (Note 16)	92,042,624	48,513,943
Receivables from contracts with customers (gross) (Note 13)	22,400,276	21,513,222
Other financial debtors (gross) (Note 14)	8,557,794	1,174,056
TOTAL	**123,000,694**	**71,201,221**

In addition, the following disclosures are made regarding credit risk:

	Parent company	
	31.12.2022 EUR	31.12.2021 EUR
Receivables not past their due date	30,774,361	22,679,504
Arrears:		
Up to 3 months	4,394	3,424
From 3 to 12 months	174,375	-
1 to 5 years	951	4,350
More than 5 years	3,989	-
TOTAL	**30,958,070**	**22,687,278**

Maximum exposure to credit risk	Group	
	31.12.2022 EUR	31.12.2021 EUR
Cash (Note 16)	103,009,740	63,190,053
Receivables from contracts with customers (gross) (Note 13)	32,637,011	34,886,356
Other financial debtors (Note 14)	8,557,794	1,174,056
TOTAL	**135,646,751**	**99,250,465**

In addition, the following disclosures are made regarding credit risk:

	Group	
	31.12.2022 **EUR**	**31.12.2021** **EUR**
Receivables not past their due date	40,991,784	36,052,210
Arrears:		
Up to 3 months	23,706	3,852
From 3 to 12 months	174,375	-
1 to 5 years	951	4,350
More than 5 years	3,989	-
TOTAL	**41,194,805**	**36,060,412**

Quality of financial assets - cash and deposits

Balance sheet item	Parent company			
	Bank	**Credit rating (Moody's)**	**31.12.2022 EUR**	**31.12.2021 EUR**
Cash:				
Cash in current accounts	SEB banka	Aa3	86,968,083	28,032,575
	Swedbank	Aa3	5,067,927	20,474,629
	Luminor bank AS Latvian branch	Baa1	6,614	6,739
Total cash			**92,042,624**	**48,513,943**

Balance sheet item	Group			
	Bank	**Credit rating (Moody's)**	**31.12.2022 EUR**	**31.12.2021 EUR**
Cash:				
Cash in current accounts	SEB banka	Aa3	97,643,276	28,961,980
	Swedbank	Aa3	5,190,926	21,026,627
	OP Corporate bank plc Latvian branch	Aa3	166,771	996,872
	Citadele banka	Baa2	1,121	999,999
	Luminor bank AS Latvian branch	Baa1	7,646	11,204,575
Total cash			**103,009,740**	**63,190,053**

The Group and the Parent company continuously monitor their receivable balances to minimise the possibility of bad debts. Impairment of receivables from contracts with customers and other receivables is analysed on an ongoing basis. The Group has received security deposits of EUR 8,984,627 (2021: EUR 1,344, 956) as collateral for receivables.

The Group and the Parent company have not established an internal credit rating system for measuring receivables.

There are no significant changes in expected credit losses on receivables in 2022. Receivables are only written off if they are not expected to be recoverable. Indicators for the impossibility of recovery include the debtor's inability to agree on a repayment schedule, as well as the debtor's insolvency, bankruptcy or liquidation. Expected credit losses on customer contracts are immaterial, hence the decision not to make an allowance for bad debts, except for a fraudulent transaction of EUR 172,850. The fraud has been the subject of criminal proceedings.

Expected credit losses at 31 December 2022:

	Parent company						
Days past due under IFRS 9	**Not overdue**	**Up to 44 days past due**	**45 to 90 days past due**	**91 to 180 days past due**	**181 to 359 days past due**	**More than 360 days past due**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Receivables from contracts with customers (gross) (Note 13)	22,389,417	4,394	468	502	555	4,940	22,400,276
Other receivables (gross) (Note 14)	8,384,944	-	-	-	172,850	-	8,557,794
Expected credit losses	**-**	**-**	**-**	**-**	**173,405**	**4,940**	**178,345**
	Group						
Days past due under IFRS 9	**Not overdue**	**Up to 44 days past due**	**45 to 90 days past due**	**91 to 180 days past due**	**181 to 359 days past due**	**More than 360 days past due**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Receivables from contracts with customers (gross) (Note 13)	32,606,840	23,706	468	502	555	4,940	32,637,011
Other receivables (gross) (Note 14)	8,384,944	-	-	-	172,850	-	8,557,794
Expected credit losses	**-**	**-**	**-**	**-**	**173,405**	**4,940**	**178,345**

The expected credit losses on contracts with customers are immaterial and therefore, on a debtor-by-debtor basis, the decision was taken to make provisions only for debts of more than 181 days.

Expected credit losses at 31 December 2021:

	Parent company						
Days past due under IFRS 9	**Not overdue**	**Up to 44 days past due**	**45 to 90 days past due**	**91 to 180 days past due**	**181 to 359 days past due**	**More than 360 days past due**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Receivables from contracts with customers and other receivables (gross)	22,679,504	-	3,424	-	-	4,350	22,687,278
Expected credit losses	**-**	**-**	**-**	**-**	**-**	**4,350**	**4,350**
	Group						
Days past due under IFRS 9	**Not overdue**	**Up to 44 days past due**	**45 to 90 days past due**	**91 to 180 days past due**	**181 to 359 days past due**	**More than 360 days past due**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Receivables from contracts with customers and other receivables (gross)	36,052,210	-	3,852	-	-	4,350	36,060,412
Expected credit losses	**-**	**-**	**-**	**-**	**-**	**4,350**	**4,350**

Capital risk management

The shareholder of the Parent company is the Republic of Latvia (100%) previously represented by the Ministry of Finance but from 14 February 2023 – by the Ministry of Climate and Energy. The objective of capital risk management is to ensure the sustainable operation and development of the Group and the Parent company, the financing required to implement the development plan in the transmission assets, and the fulfilment of the restrictive covenants set out in the borrowing agreements. The restrictive covenants in the borrowing agreements have not been breached. To ensure that the restrictive covenants in the loan agreements are met, the equity ratio is analysed regularly. In accordance with the Augstsprieguma tīkls Group Financial risk management policy, equity capital must be maintained at a level of at least 35%. As at 31 December 2022, equity of the AS "Augstsprieguma tīkls" was 47% of total assets, that of the Group's was 49% (51% and 53%, respectively, at 31 December 2021).

Currency risk

The business activities of the Group and the Parent company are focused on transactions, assets and liabilities denominated in the Group's and the Parent company's functional currency, the euro. The foreign currency risk of the Group and the Parent company is considered to be insignificant and they have no balances in foreign currencies.

25. RELATED PARTY TRANSACTIONS

State-related enterprises that are controlled, jointly controlled or substantially influenced by the State are considered related parties.

Trading transactions in the ordinary course of business with the Latvian Government, including its ministries and agencies, and transactions between state-controlled entities and public service providers are excluded from the scope of quantitative related party disclosures under Paragraph 25 of IAS 24. The Group and the Parent company enter into transactions with many of these entities on an arm’s length basis. Transactions with government-related entities include taxes and other related services. Income taxes are disclosed in the Statement of Financial Position and the Income Statement as specified in Notes 14 and 15, social insurance contributions are disclosed in Note 7, and taxes payable are disclosed in Note 21. Significant transactions are carried out with the energy supply service provider AS “Latvenergo”, the distribution system operator AS “Sadales tīkls” and the public electricity trader AS “Enerģijas publiskais tirgotājs”.

The remuneration of the management of Augstsprieguma tīkls Group includes remuneration of the members of the Boards and the Supervisory Board of the Group companies. The remuneration of the management of the Parent company includes the remuneration of the members of the Board and Supervisory Board of the Parent company. Detailed information is provided in Note 7.

Income and expenses from related party transactions (other public capital companies)

	Parent company		Group	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Revenue				
Electricity transmission system service	73,514,575	74,971,551	73,514,575	74,971,551
Balancing electricity	30,205,990	8,637,314	30,205,990	8,637,314
Regulating electricity	1,843,615	427,517	1,843,615	427,517
Reactive energy revenues	621,896	613,795	621,896	613,795
Compulsory procurement components	223,692	3,325,574	223,692	3,325,574
Gas storage and transmission	-	-	22,060,969	18,311,201
Revenue from other services	2,396,715	1,993,613	2,396,715	1,993,613
Total revenue from transactions with related companies	**108,806,483**	**89,969,364**	**130,867,452**	**108,280,565**
Cost				
Purchase of balancing electricity	14,076,752	10,834,310	14,076,752	10,834,310
Purchase of regulatory electricity	23,652,121	9,572,336	23,652,121	9,572,336
Electricity for business use	81,344	136,949	81,344	136,949
Capacity reserve for electricity system security	7,892,280	4,080,085	7,892,280	4,080,085
Use of synchronous compensators	1,338,608	-	1,338,608	-
Compulsory procurement components	564,827	4,857,584	564,827	4,857,584
Communication expenses	3,236,455	3,094,890	3,236,455	3,094,890
Electric power overload elimination	220,200	-	220,200	-
Interest payments on long-term borrowings	-	1,340,530	-	1,340,530
Lease of PPE and land	814,362	795,693	814,362	795,693
Gas storage and transmission	-	-	5,408,435	2,864,545
Other costs	164,288	1,443,792	164,288	1,443,792
Total cost of transactions with related companies	**52,041,237**	**36,156,169**	**57,449,672**	**39,020,714**

Balances at the end of the reporting year from related-party transactions (other public capital companies)

	Parent company		Group	
	31.12.2022 EUR	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**
Receivables:				
State-controlled capital companies	7,741,949	10,827,721	11,523,403	14,131,607
Payables:				
State-controlled capital companies	15,821,137	12,343,652	17,386,223	13,053,795

Information on loans from related companies is presented in Note 20, while information on dividends paid is presented in Note 17 and information on dividends received is presented in Note 11.

26. FUTURE COMMITTMENTS AND CONTINGENT LIABILITIES

At 31 December 2022, the Group had future commitments of EUR 183,704 thousand (31.12.2021: EUR 64,345 thousand) and the Parent company had future commitments of EUR 148,794 thousand (31.12.2021: EUR 40,671 thousand) for capital expenditure contracted but not yet committed at the balance sheet date.

The Decision of the PUC Council of 20 October 2022 “On the electricity transmission system development plan” approves the electricity transmission system development plan developed by AST for the period from 2023 to 2032 (hereinafter also “the Development Plan”).

The Development Plan has been developed in line with AST’s strategic objective - strengthening Latvia’s energy security by synchronising Latvia’s electricity transmission network with that of continental Europe, while respecting the principles of reliability and cost-efficiency.

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

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

- Project "Synchronisation of the Baltic power transmission system with the European network, Phase 1": total project costs estimated at EUR 72,307 thousand. The project is co-financed by the EU. On 19 March 2019, an agreement was signed with INEA *(Innovation and Networks Executive Agency*) on receiving EU co-financing of 75% of the eligible costs or EUR 57,750 thousand, while 24% would be covered from the accumulated congestion charge revenue;
- Project "Synchronisation of the Baltic power transmission system with the European network, Phase 2": total project costs estimated at EUR 169,347 thousand. EU co-financing of up to EUR 92,620 thousand has been budgeted for the project. In addition to the above, it is planned to allocate accumulated congestion charge revenues of EUR 25,000 thousand to the financing of the project;
- Under the Electricity Transmission and Distribution Network Modernisation Support Programme under the Cabinet-approved Recovery and Resilience Mechanism Plan, the Parent company is eligible to receive funding of EUR 38,100 thousand. With the support, AST plans to build a control and security data centre, implement the necessary information technology infrastructure to improve the cyber security of the information system, and develop the digitalisation of grid management to ensure the planning and management of renewable energy generators' modes of operation. The Latvian Recovery Plan has been prepared in line with the objectives of the Latvian National Development Plan 2021-2027 and takes into account the recommendations of the European Commission and the Council of the European Union for stable and successful growth in Latvia. The Recovery Fund financing must be invested in Latvia by mid-2026.

In addition, in accordance with the agreement between the operators on the cost of the Polish-Lithuanian Interconnection Project (GIPL) signed on 11 May 2018, the Group plans to invest EUR 14,700 thousand in 2023 (expected year of implementation 2023).

Considering participation in the Nord Pool power exchange, a guarantor service agreement was concluded between the Parent company and AS ''SEB banka'' at the end of the reporting period in the amount of EUR 3,000 thousand (at 31.12.2021: EUR 2,000 thousand).

27. REMUNERATION OF THE COMMERCIAL FIRM OF SWORN AUDITORS

In accordance with the agreement between AS "Augstsprieguma tīkls" and SIA "PricewaterhouseCoopers" on the audit of the financial statements and consolidated financial statements, the fee for the audit of the financial statements and consolidated financial statements of the Parent company for 2022 was EUR 36,100 (2021: EUR 39,000). As part of the concluded agreement, SIA "PricewaterhouseCoopers" provided the audit service of the 2022 Sustainability Report (prepared in accordance with global reporting requirements) to the Parent company in the amount of EUR 7,500 and delivered a workshop on the regulatory framework for stock exchange issuers of sustainability reports (EUR 3,000), as well as a service for tagging the ESEF report (EUR 9,000).

	Parent company		**Group**	
	2022 EUR	**2021 EUR**	**2022 EUR**	**2021 EUR**
Audit service	36,100	39,000	60,100	69,000
Consulting and audit services	19,500	69,900	24,800	75,200
TOTAL REMUNERATION TO THE COMMERCIAL FIRM OF SWORN AUDITORS	**55,600**	**108,900**	**84,900**	**143,200**

28. ADJUSTMENTS TO CORRECT OR RECLASSIFY PRIOR PERIOD ERRORS

The Parent company's and Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting and measurement policies set out in this section have been consistently applied to all periods covered by the financial statements.

A reclassification was made in the Group’s 2022 financial statements, which also resulted in the following reclassifications in the 2021 comparatives:

Overview/item		Before reclassification	Reclassification	After reclassification
		2021		2021
PROFIT OR LOSS ACCOUNT		**EUR**	**EUR**	**EUR**
Revenue	*	182,226,430	472,176	182,698,606
Other revenue	*	6,113,495	(472,176)	5,641,319

* taking into account the fact that revenues from gas balancing activities are closely related to the gas provision of transmission services and balancing services are one of the basic services that Conexus provides to customers, in the comparative figures for 2021, a reclassification was made between the following items of the income statement: Revenues from balancing activities, net in the amount of EUR 472,176 was transferred from the item "Other revenue" to the item "Revenues”.

29. THE IMPACT OF THE RUSSIAN WAR IN UKRAINE ON THE ACTIVITY OF THE PARENT COMPANY AND THE GROUP

On 24 February 2022, the military conflict between Russia and Ukraine escalated. Russia's invasion of Ukraine has resulted in Russia and Belarus being under severe economic and political sanctions by the European Union, the USA and other countries.

The Group's management is continuously taking the necessary measures to ensure the continuity of business operations and the availability of the services of the electricity transmission system operator and the sole operator for the transport and storage of natural gas.

Considering that the Latvian power system is currently operating in synchronous mode with the Russian combined (IPS/UPS) system, AS “Augstsprieguma tīkls” has assessed the potential risks related to the Russian military aggression against Ukraine. On 22 May 2019, AST signed the Agreement on the conditions of the future interconnection of power system of Baltic States and power system of continental Europe. The Baltic countries’ electricity transmission is scheduled to be synchronised with continental Europe by 2025.

In the current situation, it is not possible to assess the risk of a possible unplanned disconnection of the Baltic electricity grids from the Russian interconnected grid (IPS /UPS). AS "Augstsprieguma tīkls", together with the transmission system operators of the Baltic States and Poland, has, however, prepared to ensure the operation of the Baltic electricity grids even in the event of emergency desynchronisation. The accelerated synchronisation of the Baltic power systems with continental Europe is expected to lead to an increase in energy supply costs, but given the uncertain and complex situation, it is not possible to estimate the financial impact at this stage.

On 19 April 2022, the Latvian Government conceptually agreed to withdraw from the Russian Federation's natural gas supply due to Russian aggression in Ukraine. The Saeima Committee on National Economy, Agricultural, Environmental and Regional Policy advocated for an amendment to the Energy Law to ban natural gas supplies from the Russian Federation from 1 January 2023. On 14 July 2022, the Saeima adopted amendments to the Energy Law in its final reading, supporting the amendments introduced by the Commission to ban natural gas supplies from the Russian Federation as of 1 January 2023.

Although these are significant changes in the Baltic-Finnish single natural gas market, the Subsidiary's importance in the Latvian energy system is not expected to diminish, nor will the impact on the continuity and financial stability of its operations be less.

Given the exceptional market conditions that indicate the need for an impairment review, such a review was carried out as part of the preparation of the 2022 financial statements. Impairment of assets is assessed for both long-term assets of AS “Augstsprieguma tīkls” (including investment in AS “Conexus Baltic Grid” as a Subsidiary) and long-term assets of AS “Conexus Baltic Grid” as part of the consolidated group.

AST management has performed an assessment of the value of the assets of AST (with the exception of the investment of AS "Augstsprieguma tīkls" in AS "Conexus Baltic Grid"), which resulted in the conclusion that no impairment of assets should be recognised as the total recoverable amount of the assets exceeds their carrying amount and the value of the assets directly affected by the potential desynchronisation from Russia is not material in the context of the financial statements (0.3% of the total value of PPEs). AST management's assumptions are based on information available at the date of approval of the financial statements. The impact of future events on the future performance of AST may differ from the current assessment.

In turn, the investment of AS “Augstsprieguma tīkls” in AS “Conexus Baltic Grid” is assessed in relation to the value of long-term assets of AS “Conexus Baltic Grid” in the AS “Augstsprieguma tīkls’’ consolidated balance sheet, on the basis that the acquisition value of AS ‘’Conexus Baltic Grid’’ was determined in relation to the value of its property, plant and equipment and other long-term assets. AS “Conexus Baltic Grid” has performed an impairment review of assets, which resulted in the conclusion that the long-term assets of AS “Conexus Baltic Grid” are not impaired, and therefore no impairment of investments is required to be recognised in the separate and consolidated accounts of AS Augstsprieguma tīkls. Detailed information on impairment testing of long-term assets of AS “Conexus Baltic Grid” is provided in the Subsidiary’s financial statements https://www.conexus.lv/finansu-parskati.

The Group provides public services of strategic importance. The Parent company is a state-owned (100%) capital company and, in accordance with the Electricity Market Law, is the sole operator of the electricity transmission system in Latvia. The Group’s management believes that the impact of volatility in the energy supply markets will be mitigated and that ensuring the security and stability of energy supply as a function of national importance will be supported, ensuring the Group's long-term financial stability.

30. EVENTS AFTER THE END OF THE REPORTING YEAR

At the Cabinet meeting on 14 February 2023, the Government took the decision to designate the Ministry of Climate and Energy as a shareholder of AS "Augstsprieguma tīkls". This facilitates the involvement of the Ministry of Climate and Energy - the energy policy maker - in the development of the transmission system operators AS "Augstsprieguma tīkls" and AS "Conexus Baltic Grid". This commitment is essential for energy security. Until recently, the Ministry of Finance held the shares in AS "Augstsprieguma tīkls". The change of shareholder representative of AS "Augstsprieguma tīkls" does not affect the shareholder structure of AST. The shares of AST are still 100% owned by the State.

On 14 April 2023, the decision of Guntas Jēkabsone, the chairman of the board of AS "Augstsprieguma tīkls", to leave the position of the board chairwoman as of 1 August 2023 was announced. Changes in the composition of the Board of the Parent Company will not affect the operation of the company and AS "Augstsprieguma tīkls" will always provide safe and stable power transmission under the leadership of an experienced team.

There have been no other material events that occurred between the last day of the reporting period and the date of signing these financial statements that would have a material impact on the financial statements of the Group and AS "Augstsprieguma tīkls". Although uncertainty about the future impact of events on the operations of the Group and the Parent company has increased, no circumstances have been identified that would jeopardise the continuity of operations and the fulfilment of statutory functions.

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