



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

CONDENSED INTERIM FINANCIAL STATEMENTS

for the 3-month period ended 31 March 2023

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



TABLE OF CONTENTS

Information about the Group and the Company	3
Key financial and operational indicators	5
Management report	7
Statement on the Board's responsibilities	28
Consolidated and stand-alone financial statements:	
Income statement	30
Statement of comprehensive income	31
Statement of financial position	32
Statement of changes in equity	34
Statement of cash flows	36
Notes to the consolidated and stand-alone financial statements	38

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

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

MEMBERS OF THE COUNCIL AND
THEIR POSITIONS

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

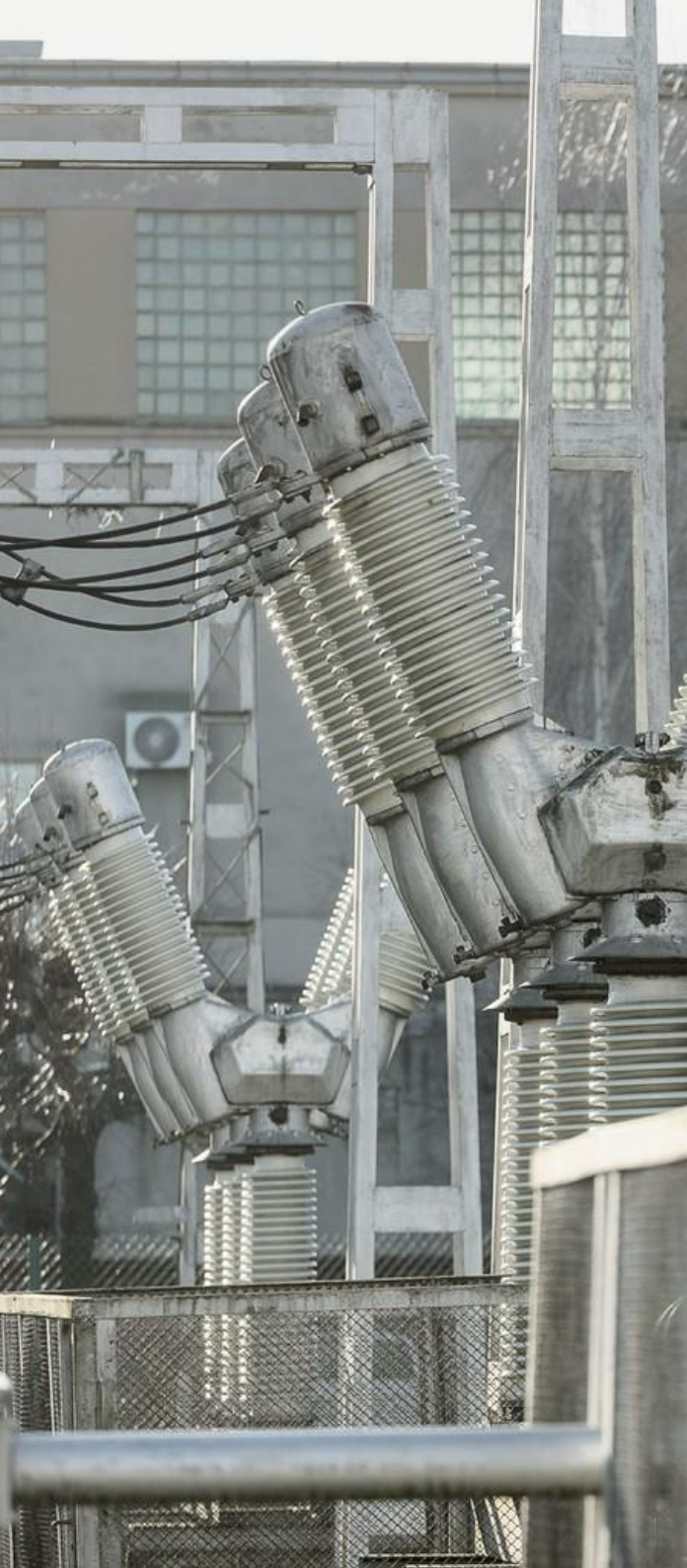
SHAREHOLDINGS IN OTHER
COMPANIES

AS "Conexus Baltic Grid" (68.46%)

REPORTING PERIOD

1 January 2023 – 31 March 2023

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.



KEY FINANCIAL AND OPERATIONAL INDICATORS

KEY FINANCIAL AND OPERATIONAL INDICATORS

	Group*		Parent company	
	3 months of 2023	3 months of 2022	3 months of 2023	3 months of 2022
FINANCIAL INDICATORS				
Revenue, in thous. EUR	44,916	51,749	29,178	35,970
EBITDA, in thous. EUR	15,189	16,380	5,004	6,402
Profit, in thous. EUR	1,303	1,887	(3,861)	(3,546)
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Total assets, in thous. EUR	1,313,164	1,206,504	991,470	901,867
Equity, in thous. EUR	632,590	649,682	443,659	461,797
Borrowings, in thous. EUR	178,688	170,816	99,997	99,970
Net cash flow from operating activity, in thous. EUR	38,075	14,312	5,042	(1,915)
Cash and short-term deposits, in thous. EUR	127,622	52,252	112,489	51,798
FINANCIAL RATIOS				
Total liquidity ratio (≥ 1.2)*	1.6	1.5	2.1	2.2
EBITDA margin	34%	32%	17%	18%
Equity ratio ($\geq 35\%$)*	48%	54%	45%	51%
Net liabilities to EBITDA (≤ 5.0)*	8%	18%	-	10%
PERFORMANCE INDICATORS				
Electricity transmitted to Latvian consumers, GWh	1,616	1,663	1,616	1,663
Natural gas transmitted, TWh	7.8	10.9	-	-
Average number of employees	3.3	3.6	-	-
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 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 maintains its high rating for AS “Augstsprieguma tīkls”

On 14 April 2023, the international credit rating agency S&P Global Ratings (S&P) published the financial report, maintaining the credit rating for the Latvian transmission system operator AS “Augstsprieguma tīkls” at the consistently high level: A- with a stable outlook.

In March 2023, the electricity price in Latvia reached its lowest level since June 2021

In March 2023, the average electricity price in the Latvian trading area fell to EUR 87.77 per megawatt-hour (EUR/MWh), which is the lowest level since June 2021. The fixed average price in March 2023 was 23% lower than in February 2023 and 48% lower than in March 2022.

Ministry of Climate and Energy becomes the shareholder of AS “Augstsprieguma tīkls”

At the meeting of the Cabinet of the Republic of Latvia held 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 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 involvement is an essential prerequisite for energy security.

Memorandum of Understanding on the establishment of a Cyber Security Centre for Energy Infrastructure Operators signed

Aimed at strengthening the cyber security of Latvia’s energy infrastructure, in January 2023 the Latvian electricity transmission system operator AS “Augstsprieguma tīkls”, the sole natural gas transmission and storage operator AS “Conexus Baltic Grid” and the information technology security incident response authority CERT.LV 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 Cyber Security Centre for Energy Infrastructure Operators is the first step towards building a cybersecurity capacity specifically focused on the energy sector. This is important in the context of increasing cyber security incidents across the country, especially after Russia’s 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 March 2023, 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 8 for information on the shareholding in the Subsidiary and its location.




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

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

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

OVERVIEW OF THE OPERATING ENVIRONMENT

Electricity market

Since the beginning of the year, Latvia, the Baltic States and Europe have seen a decline and consolidation of electricity prices. In March, the average electricity price in the NordPool price zones ranged from EUR 74.17/MWh in Finland to EUR 120.44/MWh in Poland. Whereas, in December 2022, prices ranged from EUR 170.78/MWh in Poland to EUR 270.89 in France.

In March 2023, the average electricity price in the Latvian trading area fell to EUR 87.77 per megawatt-hour (EUR/MWh), which is the lowest level since June 2021. The average electricity price in the Latvian trading area in March 2023 was 23% lower than in February 2023 and 48% lower than in March 2022.

In March 2023, floods continued in Latvia, and the amount of electricity produced by the Daugava HPP increased by 57% compared to February 2023, and by 61% compared to 2022.

Total electricity generation in Latvia in March 2023 increased by 23% compared to February 2023 and by 84% compared to 2022, while electricity consumption decreased by 6% compared to February 2023 and by 5% compared to March 2022.

For the third month in a row, Latvia has generated more electricity than it consumed. In March, 137% of Latvia's consumption was covered by domestic generation, the remaining 229 gigawatt hours (GWh) of electricity were exported to neighbouring countries. In February 104 GWh and in January 274 GWh of electricity were exported.

Natural gas market

In the first three months of 2023, the total volume of natural gas transported in Latvia reached 7.8 TWh, which was 29% less than in the same period last year. The decrease was mainly due to lower volumes of natural gas transported from the Inčukalns UGS facility to Lithuania and lower volumes of natural gas injected into the Inčukalns UGS.

Due to the ban on natural gas deliveries from Russia under the Energy Law, there were no natural gas deliveries from Russia during the reporting period. Instead, natural gas traders delivered natural gas from the Klaipeda LNG terminal. In the first three months of this year, the amount of natural gas received from Lithuania was 4.4 TWh, almost 2 times more than in the same period last year.

Natural gas consumption by Latvian consumers amounted to 3.3 TWh in the first three months of 2023, 8% less than in the same period last year. The decrease in natural gas consumption was due to weather conditions, which were milder in the winter months than in the corresponding period of 2022, resulting in lower user demand for heating natural gas than in the corresponding period of the previous year, as well as due to unprecedentedly high natural gas prices, which prompted users to reduce their natural gas consumption. The decrease in natural gas consumption was partially offset by a doubling of electricity generation at the country's largest thermal power plants.

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 44,916 thousand. Net profit was EUR 1,303 thousand.

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 29,178 thousand, including revenue from electricity transmission network services of EUR 18,943 thousand. The substantial decrease in revenue of EUR 6,792 thousand or 19%, compared to 2022 is due to an decrease in revenues from balancing and regulating electricity as well as congestion management as a result of the decrease in electricity prices. The decrease in revenue under these headings corresponds to the decrease in costs, so their impact on profit is neutral.

Even though the electricity price on the power exchange continued to decline in the first quarter of 2023, it was still significantly higher (by 2.4 times) than the budgeted electricity price in the current electricity transmission tariff approved on 26 November 2020, which had a negative impact on the financial performance of the Electricity transmission segment.

Although the Electricity transmission segment operated with a loss of EUR 3,861 thousand in the three months of 2023, however, according to the "Methodology for calculating electricity transmission system service tariffs" (hereinafter also "Methodology"), cost increases caused by fluctuations in the electricity price will be recovered in the next regulatory period, which is scheduled to begin on 1 July 2023.

Natural gas transmission segment

In the reporting period, revenue of the Natural gas transmission segment was EUR 8,080 thousand, and EBITDA was EUR 5,100 thousand. Conexus' EBITDA amounted to EUR 1.6 billion, which is 50% of Conexus' total EBITDA. The Transmission segment's profit amounted to EUR 2,309 thousand, (23% less than in the same period last year). Conexus is a regulated company with regulatory periods that differ from the financial reporting year. According to the Methodology for calculating tariffs for the natural gas transmission network service, deviations of revenues and costs from the permitted volumes may occur during the tariff period, which affect the tariff values in subsequent tariff cycles. In the transmission segment, such deviations may occur due to differences in actual natural gas consumption compared to tariffs, resulting in an adjustment of revenue. The actual revenue of the transmission segment in the gas years from 1 January 2020 to 30 September 2022 was EUR 82.2 million, which was EUR 9.1 million less than the revenue allowed under the current tariffs. The amount of lost revenue will be used to increase the allowable revenue for the next regulatory period.

Under PUC Decision No. 171 of 27 November 2019, the applicable tariffs for natural gas transmission services for the period from 1 January 2020 to 30 September 2022 were approved. The approved tariffs for services in the natural gas transmission network would continue to apply after 30 September 2022 until the start of a new regulatory period.

Natural gas storage segment

The revenue of the Natural gas storage segment in the reporting period was EUR 7,659 thousand, and EBITDA was EUR 5,085 thousand. The storage segment's profit was EUR 2,855 thousand.

In the 2022/2023 storage cycle, the volume of the Inčukalns UGS facility capacity reservation products reached 24.1 TWh, which was 27% more than a year earlier. Revenue from capacity products increased by EUR 1,151 thousand in the reporting period. EUR 1.6 billion compared to the same period of the previous year.

Under the Methodology for calculating tariffs for the natural gas storage system service, revenue and cost deviations from the allowed volumes may occur during the tariff period, which will affect the tariff values in subsequent tariff cycles. During the storage tariff period from 1 May 2022 to 30 April 2023, the storage service revenue generated was EUR 30.4 million, which was by EUR 6.2 million higher than the revenue allowed by the current tariffs, and therefore these EUR 6.2 million are to be included in the regulatory storage service invoice.

In the previous tariff application period, which lasted from 1 May 2021 to 30 April 2022, revenue was EUR 1.8 million higher than was budgeted for in the permitted revenue of the effective tariffs. The revenue in the regulatory bill will have an impact on the permitted revenue of the following tariff periods

In February 2023, Conexus set the tariffs for storage capacity services that will apply for the storage cycle beginning on 1 May 2023. In response to the decrease in budgeted revenue attributable to the tariff period, the tariff values of the most popular storage products have decreased by 14%.

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.

In accordance with Council of Europe and European Commission Regulation no. 714/2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003" (hereinafter also "the Regulation"), the collected congestion charges shall be used primarily for 1) ensuring the actual availability of the allocated capacity; 2) maintaining or improving the interconnection capacity by investing in the network, in particular in new interconnectors. Under the PUC decision, the revenue from the congestion charge is used to finance such strategically important investment projects as:

- Project "Kurzeme loks" of EUR 11.5 million, the project was completed in 2019;

- Project “Construction of a new 330 kV EPL at Riga TEC2-Riga HES” of EUR 7.2 million, the project was completed in 2020;
- Project “Estonia - Latvia 3rd interconnector” of EUR 30.5 million, the project was completed in 2021;
- Project “Synchronisation with Continental Europe, Phase 1”, up to 24% of the total project costs or up to EUR 18.5 million, the project to be completed in 2025;
- Project “Synchronisation with Continental Europe, Phase 2” up to EUR 25.0 million, project to be completed in 2025

The cost of electricity transmission tariffs could be reduced by EUR 2.5 million per year by diverting the revenue from congestion charges to finance investments.

The assets of the electricity transmission segment amounted to EUR 857 million at the end of the reporting period. In the first quarter of 2023, investments of EUR 15,378 thousand were made in electricity transmission assets, including:

- EUR 13,481 thousand were invested in synchronisation with the European electricity transmission network (Phase 1 and Phase 2). Investments of EUR 241,654 thousand in total are planned to be made in the Baltic countries’ synchronisation with continental Europe projects in Phase 1 and Phase 2. EUR 12,452 thousand have been invested up to the beginning of the reporting period. The project aims to strengthen Latvia’s energy security by synchronising Latvia’s electricity transmission network with the continental European network, while respecting the principles of reliability and cost-efficiency.
- EUR 1,403 thousand have been invested in the rebuilding and renovation of substations. The substation rebuilding and renovation projects include the complete replacement of old equipment and the replacement of grid protection equipment with digital and high-speed equipment with a wide range of functionalities. In addition, the improved communication solutions ensure that the rebuilt substation can be remotely controlled not only from a workstation in the substation but also from the central control room, providing the controller with all the necessary information for decisions and actions both during normal operation of the system and in various emergency situations. These projects increase the controllability and observability of the power system and open up opportunities for the development and integration of renewable energy sources.

Natural gas transmission segment

Transmission segment assets at the end of the reporting period amounted to EUR 236 million, representing 51% of the total assets of the Subsidiary. Investments of EUR 1,045 thousand during the reporting period were EUR 1 million. The largest of these were:

- Conexus invested a total of EUR 200 thousand in the sub-projects of the European project of common interest “Improving the Latvia-Lithuania Interconnection” (ELLI) in the reporting period. The major activities have been in the reconstruction of the Zaķumuiža and Ezerciems gas regulating stations;
- Repairs of transmission gas pipeline sections and their corrosion insulation of EUR 631 thousand.

Natural gas storage segment

At the end of the reporting period, the segment's assets amounted to EUR 231 million, representing 49% of the subsidiary's total assets. During the reporting period, investments of EUR 4,916 thousand were made, which was by EUR 2,732 thousand higher than in the same period of the previous year. The main investments - re-drilling of wells, modernization of gas pumping equipment at compressor hall No. 2, reconstruction of gas collection point No. 3 and installation of a new gas collection point totalled EUR 4,548 thousand. The project, which is worth EUR 1.5 billion, is being implemented as part of the ambitious European Union project PCI 8.2.4 "Improvement of the Inčukalns Underground Gas Storage Facility". As part of the modernization of the existing gas pumping facilities, the modernization of gas pumping facilities 5 and 6 of Compressor Hall No. 2 was completed in the first three months of 2023 for a total amount of EUR 4,525 thousand.

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 March 2023, the Parent Company's borrowings totalled EUR 99,997 thousand (at 31 December 2021: EUR 100,367 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 2022: 100%).

At 31 March 2023, the Group's borrowings totalled EUR 178,688 thousand, including bonds issued in the amount of EUR 99,997 thousand and loans with credit institutions of EUR 98,413 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, 72% of the Group's total long-term borrowings were at fixed interest rates (31 December 2022: 71%), thus the increase in interest rates on the financial market does not have a significant impact on the Group.

The international rating agency S&P Global Ratings (hereinafter "S&P") has rated the Latvian transmission system operator AS "Augstsprieguma tīkls" and assigned it a long-term credit rating of A-/Stable. In 2022, S&P rated the Group's subsidiary for the first time and assigned it a long-term credit rating of BBB+ with a stable outlook. Confirming the stability and financial reliability of the Augstsprieguma tīkls Group, on 14 April 2023, S&P announced that the credit rating of the Parent Company would be maintained at a consistently high A- level with a stable outlook for the future.

REGULATORY ACTIVITIES – THE TRANSMISSION AND STORAGE SERVICES TARIFF

Electricity transmission

Electricity transmission tariffs are determined in accordance with the “Methodology for calculating electricity transmission system services tariffs” approved by the PUC. In 2022, transmission system services were provided at tariffs approved by the PUC Council Decision of 26 November 2020.

Tariffs for electricity transmission services for the regulatory period from 1 January 2021 to 31 December 2022 were approved under Decision No. 153 of the PUC Council of 26 November 2020. 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, a cost reduction of 5% was achieved in the reform of the ownership of the transmission network assets compared to the previous tariff.

Considering that the current regulatory period expires on 31 December 2022, as well as the steep rise in electricity prices from May 2021, the Parent company developed and submitted to the PUC for approval a draft tariff for electricity transmission system services in October 2022. 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>.

As high electricity prices and changes in consumption are due to exceptional circumstances (the impact of COVID-19 on economic 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 was examined.

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

In light of the above, it is planned to develop an updated draft tariff for electricity transmission services to come into effect on 1 July 2023.

According to the Methodology for calculating the tariff for electricity transmission system services, fluctuations between budgeted and actual revenues, and costs will be compensated for in the next regulatory period. However, in accordance with paragraph 67 of the Methodology, the TSO may apply to the PUC for approval to use the congestion revenue to absorb electricity losses and process costs for 2022. In accordance with the above, the Parent company has used the congestion charge revenues of EUR 36,540 thousand to absorb the costs of electricity transmission losses and technological process support in 2022. The Parent company has applied to the PUC to allow the congestion charge revenue to be used to cover costs related to the provision of electricity transmission services also in the next regulatory period, which is scheduled to start on 1 July 2023. At 31 December 2022, the accrued congestion charge revenue that was yet to be decided whether to be diverted to finance capital expenditures (see the chapter "Investments") was EUR 54.3 million, and at 31 March 2023, it was EUR 61.5 million. Under the decision of the PUC Council of 22 May 2023, considering the level of accrued congestion charge revenue as well as the budgeted level of congestion charge revenues in the following periods, within the regulatory period

from 1 July 2023 to 31 December 2025, AST may use congestion charge revenues in the amount of EUR 62.1 million for electricity transmission services to reduce tariffs.

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 is actively seeking co-financing from the European Union to fund capital expenditure. EU co-financing is currently committed to 5 capital projects under the European Decade Plan. In addition, in order to minimise the impact on transmission tariffs, the Parent company uses the revenue accumulated from congestion charges to fund capital expenditure. Investments in the electricity transmission network financed from EU co-financing and congestion charge revenues are not considered in the calculation of electricity transmission network service tariffs.

In 2023, it is planned to continue activities to improve the efficiency of the Parent company's business processes, implement the digital transformation and optimise costs.

The activities of AST have resulted in 75% of the funds required to implement the development projects included in the European Decade Development Plan development projects being funded by EU co-financing and congestion charge revenues, absorbing the impact on electricity transmission network tariffs.

Natural gas transmission and storage

In February 2023, the Subsidiary set the tariffs for storage capacity services applicable to the storage cycle commencing on 1 May 2023. Due to the decrease in the amount of forecast revenue attributable to the tariff period, the tariff values of the most common storage products decrease by 14%.

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

FUTURE DEVELOPMENT OF THE GROUP

Electricity transmission

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

In the forthcoming years, the most important challenges will be 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/elektroenerģijas-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 Inčukalns UGS facility modernisation project, which, to be completed by 2025, will significantly improve the technical infrastructure and operational reliability of the equipment, so that the storage facility can maintain its functionality after the pressure increase in the Baltic transmission system.

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

In order to promote the production and free circulation of biomethane as a promising renewable energy resource in Latvia, the Company has developed a unique solution in the Baltics, which enables biomethane producers to transport biomethane using special mobile gas containers to a centralised biomethane entry point to be fed into the common gas transmission system. By the end of the reporting period, four such entry point locations have been identified in Latvia, and the first one will be established in Džūkste, allowing to serve up to 20 biomethane producers within a radius of 50 to 60 km.

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

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 networks 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.

As a consequence of the military aggression pursued by the Russian Federation against Ukraine, international sanctions have been imposed, and there have been increased risks to the security of the electricity supply, on 11 October 2022, the Cabinet passed the decision (the Cabinet Meeting Minutes

No. 52, § 71, paragraph 2) to suspend the organization of electricity trade with the Russian Federation and the Republic of Belarus, as well as the supply of electricity for trade through the electricity network of the Russian Federation and the Republic of Belarus.

However, until the Baltic States' electricity networks are fully desynchronised from that of the Russian Federation, it is necessary to maintain the transmission system operator's (TSO) ability to carry out balancing electricity exchanges to ensure the safe operation of the network (unbalanced electricity arises in the context of the operation of the electricity system, which is balanced under frequency regulation). In view of this, the Cabinet passed the decision (the Cabinet Meeting minutes no. 52, § 71, paragraph 5) to allow the transmission system operator to exchange balancing electricity with the TSO of the Russian Federation or a trader using the electricity networks of the Russian Federation, ensuring that the amount of balancing electricity received by the system operator or trader from the transmission network of the Russian Federation is not greater than the amount of balancing electricity transferred to the operator or trader of the transmission network of the Russian Federation.

On 28 November 2014, the Baltic TSO entered into an agreement with Inter RAO Lietuva on the settlement of electricity accounts. Under this agreement, Inter RAO Lietuva announced the Baltic TSO's purchase and sale prices for balancing electricity, after which settlement for electricity not balanced was made once a month. The said agreement expired on 31 December 2022. At present, the physical exchange of balancing electricity between the contracting parties is continuing in order to meet the requirements set out in the Cabinet Meeting minutes No. 52.

Currently, the draft law "Amendments to the Law on the Electricity Market" is in its 2nd reading in the Saeima. As part of the draft law, it is planned to add Paragraph Seven to Section 5 of the Law on the Electricity Market, which provides for the prohibition of entering into electricity trading transactions with the Russian Federation and the Republic of Belarus, as well as the supply of electricity for trading using the electricity network of the Russian Federation and the Republic of Belarus. In addition, the draft law provides for the addition of Paragraph nine to Section 13.1 of the law, which states that the transmission system operator may exchange balancing electricity with the transmission system operator or trader of the Russian Federation using the electricity network of the Russian Federation in order to ensure security, balancing and stability of electricity supply in the Latvian transmission system, ensuring, until synchronisation with the electricity systems of continental Europe, that the amount of balancing power received from the operator or trader of the transmission network of the Russian Federation is not greater than the amount of balancing electricity transmitted to the operator or trader of the transmission network of the Russian Federation.

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 electricity 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 AS "Augstsprieguma tīkls" (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

On 14 April 2023, the decision of Guntas Jēkabsons, 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.

The draft tariffs for electricity transmission services were approved under the PUC Council Decision of 22 May 2023, and its effective date was set for 1 July 2023. Detailed information can be found on the website AST: <https://www.ast.lv/lv/content/parvades-pakalpojumarifs>

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.

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, 17 May 2023

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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 consolidated and unaudited condensed interim financial statements of Augstsprieguma tīkls Group and AS "Augstsprieguma tīkls" for the 3-month period ended 31 March 2023 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

Rīga, 17 May 2023

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INCOME STATEMENT

	Note	Parent company		Group	
		3 months of 2023 EUR	3 months of 2022 EUR	3 months of 2023 EUR	3 months of 2022 EUR
Revenue	4	29,177,621	35,969,541	44,916,403	51,749,319
Other revenue		1,373,929	1,292,773	1,570,632	1,464,890
Raw materials and consumables used	5	(14,711,201)	(20,968,094)	(15,902,080)	(23,190,640)
Personnel costs		(5,383,579)	(4,565,022)	(9,117,047)	(7,827,927)
Other operating expenses		(5,452,411)	(5,327,084)	(6,279,385)	(5,815,222)
EBITDA*		5,004,359	6,402,114	15,188,523	16,380,420
Depreciation and amortisation	7.3	(8,965,553)	(9,800,609)	(13,470,560)	(14,250,090)
Operating profit/(loss)		(3,961,194)	(3,398,495)	1,717,963	2,130,330
Finance income	6a	252,910	-	253,426	695
Finance expenses	6b	(152,496)	(147,840)	(668,478)	(243,825)
Profit before tax		(3,860,780)	(3,546,335)	1,302,911	1,887,200
Corporate income tax		-	-	-	-
Profit for the year		(3,860,780)	(3,546,335)	1,302,911	1,887,200
Attributable to:					
Parent company's shareholders		(3,860,780)	(3,546,335)	(325,717)	173,463
Non-controlling interests		-	-	1,628,628	1,713,737

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

The Notes on pages 38 to 76 form an integral part of these financial statements.

Gunta Jēkabsons,
Chairwoman of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Arnīs Daugulis,
Member of the Board

Māra Grava,
Head of Finance and Accounting
Department

Rīga, 17 May 2023

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STATEMENT OF COMPREHENSIVE INCOME

	Note	Parent company		Group	
		3 months of 2023 EUR	3 months of 2022 EUR	3 months of 2023 EUR	3 months of 2022 EUR
PROFIT FOR THE YEAR		(3,860,780)	(3,546,335)	1,302,911	1,887,200
Other comprehensive income/ (loss) not reclassified to profit or loss in subsequent periods					
Total other comprehensive income for the year		-	-	-	-
TOTAL comprehensive income for the reporting year		(3,860,780)	(3,546,335)	1,302,911	1,887,200
Comprehensive income attributable to:					
Parent company's shareholders		(3,860,780)	(3,546,335)	(325,717)	173,463
Non-controlling interests		-	-	1,628,628	1,713,737

The Notes on pages 38 to 76 form an integral part of these financial statements.

Gunta Jēkabsone,

Chairwoman of the Board

Imants Zviedris,

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Māra Grava,

Head of Finance and Accounting
Department

Riga, 17 May 2023

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STATEMENT OF FINANCIAL POSITION

	Note	Parent company		Group	
		31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
ASSETS					
Long-term investments					
Intangible assets	7.1	2,886,989	3,055,296	4,868,917	5,163,305
Property, plant and equipment (PPE)	7.2	688,005,337	681,454,229	1,105,959,388	1,097,824,064
Advance payments for PPE		4,250	4,250	5,316,433	5,326,259
Right-of-use assets	7.3	14,280,189	14,471,389	14,738,406	14,932,892
Long-term financial investments	8	134,441,393	134,441,393	46,422	46,422
Long-term prepayments		-	-	982,668	1,007,865
Total non-current assets		839,618,158	833,426,557	1 131,912,234	1,124,300,807
Current assets					
Inventories		411,833	425,526	4,530,455	4,116,461
Receivables from contracts with customers	9	10,760,928	22,394,781	18,173,684	32,631,516
Other short-term receivables	10	28,177,819	9,490,098	30,914,258	12,426,651
Corporate income tax	10	11,512	11,512	11,512	11,512
Cash	11	112,489,402	92,042,624	127,621,812	103,009,740
Total current assets		151,851,494	124,364,541	181,251,721	152,195,880
TOTAL ASSETS		991,469,652	957,791,098	1,313,163,955	1,276,496,687

The Notes on pages 38 to 76 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, 17 May 2023

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STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	Parent company		Group	
		31.03.2023	31.12.2022	31.03.2023	31.12.2022
		EUR	EUR	EUR	EUR
EQUITY AND LIABILITIES					
Equity					
Share capital	12a	391,598,534	391,598,534	391,598,534	391,598,534
Reserves	12b	36,523,249	36,584,810	37,106,265	37,168,879
Retained earnings		15,537,405	19,336,624	102,009,046	102,272,149
Parent company shareholder's share of equity		443,659,188	447,519,968	530,713,845	531,039,562
Non-controlling interests	12c	-	-	101,876,183	100,247,555
Total equity		443,659,188	447,519,968	632,590,028	631,287,117
Non-current liabilities					
Employee benefit obligations		3,281,530	3,294,185	4,633,298	4,645,953
Lease liabilities	14	14,011,546	14,184,247	14,462,612	14,643,605
Borrowings	14	99,996,553	100,366,699	165,756,044	169,834,882
Deferred income from contracts with customers	13a	37,481,556	38,084,750	37,481,556	38,084,750
Other deferred income	13a	321,070,391	304,906,927	346,999,735	329,864,675
Total non-current liabilities		475,841,576	460,836,808	569,333,245	557,073,865
Current liabilities					
Borrowings	14	-	-	12,931,940	12,961,766
Lease liabilities	14	683,981	681,707	711,185	706,771
Deferred income from contracts with customers	13b	3,658,224	3,658,224	3,658,224	3,658,224
Other deferred income	13b	10,122,984	8,695,336	10,899,607	9,462,671
Trade payables	15	23,648,065	28,710,448	32,958,157	36,121,302
Deferred tax liability		-	-	4,490,381	4,490,381
Other liabilities	15	33,855,634	7,688,607	45,591,188	20,734,590
Total current liabilities		71,968,888	49,434,322	111,240,682	88,135,705
TOTAL LIABILITIES		991,469,652	957,791,098	1,313,163,955	1,276,496,687

The Notes on pages 38 to 76 form an integral part of these financial statements.

Gunta Jēkabsons,
Chairwoman of the Board

Imants Zviedris,
Member of the Board

Gatis Junghāns,
Member of the Board

Arnis Daugulis,
Member of the Board

Māra Grava,
Head of Finance and
Accounting Department

Riga, 17 May 2023

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STATEMENT OF CHANGES IN EQUITY

	Note	Parent company						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	Reorganization reserve EUR	
At 31 December 2021		365,895,957	62,270,520	2,680,615	62,417,620	(584,979)	(27,336,704)	465,343,029
Profit for the year		-	10,990,321	-	-	-	-	10,990,321
Other comprehensive income for the reporting year		-	-	-	-	329,736	-	329,736
Total comprehensive income for the year		-	10,990,321	-	-	329,736	-	11,320,057
Paid dividends	12a	-	(29,143,118)	-	-	-	-	(29,143,118)
Write-down of revaluation reserve for property, plant and equipment		-	921,478	-	(921,478)	-	-	-
Share capital increase	12a	25,702,577	(25,702,577)	-	-	-	-	-
Total transactions with shareholders and other changes in equity		25,702,577	(53,924,217)	-	(921,478)	-	-	(29,143,118)
At 31 December 2022		391,598,534	19,336,624	2,680,615	61,496,142	(255,243)	(27,336,704)	447,519,968
Profit for the year		-	(3,860,780)	-	-	-	-	(3,860,780)
Other comprehensive income for the reporting year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	(3,860,780)	-	-	-	-	(3,860,780)
Paid dividends		-	-	-	-	-	-	-
Write-down of revaluation reserve for property, plant and equipment		-	61,561	-	(61,561)	-	-	-
Share capital increase		-	-	-	-	-	-	-
Total transactions with shareholders and other changes in equity		-	61,561	-	(61,561)	-	-	-
At 31 March 2023		391,598,534	15,537,405	2,680,615	61,434,581	(255,243)	(27,336,704)	443,659,188

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Rīga, 17 May 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	Reorganization reserve EUR	Total		
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	12a	-	(29,143,118)	-	-	-	-	(29,143,118)	(3,010,837)	(32,153,955)
Write-down of revaluation reserve for property, plant and equipment		-	922,902	-	(922,902)	-	-	-	-	-
Share capital increase	12a	25,702,577	(25,702,577)	-	-	-	-	-	-	-
Total transactions with shareholders and other changes in equity		25,702,577	(53,922,793)	-	(922,902)	-	-	(29,143,118)	(3,010,837)	(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
Profit for the year		-	(325,717)	-	-	-	-	(325,717)	1,628,628	1,302,911
Other comprehensive income for the reporting year		-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	(325,717)	-	-	-	-	(325,717)	1,628,628	1,302,911
Paid dividends		-	-	-	-	-	-	-	-	-
Write-down of revaluation reserve for property, plant and equipment		-	62,614	-	(62,614)	-	-	-	-	-
Share capital increase		-	-	-	-	-	-	-	-	-
Total transactions with shareholders and other changes in equity		-	62,614	-	(62,614)	-	-	-	-	-
At 31 March 2023		391,598,534	102,009,046	2,680,615	60,646,665	(472,472)	(25,748,543)	530,713,845	101,876,183	632,590,028

The Notes on pages 38 to 76 form an integral part of these financial statements.

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Riga, 17 May 2023

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STATEMENT OF CASH FLOWS

	Notes	Parent company		Group	
		2023 3 months EUR	2022 3 months EUR	2023 3 months EUR	2022 3 months EUR
I. Cash flow from operating activity					
Profit before tax		(3,860,780)	(3,546,335)	1,302,911	1,887,200
Adjustments:					
Amortization of intangible assets and property, depreciation of plant and equipment and impairment	7.4	8,774,353	9,569,733	13,276,075	14,002,635
Depreciation of right-of-use assets	7.4	191,200	230,876	194,485	247,455
Disposals of intangible assets and property, plant and equipment	7.4	18,137	44,512	19,093	32,336
(Decrease) / increase in provisions		(12,655)	(79,334)	287,345	206,446
Interest expense		184,936	187,529	700,482	282,518
Interest income		(252,899)	-	(252,899)	-
Operating profit before changes in working capital		5,042,292	6,406,981	15,527,492	16,658,590
Adjustments:					
(Increase) /decrease in amounts due from contracts with customers, deposits and other short-term receivables		(3,454,214)	6,859,049	(404,837)	9,624,330
Decrease / (increase) in inventories		13,693	731	(413,994)	39,512
Increase / (decrease) in trade payables and amounts due to other creditors		27,516,259	(14,997,546)	25,155,905	(11,748,100)
Gross cash flow from operating activity		29,118,030	(1,730,785)	39,864,566	14,574,332
Interest paid		-	(126,027)	(586,138)	(198,757)
Lease interest paid		-	(57,723)	-	(63,110)
Expense on issued debt securities (bonds)	14	(500,000)	-	(500,000)	-
Net cash flow from operating activity		28,618,030	(1,914,535)	38,778,428	14,312,465

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Head of Finance and Accounting
Department

Riga, 17 May 2023

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STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Parent company		Group	
		2023 3 months EUR	2022 3 months EUR	2023 3 months EUR	2022 3 months EUR
II. Cash flow from investing activity					
Acquisition and establishment of property, plant and equipment and intangible assets		(15,378,149)	(4,887,485)	(18,817,091)	(8,102,022)
Proceeds from sale of PPE	7.2	202,858	232,479	203,194	244,655
EU funding received	13	(28,289)	(25,725)	1,136,771	(25,725)
Congestion charges received	13	7,257,837	10,087,900	7,257,837	10,087,900
Net cash flow from investing activity		(7,945,743)	5,407,169	(10,219,289)	2,204,808
III. Cash flow from financing activity					
Payments for asset leases	14	(225,509)	(208,217)	(236,878)	(227,213)
Borrowings from credit institutions	14	-	-	-	929,024
Repayment of borrowings to credit institutions	14	-	-	(3,708,692)	(28,155,679)
Dividends paid	-	-	-	(1,497)	(1,030)
Net cash flow from financing activity		(225,509)	(208,217)	(3,947,067)	(27,454,898)
Net increase in cash during the reporting period		20,446,778	3,284,417	24,612,072	(10,937,625)
Cash at the beginning of the reporting year		92,042,624	48,513,943	103,009,740	63,190,053
Cash at the end of the reporting year		112,489,402	51,798,360	127,621,812	52,252,428

The Notes on pages 38 to 76 form an integral part of these financial statements.

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Māra Grava,
Head of Finance and Accounting
Department

Riga, 17 May 2023

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NOTES TO THE CONSOLIDATED AND STAND-ALONE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE GROUP

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

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

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

The Board and Council of Augstsprieguma tīkls Group:

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

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 financial statements were approved by the Board of the Parent company on 17 May 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

These consolidated financial statements of Augstsprieguma Tīkls Group and the condensed financial statements of AS “Augstsprieguma tīkls” have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, applying the same accounting policies or policies as used in the preparation of the consolidated statements of Augstsprieguma Tīkls Group and the financial statements of AS “Augstsprieguma tīkls” for 2023. These policies have been consistently applied to all the periods included, unless otherwise stated. Where necessary, prior period comparatives have been reclassified.

The Group’s consolidated financial statements and the unaudited condensed financial statements of AS “Augstsprieguma tīkls” have been prepared under the historical cost convention, as modified, except for certain classes of property, plant and equipment that have been stated at revalued amounts, as disclosed in the accounting policies of the consolidated financial statements of the Augstsprieguma tīkls Group and the 2023 financial statements of AS “Augstsprieguma tīkls”.

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

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

3. OPERATING SEGMENTS

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
3 months of 2023						
External customers	29,177,621	8,079,841	7,658,941	44,916,403	-	44,916,403
Revenue	29,177,621	8,079,841	7,658,941	44,916,403	-	44,916,403
EBITDA	5,004,359	5,099,662	5,084,502	15,188,523	-	15,188,523
Depreciation and amortization	(8,965,553)	(2,486,906)	(2,018,101)	(13,470,560)	-	(13,470,560)
Segment profit before tax	(3,860,780)	2,309,075	2,854,616	1,302,911	-	1,302,911
Segment assets at the end of the reporting period	857,028,259	236,271,632	230,526,048	1,323,825,939	(10,708,406)	1,313,117,533
Capital expenditure	15,378,149	1,045,500	4,915,647	21,339,296	-	21,339,296
3 months of 2022						
External customers	35,969,541	9,271,411	6,508,367	51,749,319	-	51,749,319
Revenue	35,969,541	9,271,411	6,508,367	51,749,319	-	51,749,319
EBITDA	6,402,114	5,612,876	4,365,430	16,380,420	-	16,380,420
Depreciation and amortization	(9,800,609)	(2,545,496)	(1,903,985)	(14,250,090)	-	(14,250,090)
Segment (loss)/profit before tax	(3,546,335)	3,007,477	2,426,058	1,887,200	-	1,887,200
Segment assets at the end of the reporting period	767,471,602	233,820,537	215,920,584	1,217,212,723	(10,708,336)	1,206,504,387
Capital expenditure	4,848,906	950,775	2,183,669	7,983,350	-	7,983,350

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	
	3 months of 2023	3 months of 2023	3 months of 2023	3 months of 2023
	EUR	EUR	EUR	EUR
EBITDA	5,004,359	6,402,114	15,188,523	16,380,420
Depreciation and amortisation	(8,965,553)	(9,800,609)	(13,470,560)	(14,250,090)
Segment profit/(loss) before tax and finance costs	(3,961,194)	(3,398,495)	1,717,963	2,130,330
Finance income	252,910	-	253,426	695
Finance expenses	(152,496)	(147,840)	(668,478)	(243,825)
Segment profit/(loss) before tax	(3,860,780)	(3,546,335)	1 302,911	1,887,200
Dividends received from a subsidiary	(3,860,780)	(3,546,335)	1 302,911	1,887,200
Profit before tax	5,004,359	6,402,114	15,188,523	16,380,420

Reconciliation of assets

	Parent company		Group	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022.
	EUR	EUR	EUR	EUR
Segment assets	857,028,259	767,471,602	1,323,825,939	1,217,212,723
Long-term financial investments	134,441,393	134,394,971	46,422	-
PPE*	-	-	(10,708,163)	(10,708,163)
Receivables from contracts with customers	-	-	(243)	(173)
Total assets	991,469,652	901,866,573	1,313,163,955	1,206,504,387

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

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

Revenue from major customers

	Parent company		Group	
	3 months of 2023	3 months of 2023	3 months of 2023	3 months of 2023
	EUR	EUR	EUR	EUR
Electricity transmission	26,561,128	25,706,009	26,561,128	25,706,009
Natural gas transmission	-	-	8,113,333	5,576,788
Natural gas storage	-	-	4,624,128	4,556,886
Total revenue from major customers	26,561,128	25,706,009	31,185,256	35,839,683

4. REVENUE

	Applicable IFRS	Parent company		Group	
		3 months of 2023 EUR	3 months of 2022 EUR	3 months of 2023 EUR	3 months of 2022 EUR
Revenue from contracts with customers recognised over time					
Electricity transmission system service	IFRS 15	18,943,227	19,115,798	18,943,227	19,115,798
Balancing electricity sales	IFRS 15	8,073,607	12,649,667	8,073,607	12,649,667
Revenue from natural gas storage	IFRS 15	-	-	7,840,874	9,137,794
Revenue from natural gas transmission	IFRS 15	-	-	7,658,941	6,508,367
Revenue from connection charges	IFRS 15	899,416	837,499	899,416	837,499
Regulatory electricity sales	IFRS 15	26,677	465,023	26,677	465,023
Electricity transit service	IFRS 15	-	176,000	-	176,000
Electricity cross-border perimeter charges	IFRS 15	-	463,530	-	463,530
Reactive electricity revenues	IFRS 15	92,855	129,061	92,855	129,061
Revenue from natural gas balancing, net*	IFRS 15	-	-	238,967	133,617
Other services	IFRS 15	186,636	163,955	186,636	163,955
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS		28,222,418	34,000,533	43,961,200	49,780,311
Other revenue					
Congestion management at the borders	IAS 20	-	616,419	-	616,419
Electric power congestion elimination	IAS 20	524,801	864,432	524,801	864,432
Asset leases	IFRS 16	430,402	488,147	430,402	488,147
TOTAL OTHER REVENUE		955,203	1,969,008	955,203	1,969,008
TOTAL REVENUE		29,177,621	35,969,541	44,916,403	51,749,319

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

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

	Parent company		Group	
	3 months of 2023 EUR	3 months of 2022 EUR	3 months of 2023 EUR	3 months of 2022 EUR
Revenue from natural gas balancing activities	-	-	5,118,725	10,157,259
Expenditure from natural gas balancing activities	-	-	(4,879,758)	(10,023,642)
Natural gas balancing, net	-	-	238,967	133,617

5. RAW MATERIALS AND CONSUMABLES USED

	Parent company		Group	
	3 months of 2023 EUR	3 months of 2022 EUR	3 months of 2023 EUR	3 months of 2022 EUR
Purchase of balancing electricity	7,902,067	10,282,109	7,902,067	10,282,109
Electricity transmission losses and technological consumption	4,252,080	5,972,927	4,252,080	5,972,927
Purchase of regulatory electricity	198,531	2,831,091	198,531	2,831,091
Natural gas transmission and storage system maintenance services	-	-	602,190	1,315,780
Electricity transit losses	1,615,696	1,559,018	1,615,696	1,559,018
Cost of materials used and repair works	624,369	163,154	823,369	668,873
Natural gas costs	-	-	389,689	401,047
Electricity for self-consumption	118,458	159,795	118,458	159,795
TOTAL RAW MATERIALS AND CONSUMABLES USED	14,711,201	20,968,094	15,902,080	23,190,640

6. FINANCE INCOME AND EXPENSES

	Parent company		Group	
	3 months of 2023 EUR	3 months of 2022 EUR	3 months of 2023 EUR	3 months of 2022 EUR
a) Finance income				
Interest income on loans	252,899	-	252,899	-
Other finance income	11	-	527	695
Total finance income	252,910	-	253,426	695
b) Finance expenses				
Interest expense on borrowings	-	-	(510,329)	(89,602)
Interest expenses on coupon of debt securities issued (Note 14)	(129,854)	(129,807)	(129,854)	(129,806)
Expenditure on debt securities issued	-	(9,870)	-	(9,870)
Capitalized interest expenses of borrowings	33,422	49,601	33,422	49,601
Interest expense on leased assets (Note 14)	(55,082)	(57,723)	(60,299)	(63,110)
Other finance expenses	(982)	(41)	(1,418)	(1,037)
Total finance expenses	(152,496)	(147,840)	(668,478)	(243,825)

7. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1. INTANGIBLE ASSETS

	Parent company			
	Computer software and licenses EUR	Transmission right-of-use assets EUR	Intangible assets under construction EUR	Total EUR
At 31 December 2021				
Historical cost	3,126,796	1,892	321,492	3,450,180
Accumulated depreciation	(1,327,483)	(930)	-	(1,328,413)
NBV at 31 December 2021	1,799,313	962	321,492	2,121,767
For 2022				
Additions	585,678	-	983,254	1,568,932
Transferred	390,000	-	(390,000)	-
Amortization charge	(635,308)	(95)	-	(635,403)
NBV at 31 December 2022	2,139,683	867	914,746	3,055,296
At 31 December 2022				
Historical cost	3,993,948	1,892	914,746	4,910,586
Accumulated amortization	(1,854,265)	(1,025)	-	(1,855,290)
NBV at 31 December 2022	2,139,683	867	914,746	3,055,296
For 2023				
Additions	30,545	-	-	30,545
Transferred	-	-	-	-
Amortization charge	(198,829)	(23)	-	(198,852)
NBV at 31 March 2023	1,971,399	844	914,746	2,886,989
At 31 March 2023				
Historical cost	4,024,040	1,892	914,746	4,940,678
Accumulated amortization	(2,052,641)	(1,048)	-	(2,053,689)
NBV at 31 March 2023	1,971,399	844	914,746	2,886,989

	Group			
	Computer software and licences EUR	Transmission right-of-use assets EUR	Intangible assets under construction EUR	Total EUR
At 31 December 2021				
Historical cost	11,316,085	1,892	382,546	11,700,523
Accumulated amortisation	(7,536,577)	(930)	-	(7,537,507)
NBV	3,779,508	962	382,546	4,163,016
For 2022				
Additions	585,678	-	1,758,611	2,344,289
Transferred	1,177,416	-	(1,177,416)	-
Amortisation charge	(1,343,905)	(95)	-	(1,344,000)
NBV at 31 December 2022	4,198,697	867	963,741	5,163,305
At 31 December 2022				
Historical cost	12,785,449	1,892	963,741	13,751,082
Accumulated depreciation	(8,586,752)	(1,025)	-	(8,587,777)
NBV	4,198,697	867	963,741	5,163,305
For 2023				
Additions	30,545	-	61,816	92,361
Transferred	12,380	-	(12,380)	-
Amortisation charge	(386,726)	(23)	-	(386,749)
NBV at 31 March 2023	3,854,896	844	1,013,177	4,868,917
At 31 March 2023				
Historical cost	12,825,671	1,892	1,013,177	13,840,740
Accumulated amortisation	(8,970,775)	(1,048)	-	(8,971,823)
NBV	3,854,896	844	1,013,177	4,868,917

7.2. 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 2021							
Historical cost or revalued amount	41,572,109	8,365,473	1,204,172,346	11,471,818	17,669,409	20,409,947	1,303,661,102
Accumulated depreciation and impairment	(5,090,748)	(3,606,418)	(590,970,246)	(9,501,087)	(8,686,813)	-	(617,855,312)
NBV	36,481,361	4,759,055	613,202,100	1,970,731	8,982,596	20,409,947	685,805,790
For 2022							
Additions	14,313	-	20,591	1,633	764,401	29,129,833	29,930,771
Transferred	2,011,900	187,869	14,453,603	559,044	422,795	(17,635,211)	-
Sold	-	-	(232,479)	-	-	(26,300)	(258,779)
Disposals	(11,007)	(4,344)	(259,464)	(122)	(413)	-	(275,350)
Depreciation charge	(1,381,106)	(526,959)	(27,866,942)	(465,858)	(3,507,338)	-	(33,748,203)
NBV at 31 December 2022	37,115,461	4,415,621	599,317,409	2,065,428	6,662,041	31,878,269	681,454,229
At 31 December 2022							
Historical cost or revalued amount	43,145,635	8,617,617	1,180,904,761	10,418,763	19,966,927	31,878,269	1,294,931,972
Accumulated depreciation and impairment	(6,030,174)	(4,201,996)	(581,587,352)	(8,353,335)	(13,304,886)	-	(613,477,743)
NBV	37,115,461	4,415,621	599,317,409	2,065,428	6,662,041	31,878,269	681,454,229
For 2023							
Additions	350	-	-	-	10,841	15,336,413	15,347,604
Transferred	8,294	-	4,882,390	-	-	(4,890,684)	-
Sold	-	-	-	-	-	(202,858)	(202,858)
Disposals	-	-	(18,131)	(6)	-	-	(18,137)
Depreciation charge	(336,008)	(131,247)	(7,101,049)	(145,671)	(861,526)	-	(8,575,501)
NBV at 31 March 2023	36,788,097	4,284,374	597,080,619	1,919,751	5,811,356	42,121,140	688,005,337
At 31 March 2023							
Historical cost or revalued amount	43,154,279	8,611,517	1,184,741,422	10,378,628	19,962,700	42,121,140	1,308,969,686
Accumulated depreciation and impairment	(6,366,182)	(4,327,143)	(587,660,803)	(8,458,877)	(14,151,344)	-	(620,964,349)
NBV	36,788,097	4,284,374	597,080,619	1,919,751	5,811,356	42,121,140	688,005,337

	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 2021									
Historical cost or revalued amount	42,656,276	8,365,473	771,087,876	1,337,283,799	11,471,818	26,393,089	1,538,779	40,436,962	2,239,234,072
Accumulated depreciation and impairment	(5,090,748)	(3,606,418)	(447,747,521)	(652,498,137)	(9,501,087)	(15,021,212)	-	-	(1,133,465,123)
NBV	37,565,528	4,759,055	323,340,355	684,785,662	1,970,731	11,371,877	1,538,779	40,436,962	1,105,768,949
For 2022									
Additions	22,619	-	44,902	1,266,499	1,633	1,895,697	-	40,864,728	44,096,678
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)	-	-	(1,196,902)
Depreciation charge	(1,381,106)	(526,959)	(11,347,304)	(32,786,674)	(465,858)	(4,363,986)	-	-	(50,871,887)
Moved	-	-	-	-	-	-	286,605	-	-
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

	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 2023									
Additions	350	-	-	101,902	-	190,071	-	20,954,613	21,246,936
Transferred	8,294	-	22,111	5,034,210	-	209,653	-	(5,274,268)	-
Sold	-	-	-	-	-	-	-	(202,858)	(202,858)
Disposals	-	-	-	(19,422)	(6)	-	-	-	(19,428)
Depreciation charge	(336,008)	(131,247)	(2,879,368)	(8,273,491)	(145,671)	(1,123,541)	-	-	(12,889,326)
NBV at 31 March 2023	37,880,571	4,284,374	324,697,116	665,129,859	1,919,751	12,606,049	1,825,384	57,616,284	1,105,959,388
At 31 March 2023									
Historical cost or revalued amount	44,246,753	8,611,517	785,707,931	1,318,680,295	10,378,628	33,813,561	1,825,384	57,616,284	2,260,880,353
Accumulated depreciation and impairment	(6,366,182)	(4,327,143)	(461,010,815)	(653,550,436)	(8,458,877)	(21,207,512)	-	-	(1,154,920,965)
NBV	37,880,571	4,284,374	324,697,116	665,129,859	1,919,751	12,606,049	1,825,384	57,616,284	1,105,959,388

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.

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

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.

7.3. RIGHT-OF-USE ASSETS

	Parent company	Group
	Buildings and land EUR	Buildings and land EUR
At 31 December 2021		
Historical cost	19,010,549	19,586,019
Accumulated depreciation	(4,375,132)	(4,499,495)
NBV	14,635,417	15,086,524
For 2022		
Changes to lease agreements recognised	69,881	106,527
Increase in right-of-use assets	686,101	686,101
Depreciation charge	(920,010)	(946,261)
NBV at 31 December 2022	14,471,389	14,932,892
At 31 December 2022		
Historical cost	19,766,531	20,270,161
Accumulated depreciation	(5,295,142)	(5,337,269)
NBV	14,471,389	14,932,892
For 2023		
Changes to lease agreements recognised	-	-
Increase in right-of-use assets	-	-
Depreciation charge	(191,200)	(194,486)
NBV at 31 March 2023	14,280,189	14,738,406
At 31 March 2023		
Historical cost	19,766,531	20,270,161
Accumulated depreciation	(5,486,342)	(5,531,755)
NBV	14,280,189	14,738,406

7.4. DEPRECIATION AND AMORTISATION

	Parent company		Group	
	3 months of 2023 EUR	3 months of 2022 EUR	3 months of 2023 EUR	3 months of 2022 EUR
Depreciation of PPEs (Note 7.2)	(8,575,501)	(9,412,143)	(12,889,326)	(13,687,696)
Amortisation of intangible assets (Note 7.1)	(198,852)	(157,590)	(386,749)	(314,939)
Depreciation of right-of-use assets (Note 7.3)	(191,200)	(230,876)	(194,485)	(247,455)
Depreciation and amortisation	(8,965,553)	(9,800,609)	(13,470,560)	(14,250,090)
Write-offs and other adjustments	(18,137)	(44,512)	(19,428)	(44,512)
Decrease in value of intangible assets and property, plant and equipment	(18,137)	(44,512)	(19,428)	(44,512)
TOTAL depreciation and amortisation excluding write-offs and other adjustments	(8,965,553)	(9,800,609)	(13,470,560)	(14,250,090)

8. OTHER LONG-TERM FINANCIAL INVESTMENTS

	Parent company		Group	
	31.03.2023 EUR	31.03.2022 EUR	31.03.2023 EUR	31.03.2022 EUR
Shareholding in the share capital of the Subsidiary, including:	134,394,971	134,394,971	-	-
AS "Conexus Baltic Grid"	134,394,971	134,394,971	-	-
Shareholding in the share capital of associates, including:	45,000	45,000	45,000	45,000
"Baltic RCC" OÜ	45,000	45,000	45,000	45,000
Shareholding in the share capital of other companies, including:	1,422	1,422	1,422	1,422
AS "Pirmais Slēgtais pensiju fonds"	1,422	1,422	1,422	1,422
NBV at the end of the reporting period	134,441,393	134,441,393	46,422	46,422

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

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

9. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
Receivables from contracts with customers				
Receivables for electricity transmission service	9,157,119	20,111,627	9,157,119	20,111,627
Other trade receivables	1,609,233	2,288,649	9,021,989	12,525,384
Total receivables from contracts with customers	10,766,352	22,400,276	18,179,108	32,637,011
Expected credit losses				
Other trade receivables	(5,424)	(5,495)	(5,424)	(5,495)
Total expected credit losses	(5,424)	(5,495)	(5,424)	(5,495)
Receivables from contracts with customers, net				
Receivables for electricity transmission service	9,157,119	20,111,627	9,157,119	20,111,627
Other trade receivables	1,603,809	2,283,154	9,016,565	12,519,889
RECEIVABLES FROM CONTRACTS WITH CUSTOMERS, NET	10,760,928	22,394,781	18,173,684	32,631,516
Impairment of the receivables from contracts with customers	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
At the beginning of the reporting year	5,495	4,350	5,495	4,350
Recognised in the income statement	(71)	1,145	(71)	1,145
At the end of the reporting year	5,424	5,495	5,424	5,495

10. OTHER RECEIVABLES

	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
Expected European Union advance funding	18,484,127	8,384,944	18,484,127	8,384,944
Receivables related to the fraudulent transaction*	172,850	172,850	172,850	172,850
Provision for the fraudulent transaction*	(172,850)	(172,850)	(172,850)	(172,850)
Other financial assets	18,484,127	8,384,944	18,484,127	8,384,944
Overpaid corporate income tax	11,512	11,512	11,512	11,512
Prepayments	1,782,177	1,013,784	1,782,177	1,013,784
Advance payments for balancing services on an exchange	-	-	2,000,000	2,000,000
Other receivables	7,911,515	91,370	8,647,954	1,027,923
Other non-financial assets	9,705,204	1,116,666	12,441,643	4,053,219
TOTAL OTHER RECEIVABLES	28,189,331	9,501,610	30,925,770	12,438,163

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

11. CASH

	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
Cash in the bank	112,489,402	92,042,624	127,621,812	103,009,740
TOTAL CASH	112,489,402	92,042,624	127,621,812	103,009,740

12. 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
31 March 2023	391,598,534	391,598,534

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

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

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

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

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

(b) Reserves

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

c) Non-controlling interests

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

13. DEFERRED REVENUE

	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
(a) Non-current deferred revenue				
- from connection charges	37,481,556	38,084,750	37,481,556	38,084,750
Non-current deferred revenue from contracts with customers	37,481,556	38,084,750	37,481,556	38,084,750
- from European Union funding	135,527,629	136,421,913	161,456,973	161,379,661
- from the expected European Union advance funding	18,484,127	8,384,944	18,484,127	8,384,944
- from advances received from European Union funding	18,562,500	18,562,500	18,562,500	18,562,500
- from congestion charge revenue	148,496,135	141,537,570	148,496,135	141,537,570
Other non-current deferred revenue	321,070,391	304,906,927	346,999,735	329,864,675
TOTAL Non-current deferred revenue	358,551,947	342,991,677	384,481,291	367,949,425

	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
(b) Current deferred revenue				
- from connection charges	3,658,224	3,658,224	3,658,224	3,658,224
Short-term deferred revenue from contracts with customers	3,658,224	3,658,224	3,658,224	3,658,224
- Unfinished EU co-funded projects, including:	3,853,470	3,881,759	3,853,470	3,881,759
<i>Project "Synchronisation of the Baltic power system with the European power system, Phase 2"</i>	<i>777,947</i>	<i>777,947</i>	<i>777,947</i>	<i>777,947</i>
<i>Synchronisation of the Baltic States with Continental Europe, Phase 1</i>	<i>2,950,889</i>	<i>2,950,889</i>	<i>2,950,889</i>	<i>2,950,889</i>
<i>Project "EU-SysFlex – Pan- European system with an efficient coordinated use of flexibilities for the integration of a large share of RES"</i>	<i>9,523</i>	<i>37,812</i>	<i>9,523</i>	<i>37,812</i>
<i>Project "Dynamic stability study of the Baltic power systems"</i>	<i>26,250</i>	<i>26,250</i>	<i>26,250</i>	<i>26,250</i>
<i>Project "System for TSO-SSO-end-user interconnection, INTERRFACE"</i>	<i>88,861</i>	<i>88,861</i>	<i>88,861</i>	<i>88,861</i>
- finished EU-funded projects	3,599,654	3,609,338	4,371,623	4,372,019
- from congestion charge revenue (capacity auction)	1,467,510	-	1,467,510	-
- from congestion charge revenue	1,202,350	1,204,239	1,202,350	1,204,239
- from the funding of other projects	-	-	4,654	4,654
Other current deferred revenue	10,122,984	8,695,336	10,899,607	9,462,671
TOTAL current deferred revenue	13,781,208	12,353,560	14,557,831	13,120,895

Movement in deferred revenue from contracts with customers (non-current and current):	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
At the beginning of the reporting year	41,742,974	41,625,094	41,742,974	41,625,094
Connection charges recognized in income statement	(899,416)	(3,467,086)	(899,416)	(3,467,086)
Connection charges received from customer contributions	296,222	3,584,966	296,222	3,584,966
At the end of the reporting year	41,139,780	41,742,974	41,139,780	41,742,974
Movement in other deferred revenue (non-current and current):	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
At the beginning of the reporting year	313,602,263	251,557,503	339,327,346	270,490,450
EU co-financing received*	10,099,184	7,720,085	10,099,184	7,720,085
Accumulated prior period EU co-financing received	-	(509,198)	-	(509,198)
Deferred revenue received from EU co-financing	(28,289)	489,433	1,136,771	8,133,373
EU co-financing advance received	-	21,513,389	-	21,513,389
Congestion charge revenue received	7,257,837	37,650,929	7,257,837	37,650,929
Short-term congestion charge revenue (capacity auction)	1,467,509	-	1,467,509	-
IUGS reserved capacity charge	-	-	-	(237,284)
Congestion charge revenue recognized in the income statement	(301,161)	(1,191,483)	(301,161)	(1,191,483)
EU co-financing recognized in the income statement	(903,968)	(3,628,395)	(1,088,144)	(4,242,915)
At the end of the reporting year	331,193,375	313,602,263	357,899,342	339,327,346
TOTAL at the end of the reporting year	372,333,155	355,345,237	399,039,122	381,070,320

*Funding received from the European Union (related to assets) is recognized when the Group and the Parent company have complied with the conditions attached to the receipt of the funding and have an unconditional right to receive the funding. The conditions attached to the financing are: The Parent company and the Group shall ensure the management, internal control and accounting of the projects co-financed by the European Union in accordance with

the European Union guidelines and the requirements of the legislation of the Republic of Latvia. A separate account is maintained for each transaction related to the accounting of the projects co-financed by the EU. The Parent company and the Group keep separate accounts for the relevant income, expenditure, long-term investments and VAT of the co-financed projects. If the funds have not been received by the end of the reporting period, they are recognized as a receivable under the balance sheet item "Other receivables".

14. BORROWINGS AND LEASE LIABILITIES

In October 2021, the Parent company issued bonds of EUR 100,000 thousand. The total amount of the bond issue program 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 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 31.12.2022: EUR 65,000 thousand). At the end of reported period, 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.

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 2022: 0.5%). 100% of total long-term loans are fixed-rate loans (at 31 December 2022: 100%).

The Group's weighted average interest rate on long-term loans at the end of the reporting period was 1.2% (at 31 December 2022: 1.07%), the weighted average interest rate on short-term borrowings is 2.81% (at 31.12.2022: 2.77%). 72% of the Group's total long-term borrowings are at fixed interest rates (at 31 December 2022: 71%). 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	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
Non-current borrowings from credit institutions	-	-	65,759,491	69,468,183
Non-current portion of bonds issued	99,899,245	99,892,726	99,899,245	99,892,726
Current borrowings from credit institutions	-	-	12,899,286	12,899,286
Borrowings	99,899,245	99,892,726	178,558,022	182,322,675
Non-current accrued liability for interest on bonds issued	97,308	473,973	97,308	473,973
Current accrued liabilities for interest on borrowings from credit institutions	-	-	32,654	62,480
TOTAL borrowings	99,996,553	100,366,699	178,687,984	182,796,648
Including:				
Non-current borrowings	99,996,553	100,366,699	165,756,044	169,834,882
Current borrowings	-	-	12,931,940	12,961,766

Lease liabilities:

	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
TOTAL lease liabilities	14,695,527	14,865,954	15,173,797	15,350,376
Including:				
Non-current	14,011,546	14,184,247	14,462,612	14,643,605
Current	683,981	681,707	711,185	706,771

Movement of borrowings and Lease liabilities:

	Parent company		
	Lease liabilities EUR	Other borrowings EUR	Total EUR
At 31 December 2021	14,938,982	99,966,288	114,905,270
Recognised changes to lease agreements	69,881	-	69,881
New contracts	686,101	-	686,101
Repayments, excluding interest	(829,010)	-	(829,010)
Interest payments	(230,846)	(126,027)	(356,873)
Calculated interest	230,846	526,438	757,284
At 31 December 2022	14,865,954	100,366,699	115,232,653
Recognised changes to lease agreements	-	-	-
New contracts	-	-	-
Repayments, excluding interest	(225,509)	-	-
Interest payments	-	(500,000)	(500,000)
Calculated interest	55,082	129,854	184,936
At 31 March 2023	14,695,527	14,695,527	114,692,080

	Group			
	Lease liabilities EUR	Borrowings from credit institutions EUR	Other borrowings EUR	Total EUR
At 31 December 2021	15,406,319	98,093,221	99,966,288	213,465,828
Changes to lease agreements recognized	106,527	-	-	106,527
New contracts	686,101	20,000,000	-	20,686,101
Repayments, excluding interest	(848,571)	(35,688,383)	-	(36,536,954)
Interest payments	(251,502)	-	(126,027)	(377,529)
Calculated interest	251,502	25,111	526,438	803,051
At 31 December 2022	15,350,376	82,429,949	100,366,699	198,147,024
Changes to lease agreements recognized	-	-	-	-
New contracts	-	-	-	-
Repayments, excluding interest	(236,878)	(3,708,692)	-	(3,945,570)
Interest payments	-	-	(500,000)	(500,000)
Calculated interest	60,299	(29,826)	129,854	160,327
At 31 March 2023	15,173,797	78,691,431	99,996,553	193,861,781

15. PAYABLES TO SUPPLIERS AND OTHER CREDITORS

	Parent company		Group	
	31.03.2023 EUR	31.12.2022 EUR	31.03.2023 EUR	31.12.2022 EUR
Financial liabilities				
Payables for electricity and natural gas	6,762,896	22,243,344	6,762,896	22,243,344
Payables for materials and services	16,885,169	6,467,104	26,195,261	13,877,958
Accrued liabilities	229,547	95,367	2,979,638	2,356,219
Other current financial liabilities	3,625,048	2,662,036	3,625,048	2,662,036
TOTAL financial liabilities	27,502,660	31,467,851	39,562,843	41,139,557
Non-financial liabilities:				
National social insurance mandatory contributions and other taxes	12,363,040	1,455,831	13,427,756	2,532,591
Advances received for connection charges	1,556,788	479,283	1,556,788	479,283
Advances received for capacity reservation	12,014,355	-	12,014,355	-
Advances received	-	650	6,699,565	8,581,032
Other current non-financial liabilities	4,066,856	2,995,440	5,288,038	4,123,429
TOTAL non-financial liabilities	30,001,039	4,931,204	38,986,502	15,716,335
TOTAL payables to suppliers and other creditors, including:	57,503,699	36,399,055	78,549,345	56,855,892
TOTAL payables to suppliers	23,648,065	28,710,448	32,958,157	36,121,302
TOTAL payables to other creditors	33,855,634	7,688,607	45,591,188	20,734,590

16. 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 31.03.2023				
Assets that are measured at fair value:				
Revalued property, plant and equipment (Note 7.2)	603,284,744	-	-	603,284,744
Assets for which fair value is reported:				
Cash (Note 11)	112,489,402	-	112,489,402	-
Receivables from contracts with customers (Note 9)	10,760,928	-	-	10,760,928
Other non-current financial investments (Note 8)	46,422	-	-	46,422
Other receivables (Note 10)	18,484,127	-	-	18,484,127
Liabilities at fair value:				
Borrowings (Note 14)	99,996,553	-	84,684,725	-
Lease liabilities (Note 14)	14,695,527	-	-	14,695,527
Payables to suppliers and other payables (Note 15)	27,502,660	-	-	27,502,660
At 31.12.2022				
Assets that are measured at fair value:				
Revalued property, plant and equipment (Note 7.2)	605,798,458	-	-	605,798,458
Assets for which fair value is reported:				
Cash (Note 11)	92,042,624	-	92,042,624	-
Receivables from contracts with customers (Note 9)	22,394,781	-	-	22,394,781
Other non-current financial investments (Note 8)	46,422	-	-	46,422
Other receivables (Note 10)	8,384,944	-	-	8,384,944
Liabilities at fair value:				
Borrowings (Note 14)	100,366,699	-	84,684,725	-
Lease liabilities (Note 14)	14,865,954	-	-	14,865,954
Payables to suppliers and other payables (Note 15)	31,467,851	-	-	31,467,851

	Group			
	NBV EUR	Level 1, EUR	Level 2, EUR	Level 3, EUR
At 31.03.2023				
Assets that are measured at fair value:				
Revalued property, plant and equipment (Note 7.2)	996,031,100	-	-	996,031,100
Assets for which fair value is reported:				
Cash (Note 11)	127,621,812	-	127,621,812	-
Receivables from contracts with customers (Note 9)	18,173,684	-	-	18,173,684
Other non-current financial investments (Note 8)	46,422	-	-	46,422
Other receivables (Note 10)	18,484,127	-	-	18,484,127
Liabilities at fair value:				
Borrowings (Note 14)	178,687,984	-	163,376,156	-
Lease liabilities (Note 14)	15,173,797	-	-	15,173,797
Payables to suppliers and other payables (Note 15)	39,562,843			39,562,843
At 31.12.2022				
Assets that are measured at fair value:				
Revalued property, plant and equipment (Note 7.2)	1,002,322,082	-	-	1,002,322,082
Assets for which fair value is reported:				
Cash (Note 11)	103,009,740	-	103,009,740	-
Receivables from contracts with customers (Note 9)	32,631,516	-	-	32,631,516
Other non-current financial investments (Note 8)	46,422	-	-	46,422
Other receivables (Note 10)	8,384,944	-	-	8,384,944
Liabilities at fair value:				
Borrowings (Note 14)	182,796,648	-	167,114,674	-
Lease liabilities (Note 14)	15,350,376	-	-	15,350,376
Payables to suppliers and other payables (Note 15)	41,139,557	-	-	41,139,557

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

17. 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.

The remuneration of the management of Augstsprieguma tīkls Group includes remuneration of the members of the Boards and the Council of the Group companies. The remuneration of the management of the Parent company includes the remuneration of the members of the Board and Council of the Parent company.

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

	Parent company		Group	
	3 months of 2023 EUR	3 months of 2022 EUR	3 months of 2023 EUR	3 months of 2022 EUR
Revenue				
Electricity transmission system service	18,635,964	18,631,867	18,635,964	18,631,867
Balancing electricity	2,237,176	4,623,761	2,237,176	4,623,761
Regulating electricity	26,677	389,712	26,677	389,712
Reactive energy revenues	86,729	123,266	86,729	123,266
Gas storage and transmission	-	-	7,044,012	4,710,970
Revenue from other services	522,406	809,192	522,406	809,192
Total revenue from transactions with related companies	21,508,952	24,577,798	28,552,964	29,288,768
Cost				
Purchase of balancing electricity	1,215,522	2,472,027	1,215,522	2,472,027
Purchase of regulatory electricity	198,531	2,831,091	198,531	2,831,091
Electricity for business use	19,752	25,628	19,752	25,628
Capacity reserve for electricity system security	2,115,470	1,390,295	2,115,470	1,390,295
Use of synchronous compensators	103,710	323,033	103,710	323,033
Communication expenses	915,174	809,933	915,174	809,933
Lease of PPE and land	187,888	180,495	187,888	180,495
Gas storage and transmission	-	-	914,485	938,477
Other costs	26,694	49,856	26,694	49,856
Total cost of transactions with related companies	4,782,741	8,082,358	5,697,226	9,020,835

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

	Parent company		Group	
	31.03.2023 EUR	31.03.2022 EUR	31.03.2023 EUR	31.03.2022 EUR
Receivables:				
State-controlled capital companies	7,353,857	9,504,824	10,103,896	10,981,698
Payables:				
State-controlled capital companies	3,344,260	5,468,530	3,733,008	6,230,802

18. EVENTS AFTER THE END OF THE REPORTING YEAR

On 14 April 2023, the decision of Guntas Jēkabsons, 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.

The draft tariffs for electricity transmission services were approved under the PUC Council Decision of 22 May 2023, and its effective date was set for 1 July 2023. Detailed information can be found on the website AST: <https://www.ast.lv/lv/content/parvades-pakalpojumarifs>

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.

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