



State Joint Stock Company
"Latvijas autoceļu uzturētājs"
Single registration number
40003356530

2024 ANNUAL REPORT

Prepared in accordance with IFRS accounting standards approved by the European Union, and the Independent Auditor's Report*

Riga, 2025

**Disclaimer on Translation of the Annual Report:*

This English version of the State Joint Stock Company "Latvijas autoceļu uzturētājs" Annual Financial Statements is a translation of the original Latvian-language document. 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, legal effect, or reliance, the original Latvian-language version of the State Joint Stock Company "Latvijas autoceļu uzturētājs" Annual Financial Statements shall prevail.

The independent auditor's report included in the State Joint Stock Company "Latvijas autoceļu uzturētājs" Annual Financial Statements has been issued solely in Latvian. The auditor has not audited, reviewed, approved, or otherwise verified any English translation. Accordingly, the English text of the auditor's report has no legal or authoritative status and must not be relied upon for any official or regulatory purpose.

Content

General information about the Company	3
Key performance indicators	4
Management report	5
Statement of Management Responsibilities	10
Financial statement:	
Comprehensive income statement.....	11
Financial status statement	12
Statement of changes in equity	14
Cash flow statement.....	15
Notes to the financial statements	16
Annex “Corporate Governance Statement”	52
Independent Auditor’s Report.....	76



General information about the Company

Name of the Company	VAS “Latvijas autoceļu uzturētājs” (until the entry on the change of the trade name in the Register of Enterprises of the Republic of Latvia on 11.02.2014 – AS “Latvijas autoceļu uzturētājs”)
Legal status of the Company	State Joint Stock Company (until the entry on the change of the trade name in the Register of Enterprises of the Republic of Latvia on 11.02.2014 – Joint Stock Company)
Number, place and date of registration in the Register of Enterprises	40003356530, Riga, 01.09.1997
Number, place and date of registration in the Commercial Register	40003356530, Riga, 24.09.2004
Principal activity (NACE classification)	42.11. Construction of roads and motorways, 38.11. Collection of non-hazardous waste 08.11. Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate 08.12. Operation of gravel and sand pits and mining of clay and kaolin
Registered office	4 Krustpils Street, Riga, LV-1073

The Board	Vilnis Vitkovskis From 24.11.2017 to 07.09.2020 (Board member) From 08.09.2020 (Chairman of the Board) Ilze Bukulde (Board member) From 03.03.2023 Juris Dupurs From 11.07.2022 to 19.12.2024 (Board member)
The Council	Renārs Griškevičs (Chairman of the Council) From 26.10.2021 Jevgenijs Belezjaks (Council member) From 26.10.2021 Andris Vanags (Council member) From 26.10.2021
Person responsible for accounting	Dainis Markovskis , Chief Accountant
Reporting year	1 January 2024 – 31 December 2024
Previous reporting year	1 January 2023 – 31 December 2023
Auditors	KPMG Baltics SIA Licence No 55 1 Roberta Hirša Street, Riga, LV-1045, Latvia VRN 40003235171 Responsible certified auditor Rihards Grasis Certificate No 227

Key performance indicators

Financial performance

	31.12.2024 fact	31.12.2023 fact
Total amount of the financial statement, EUR	76 642 460	62 929 440
Net turnover, EUR	94 778 759	67 256 544
Incl.		
revenue from the performance of the delegation agreement for the routine maintenance of state roads, EUR	0	4 613 317
revenue from routine maintenance of state roads (open tender), EUR	45 859 381	45 406 507
revenue from the construction of state border infrastructure – projects, EUR	30 238 840	0
revenue from works carried out on roads, EUR	14 906 148	13 921 854
other operating revenue, EUR	3 774 390	3 314 866
Net profit, EUR	6 939 681	1 109 070
EBITDA ¹ , EUR	12 542 415	6 917 007
EBIT ² , EUR	7 344 935	1 558 388
Fixed capital, EUR	35 202 323	35 202 323
Equity, EUR	49 209 916	42 980 040
Total financial liabilities ³ , EUR	5 603 854	8 249 222
Net cash flow from operating activities, EUR	20 580 929	8 079 278
Current assets / short-term creditors(x)	1.7	1.3
Debt-service coverage ratio (DSCR) ⁴ (x)	3.9	1.7
Creditors/ Equity (x)	0.56	0.46
Equity/ Assets (x)	0.64	0.68

Profit after tax / Net turnover (%)	7.3	1.7
Profit before tax / Assets (ROA) ⁵ (%)	10.2	1.7
Profit after tax / Equity (ROE) ⁶ (%)	15.1	2.6
Average number of employees during the period	1 073	1 111
Dividends paid into the state budget, EUR	709 805	871
Taxes paid into the state budget, EUR	11 167 170	10 137 350

¹ EBITDA – profit before corporate income tax, financial expenses, financial income and total depreciation and amortization costs (including write-offs of long-term investments, depreciation of topping layer removal costs and costs of long-term investments in leased fixed assets)

² EBIT – profit before corporate income tax, financial expenses and income

³ short-term and long-term loans from credit institutions and finance lease liabilities

⁴ debt-service coverage ratio (DSCR) – EBITDA/ payments on liabilities during the reporting period (% payments + principal amount)

⁵ return on assets (ROA) – profit before corporate income tax/average assets during the period

⁶ return on equity (ROE) – profit for the reporting period/average equity during the period

Management report

VAS “Latvijas autoceļu uzturētājs” (hereinafter referred to as the Company) is a commercial capital company of a public entity, dependent on a public entity, operating in accordance with the Commercial Law, Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, and, pursuant to Section 88(1)(2) of the State Administration Structure Law, the Company operates in a sector of strategic importance to the state.

General strategic objective of the Company – to carry out continuous routine maintenance work on state roads in order to ensure the necessary mobility options for residents, traffic safety, the functioning of critical services (emergency medical assistance, fire and rescue services, police) and public transport, etc., as well as to provide road infrastructure maintenance services of national importance.¹

The share capital of the Company is EUR 35,202,323, consisting of 35,202,323 shares, 100% of which are owned by the state and held by the Ministry of Transport. The Company has no holdings in other capital companies. The Company's business model is based on three main business areas:

- routine maintenance of motor roads and streets;
- renovation and construction of motor roads and streets;
- mineral material production.

The routine maintenance services provided by the Company for state roads, municipal roads and streets, and roads belonging to other commercial entities are available throughout Latvia 365 days a year. Mineral materials extracted from mineral deposits are used in road maintenance

¹ Taking into account the assessment of the state's participation in LAU carried out by the Ministry of Transport as the holder of the state's share capital, Paragraph 2 of Cabinet Order No 730 of 9 September 2024 “On the state's participation in the state joint stock company “Latvijas autoceļu uzturētājs”” defines the general strategic objective of VAS “Latvijas autoceļu uzturētājs”.

and construction works, both in the Company's own operations and in project implementation, as well as for sale to customers. In order to develop its commercial activities and ensure the rational and economically justified use of all resources, the Company participates in various public procurement procedures that correspond to the specific nature of its activities, including motor road and street renovation and construction works.

The revenue of the Company in the reporting year consists solely of revenue from commercial activities. The Company does not engage in any economic activities that would be financed from the state budget, nor does it receive any state grants or subsidies.

Operation of the Company in the reporting year

The main priorities of the commercial activities of the Company during the reporting period are:

- high-quality performance of routine maintenance work on state roads;
- routine maintenance and construction of forest roads;
- routine maintenance of municipal main roads, transit streets, and other motorways, streets, and squares;
- development of infrastructure construction plans and execution of construction works on the border between the Republic of Latvia and the Republic of Belarus – Metal towers and access roads to the towers in accordance with the agreement concluded with VAS “Valsts nekustamie īpašumi”;
- development of documentation necessary for the implementation of the fence construction project on the border between the Republic of Latvia and the Russian Federation and construction in accordance with the 4-part agreement concluded with VAS “Valsts nekustamie īpašumi”;
- gaining experience and qualifications by participating in procurement procedures together with cooperation partners, forming a supplier association, or participating as a subcontractor.

The management of the Company believes that **during the reporting year the Company has successfully carried out routine maintenance work on state roads under all 19 contracts concluded with VSIA “Latvijas valsts ceļi”** (the Company was awarded the contract as a result of an open tender “Routine maintenance of state roads” (ID No LVC 2021/26/AC) (hereinafter – the open tender).

The total length of the state motor roads serviced in 2024 was 19,897 km, including 1,660 km of main roads, 5,485 km of regional roads, 12,660 km of local roads, and 92 km of side roads.

The Company actively participated in various procurement procedures in order to obtain contract rights and generate additional revenue from the routine maintenance and construction of state and municipal roads and streets, roads belonging to other commercial entities and forest roads. The Company participated in procurement procedures, including together with cooperation partners, forming a supplier association or participating as a subcontractor.

The Company successfully implemented state border construction projects – construction of metal towers and border fences in accordance with contracts concluded by the State Joint Stock Company “Valsts nekustamie īpašumi” (the Company obtained the right to conclude the contract in the procurement procedure “Development of documentation necessary for the implementation of the project for the construction of a fence and construction thereof on the border between the Republic of Latvia and the Russian Federation” (ID VNĪ/2023/CA-360), “Development of documentation necessary for the implementation of the project to construct a fence along the border between the Republic of Latvia and the Russian Federation, and construction in separate stages” (ID VNĪ/2023/CA-469), “Development of infrastructure construction plans and execution of construction works on the border between the Republic of Latvia and the Republic of Belarus “Metal towers and access roads to towers”” (ID VNĪ/2022/CA-382.1) and “Development of infrastructure construction plans and execution of construction works on the border between the Republic of Latvia and the Republic of Belarus “Rocade road around Riču Lake”” (ID VNĪ/2024/CA-54). These are the first combined Design and Build projects in the Company's experience, as well as the first to involve the construction of significant building structures. The implementation of the project has developed the competence and experience of employees in the management of construction projects in the position of the Main Contractor and strengthened cooperation with partners and subcontractors.

Attention was focused on **assessing assets that were not necessary for direct economic activity and creating an optimal capital structure**. During the reporting period, three vehicle auctions were held, auctioning 45 vehicles and mechanisms, recognizing EUR 0.195 million in revenue.

The Company organized 59 auctions for real estate lease rights, leasing a total area of 3,213.65 m², and expropriated 5 real estate properties, recognizing EUR 0.392 million in revenue.

During the reporting period, the management of the Company **successfully completed the reorganization of financial processes, centralization of financial functions, optimization and automation of financial processes**, resulting in a significant reduction in manual work and specialization of financial functions, thereby optimizing costs, which is essential for long-term competitiveness.

The Company's activities and structure are determined by factors specific to road maintenance companies, i.e., the need to ensure production bases throughout the country, equipment specific to seasonal work, and professional staff who perform routine maintenance work in accordance with the requirements and deadlines set out in external regulatory acts. The Company is one of the largest employers in the region. The average number of employees in 2024 is 1,073.

In 2024, the Company's net turnover reached EUR 94.779 million, including:

- revenue from routine maintenance of state roads (open tender) in the amount of EUR 45.859 million, i.e. 48.4%;
- revenue from construction of state border infrastructure – projects in the amount of EUR 30.239 million, i.e. 31.9%;
- revenue from works carried out on roads in the amount of EUR 14.906 million, i.e. 15.7%;
- revenue from other operating activities in the amount of EUR 3.775 million, i.e. 4.0%.

Compared to 2023, net turnover has increased by EUR 27.522 million or 40.9%.

Operating expenses in 2024 amounted to EUR 84.184 million, which is EUR 21.168 million or 33.6% more than in the previous year.

Net profit in 2024 amounted to EUR 6.940 million.

The value of the Company's assets reached EUR 76.642 million, with the value of long-term assets decreasing by 6.0% compared to the previous reporting period and reaching EUR 43.647 million, while the value of current assets increased by 99.8% to EUR 32.996 million, with the most significant increase of EUR 14.128 million in liquid assets (cash and cash equivalents – short-term deposits).

The capital structure is balanced, with borrowed capital accounting for 35.8%. The Company's total liquidity ratio is 1.7, while the DSCR (debt-service coverage ratio) is 3.9, with the acceptable limit set by credit institutions being no less than 1.1. EBITDA is EUR 12.542 million, i.e. the cash flow that the Company has generated from its economic activities in 2024.

The Company controls and manages financial risks: credit risk, liquidity risk, interest rate risk, using financial risk controls and implementing risk mitigation measures, thus ensuring financial stability.

The Company's activities are supervised by the Council. The Company's Council was appointed (elected) on 26 October 2021. 25 Council meetings were held between 1 January 2024 and 31 December 2024. Detailed information on the Company's Council meetings and the decisions adopted therein is reflected in the 2024 reports for the Q1, Q2, Q3, and Q4 submitted to the representative of the Company's shareholder. The Company's activities are supervised by reviewing issues related to the approved planned financial indicators of the Company, the budget for the reporting year, and the Action Plan for achieving financial and non-financial goals at the Company Council meetings, i.e., by requesting, analysing and evaluating the data on the Company's economic activities.

The 2024 report has been prepared in accordance with International Financial Reporting Standards.

Along with the 2024 Financial Statement, the Company's Corporate Governance Statement (hereinafter referred to as the Statement) and Sustainability Report for the year 2024 are also being published. The Statement has been prepared on the basis of requirements of Section 58.1 of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof,

the Cabinet of Ministers Regulations of 15 March 2022 “Regulations on Corporate Governance Recommendations Applicable to Public and Public-Private Capital Companies” and the “Corporate Governance Code” issued by the Advisory Council of the Ministry of Justice in 2020. The Board believes that, in all material respects, the Company has complied with all corporate governance principles applicable to its operations. The Company prepares its Corporate Governance Statement as a separate component of its Annual Report and publishes it on the Company's website.

The Sustainability Report has been prepared in accordance with Paragraph 35 of the Transitional Provisions of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, which stipulates that until the moment when the Company becomes bound by the obligation to provide a sustainability report in accordance with the procedure set out in the Law on Sustainability Disclosures, the Company shall submit a non-financial statement – Sustainability Report – in accordance with the procedure set out in Section 58.2 of this Law (in the version that entered into force on 8 December 2021). It includes information about the Company's business model, significant sustainability aspects, employees and working environment, environmental protection and impact, the impact of climate change on the Company, governance issues and others. The Company prepares the sustainability report as a separate report and publishes it on the Company's website at the same time as the Annual Report audited by a certified auditor.

During the reporting year, the Company continued to implement sustainable activities by investing in human resources, environmental protection and good governance, introducing and adhering to corporate governance principles. The Company continued to be a participant in the occupational safety initiative “Mission Zero”, the initiative “Zero Tolerance for Corruption” and the program “Family-Friendly Company”. In 2024, there were no serious work-related accidents or fatalities in the Company.

Given the ever-increasing energy costs worldwide and public pressure to reduce greenhouse gas emissions, effective energy management is one of the Company's priorities, therefore, the Company has certified and maintains a management system in accordance with the requirements of the international energy management standard ISO 50001:2018.

In April 2024, work was completed on the Company's first solar power plant at 4 Krustpils Street, Riga, and it was put into operation. The total capacity of the installed solar power plant is 100 kW and it consists of 240 solar panels, which allow it to generate up to 95 MWh of renewable electricity per year, fully covering the Company's administrative electricity consumption. In 2024, from April to December, the solar power plant actually generated 85.6 MWh of electricity. At the same time, the installation of the solar power plant prevented greenhouse gas emissions of 9.33 t CO₂ equivalent per year in 2024.

For the purpose of promoting energy efficiency, the Company equips freight vehicles and motor graders with fuel control systems if the equipment of the relevant group is used for at least 10,000 km / 500 engine hours per year and is not planned to be written off during the year. In 2024, 36 units of equipment will be equipped with fuel control systems (114 units in 2023), and the measure is planned to continue in 2025.

Through its activities, the Company maintained its overall taxpayer rating at level "A" – good fulfilment of obligations. For its performance, sustainability and level of corporate responsibility, the Company received the Platinum category of the Sustainability Index, Latvia's leading sustainability rating, for the fifth consecutive time in 2024.

On 19 December 2024, the Council of VAS "Latvijas autoceļu uzturētājs" accepted the resignation of the Member of the Board Juris Dupurs for personal reasons. Chairman of the Board Vilnis Vitkovskis and Member of the Board Ilze Bukulde continued their work on the Company's Board.

Research and development costs

Recognizing that the Company's future competitiveness largely depends on data availability and analysis, the Company continued its digital transformation and process automation, and during the reporting year, it took steps to expand its technological equipment and carried out research into the implementation of new solutions.

Research costs are attributable to research into the possibilities of producing a new SIII class material at the Dārzciems deposit, which involved evaluating possible technological solutions, the necessary equipment, their costs and payback period, and the costs of staff working hours amounted to EUR 1,050.

Future development of the Company

According to the Company's approved budget for 2025, total revenues are planned to be EUR 92.596 million. EUR 9.549 million is planned to be spent on the implementation of the Company's capital investment and modernization program, including EUR 1.580 million in transitional capital investments in 2024. The most significant acquisitions, amounting to EUR 6.265 million, are planned for technological equipment and machinery, including transitional capital investments of EUR 1.580 million in 2024. The Company's 2025 capital investment and modernization program will be implemented after assessing the priority of capital investments, the usefulness of planned investments, the necessary financing (own funds, borrowed funds) and taking into account the economic situation in the country.

At the same time, the amount of available cash flow from operating activities will be assessed to cover the principal and interest payments on loans to ensure that the Company's total liquidity ratio of 1.3, DSCR level of 1.8 and EBITDA profitability of 9%.

The financial objectives for 2025 are to create an optimal capital structure, ensure the efficiency and stability of economic activity and generate reasonable profits.

The Company will continue to provide high-quality, compliant daily maintenance services for state roads, routine maintenance of municipal transit streets and other roads, as well as the production and sale of construction materials – dolomite chips, crushed gravel and processed sand. The Company will promote the development of commercial activities and increase the volume of other commercial services (other than routine maintenance of public roads) to achieve >30% of total net turnover and ensure the rational and economically justified use of all Company's resources during the winter and summer seasons.

At the same time, the Company will continue working on the activities launched in 2024:

- development of information systems and digitization of business processes;
- development of a medium-term operational strategy;
- improvement of work organization, review of the duties and responsibilities of technical production staff;
- renting out unused and unrented premises by attracting new tenants and disposing of real estate that is not necessary for the Company's operating activities;
- strengthening the Company's position in the market;
- and other activities.

As a human capital-intensive company, the Company will continue to face challenges in 2025 in addressing issues related to workforce availability, recruitment and welfare.

In order to continue to identify and analyse the Company's impact in a broader context (from an environmental, social, and governance perspective), as well as to provide all stakeholders with comprehensive information about the Company's activities, the Company will continue to prepare an annual Sustainability Report.

Events after the end of the reporting year

Taking into account the impact of the geopolitical situation (Russia's invasion of Ukraine, the US "tariff war," etc.) on the availability of raw materials and energy resources on the market, fluctuations in the prices of energy resources and raw materials in a context of high uncertainty, macroeconomic trends, as well as the impact of current sanctions against Russia and Belarus and possible future measures, the Company's management continues to assess the situation on an ongoing basis.

From the last day of the reporting year to today, there have been no other significant events that could materially affect the assessment of the Annual Report, except for those described above.

Proposals for profit distribution

In accordance with Section 28, Section 56(1), Section 94(1)(2) of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof and pursuant to Section 24 of the Law "On the State Budget for 2025 and the Budget Framework for 2025, 2026, and 2027", the expected amount of dividends payable by the Company in 2025 (for the 2024 reporting year) is 70% of the reporting year's profit, with corporate income tax calculated and paid in accordance with the procedure set out in the regulatory enactments governing corporate income tax. The decision on the use of profits and the amount of dividends is made by the Company's Shareholder Meeting.

The Board proposes to the Shareholder Meeting the following distribution of the 2024 profit of EUR 6,939,681:

- 70% of the profit for the reporting year or EUR 4,857,777, to be paid out as dividends;
- 30% of the profit for the reporting year or EUR 2,081,904, to be retained by the Company and recorded under the balance sheet item "Reserves".

Vilnis Vitkovskis

Chairman of the Board

Ilze Bukulde

Member of the Board

12 May 2025

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Statement of Management Responsibilities

The Company's Board (hereinafter referred to as the Management) is responsible for preparing the Company's financial statements.

The financial statements on pages 11 to 51 have been prepared on the basis of accounting records and supporting documents and give a true and fair view of the financial position of the Company as at 31 December 2024, its performance and cash flows for the year 2024.

The above financial statements have been prepared in accordance with IFRS accounting standards approved by the European Union, based on the going concern principle. The decisions and estimates made by the Management in the preparation of the financial statements have been prudent and reasonable.

The Company's Management is responsible for ensuring an adequate accounting system, preserving the Company's assets, and detecting and preventing fraud and other violations committed within the Company. Management is also responsible for complying with the legislative requirements of the Republic of Latvia.

Vilnis Vitkovskis

Chairman of the Board

Ilze Bukulde

Member of the Board

12 May 2025

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Comprehensive income statement for the year 2024

	Note	2024 EUR	2023 EUR
Net turnover, including	3	94 778 759	67 256 544
a) from construction services		66 939 296	30 530 328
b) from other operating activities		27 839 463	36 726 216
Production costs of goods sold, acquisition costs of goods sold and services provided	4	(84 183 534)	(63 015 513)
Gross profit		10 595 225	4 241 031
Administrative costs	5	(4 075 196)	(3 956 230)
Other operating income	6	1 268 178	1 410 489
Other operating costs	7	(443 272)	(136 902)
Profit from operating activities		7 344 935	1 558 388
Financial income	8	168 750	32 328
Financial costs	8.(a)	(394 427)	(469 646)
Profit before taxes		7 119 258	1,121,070
Corporate income tax		(179 577)	(12 000)
Profit of the reporting period		6 939 681	1 109 070
Total comprehensive income		6 939 681	1 109 070

Notes on pages 11 to 51 are an integral part of these financial statements. Board of VAS "Latvijas autoceļu uzturētājs":

Vilnis Vitkovskis
Chairman of the Board

Ilze Bukulde
Member of the Board

Report prepared by:

Dainis Markovskis

Chief Accountant of VAS "Latvijas autoceļu uzturētājs"

12 May 2025

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Financial status statement as at 31 December 2024

ASSETS	Note	31.12.2024	31.12.2023
		EUR	EUR
LONG-TERM ASSETS			
Intangible assets			
Licences		13 966	28 279
Other intangible assets		106 301	578 042
Costs of creating intangible assets		-	-
Total intangible assets	9	120 267	606 321
Fixed assets			
Land, buildings and structures		15 756 387	17 077 150
Equipment and machinery		26 265 733	27 415 915
Other fixed assets		134 760	62 695
Long-term investments in leased fixed assets		38 895	3 125
Creation of fixed assets and costs of construction work in progress		108 590	97 118
Total fixed assets	10, 10(a, c, d)	42 304 365	44 656 003
Investment properties	10, 10(b)	624 868	637 102
Biological assets	10, 10(e)	416 300	416 300
Other long-term investments	11	181 052	101 426
Total long-term assets		43 646 852	46 417 152
CURRENT ASSETS			
Total current assets		32 995 608	16 512 288
Total assets		76 642 460	62 929 440
Inventories	12	6 922 255	6 475 896
Long-term investments held for sale	13	591 123	143 142
Receivables from contracts with customers	14, 14(a)	9 748 854	7 811 287
Other receivables	15	1 215 855	1 692 267
Cash and cash equivalents	16	14 517 521	389 696

Notes on pages 11 to 51 are an integral part of these financial statements.

Board of VAS "Latvijas autoceļu uzturētājs":

Vilnis Vitkovskis

Chairman of the Board

Ilze Bukulde

Member of the Board

Report prepared by:

Dainis Markovskis

Chief Accountant of VAS "Latvijas autoceļu uzturētājs"

12 May 2025

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Financial status statement as at 31 December 2024

EQUITY AND LIABILITIES	Note	31.12.2024	31.12.2023
		EUR	EUR
EQUITY			
Share capital (fixed capital)	17	35 202 323	35 202 323
Reserves	18	399 755	-
Retained earnings from previous years		6 668 157	6 668 647
Profit of the reporting period		6 939 681	1 109 070
Total equity		49 209 916	42 980 040
PAYABLES			
Long-term creditors			
Loans from credit institutions	19, 19(a), 21	25 202	144 451
Lease liabilities	20, 20(a, b, c), 21	3 156 520	5 382 404
Provisions	22, 22(a)	4 468 736	1 133 076
Accrued liabilities	25	92 836	98 197
Long-term deferred revenue		101 036	
Total long-term creditors		7 844 330	6 758 128
Short-term creditors			
Borrowings from credit institutions	19, 19(a), 21	119 249	152 952
Lease liabilities	20, 20(a, b, c), 21	2 302 883	2 569 415
Accounts payable to suppliers, contractors and other creditors	23	8 323 078	6 502 292
Taxes and mandatory state social insurance contributions	24	1 574 295	1 155 424
Corporate income tax liabilities		2 127	11 782
Deferred revenue		4 768	351
Provisions	22, 22(a)	3 366 567	663 930
Accrued liabilities	25	3 895 247	2 135 126
Total short-term creditors		19 588 214	13 191 272
Total creditors		27 432 544	19 949 400
Total equity and liabilities		76 642 460	62 929 440

Notes on pages 11 to 51 are an integral part of these financial statements.

Board of VAS "Latvijas autoceļu uzturētājs":

Vilnis Vitkovskis
Chairman of the Board

Ilze Bukulde
Member of the

Board Report prepared by:

Dainis Markovskis
Chief Accountant of VAS "Latvijas autoceļu uzturētājs"

12 May 2025

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME
STAMP

Statement of changes in equity for the year 2024

	Share capital	Reserves	Retained earnings from previous years	Profit of the reporting year	Total equity
	EUR		EUR	EUR	EUR
Total as at 31.12.2022	35 202 323	-	6 668 157	1 361	41 871,841
Dividend payments	-	-	(871)	-	(871)
Total transactions with a shareholder	-	-	(871)	-	(871)
Transfer of 2022 profits to previous years' profits	-	-	1 361	(1 361)	-
2023 profit	-	-	-	1 109 070	1 109 070
Total as at 31.12.2023	35 202 323	-	6 668 647	1 109 070	42 980 040
Dividend payments	-	-	(709 805)	-	(709 805)
Establishment of reserves	-	399 755	(399 755)	-	-
Total transactions with a shareholder	-	399 755	(1 109 560)	-	(709 805)
Transfer of 2023 profits to previous years' profits	-	-	1 109 070	(1 109 070)	-
2024 profit	-	-	-	6 939 681	6 939 681
Total as at 31.12.2024	35 202 323	399 755	6 668 157	6 939 681	49 209 916

Notes on pages 11 to 51 are an integral part of these financial statements. Board of VAS "Latvijas autoceļu uzturētājs":

Vilnis Vitkovskis **Ilze Bukulde**
 Chairman of the Board Member of the Board

Report prepared by:
Dainis Markovskis
 Chief Accountant of VAS "Latvijas autoceļu uzturētājs"

12 May 2025

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Cash flow statement for the year 2024

Cash flow from operating activities

	2024 EUR	2023 EUR
Revenue from the sale of goods and provision of services	102 650 290	74 561 731
Payments to suppliers, employees, and other operating expenses	(82 302 774)	(66 660 977)
Other operating income or expenses	818 451	649 330
Gross cash flow from operating activities	21 165 967	8 550 084
Interest payment expenses	(395 806)	(470 588)
Expenses for corporate income tax payments	(189 233)	(218)
Net cash flow from operating activities	20 580 928	8 079 278

Cash flow from investment activities

Acquisition of fixed assets and intangible investments	(3 589 705)	(1 241 185)
Revenue from the sale of fixed assets and intangible investments	508 539	504 191
Interest received	152 054	30 155
Net cash flow from investment activities	(2 929 112)	(706 839)

Cash flow from financing activities

Received loans	-	-
Expenses for loan repayment	(152 952)	(3 788 527)
Lease expenses	(2 661 235)	(3 331 255)
Dividends paid	(709 805)	(871)
Net cash flow from financing activities	(3 523 992)	(7 120 653)
Cash and cash equivalents at the beginning of the reporting year	389 696	137 910
Cash and cash equivalents at the end of the reporting year	14 517 521	389 696
Net (decrease)/increase in cash and cash equivalents	14 127 825	251 786

Notes on pages 11 to 51 are an integral part of these financial statements.

Board of VAS "Latvijas autoceļu uzturētājs":

Vilnis Vitkovskis

Chairman of the Board

Ilze Bukulde

Member of the Board

Report prepared by:

Dainis Markovskis

Chief Accountant of VAS "Latvijas autoceļu uzturētājs"

12 May 2025

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Notes to the financial statements

1. General information

The shares of the State Joint Stock Company “Latvijas autoceļu uzturētājs” (hereinafter referred to as the Company) are owned by the state and held by the Ministry of Transport of the Republic of Latvia. The Company's registered office is at 4 Krustpils Street, Riga, LV-1073.

VAS “Latvijas autoceļu uzturētājs” is a commercial company operating in accordance with the Commercial Law.

VAS “Latvijas autoceļu uzturētājs” is a strategic state road infrastructure maintenance company that provides routine maintenance of state roads, municipal roads, transit streets and other roads, as well as producing construction materials such as dolomite chips, crushed gravel and processed sand.

VAS “Latvijas autoceļu uzturētājs” is a reliable, stable and experienced company that, with its professional staff and modern technologies, ensures the efficient and environmentally friendly maintenance of roads throughout the territory of the Republic of Latvia on state roads with a total length of 19,897 km.

The Company actively participated in various procurement procedures in order to obtain contract rights and generate additional revenue. In 2024, VAS “Latvijas autoceļu uzturētājs” launched projects related to the development of infrastructure construction plans for the borders of the Republic of Latvia and the performance of construction works on the borders with the Russian Federation and the Republic of Belarus. These are the first combined Design and Build projects in the Company's experience, as well as the first to involve the construction of significant building structures. During the project implementation process, the competencies and experience of

employees in construction project management in the position of the Main Contractor were further developed, and cooperation with partners and subcontractors was strengthened.

The 2024 financial statements include the financial information of VAS “Latvijas autoceļu uzturētājs” for the year ending 31 December 2024 and comparative figures for 2023.

These financial statements were signed by the Board on 12 May 2025. The Council reviews the financial statements of the Company and prepares a Council report, which is submitted to the Shareholder Meeting. The decision to approve the financial statements is made by the Shareholder Meeting. The Shareholder Meeting has the right to reject the financial statements prepared and submitted by the Board and request the preparation of new financial statements.

2. Accounting and valuation principles

The financial statements have been prepared based on the significant accounting and valuation principles described below. These principles have been applied consistently to all comparative figures, unless otherwise stated.

These financial statements have been prepared in accordance with IFRS accounting standards as adopted by the European Union. In view of the European Union's adoption process, these notes also presents standards and interpretations that have not been adopted for use in the European Union, as these standards and interpretations may have an impact on the Company's financial statements in future periods if they are adopted.

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared in accordance with the historical cost accounting principle, except for biological assets, which are measured at fair value. The cash flow statement has been prepared using the direct method. The comprehensive income statement has been prepared using the expense function.

The currency used in the financial statements is the euro (EUR), the currency of the Republic of Latvia. The financial statements cover the period from 1 January to 31 December 2024.

Standards and interpretations that came into effect during the reporting period

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Short-Term or Long-Term (effective for reporting periods beginning on or after 1 January 2024). These limited amendments clarify that liabilities are classified as short-term or long-term depending on the rights that exist at the end of the reporting period. The obligation is long-term if the entity has a substantive right to defer settlement for at least twelve months at the end of the reporting period. The guidelines no longer require such rights to be unconditional. Management's expectations as to whether it will subsequently exercise the right to defer settlement do not affect the classification of the liability.
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures; Supplier Financing Agreements (effective for reporting periods beginning on or after 1 January 2024).
- Amendments to IAS 21 Lack of Exchangeability (effective for reporting periods beginning on or after 1 January 2024). In August 2023, the IASB issued amendments to IAS 21 to help companies assess the exchangeability between two currencies and determine the spot exchange rate if exchangeability is not possible.
- Amendments to IFRS 16 Leases (effective for reporting periods beginning on or after 1 January 2024). Determines how the seller and lessee should account for variable lease payments arising from sale and leaseback transactions.

These standards and amendments do not have a significant impact on the Company's financial position and operating results.

Standards and interpretations that came into effect on or after 1 January 2025

Several new standards or amendments to standards are effective for reporting periods beginning after 1 January 2025 (some of which have not yet been approved by the European Union), and

early application thereof is permitted; however, in preparing these financial statements, the Company has not applied the new or amended standards early.

Effective date	New or amended standards	Approved by the EU
01.01.2025	Lack of Exchangeability (amendments to IAS 21)	12 November 2024
01.01.2026	Changes in the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)	In process
01.01.2026	Annual Improvements to IFRS Accounting Standards Volume 11 (issued on 18 July 2024)	In process
01.01.2027	IFRS 18 Disclosure and Presentation in Financial Statements (issued on 9 April 2024)	In process
01.01.2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024)	In process

The new and amended standards listed above are not expected to have a significant impact on the Company's financial statements.

Use of estimates

In preparing the financial statements, Management relies on certain estimates and assumptions that affect the reported amounts of certain items within the statement of financial position and statement of comprehensive income, as well as the amount of contingent liabilities. Future events may affect the assumptions on which these estimates are based. The impact of any changes in estimates is reflected in the financial statements at the time they are identified.

Listed below are the most significant assumptions and estimates regarding the future, as well as other uncertainties that exist at the date of preparation of the financial statements, for which there is a significant risk that significant adjustments to the reported assets and liabilities will be necessary in the next financial year:

Recognition and measurement of provisions

As at 31 December 2024, the Company has established provisions for reclamation costs. Several assumptions and estimates, including the inflation rate and the timing of expenses, have been used to determine the present value of the provisions. The estimate of the reclamation provision may be revised in the future as the circumstances and assumptions on which the estimate is based may change.

As at 31 December 2024, the Company has established provisions for the volume of work performed that is covered by a warranty. The amount of the provisions has been determined based on the contract value, technical risk assessment and possible defects. Several assumptions and estimates, including the timing of expenses, have been used to determine the current value of the provisions.

As at 31 December 2024, the Company has established provisions for environmental remediation. Due to past events, the Company has an obligation to carry out remediation work to clean up contaminated sites. Assumptions and estimates, including market research, have been used to determine the current value of the provisions.

Actual final expenses may differ from the recognized provisions due to the uncertainty of the above estimates.

Useful lives of fixed assets

The useful lives of fixed assets are reviewed based on the normative indicators of fixed asset usefulness (capacity, productivity, etc.), fixed asset management policy (equipment load, repairs, and similar costs) and, if necessary, they are changed to reflect the Company's management's views on the remaining useful life of the assets.

Depletion of mineral resources

The cost of depletion of mineral resources is estimated based on assumptions, taking into account the extraction limits assigned to mineral deposits. The estimate of depletion costs may be revised in the future, as the circumstances on which the estimate is based may change – the extraction limit for mineral resources may increase or decrease, or the quality of mineral resources may change.

Foreign currency revaluation

The functional currency of the Company and the currency used in the financial statements is the currency of the Republic of Latvia, the euro (EUR). All transactions in foreign currencies are revalued in euros at the euro reference rate published by the European Central Bank, which is valid at the beginning of the economic transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the euro reference rate published by the European Central Bank, which is effective at the end of the last day of the reporting year. Exchange rate differences arising from settlements in foreign currencies or from the translation of assets and liabilities using exchange rates different from those originally used for recording the transactions are recognized in the profit or loss statement at net value.

Intangible assets

Intangible assets include licences acquired for consideration, computer software, trademarks, and costs associated with their implementation. Intangible assets are recorded at their initial value, which is amortized over the useful life of the asset using the straight-line method. Subsequent expenditure is capitalized by increasing the value of the existing intangible asset or recognized as a separate intangible asset only if the Company expects to derive future economic benefits from it and the expenditure can be reliably measured.

The useful life of an intangible asset is determined in accordance with the periods specified in the rights of use, contracts or other documents confirming the acquisition of rights. If the useful life of an intangible asset is not specified in the acquisition documents, the following useful lives are determined:

Licences	5 years
Individual-use computer programs, information systems	3 years
Shared computer programs, information systems	6 years

If events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable, the carrying amount of the intangible asset is reviewed to determine whether it is impaired. Impairment losses are recognized when the carrying amount of an intangible asset exceeds its recoverable amount.

Fixed assets

Fixed assets are valued at their initial value, less accumulated depreciation and impairment, if any. Fixed assets include long-term investments with a value of more than EUR 700 and a useful life of more than one year. The initial value of fixed assets is the purchase price, including import duties and any costs directly attributable to the creation of the fixed assets until they are put into operation. Significant reconstruction and improvement costs are capitalized if they extend the useful life of the fixed asset, and the depreciation of these assets is calculated over their entire useful life.

Construction in progress reflects the costs of establishing fixed assets and unfinished construction projects. Depreciation is not calculated for construction in progress until the relevant assets are put into operation. Repair and maintenance costs incurred after the fixed assets are put into operation are usually written off as expenses when they are incurred. If it can be clearly demonstrated that the relevant costs will result in future economic benefits that exceed the initially determined return on the use of the fixed assets, such costs are capitalized.

Depreciation of fixed assets is calculated using the straight-line method over the useful life of the fixed assets. According to management's assessment, the useful life of fixed assets is as follows:

Buildings and structures	5 – 40 years
Equipment and machinery	3 – 15 years
Furniture and office equipment	10 years

Computer hardware and equipment	3 years
Other fixed assets	2 – 10 years

Depreciation is calculated starting from the month following the month in which the fixed asset was put into operation. The depreciable amount of a fixed asset is determined after deducting the residual value.

If a fixed asset consists of several components with different useful lives and the cost of each component of the fixed asset is significant in relation to the total cost of the fixed asset, the depreciation of these components is calculated separately for each component. If the Company depreciates certain parts of a fixed asset separately, it also depreciates the remaining parts of the same fixed asset separately. The residual value consists of those parts of the fixed asset that are not individually significant. The depreciation of the remaining parts is calculated using approximation methods to accurately reflect their useful life.

The useful lives of fixed assets are reviewed and adjusted, if necessary, at the end of each reporting year. The residual values of fixed assets are determined in accordance with the estimates of the Company's specialists as a certain percentage (from 0.5% to 10%) of the initial value of the fixed assets. They are approved by the Board at the beginning of each reporting year.

Land (except for subterranean depths) and paintings are not subject to depreciation.

If events or changes in circumstances indicate that the carrying amount of fixed assets may be unrecoverable or impaired, the value of the relevant fixed assets is reviewed to determine whether they are impaired. If there are indications of impairment and if the carrying amount of the asset exceeds its estimated recoverable amount, the asset is written down to its recoverable amount. In determining the value in use, the estimated future cash flows are discounted to their present value using a discount rate determined by the cumulative method, which reflects current market expectations regarding changes in the value of the asset and the risks associated with it.

For an asset that does not itself generate significant cash flows, the recoverable amount is determined based on the cash-generating asset to which it belongs. Losses resulting from impairment are recognized in the profit or loss statement.

The carrying amount of a fixed asset is derecognized when it is disposed of or when no future economic benefits are expected from its continued use. Any gain or loss arising from the derecognition of a fixed asset (calculated as the difference between the net disposal proceeds and the carrying amount of the fixed asset) is recognized in the profit or loss statement for the period in which the fixed asset is derecognized.

Carrying amount of fixed assets

The Management of the Company assesses the carrying amount of fixed assets and evaluates whether there are any indications that the recoverable amount of the assets is lower than their carrying amount. The Management of the Company calculates and recognizes losses from impairment of fixed assets based on estimates of their future use, disposal or sale. Taking into account the Company's planned economic activity and the possible market value of its assets, the Management of the Company believes that no significant adjustments to the value of fixed assets are necessary as at 31 December 2024.

Land with mineral deposits

Land and land with mineral deposits are accounted for by the Company in various fixed asset accounting groups. The initial value of land with mineral deposits is the purchase price, including any costs directly attributable to the establishment of fixed assets until they are put into operation. Upon commencement of use of mineral deposits, when it is probable that future economic benefits will flow to the Company and the costs can be reliably measured, the value of land with mineral deposits is divided into the value of the land and the value of the mineral deposits. The value of the land and the mineral resources is determined based on the value of the land and the mineral resources specified separately in the acquisition documents. If the above values are not separated, they may be divided into two parts based on management estimates, for example, using the cadastral value of the land plot.

After initial recognition, mineral resources are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of mineral resources is calculated using the unit of production method, i.e., in proportion to the amount of minerals extracted during the relevant period in relation to the total estimated amount of minerals in the relevant deposit.

Costs of removal of topping layer from deposits of mineral resources

When performing topping layer removal works during the development phase of mineral deposits, the Company recognizes topping layer removal costs as a long-term investment under the item "Land assets" if all of the following conditions are met:

- it is probable that future benefits associated with topping layer removal activities will flow to the Company;
- the Company is able to identify the mineral component to which access has been improved;
- the costs can be reliably measured.

After initial recognition, the covering layer removal asset is carried at cost, less depreciation and impairment losses, in the same way as the existing asset of which it forms part. Long-term investment assets are depreciated systematically using the unit of production method.

Biological assets

The Company's biological assets are the forest stands it owns, which will be used for agricultural activities. Biological assets are measured at fair value less estimated selling costs.

The Management of the Company assesses the fair value of biological assets based on several criteria:

- the price of the last market transaction, provided that economic conditions have not changed significantly between the transaction date and the balance sheet date;
- the market price of similar assets;
- industry criteria (e.g., the value of forest stands).

Changes in the value of biological assets arising from measurement at fair value less estimated selling costs are included in the profit or loss statement for the relevant period. Felled trees are recorded as inventory and initially measured at fair value less estimated costs to sell.

Investment properties

Investment properties are land, buildings or parts thereof that are held for rental income or capital appreciation rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Land, a building or part thereof is classified as investment property if the Company, as the lessor, rents out more than 85% of the total area of the land or building under one or more operating leases.

Investment properties are initially measured at acquisition or creation value. The acquisition or creation value includes the costs that were necessary to acquire or create the investment property, as well as the costs incurred in subsequent periods to supplement the investment property or replace individual parts.

The Company accounts for investment property using the cost model. After determining the initial value in the Company's accounting records, investment property is accounted for and valued by applying the procedures set out in the Company's "Regulations on the Accounting of Fixed Assets and Their Depreciation and Low-Value Inventory". The depreciation rates used are appropriate for the estimated useful life of the relevant categories of fixed assets, ranging from 8 to 40 years.

Reclassification to investment property is performed only when there is a change in the type of use, as evidenced by the fact that the owner ceases to use the real estate, the real estate is leased to another person under operating lease terms. Reclassification from investment property is carried out only and exclusively in cases where there is a change in the type of use, as evidenced by the fact

that the owner begins to use the real estate itself, or improvements to the property are commenced for the purpose of sale.

Investment property is derecognized when it is disposed of or when it is completely withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the write-off or disposal of investment property are recognized in the profit or loss statement in the period of disposal or liquidation.

Right-of-use asset

A right-of-use asset is recognized if the lease term at the inception date is more than 12 months, the value of the underlying asset is greater than EUR 5,000, and the value of the right-of-use asset is greater than EUR 1,000.

At the commencement date of the lease, the right-of-use asset is measured at its cost, which comprises the initial measurement amount of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred by the Company, and an estimate of the costs to be incurred by the Company in disposing of the underlying asset and restoring its location.

Right-of-use assets are recognized in the financial statements as fixed assets and presented in the items in which the underlying assets would be presented if they were owned.

After the commencement date, the Company measures the right-of-use asset using the cost model, less any accumulated depreciation and any accumulated impairment losses, if any, and making adjustments, resulting from the reassessment of the lease liability. The Company records the amount of the reassessment of the lease liability as an adjustment to the right-of-use asset.

If, under the lease, the rights to the underlying asset are transferred to the Company at the end of the lease term, or if the cost of the right-of-use asset reflects the fact that the Company will

exercise the purchase option, the Company amortizes the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. In other cases, the Company amortizes the right-of-use asset from the commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier.

The amortization of the right-of-use asset is calculated using the straight-line method, applying the following depreciation rates.

Right-of-use assets – buildings and structures	2 – 7 years
Right-of-use assets – land	2 – 10 years
Right-of-use assets – technological equipment and machinery	2 – 7 years

Depreciation is calculated each month. Depreciation of the right-of-use asset is calculated from the first day of the following month. Any gains or losses related to the full or partial termination of the lease are included in profit or loss statement.

Inventories

Inventories include all types of purchased materials acquired for use in production, purchased goods intended for sale, own-produced materials intended for production, and finished products intended for sale.

Inventories are valued at the lower of cost or net realizable value. Cost includes the cost of materials and other costs directly associated with production. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion of production and selling expenses. Inventory costs are accounted for using the weighted average cost method.

If necessary, provisions are made for the impairment of obsolete, slow-moving or damaged inventories. The amount of the provision is included in the profit or loss statement.

Net selling value of inventories

The Management of the Company assesses the net selling value of inventories based on information about expected selling prices and selling costs, as well as the physical condition of inventories during the annual inventory count. In cases where the net selling value of inventories is lower than the production cost of inventories, provisions are made for inventories.

Financial assets and liabilities

The Company's financial instruments consist of financial assets (financial assets at amortized acquisition cost) and financial liabilities (financial liabilities at amortized acquisition cost).

Financial assets at amortized acquisition cost are debt instruments with fixed or determinable payment schedules that are not held for trading and whose future cash flows consist solely of principal amount and interest payments. Financial assets at amortized acquisition cost include trade receivables, other receivables, cash and cash equivalents. Financial assets at amortized acquisition cost are classified as short-term assets if the payment term is one year or less. If the payment term is longer than one year, they are presented as long-term assets. Short-term receivables are not discounted.

Financial assets at amortized acquisition cost are initially recognized at fair value and subsequently measured at amortized acquisition cost using the effective interest method, less any impairment losses.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and a method of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial asset/financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset/financial liability at the time of initial recognition.

The Company derecognizes a financial asset when its contractual rights to cash flows from the financial asset expire or it transfers substantially all risks and rewards of ownership of the financial asset to another person.

Financial liabilities at amortized acquisition cost are presented under Loans from credit institutions, Lease liabilities, Trade payables and Other creditors.

Financial liabilities at amortized acquisition cost are initially recognized at fair value. In subsequent periods, financial liabilities at amortized acquisition cost are reflected at amortized acquisition cost using the effective interest rate. Financial liabilities at amortized cost are classified as short-term liabilities if the payment term is one year or less. If the payment term is longer than one year, they are presented as long-term liabilities.

Loans are initially recognized at fair value, less any costs associated with obtaining the loans. In subsequent periods, loans are presented at amortized cost using the effective interest rate.

The difference between the amount of cash received, less any costs associated with obtaining the loan, and the redemption value of the loan is recognized in the profit or loss statement over the term of the loan using the effective interest rate of the loan. This difference is recognized as a financial cost.

Loans are classified as current liabilities, except when the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial liabilities are derecognized when the underlying obligation is waived, cancelled or expires.

Receivables from contracts with customers

Receivables from contracts with customers are non-derivative financial assets with fixed or determinable payment schedules that are not quoted in an active market and are not held for trading. Receivables from contracts with customers are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. Provisions for impairment of receivables from contracts with customers are created for receivables by assessing the risks of non-recovery of the receivable and delay in payment of the receivable – by assessing the receivable according to various factors – the proportion of the debtor's debt in the total receivables and the beneficial owner, as well as the probability of the event occurring. Receivables are classified into debtor groups according to the beneficial owner.

For each debtor group, the risk of an event occurring is assessed in points, which are calculated taking into account the impact level of the debtor's debt and the probability of the event occurring in points. Based on the risk of occurrence assessment in points, the percentage of the consequences of the occurrence is determined. The assessment of the consequences of the occurrence is determined based on historical experience. The amount of the provision for impairment is calculated by multiplying the amount of the group's receivables at the end of the reporting period by the percentage of the assessment of the consequences of the occurrence of the event.

Receivables from contracts with customers are subject to separate impairment assessment if it is known that liquidation, insolvency or legal protection proceedings are possible or have been initiated against the debtor, or if the State Revenue Service has suspended economic activity.

The provision for impairment is the difference between the carrying amount of the asset and the present value of estimated future cash flows, determined by discounting at the original effective interest rate.

The provision for impairment is included in a separate provision account, and the loss is recognized in the profit or loss statement.

Contract assets

A contract asset is the Company's right to receive consideration in exchange for goods and services that the Company has transferred to a customer. During the reporting period, the Company has recognized earned revenue for services provided during the reporting period but invoiced in the following reporting period as a contract asset. The Company assesses the impairment of contract assets in accordance with IFRS 9. Contract assets are presented in the statement of financial status under "Receivables from contracts with customers".

Contractual obligations

Contractual obligations are the Company's obligation to provide a service to a customer for which the customer has made a payment. Contractual obligations are presented in the financial statement item "Accounts payable to suppliers, contractors and other creditors".

Trade receivables

Trade receivables reflect the Company's right to unconditional compensation. The Company presents such receivables in the financial position statement under "Receivables from contracts with customers".

Long-term investments held for sale

Long-term investments are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is considered to be met only if the sale is probable and the assets are available for immediate sale in their present condition.

Long-term investments held for sale are presented at the lower of their carrying amount or fair value, less selling costs.

Long-term investments held for sale are disposed of through auctions.

Net selling value of long-term investments held for sale

The Management of the Company assesses the net selling value of long-term investments held for sale based on the market value of real estate determined by licensed experts, less selling costs. In cases where the net selling value of long-term investments held for sale is lower than their carrying value, they are revalued at the lower value.

Cash and cash equivalents

Cash includes cash on hand, current account balances in bank accounts, and short-term deposits with an original maturity of three months or less.

Leases

When entering into a contract, the Company assesses whether it is a lease or whether the contract contains a lease. It is assessed whether the contract grants the right to control the use of an identified asset for a specified period of time in exchange for consideration.

The Company is a lessee

- Leases are recognized and accounted for in accordance with IFRS 16 "Leases". When entering into a contract, the Company assesses whether the contract is a lease or contains a lease. A contract is a lease if an identifiable asset is leased and the lessee has the right to derive substantially all of the economic benefits from the use of the asset during its useful life.

At the commencement date of the lease, the Company recognizes the right-of-use asset as part of its fixed assets (see section Right-of-use asset) and the lease liability. The lease liability is initially measured as the present value of the lease payments outstanding at the commencement date. Lease payments are apportioned between the present value of the lease liability and finance costs. Lease payments are discounted using the interest rate implicit in the lease, if it can be readily determined. If this rate cannot be easily determined, the Company uses the Company's comparative loan rate. Discount rates ranging from 1.0% to 4.75% have been used to calculate lease liabilities. Financial costs are included in the profit or loss statement as interest expenses.

The Company determines the lease term as the non-cancellable period of the lease together with any periods for which the option to extend the lease is available, if there is reasonable certainty that the Company will exercise this option, and the periods to which the option to terminate the lease applies, if there is reasonable certainty that the Company will exercise this option.

Upon changes in the lease agreement or changes in assumptions made when initially determining the lease liability or calculating the right-of-use asset, a recalculation is performed, adjusting the lease liability and right-of-use asset accordingly. Any gains or losses associated with the full or partial termination of a lease are included in profit or loss.

The Company is a lessor

- Assets leased under operating leases are recognized in the Company's fixed assets at acquisition cost, less depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method over the useful life of the relevant fixed assets. Lease income from operating leases and prepayments received from customers are included in the profit or loss statement using the straight-line method over the lease term.

The Company rents out buildings, structures, land, and other fixed assets. If 85% of the total area of land or buildings is rented out under one or more operating leases, these fixed assets are reclassified as investment properties.

Borrowings

Initially, loans are recognized at fair value, less any costs associated with obtaining the loan. After initial recognition, loans are carried at amortized cost using the effective interest method. Amortized cost is calculated, taking into account the costs of obtaining the loan, as well as any discounts or premiums associated with the loan.

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, i.e., the acquisition of assets that necessarily require a significant period of time to be

ready for their intended use or sale, are added to the cost of those assets until the assets are actually ready for their intended use or sale.

All other costs related to loans are included in the profit or loss calculation for the period to which they relate.

Accrued liabilities for employee leaves

The amount of accrued liabilities for unused employee leaves is determined by multiplying the average daily remuneration of employees in the last six months of the reporting year by the number of unused leave days accrued at the end of the reporting year, plus the employer's mandatory social security contributions.

Provisions

Provisions are recognized if the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. Provisions are calculated by estimating the amount of expenditure required to settle the obligation at its current value at the balance sheet date. Provisions may only be used in relation to costs that were originally incurred and are reduced if the potential outflow of resources is no longer expected. Management estimates are used to determine the value of provisions.

In cases where the value of money over time has a significant impact, provisions are calculated by discounting the expected future cash flows using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the particular liabilities, if any. Where discounting is applied, the increase in the provision over time is recognized as provision expenses.

Provisions for reclamation costs

The Company extracts dolomite, sand and sand-gravel mixture from quarries, which are used both in production and sold as part of its economic activities. The legislation of the Republic of Latvia stipulates that after the extraction of mineral resources has been discontinued, the natural environment must be restored, i.e., reclamation work must be carried out.

The Company believes that there is a present obligation (for the amount of the deposit developed) at the balance sheet date, which is caused by an obligating event in the past (quarry development) and that the outflow of economic benefits from the Company for reclamation is probable. Reclamation costs are calculated in accordance with the methodology established by the Company, which provides for calculations based on the prices of the reporting year and the assessment of industry experts (see Notes 22 and 22(a)).

The estimate of the reclamation provision may be revised in the future as the circumstances and assumptions on which the estimate is based may change. As of the balance sheet date, the Company has no obligation to remedy the damage that will be caused by the future extraction of the remaining mineral deposits.

Provisions for warranty repairs

The Company has entered into contracts for works and construction works that provide for warranties and warranty repairs for the works performed for a period of 12 to 60 calendar months. Considering that the quality of road construction and infrastructure development works is significantly affected by traffic intensity, the technical condition of roads, the maintenance or construction technology chosen by the customer, and other factors, there is a very high probability that the Company will return to performing various warranty works during the warranty period for the construction or services provided. The Company creates provisions for warranty work, taking into account the assessment of the Company's specialists and the experience accumulated in previous years, the volume of work performed until 31 December 2024, for which warranties are provided, and the warranty period, setting the warranty amount at 1% to 30% of the contract amount for the work. 30% is set for road surface treatment work, taking into account the warranty repair requirements specified in the relevant road construction specifications.

Provisions for bonuses

The Company makes provisions for annual bonuses for employees and management in accordance with the Company's internal regulations and Section 79(1) of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof. Bonuses may be paid upon the occurrence of certain conditions. The amount of bonuses and the date of settlement of liabilities are not clearly known. Bonuses are estimated based on previous years' experience and

assessments. Provisions for annual bonuses are made after the financial statements have been approved, assessing each region in accordance with the decision of the Board. Provisions for bonuses have been made in accordance with the provisions of the Collective Agreement renewed in 2025, taking into account the conditions for employee remuneration, bonuses, benefits, and other types of material incentives, the development of which began in early 2024 and which are retroactively applicable to the 2024 reporting year.

Provisions for environmental remediation measures

The Company establishes provisions for environmental remediation measures if, due to past events, the Company has an obligation to remediate the environment, and the outflow of economic benefits is probable. The Company conducted a repeat market survey to determine the current costs of long-term remediation measures. Two bids were received, and the Company used the average bid amount to estimate the amount of the provision. At the same time, other technical solutions are being sought to reduce the costs of remediation work. The possibility of carrying out part of the remediation work in-house is also being modelled, which would provisionally reduce costs.

Accounts payable to suppliers and contractors

Accounts payable to suppliers and contractors are initially recognized at fair value. In subsequent periods, accounts payable are carried at amortized cost using the effective interest rate method. Accounts payable are classified as current liabilities if the payment term is one year or less. Otherwise, they are presented as long-term liabilities.

Income tax

For 2024, corporate income tax is calculated in accordance with the regulatory enactments in force at the end of the reporting period. This provides for the deferral of corporate income tax until the moment when profits are distributed as dividends or otherwise allocated to expenses that increase the tax base. The corporate income tax rate is 20% of the tax base.

Revenue recognition

Revenue from contracts with customers in accordance with the criteria set out in IFRS 15 comprises goods sold and services rendered in the ordinary course of business. Revenue from contracts with customers is recognized in the profit or loss statement at the moment when the related services are provided and control over the service is transferred to the customer.

Revenue from the sale of goods is recognized when all significant risks and rewards of ownership of the goods have been transferred to the buyer, usually when the goods are delivered to the end consumer.

Revenue may be recognized over time or at a point in time. Revenue is recognized over time in proportion to the stage of completion of the performance obligation as control over the promised services is transferred to the customer. Revenue that does not meet the criteria for recognition over time is recognized at the point in time when the service is provided or the goods are sold.

Revenue recognized over time

- **Performance of state border infrastructure construction work.** State border infrastructure construction work includes individual large-scale projects involving construction work of various types and degrees of complexity over a longer period of time.

The Company recognizes contract-related revenue and expenses in the relevant reporting years, taking into account the stage of completion of the contract at the balance sheet date. The degree of completion of a contract at the balance sheet date is determined using the percentage of completion method in accordance with regularly, usually monthly, approved work acceptance certificates; revenue related to construction contracts is reconciled with the costs incurred to achieve the specific degree of completion of the contract work. Revenue and cost accounting for each construction contract is performed separately.

The total revenue from a construction contract includes the originally estimated amount of revenue corresponding to the contract price and its expected adjustments, if any, in connection with:

- changes in the scope or term of the work specified in the contract;
- amounts that the Company claims from the customer as compensation that is not included in the contract price (delays, specification errors, disputed deviations from the contract work);
- incentive payments; additional amounts that the Company receives if certain project implementation speed or quality criteria are met;
- revenue adjustments are recognized in revenue only if their amount can be reliably estimated and the receipt of the said revenue is certain.

The total cost of the construction contract includes:

- direct construction costs (including labour costs, construction materials, transport, rental or depreciation of fixed assets used, design and technical support, provisions for warranty services, and work performed by third parties (subcontractors));
- indirect costs (including construction site maintenance, costs related to the organization and management of contract work, and occupational safety).

The payment schedule for construction work is specified in contracts with customers and usually differs from the monthly revenue recognized during the course of the work, including the receipt of partial advance payments. Given that the performance obligations for advance payments received are performed in the short term, no significant financing component has been identified.

Performing routine maintenance work on state roads (hereinafter referred to as routine maintenance work). Routine maintenance of state roads is a process that involves approximately 200 (mostly small and minor) tasks of varying nature and complexity. The company performs the following tasks:

- routine maintenance of roads, bridges, overpasses, culverts, pedestrian walkways, and bicycle paths in winter (clearing snow from roads and removing snow, installing and removing directional signs, installing and removing snow barriers, reducing slipperiness, winterizing and de-icing or clearing culverts, removing ice from bridge supports, inspection

of roads, operational maintenance of roads, winter service duty, maintenance of pedestrian paths and cycle paths, etc.);

- maintenance of bridges, traffic overpasses, culverts and pedestrian tunnels (cleaning bridge decks of debris and washing, cleaning bridge drainage systems, maintenance of expansion joints, replacement of damaged sections of bridge railings and barriers, repairs, cleaning and painting, maintenance of bridge cones, water level control structures and drainage systems, inspection ladders and retaining walls, repair of bridge deck damage, cleaning of river beds and culverts from debris, etc.);
- traffic organization (maintenance of bus stops, car pavilions and rest areas, installation and replacement of road signs, washing, painting and replacement of signal posts, installation of reflectors, replacing metal barriers, arranging barriers and installing reflectors, washing barriers, etc.);
- maintenance of road surfaces (maintenance of blacktop surfaces, gravel and crushed stone surfaces, maintenance of improved dirt roads, etc.);
- road maintenance (removal of washouts, cleaning and restoration of ditches, grading, profiling and repair of slopes, cutting bushes in ditches, on slopes and in roadside verges, mowing shrub shoots, mowing grass, maintaining green areas, operational maintenance of roads and cleaning roadside verges, etc.);
- road inspection.
- Revenue from routine maintenance work is recognized at the end of each month based on the work acceptance certificates.

Work performed on municipal roads

Revenue from street and road maintenance work carried out on municipal roads and streets. Revenue is recognized in the period when the service is provided – at the end of each month. Invoices are issued based on work acceptance certificates.

Maintenance of transit streets

Revenue from routine maintenance of transit streets. Revenue is recognized in the period when the service is provided – at the end of each month. Invoices are issued based on work acceptance certificates.

Revenue from work on forest roads

Revenue from services (clearing snow from forest roads, grading, profiling, periodic maintenance, repair work, reconstruction and construction) performed on forest roads owned by AS “Latvijas valsts meži”. Revenue is recognized in the period when the service is provided – at the end of each month. Invoices are issued on the basis of work acceptance certificates.

Other revenue from road works

Revenue from the construction of streets, roads and squares and other types of work on streets and roads.

Revenue recognized at a specific point in time

- **Sale of mineral materials**

Sale of mineral materials (dolomite chips, gravel, and sand). Revenue is recognized when the Company has transferred physical control of the asset to the customer.

Sale of materials

Revenue from the sale of other materials (road signs, etc.), which is recognized when the Company has transferred physical control of the asset to the customer.

Interest income and expenses

For all financial instruments carried at amortized acquisition cost, interest income or expense is recognized using the effective interest rate, i.e., the rate that effectively discounts the estimated future cash flows over the expected life of the financial instrument or, if shorter, the period to

the balance sheet date of the financial asset or liability. Interest income is presented in the profit or loss statement under “Financial income”.

Revenue from penalties and late fees

In accordance with the principle of prudence, contractual penalties and late fees are recognized as revenue when received. Penalties mainly consist of penalties imposed on customers for failure to comply with the terms of the contract.

Employee benefits

Short-term employee benefits are recognized as expenses in the reporting period in which the employee has performed the work. Benefits include salaries, state social security contributions, bonuses, paid leave and other benefits.

Contingent liabilities and assets

Contingent liabilities are not recognized in these financial statements. They are recognized as liabilities only when the possibility that funds will be spent becomes sufficiently probable. Contingent assets are not recognized in these financial statements but are disclosed only when the likelihood that the economic benefits associated with the transaction will flow to the Company is sufficiently probable.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between market participants in an arm's length transaction at the measurement date. IFRS 13 establishes a hierarchy of valuation techniques based on whether the valuation technique uses observable market data or market data is not observable. This hierarchy requires the use of observable market data, if available. Observable market data is obtained from independent sources.

To determine fair value, the Company applies valuation techniques that are appropriate for the circumstances and for which sufficient data is available, using observable data as much as possible and unobservable data as little as possible. If market data is not observable, the valuation technique reflects the Company's assumptions about the market situation. When determining fair value, the Company takes into account appropriate observable market prices, if possible.

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

Level 1 – quoted market prices. Level 1 valuation techniques use unadjusted quoted prices in active markets for identical assets or liabilities, where quoted prices are readily available and represent the actual market situation for transactions under fair competition conditions.

Level 2 – valuation technique using market data. In Level 2 valuation technique, all significant data in the models used can be observed directly or indirectly from the assets or liabilities. The model uses market data that is not included in Level 1 quoted prices.

Level 3 – valuation technique using market data that is not based on observable market data. Valuation techniques using market data that is not based on observable market data (unobservable market data) are classified as Level 3. Unobservable market data is data that is not readily available on an active market due to the illiquidity of the market or the complexity of the financial instrument. Level 3 data is mainly determined on the basis of observable market data of a similar nature, historical observations or using analytical approaches.

If the data used to measure the fair value of an asset or liability can be classified into different levels of the fair value hierarchy, the fair value measurement is classified at the level of the fair value hierarchy that includes the lowest level of input data that is significant to the entire measurement.

Research and development costs

Research costs are recognized in the profit or loss statement for the period in which they are incurred.

Related parties

Related parties are considered to be shareholders of the Company who may significantly influence the Company's operations, members of the Board and Council, their close relatives, as well as companies in which the aforementioned persons have significant influence or control.

Events after the balance sheet date

The financial statements reflect events after the end of the reporting year that provide additional information about the Company's financial status at the date of preparation of the balance sheet (adjusting events). If events after the end of the reporting year are not adjusting, they are reflected in the notes to the financial statements only if they are material.

3. Net turnover

	2024 EUR	2023 EUR
Revenue from the construction of state border infrastructure projects including construction works	30 238 840	-
Revenue from the performance of the delegation agreement for the routine maintenance of state roads	-	4 613 317
Revenue from routine maintenance of state roads (open tender) including construction works	45 859 381	45 406 507
Revenue from work carried out on municipal roads including construction works	25 629 718	20 386 388
Other revenue from road works including construction works	5 654 372	5 620 109
Revenue from forest road works including construction works	3 982 675	3 747 174
Revenue from the sale of mineral materials	4 638 369	4 179 468
Revenue from transit street maintenance including construction works	3 213 195	3 289 034
Revenue from the sale of materials	4 011 037	3 271 222
Other revenue	3 703 578	2 915 351
	3 546 497	2 868 840
	602 370	851 055
	171 290	192 381
	133 274	315 195
	94 619	130 831
Total	94 778 759	67 256 544

3.(a) Net turnover revenue based on the time of recognition

	2024 EUR	2023 EUR
Revenue recognized over time	91 098 988	64 072 509
Revenue recognized at a specific point in time	3 679 771	3 184 035
Total	94 778 759	67 256 544

Net turnover reflects the Company's operating income from the provision of services, the sale of goods and finished products (production), less the applicable trade discount. This item also includes amounts for goods (products) shipped and services provided for which payment has not yet been received, but for which settlement documents have been submitted to the buyer or customer, as well as income earned for services provided during the reporting period but for which settlement documents have been issued in the next reporting period. Income earned in the domestic market (Latvia).

4. Production costs of goods sold, acquisition costs of goods sold and services rendered

	2024	2023
	EUR	EUR
Material costs	24 174 430	23 478 231
Salaries	22 942 682	20 349 529
Transport costs	5 831 780	5 172 587
Amortization of long-term investments, depreciation	5 102 926	5 048 358
Mandatory state social insurance contributions	5 365 216	4 754 228
Building and structure maintenance costs	1 197 967	1 393 799
Costs of services received	16 249 777	733 908
Insurance costs	729 308	588 480
Environmental remediation expenses	105 227	360 000
Quarrying costs	369 204	283 419
Costs of occupational safety and health	302 444	189 438
Natural resource tax	162 961	172 157
Real estate tax	134 533	140 650
Warranty repair costs	618 535	34 290
Non-deductible value added tax	(284 394)**	(495 320)*
Other costs	896 544	811 759
Total	84 183 534	63 015 513

* The Company, performing the services under the delegation agreement until 2023, was not considered a taxpayer within the meaning of Section 3(8) of the Value Added Tax Law. In 2023, the Company did not deduct as input tax the tax indicated on the tax invoice for purchased goods and services received for the purpose of ensuring transactions that are not taxable and are related to the performance of the tasks of the delegation agreement. In 2023, the proportion of taxable and non-taxable transactions has decreased, and the Company is entitled to recover VAT by submitting an annual VAT return.

** In 2024, the Company also recovers the non-deductible input tax on buildings and fixed assets purchased between 2018 and 2023, when the Company had to apply the proportion of non-taxable and taxable transactions, when submitting its annual VAT return.

The item "Production costs of goods sold" shows the costs of goods and services sold at production or acquisition actual cost. The costs of services received have increased significantly in connection with the involvement of subcontractors in the construction of border infrastructure.

5. Administrative costs

	2024 EUR	2023 EUR
Salaries	2 189 544	1 891 824
Mandatory state social insurance contributions	516 386	445 387
Amortization and depreciation of long-term investments	246 536	310 261
Information technology system maintenance costs	258 011	289 525
Real estate maintenance costs	269 147	266 269
Transport costs	76 354	133 095
Personnel sustainability and representation costs	139 266	106 144
Banking service costs	79 467	56 707
Training costs	33 654	54 621
Legal service costs	59 831	60 171
Non-deductible value added tax	-	44 919
Audit costs for the annual report	42 000	40 000
Other costs	165 000	257 307
Total	4 075 196	3 956 230

6. Other operating income

	2024 EUR	2023 EUR
Revenue from real estate leases	544 086	469 854
Increase in fair value of biological assets	-	143 821
Proceeds from sale of fixed assets, net	422 541	413 777
Insurance indemnity revenue	21 431	103 089
Other revenue	280 120	279 948
Total	1 268 178	1 410 489

6.(a) Information on profit or losses from disposal of long-term items

Long-term investment item	Balance sheet value upon exclusion EUR	Disposal revenue EUR	Disposal costs EUR	Gross income or expenses EUR	Profit from disposal of the item EUR
Technological equipment and machinery	70 736	195 430	2 202	193 228	122 492
Real estate item No 1	3 415	70 200	521	69 679	66 264
Real estate item No 2	3 492	40 500	232	40 268	36 776
Real estate item No 3	32 041	41 300	396	40 904	8 863
Real estate item No 4	28 600	28 100	41	28 059	-541
Real estate item No 5	19 940	212 000	3 373	208 627	188 687
Balance sheet value as at 31.12.2024	158 224	587 530	6 765	580 765	422 541

Other operating income reflects income that is relatively small in comparison with income from operating activities.

7. Other operating costs

	2024 EUR	2023 EUR
Decrease in fair value of biological assets	-	73 328
Write-off of accounts receivable/establishment of provisions	23 965	15 424
Write-off of fixed assets and intangible investments	363 991	1 371
Other costs	55 316	46 779
Total	443 272	136 902

8. Financial income

	2024 EUR	2023 EUR
Interest income *	168 750	32 328
Total	168 750	32 328

* Income from cash balances in bank accounts and short-term deposits

8.(a) Financial costs

	2024 EUR	2023 EUR
Interest costs on bank loans	27 914	47 645
Lease interest costs	366 500	421 990
Losses from exchange rate fluctuations, net	13	11
Total	394 427	469 646

9. Intangible assets

	Licences	Other intangible assets	Cost of establishing intangible investments	Total
	EUR	EUR	EUR	EUR
Initial value				
01.01.2023	244 567	1 193 806	64 443	1 502 816
Acquisition	-	37 355	-	37 355
Reclassified	-	64 443	(64 443)	-
Excluded	(269)	-	-	(269)
31.12.2023	244 298	1 295 604	-	1 539 902

Accumulated depreciation

01.01.2023	198 279	616 334	-	814 613
Calculated	18 009	101 228	-	119 237
Excluded	(269)	-	-	(269)
31.12.2023	216 019	717 562	-	933 581

Remaining value

01.01.2023	46 288	577 472	-	688 203
31.12.2023	28 279	578 042	-	606 321

Initial value

01.01.2024	244 298	1 295 604	-	1 539 902
Acquisition	1 688	8 206	-	9 894
Excluded	-	(990 112)	-	(990 112)
31.12.2024	245 986	313 698	-	559 684

Accumulated depreciation

01.01.2024	216 019	717 562	-	933 581
Calculated	16 001	100 356	-	116 357
Excluded	-	(610 521)	-	(610 521)
31.12.2024	232 020	207 397	-	439 417

01.01.2024	28 279	578 042	-	606 321
31.12.2024	13 966	106 301	-	120 267

In 2024, the Company conducted an audit of its existing information systems, as a result of which it was concluded that some of the existing systems needed to be urgently replaced with new, more functionally appropriate systems with additional functionality. Therefore, a decision was made to discontinue recognizing some of the intangible assets of information systems that have not yet reached the end of their useful life, but from which no future economic benefits are expected. The largest of the excluded systems is the Contract cost accounting solution system, with a remaining balance sheet value of EUR 305,157.

10. Fixed assets, investment properties and biological assets

10.(a) Fixed assets

	Land	Land assets	Buildings and structures	Equipment and machinery	Other fixed assets	Long-term investments in leased fixed assets	Costs of establishing fixed assets and construction work in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Initial value								
01.01.2023	5 867 467	5 549 216	29 196 420	120 700 870	1 716 196	84 805	63 267	163 178 241
Acquisition	80 940	97 228	134 589	2 276 247	16 910	-	58 226	2 664 140
Reclassified	-	59 202	17 724	-	-	-	(17 724)	59 202
Reclassified to long-term investments held for sale	(113 917)	-	(185 093)	(2 490 949)	(999)	-	-	(2 790 958)
Reclassified to investment properties	-	-	(585 180)	-	-	-	-	(585 180)
Exclusion	-	-	(769)	(973 771)	(81 077)	-	(6 651)	(1 062 268)
31.12.2023	5 834 490	5 705 646	28 577 691	119 512 397	1 651 030	84 805	97 118	161 463 177
Accumulated depreciation and value impairment								
01.01.2023	1 550 932	3 272 149	17 435 538	91 620 217	1 606 337	67 956	-	115 553 129
Calculated	20 266	231 494	965 267	3 915 449	64 074	13 724	-	5 210 274
Reclassified to long-term investments held for sale	(37 983)	-	(155 310)	(2 487 383)	(999)	-	-	(2 681 675)
Reclassified to investment properties	-	-	(241 336)	-	-	-	-	(241 336)
Write-off	-	-	(340)	(951 801)	(81 077)	-	-	(1 033 218)
31.12.2023	1 533 215	3 503 643	18 003 819	92 096 482	1 588 335	81 680	-	116 807 174
Remaining value								
01.01.2023	4 316 535	2 277 067	11 760 882	29 080 653	109 859	16 849	63 267	47 625 112
31.12.2023	4 301 275	2 202 003	10 573 872	27 415 915	62 695	3 125	97 118	44 656 003

10. Fixed assets, investment properties and biological assets

10.(a) Fixed assets (continued)

	Land	Land assets	Buildings and structures	Equipment and machinery	Other fixed assets	Long-term investments in leased fixed assets	Costs of establishing fixed assets and construction work in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Initial value								
01.01.2024	5 834 490	5 705 646	28 577 691	119 512 397	1 651 030	84 805	97 118	161 463 177
Acquisition	2 719		1 026 714	2 716 257	102 735	36 505	364 472	4 249 402
Reclassified	-	34 101	(20 721)	-	-	-	(353 000)	(339 620)
Reclassified to long-term investments held for sale	(274 618)	(43 065)	(695 274)	(312 208)	(999)	-	-	(1 326 164)
Reclassified to investment properties	-	-	(27 729)	-	-	-	-	(27 729)
Exclusion	(15 925)	-	(699 394)	(1 104 422)	(64 181)	-	-	(1 883 922)
31.12.2024	5 546 666	5 696 682	28 161 287	120 812 024	1 688 585	121 310	108 590	162 135 144
Accumulated depreciation and value impairment								
01.01.2024	1 533 215	3 503 643	18 003 819	92 096 482	1 588 335	81 680	-	116 807 174
Calculated	22 323	222 775	916 863	3 858 789	30 670	735	-	5 052 155
Reclassified to long-term investments held for sale								
Reclassified to investment properties	(68 586)	-	(201 631)	(312 208)	-	-	-	(582 425)
Write-off	-	-	(25 069)	-	-	-	-	(25 069)
Write-off	(9 435)	-	(249 669)	(1 096 772)	(65 180)	-	-	(1 421 056)
31.12.2024	1 477 517	3 726 418	18 444 313	94 546 291	1 553 825	82 415	-	119 830 779
Remaining value								
01.01.2024	4 301 275	2 202 003	10 573 872	27 415 915	62 695	3 125	97 118	44 656 003
31.12.2024	4 069 149	1 970 264	9 716 974	26 265 733	134 760	38 895	108 590	42 304 365

Fully depreciated assets

The Company uses long-term assets that are written off in full as depreciation costs. Although the initially estimated useful life of these long-term assets has been exceeded, Management considers their continued use to be economically justified and sustainable. The acquisition value of these fixed assets as at 31 December 2024 is EUR 65,365,336 (as at 31 December 2023: EUR 65,515,396).

Land

Land owned by the Company is valued based on acquisition costs, reduced by accumulated value impairment losses. No signs of value impairment were identified for long-term investments when performing impairment assessments in 2024 and 2023.

The total accumulated impairment of land as at 31 December 2024 is EUR 1,477,517 (as at 31 December 2023 EUR 1,555,298) and the accumulated depreciation and impairment shown in sections 10(a) and 10(b) of the Notes are presented.

Land assets

Mineral deposits

As at 31 December 2024, the long-term investment group "Land assets" included 37 mineral deposits with a balance sheet value of EUR 1,954,129 (as at 31 December 2023, there were 33 mineral deposits with a balance sheet value of EUR 1,962,988). In 2024, the depreciation of land with mineral deposits calculated using the unit of production method is EUR 151,389 (EUR 159,571 in 2023). The calculated depreciation is recognized in the income statement under "Production costs of goods sold, acquisition costs of goods sold and services rendered".

Costs of removing topping layer from mineral deposits

In 2024, the costs of removing the cover layer in the amount of EUR 34,101 (EUR 97,228 in 2023)

were recognized as a long-term asset in the group "Land assets" and depreciation calculated at EUR 71,385 (EUR 71,907 in 2023). The calculated depreciation is recognized in the profit or loss statement under "Production costs of goods sold, acquisition costs of goods sold and services rendered". The balance sheet value of the topping layers as at 31 December 2024 was EUR 142,529 (31 December 2023: EUR 179,813).

	Buildings EUR	Land EUR	Total EUR
Initial value			
01.01.2023	19 067	430 163	449 230
31.12.2023	604 247	430 163	1 034 410
Accumulated depreciation and value impairment			
01.01.2023	6 756	120 108	126 864
Calculated	270 444	-	270 444
31.12.2023	277 200	120 108	397 308
Remaining value			
01.01.2023	12 311	310 055	322 366
31.12.2023	327 047	310 055	637 102
Initial value			
01.01.2024	604 247	430 163	1 034 410
Reclassified from fixed assets	27 729	-	27 729
31.12.2024	631 976	430 163	1 062 139
Accumulated depreciation and value impairment			
01.01.2024	277 200	120 108	397 308
Reclassified from fixed assets	25 069	-	25 069
Calculated	14 894	-	14 894
31.12.2024	317 163	120 108	437 271
Remaining value			
01.01.2024	327 047	310 055	637 102
31.12.2024	314 813	310 055	624 868

10.(c) Investment property revenue and costs

	2024	2023
Investment properties	EUR	EUR
Revenue	150 715	173 619
Costs	29 615	41 924

Pledges

Part of the Company's real estate is pledged as collateral for bank loans (see Note 19). The balance sheet value of pledged fixed assets and investment property as at 31 December 2024 is EUR 1,097,933 (as at 31 December 2023: EUR 1,501,288).

Investment properties

The Company generates income from real estate rental (see Note 6) by renting out, in whole or in part, certain properties it owns. Investment properties are valued and recognized at their acquisition value.

The fair value of investment property was determined by the Company's specialists as at 31 December 2024, using the income approach.

For land units located in mineral extraction areas, cash flow is calculated for 7 years using the income approach with a discount rate of 16.0%.

For other real estate properties, the calculations take into account the revenue generated during the useful life of the asset (ranging from EUR 2.10 to EUR 5 per square meter), and the capitalization procedure is used to calculate the value (capitalization rate from 7% to 12%).

The fair value of investment property at the end of 2024 is estimated at EUR 2,871,000 (in 2023 – EUR 2,658,500)

10.(d) Leases

	Right to use the land EUR	Right to use buildings and structures EUR	Right to use technological equipment and machinery EUR	Total EUR
Remaining value 31.12.2022	42 297	9 531	17 775 635	17 827 463
Recognized assets of rights of use	80 940	-	614 943	695 883
Excluded balance sheet value	-	-	(800 770)	(800 770)
Depreciation recognized in profit or loss statement	(20 266)	(3 743)	(3 660 114)	(3 684 123)
Remaining value 31.12.2023	102 971	5 788	13 929 694	14 038 453
Recognized assets of rights of use	2 719	-	1 229 600	1 232 319
Excluded balance sheet value	(15 926)	-	(983 590)	(999 516)
Depreciation recognized in profit or loss statement	(12 888)	(3 743)	(2 806 960)	(2 823 591)
Remaining value 31.12.2024	76 876	2 045	11 368 744	11 447 665

Leases

Leases (operating) recognized as a right-of-use asset in fixed assets:

- right-of-use asset of land – presented as land in long-term investments;
- right-of-use asset of buildings and structures – presented as part of long-term investments in buildings and structures;
- right-of-use asset of technological equipment and machinery – presented as part of long-term investments in technological equipment and machinery.

10.(e) Biological assets

	Biological assets EUR
Initial or fair value	
01.01.2023	408 074
Reclassified to held for sale	(1 283)
Reclassified to fixed assets	(59 202)
Disposed of	(1 782)
Value increase	143 821
Value decrease	(73 328)
31.12.2023	416 300
Changes in value	-
31.12.2024	416 300

* During 2024, the fair value of forest stands reflected in the long-term investment group "Biological assets" did not change significantly, based on the Company's self-assessment of forest stands. There were no other changes in the long-term investment group "Biological assets" in 2024. In accordance with the Company's "Regulations on Forest and Forest Stand Accounting," if changes in the fair value of forest stands during the reporting period are insignificant, a certified appraiser shall appraise them at least once every five years.

Total depreciation and amortization costs are included in the following items of the profit or loss statement

	2024 EUR	2023 EUR
Production costs of goods sold, acquisition costs of goods sold and services rendered	4 882 233	5 048 358
Administrative costs	315 247	310 261
Total	5 197 480	5 358 619

11. Other long-term investments

	31.12.2024 EUR	31.12.2023 EUR
Long-term claims on advance payments	11 510	28 535
Long-term receivables	169 542	72 891
Balance sheet value	181 052	101 426

Other long-term investments as at 31 December 2024 include a payment of EUR 11,510 for mineral resources to be extracted in the future (contract valid until 2037) (in December 2023, the payment for the volume of mineral resources to be extracted in the future was EUR 28,535).

Long-term receivables as at 31 December 2024 include settlements with a maturity date between 2026 and 2029 (as at 31 December 2023, settlements with maturity dates from 2025 to 2028 are recorded).

12. Inventories

	31.12.2024 EUR	31.12.2023 EUR
Inventories at gross value:	6 976 903	6 524 842
Road materials	4 234 959	2 815 219
Own produced materials	1 920 546	2 472 547
Other materials	821 398	1 237 076
Slow-moving inventories	(54 648)	(48 946)
Balance sheet value	6 922 255	6 475 896

As at 31 December 2024, road treatment materials – technical salt balance of EUR 3,191,566, which was not used due to meteorological conditions (EUR 1,618,262 in 2023).

The Company recognizes inventories that have been in storage for 2 years without movement as slow-moving inventories.

13. Long-term investments held for sale

	Biological assets EUR	Land EUR	Buildings EUR	Other EUR	Total EUR
Balance sheet value 31.12.2023	13 283	114 528	11 765	3 566	143 142
Reclassified from long-term investments		249 097	493 643	999	743 739
Disposed of	-	(146 756)	(145 154)	(3 848)	(295 758)
Balance sheet value 31.12.2024	13 283	216 869	450 123	717	591 123

The cadastral value of long-term investments held for sale as at 31 December 2024 is EUR 324,418 (EUR 152,936 as at 31 December 2023). Long-term investments held for sale are expected to be disposed of during the year after the balance sheet date by auction.

14. Receivables from contracts with customers

	31.12.2024 EUR	31.12.2023 EUR
Trade receivables, at gross value	1 300 214	1 516 567
Contract assets, at gross value	8 662 611	6 485 788
Gross carrying amount	9 962 825	8 002 355
Expected credit losses	(213 971)	(191 068)
Balance sheet value	9 748 854	7 811 287

No interest is charged on trade receivables, and they are usually repayable within 30 days.

14.(a) Movement of provisions for receivables from contracts with customers

	2024 EUR	2023 EUR
Provisions at the beginning of the year	191 068	188 955
Reduction in relation to payment received	(290)	(11 885)
Written-off irrecoverable receivables	(771)	(1 426)
Provisions established/reduced for value impairment	23 964	15 424
Provisions at the end of the year	213 971	191 068

Provisions for value impairment of receivables and contract assets are established by assessing the risks of non-recovery of receivables – evaluating receivables according to various impact factors and assessing the solvency of each significant debtor (see Section 2 of the Notes, Receivables from contracts with customers).

15. Other receivables

	31.12.2024 EUR	31.12.2023 EUR
Deferred costs	498 463	704 342
Tax claims	473 924	591 079
Advances and tender guarantees	233 367	392 835
Other receivables	10 101	4 011
Total	1 215 855	1 692 267

Tax claims as at 31 December 2024 include value added tax claims in the amount of EUR 177,381 and overpaid taxes to the State Revenue Service in the amount of EUR 11,152. In 2024, the proportion of the Company's taxable and non-taxable transactions has changed, and the Company expects a refund of EUR 285,390 when submitting its annual VAT return for 2024.

The proportion of the Company's taxable and non-taxable transactions also changed in 2023, and the Company received a refund of EUR 555,255 when submitting its annual VAT return for 2023.

16. Cash and cash equivalents

	31.12.2024	31.12.2023
	EUR	EUR
Cash in bank accounts:		
EUR	14 517 521	389 696
Including deposits in short-term deposits:		
EUR	13 500 000	
Total	14 517 521	389 696

17. Share capital (fixed capital)

As at 31 December 2024, the Company's registered and fully paid-up share capital is EUR 35,202,323, consisting of 35,202,323 registered shares with a nominal value of EUR 1. All of the Company's shares are dematerialized shares.

All shares are owned by the Republic of Latvia and are fully paid up. The holder of the state capital share in the joint stock company is the Ministry of Transport of the Republic of Latvia. All shares of the Company have equal rights to receive dividends, receive liquidation quotas, and voting rights at the Shareholder Meeting.

18. Fee for the use of state capital

The decision on the distribution of profits for 2023 was made in 2024.

Based on Section 54 of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, the Shareholder Meeting determined the following use of the 2023 profit of EUR 1,109,070:

- 64% of the profit for the reporting year, or EUR 709,805, to be paid out as dividends (i.e., payment for the use of state capital);
- 36% of the profit for the reporting year, or EUR 399,265, to be retained by the Company and recorded under the balance sheet item "Reserves".

Reserves have been created so that the Company can invest funds in its development and fixed assets. In 2024, 36% of the 2022 reporting year's profit, or EUR 490, was allocated, in accordance with the procedure set out in Paragraph 16 of Cabinet Regulation No 72 of January 25, 2022, "Procedure for Forecasting, Determining, and Making Payments for the Use of State Capital, under

the balance sheet item "Reserves".

19. Loans from credit institutions and similar liabilities

19.(a) Loans from credit institutions

	31.12.2024	31.12.2023
	EUR	EUR
Long-term part - repayment term from 2 to 5 years		
Loan 201808772 from SEB banka	-	47 531
Loan 2017000421 from SEB banka	-	11 234
Loan 89001223 from OP Corporate bank plc branch in Latvia	25 202	85 686
Total long-term part with repayment period from 2 to 5 years	25 202	144 451
Total long-term part	25 202	144 451
Short-term part		
Loan 201808772 from SEB banka	47 531	47 531
Loan 2017000421 from SEB banka	11 234	44 937
Loan 89001223 from OP Corporate bank plc branch in Latvia	60 484	60 484
Total short-term part	119 249	152 952
Total loans from credit institutions	144 451	297 403

On 1 March 2017, a loan agreement No 2017000421 was concluded with AS SEB banka for the amount of EUR 340,772 for the construction of a bulk material warehouse at 3 Mēmeles Street, Bauska, Bauska region. The loan repayment date is 3 March 2025. The loan is secured by a collateral. The collateral is real estate at 3 Mēmeles Street, Bauska, Bauska region, with a balance sheet value of EUR 345,898 as at 31 December 2024 (EUR 362,073 as at 31 December 2023). The total mortgage amount is EUR 519,712.

On 27 August 2018, a loan agreement No 2018008772 was concluded with AS “SEB banka” for the amount of EUR 332,719 for the construction of a garage building – a new building at 4 Vidzemes Street, Balvi, Balvi region. The loan repayment date is 30 December 2025. The loan is secured by collateral. The collateral is real estate at 4 Vidzemes Street, Balvi, Balvi region, with a balance sheet value of EUR 573,787 as at 31 December 2024 (EUR 603,684 as at 31 December 2023). The total mortgage amount is EUR 499,078.

On 29 October 2018, a loan agreement No 89001223 was concluded with “OP Corporate Bank plc branch in Latvia” for the amount of EUR 423,386 for the construction of a road salt storage facility at 11 Skolas Street, Durbe, Durbe region. The loan repayment date is June 1, 2026. The loan is secured by collateral. The collateral is real estate at 11 Skolas Street, Durbe, Durbe region, with a balance sheet value of EUR 509,087 as at 31 December 2024 (EUR 535,231 as at 31 December 2023). The total mortgage amount is EUR 531,492.

On 15 February 2022, overdraft agreement No OA10030100 was concluded with OP Corporate Bank plc branch in Latvia, with amendments on 2 December 2022 and 23 January 2023. The total amount available under the overdraft agreement until 17 February 2025 is EUR 6,000,000. Pursuant the agreement, a variable interest rate is applied to the overdraft, consisting of a base rate – 3-month EURIBOR – and an additional rate. No collateral (pledge) is applied. As at 31 December 2024 and 31 December 2023, the overdraft facility has not been used.

Loan repayments and interest payments for all concluded agreements are made once a month. The total value of loans secured by collateral as at 31 December 2024 is EUR 144,451 (EUR 297,403 as at 31 December 2023).

20. Lease liabilities

	31.12.2024	31.12.2023
	EUR	EUR
Long-term part - repayment term longer than 5 years		
SEB līzings		15 115
OP Corporate Bank plc branch in Latvia	20 971	79 713
Swedbank līzings	-	-
Total long-term part with a repayment period of more than 5 years	20 971	94 828
Long-term part – repayment term from 2 to 5 years		
SEB līzings	1 006 336	2 293 268
OP Corporate Bank plc branch in Latvia	1 827 771	2 570 564
Swedbank līzings	301 442	423 744
Total long-term part with a repayment period from 2 to 5 years	3 135 549	5 287 576
Total long-term part	3 156 520	5 382 404
Short-term part		
SEB līzings		
Luminor līzings Latvija		
OP Corporate Bank plc branch in Latvia	802 450	985 015
Swedbank līzings	122 303	122 303
Other lease liabilities	-	121
Total short-term part	2 302 883	2 569 415
Total lease liabilities	5 459 403	7 951 819

As at 31 December 2024, 63 contracts for the purchase of road maintenance equipment are in force with SIA “SEB līzings”. In accordance with the terms of the purchase and lease agreements, the goods remain the property of SIA “SEB līzings” until the purchase price has been paid in full.

As at 31 December 2024, 34 contracts for the purchase of road maintenance equipment are in force with SIA “OP Finance” (from 31 October 2021, OP Corporate Bank plc branch in Latvia). In

accordance with the terms of the purchase and lease agreements, the goods remain the property of OP Corporate Bank plc branch in Latvia until the purchase price has been paid in full.

As at 31 December 2024, 5 contracts for the purchase of road maintenance equipment are in force with SIA Swedbank Līzings. In accordance with the terms of the purchase and lease agreements, the goods remain the property of SIA "Swedbank Līzings" until the purchase price has been paid in full.

Lease interest is recognized as an expense in the reporting year. The repayment term for lease obligations is from one to seven years.

20.(a) Gross lease liabilities

	Minimum financial lease payments		Current value of minimum financial lease payments	
	31.12.2024 EUR	31.12.2023 EUR	31.12.2024 EUR	31.12.2023 EUR
Payable within 1 year	2 409 244	2 689 157	2 302 883	2 569 415
Payable within 2-5 years	3 232 736	5 451 431	3 135 549	5 287 576
Payable for more than 5 years	21 766	98 406	20 971	94 828
Total minimum financial lease payments	5 663 746	8 238 994	5 459 403	7 951 819
Future financial costs	(205 258)	(287 175)		
Current value of the minimum financial lease payments	5 458 488	7 951 819	5 459 403	7 951 819

Finance lease liabilities are recorded as:

short-term part (Note 19)	2 302 883	2 569 415
long-term part (Note 19)	3 156 520	5 382 404
Total	5 459 403	7 951 819

20.(b) Lease in the financial statement

	31.12.2024 EUR	31.12.2023 EUR
Long-term assets		
Fixed assets		
Right-of-use asset of land	76 876	102 971
Right-of-use asset of buildings and structures	2 045	5 788
Right-of-use asset of technological equipment and machines	11 368 744	13 929 694
Total	11 447 665	14 038 453
Equity and liabilities		
Long-term liabilities		
Lease liabilities	3 156 520	5 382 404
Accrued lease liabilities	92 836	98 197
Total long-term lease liabilities		
Short-term liabilities		
Lease liabilities	2 302 883	2 302 883
Accrued lease liabilities	21 496	24 614
Total short-term lease liabilities	2 324 379	2 327 497
Total lease liabilities	5 573 735	7 808 098

20.(c) Lease in the comprehensive income statement

	31.12.2024 EUR	31.12.2023 EUR
Production costs of goods sold, acquisition costs of goods sold and services rendered		
Depreciation of the right-of-use asset	2 823 591	2 709 300
Administrative costs		
Depreciation of the right-of-use asset	-	298
Financial costs		
Lease interest costs	366 500	421 990

21. Loans from credit institutions

	Non-cash changes			
	1 January 2023 EUR	Cash paid EUR	Acquisition and calculated EUR	31 December 2023 EUR
Bank loans	4 085 930	(3 788 527)	-	297 403
Lease liabilities	10 548 701	(3 331 255)	734 373	7 951 819
Total	14 634 631	(7 119 782)	734 373	8 249 222
Interest payments on loans	1 246	(48 282)	47 645	609
Interest payments on leases	2 379	(421 791)	421 990	2 578
Total	3 625	(470 073)	469 635	3 187
Grand total		(7 589 855)		

	Non-cash changes			
	1 January 2024 EUR	Cash paid EUR	Acquisition and calculated EUR	31 December 2024 EUR
Bank loans	297 403	(152 952)	-	144 451
Lease liabilities	7 951 819	(2 661 235)	168 819	5 459 403
Total	8 249 222	(2 814 187)	168 819	5 603 854
Interest payments on loans	609	(48 254)	47 645	-
Interest payments on leases	2 578	(367 255)	366 500	1 823
Total	3 187	(415 509)	414 145	1 823
Grand total		(3 229 696)		

In accordance with the concluded liability agreements, the Company must ensure:

1. A ratio of equity to total assets of not less than 45% (forty-five percent). The ratio as at 31 December 2024 is 64% (as at 31 December 2023, it is 68%);
2. A debt service coverage ratio (DSCR) of no less than 1.1 (one and one tenth). The DSCR on 31 December 2024 is 3.9 (as at 31 December 2023 it is 1.7).

22. Provisions

	31.12.2024 EUR	31.12.2023 EUR
Long-term part		
Provisions for reclamation	727 910	714 481
Provisions for warranty repairs	3 042 036	58 595
Provisions for environmental remediation	698 790	360 000
Total long-term part	4 468 736	1 133 076
Short-term part		
Provisions for warranty repairs	58 746	45 967
Provisions for bonuses	3 109 511	616 675
Other provisions	198 310	-
Provisions for legal proceedings	-	1 288
Total short-term part	3 366 567	663 930
Total	7 835 303	1 797 006

22.(a) Movement of provisions

	31.12.2023	Used	Established/ reduced	31.12.2024
	EUR	EUR	EUR	EUR
Provisions for reclamation	714 481	(71 083)	143 258	786 656
Provisions for warranty repairs	104 562	(47 719)	2 985 193	3 042 036
Provisions for environmental remediation	360 000	-	338 790	698 790
Other provisions	-	-	198 310	198 310
Provisions for bonuses	616 675	-616 675	3 109 511	3 109 511
Provisions for legal proceedings	1288	(1 288)	-	-
Total	1 797 006	(736 765)	6 775 062	7 835 303

The undiscounted value of the provisions as at 31.12.2024 is EUR 8,111,870 (as at 31.12.2023 it was EUR 2,124,944).

Other provisions

Provisions until obtaining a permit for the Company's mineral materials to be removed from prepared mineral material stockpiles located on the territory of another legal entity, the recovery of which is assessed as doubtful.

Provisions for reclamation

The reclamation amount for the reporting year and previous periods has been recalculated taking into account the reclamation costs at the balance sheet date, the amount of mineral resources extracted, reclamation work carried out during the year, and changes made during the reporting period to the terms of the mineral deposit lease agreement relating to reclamation.

The reclamation cost estimate is calculated as follows: the amount of usable minerals extracted in m³ (cubic meters) during the entire extraction period, reduced by the amount of reclamation performed, multiplied by the calculated reclamation cost per 1 m³. The resulting reclamation cost value is discounted, assuming that the inflation rate will be 2.3% per annum. The average reclamation period is expected to be 15 years, and the discount rate is 4.54% (the weighted average cost of capital of the Company in 2024).

Provisions for warranty repairs

The Company estimates the provisions required for warranty repairs by assessing the risks, taking into account the experience of previous years and expert opinions. The calculations are made taking into account the volume of construction services covered by the warranty. Provisions for warranty repairs are calculated during the warranty period – from 1% for other contracts to 30% for surface contracts of the value of services provided.

Provisions for bonuses

Provisions for bonuses are established in accordance with the principle of prudence, taking into account the Company's operating results, set financial targets, and in accordance with Section 79(7) of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, and the Company's internal regulations.

Provisions for environmental remediation

The company has established provisions for rehabilitation work to clean up the contaminated environment at the real estate property “*Ķeipenes iecirknis*” (Ķeipene district). The work is expected to be completed within the next four years.

For additional information on the management judgments and assumptions used in the provision estimates, see Note 2 to the financial statements, section “Provisions”.

23. Accounts payable to suppliers, contractors and other creditors

	31.12.2024	31.12.2023
	EUR	EUR
Trade payables	4 217 984	4 355 828
Salary liabilities	1 273 983	1 484 545
Advances from customers*	2 830 797	661 118
Other creditors	314	801
Total	8 323 078	6 502 292

* Advance payments from customers (contractual obligations) – advance payments received for border, infrastructure construction projects in accordance with concluded contracts.

24. Taxes and mandatory state social insurance contributions

	31.12.2024	31.12.2023
	EUR	EUR
Mandatory state social insurance contributions	982 704	739 845
Resident income tax	530 317	375 133
Value added tax	-	-
Natural resource tax	59 939	38 673
Real estate tax	953	1 375
Business risk levy	382	398
Total	1 574 295	1 155 424

25. Accrued liabilities

	31.12.2024	31.12.2023
	EUR	EUR
Long-term part		
Accrued lease liabilities	92 836	98 197
Total long-term part	92 836	98 197
Short-term part		
Accrued liabilities for leaves	1 528 503	1,571 530
Accrued liabilities for creditors*	2 343 332	521 176
Accrued lease liabilities	21 496	38 505
Accrued interest liabilities	1 916	3 915
Total	3 895 247	2 135 12
Total accrued liabilities	3 988 083	2 233 32

* Accrued liabilities for creditors – liabilities to infrastructure construction subcontractors, in accordance with work acceptance and handover certificates.

26. Personnel costs in 2023

	Salary	Mandatory social insurance contributions	Total
	EUR	EUR	EUR
Employed in production (principal activity)	20 356 937	4 755 976	25 112 913
Capitalized personnel costs	(7 408)	(1 748)	(9156)
Administration (excluding the Board)	1 516 404	356 826	1 873 230
The Board	292 764	69 063	361 827
The Council	82 656	19 498	102 154
Total	22 241 353	5 199 615	27 440 968

27. Personnel costs in 2024

	Salary	Mandatory social insurance contributions	Total
	EUR	EUR	EUR
Employed in production (principal activity)	20 557 115	4 802 405	25 359 520
Administration (excluding the Board)	1 557 528	367 313	1 924 841
The Board	292 205	68 931	361 136
The Council	82 656	19 498	102 154
Changes in provisions for personnel costs	2 642 722	623 455	3 266 177
Total	25 132 226	5 881 602	31 013 828

Total personnel costs are included in the following items of the profit or loss statement:

	2024	2023
	EUR	EUR
Production costs of the goods sold, acquisition costs of the goods sold and services rendered	28 307 898	25 103 757
Administrative costs	2 705 930	2 337 211
Total	31 013 828	27 440 968

28. Average annual number of employees

	2024	2023
Average annual number of employees, incl.	1 073	1 111
The Board	3	3
The Council	3	3

29. Financial risk management

The Company's most significant financial instruments are loans from credit institutions, finance leases and cash. The main purpose of these financial instruments is to ensure the financing of the Company's economic activities. The Company also encounters several other financial instruments, such as trade receivables and other receivables, trade payables and other payables arising directly from its economic activities. The Company's main financial risks are interest rate risk, credit risk and liquidity risk.

Financial instruments of the Company can be divided into the following categories:

	31.12.2024	31.12.2023
	EUR	EUR
Financial assets		
Trade receivables, net	1 086 243	1 325 499
Contractual assets	8 662 611	6 485 788
Other long-term receivables	169 541	72 892
Cash	14 517 521	389 696
Total financial assets	24 435 916	8 273 875
Financial liabilities		
Loans from credit institutions	144 451	297 403
Lease	5 459 403	7 951 819
Trade payables, other creditors	4 218 271	4 355 828
Accrued liabilities	2 343 332	521 176
Total financial liabilities	12 165 457	13 126 226

Credit risk

The Company is exposed to credit risk arising from its economic activities, which consists of trade receivables and cash in hand and at banks. The carrying amount of these financial instruments reflects the Company's maximum credit risk. Credit risk is important to the Company's operations and therefore it is important to manage it effectively. Trade receivables and contract assets are presented after deducting the value of doubtful debts.

The company has a high concentration of credit risk in relation to two counterparties – the Ministry of Transport of the Republic of Latvia, which as at 31 December 2024 (trade receivables and contractual assets) amounts to approximately 32% (82% as at 31 December 2023) and VAS “Valsts nekustamie īpašumi” (State Real Estate Agency), which as at 31 December 2024 (trade receivables and contractual assets) amounts to approximately 53% (in 2023 – 0%). The Company controls credit risk by regularly assessing and monitoring its business partners. A credit limit is set for each buyer and customer. In order to assess the recoverability of the debt, the information available from the moment the debt arose until the preparation of the financial statements is taken into account. The possible reduction in the value of trade receivables is constantly analysed.

Credit risk related to cash is managed by balancing the allocation of financial assets and instruments in order to maintain the ability to choose the most advantageous offers and reduce the possibility of losing financial resources. The Company's credit risk on cash balances in banks is low, as cash is held in banks with an appropriate credit history. Due to low interest rates, as at 31 December 2024, cash and cash equivalents consisted of current account balances with a credit institution.

Receivables from contracts with customers

	Gross EUR	Net EUR
Credit rating of receivables from contracts with customers		
31.12.2023	7 831 859	7 811 287
Low-risk debtors for which no provisions have been made	6 487 972	6 487 972
Medium risk customers	1 337 787	1 323 315
High risk customers	6 100	-
Individually assessed debtors with delayed payment terms		
31.12.2023	170 496	-
Total 31.12.2023	8 736 403	7 811 287
Credit rating of receivables from contracts with customers		
31.12.2024	9 760 109	9 748 854
Low-risk debtors for which no provisions have been made	8 711 263	8 711 263
Medium risk customers	1 037 591	1 037 591
High risk customers	11 255	-
Individually assessed debtors with delayed payment terms		
31.12.2024	202 716	-
Total 31.12.2024	9 962 825	9 748 854

Expected credit losses are calculated by assessing the risks of non-recovery of the receivable, evaluating the receivable according to the level of debt impact and taking into account the possibility of financial losses. Receivables from the Ministry of Transport of the Republic of Latvia and VAS “Valsts nekustamie īpašumi” were assessed as having an insignificant risk. Receivables with a delay exceeding 365 days were assessed as high-risk customers and a 100% provision for impairment was created. For certain debtors who have been declared insolvent or whose economic activity has been suspended, a 100% provision for impairment has been created.

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or the future cash flows associated with them may change due to fluctuations in market interest rates. The Company is exposed to changes in market interest rates in relation to its short-term and long-term loans and financial lease obligations. All of the Company's loans have variable interest rates.

The sensitivity of the Company's profit before tax to reasonably possible changes in interest rates, assuming that all other variables remain unchanged, is as follows: if euro borrowing rates at variable base rates had been 50 basis points higher, the Company's profit after tax for the reporting year would have been EUR 39,100 lower (EUR 61,200 lower in 2023), if the base rates had been 50 basis points lower, the profit after tax for the reporting year would have been EUR 39,100 higher (EUR 61,200 higher in 2023).

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations within the specified time frame. The Company's objectives in managing liquidity risk are to maintain an adequate amount of cash and to secure adequate long-term or short-term financing to meet its obligations in accordance with the Company's strategic plans, as well as to compensate for cash flow fluctuations caused by various financial risks. The Company prepares a long-term cash flow forecast for the year and evaluates its operating cash flow on a monthly basis to ensure that the Company has sufficient cash resources to finance its expected operating expenses, settle its financial obligations, and make the necessary investments.

The following table analyses the Company's financial obligations based on undiscounted payments to be made in accordance with the contracts concluded.

Liquidity analysis

Financial liability maturity dates	Less than 3 months EUR	4-12 months EUR	2-5 years EUR	More than 5 years EUR	Total EUR
31.12.2023					
Loans from credit institutions	38 826	116 476	145 473	-	300 775
Lease	688 684	2 000 473	5 451 431	98 406	8 238 994
Accounts payable and other creditors	4 355 828	-	-	-	4 355 828
Accrued liabilities	521 176	-	-	-	521 176
Total 31.12.2023	5 604 514	2 116 949	5 596 904	98 406	13 416 773
31.12.2024					
Loans from credit institutions	11 234	108 015	25 202	-	144 451
Lease	575 492	1 727 391	3 135 549	20 971	5 459 403
Accounts payable and other creditors	4 218 271	-	-	-	4 218 271
Accrued liabilities	2 343 332	-	-	-	2 343 332
Total 31.12.2024	7 148 329	1 835 406	3 160 751	20 971	12 165 457

Fair value

The Company's short-term financial instruments, which mainly consist of cash and cash equivalents, short-term trade receivables, trade payables, short-term loans from credit institutions and lease liabilities, the carrying amount approximates their fair value.

The fair value of long-term loans from credit institutions and financial lease liabilities is determined by discounting future cash flows using market interest rates. As the interest rates applied to loans from credit institutions and finance lease liabilities are predominantly variable and do not differ significantly from market interest rates, the fair value of long-term liabilities approximates their carrying amount.

Capital management

One of the Company's financial objectives in managing capital is to create an optimal capital structure. The Company's main financial task is to ensure financial balance by carrying out production and service provision processes and ensuring sufficient financing for the Company's growing assets. In order to be able to fulfil the set task, the Company, when implementing investment and modernization programs, assesses the priority of investments, the usefulness of planned investments, and the necessary financing. In accordance with the Company's Strategy, the ratio of equity to total capital is between 63% and 66%, and in accordance with loan agreements, this ratio must be maintained at a minimum level of 45%. The Company does not have a capital management policy, but in order to maintain a certain capital structure, the Company regularly calculates and analyses its solvency (stability) ratio.

	31.12.2024	31.12.2023
Financial liabilities	EUR	EUR
Loans from credit institutions and lease obligations	5 603 854	8 249 222
Accounts payable (including taxes)	9 614 110	7 669 499
Other liabilities	12 214 580	4 030 679
Total liabilities	27 432 544	19 949 400
Equity	49 209 916	42 980 040
Total capital	76 642 460	62 929 440
Equity ratio to total capital	64%	68%
Total liabilities to equity ratio	56%	46%

30. Off-balance sheet liabilities and assets

Guarantees

On 14 April 2022, guarantee line agreement No 2022002616 was concluded with AS "SEB banka", with amendments on 22 December 2022. The guarantee line limit under the agreement until 31 March 2023 is EUR 4,111,801. The terms of the guarantees issued are from 9 January 2027 to 4 September 2028. No security (collateral) is applied. As at 31 December 2024, 19 commitment documents (contract performance guarantees) have been issued for a total amount of EUR 4,111,801.

On 28 February 2023, guarantee line agreement No 580756-79171283 was concluded with *OP Corporate Bank plc*. The guarantee line limit under the agreement until 27 February 2026 is EUR 6,000,000. No security (collateral) is applied. As at 31 December 2024, 12 commitment documents (advance payment guarantees) have been issued for a total amount of EUR 5,976,330.

On 10 May 2023, guarantee issue agreement No 598001-91990467 was concluded with *OP Corporate Bank plc*. The guarantee limit under the agreement until 1 January 2030 is EUR 259,253. No security (collateral) is applied. As at 31 December 2024, there is one performance guarantee in force for a total amount of EUR 259,253.

On 11 August 2023, guarantee line agreement No 2023006012 was concluded with AS "SEB banka". The guarantee line limit under the agreement until 11 August 2025 is EUR 1,500,000. No security (collateral) is applied. As at 31 December 2024, 28 commitment documents had been issued for a total amount of EUR 1,005,655.

On 15 October 2024, advance payment guarantees G2410.329 and G2410.328 were concluded with AS "Luminor banka" for a total amount of EUR 2,374,969. The guarantee agreements are valid until 12 February 2026. No security (collateral) is applied.

Lease liabilities

The Company, as a lessee, has entered into agreements for the lease of premises, land, and technological equipment. Lease costs are recognized as expenses in the profit or loss statement using the straight-line method over the lease term:

- if the lease term is less than 12 months or the value of the asset is less than EUR 5,000;
- if the lease term is more than 12 months and the value of the underlying asset is greater than EUR 5,000, but the value of the asset in use is less than EUR 1,000.

Total lease expenses in 2024 amounted to EUR 35,428 (EUR 36,902 in 2023).

Future minimum lease payment obligations under non-cancellable lease agreements:

Lease liabilities not considered as fixed assets	Less than 1 year EUR	From 1 to 5 years EUR	More than 5 years EUR
31.12.2023.			
Lease liabilities for real estate	2 169	823	83
Total 31.12.2023	2 169	823	83
31.12.2024			
Lease liabilities for real estate	2 456	916	83
Total 31.12.2024	2 456	916	83

Future commitments and contingent liabilities

As at 31 December 2024, the Company has future commitments in the amount of EUR 240,854 in relation to capital investments for which agreements have been concluded as at the balance sheet date, but the commitments have not yet arisen.

31. Information on transactions with related parties

The Company has transactions with other companies in which the Latvian state is a shareholder. The largest transactions are with VSIA "Latvijas valsts ceļi", AS "Latvijas valsts meži", the Ministry of Transport of the Republic of Latvia, as well as AS "Latvenergo", SIA "Tet" etc.. Mutual transactions are related to the principal activities of the respective parties. Transactions with related parties are carried out at market prices. See Notes 26 and 27 for the remuneration of the Board and the Council.

Revenue and expenses from transactions with related parties

	2024	2024	2023	2023
	Revenue EUR	Expenses EUR	Revenue EUR	Expenses EUR
Ministry of Transport of the Republic of Latvia	53 132 518	54 456	51 653 118	59 199
AS "Latvijas valsts meži"	3 763 149	60 284	3 272 010	59 422
VSIA "Latvijas valsts ceļi"	112 467	10 673	211 087	5 188
AS "Latvenergo"	-	618 574	-	388 449
SIA "Latvijas mobilais telefons"	-	19 796	-	61 929
SIA "Tet"	-	86 134	-	74 657
VAS "Valsts nekustamie īpašumi"	30 274 521	2 091 949		
Total	87 282 655	2 941 866	55 136 215	648 844

The Company provided the Ministry of Transport of the Republic of Latvia with routine maintenance services for state roads in 2024 in the amount of EUR 53,132,518 (EUR 51,653,118 in 2023).

The Company provided border infrastructure construction services to VAS "Valsts nekustamie īpašumi" in 2024 for EUR 30,274,521.

The Company has provided AS “Latvijas valsts meži” with forest road maintenance and construction works in 2024 in the amount of EUR 3,272,010 (EUR 3,272,010 in 2023).

Debts of related parties

	31.12.2024	31.12.2024	31.12.2023	31.12.2023
	Accounts	Accounts	Accounts	Accounts
	receivable	payable	receivable	payable
	EUR	EUR	EUR	EUR
Ministry of Transport of the Republic of Latvia	3 651 033	3 974	308 200	18 439
AS “Latvijas valsts meži”	365 622	91	416 891	-
VSIA “Latvijas valsts ceļi”	6 004	897	2 239	-
AS “Latvenergo”	-	-	-	97 309
SIA “Latvijas mobilais telefons”	-	1 131	-	-
SIA “Tet”	993	12 967	-	-
VAS “Valsts nekustamie īpašumi”	5 125 735	2 723 356	-	-
Total:	9 149 387	2 742 416	727 330	115 748

32. Events after the end of the reporting year

No events have occurred between the last day of the reporting year and the date of signing these financial statements that would require adjustments or should be reflected in these financial statements.

Board of VAS “Latvijas autoceļu uzturētājs”:

Vilnis Vitkovskis	Ilze Bukulde
Chairman of the Board	Member of the Board

Report prepared by:

Dainis Markovskis
 Chief Accountant of VAS “Latvijas autoceļu uzturētājs”

12 May 2025

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP



LATVIJAS AUTOCEĻU UZTURĒTĀJS



VAS “LATVIJAS AUTOCEĻU UZTURĒTĀJS”

CORPORATE GOVERNANCE STATEMENT 2024



Content

About the Statement	54
Strategy of the Company	55
Internal culture and ethical conduct.....	56
Internal control system, risk management and internal audit.....	57
External auditor	60
Election of Council members.....	61
Principles for determining the remuneration of the Council and the Board.....	64
Organization of the Council's work and decision-making	65
Prevention of conflicts of interest	68
Shareholder Meeting.....	69
Transparency of the Company's activities.....	72
Annex No 1. Information to be published on the Company's website.....	73
Annex No 2. Key Company policies	75



About the Statement

VAS “Latvijas autoceļu uzturētājs” (hereinafter – LAU) The corporate governance statement for the year 2024 has been prepared in accordance with the requirements of Section 58.1 of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, the Cabinet of Ministers Regulations of 15 March 2022 “Regulations on Corporate Governance Recommendations Applicable to Public and Public-Private Capital Companies” and the “Corporate Governance Code” issued by the Advisory Council of the Ministry of Justice in 2020 (hereinafter – the Code).

The Corporate Governance Statement (hereinafter referred to as the Statement) is prepared together with the annual report as a separate part of the Annual Report and is approved by the Board.

More information about corporate governance at LAU can be found in the “Governance” section of the LAU 2024 Sustainability Report. The report is available on the LAU website at www.lau.lv.

On compliance with corporate governance principles

Every year, VAS “Latvijas autoceļu uzturētājs” assesses its performance in corporate governance, following the guidelines for applying the Code, i.e., it evaluates all the principles and criteria of the Code, providing explanations in accordance with the “comply or explain” principle. In addition, VAS “Latvijas autoceļu uzturētājs” provides explanations in accordance with the traffic light principle regarding compliance with individual criteria.

The Board of VAS “Latvijas autoceļu uzturētājs”, having assessed both the management system of the capital company and compliance with the principles in 2024, considers that VAS “Latvijas autoceļu uzturētājs” has complied with all the principles set out in the Code in all material respects, except for the principle on dividend policy and the criterion on gender representation in the Council of the Company.

The Board of VAS “Latvijas autoceļu uzturētājs” (hereinafter – LAU) approved the Corporate Governance Statement 2024 in Riga on 12 May 2025. The statement does not have an externally issued independent auditor's certification.

More information on the corporate governance of VAS “Latvijas autoceļu uzturētājs” can be found in the “Governance” section of the LAU 2024 Sustainability Report. The report is published on the LAU website www.lau.lv together with the Annual Report until 31 May 2025.

Board of VAS “Latvijas autoceļu uzturētājs”

Chairman of the Board **Vilnis Vitkovskis**

Member of the Board **Ilze Bukulde**

Strategy of the Company

Principle #1 and its criteria

The Company has developed a current strategy that sets out its goals and direction for long-term value growth.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Company has a current strategy, the draft of which is developed by the Board 	<p>During the reporting period, LAU's medium-term operational strategy for 2019–2025 (hereinafter referred to as the Strategy) lost its relevance due to the opening of the market for routine maintenance of state roads and changes to the Law On Motor Roads. By Decision No 4 of 22 February 2024, the shareholder of LAU approved the LAU's planned financial indicators for 2024, including financial and non-financial targets, and LAU is operating in accordance with them. The Board, in cooperation with the Council, is working on a new draft strategy.</p>
<ul style="list-style-type: none"> ● The Council is involved in the strategy development process and approves the strategy at a Council meeting 	<p>The Council is involved in the strategy development process, including during the reporting period, when it participated in the process of assessing state participation and preparing a draft letter of shareholder expectations.</p>
<ul style="list-style-type: none"> ● The Council monitors the implementation of the strategy 	<p>The Council monitors the implementation of the strategy, including the achievement of financial and non-financial targets.</p>
<ul style="list-style-type: none"> ● The Board of the Company implements the strategy and regularly reports to the Council on its implementation 	<p>The Council approves an annual action plan for the implementation of the tasks set out in the strategy. The Council regularly reviews the information prepared by the Board on the progress of the strategy's implementation on a quarterly basis. The Council's report is submitted to the shareholder of LAU once every six months.</p>

Internal culture and ethical conduct

Principle #2 and its criteria

The Company develops an internal culture and code of ethical conduct that serves as a standard of conduct for the Company's management and employees.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Council defines the core values of the Company 	<p>LAU has defined the core values of the Company, and the Board has reinforced them in the Ethics Policy.</p>
<ul style="list-style-type: none"> ● The Board prepares and the Council approves the internal code of culture and ethical conduct 	<p>LAU has developed and the Board has approved the Ethics Policy, which serves as a standard of conduct for LAU management and employees. The Ethics Policy reflects the core values of the Company's internal culture, as well as standards of ethical conduct and professional behaviour and guidelines for their implementation.</p>
<ul style="list-style-type: none"> ● The Board ensures compliance with the internal culture and code of ethical conduct in the Company's daily operations and responds if a violation of the code of ethical conduct is detected 	<p>The Board ensures compliance with the Ethics Policy at LAU. An Ethics Committee has been established to assess possible violations of the Ethics Policy and, if such violations are found, to refer the matter to the Board of LAU with a recommendation to initiate disciplinary proceedings or other proposals that promote compliance with the Ethics Policy.</p>

Internal control system, risk management and internal audit

Principle #3 and its criteria

The Company has an internal control system, the effectiveness of which is monitored by the Board.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Company has a documented internal control system, establishment of which is the responsibility of the Board 	<p>LAU has a documented internal control system, aspects of which are described in the Corporate Governance Policy, Risk Management and Internal Control System Policy, and other internal regulatory acts.</p>
<ul style="list-style-type: none"> ● Internal audit shall assess the effectiveness of the internal control system at least once a year, taking into account the criteria defined above, and shall report the results of the assessment to the Council 	<p>Each audit assesses the internal control system of the audited object (function/process), and the Internal Audit reports the results to the Council. At the end of the audit year and strategic period, an overall assessment of the internal control system is carried out in accordance with the methodology and reported to the Board and the Council.</p>
<ul style="list-style-type: none"> ● The Council shall review the assessment of the effectiveness of the internal control system at least once a year 	<p>At the end of the audit period, the overall assessment of internal controls is included in the Internal Audit Annual Report, which is reviewed by the Board and the Council.</p>

Internal control system, risk management and internal audit

Principle #4 and its criteria

The Company identifies, assesses, and monitors risks associated with its activities.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Board develops and the Council approves the risk management policy of the Company ● Based on the identified risk assessment, the Board implements risk management measures ● At least once a year, the Council reviews the Board's reports on risk management measures and the implementation of risk management policy 	<p>The LAU risk management system consists of a risk management culture, centralized risk management, and a risk management process. The basic elements and principles of general risk management are set out in the Risk Management and Internal Control System Policy, which is developed by the Board of LAU and approved by the Council. This policy was reviewed and approved at the Council meeting on 16 October 2024.</p> <p>LAU has unified risk management principles integrated with LAU's strategy and performance. LAU identifies and assesses risks. LAU has implemented a risk register, described risk controls, risk mitigation measures and appointed responsible persons for risk mitigation. The management of the most significant risks is ensured by the Board.</p> <p>In accordance with the Risk Management and Internal Control System Policy developed by LAU, the Council reviews the Board's report on the risk management system and policy implementation each year.</p>

Internal control system, risk management and internal audit

Principle #5 and its criteria

The Company has established an internal audit unit, that independently and objectively evaluates the Company's operations.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Company has an internal auditor who is functionally independent from the Board and reports to the Council ● The internal auditor is appointed by the Board ● The internal auditor develops a risk-based internal audit plan, which is approved by the Board ● The internal auditor informs the Board and the Council about the implementation of the internal audit plan, the results of the audit, and recommended actions to remedy any shortcomings that have been identified 	<p>The internal audit function is performed by the Internal Audit Division, which is functionally subordinate to the Council and administratively subordinate to the Board, in accordance with the Internal Audit Division Regulations approved by the Board and reviewed by the Council, and the Internal Audit Policy approved by the Council.</p> <p>Candidates for the position of Head of the Internal Audit Division are evaluated by the Council, which also decides which candidate to hire. Based on the LAU's internal regulatory document "Rules of Procedure," the Chairman of the Board hires the candidate.</p> <p>The internal audit environment covers all LAU functions and processes. The strategic five-year plan and annual plan for internal audits are developed using a risk-based approach. The frequency and priority of audits are determined in accordance with the guidelines set out in the Internal Audit Policy. Internal audit plans are approved by the Board and, in accordance with Articles of Association of LAU, are coordinated with the Council and the Shareholder Meeting prior to approval.</p> <p>At the end of the strategic and annual internal audit period, the Internal Audit Division informs the Board and the Council about the implementation of the audit plan and the overall results of the audit, while the results of each audit and recommendations for remedying deficiencies are communicated by the Internal Audit Division to the Board, the Council, and the shareholders. Once a quarter and at the end of the audit period, Internal Audit Division informs the Board and the Council about the progress of implementation of the recommendations made in the audits.</p>

External auditor

Principle #6 and its criteria

The Company has an independent external auditor.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Council and the Audit Committee, if established, shall determine the criteria for selecting an external auditor 	<p>The external auditor is selected through an open tender process, which is the responsibility of the LAU Finance Department, which is in charge of preparing the Annual Report. The criteria for selecting an external auditor were established by Decision No 3 of the LAU Council meeting on 29 September 2023, Minutes No 16.</p>
<ul style="list-style-type: none"> ● The Company has an independent external auditor with appropriate qualifications 	<p>LAU has an independent external auditor who audits the Annual Report. As a result of the procurement procedure, the most economically advantageous offer for a three-year period (2023–2025) was selected, and the limited liability company KPMG Baltics was elected as the LAU auditor.</p>
<ul style="list-style-type: none"> ● The term of office of an external auditor shall not exceed 5 years 	<p>The term of office of an external auditor is observed and does not exceed three years for LAU.</p>

Election of Council members

Principle #7 and its criteria

The Company ensures a transparent procedure for the election and dismissal of Council members.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Company has approved procedures for the selection and dismissal of Council members. ● The Company provides timely and sufficient information to its shareholders about the Council members who are nominated for election or re-election ● The size of the Council is appropriate to the specific nature of the Company's activities ● Council members are elected for a term of no more than five years 	<p>The procedure for selecting and dismissing Council members is set out in the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof (hereinafter referred to as the Governance Law), related Cabinet of Ministers regulations, and guidelines issued by the Cross-Sectoral Coordination Department. The procedure for dismissing a Council member is not specifically described in LAU's internal documents, but it is clear from the provisions of the law.</p> <p>Candidates for the position of Council member are nominated in accordance with the procedure set out in the Governance Law as a result of a selection process carried out by a nomination committee established by the State Chancellery and the Shareholder, assessing the candidates' compliance with the specified requirements, criteria, and competencies, and the best candidates are nominated for election.</p> <p>The Council of LAU consists of three members, which is appropriate for the specific nature of the Company's activities.</p> <p>The Chairman of the Council and the members of the Council are elected for a term of five years, in accordance with the number specified in the Articles of Association of LAU.</p>

Election of Council members

Principle #8 and its criteria

The members of the Council collectively have the appropriate experience and competence.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Council as a whole possesses the skills, experience, and knowledge, including in the relevant field, to fully perform its duties 	<p>Persons who meet the requirements and competencies specified in the Governance Law and put forward in the nomination process, and whose work experience, education, qualifications and reputation ensure the professional performance of the duties of a Council member in the interests of LAU, shall be appointed as Council members. All Council members collectively possess the necessary competencies and experience in business and financial management, corporate governance, strategy, risk management, auditing and other matters.</p> <p>The Council is elected in accordance with the principles set out in the Management Law. The experience of the Council members covers various sectors of the economy.</p> <p>The selection of Council members is carried out in accordance with the procedure set out in the Governance Law, the relevant Cabinet of Ministers regulations, and the guidelines issued by the Cross-Sectoral Co-ordination Department – as a result of a nomination process in which the most suitable candidates are selected. The current composition of Council of LAU does not include representatives of both genders.</p> <p>The training program for senior management is included in the Regulations on the Training of Employees of VAS "Latvijas autoceļu uzturētājs" (approved at the Board meeting of 21.12.2022 by the decision No 61/3, Minutes No 2.1.-A.1/22/61)</p>
<ul style="list-style-type: none"> ● The composition of the Council shall respect the principles of diversity 	
<ul style="list-style-type: none"> ● Both genders are represented on the Council 	
<ul style="list-style-type: none"> ● The Council shall develop an induction program and provide induction training for new Council members 	

Election of Council members

Principle #9 and its criteria

The Council of the Company consists of independent members.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Company evaluates and shareholders determine the proportion of independent Council members. ● At least half of the Council members are independent ● Independent Council member candidates submit a statement confirming their compliance with the independence criteria` ● Prior to Council elections, the Company assesses the independence of Council members based on available information 	<p>The proportion of independent members of the Council of LAU is determined in accordance with the principle set out in the Governance Law – at least half of the members of the Council must be independent.</p> <p>As a result of the selection process, three independent Council members were elected to the Council of LAU on 26 October 2021.</p> <p>The Council members submitted confirmation of their compliance with the independence criteria during the nomination process.</p> <p>The independence of Council members is assessed by the shareholder during the nomination process.</p>

Principles for determining the remuneration of the Council and the Board

Principle #10 and its criteria

The Company has implemented a remuneration policy.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Company has implemented a remuneration policy developed by the Board, reviewed by the Council and approved by the Shareholder Meeting 	<p>The LAU remuneration policy is developed by the Board, reviewed by the Council, and approved by the Shareholder Meeting. At the Shareholder Meeting on 6 May 2025, the Regulations on the LAU Remuneration System were approved, providing for changes in the remuneration policy – bonus amounts and award criteria, applying them retrospectively to 2024.</p>
<ul style="list-style-type: none"> ● Once a year, the Council sets financial and non-financial targets to be achieved by the Board, their impact on the variable part of remuneration and monitors their implementation 	<p>Each year, the Council sets annual targets for Board members and their weighting. At the end of the assessment period, Board members conduct a self-assessment in accordance with the set performance targets, competencies and other indicators, and submit it to the Council. The Council evaluates the annual results and the self-assessments of the Management Board and adds its own assessment, which is the decisive assessment for deciding on the award of bonuses (variable part of remuneration) to members of the Board.</p>
<ul style="list-style-type: none"> ● No variable remuneration shall be determined for Council members, nor shall any compensation be paid in the event of dismissal or resignation 	<p>In accordance with the Governance Law, the variable part of the remuneration of the Council, as well as any compensation in the event of dismissal or resignation, is not determined and shall not be paid.</p>
<ul style="list-style-type: none"> ● The Board shall prepare an annual report on the remuneration paid to each current and former member of the Board and Council. 	<p>Information on the remuneration of members of the Board and Council is prepared once a year and published in the Sustainability Report together with the Annual Report by 31 May 2025. In accordance with Section 79(7) of the Governance Law, which stipulates that members of the Board of a capital company may receive a bonus after assessing the performance criteria of the capital company, and that the amount of the bonus may not exceed two months' remuneration, LAU shall establish provisions for estimated bonus payments for economic activities in 2024 as at 31.12.2024.</p>

Organization of the Council's work and decision-making

Principle #11 and its criteria

The Company has a defined and understandable organization of the Council's work.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Council organises its work in accordance with the Regulations of the Council and the work calendar ● The Council holds at least one separate Council meeting per year to discuss the strategy of the Company and its implementation ● The Company's budget provides for the funding necessary to ensure the functioning of the Council ● The Council conducts a self-assessment of its work once a year and reviews the results at a Council meeting ● The Council has assessed the necessity of establishing committees (if a committee has been established, see principle # 12.1.) 	<p>The principles governing the organization of activities of the Council of LAU are laid down in the Governance Law, the Articles of Association of LAU, and the Regulations of the Council. At the beginning of each year, the Council approves the schedule of planned meetings and issues to be discussed for that year.</p> <p>The Council of LAU reviews the implementation of the Strategy Implementation Action Plan on a quarterly basis.</p> <p>The Council's activities are provided for in the budget in accordance with the mandate agreements of the Council members. The Board provides the technical support necessary for the Council's work.</p> <p>Once a year, the Council conducts a self-assessment of its work, reviews it at a Council meeting, and submits it to the shareholder for review.</p> <p>The Council has assessed the need to establish committees. During the reporting year, there was no need to establish committees.</p>

Organization of the Council's work and decision-making

Principle #12 and its criteria

The Council takes informed and balanced decisions.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Council shall have timely and sufficient access to information prepared by the Board for decision-making ● The Council shall determine the procedure for the circulation of information, including the Council's right to request information from the Board that is necessary for the Council to make decisions ● The Council member analyses information and prepares proposals for decision-making by the Council ● When making decisions, the Council assesses the risks, short-term and long-term impact on the Company's value, sustainability and responsible development 	<p>Materials related to issues on the Council's agenda are made available in a timely manner, within the time limits specified in the Regulations of the Council. Information is entered, approved, and signed in the electronic document management system created for this purpose—the Council's document management module.</p> <p>The Regulations of the Council stipulate the procedure for the circulation of information, and the Council is entitled to receive all necessary information from the Board that it requires for decision-making.</p> <p>In accordance with the Governance Law and the Regulations of the Council, when submitting agenda items for the Council meeting, the Board prepares a draft decision proposal, the members of the Council analyse the submitted proposal and make a decision.</p> <p>When making decisions, the Council takes into account issues that may affect the decision and its consequences, including risks, short-term and long-term impact on the value of the Company, sustainability and responsible development.</p>

Organization of the Council's work and decision-making

Principle #12.1. and its criteria

The Committee prepares proposals for decision-making by the Council.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Council determines the tasks of the Committee and the procedure for organizing its activities ● The Council establishes a Committee consisting of at least three Council members with appropriate experience and knowledge in the specified area of activity of the Committee (remuneration, nominations, audit or other areas) ● The Committee analyses information and prepares proposals for decision-making by the Council, and also informs the Council about the work of the Committee 	<p>If necessary, the Council shall form a Nomination Committee for the selection of members of the Board, determining the tasks of the Committee and the procedure for organizing its activities.</p> <p>If a commission (or committee) is established, all three members of the Council shall be included in it. All members of the Council shall be competent and have the relevant experience and knowledge.</p> <p>In cases where a commission (or committee) is established, it analyses information and prepares proposals for decision-making by the Council and also informs the Council about the work of the committee. As a result of the selection process, the Nomination Commission submits a proposal to the Council regarding candidates for election to the position of the Board member.</p>

Prevention of conflicts of interest

Principle #13 and its criteria

Members of the Board and the Council are clearly aware of the manifestations of conflicts of interest and are informed about the necessary actions to be taken in the event of a conflict of interest.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Council defines the signs that indicate a conflict of interest and establishes the procedure for preventing and managing conflicts of interest 	<p>LAU has developed and the Council has approved the Policy for the Prevention of Corruption and Conflict of Interest Risks of VAS „Latvijas autoceļu uzturētājs”, which aims to establish uniform principles for the prevention of corruption and conflict of interest risks, by establishing, maintaining, and improving an appropriate internal control system in the area of corruption and conflict of interest risk prevention.</p>
<ul style="list-style-type: none"> ● Members of the Council or the Board shall not participate in decision-making on matters where the interests of the Company conflict with the interests of the Council, the Board members or persons related to them 	<p>The members of the Board and Council are public officials within the meaning of the “On Prevention of Conflict of Interest in Activities of Public Officials” (hereinafter in the paragraph referred to as the “Law”). the Internal Regulations No 01-02/31 of the Ministry of Transport of 27.09.2021 “Procedures for the Management of State Capital Shares”, the requirements of the Council and Board Regulations, the members of the Council and the members of the Board shall comply with the general and specific restrictions on combining public office, as well as restrictions on earning income, engaging in commercial activities, accepting gifts and donations, and other restrictions previously established for public officials; including not participating in decision-making on issues where the interests of LAU conflict with the interests of the members of the Council, members of the Board or persons related to them.</p>
<ul style="list-style-type: none"> ● Persons subject to the obligation to prevent conflicts of interest regularly participate in training on how to act in situations involving conflicts of interest 	<p>At least once a year, LAU provides training on how to act in situations involving conflicts of interest to persons subject to the obligation to prevent conflicts of interest.</p>

Shareholder Meeting

Principle #14 and its criteria

The Company provides shareholders with timely information about the proceedings of the Shareholder Meeting, providing all the information necessary for decision-making.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Company shall inform shareholders in a timely manner about the agenda, proceedings, and voting procedures of the Shareholder Meeting, as well as any related changes 	<p>The principles governing the organization of shareholders' meetings and cooperation with the board and council are set out in the Management Law, the internal regulations approved by the Shareholder on the management of state capital shares, and the Article of Association of LAU. The timing and agenda of Shareholder Meetings are agreed with the shareholder.</p>
<ul style="list-style-type: none"> ● At the same time as announcing the meeting, the Company shall provide shareholders with the opportunity to familiarize themselves with the draft resolutions that are initially planned to be voted on at the meeting. The Company shall immediately inform shareholders of any additional draft resolutions that have been submitted 	<p>Information on the issues to be discussed shall be provided no later than two weeks before the Shareholder Meeting. Shareholder shall be informed of any changes or additional draft resolutions submitted.</p>
<ul style="list-style-type: none"> ● The Company provides shareholders with the opportunity to submit questions regarding the agenda items and draft resolutions prior to the Shareholder Meeting 	<p>Additional information is provided to shareholder upon request.</p>
<ul style="list-style-type: none"> ● Draft resolutions and accompanying documents provide detailed, clear and complete information on the issue under consideration 	<p>Draft resolutions and accompanying documents provide detailed, clear and complete information on the issues to be considered, and a shareholder may submit questions both before and during the Shareholder Meeting.</p>

Shareholder Meeting

Principle #15 and its criteria

The Company promotes effective shareholder involvement in decision-making and the highest possible shareholder participation in shareholder meetings.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● Shareholder Meetings shall be convened and held at a place and time convenient for shareholders 	<p>The time and place of the Shareholder Meeting shall be agreed with the shareholder prior to the announcement of the agenda.</p>
<ul style="list-style-type: none"> ● The Company shall provide shareholders with the opportunity to participate in shareholder meetings remotely 	<p>LAU shall provide the shareholder with the opportunity to participate in the Shareholder Meeting in person or remotely.</p>
<ul style="list-style-type: none"> ● The Company determines the appropriate duration of the Shareholder Meeting and allows shareholders to express their opinions during the meeting and obtain the information necessary for decision-making 	<p>The duration of the Shareholder Meeting is determined by the shareholder, depending on the number of issues to be discussed and the amount of information to be reviewed. In 2024, all submitted issues were reviewed within the scheduled time.</p>
<ul style="list-style-type: none"> ● The Company shall announce a new shareholders' meeting if the issues included in the agenda of the meeting cannot be considered within the scheduled time 	<p>If necessary, it is possible to convene a new Shareholder Meeting.</p>
<ul style="list-style-type: none"> ● The Company invites members of the Board and the Council, candidates for the position member of the Council, auditors and internal auditors, as well as other persons to participate in the Shareholder meeting in accordance with the issues to be discussed at the meeting 	<p>The Shareholder Meeting is attended by members of the Council, members of the Board, the auditor, the internal auditor and other persons may be invited depending on the issues to be discussed at the meeting.</p>
<ul style="list-style-type: none"> ● The Shareholder Meeting adopts decisions in accordance with the previously announced draft resolutions 	<p>The Shareholder Meeting reviews the submitted draft resolutions, evaluates the information provided and adopts the appropriate resolutions.</p>

Shareholder Meeting

Principle #16 and its criteria

The Company develops and discusses its dividend policy with shareholders.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The company has developed and published a current dividend policy ● The dividend policy has been discussed with shareholders at the Shareholder Meeting 	<p>LAU has not developed a separate dividend policy. LAU's dividend payments are regulated by the laws of the Republic of Latvia:</p> <ul style="list-style-type: none"> • The Law on the State Budget and the Law on the Medium-Term Budget Framework; • Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof and the Cabinet Regulations issued on the basis thereof. <p>The decision on the use of profits and the amount of dividends is made by the LAU Shareholder Meeting after the approval of the Annual Report, based on an assessment of the previous year's results.</p>

Transparency of the Company's activities

Principle #17 and its criteria

The Company regularly and promptly informs shareholders and other interested parties about the Company's economic activities, financial performance, governance and other relevant issues.

- CRITERION FULLY MET
- CRITERION PARTIALLY MET
- CRITERION NOT MET
- CRITERION NOT APPLICABLE

CRITERIA	COMMENT ON COMPLIANCE
<ul style="list-style-type: none"> ● The Company discloses complete, accurate, objective, timely and truthful information in a timely manner 	<p>LAU publishes information on its website in accordance with the procedure laid down in the Governance Law and other regulatory enactments, ensuring that the information published is regular, timely and provides a clear picture of LAU's governance, strategy, economic activities and financial results.</p>
<ul style="list-style-type: none"> ● The Company discloses information about its governance, strategy or business lines on its website and publishes financial statements 	<p>LAU's website is regularly updated with the latest news and reports. Interim financial statements are published quarterly, while the Sustainability Report and Annual Report are published annually. The Corporate Governance Statement is prepared as a separate part of the Annual Report. The financial statements are audited annually by an independent certified auditor, who provides an opinion on whether the financial statements present, in all material respects, a clear and true view of LAU's financial position and operating results, and whether they comply with the applicable regulatory enactments.</p>
<ul style="list-style-type: none"> ● The Company discloses information to all shareholders simultaneously and in equal measure 	<p>LAU only has one shareholder.</p>
<ul style="list-style-type: none"> ● The Company provides information both in Latvian and in at least one other language that is understandable to the majority of the Company's foreign shareholders and other interested parties 	<p>LAU's website www.lau.lv provides information in Latvian and English.</p>

Annex No 1

Information to be published on the Company's website

Field/criterion		Explanation
Company		
Information on the Company		Criterion met
Information about the strategic objectives of the Company		Criterion met
Articles of Association of the Company		Criterion met
Information on the corporate governance structure of the Company		Criterion met
Internal Culture and Ethical Conduct Code of the Company		Criterion met
Key Company policies		See Annex No 2
Shareholders and beneficial owners		
Information about the Company's shareholders/stakeholders who own at least 5% of the company's share capital		Criterion met
Information about the Company's beneficial owners		Not applicable. The state is a legal entity and cannot be considered a beneficial owner within the meaning of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing.
Number of issued, paid-up and voting shares, bonds or other financial instruments of the Company		Criterion met
Council and Board		
Regulations of the Board and the Council or other equivalent document		Criterion met
Information about each member of the Council and the Board of the Company		Criterion met
Information about independent Council members		Criterion met
Remuneration policy of the Board and the Council and remuneration report		Criterion met. Information included in the Sustainability Report for 2024 and published on the website www.lau.lv
Information on the selection (nomination) process for the Board and the Council		Criterion met
Information on the Council committees and the Audit Committee		Criterion met

■ Criteria have been met

■ Criteria have been partially met

■ Criteria have not been met

■ Criterion is not applicable

Annex No 1

Information to be published on the Company's website

Field/criterion		Explanation
Financial and non-financial reports and information		
<u>Financial statements of the Company</u> and reports for at least the last 3 financial years: <ul style="list-style-type: none"> annual reports (including consolidated financial statements, if prepared) and auditor's reports (if prepared); Interim reports and quarterly reports. 		Criterion met
<u>Non-financial statements of the Company for at least the last 3 financial years</u>		Criterion met
<u>Corporate Governance Statements</u>		Criterion met
The financial calendar of the Company or other significant and planned communication events calendar		Criterion met
Information for shareholders and investors		
Information on planned Shareholder Meetings (notices of Shareholder Meetings; draft resolutions)		Criterion not met. In accordance with the Articles of Association of LAU, notices of the convening of a Shareholder Meeting and related documents shall be sent by post or electronically to the management and control bodies of the Company and to the members of the Board of the Company to the addresses notified to the Company or delivered in person.
<u>Information on Shareholder Meetings that have taken place</u> (information on resolutions adopted at Shareholder Meetings)		Criterion met
The Company's dividend policy and information on dividends paid (for at least the last 10 years of the Company's operations)		Criterion partially met. Information on dividends paid is published in the Company's Annual Reports.
Information on related party transactions		Not applicable. LAU has no subsidiaries or holdings in other companies.
Notices and material information published by the Company for investors, including presentations to investors, video recordings of events for investors, forecasts, if any, etc.		Not applicable. LAU is not a publicly traded company and does not issue securities.
Contact details of investor relations specialist (if applicable)		Not applicable.

Criteria have been met

Criteria have been partially met

Criteria have not been met

Criterion is not applicable

Annex No 2

Key Company policies

Key policies included in corporate governance principles or criteria thereof:		
Risk Management Policy		
Remuneration Policy		Information on LAU's Remuneration Policy is included in the Sustainability Report.
Dividend Policy		LAU has not developed such a policy. The decision on the distribution of LAU profits is made in accordance with the Governance Law and related Cabinet of Ministers regulations.
Other key policies mentioned in the Corporate Governance Code:		
Internal Audit Policy		LAU has an Internal Audit Policy in place, but it has not been published.
Policy on the Prevention of Conflicts of Interest		
Policy on Disclosure, Circulation, and Confidentiality of Information		Principles included in LAU's Ethics Policy.
Whistleblowing Policy		LAU has developed rules for its internal whistleblowing system. Stakeholders are provided with the opportunity to submit anonymous reports on the LAU website.
Fair Competition Policy		The principles are included in LAU's Ethics Policy and the Supplier Code of Conduct .
Diversity Policy		The principles are included in LAU's Personnel Policy .
Sustainability Policy		The principles are included in LAU's Integrated Management System Policy .
Key compliance policies:		
Business Partner Due Diligence Policy		The principles are included in the Supplier Code of Conduct, Regulations on the Procedure for Organising Procurement and Regulations on the Procedure for Organising Commercial Activities.
Sanctions Risk Management Policy		Sanctions risk management is implemented in accordance with the Risk Management and Internal Control System Policy and the Order on Sanctions Risk Management.
Personal Data Processing Policy		

■ Criteria have been met

■ Criteria have been partially met

■ Criteria have not been met

■ Criterion is not applicable

Neatkarīgu revidentu ziņojums

VAS “Latvijas autoceļu uzturētājs” akcionāram

Ziņojums par finanšu pārskatu revīziju

Mūsu atzinums par finanšu pārskatiem

Esam veikuši VAS “Latvijas autoceļu uzturētājs” (“Sabiedrība”) pievienotajā gada pārskatā ietvertu finanšu pārskatu no 11. līdz 51. lapai revīziju. Pievienotie finanšu pārskati ietver:

- visaptverošo ienākumu pārskatu par gadu, kas noslēdzās 2024. gada 31. decembrī,
- finanšu stāvokļa pārskatu 2024. gada 31. decembrī,
- pašu kapitāla izmaiņu pārskatu par gadu, kas noslēdzās 2024. gada 31. decembrī,
- naudas plūsmas pārskatu par gadu, kas noslēdzās 2024. gada 31. decembrī, kā arī
- finanšu pārskatu pielikumu, kas ietver būtisko grāmatvedības uzskaites principu kopsavilkumu un citu paskaidrojošu informāciju.

Mūsaprāt, pievienotie finanšu pārskati sniedz patiesu un skaidru priekšstatu par VAS “Latvijas autoceļu uzturētājs” finansiālo stāvokli 2024. gada 31. decembrī un par tās darbības finanšu rezultātiem un naudas plūsmu gadā, kas noslēdzās 2024. gada 31. decembrī, saskaņā ar Eiropas Savienībā apstiprinātajiem SFPS grāmatvedības standartiem.

Atzinuma pamatojums

Atbilstoši LR Revīzijas pakalpojumu likumam mēs veicām revīziju saskaņā ar LR atzītiem starptautiskajiem revīzijas standartiem (turpmāk - SRS). Mūsu pienākumi, kas noteikti šajos standartos, ir turpmāk aprakstīti mūsu ziņojuma sadaļā *Revidentu atbildība par finanšu pārskatu revīziju*.

Mēs esam neatkarīgi no Sabiedrības saskaņā ar Starptautiskās Grāmatvežu ētikas standartu padomes izstrādātā Starptautiskā Profesionālu grāmatvežu ētikas kodeksa (tostarp Starptautisko neatkarības standartu) (SGĒSP kodekss) prasībām un LR Revīzijas pakalpojumu likumā iekļautajām neatkarības prasībām, kas ir piemērojamas mūsu veiktajai finanšu pārskatu revīzijai Latvijas Republikā. Mēs esam ievērojuši arī SGĒSP kodeksā un LR Revīzijas pakalpojumu likumā noteiktos pārējos profesionālās ētikas principus un objektivitātes prasības.

Mēs uzskatām, ka mūsu iegūtie revīzijas pierādījumi dod pietiekamu un atbilstošu pamatojumu mūsu atzinumam.

Ziņošana par citu informāciju

Par citu informāciju atbild Sabiedrības vadība. Citu informāciju veido:

- vispārīga informācija par Sabiedrību, kas sniegta pievienotā gada pārskata 3. lapā,
- galvenie darbības rādītāji, kas sniegti pievienotā gada pārskata 4. lapā,
- vadības ziņojums, kas sniegts pievienotā gada pārskata 5. līdz 9. lapā,
- ziņojums par vadības atbildību, kas sniegts pievienotā gada pārskata 10. lapā,



— paziņojums par korporatīvo pārvaldību, kas sniegts pievienotā gada pārskata 52. līdž 75. lapā.

Mūsu atzinums par finanšu pārskatiem neattiecas uz gada pārskatā ietverto citu informāciju, un mēs nesniedzam par to nekāda veida apliecinājumu, izņemot to kā norādīts mūsu ziņojuma sadaļā *Uz citu informāciju attiecināmas citas ziņošanas prasības saskaņā ar LR tiesību aktu prasībām*.

Saistībā ar finanšu pārskatu revīziju mūsu pienākums ir iepazīties ar citu informāciju un, to darot, izvērtēt, vai šī cita informācija būtiski neatšķiras no finanšu pārskatu informācijas vai no mūsu zināšanām, kuras mēs ieguvām revīzijas gaitā, un vai tā nesatur cita veida būtiskas neatbilstības.

Ja, balstoties uz veikto darbu un ņemot vērā revīzijas laikā gūtās ziņas un izpratni par Sabiedrību un tās darbības vidi, mēs secinām, ka citā informācijā ir būtiskas neatbilstības, mūsu pienākums ir ziņot par šādiem apstākļiem. Mūsu uzmanības lokā nav nākuši apstākļi, par kuriem būtu jāziņo.

Uz citu informāciju attiecināmas citas ziņošanas prasības saskaņā ar LR tiesību aktu prasībām

Papildus tam, saskaņā ar LR Revīzijas pakalpojumu likumu mūsu pienākums ir sniegt viedokli, vai Vadības ziņojums ir sagatavots saskaņā ar tā sagatavošanu reglamentējošā normatīvā akta, LR Gada pārskatu un konsolidēto gada pārskatu likuma, prasībām.

Pamatojoties vienīgi uz mūsu revīzijas ietvaros veiktajām procedūrām, mūsaprāt, visos būtiskajos aspektos:

- Vadības ziņojumā par pārskata gadu, par kuru ir sagatavoti finanšu pārskati, sniegtā informācija atbilst finanšu pārskatiem, un
- Vadības ziņojums ir sagatavots saskaņā ar LR Gada pārskatu un konsolidēto gada pārskatu likuma prasībām.

Vadības un personu, kurām uzticēta Sabiedrības pārraudzība, atbildība par finanšu pārskatiem

Vadība ir atbildīga par tādu finanšu pārskatu, kas sniedz patiesu un skaidru priekšstatu, sagatavošanu saskaņā ar Eiropas Savienībā apstiprinātajiem SFPS grāmatvedības standartiem, kā arī par tādas iekšējās kontroles sistēmas uzturēšanu, kāda saskaņā ar vadības viedokli ir nepieciešama, lai būtu iespējams sagatavot finanšu pārskatus, kas nesatur ne krāpšanas, ne kļūdas dēļ izraisītas būtiskas neatbilstības.

Sagatavojot finanšu pārskatus, vadības pienākums ir izvērtēt Sabiedrības spēju turpināt darbību, pēc nepieciešamības sniedzot informāciju par apstākļiem, kas saistīti ar Sabiedrības spēju turpināt darbību un darbības turpināšanas principa piemērošanu, ja vien vadība neplāno Sabiedrības likvidāciju vai tās darbības izbeigšanu, vai arī tai nav citas reālas alternatīvas kā Sabiedrības likvidācija vai darbības izbeigšana.

Personas, kurām uzticēta Sabiedrības pārraudzība, ir atbildīgas par Sabiedrības finanšu pārskatu sagatavošanas procesa uzraudzību.

Revidentu atbildība par finanšu pārskatu revīziju

Mūsu mērķis ir iegūt pietiekamu pārliecību par to, ka finanšu pārskati kopumā nesatur kļūdas vai krāpšanas dēļ izraisītas būtiskas neatbilstības, un sniegt revidentu ziņojumu, kurā izteikts atzinums. Pietiekama pārliecība ir augsta līmeņa pārliecība, bet tā negarantē, ka revīzijā, kas veikta saskaņā ar SRS, vienmēr tiks atklāta būtiska neatbilstība, ja tāda pastāv. Neatbilstības



var rasties krāpšanas vai kļūdas dēļ, un tās ir uzskatāmas par būtiskām, ja var pamatoti uzskatīt, ka tās katra atsevišķi vai visas kopā varētu ietekmēt saimnieciskos lēmumus, ko lietotāji pieņem, balstoties uz šiem finanšu pārskatiem.

Veicot revīziju saskaņā ar SRS, visa revīzijas procesa gaitā mēs izdarām profesionālus spriedumus un saglabājam profesionālo skepticismu. Mēs arī:

- identificējam un izvērtējam riskus, ka finanšu pārskatos varētu būt krāpšanas vai kļūdas dēļ izraisītās būtiskas neatbilstības, izstrādājam un veicam revīzijas procedūras šo risku mazināšanai, kā arī iegūstam revīzijas pierādījumus, kas sniedz pietiekamu un atbilstošu pamatojumu mūsu atzinumam. Risks, ka netiks atklātas būtiskas neatbilstības krāpšanas dēļ, ir augstāks nekā risks, ka netiks atklātas kļūdas izraisītās neatbilstības, jo krāpšana var ietvert slepenas norunas, dokumentu viltošanu, informācijas neuzrādīšanu ar nodomu, informācijas nepatiesu atspoguļošanu vai iekšējās kontroles pārkāpumus;
- iegūstam izpratni par iekšējo kontroli, kas ir būtiska revīzijas veikšanai, lai izstrādātu konkrētajiem apstākļiem atbilstošas revīzijas procedūras, bet nevis, lai sniegtu atzinumu par Sabiedrības iekšējās kontroles efektivitāti;
- izvērtējam pielietoto grāmatvedības politiku atbilstību un grāmatvedības aplēšu un attiecīgās vadības uzrādītās informācijas pamatotību;
- izdarām secinājumu par vadības piemērotā darbības turpināšanas principa atbilstību, un, pamatojoties uz iegūtajiem revīzijas pierādījumiem, par to, vai pastāv būtiska nenoteiktība attiecībā uz notikumiem vai apstākļiem, kas var radīt nozīmīgas šaubas par Sabiedrības spēju turpināt darbību. Ja mēs secinām, ka būtiska nenoteiktība pastāv, revidentu ziņojumā tiek vērsta uzmanība uz finanšu pārskatos sniegto informāciju par šiem apstākļiem, vai, ja šāda informācija nav sniegta, mēs sniedzam modificētu atzinumu. Mūsu secinājumi ir pamatoti ar revīzijas pierādījumiem, kas iegūti līdz revidentu ziņojuma datumam. Tomēr nākotnes notikumu vai apstākļu ietekmē Sabiedrība savu darbību var pārtraukt;
- izvērtējam vispārēju finanšu pārskatu struktūru un saturu, ieskaitot atklāto informāciju un skaidrojumus pielikumā, un to, vai finanšu pārskati patiesi atspoguļo pārskatu pamatā esošos darījumus un notikumus.

Mēs sazināties ar personām, kurām uzticēta Sabiedrības pārraudzība, un, cita starpā, sniedzam informāciju par plānoto revīzijas apjomu un laiku, kā arī par svarīgiem revīzijas novērojumiem, tajā skaitā par būtiskiem iekšējās kontroles trūkumiem, kādus mēs identificējam revīzijas laikā.

KPMG Baltics SIA
Licence Nr. 55

Rihards Grasis
Valdes loceklis
Zvērināts revidents
Sertifikāta Nr. 227
Rīga, Latvija
2025. gada 12. maijā

ŠIS DOKUMENTS IR PARAKSTĪTS AR DROŠU ELEKTRONISKO PARAKSTU UN SATUR LAIKA ŽĪMOGU