Independent Auditor's Report

To the Shareholder of JSC Augstsprieguma tīkls

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of JSC Augstsprieguma tīkls (the "Company") and its subsidiary (together – "the Group") as at 31 December 2021, and of the Company's and Group's separate and consolidated financial performance and the Company's and Group's separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee on 24 April 2022.

What we have audited

The Company's separate and the Group's consolidated financial statements (together: the "financial statements") comprise:

- the separate and consolidated statements of profit or loss for the year ended 31 December 2021;
- the separate and consolidated statements of comprehensive income for the year ended 31 December 2021;
- the separate and consolidated statements of financial position as at 31 December 2021;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

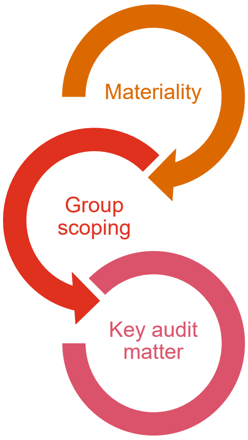
We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiary are in accordance with the applicable law and regulations in Republic of Latvia and that we have not provided non-audit services that are prohibited under Article 37.6 of Law on Audit Services of the Republic of Latvia.

The non-audit services that we have provided to the Company and its subsidiary, in the period from 1 January 2021 to 31 December 2021, are disclosed in Note 28 to the financial statements.

Our audit approach

Overview



- Overall Company materiality: EUR 1,257 thousand.
- Overall Group materiality: EUR 1,822 thousand.

- We conducted a full scope audit of the Company and its subsidiary, both of them are in Latvia.
- Our audit scope covered 100% of the Group's revenues and 100% of the Group's total assets.

- Revaluation of property, plant and equipment (the Group and the Company)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality separately for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company and Group materiality	Overall materiality applied to the Company was EUR 1,257 thousand and overall materiality applied to the Group was EUR 1,822 thousand.

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How we determined it	Approximately 1% of revenue of the Company and the Group, respectively.
Rationale for the materiality benchmark applied	We chose revenue as the base benchmark because, in our view, it is the benchmark against which the performance of the Company and the Group is most commonly measured by users of the financial statements, considering that the Company's and the Group's profit has significantly fluctuated in recent years and is no longer a determining factor in financial performance. For revenue we have chosen 1% which, based on our judgement, is within the range of acceptable quantitative materiality thresholds for this benchmark for a public interest entity.

We agreed with the Audit Committee that we would report to them the misstatements identified during our audit above EUR 125 thousand for the Company and for the Group, as well as the misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. This matter is addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Revaluation of property, plant and equipment The Company and the Group measures property, plant and equipment (PPE) at cost or revalued amount, less accumulated depreciation and accumulated impairment loss, if any. Revaluations are made with sufficient regularity to ensure that the carrying amount of PPE subject to valuation does not differ materially from fair value at the end of the reporting period. In 2021, the Company and the Group revalued engineering structures related to electricity transmission, power transmission lines and related technological equipment and other equipment related to electricity transmission as reflected in the Note 10.2. The Group's management engaged an independent external valuation expert to perform the valuation. A depreciated replacement cost method was used. The key assumptions used to determine the depreciated replacement cost relate to cost of materials, cost of labour at the time of revaluation and the estimated useful life of assets being valued. The key assumptions were based on the data of the Central Statistical Bureau and the approved Company's and Group's assets reconstruction plan.	We assessed whether the Company's and the Group's accounting policies in relation to measurement of PPE carried at revalued amounts are in compliance with IAS 16, *Property, plant and equipment.* We involved PwC valuation experts. We evaluated the independence, professional qualifications and experience of the external valuation experts used by the Company and the Group, and evaluated the adequacy of the valuation methods used. We evaluated the reasonableness of valuation model used and inputs into the valuation model used – materials price index, salary increase rates, estimated residual useful lives of assets being valued. We performed our own search on year to year changes in material and labour costs for the period from 2016 (the year of the latest previous revaluation) to 2021 using available public sources. We then compared the data obtained from public sources to that used in the valuation. We have tested mathematical accuracy of the revaluation results.

As a result of revaluation, in 2021, electricity transmission segment assets value increased by EUR 45,030 thousand and decreased by EUR 14,163 thousand from which EUR 34 763 thousand was recognized in other comprehensive income as increase in revaluation reserves, and net loss of impairment EUR 3 896 thousand was recognised in the statement of profit or loss. Revaluation of property, plant and equipment requires significant time and resources to audit due to its magnitude and involved judgement, therefore we have determined it as a key audit matter.	Also, we assessed sensitivity of the value of PPE to changes in the useful life, salary increase rates and materials price index. Finally, we have assessed the revaluation related disclosures.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We are the statutory auditors of the Group's only subsidiary, JSC Conexus Baltic Grid. For the purposes of the Group audit, we performed a full scope audit of the Company and JSC Conexus Baltic Grid thus covering 100% of the Group's revenues and total assets.

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises:

- the Information about the Group and the Company as set out on pages 3 and 4 of the accompanying Annual Report,
- the Key financial and performance indicators as set out on pages 5 and 6 of the accompanying Annual Report,
- the Management Report as set out on pages 7 to 57 of the accompanying Annual Report,
- the Statement of the Board's Responsibility as set out on pages 58 to 59 of the accompanying Annual Report,
- the Statement of Corporate Governance, set out in separate statement prepared by the Company's management and available on the Company's website https://www.ast.lv/en/content/model-corporate-governance as at the date of this audit report, and
- the Non-financial Statement of the Augstsprieguma tīkls Group and the Parent Company as included in Management Report set out on pages 10 to 47 of the accompanying Annual Report,

but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information identified above.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report, we also performed the procedures required by Law on Audit Services. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the applicable legislation.

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In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in accordance with Article 56.[1], section 1, clauses 3, 4, 6, 8 and 9, as well as Article 56.[2], section 2, clause 5 of the Financial Instruments Market Law and whether it includes the information stipulated in Article 56.[2], section 2, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Management Report has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia; and
- the Statement of Corporate Governance, available on the Company's website https://www.ast.lv/en/content/model-corporate-governance as at the date of this audit report, includes the information in accordance with Article 56.[1], section 1, clauses 3, 4, 6, 8 and 9, as well as Article 56.[2], section 2, clause 5 of the Financial Instruments Market Law and whether it includes the information stipulated in Article 56.[2], section 2, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Furthermore, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Non-financial Statement, our responsibility is to report whether the Group has prepared the Non-financial Statement and whether the Non-financial Statement is included in the Management Report or prepared as a separate element of the Annual Report.

We hereby report that the Group has prepared a Non-financial Statement, and it is included in the Management Report.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report or other information identified above that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement by the Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements for the year ended 31 December 2021 (the "Presentation of the consolidated financial statements").

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Description of a subject matter and applicable criteria

The Presentation of the consolidated financial statements has been applied by the Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the consolidated financial statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Board and those charged with governance

The Board of the Company is responsible for the Presentation of the consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the consolidated financial statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (R) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000(R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the consolidated financial statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000(R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control 1 (IAASB) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the consolidated financial statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the consolidated financial statements complies, in all material respects, with the ESEF Regulation.

Appointment

We were appointed as auditors of the Company and the Group for the audit of the financial statements for the year ended 31 December 2021 by resolution of general meeting of shareholders dated 28 May 2021. This is our first year of the appointment.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa

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

Riga, Latvia
27 April 2022

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

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