



CONSOLIDATED AND UNAUDITED
INTERIM ABRIDGED

FINANCIAL STATEMENTS

OF JSC AUGSTPRIEGUMA TĪKLS FOR
THE 6 MONTH PERIOD, ENDING ON
30 JUNE 2020

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

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Information about the Company

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

Management Report

Type and character of activity

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

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

Pursuant to the above-mentioned decisions of the Cabinet of Ministers, by the decision of the meeting of shareholders of JSC "Augstsprieguma tīkls" of 15 May 2020, the shares of JSC "Latvijas elektriskie tīkli" (100%) were invested.

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

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

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

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

Electricity transmission segment

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

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

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

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



Provision of electricity transmission system services



Maintaining and developing the electricity market



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

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

Management and lease of transmission assets segment

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

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

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

Transmission and storage of natural gas

Following the decisions of the Cabinet of Ministers of 5 December and 19 December 2017, in 2017 the Company acquired 34.36% shares of the Latvian natural gas transmission and storage system operator JSC "Conexus Baltic Grid".

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

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

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

Quality Management System and Values

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

The implemented Integrated Management System ensures the efficient operation of the Company, observing internationally accepted operating mechanisms regarding quality, energy management, environment protection,

occupational and occupational health management, ensuring correct compliance with regulatory requirements, promoting awareness of the Company's business context, taking into account the view of the Company's risks and processes.

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

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

Description of the business environment

Electricity transmission

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

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

The obligations imposed on the Transmission system operator were fulfilled through the following transmission networks, 31 December 2019:

Highest voltage (kV)	Number of substations (pcs)	Number of autotransformers and transformers (pcs)	Installed power (MVA)	Overhead cable and cable EPL (km)
330 kV	17	27	4 075	1,552.99
110 kV	123	248	5 264	3,870.91.
Total	140	275	9 339	5,423.90

2,926 GWh were transmitted to users within 6 months of 2020, which is 3% less than in the corresponding period of 2019 (3,009 GWh). The reduction in electricity transmitted to users is mainly due to warm weather conditions. The impact of the reduction in the amount of electricity transmitted to consumers on the revenues from the provision of transmission services is insignificant.

Maintaining and developing the electricity market

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

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

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

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

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

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

Rental of transmission assets

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

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

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

Financial performance and financial risk management

During the reporting period, revenues of *Augstsprieguma tīkls* Group were EUR 72,847 thousand, profit - EUR 11,819 thousand. Considering the fact that the shares of JSC "Latvijas elektriskie tīkli" were invested on 15 June 2020, this is the Group's first unaudited interim financial report. The consolidated financial statements of the Group include the financial results of the subsidiary JSC "Latvijas elektriskie tīkli" from 1 June 2020 to 30 June 2020.

Electricity transmission segment

During 6 months of 2020 the revenues of JSC "Augstsprieguma tīkls" was EUR 80,156 thousand, including the revenue from electricity transmission network services of EUR 36,301 thousand, which constitute 45% of the Company's revenue. A significant share (45%) of the total revenue of the Company during the reporting period was generated by revenue from the reconstruction of the transmission assets and construction works of the subsidiary JSC "Latvijas elektriskais tīkls". The Profit of the Company in the reporting period was EUR 7,494.

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

The Company's profitability from the provision of electricity transmission services during 6 months of 2020 is appropriate to the one set in the Electricity transmission system services tariff methodology.

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

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

Lease of transmission assets segment

In June 2020, the segment's revenue amounted to EUR 3,444 and mainly consists of the revenue received from the parent company JSC "Augstsprieguma tīkls" for the lease of transmission assets. The profit of JSC "Latvijas elektriskie tīkli" in June 2020 is EUR 739 thousand.

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

Financial risk management

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

The Company's economic activities are exposed to several financial risks such as turnover, cost and cash flow risks.

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

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

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

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

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

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

Corporate and Social Responsibility

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

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

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

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

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

Electricity transmission system services tariff

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

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

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

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

Further development

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

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

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

Development of the electricity transmission system

With decision of the PUC Council No. 149 of 19 September 2019, "On the Electricity transmission system development plan", the Company's electricity transmission system development plan for the period from 2020 to 2029 (hereinafter – Development plan) was approved.

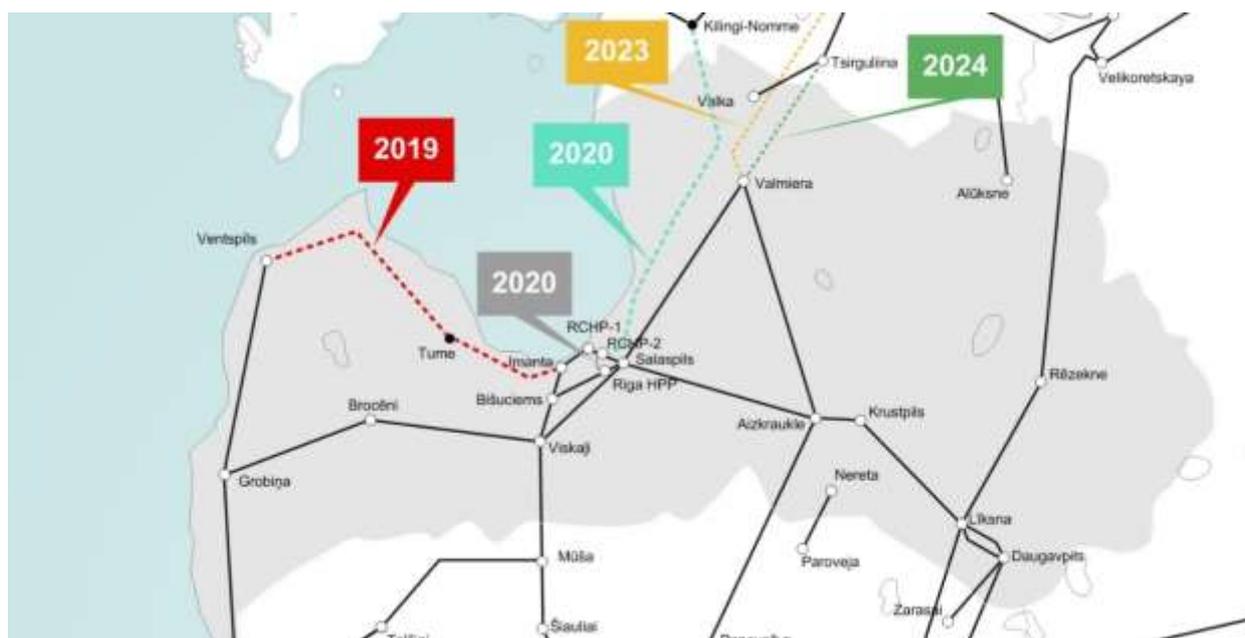
The Development Plan determines the development of the transmission system and the necessary financial investments in the transmission infrastructure for the next ten years, defining the investment of EUR 413 million for the development of the electricity transmission system.

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

The most important development measures in the coming years:

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

Development projects included in the European ten year development plan.



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

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

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

○ Latvia – Estonia third interconnection

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

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

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

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

In 2020 the construction of the line “Riga TPP2 - Riga HPP”, as well as the reconstruction of 330 kV switchgear of substation “Riga HPP” and extension of 330 kV switchgear of substation “Riga TPP-2” were implemented. All the construction works of the project are planned to be completed by the end of 2020.

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

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

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

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

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

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

Electricity transmission system sustainability projects

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

Access of third parties to the electricity transmission network

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

System management and electricity market development

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

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

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

On 19 September 2018, the TSOs of the Baltic countries submitted an application to the TSOs of Poland to join the synchronous area of continental Europe, and on 21 September 2018, the Polish TSO submitted an application to the continental Europe regional group of ENTSO-E on the extension of the synchronous area to the electricity systems of the Baltic countries.

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

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

Occurrences and events after the end of the reporting period

When executing the decisions of the Cabinet of Ministers of the Republic of Latvia of 8 October 2019 and 17 December 2019, by the decision of the Shareholders' Meeting of JSC “Augstsprieguma tīkls” of 18 August 2020, it

was decided to reorganise JSC “Augstsprieguma tīkls” by merging it with the acquiring company JSC “Latvijas elektriskie tīkli” (the company to be merged), as well as the reorganisation agreement of JSC “Augstsprieguma tīkls” and JSC “Latvijas elektriskie tīkli” has been approved. According to the decision of the Cabinet of Ministers of 17 December 2019, the reorganisation is planned to be implemented by 31 December 2020.

When executing the protocol decision of the Cabinet of Ministers of the Republic of Latvia of 26 May 2020 (Protocol No. 36, Paragraph 38) “Regarding the Use of the Pre-emption Right in the Transaction of Alienation of Shares of JSC “Conexus Baltic Grid””, JSC “Augstsprieguma tīkls” acquired 34.1% of shares of the Company of JSC “Conexus Baltic Grid” on 21 July 2020, and accordingly as of 21 July 2020 the Company owns 68.46% of shares of JSC “Conexus Baltic Grid” and has a decisive influence in the company.

After the end of the financial year, in March 2020, restrictions related to the spread of the coronavirus have entered into force in the Republic of Latvia and many other countries, which significantly reduces economic development in the country and in the world. It is not possible to predict how the situation will develop in the future, and therefore there is uncertainty about economic development. The Company’s management continuously evaluates the situation, and at the time of approval of the annual report the Company has not encountered significant disruptions in its business operations, no significant or potentially significant debt losses have been identified, and the Company continues to settle liabilities in a timely manner. However, this conclusion is based on the information available at the time of preparation of the document; as influencing circumstances change, the impact on the Company’s operations may differ from the current assessment.

Note on management responsibility

Based on the information being at the disposal of the Board of JSC “Augstsprieguma tīkls”, the unaudited interim abridged financial statements of the *Augstsprieguma tīkls* Group and JSC “Augstsprieguma tīkls” for the 6-month period, which ended on 30 June 2020, provide a true and fair view in all material aspects about the assets, liabilities, financial status and profit or loss of the *Augstsprieguma tīkls* Group.

Varis Boks
Chairman of the Board

Arnis Staltmanis
Member of the Board

Imants Zviedris
Member of the Board

Gatis Junghāns
Member of the Board

Mārcis Kauliņš
Member of the Board

Māra Grava
Head of the Finance and
Accounting Department

Rīga, 19 August 2020

Profit or Loss Statement

		Group	JSC "Augstsprieguma tīkls"		
		6 months of 2020 EUR	6 months of 2020 EUR	6 months of 2020 EUR	6 months of 2019 EUR
Income	3	72 846 917	80 155 575	88 116 408	184 742 077
Other income from business activities	4	161 363	150 025	53 919	251 390
Used raw materials and materials, repair costs	5	(2 065 918)	(9 663 254)	(13 600 882)	(28 640 577)
Staff costs	6	(8 256 895)	(8 242 613)	(8 223 588)	(16 230 471)
Depreciation and amortisation		(18 952 204)	(19 572 540)	(18 691 487)	(36 002 386)
Other business costs	7	(40 715 169)	(40 733 195)	(46 688 711)	(99 607 516)
Income from participation		5 604 642	5 604 642	4 193 864	4 193 864
Financial income	8(a)	54 187	54 187	28 066	44 224
Finance costs	8(b)	(444 006)	(258 772)	(1 013 280)	(1 683 631)
Consolidation difference		3 586 293			
Profit before taxes		11 819 210	7 494 055	4 174 309	7 066 974
Corporate income tax		-	-	-	-
Profit for the reporting year		11 819 210	7 494 055	4 174 309	7 066 974

Annexes from page 20 to 46 are an integral part of these financial statements.

Varis Boks
 Chairman of the Board

Arnis Staltmanis
 Member of the Board

Imants Zviedris
 Member of the Board

Gatis Junghāns
 Member of the Board

Mārcis Kauliņš
 Member of the Board

Māra Grava
 Head of the Finance and
 Accounting Department

Riga, 19 August 2020

Statement of Financial Position on 30 June 2020

	Annex	Group	JSC "Augstsprieguma tīkls"	
		30.06.2020	30.06.2020	31.12.2019
		EUR	EUR	EUR
ASSETS				
Long-term investments				
Intangible investments	9	1 220 618	50 369 753	50 413 419
Fixed assets	9	637 409 632	5 383 466	5 491 202
Right to use assets		14 585 256	18 408 307	35 920 323
Other long-term financial investments	10	1 422	1 422	1 902 887
Investment in associated companies		57 394 971	57 394 971	57 394 971
Investment into subsidiary		-	222 678 000	-
Total long-term investments		710 611 899	354 235 919	151 122 802
Current assets				
Stock	11	527 752	488 215	480 112
Accounts receivable				
Net Trade receivables	12	8 103 354	671 571	7 966 220
Deposits	13	-	-	20 000 000
Other loans		-	138 560 000	-
Other debtors	13	33 930 209	81 207	22 722
Corporate income tax	13	11 512	11 512	11 512
Deferred expenses		734 368	721 753	337 584
Accrued revenue	14	17 004 796	17 004 796	13 777 092
Total accounts receivable		59 784 239	157 050 839	42 115 130
Cash		126 980 000	122 094 513	28 216 327
Total current assets		187 291 991	279 633 567	70 811 569
SUM TOTAL OF ASSETS		897 903 890	633 869 486	221 934 371

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 Chairman of the Board

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 Head of the Finance and
 Accounting Department

Riga, 19 August 2020

Statement of Financial Position on 30 June 2020 (continued)

	Annex	Group 30.06.2020 EUR	JSC "Augstsprieguma tīkls"	
			30.06.2020 EUR	31.12.2019 EUR
LIABILITIES				
Equity				
Share capital	15	363 896 079	363 896 079	64 218 079
Reserves		4 233 823	4 001 674	2 786 621
Retained earnings/(accumulated losses)		(200 430)	-	(4 115 963)
Profit/(loss) for the reporting year		11 819 210	7 494 055	7 066 974
Total equity		379 748 682	375 391 808	69 955 711
Long-term creditors				
Employee benefit obligations		2 844 095	2 804 833	2 966 213
Lease liabilities		14 090 278	-	-
Loans		164 138 874	77 466 667	-
Deferred revenue		261 153 369	90 247 629	89 963 992
Total long-term creditors	16	442 226 616	170 519 129	92 930 205
Short-term accounts payable				
Loans		38 733 333	38 733 333	-
Lease liabilities		652 385	18 440 025	37 475 766
Deferred revenue	17	10 650 119	5 163 686	4 946 387
Trade payables		6 727 943	14 187 977	6 099 120
Taxes and Mandatory State Social Insurance Contributions	20	1 624 268	1 617 936	864 001
Advance payments received from customers	18	-	-	82 723
Other creditors	18	2 963 140	2 955 117	3 218 170
Accrued liabilities	19	14 577 404	6 860 475	6 362 288
Total short-term accounts payable		75 928 592	87 958 549	59 048 455
SUM TOTAL OF LIABILITIES		897 903 890	633 869 486	221 934 371

Annexes from page 20 to 46 are an integral part of these financial statements.

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Member of the Board

Imants Zviedris
Member of the Board

Gatis Junghāns
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Mārcis Kauliņš
Member of the Board

Māra Grava
Head of the Finance and
Accounting Department

Riga, 19 August 2020

Statement on changes in equity

	Group		JSC "Augstsprieguma tīkls"		
		Share capital	Retained profit of the reporting period	Reserves	Total
	EUR	EUR	EUR	EUR	EUR
BALANCE ON 31 DECEMBER 2018	-	63 139 313	4 677 118	2 527 228	70 343 659
Dividends paid for 2018	-	-	(3 598 352)	-	(3 598 352)
Share capital increase	-	1 078 766	(1 078 766)	-	-
Retained earnings/(accumulated losses) IFRS16	-	-	(4 115 963)	-	(4 115 963)
Profit for the reporting year	-	-	7 066 974	-	7 066 974
Other income/(loss) for the reporting year	-	-	-	259 393	259 393
BALANCE ON 31 DECEMBER 2018	69 955 711	64 218 079	2 951 011	2 786 621	69 955 711
Dividends paid for 2019	(1 735 958)	-	(1 735 958)	-	(1 735 958)
Retained earnings/(accumulated losses) IFRS16	31 719	-	-	-	-
Share capital increase	299 678 000	299 678 000	-	-	299 678 000
Profit for the reporting period	11 819 210	-	7 494 055	-	7 494 055
Changes in reserves	-	-	(1 215 053)	1 215 053	-
BALANCE ON JUNE 2020	379 748 682	363 896 079	7 494 055	4 001 674	375 391 808

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Riga, 19 August 2020

Cash Flow Statement

	Annexes	Group	JSC "Augstsprieguma tīkls"	
		30.06.2020	30.06.2020	30.06.2019
		EUR	EUR	EUR
I CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxes		11 819 210	7 494 055	4 174 309
Adjustments				
a) depreciation, amortisation	9	18 960 493	18 024 477	12 759 426
b) changes in provisions		(161 380)	(161 380)	(61 569)
c) income from participation		(5 604 642)	(5 604 642)	(4 193 864)
d) interest costs, incl. for lease of the assets		429 866	149 300	3 931
e) interest income, income from exchange rate fluctuations	8(a)	(54 187)	(54 187)	(28 066)
Profit before corrections of the influence of changes in the balances of the current assets and short-term creditors		25 389 360	19 847 622	12 654 167
Adjustments				
a) decrease/(increase) in receivables and accrued income		4 244 906	23 514 629	(1 836 096)
b) decrease/(increase) in the balance of stock		12 434	(8 103)	(12 587)
c) (decrease)/increase of creditors, accrued liabilities		31 055 292	6 243 816	1 941 584
d) increase/(decrease) of loans		(19 608 955)	-	-
Gross cash flow of the principal activity		41 093 037	49 597 964	12 747 068
Interest payments		(76 270)	(76 270)	(3 931)
Recognised asset lease interest payments		(9 322)	-	678 313
Interest income from term deposits		-	-	28 066
Corporate income tax payments		(347 192)	(347 192)	(719 670)
NET CASH FLOW FROM OPERATING ACTIVITIES		40 660 253	49 174 502	12 729 846

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Riga, 19 August 2020

Cash flow statement (continued)

Annexes	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	30.06.2019
	EUR	EUR	EUR
II CASH FLOW FROM INVESTMENT ACTIVITY			
Acquisition and establishment of intangible investments and fixed assets	(9 437 117)	(844 316)	(56 368 290)
Income from the sale of fixed assets and intangible investments	105 703	105 703	(12 526 194)
Income from the sale of financial investments	1 729 071	1 729 071	-
Interest income from term deposits	54 187	54 187	-
Equity capital increase	77 000 000	77 000 000	-
Loan issued to a subsidiary	-	(138 560 000)	-
Dividends received from shares	5 604 642	5 604 642	4 193 864
Placed deposits, Net	-	-	30 000 000
NET CASH FLOW FROM INVESTMENT ACTIVITIES	75 056 486	(54 910 713)	(34 700 620)
III CASH FLOW FROM FINANCING ACTIVITY			
Received EU funding	3 959	3 959	96 575
Loans received/(repaid)	(44 013 136)	116 200 000	-
Received loans	40 744 264	-	-
Interest paid	(175 105)	-	-
Expenses from the sale of financial investments	172 394	172 394	-
Dividends paid	(1 388 765)	(1 388 765)	(3 598 352)
Asset lease payments	(12 296 677)	(15 373 191)	-
NET CASH FLOW FROM FINANCING ACTIVITY	(16 953 066)	99 614 397	(3 501 777)
NET CASH INCREASE/DECREASE)	99 027 767	93 878 186	(25 472 551)
Balance of cash at the beginning of the reporting period	28 216 327	28 216 327	56 636 900
Balance of cash at the end of the reporting period	127 112 047	122 094 513	31 164 349

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Riga, 19 August 2020

Annexes of financial statements

1. GENERAL INFORMATION ABOUT THE GROUP AND THE PARENT COMPANY

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

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

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

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

The financial statements were approved by the Board of the Company on 19 August 2020 composed of: Varis Boks (Chairman of the Board), Imants Zviedris (Member of the Board), Arnis Staltmanis (Member of the Board), Mārcis Kauliņš (Member of the Board), Gatis Junghāns (Member of the Board).

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

2. SIGNIFICANT ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

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

current events and activities available to the Company's management, actual results may differ from those estimates.

Consolidation

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

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

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

During the current reporting period, the following standards issued by the International Accounting Standards Board (IASB) and the new standards adopted by the EU, as well as amendments to the existing standards and new guidance on the interpretation are in force:

- IFRS 16 "Leases", adopted in the EU on 31 October 2017 (effective for reporting periods beginning on 1 January 2019 or later)

In the reporting year the Company applied IFRS 16 (issued by the IASB in January 2016), effective for reporting periods beginning on 1 January 2019 or later. IFRS 16 introduces new or amended requirements for lease accounting. It introduces significant changes to lessees' accounting by removing the distinction between operating and finance lease and demanding to recognise the right to use assets and lease liabilities for all lease contracts, except for short-term lease and lease of low-value assets. As opposed to requirements for lessees, the requirements for lessors' accounting have largely remained unchanged.

The Company applies IFRS 16 for the reporting year beginning on 1 January 2019. The Company chose to use the modified retrospective approach, which means that:

- comparable information is not being corrected;
- the cumulative effect of the initial application is recognised as retained earnings (or other equity components, as appropriate) at the date of initial application of the adjustment to the opening balance.

(a) The impact of the new definition of a lease

The Company has used the available practical relief by transitioning to IFRS 16 to avoid reassessing whether the contract is a lease contract or contains a lease. Accordingly, the definition of a lease corresponding with IAS 17 and IFRIC 4 is still going to be applied to contracts entered into or modified before 1 January 2019. The changes to the definition of lease were mainly related to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for compensation. It contrasts with "risks and rewards" in IAS 17 and IFRIC 4. The Company applies the definition of lease and instructions set out in IFRS 16 for all lease contracts concluded or amended starting from 1 January 2019. Based on the Company's assessment, the new definition in IFRS 16 will not significantly change the scope of contracts that correspond to the Company's definition of a lease.

(b) The impact on lessees' accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases in accordance with IAS 17 and which were not included in the balance sheet. By applying IFRS 16 to all lease contracts (except for as specified below), the Company:

- recognises lease assets and lease liabilities in the balance sheet, initially measured at the present value of unavoidable future lease payments;

- recognises the depreciation of lease assets and interest on lease liabilities in the profit or loss statement over the lease term;
- Cash flow statement separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities).

Lease discounts (for example, a free lease period) are recognised as part of right-of-use asset and lease liabilities, which in accordance with IAS 17 result in lease discounts and are amortised as a reduction of lease expenses by applying the straight-line method. In accordance with IFRS 16, right-of-use assets are evaluated regarding their impairment in accordance with IAS 36. Regarding short-term leases (the lease term is 12 months or less) and lease of low-value assets (including lease of tablets and personal computers, as well as small office furniture and phone accessories), the Company has chosen to recognise lease costs on a straight-line basis. These costs are represented as “Other costs of business activity” in the profit or loss statement.

The Company has used the following practical reliefs by applying a modified retrospective approach to lease contracts previously classified as operating leases, applying IAS 36.

- The Company has chosen not to recognise right-of-use assets and lease liabilities for lease contracts expiring within 12 months from the date of their initial application;
- The Company has excluded initial direct costs from right-of-use asset evaluation at the date of initial application.

(c) IFRS 16 of the initial application of IFRS 16

See note 2.5 for additional information on the impact of the implementation of IFRS 16.

- 9. IFRS “Financial Instruments” – Early repayment elements with negative compensation – adopted by the EU on 22 March 2018 (effective for reporting periods starting on 1 January 2019 or later);
- Amendments to IAS 19 “Employee Benefits” – plan amendments, curtailment, or settlement – adopted by the EU on 13 March 2019 (effective for reporting periods starting on 1 January 2019 or later);
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” - long-term participation in associates and joint ventures - accepted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to several standard Improvements to International Financial Reporting Standards (Cycle 2015-2017). Amendments to various standards are a result of the Annual Improvements to IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), which are mainly related to the elimination of inconsistencies and clarification of wording – adopted by the EU on 14 March 2019 (effective for reporting periods starting on 1 January 2019 or later);
- 23. IFRIC “Uncertainty over Income Tax Treatments” – adopted by the EU on 23 October 2018 (effective for reporting periods starting on 1 January 2019 or later);

Except for the adoption of IFRS 16, the implementation of those new standards, amendments to existing standards, and respective guidance on the interpretation have no significant impact on the Company’s financial statements.

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of approval of the financial statements the following new standards, amendments to existing standards, and guidance on the interpretation issued by the IASB but not yet effective, exist:

- Amendments to IAS 1 “Financial reporting” and IAS 8 “Accounting Policies, Changes in Accounting Estimates, and Errors” – definition of “material” (effective for reporting periods starting on 1 January 2020 or later);
- Amendments to references to the conceptual guidance in IFRS standards (effective for reporting periods starting on 1 January 2020 or later).

The Company decided not to introduce new standards, amendments to existing standards, and guidance on interpretation before their effective date. The Company expects that the adoption of those standards, as well as the amendments to existing standards, has no material impact on the Company's financial statements in the period of initial application.

New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU

At the moment, the IFRS adopted by the EU do not differ significantly from those adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments of existing standards, and guidance on the interpretation not yet endorsed by the EU as of 31 December 2019 (effective dates refer to IFRSs issued by the IASB):

- IFRS 14 "Regulatory Deferral Accounts" (effective for reporting periods beginning on 1 January 2016 or later) – the European Commission has decided not to initiate the application for the interim standard, instead opting to await the final version of the standard.
- IFRS 17 "Insurance Contracts" (effective for reporting periods beginning on 1 January 2021 or later).
- Amendments to IFRS 3 "Business Combinations" – definition of a business (effective for business combinations in which the business has been acquired during the first reporting period starting on 1 January 2020 or later, as well as for asset acquisition made at the beginning of this period or later).
- Amendments to IFRS 9 "Financial instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – interest rate benchmark reform (effective for reporting periods starting on 1 January 2020 or later);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – asset sales or investment transaction between the investor and its associate or joint venture and further amendments (entry into force pending indefinitely until the completion of the research project on the equity method).

The Company expects that the adoption of the new standards, as well as the amendments to existing standards, has no material impact on the Company's financial statement in the period of initial application.

2.1. Financial instruments

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

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

Financial assets

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

Classification of financial assets

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

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

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

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

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

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

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

Equity instruments, at fair value with other comprehensive income

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

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

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

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

Impairment of financial assets

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

Derecognition of financial assets

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

Financial liabilities

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

Financial liabilities with evaluation at amortised cost

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

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

Derecognition of financial liabilities

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

2.2. Transactions in foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.3. Intangible investments and fixed assets

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

JSC "Augstsprieguma tīkls" implements transmission system congestion and overload management in accordance with Article 13, Section 4 and Article 13¹, Section 6 of the Electricity Market Law, and receives a fee for a cross-section restricted capacity auction in accordance with the mutual compensation mechanism and concluded contracts of the transmission system operators. The use of the received congestion charge is regulated by the European Commission and Council of Europe Regulation No. 714/2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No. 1228/2003 (hereinafter – the Regulation). Considering the provisions of the Regulation, revenues received from congestion management which are not used to eliminate overload and congestion in the transmission network are reflected in the balance sheet as deferred income. Once this income has been used to finance a specific long-term investment project, transmission right-of-use assets are recognised as part of intangible investments and, along with deferred income, are amortised through the progressive recognition of that income and amortisation in the income statement for the current financial year in accordance with the amortisation period of the long-term investment created.

Intangible investments and fixed assets are presented according to their acquisition value, minus any wear and depreciation accrued. The acquisition value includes expenses that are directly related to the acquisition of the intangible investment or fixed asset. Depreciation of fixed assets is calculated using the straight-line method over

the useful life of the asset, to allocate the acquisition cost to its estimated residual value at the end of the useful life period. For other fixed assets and equipment (means of communication and equipment, office supplies and equipment) it shall not exceed two to five years.

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

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

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

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

2.4. Long-term financial investments

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

Investments in associates

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

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

Other long-term financial investments

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

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

2.5. Lease

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

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

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

The Company as the lessee

When concluding a contract, the Company assesses whether the contract is a lease or includes a lease. The Company recognises the right-of-use asset and the corresponding lease liabilities in respect to all lease contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Group	JSC "Augstsprieguma tīkls"
	EUR	EUR
Right-of-use assets		
Residual value on 01.01.2019.		-
Initial recognition value on 01.01.2019.		214 885 303
Recognised changes in lease contracts		(143 133 079)
Depreciation recognised in the income statement		(35 831 901)
Residual value 31.12.2019		35 920 323
Depreciation recognised during the reporting period		(18 408 306)
Changes in lease value		896 290
Residual value on 30.06.2020.	14 585 256	18 408 307

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

	Group	JSC "Augstsprieguma tīkls"
	EUR	EUR
Lease liabilities		
Operating lease liabilities on 31.12.2018 in accordance with IAS 17		225 471 486
Discounted value using the original interest rate at the initial date of implementation.		(6 470 220)
Initial recognition value on 01.01.2019,		219 001 266
Recognised changes in lease contracts		(145 629 214)
Decrease in lease liabilities		(37 578 581)
Recognised interest liabilities		1 682 295
Residual value on 31.12.2019, including:		37 475 766
Long-term lease liabilities		-
Short-term lease liabilities		37 475 766
Decrease in lease liabilities in the reporting period		(18 449 616)
Recognised interest liabilities during the reporting period		73 030
Changes in lease value		(659 155)
Residual value on 30.06.2020, including:	14 742 663	18 440 025
Long-term lease liabilities	14 090 278	-
Short-term lease liabilities	652 385	18 440 025

2.6. Stock

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

Purchase costs of inventories include the purchase price, import duties and other taxes and fees, transportation and associated costs, as well as other costs directly related to the delivery of materials and goods. Trade discounts, rebates and similar discounts are deducted in determining the value of inventories.

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

2.7. Deferred revenue

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

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

2.8. Pensions, post-employment benefits

(a) Pension liabilities

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

(b) Post-employment benefit liabilities

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

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

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

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

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

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

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

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

2.9 Corporate income tax

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

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

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

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

2.10. Provisions

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

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

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

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

2.11. Revenue recognition

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

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

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

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

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

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

(a) Electricity transmission system services

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

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

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

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

(b) Congestion and overload management

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

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

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

Considering the provisions of the Regulation, revenues received from congestion management which are not used to eliminate overload and congestion in the transmission network are reflected in the balance sheet as deferred income. Once this income has been used to finance a specific long-term investment project, deferred

income is amortised through the progressive recognition of that income in the income statement for the current financial year in accordance with the amortisation/depreciation period of the long-term investment created.

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

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

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

(c) Mandatory procurement component income

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

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

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

(d) Income from electricity/capacity sales

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

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

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

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

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

(e) New construction and renovation of transmission assets

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

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

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

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

2.12. Recognition of costs

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

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

2.13. Long-term and short-term liabilities

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

2.14. Related parties

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

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

3. REVENUE

	Group	JSC "Augstsprieguma tīkls"	
	6 months of 2020	6 months of 2020	6 months of 2020
	EUR	EUR	EUR
Electricity transmission services:			
Transmission network service	36 301 375	36 301 375	36 425 267
Transmission asset reconstruction and renovation works*	28 440 491	36 084 258	37 973 298
Sale of balancing electricity	5 931 926	5 931 926	7 705 953
Electricity transit service	650 962	650 962	1 885 000
Revenue from reactive electricity	262 204	262 204	343 243
Sale of regulatory electricity	192 963	192 963	531 505
Sale of electricity in the market of Elba	-		1 996
Congestion management at borders (auction)	-		989 889
Total	43 339 430	43 339 430	47 882 853
Liquidation of electrical capacity overload	100 331	100 331	1 542 411
Other services	966 665	631 556	717 846
TOTAL INCOME	72 846 917	80 155 575	88 116 408

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

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

** In accordance with the Company's accounting policy, the congestion management income is reflected in the income statement according to the amount of costs related to the prevention of congestion in the transmission.

4. OTHER INCOME FROM BUSINESS ACTIVITIES

	Group		JSC "Augstsprieguma tīkls"	
	6 months of 2020	6 months of 2020	6 months of 2020	6 months of 2019
	EUR	EUR	EUR	EUR
Sale of current assets and fixed assets	123 357	123 357	123 357	3 611
Other penalties received	22 557	22 557	22 557	50 308
EU financial support	3 959	3 959	3 959	-
Received gifts and compensation for damages	152	152	152	-
Other services	11 338	-	-	-
TOTAL OTHER INCOME FROM BUSINESS ACTIVITIES	161 363	150 025	150 025	53 919

5. USED RAW MATERIALS AND MATERIALS, REPAIR COSTS

	Group		JSC "Augstsprieguma tīkls"	
	6 months of 2020	6 months of 2020	6 months of 2020	6 months of 2020
	EUR	EUR	EUR	EUR
Purchase of balancing electricity	4 366 415	4 366 415	4 366 415	5 215 222
Transmission electricity losses and technological consumption	2 717 282	2 717 282	2 717 282	4 218 483
Purchase of regulatory electricity	1 549 953	1 549 953	1 549 953	2 433 926
Electricity transit losses	536 223	536 223	536 223	1 206 506
Electricity for own consumption	114 346	114 346	114 346	164 480
Costs of materials used and repairs	(7 218 301)	379 035	379 035	362 265
TOTAL USED RAW MATERIALS AND MATERIALS, REPAIR COSTS	2 065 918	9 663 254	9 663 254	13 600 882

6. PERSONAL COSTS

	Group		JSC "Augstsprieguma tīkls"	
	6 months of 2020	6 months of 2020	6 months of 2020	6 months of 2020
	EUR	EUR	EUR	EUR
Remuneration for work	6 349 482	6 338 194	6 338 194	6 365 248
State social insurance contributions and benefits determined by the collective agreement	1 607 299	1 604 579	1 604 579	1 575 068
Contributions to the pension plan	300 114	299 840	299 840	283 272
TOTAL STAFF COSTS (INCLUDING REMUNERATION TO THE MANAGEMENT OF THE COMPANY)	8 256 895	8 242 613	8 242 613	8 223 588

7. OTHER COSTS OF BUSINESS ACTIVITY

	Group	JSC "Augstsprieguma tīkls"	
	6 months of 2020	6 months of 2020	6 months of 2020
	EUR	EUR	EUR
Transmission asset reconstruction and renovation works	36 057 747	36 057 747	37 963 379
Electricity capacity reserve maintenance costs	2 108 445	2 108 445	2 605 140
Telecommunication provision services	1 457 668	1 457 668	1 460 164
Premises and territory maintenance costs	463 073	463 073	453 669
IT system maintenance costs	391 755	391 755	288 540
Transportation costs	351 352	351 352	501 096
Local taxes and fees	74 158	74 158	92 783
Nature and labour protection costs	48 492	48 492	40 688
Liquidation of electrical capacity overload	27 731	27 731	1 761 729
Various business costs	(265 252)	(247 226)	1 521 523
TOTAL OTHER COSTS OF BUSINESS ACTIVITY	40 715 169	40 733 195	46 688 711

8. NET FINANCIAL INCOME/(COSTS)

	Group	JSC "Augstsprieguma tīkls"	
	6 months of 2020	6 months of 2020	6 months of 2020
	EUR	EUR	EUR
a) Financial income			
Interest income from credit institutions	54 187	54 187	28 066
Total financial income	54 187	54 187	28 066
b) Financial costs			
Interest costs	(433 898)	(248 664)	(1 009 349)
Targeted grants	2 295	2 295	(3 442)
Net expenses/income from foreign exchange rate fluctuations	(12 403)	(12 403)	(489)
Total financial expenses	(444 006)	(258 772)	(1 013 280)
NET FINANCIAL INCOME/(COSTS)	(389 819)	(204 585)	(985 214)

9. INTANGIBLE INVESTMENTS, FIXED ASSETS

9.1. Intangible investments

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020 EUR	30.06.2020 EUR	31.12.2019 EUR
Residual value at the beginning of the reporting period	1 264 331	50 413 419	4 650 393
Purchased	90 139	90 139	334 232
Right-of-use transmission assets	-	-	11 493 000
Creation of intangible investments	246 521	246 521	229 533
Advance payment for right-of-use	-	-	33 909 709
Calculated amortisation	(93 047)	(93 000)	(190 353)
Depreciation of right-of-use transmission assets	(287 326)	(287 326)	(13 095)
Residual value at the end of the reporting period	1 220 618	50 369 753	50 413 419

9.2. Fixed assets

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020 EUR	30.06.2020 EUR	31.12.2019 EUR
Residual value at the beginning of the reporting period	632 305 588	5 491 202	4 318 933
Purchased	350 165	350 165	1 600 675
Written off	(169 881)	(169 881)	(90 815)
Establishment of fixed assets	333 388	333 388	1 000 165
Estimated depreciation	(3 006 964)	(621 408)	(1 337 756)
Residual value at the end of the reporting period	637 409 632	5 383 466	5 491 202

10. OTHER LONG-TERM FINANCIAL INVESTMENTS

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020 EUR	30.06.2020 EUR	31.12.2019 EUR
Share in the capital of associated companies and subsidiaries, including:	57 394 971	280 072 971	57 394 971
JSC "Latvijas elektriskie tīkli"	-	222 678 000	-
JSC "Conexus Baltic Grid"	57 394 971	57 394 971	57 394 971
Ownership in the capital of other companies, including:	1 422	1 422	1 902 887
JSC "Nord Pool Holding"***	-	-	1 901 465
JSC "Pirmais slēgtais pensiju fonds"	1 422	1 422	1 422
Residual value at the end of the reporting period	57 396 393	280 074 393	59 297 858

Name of the Company	Location	Type of business activity	Shares (percentage)
JSC "Latvijas elektriskie tīkli"	Latvia	Transmission asset management and lease	100.0%
JSC "Conexus Baltic Grid"	Latvia	Natural gas transmission and storage operator in Latvia	34.36%
JSC "Pirmais slēgtais pensiju fonds"	Latvia	Management of pension plans	1.9%

*Following the decisions of the Cabinet of Ministers of 5 December and 19 December 2017, in 2017 the Company acquired 34.36% shares of the Latvian natural gas transmission and storage system operator JSC "Conexus Baltic Grid".

** By the order of the Cabinet of Ministers of 17 December 2019, the Company was granted permission to terminate participation in JSC "Nord Pool Holding" and to establish a joint venture for the management of JSC "Nord Pool Holding", acquiring a 2% share in it. The Cabinet of Ministers took note of the information included in the annotation of the order that after the implementation of the transaction with the investor, the Company will dispose of its shares in the joint venture, thus terminating its participation in the group.

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

11. STOCK

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	31.12.2019
	EUR	EUR	EUR
STOCK			
Materials and spare parts	527 752	488 215	480 112
TOTAL INVENTORIES	527 752	488 215	480 112

12. NET TRADE RECEIVABLES

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020 EUR	30.06.2020 EUR	31.12.2019 EUR
Accounts receivable			
Electricity transmission system service debt	581 100	581 100	747 506
Other trade receivables	7 531 969	100 186	7 249 868
Total debtors	8 113 069	681 286	7 997 374
For electricity transmission system service debt	(2 892)	(2 892)	(24 234)
For other trade receivables	(6 823)	(6 823)	(6 920)
Total provisions for doubtful and hopeless debts	(9 715)	(9 715)	(31 154)
Net accounts receivable			
Electricity transmission system service debt	578 208	578 208	723 272
Other trade receivables	7 525 146	93 363	7 242 948
NET TRADE RECEIVABLES	8 103 354	671 571	7 966 220

13. OTHER DEBTORS

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020 EUR	30.06.2020 EUR	31.12.2019 EUR
Deposits	-	-	20 000 000
Overpaid taxes, including:	11 512	11 512	11 512
Corporate income tax	11 512	11 512	11 512
Advance payments for connections	26 157	26 157	-
The rest of the receivables	33 904 052	55 050	22 722
TOTAL OTHER DEBTORS	33 941 721	92 719	20 034 234

14. ACCRUED INCOME

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	31.12.2019
	EUR	EUR	EUR
Provisions for revenue from provided services			
For transmission asset reconstruction and renovation works	7 406 350	7 406 350	3 828 182
For transmission system service revenue	5 906 922	5 906 922	6 247 801
For the sale of balancing electricity	1 966 064	1 966 064	850 470
For mandatory purchase component revenue	469 618	469 618	379 458
For revenue from the sale of regulatory electricity	115 153	115 153	34 343
For revenue from reactive electricity	69 126	69 126	41 287
For building maintenance service revenue	39 779	39 779	41 142
Provisions for loss compensation in transformers	14 967	14 967	16 610
For balancing administration service revenue	3 201	3 201	3 557
For revenue from other services	81 576	81 576	9 947
Total provisions for revenue from provided services	16 072 756	16 072 756	11 452 797
Electricity transit service revenue (ITC)	902 286	902 286	858 728
Various accrued revenue	29 754	29 754	1 465 567
TOTAL ACCRUED REVENUE	17 004 796	17 004 796	13 777 092

15. EQUITY

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

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

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

In 2016 - EUR 155 345;

In 2017 - EUR 299 511;

In 2018 - EUR 247 395;

In 2019 - EUR 3 598 352;

In 2020 - EUR 1 735 958.

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

16.

LONG-TERM CREDITORS

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	31.12.2019
	EUR	EUR	EUR
Employee benefit obligations	2 844 095	2 804 833	2 966 213
Long-term share of congestion management revenue received*	90 247 629	90 247 629	89 963 992
Loans from credit institutions	77 466 667	77 466 667	-
Loans	86 672 207	-	-
Deferred revenue	170 905 740	-	-
Long-term lease liabilities	14 090 278	-	-
Total long-term creditors	442 226 616	170 519 129	92 930 205

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

17. SHORT-TERM DEFERRED INCOME

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	31.12.2019
	EUR	EUR	EUR
Congestion charge income	4 993 809	4 993 809	4 776 510
EU financing received	2 490 712	169 877	169 877
Other short-term income, incl. NPI	3 165 598	-	-
TOTAL deferred income	10 650 119	5 163 686	4 946 387

18. ADVANCE PAYMENTS AND OTHER CREDITORS

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	31.12.2019
	EUR	EUR	EUR
Connection fee advances received *	-	-	82 723
Advance payment for right-of-use	-	-	-
Settlements with employees	594 999	587 251	619 356
Other creditors	2 368 141	2 367 866	2 598 814
ADVANCE PAYMENTS AND OTHER CREDITORS	2 963 140	2 955 117	3 300 893

19. ACCRUED LIABILITIES

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020 EUR	30.06.2020 EUR	31.12.2019 EUR
Accrued liabilities for expenses for services received			
Short-term rights to use an asset	3 067 488	3 067 488	3 131 548
Unfinished construction	7 597 336	-	-
Purchase of regulatory electricity	570 905	570 905	47 437
Mandatory procurement component	469 618	469 618	379 458
Transmission asset reconstruction and renovation works	410 773	410 773	130 776
Electricity capacity reserve maintenance costs	401 838	401 838	345 960
Purchase of balancing electricity	292 089	292 089	778 154
Expenses for telecommunications	248 212	248 046	248 305
Use of synchronous compensators	32 248	32 248	76 365
Repairs of power transmission poles	27 925	27 925	-
Information Technology Services	21 092	19 355	21 679
Annual report, accounting audit expenses	11 456	-	16 100
Electricity for own consumption	8 664	8 249	16 770
Provisions for other services	171 836	78 528	102 427
Total accrued liabilities for expenses for services received	13 331 480	5 627 062	5 294 979
Accrued cost of unused holidays	838 871	838 871	657 646
Accrued bonus costs for previous year's results	350 932	342 928	342 928
Accrued benefit costs and pension plan contributions	30 204	25 697	40 818
Accrued liabilities to compensate the transit losses	25 917	25 917	25 917
ACCRUED LIABILITIES	14 577 404	6 860 475	6 362 288

20. TAXES AND MANDATORY STATE SOCIAL INSURANCE CONTRIBUTIONS

	Group	JSC "Augstsprieguma tīkls"			
	30.06.2020	31.12.2019	Calculated	Paid	30.06.2020
	EUR	EUR	EUR	EUR	EUR
Corporate income tax	11 512	11 512			11 512
Value added tax	(796 908)	(187 421)	(2 751 445)	2 141 958	(796 908)
Mandatory State social insurance contributions	(473 086)	(442 746)	(2 264 482)	2 238 103	(469 125)
Personal income tax	(232 752)	(233 321)	(1 119 313)	1 122 180	(230 454)
Entrepreneurship risk state fee	(197)	(198)	(1 182)	1 184	(196)
Electricity tax	(84)	(315)	(1 307)	1 538	(84)
Taxes and fees	(72)				0
Value added tax not accrued	(121 169)		(121 169)		(121 169)
TOTAL TAXES	(1 612 756)	(852 489)	(6 258 898)	5 504 963	(1 606 424)
Tax obligations		(864 001)			(1 496 767)
Tax overpaid		11 512			11 512

21. FINANCIAL RISK MANAGEMENT

(a) Turnover risk

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

(b) Cash flow/balance sheet risks

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

The credit ratings of the banks used by the Company according to the bank credit ratings assigned by Moody's and the balances on current accounts and term deposits with these banks were as follows:

(c) Liquidity risk

The Company complies with prudential liquidity risk management, ensuring that appropriate financial resources are available to it for the settlement of liabilities within the set time periods. The management of the Company expects that it will not have liquidity problems and that the Company will be able to settle accounts with creditors within the set terms.

The Company's management believes that the Company will have sufficient financial resources to ensure its liquidity is not compromised.

(d) Interest rate risk

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

Interest rate risk in the *Augstsprieguma tīkls* Group arises mainly from borrowings with a variable interest rate determined, creating the risk that the Group's financial costs will increase significantly as the reference rate increases.

Following the separation model of transmission system operator introduced in Latvia, the Company had no borrowings from credit institutions until June 2020.

Ensuring effective financial risk management, taking into account the investment of JSC "Latvijas elektriskie tīkli" in the share capital of JSC "Augstsprieguma tīkls" on 15 June 2020, it is planned to review the Financial Risk Management Policy.

22. PROSPECTIVE TAX LIABILITIES

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

23. TRANSACTIONS WITH RELATED PARTIES

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

a) Revenue and expenses from transactions with related parties

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	31.12.2019
	EUR	EUR	EUR
State controlled companies*			
Income			
Revenue from the sale of electricity, electric capacity maintenance services	3 222 940	3 222 940	4 190 344
Mandatory procurement component	1 965 687	1 965 687	1 964 649
Transport system service	35 772 952	35 772 952	36 271 530
Transmission asset reconstruction and renovation works	36 083 893	36 083 893	37 973 298
Revenue from other services	18 222 617	437 041	371 622
Total revenue from transactions with related companies	95 268 089	77 482 513	80 771 443

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	31.12.2019
	EUR	EUR	EUR
Distributions			
Advance payments for connection usage rights	-	-	55 413 923
Right-of-use transmission assets			80 987
Electricity purchase	4 898 141	4 895 491	7 264 457
Mandatory procurement component	2 889 308	2 889 308	1 991 281
Communication expenses	1 577 157	1 575 167	1 593 490
Other costs	2 142 862	377 530	434 775
Total expenses of transactions with related companies	11 507 468	9 737 496	66 778 913

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

	Group	JSC "Augstsprieguma tīkls"	
	30.06.2020	30.06.2020	31.12.2019
	EUR	EUR	EUR
Accounts receivable:			
state controlled companies *	21 964 160	153 612 766	12 843 955
Liabilities of creditors:			
state controlled companies *	97 322 192	10 568 695	13 423 857

EVENTS AFTER THE END OF THE REPORTING YEAR

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