



AUGSTPRIEGUMA TĪKLS GROUP'S CONSOLIDATED AND AS "AUGSTPRIEGUMA TĪKLS"

CONDENSED INTERIM FINANCIAL STATEMENTS

for the 3-month period ended 31 March 2022



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



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INFORMATION ABOUT THE GROUP AND THE COMPANY

NAME OF THE PARENT COMPANY

AS “Augstsprieguma tīkls”

LEGAL STATUS OF THE PARENT
COMPANY

Joint-stock company

NUMBER, PLACE, AND DATE OF
REGISTRATION OF THE PARENT
COMPANY

000357556
Riga, 28 December 2001

Reregistered in the Commercial Register on 13 November 2004 with the uniform
number 40003575567

REGISTERED OFFICE

Dārzciema iela 86, Riga, LV-1073, Latvia

TYPE OF PARENT
COMPANY'S MAIN ACTIVITY

Transmission of electricity, NACE code 35.12

TYPE OF PARENT
GROUP'S MAIN ACTIVITY

Transmission of electricity, NACE code 35.12, and Transport via pipeline, NACE code 49.50

SHAREHOLDER OF THE PARENT
COMPANY

Represented by the Ministry of Finance of the Republic of Latvia (100%)
Smilšu iela 1, Rīga, LV-1050, Latvija

MEMBERS OF THE BOARD AND THEIR
OFFICE

Gunta Jēkabsone – Chairwoman of the Board (from 15.07.2021)
Imants Zviedris – a member of the Board
Gatis Junghāns – a member of the Board
Mārcis Kauliņš – a member of the Board
Arnis Daugulis – a member of the Board (from 15.07.2021)
Varis Boks – Chairman of the Board (until 31.03.2021)
Arnis Staltmanis – a member of the Board (until 07.04.2021)

MEMBERS OF THE COUNCIL AND
THEIR OFFICE

Kaspars Āboliņš – Chairman of the Council
Olga Bogdanova – deputy Chairwoman of the Council
Armands Eberhards – a member of the Council
Madara Melne – a member of the Council (until 26.01.2022)
Aigars Ģērmanis – a member of the Council

HOLDINGS IN OTHER COMPANIES

AS “Conexus Baltic Grid” (68.46% from 21.07.2020.; 34.36% until 20.07.2020)

REPORTING PERIOD

1 January 2022 – 31 March 2022



KEY FINANCIAL AND PERFORMANCE INDICATORS

KEY FINANCIAL AND PERFORMANCE INDICATORS

	Group		Parent Company	
	3 months of 2022	3 months of 2021	3 months of 2022	3 months of 2021
FINANCIAL INDICATORS				
Revenue, thous. EUR	51,749	44,058	35,970	25,498
EBITDA, thous. EUR	16,380	24,848	6,402	11,617
Profit, thous. EUR	1,887	11,726	(3,546)	2,930
	31.03.2022.	31.12.2021.	31.03.2022.	31.12.2021.
Total assets, thous. EUR	1,206,504	1,232,245	901,867	909,279
Total equity, thous. EUR	649,682	647,812	461,797	465,343
Borrowings, thous. EUR	170,816	198,060	99,970	99,966
Net cash flows from operating activities, thous. EUR	14,312	18,487	(1,915)	9,561
Cash, thous. EUR	52,252	63,190	51,798	48,514
FINANCIAL RATIOS				
Liquidity ratio (≥ 1.2)	1.5	1.6	2.2	1.7
EBITDA Profitability	32%	56%	18%	46%
Equity ratio ($\geq 35\%$)	54%	53%	51%	51%
Net debt to equity, ($\leq 55\%$)	15%	17%	9%	10%
PERFORMANCE INDICATORS				
Electricity transmitted to users in Latvia, GWh	1,663	1,636	1,663	1,636
Natural gas transported, TWh	10.9	12.2	-	-
Natural gas for consumption in Latvia, TWh	3.6	5.3	-	-
EBITDA – Earnings before interest, financial income, corporate income tax, dividends received, the share of profit of associates, gains from acquisitions of controlling interests, depreciation and amortisation				
Liquidity ratio = current assets/current liabilities (excluding the part of the short-term loan to be refinanced)				
EBITDA profitability = EBITDA/revenue				
Equity ratio = total equity/ total assets				
Net debt = borrowings - cash				
Net debt to equity = Net debt/(Net debt + Equity)				



MANAGEMENT REPORT

SIGNIFICANT FACTS AND EVENTS

EUR 29.1 million paid in dividends to the State budget

Under the resolution of the shareholder meeting, EUR 29.1 million were paid in dividends to the State budget, and EUR 25.7 million were invested in the share capital of AST, considering the need to strengthen the national energy security in the current geopolitical situation by redirecting funds to synchronise the Baltic electricity transmission network with the continental European network.

The price of electricity continues to rise

In March 2022, the average electricity price in the Latvian trading area increased to EUR 167.22 per megawatt-hour, which is 59.7% higher than in February, but compared to March 2021, the price was 284% higher. After a moderate decline in the first two months of the year, electricity prices also increased in Europe in March and were largely above their all-time high of December 2021, while prices in the Baltic States and their associated trading areas, Poland, the 4th Swedish trading area and Finland increased more moderately, without exceeding the anti-record set in December last year.

Baltic electricity transmission system operators limit the electricity import capacity from Russia

In light of Russia's military aggression against Ukraine and aiming to reduce the potential risk of negative impacts on the security and stability of the Baltic electricity transmission systems, the Baltic Transmission System Operators (Baltic TSOs), i.e., AS "Augstsprieguma tīkls" in Latvia, AB "Litgrid" in Lithuania and AS "Elering" in Estonia have agreed to set a limit on the total electricity import capacity from Russia to the Baltic States.

Under the agreement, the total Baltic power import capacity from Russia will be limited to 300 MW from 3 March 2022 onwards, with a separate limit of 150 MW on the Russian-Latvian border and a limit of 150 MW on the Kaliningrad-Lithuania border, respectively.

The amount of electricity transmitted to consumers in Latvia is 2% higher than in the previous year

In the first quarter of 2022, AS "Augstsprieguma tīkls" supplied 1,663 gigawatt hours (GWh) of electricity to consumers in Latvia, 2% more than in the corresponding period last year (1,636 GWh).

The volume of natural gas transported has decreased by 11%

In the first three months of 2022, the subsidiary of the Augstsprieguma tīkli Group, the natural gas transmission operator, AS "Conexus Baltic Grid", ensured the continuous supply of natural gas to meet the needs of Latvia, Lithuania, Estonia and Finland. The total amount of natural gas transmitted in Latvia reached 10.9 TWh, which is 11% less than in the corresponding period of the previous year.

AN OUTLINE ABOUT THE GROUP

The Augstsprieguma Tīkls Group (hereinafter also referred to as “the Group”) is one of the largest energy supply companies in the Baltics. The Group’s core business is the provision of electricity transmission system operator functions, efficient management of energy supply system assets, natural gas transmission and storage.

At 31 March 2022, the Augstsprieguma tīkls Group consisted of a group of commercial companies in which the parent company AS “Augstsprieguma tīkls” (hereinafter also “AST” or “the Parent Company”) has a decisive influence and which includes the subsidiary AS “Conexus Baltic Grid” (hereinafter also “Conexus” or the “Subsidiary”). The Group operates geographically in the territory of Latvia. See Note 8 for information on the shareholding in the Subsidiary and its location.

All shares of AS “Augstsprieguma tīkls” are owned by the State and are held by the Ministry of Finance of the Republic of Latvia.

The Group’s structure is divided into three activity segments - electricity transmission, natural gas transmission and natural gas storage. The division is based on the Group’s internal organizational structure, which forms the basis for monitoring and managing the performance of the segments. For more information on the operating segments and the Parent Company, please refer to the section “An outline of the operating environment and financial performance”.

The overall **strategic goal** of AS “Augstsprieguma tīkls” is to ensure the security of Latvia’s energy supply, provide a continuous, high quality and accessible energy transmission service, and implement the sustainable management of the country’s strategic energy supply assets and promote their integration into the European Union’s internal energy market.

Our **mission** is to ensure a continuous, secure, and sustainably efficient energy supply throughout Latvia.

Values

TRUST



HONESTLY

Independent, ethical, and transparent action towards anyone and everyone

DEVELOPMENT



WISDOM

Effectively. Looking forward. Long-term thinking

SAFETY



RESPONSIBLY

Deliberate action. With high responsibility towards people, work, and nature

TEAM



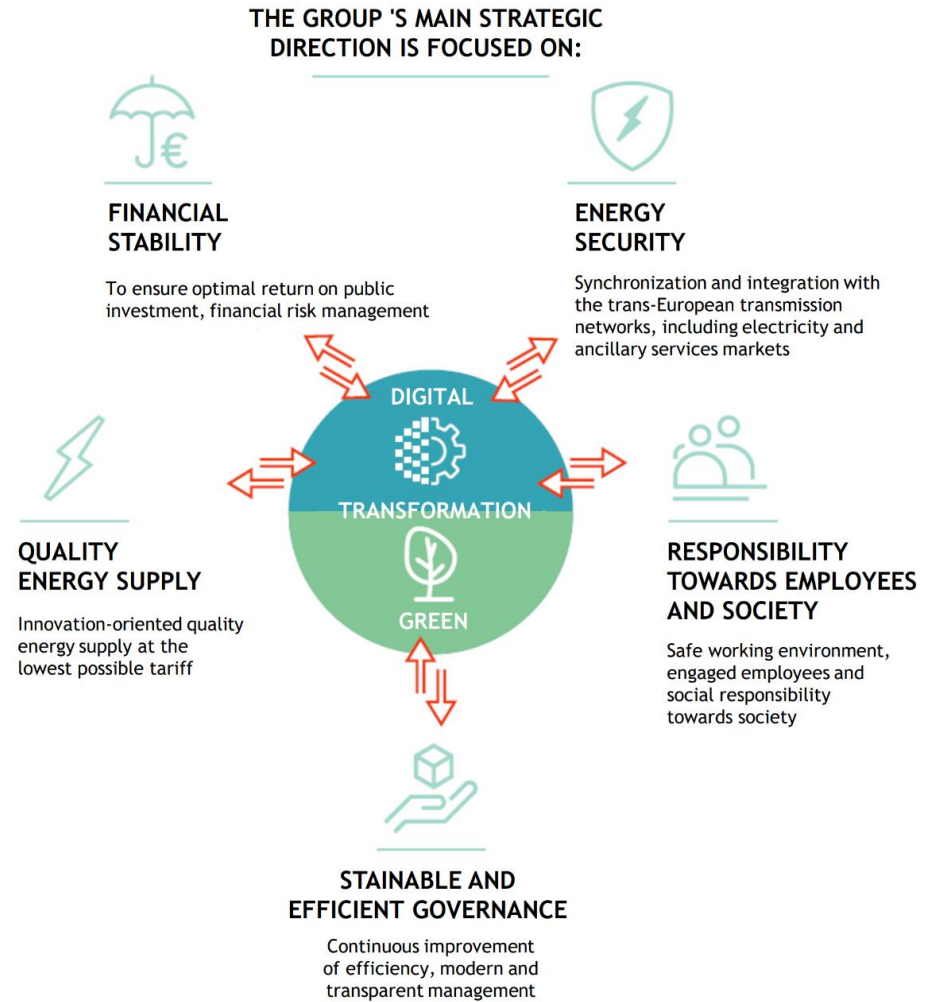
TOGETHER

We join forces to achieve more. Strong team that encourages and challenges

Group strategy

In order to promote sustainable economic development, Latvia and the European Union have prioritised reducing environmental impact, limiting climate and environmental change, and digitalisation matters. These priorities follow the European Commission’s 2019 Communication (EC) on a Green Deal for Europe. The Green Deal focuses on the use of renewable energy sources and progress toward climate neutrality by 2050.

Based on the Group’s vision, Augstsprieguma Tīkls Group’s medium-term operating **strategy** for 2021-2025 (hereinafter also referred to as the “Strategy” was developed and approved in 2021. It defines the strategic direction of the Group and sets financial and non-financial goals for the Parent company and Conexus for the next five years. The goals set, projects already started and instructions for action also shape the future goals – heading towards a carbon-neutral economy within the framework of the European Green Deal, achievement of the goals set out in the Latvian National Energy and Climate Plan for 2021-2030.



AN OUTLINE OF THE OPERATING ENVIRONMENT AND FINANCIAL PERFORMANCE

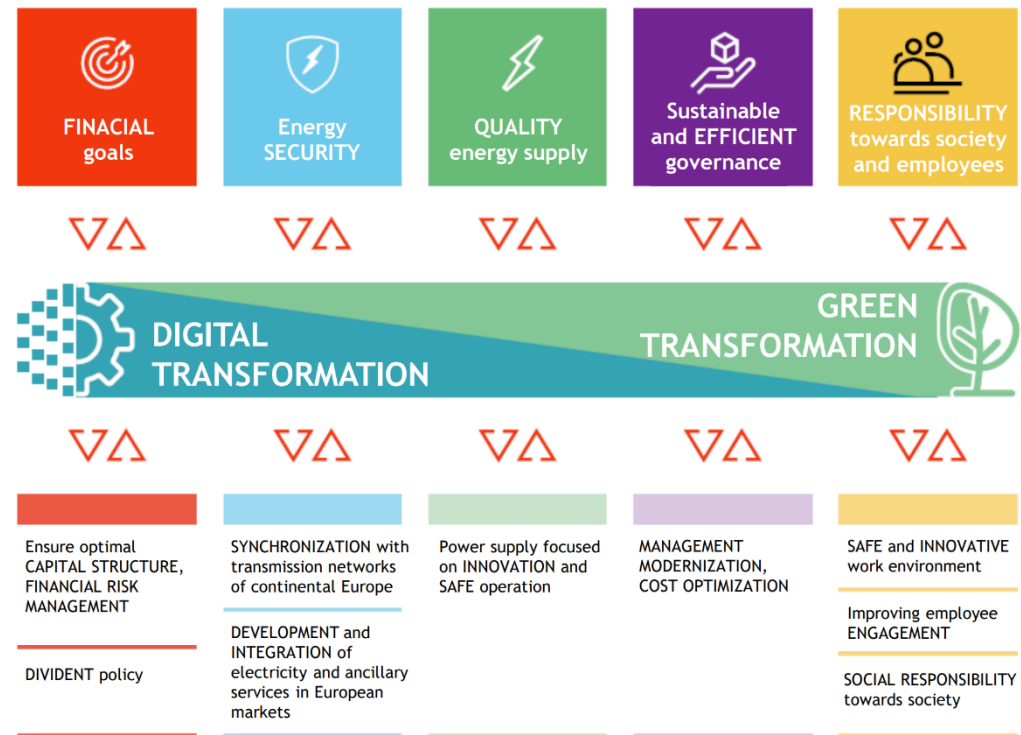
During the reporting period, the net turnover of the Augstspriegums Tīkli Group amount to EUR 51,749 thousand, while the net profit amounts to EUR 1,887 thousand. The decrease in the Group’s profit compared to the corresponding period of 2021 is due to the sharp increase in the price of electricity. According to the existing regulatory framework, the negative impact of unplanned cost increases will be covered in future periods. The decision on the amount of the costs covering the following periods is made by the Public Utilities Commission Council (hereinafter referred to as “PUC”).

Transmission of electricity

Under the issued license No. E12001 and Section 11, paragraph one of the Electricity Market Law, AS “Augstsprieguma tīkls” is the sole electricity transmission system operator in Latvia, and the territory of its license covers the entire territory of Latvia. AS "Augstsprieguma tīkls" ensures continuous, safe and sustainably efficient electricity transmission throughout Latvia. Under Section 5 of the Energy Law, electric transmission is a regulated sector.

The Parent Company considers all of its activities to fall into one business segment – electric power transmission. The following information relates both to the strategic objectives and sustainability aspects of the Parent Company and to the operating environment and financial performance of the segment.

The Group’s medium-term operating strategy sets out the Parent Company’s financial and non-financial objectives for the next five years:



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

The implemented integrated management system ensures the efficient operation of AST in compliance with internationally agreed regulations for operational, quality, energy, environmental, occupational health, and safety management, correct compliance with the requirements of laws and regulations, promoting awareness of the business context of AST, viewing developments in the company through the prism of corporate risks and processes.

The strategic direction of the Parent Company is focused on sustainable development. The Company participates in the annual "Sustainability Index" organised by the Institute of Corporate Sustainability and Responsibility, and in 2021, it was awarded, for the third time, the high Platinum rating, which confirms compliance with the highest standards of corporate responsibility and concern for the well-being of its employees and customers.

Since 2017, in addition to AST's financial statements, a non-financial report, **Sustainability Report**, has been prepared in accordance with the Global Sustainability Reporting Guidelines, the Core Approach issued by the non-profit organization Global Reporting Initiative (GRI). The Sustainability Report addresses the Company's social responsibility, economic responsibility, responsibility towards society, employees and the working environment, environmental protection and other important aspects.

The **goal** of the Parent Company's **environmental policy** is the continuous improvement of environmental performance through the prevention or reduction of harmful effects on the environment, the rational use of natural resources, and the implementation of the best available techniques in all areas of activity.

The Parent company systematically conducts risk assessments, and environmental programs are established to avoid significant risks. A register of environmental incidents is maintained. The main indicators of environmental pollution are monitored regularly in accordance with the environmental monitoring plan. The overall level of environmental risks is low.

Increasing attention is being paid to energy efficiency issues. The **objective of the Energy management policy** of the Parent Company is the continuous improvement of 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 strategy for the purchase and use of vehicles.

The Parent Company provides electricity through a transmission grid that includes interconnected grids and facilities, including interconnectors with a voltage of 110 kilovolts or more, used for transmission to the respective distribution network or to consumers.

During the reporting period, the obligations imposed on the transmission system operator were implemented through the following transmission system:

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

In the first 3 months of 2022, the price of electricity will continue to rise, having started so from May 2021. In March 2022, the average price of electricity in the Latvian trading area rose to EUR 167.22 per megawatt-hour, which is 59.7 % higher than in February, but compared to March 2021, the price is 284% higher. After a moderate decline in the first two months of the year, electricity prices also increased in Europe in March, mostly above the all-time high of December 2021, while prices in the Baltic States and their associated trading areas, Poland, the 4th Swedish trading area and Finland increased more moderately and did not exceed the anti-record set in last December.

The March 2022 price increase in Europe was driven by a number of factors: lower wind generation in contrast to record levels in January and February, rising gas prices following Russia's invasion of Ukraine, and still-high CO2 emissions, which fell 18% in March.

In March 2022, Latvia generated 459,867 MWh of electricity, down from February and 34.7% lower than a year ago, while electricity consumption in Latvia was 652,759 MWh, up 7% from February and down 0.5% from a year ago. Local generation covered 70.4% of the national consumption, while the shortfall - 192,892 MWh - was imported from neighboring countries.

In the first quarter of 2022, AS "Augstsprieguma tīkls" transferred 1,663 GWh of electricity to consumers in Latvia, 2% more than in the corresponding period last year (1,636 GWh).

When evaluating the segment's financial performance indicators and economic performance, it should be taken into account that electricity transmission is a regulated sector under Section 5 of the Energy Law;

Net revenues of the segment in the reporting period amounted to EUR 35,970 thousand, including revenues from electricity transmission network services EUR 19,116 thousand, which represents 53 % of the total net revenues of the segment. The 41 % year-on-year increase in revenues in the first three months of 2022 was mainly due to revenues from the balancing electricity. These revenues cover the costs of ensuring the balancing of the system.

The segment's financial performance in the first quarter of 2022 continued to be adversely impacted by the increase in electricity prices. Following the sharp increase in the price of electricity from May 2021, the cost of providing electricity transmission services has increased significantly. As the current tariff for electricity transmission services, approved in November 2020, does not cover the increase in the said costs, in the first quarter of 2022, the electricity transmission segment incurred a loss of EUR 3,546 thousand.

However, in accordance with the “Methodology for Calculating Tariffs for Electricity Transmission System Services” (hereinafter also “the Methodology”), **the increase in costs caused by fluctuations in the price of electricity will be recovered in the next regulatory period**, planned from 2023. In accordance with the Methodology, on 28 February 2022, the Parent Company filed with the Public Utilities Commission a calculation of the negative impact of cost fluctuations in 2021 (the regulatory invoice) in the amount of EUR 11,903 thousand. The decision on changes in electricity transmission tariffs will be made by the Public Utilities Commission. After the decision of the PUC, the regulation invoice is included in the transmission tariffs in the following periods, offsetting the losses. According to the Methodology, the regulatory invoice for 2022 will be submitted by 28 February 2023.

Natural gas transmission segment and natural gas storage segment

Due to the Parent Company’s shareholding in its subsidiary, the Latvian operator of the natural gas transmission and storage system AS “Conexus Baltic Grid”, an important focus of the Group’s activities is on the sustainable management of strategically important energy supply assets and their integration into the internal energy market of the European Union.

AS “Conexus Baltic Grid” is the unified operator of natural gas transmission and storage in Latvia and manages one of the most modern natural gas storage facilities in Europe – Inčukalns Underground Gas Storage (hereinafter - Inčukalns UGS Storage) – as well as the main natural gas transmission system connecting the Latvian natural gas market directly with Lithuania, Estonia and the north-western region of Russia.

Conexus provides natural gas transportation and storage services to its customers in accordance with the tariffs established by the Public Utilities Commission.

Based on the energy policy planning documents, the overall strategic goal of the Group, the following directions of Conexus’ development have been established:

- Promotion of security of energy supply in Latvia and provision of high-quality and accessible energy transmission service;
- Ensuring sustainable management of Latvia’s energy supply assets;
- Promoting the integration of Latvia’s energy supply assets into the European Union’s internal energy market.

Transmission of natural gas

AS “Conexus Baltic Grid” is the sole operator of natural gas transmission and storage in Latvia. It ensures the maintenance of the natural gas transmission system, its safe and uninterrupted operation, and interconnection with the transmission systems of other countries and enables traders to use the natural gas transmission system for natural gas trading.

The main natural gas transmission system is 1,190 km long and is directly connected with the natural gas transmission systems of Lithuania, Estonia, and Russia. It ensures the transportation of natural gas in regional gas pipelines on the territory of Latvia and in connections with the natural gas transmission networks of the neighbouring countries:

- The international gas pipelines have a diameter of 720 mm and an operating pressure between 28 and 40 bar;

- The diameter of regional gas pipelines is between 400 mm and 530 mm with an operating pressure of up to 30 bar;
- For the transmission of natural gas to the local distribution network in Latvia, 40 gas regulation stations are used. For the supply of natural gas to the Latvian consumers, all the consumption points on the territory of Latvia are combined into one point.

In the three months of 2022, the total volume of transported gas reached 10.9 TWh, which is 11% less than in the corresponding period of the previous year. The volume of natural gas consumption for the needs of Latvian consumers reached 3.6 TWh, which is 31% less than a year earlier.

Revenues of the natural gas transmission segment in the reporting period amounted to EUR 9,271 thousand and EBITDA reached EUR 5,613 thousand, which accounted for 56% of Conexus' total EBITDA. Profit of the transportation segment reached EUR 3,007 thousand (58% less than a year earlier).

In the three months of 2022, the revenues of the natural gas transmission segment were negatively affected by the air temperature, which was higher in the winter months than in the corresponding period of 2021, and electricity production in the largest thermal power plants in the country decreased by two-thirds. As a result, total consumer demand for gas was lower than in the corresponding period of the previous year, which included EUR 3,610 thousand less revenue for the use of the baseline for the needs of Latvian natural gas consumers.

The assets of the transmission segment at the end of the reporting period amounted to EUR 234 million. EUR. During the reporting period, investments amounting to EUR 951 thousand were made. The largest of these were:

- In the first three months of 2022, Conexus invested a total of EUR 142 thousand in several sub-projects under the project of common European interest "Improvement of the Latvian-Lithuanian Interconnector" (ELLI);
- Underground gas pipelines were repaired for EUR 321 thousand;
- Inčukalns UGS gas transmission pipeline was replaced in the amount of EUR 201 thousand.

Storage of natural gas

The natural gas storage segment provides the natural gas storage required for the heating season and other needs of the network users in the Inčukalns underground gas storage facility.

In 2021/2022, the volume of Inčukalns UGS capacity reservation products reached 18.9 TWh, down 12% from a year earlier. At the same time, the various types of capacity products reserved by market participants and their tariffs ensured an increase in revenues from capacity products by EUR 986 thousand compared to the previous year. Most of this increase in revenues was due to the reservation of 2.2 TWh of the stock transfer product (STP).

In the reporting period, sales in the natural gas storage segment amounted to EUR 6,508 thousand, and EBITDA reached EUR 4,365 thousand. The profit of the natural gas storage segment reached EUR 2,426 thousand.

The segment's assets at the end of the reporting period amounted to EUR 216 million. During the reporting period, investments were made in the amount of EUR 2.2 million, they are EUR 375 thousand less than a year earlier. The largest investments - reconstruction of wells and modernisation of the gas pumping equipment of the compressor shop No. 2, totaling EUR 1.8 million, were carried out as part of the ambitious project of common interest of the European Union PCI 8.2.4 "Enhancement of Inčukalns Underground Gas Storage".

FINANCIAL RISK MANAGEMENT

The financial risks of the Augstsprieguma tīkls Group are managed in accordance with the Financial Risk Management Policy and Financial Risk Management Regulations.

The Subsidiary of the Augstsprieguma tīkls Group develops and approves its own financial risk management policies, which are consistent with the general principles contained in the Group's policy.

The management of financial resources aims to ensure the financing and financial stability of economic activities through conservative financial risk management. As part of financial risk management, the Group and the parent company implement financial risk controls and take risk mitigation measures to reduce the risk of open positions.

a) Liquidity risk

Liquidity risk relates to the ability of the Group and the Parent Company to meet their obligations as they fall due. For unforeseeable cash flow fluctuations and short-term liquidity risks arising from operational risks, the Group and the Parent Company set aside a reserve in the form of cash or subscribed and irrevocably available loans for the next 24 months.

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

Management believes that there will be no liquidity problems and that the Augstsprieguma tīkls Group will be able to pay its liabilities to creditors when due. Management believes that AS "Augstsprieguma tīkls" will have sufficient cash resources for the Group so that its liquidity is not at risk.

b) Interest rate risk

Interest rate risk arises primarily from fixed-interest borrowings, with the risk that financing costs will increase significantly due to interest rate increases. To limit the risk, the Group's and Parent Company's financial risk management rules stipulate that the proportion of fixed-interest or limited-rise interest rates in the loan portfolio may not be less than 35%. At the same time, the financial risk management rules provide those deviations from this indicator are permitted in the restructuring of liabilities assumed in the course of the reorganization of ownership of the transmission assets.

c) Credit risk

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

In the course of its business activities, the Group and the Parent Company cooperate with local and foreign financial institutions. Consequently, there is a risk of financial counterparties - in case of insolvency or suspension of business partners, the Group and the Parent Company may incur losses. In the case of attracted external financing, there is a risk until the loan is withdrawn and transferred to one of the Group's partner banks or the Parent Company.

Credit risk arising from the Group's and the Parent Company's balances in current accounts is managed in accordance with the Group's financial risk management policy and regulations, balancing the allocation of funds.

In accordance with the financial risk management policy, counterparties are accepted in cooperation with banks and financial institutions that have a minimum credit rating of at least investment grade, as determined by themselves or the Parent Company's international rating agency.

In the course of its business activities, the Group and the Parent Company cooperate with local and foreign companies. This gives rise to counterparty or receivables risk, i.e., in the event of insolvency or default of business partners, the Group or the Parent Company may incur losses. The Law on International and National Sanctions of the Republic of Latvia imposes financial and civil restrictions on companies on the sanctions list, including the freezing of funds. In view of this, cooperation with a sanctioned company exposes the Group or the Parent Company to the risk of default, legal and reputational risks.

Although the Group and the Parent Company have significant concentration risk with respect to a counterparty or a group of similar counterparties, this risk is considered limited as the main counterparty is the state-owned company Latvenergo and its subsidiaries – a group of companies with a high credit rating of Baa2 (investment grade rating) and a stable future outlook from Moody's.

Credit risk related to receivables is managed through monthly analysis of receivables in accordance with the risk management measures set out in the Financial Risk Management Regulation.

d) Management of capital risk

The shareholder of the Parent company is the Republic of Latvia in the person of the Ministry of Finance (100%). The purpose of capital risk management is to ensure the sustainable operation and development of the Group and the Parent Company, the financing required for the implementation of the development plan in the area of transmission assets, and the fulfilment of the restrictive conditions specified in the loan agreements. The restrictive covenants set forth in the borrowing agreements have not been breached. To ensure compliance with the restrictive covenants set forth in the loan agreements, an equity ratio analysis is performed on a regular basis.

FINANCING AND LIQUIDITY

The Group finances its capital expenditure projects from the funds of its own as well as from the external long-term financing raised regularly and timely on the financial and capital markets. Timely budgeted borrowings are essential to ensure optimal risk management of loan refinancing and to repay the loan principal within the contracted term. In 2021, the Parent Company issued green bonds worth EUR 100 million (see also Note 14).

As at 31 March 2022, the total amount of borrowings of the Parent Company was EUR 99,970 thousand (at 31 December 2021 – EUR 99,966 thousand), which consisted of non-current borrowings from green bonds issued in 2021 (see also Note 14). To finance working capital, AS “Augstsprieguma tīkls” has an overdraft credit agreement with AS SEB banka in the amount of up to EUR 20,000 thousand until 18 June 2023. During the reporting period, AS “Augstsprieguma tīkls” did not receive any borrowings under the said *overdraft* agreement.

The total borrowings of the Group as of 31 March 2022 amounted to EUR 170,816 thousand, of which EUR 99,970 thousand, loans from credit institutions of EUR 70,846 thousand, including the used line of credit of EUR 929 thousand. The natural gas operator AS "Conexus Baltic Grid" raises external financing on its own. In total, the bank lines of credit in the amount of EUR 65,000 thousand were available to the Subsidiary, and at the end of the reporting period, EUR 64,071 thousand had not been unused. This represents a substantial liquidity buffer. The maturity of the agreements of the available lines of credit of EUR 65,000 thousand exceeds one year.

The international rating agency S&P Global Ratings (S&P) has rated and ranked the Latvian transmission system operator **AS “Augstsprieguma tīkls” long-term credit rating A-/Stable**.

REGULATORY ACTIVITIES – THE TRANSMISSION AND STORAGE SERVICE TARIFF

Transmission of electricity

Tariffs for electricity transmission services are set in accordance with the “Methodology for Calculating Tariffs for Electric Transmission Services approved by the PUC”.

Under the PUC Council Decision No. 153 of 26 November 2020, tariffs for electricity transmission services for the regulatory period from 1 January 2021 to 31 December 2022 have been approved. Information on tariffs for electricity transmission services can be found on the website of the Parent Company <https://www.ast.lv/lv/content/parvades-pakalpojumu-tarifs>.

Transmission and storage of natural gas

Tariffs for natural gas transportation and natural gas storage are set in accordance with the methodologies approved by the PUC, i.e., “Methodology for Calculating Service Tariffs for the Natural Gas Transportation System” and “Methodology for Calculating Service Tariffs for the Natural Gas Storage System”.

Under the Cabinet decision of 8 March 2022, which provides for the declaring of the early warning level in the field of natural gas supply, Conexus has established the procedures for the allocation of capacity of the natural gas transmission system and for Inčukalns UGS pumping capacity and the injection of interconnected gas into the reservoir.

The procedure developed by Conexus for capacity division can be found on the website of Conexus: https://www.conexus.lv/uploads/filedir/Aktualitates/Komercdala/Incukalna_jaudas_sadales_kartiba.pdf.

Natural gas transmission system tariffs

According to the effective decision on tariffs for natural gas transmission system services, the current regulatory period (tariffs) ends on 30 September 2022. In view of the wide-ranging discussions on the possible accession of Lithuania to the common entry-exit system of Finland, Estonia and Latvia (common natural gas market) and the planned revision of the methodology of natural gas transmission tariffs, the start of the new regulatory period is not known. No change in the tariff is expected in 2022.

The PUC will provide information about the upcoming changes in the methodology and about the receipt of the tariff submitted by the respective transmission operator separately. According to the current decision, the current tariff will be valid until the beginning of the new regulatory period (1.9296946 EUR/MWh).

Tariffs for storage capacity products 2022/2023 annual storage cycle

Taking into account the results of the previous storage cycle, the forecasts for storage capacity in the next storage cycle, and the situation in the natural gas market, the PUC has not objected to Conexus' proposal for 2022/2023. raised to maintain the tariffs for the following capacity products during the storage year:

- Group capacity product tariff (without VAT) 1.0226 EUR / MWh / storage cycle;
- Two-year group capacity product tariff (without VAT) 1.0865 EUR / MWh / storage cycle;
- Interruptible capacity product tariff (without VAT) 0.8147 EUR / MWh / storage cycle;
- Virtual counterflow product tariff (without VAT) 0.3471 EUR / MWh / storage cycle.

In accordance with the applicable regulation, the tariff for the storage transfer product is set so that it is more cost effective for users of the natural gas storage system to accurately schedule the amount of natural gas stored or to purchase a product with two-year group capacity. Accordingly, the tariff value of the Stock Transfer Product in 2022/2023 for the 2021/2022 storage cycle, is the result of the biennial auctions for grouped capacity products of the annual storage cycle. Consequently, the tariff for the stock transfer product (without VAT) is 1.8081 EUR/MWh / storage cycle.

FUTURE DEVELOPMENT OF THE GROUP

Electricity transmission

Synchronisation of the Baltic States with Continental Europe

In the coming years, the greatest challenges are related to the synchronisation of the **Baltic States with continental Europe**.

On 22 May 2019, AST signed the *Agreement on the conditions of the future interconnection of electric power system of Baltic States and electric power system of continental Europe*. The annexes to the concluded agreement on interconnection with the Continental European electricity system set out the technical requirements to be met by Baltic TSOs before and after the start of the synchronization process. These requirements relate to changes in transmission system settings, investments in infrastructure development, as well as the obligation of TSOs to ensure a certain level of frequency conservation, frequency renewal reserves, and system inertia.

Synchronization of the Baltic States with continental Europe is planned for 2025 or earlier if necessary. **As a result** of synchronization, the Baltic electric power transmission system will become part of the European system, which will mean independence from the Russian unified (IPS / UPS) system and a more secure electric power supply.

Development of the electricity transmission network

By the resolution of the PUC dated 14 October 2021 “On the Development Plan of the Electric Transmission Network”, the Development Plan of the Electric Transmission Network for the period from 2022 to 2031 (hereinafter “the Development Plan”) developed by AST was approved.

The development plan is based on the strategic objective of AST, i.e., strengthening Latvia’s energy security by synchronizing the Latvian electricity transmission network with the continental European network in accordance with the principles of security and cost-efficiency.

The approved development plan sets out the development of the transmission network and the necessary financial investments in transmission infrastructure for the next ten years and provides for investments in the development of the electricity transmission network in the amount of EUR 401 million. The approved development plan is available in detail at: <https://www.ast.lv/en/content/power-transmission-system-development-plan>.

To minimise the impact of planned investments on electricity transmission tariffs, AST successfully secured EU co-financing for the projects of common European interest included in the development plan and reallocated congestion charge revenues to fund them:

- Project “Synchronization of the Baltic Electricity Transmission System with the European Network, Phase 1” – attracted EU co-financing up to 75% of the eligible costs, i.e., EUR 57.7 million;

- Project “Synchronization of the Baltic Electricity Transmission System with the European Network, Phase 2” – attracted EU co-financing of 75% of the eligible costs, i.e., EUR 92.6 million.

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

System management and development of the electricity market

Implementing the European Union’s policy for the internal electricity market, AS “Augstsprieguma tīkls” strategic direction is aimed at developing and integrating the electricity and ancillary services markets into the European markets.

In the coming years, **it is planned to continue working on the development and improvement of the EU single internal next day and current day market.** This will include new opportunities for the participants in the European Union’s internal electricity market, including Latvian and Baltic market participants.

Projects are currently underway that will allow market participants to participate in the next-day and day-ahead markets in a 15-minute resolution and to operate in the current-day market with products that include energy and transmission capacity, similar to what is currently done in the next-day market.

It is also planned to continue the work on the establishment of the single European mFRR trading platform and the accession of the Baltic TSOs to this platform, which will allow the Baltic balancing service providers to participate in the common European reserve market.

In order to join the platform, changes need to be made to the way the common Baltic balancing model works. The most important of these is the switch to a 15-minute balancing market period, which will allow electricity market participants to plan their operations more accurately and control system imbalances more effectively.

Innovation and research

In order to ensure the development of the Company, the representatives of the company actively participate in the work of the Committee for Research, Development and Innovation of the European Organization of Transmission System Operators ENTSO-E. In doing so, they are aware of the essential role of innovation for successful operation.

Within the framework of the ENTSO Committee for Research, Development and Innovation, activities are carried out to modify the existing electrical systems with a view to achieving the objectives set by the European Union.

The innovation and research activities are focused on six directions:

- Modernisation;
- Reliability and stability;
- Flexibility;
- Economy and efficiency;
- Digitisation;
- Green transformation.

Transmission of natural gas

In 2022, work will actively continue on the Inčukalns UGS modernization project, the implementation of which by 2025 will significantly improve the technical infrastructure and reliability of the facilities so that the storage facility can maintain its functionality even after an increase in pressure in the Baltic transmission system.

The investments will significantly strengthen the importance of Inčukalns UGS as a modern and significant natural gas infrastructure not only in Latvia, but also in the Baltic region and Finland.

Total investments under the project are expected to amount to EUR 88 million, including:

- Surface equipment improvement EUR 29 million;
- Renewal of 36 wells EUR 26 million;
- Modernization of the existing five gas transfer units and installation of an additional new gas transfer unit EUR 33 million.

Storage of natural gas

At the end of 2019, the European Climate, Infrastructure and Environment Executive Agency (formerly the Innovation and Networks Executive Agency) approved the allocation of funds for the project to increase the capacity of the Lithuanian-Latvian gas pipeline, for which a total investment of EUR 10 million, of which EUR 5.5 million was transferred to Conexus. The European Commission has provided EU support under the European Facility for Infrastructure Development (CEF) for increasing the capacity of the Latvian-Lithuanian gas pipeline interconnection in the amount of 50% of the project implementation costs.

The increase in transmission capacity between Lithuania and Latvia will facilitate market access to the Klaipeda LNG terminal, the Inčukalns UGS and the Polish-Lithuanian gas interconnector. The project aims to increase the capacity of the Lithuanian-Latvian interconnector by 70-80% on average, which will be achieved through improvements to the existing infrastructure. The project is scheduled to be completed by the end of 2023 and comprises 17 subprojects.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the resolution of the shareholder meeting of the Parent Company held on 29 April 2022, AS "Augstsprieguma tīkls" paid dividends in the amount of EUR 29,143,118 to the State on 5 May 2022. In accordance with the above-mentioned resolution of the shareholder meeting, the remaining part of the profit for 2021 in the amount of EUR 25,702,577 was used to increase the share capital of the Parent Company, taking into account the need to strengthen the national energy security, directing assets to the synchronisation of the energy transmission network of the Baltic States with the continental European network.

In compliance with the requirements of Article 35 of Regulation (EC) No. 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market in electricity (hereinafter "the Regulation"), the decision of the Agency for the Cooperation of Energy Regulators (ACER) of 6 April 2020, the electricity transmission system operators have agreed to establish a joint Baltic Regional Coordination Centre. The founders of the Baltic Regional Coordination Centre are the Baltic electricity transmission system operators: AS "Augstsprieguma tīkls", AS "Elering" and AB "Litgrid", each of which would acquire a 33.33% share (1/3 of the Baltic Regional Coordination Centre). The centre is scheduled to open in July 2022.

On 24 February 2022, escalated the military conflict between Russia and Ukraine. As a result of Russia's invasion of Ukraine, Russia and Belarus are subject to severe economic and political sanctions from the European Union, the United States, and other countries. Although this event is a non-adjusting event after the balance sheet date of 2021, it is expected to have an impact on the Group and the Parent Company.

The management of the Group continuously performs the necessary activities to ensure the continuity of operations of both the electricity transmission system operator and the unified natural gas transmission and storage operator and the availability of the provided services.

Considering that currently, the Latvian power system operates synchronously with Russia's unified (IPS/UPS) system, AS "Augstsprieguma tīkls" has assessed the possible risks related to Russia's military aggression against Ukraine. In the current situation, it is not possible to assess the level of risk of possible unplanned disconnection of the Baltic power systems from the Russian unified (IPS/UPS) system, however, AS "Augstsprieguma tīkls" together with the electricity transmission system operators of the Baltic States and Poland, has prepared for the operation of the Baltic electricity systems in the event of an emergency desynchronization.

The urgent synchronisation of the Baltic energy systems with the continental European power system is expected to lead to an increase in energy supply costs, but given the uncertain and complex situation, it is currently not possible to assess the extent of the financial impact. The Group provides strategically important public services. The Parent Company is a state-owned (100%) corporation and, in accordance with the Electricity Market Law, the only electricity transmission system operator in Latvia. Management believes that mitigating the impact of volatility in electricity markets and ensuring the security and stability of energy supply as a nationally important mission is supported by ensuring the long-term financial stability of the Parent Company.

Also, due to Russian aggression in Ukraine, on 19 April 2022, the Latvian government took a decision to suspend the supply of natural gas from Russia from 1 January 2023. Although these are significant changes in the Baltic and Finnish single natural gas market, it is not expected that the importance of the Subsidiary in the Latvian energy system, as well as the impact on its business continuity and financial stability, will decrease.

In the near future, the Latvian Government plans to make decisions on alternative solutions for ensuring the supply of natural gas, which, in turn, will ensure the continued use of natural gas as an important energy resource. Also, in accordance with the initiatives of the European Union energy policy, AS “Conexus Baltic Grid” has already started work on the evaluation of the possibility to inject alternative energy resources to natural gas, i.e., biomethane and hydrogen, into the transmission system and storage.

By suspending the supply of natural gas from Russia, a revision of the value of the Subsidiary’s assets related to the natural gas supply from Russia, which makes up 6% of the total value of the Subsidiary’s assets, is possible. Decisions on the future strategic use of these assets and the determination of the appropriate value will be taken after an assessment of the current situation and consultations with the Estonian natural gas transmission system operator AS “Elering”.

To mitigate cyber security risks, the Parent Company and its Subsidiary AS “Conexus Baltic Grid”, as critical infrastructure companies, perform enhanced risk assessment and appropriate risk management.

In order to reduce energy supply risks, the Parent Company and its Subsidiary AS “Conexus Baltic Grid” have taken the necessary actions to increase the volume of natural gas in the storage facility and from 27 February 2022 gas injection was started at Inčukalns Storage.

Although the uncertainty about the future impact of events on the Group’s and the Parent Company’s operations has increased, no circumstances have been identified that would threaten the continuity of operations and the performance of functions determined by law.

After the end of the reporting period, there were no other circumstances or events that could significantly affect the future development of the Group and the Parent Company.

Gunta Jēkabsons
Chairwoman of the
Board

Imants Zviedris
Member of the Board

Mārcis Kauliņš
Member of the Board

Gatis Junghāns
Member of the Board

Arnis Daugulis
Member of the Board

Riga, 18 May 2022

STATEMENT OF MANAGEMENT RESPONSIBILITY

STATEMENT OF MANAGEMENT RESPONSIBILITY

Based on the information available to the Board of AS “Augstsprieguma tīkls”, the consolidated and unaudited condensed interim financial statements of AS “Augstsprieguma tīkls” for the 3-month period ended 31 March 2022, which include a management report, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and give a true and fair view of the financial position and performance of the Group and the parent company in all material respects. The information contained in the management report is true.

The consolidated AS “Augstsprieguma tīkls” and AS “Augstsprieguma tīkls” unaudited condensed interim financial statements for the 3-month period ended 31 March 2022 were approved by the Board of AS “Augstsprieguma tīkls” on 18 May 2022.

Gunta Jēkabsone
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Riga, 18 May 2022

INCOME STATEMENT

	Notes	Parent Company		Group	
		3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Revenue	4	35,969,541	25,497,601	51,749,319	44,058,124
Other income	-	1,292,773	715,930	1,464,890	925,793
Raw materials and consumables used	5	(20,968,094)	(7,229,920)	(23,190,640)	(8,726,243)
Personnel expenses	-	(4,565,022)	(4,137,195)	(7,827,927)	(7,064,078)
Other operating expenses	-	(5,327,084)	(3,229,814)	(5,815,222)	(4,345,176)
EBITDA*		6,402,114	11,616,602	16,380,420	24,848,420
Depreciation, amortisation, and impairment, of intangible assets and property, plant and equipment	7.1	(9,800,609)	(8,063,368)	(14,250,090)	(12,454,430)
OPERATING (LOSS)/PROFIT		(3,398,495)	3,553,234	2,130,330	12,393,990
Finance income	6a	-	2,290	695	2,371
Finance costs	6b	(147,840)	(625,617)	(243,825)	(670,112)
PROFIT BEFORE TAX		(3,546,335)	2,929,907	1,887,200	11,726,249
Corporate income tax	-				
PROFIT FOR THE REPORTING PERIOD		(3,546,335)	2,929,907	1,887,200	11,726,249
Profit attributable to:					
Equity holder of the Parent Company		(3,546,335)	2,929,907	173,463	8,951,883
Non-controlling interests		-	-	1,713,737	2,774,366

The notes on pages 35 to 67 form an integral part of these financial statements.

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Māra Grava
Head of the Finance and
Accounting Department

Rīga, 18 May 2022

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Parent Company		Group	
		3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
PROFIT FOR THE REPORTING PERIOD		(3,546,335)	2,929,907	1,887,200	11,726,249
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods					
Other comprehensive income for the reporting period	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		(3,546,335)	2,929,907	1,887,200	11,726,249
Comprehensive income attributable to :					
Equity holder of the Parent Company		-	-	173,463	8,027,790
Non-controlling interests		-	-	1,713,737	3,698,459

The notes on pages 35 to 67 form an integral part of these financial statements.

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Rīga, 18 May 2022

STATEMENT OF FINANCIAL POSITION

	Notes	Parent Company		Group	
		31.03.2022 EUR	31.12.2021 EUR	31.03.2022 EUR	31.12.2021 EUR
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	-	2,296,837	2,121,767	4,398,670	4,163,016
Advance payments for intangible assets	-	-	-	6,720	6,720
Property, plant and equipment	7	680,682,785	685,805,790	1,099,269,081	1,105,768,949
Advance payments for property, plant and equipment	-	-	-	2,387,459	2,332,465
Right-of-use assets	15a	15,174,555	14,635,417	15,609,084	15,086,525
Non-current financial investments	8	134,396,393	134,396,393	1,422	1,422
Non-current prepaid costs	-	-	-	1,083,455	1,108,651
TOTAL NON-CURRENT ASSETS		832,550,570	836,959,367	1,122,755,891	1,128,467,748
CURRENT ASSETS					
Inventories	-	516,596	517,327	3,084,992	3,143,866
Advance payments for inventories	-	-	-	19,362	-
Receivables from contracts with customers	9	14,121,341	21,508,872	24,811,062	34,882,006
Other current assets	10	2,868,194	1,767,892	3,123,159	2,550,217
Corporate income tax	10	11,512	11,512	11,512	11,512
Prepayments	-	-	-	445,981	-
Cash	11	51,798,360	48,513,943	52,252,428	63,190,053
TOTAL CURRENT ASSETS		69,316,003	72,319,546	83,748,496	103,777,654
TOTAL ASSETS		901,866,573	909,278,913	1,206,504,387	1,232,245,402

The notes on pages 35 to 67 form an integral part of these financial statements.

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Riga, 18 May 2022

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	Parent Company		Group	
		31.03.2022. EUR	31.12.2021. EUR	31.03.2022. EUR	31.12.2021. EUR
EQUITY AND LIABILITIES					
EQUITY					
Share capital	11a	365,895,957	365,895,957	365,895,957	365,895,957
Reserves	11b	37,047,731	37,176,552	38,494,802	38,641,445
Retained earnings	-	58,853,006	62,270,520	144,029,577	143,727,293
Equity attributable to equity holder of the Parent Company	-	461,796,694	465,343,029	548,420,336	548,264,695
Non-controlling interests	11c	-	-	101,261,352	99,547,615
TOTAL EQUITY		461,796,694	465,343,029	649,681,688	647,812,310
NON-CURRENT LIABILITIES					
Employee benefit obligations	-	3,347,143	3,426,477	4,721,278	4,800,612
Lease liabilities	15b	13,957,062	14,199,182	14,380,339	14,647,122
Borrowings	14	99,970,067	99,966,288	129,970,067	160,249,274
Deferred income from contracts with customers	-	37,020,758	38,249,840	37,020,758	38,249,840
Other deferred income	-	254,132,445	245,801,904	272,153,772	263,957,949
TOTAL NON-CURRENT LIABILITIES		408,427,475	401,643,691	458,246,214	481,904,797
CURRENT LIABILITIES					
Borrowings	14	-	-	40,846,069	37,810,235
Lease liabilities	15b	1,543,717	739,800	1,568,781	759,197
Deferred income from contracts with customers	-	3,375,254	3,375,254	3,612,538	3,612,539
Other deferred income	-	5,758,513	5,755,599	6,297,534	6,295,216
Trade payables	16	11,967,363	25,631,148	23,146,950	32,920,983
Deferred corporate income tax liabilities	-	-	-	4,831,892	4,831,892
Other creditors	16	8,997,557	6,790,392	18,272,721	16,298,233
TOTAL CURRENT LIABILITIES		31,642,404	42,292,193	98,576,485	102,528,295
TOTAL EQUITY AND LIABILITIES		901,866,573	909,278,913	1,206,504,387	1,232,245,402

The notes on pages 35 to 67 form an integral part of these financial statements.

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Riga, 18 May 2022

STATEMENT OF CHANGES IN EQUITY

	Notes	Parent Company						Total EUR
		Share capital EUR	Retained earnings EUR	Other reserves EUR	Noncurrent assets revaluation reserve EUR	Postemployment benefit plan revaluation reserve EUR	Reorganisation reserves EUR	
AT 31 DECEMBER 2020		363,896,079	16,741,025	2,680,615	28,338,091	490,256	(27,336,704)	384,809,362
Profit for the year		-	54,845,695	-	-	-	-	54,845,695
Other comprehensive income for the year		-	-	-	34 762,721	(1,075,235)	-	33,687,486
Total comprehensive income for the year		-	54,845,695	-	34 762,721	(1,075,235)	-	88,533,181
Dividends paid for 2020	11a	-	(7,999,514)	-	-	-	-	(7,999,514)
Disposal of non-current assets revaluation reserve		-	683,192	-	(683,192)	-	-	-
Increase of share capital	11a	1,999,878	(1,999,878)	-	-	-	-	-
Total transactions with owners and other changes in equity		1,999,878	(9,316,200)	-	(683,192)	-	-	(7,999,514)
AT 31 DECEMBER 2021		365,895,957	62,270,520	2,680,615	62,417,620	(584,979)	(27,336,704)	465,343,029
Profit/(loss) for the reporting period		-	(3,546,335)	-	-	-	-	(3,546,335)
Total comprehensive income for the reporting year		-	(3,546,335)	-	-	-	-	(3,546,335)
Disposal of non-current assets revaluation reserve		-	128,821	-	(128,821)	-	-	-
Total transactions with owners and other changes in equity		-	128,821	-	(128,821)	-	-	-
AT 31 MARCH 2022		365,895,957	58,853,006	2,680,615	62,288,799	(584,979)	(27,336,704)	461,796,694

The notes on pages 35 to 67 form an integral part of these financial statements.

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and Accounting
Department

Riga, 18 May 2022

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Notes	Parent Company								
		Attributable to the shareholders of the Parent company							Non - controlling interest EUR	Total EUR
		Share capital EUR	Retained earnings EUR	Other reserves EUR	Fixed asset revaluation reserve EUR	Valuation reserve for post-employment benefits EUR	Reorganization reserve EUR	Total		
At 31 December 2020		363,896,079	146,773,744	2,680,615	28,915,196	457,307	(25,748,544)	516 974,398	122,228,139	639,202,538
Profit for the year		-	5,827,026	-	-	-	-	5,827,026	4,269,633	10,096,659
Other comprehensive income for the year		-	-	-	34,762,721	(1,299,937)	-	33,462,784	(103,521)	33,359,263
Total comprehensive income for the reporting year		-	5,827,026	-	34,762,721	(1,299,937)	-	39,289,810	4,166,112	43,455,922
Dividends for 2020	11a	-	(7,999,514)	-	-	-	-	(7,999,514)	(26,846,636)	(34,846,150)
Write - off of the PPE revaluation reserve		-	1,125,914	-	(1,125,914)	-	-	-	-	-
Increase of share capital	11a	1,999,878	(1,999,878)	-	-	-	-	-	-	-
Total shareholder transactions and other changes in equity		1,999,878	(8,873,478)	-	(1,125,914)	-	-	(7,999,514)	(26,846,636)	(34,846,150)
At 31 December 2021		365,895,957	143,727,293	2,680,615	62,552,003	(842,630)	(25,748,544)	548,264,695	99,547,615	647,812,310
Profit / (loss) for the reporting period		-	173,463	-	-	-	-	173,463	1,713,737	1,887,200
Total comprehensive income for the reporting year		-	173,463	-	-	-	-	173,463	1,713,737	1,887,200
Write-off of revaluation reserve		-	128,821	-	(146,643)	-	-	(17,822)	-	(17,822)
Total shareholder transactions and other changes in equity		-	128,821	-	(146,643)	-	-	(17,822)	-	(17,822)
At 31 March 2022		365,895,957	144,029,577	2,680,615	62,405,360	(842,630)	(25,748,544)	548,420,336	101,261,352	649,681,688

The notes on pages 35 to 67 form an integral part of these financial statements.

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Member of the Board

Māra Grava,
Head of the Finance and
Accounting Department

Riga, 18 May 2022

STATEMENT OF CASH FLOW

	Notes	Parent company		Group	
		3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
I. Cash flow from operating activity					
Profit before tax		(3,546,335)	2,929,907	1,887,200	11,726,249
Adjustments:					
Depreciation, amortization and impairment losses on revaluation of intangible assets and property, plant and equipment	7.1	9,800,609	8,063,368	14,250,090	12,454,430
Depreciation of intangible assets and property, plant and equipment	7	44,512	79,053	44,512	185,690
Increase / (decrease) in provisions	-	(79,334)	(35,172)	206,446	(4,352)
Financial adjustment, net	-			(122,294)	
Interest expense	-	187,529	625,617	282,518	669,430
Interest income	-	-	(2,290)	-	(2,290)
Operating profit before changes in working capital		6,406,981	11,660,483	16,548,472	25,029,157
Adjustments:					
Decrease / (increase) in debts from customer agreements, deposits and other short-term receivables	-	6,859,049	30,427,116	9,624,330	30,547,424
Inventories (increase) / decrease	-	731	(46,795)	39,512	74,728
Increase / (decrease) in debt to suppliers and other creditors	-	(14,997,546)	(32,202,796)	(11,637,982)	(36,843,947)
Gross cash flow from operating activity		(1,730,785)	9,838,008	14,574,332	18,807,362
Interest expense	14	(126,027)	(217,359)	(198,757)	(255,476)
Lease interest	15b	(57,723)	(59,493)	(63,110)	(65,189)
Net cash flow from operating activity		(1,914,535)	9,561,156	14,312,465	18,486,697

The notes on pages 35 to 67 form an integral part of these financial statements.

Gunta Jēkabsons,
Chairwoman of the Board

Imants Zviedris,
Member of the Board

Mārcis Kauliņš,
Member of the Board

Gatis Junghāns,
Member of the Board

Arnis Daugulis,
Member of the Board

Māra Grava,
Head of the Finance and
Accounting Department

Riga, 18 May 2022

STATEMENT OF CASH FLOW (CONTINUED)

	Pielikums	Parent company		Group	
		3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
II. Cash flow from investing activity					
Acquisition and creation of fixed assets and intangible assets		(4,887,485)	(5,249,948)	(8,102,022)	(9,545,746)
Sale of fixed assets	7	232,479	-	244,655	-
EU funding received	13	(25,725)	-	(25,725)	3,014,116
Revenue from congestion charges received	13	10,087,900	1,774,860	10,087,900	1,774,860
Deposit refunds received	-	-	25,000,000	-	25,000,000
Net cash flow from investing activities		5,407,169	21,524,912	2,204,808	20,243,230
III. Cash flow from financing activities					
Asset lease payments	15b	(208,217)	(195,184)	(227,213)	(221,102)
Loans received from credit institutions	14	-	-	929,024	25,000,000
Repayment of loans from credit institutions	14	-	-	(28,155,679)	(1,026,910)
Dividends paid	-	-	-	(1,030)	(252)
Net cash flow from financing activities		(208,217)	(195,184)	(27,454,898)	23,751,736
Net cash increase / (decrease) during the reporting period		3,284,417	30,890,884	(10,937,625)	62,481,663
Cash balance at the beginning of the reporting year		48,513,943	32,224,560	63,190,053	47,388,296
Cash balance at the end of the year		51,798,360	63,115,444	52,252,428	109,869,959

The notes on pages 35 to 67 form an integral part of these financial statements.

Gunta Jēkabsone,
Chairwoman of the Board

Imants Zviedris,
Member of the Board

Mārcis Kauliņš,
Member of the Board

Gatis Junghāns,
Member of the Board

Arnīs Daugulis,
Member of the Board

Māra Grava,
Head of the Finance and
Accounting Department

Rīga, 18 May 2022



NOTES TO CONSOLIDATED AND STAND-ALONE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ON THE GROUP

The principal business of the Augstsprieguma Tīkls Group is to provide electricity transmission system operator functions, efficiently manage power system assets, and transport and storage of natural gas.

The Augstsprieguma Tīkls Group comprises the Parent Company AS “Augstsprieguma tīkls” and the subsidiary AS “Conexus Baltic Grid”.

All shares of AS “Augstsprieguma tīkls” are owned by the State and held by the Ministry of Finance of the Republic of Latvia. The registered office of the Company is Darzciema iela 86, Rīga, LV -1073, Latvia.

Board and Council of the High Voltage Grid Group:

Members of the Board and their positions	Gunta Jēkabsons – Chairwoman of the Board (from 15.07.2021) Imants Zviedris – a member of the Board Gatis Junghāns – a member of the Board Mārcis Kauliņš – a member of the Board Arnis Daugulis – a member of the Board (from 15.07.2021) Varis Boks – Chairman of the Board (until 31.03.2021) Arnis Staltmanis – a member of the Board (until 07.04.2021)
Members of the Council and their positions	Kaspars Āboliņš – Chairman of the Council Olga Bogdanova – Deputy Chairwoman of the Board Armands Eberhards – a member of the Council Madara Melne – a member of the Council (until 26.01.2022) Aigars Ģērmanis – a member of the Council

AS “Augstsprieguma tīkls” is a transmission system operator which, in accordance with the licence No. E12001 issued by the Public Utilities Commission, ensures the security of operation of the transmission system and the supply of electricity to the Latvian electricity system, provides transmission service based on the published tariffs for transmission service, ensures the continuous availability of the services of the transmission system. AS “Augstsprieguma tīkls” carries out the day-to-day management of the transmission system and ensures a safe and stable transmission of electricity. The subsidiary of the Group, AS “Conexus Baltic Grid” is an independent operator of a unified natural gas transmission and storage system in Latvia, managing one of the most modern natural gas storage facilities in Europe - the Inčukalns underground natural gas storage facility - and the main natural gas transmission system connecting the Latvian natural gas market with Lithuania, Estonia, and Russia. Conexus takes care about the sustainability and safety of the infrastructure, the high quality of services that promotes the development of the market and brings economic benefits to customers and society as a whole. The transportation and storage of natural gas by Conexus are regulated by the Public Utilities Commission.

The financial statements were approved by the Board of the Company on 18 May 2022, as follows: Gunta Jēkabsone (Chairwoman of the Board), Imants Zviedris (a member of the Board), Mārcis Kauliņš (a member of the Board), Gatis Junghāns (a member of the Board), and Arnis Daugulis (a member of the Board).

The auditor of the company is a commercial company of sworn auditors SIA "PricewaterhouseCoopers", and the responsible sworn auditor is Ilandra Lejiņa. These financial statements have not been audited.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of Augstsprieguma Tīkls Group and the condensed financial statements of AS "Augstsprieguma tīkls" have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, applying the same accounting policies or policies as used in the preparation of the consolidated statements of Augstsprieguma Tīkls Group and the financial statements of AS "Augstsprieguma tīkls" for 2021. These policies have been consistently applied to all the periods included, unless otherwise stated. Where necessary, prior period comparatives have been reclassified.

The Group's consolidated financial statements and the unaudited condensed financial statements of AS "Augstsprieguma tīkls" have been prepared under the historical cost convention, as modified, except for certain classes of property, plant and equipment that have been stated at revalued amounts, as disclosed in the accounting policies of the consolidated financial statements of the Augstsprieguma tīkls Group and the 2021 financial statements of AS "Augstsprieguma tīkls".

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

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

3. OPERATING SEGMENTS

The division into segments is based on the Group's internal organizational structure, which forms the basis for monitoring and controlling segment performance by the operating segment's decision-maker, the management of the Group company operating in each of the segments. The Parent Company's management board reviews the financial results of the operating segments.

Reportable segments are operating segments or groups of segments that meet certain criteria. An operating segment is a component of the Group that engages in operating activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), the results of which are reviewed regularly by the chief operating decision-maker.

The profit monitored by the chief operating decision-maker is primarily EBITDA, but it also monitors operating profit. In the stand-alone financial statements, operating profit excludes income from dividends and interest income from subsidiaries.

The Group divides its operations into three segments - electricity transmission, natural gas storage and natural gas transmission. The Parent Company divides its operations into one main segment - electricity transmission. Geographically, the Group operates only on the territory of Latvia.

Transmission of electricity

The electricity transmission segment provides power transmission system services and maintains balance and stability in the transmission system.

The electricity transmission system consists of interconnected networks and facilities, including cross-border interconnections of 110 kV or more, used to transmit electricity from electricity generators to the respective distribution network or to end-users.

Transmission of natural gas

The natural gas transmission segment provides transportation of natural gas via high-pressure pipelines to supply the Inčukalns underground gas storage facility, other countries, and the distribution network.

The Company's advanced main natural gas transmission system is 1,190 km long and is directly connected to the natural gas transmission systems of Lithuania, Estonia and Russia. It enables both natural gas transportation through regional gas pipelines on the territory of Latvia and interconnections with the natural gas transportation systems of neighboring countries.

Storage of natural gas

The natural gas storage segment provides natural gas storage required for the heating season and other needs of system users in Inčukalns UGS.

The purpose of natural gas storage is to provide a continuous supply of natural gas to consumers, regardless of seasonal fluctuations in consumption, by storing natural gas in summer and withdrawing it in winter. Inčukalns UGS is the only functioning underground gas storage facility in the Baltic States and has ensured the stability of gas supply in the region since 1968.

In the table below there is information on the Group's segment revenues, financial results and earnings, as well as the assets and liabilities of the Group's operating segments and the parent company. Intersegment revenues are eliminated on consolidation and are reported in the "Adjustments and eliminations" column. All inter-segment transactions are conducted on the basis of regulated tariffs, if any, or at arm's length.

Segment information is provided for the Group only, as the Parent Company is considered as one operating segment - the electricity transmission segment.

	Group					
	Electricity transmission EUR	Natural gas transmission EUR	Natural gas storage EUR	Total segments EUR	Adjustments and eliminations EUR	Total Group EUR
3 months of 2022						
External customers	35,969,541	9,271,411	6,508,367	51,749,319	-	51,749,319
Revenue	35,969,541	9,271,411	6,508,367	51,749,319	-	51,749,319
EBITDA	6,402,114	5,612,876	4,365,430	16,380,420	-	16,380,420
Depreciation and amortization	9,800,609	2,545,496	1,903,985	14 250 090	-	14,250,090
Segment (loss) / profit before tax	(3,546,335)	3,007,477	2,426,058	1 887 200	-	1,887,200
Segment assets at the end of the reporting period	767,471,602	233,820,537	215,920,584	1 217 212 723	(10,708,336)	1,206,504,387
Capital expenditure	4,848,906	950,775	2,183,669	7,983,350	-	7,983,350
3 months of 2021						
External customers	25,497,601	13,152,297	5,522,644	44,172,542	(114,418)	44,058,124
Revenue	25,497,601	13,152,297	5,522,644	44,172,542	(114,418)	44,058,124
EBITDA	11,616,602	9,788,549	3,443,269	24,848,420	-	24,848,420
Depreciation and amortization	8,063,368	2,540,745	1,850,317	12,454,430	-	12,454,430
Segment profit before tax	2,929,907	7,219,996	1,576,346	11,726,249	-	11,726,249
Segment assets at the end of the reporting period	774,186,209	258,233,899	225,979,906	1 258,400,014	(10,708,277)	1,247,691,737
Capital expenditure	5,477,473	1,352,361	2,558,774	9,388,608	-	9,388,608

Adjustments and elimination

Deferred taxes are not allocated to the individual segments as they are managed by the Group. Taxes and certain financial assets and liabilities are not allocated to these segments as they are also managed at the Group level.

Capital expenditures consist of the acquisition of property, plant and equipment, and intangible assets.

Reconciliation of the profit before tax

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
EBITDA	6,402,114	11,616,602	16,380,420	24,848,420
Depreciation and amortisation	(9,800,609)	(8,063,368)	(14,250,090)	(12,454,430)
Segment profit before tax and financial expenses	(3,398,495)	3,553,234	2,130,330	12,393,990
Finance income	-	2,290	695	2,371
Finance costs	(147,840)	(625,617)	(243,825)	(670,112)
Segment profit /(loss) before tax	(3,546,335)	2,929,907	1,887,200	11,726,249
Profit before tax	(3,546,335)	2,929,907	1,887,200	11,726,249

Reconciliation of assets

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.03.2021 EUR	At 31.03.2022 EUR	At 31.03.2021 EUR
Segment assets	767,471,602	774,186,209	1,217,212,723	1,258,400,014
Long term financial investment	134,394,971	134,394,971	-	-
PPE*	-	-	(10,708,163)	(10,708,163)
Other assets	-	-	(173)	(114)
Total assets	901,866,573	908,581,180	1,206,504,387	1,247,691,737

* The value adjustment of PPEs applies to buffer gas in the gas pipelines owned by AS "Conexus Baltic Grid". The value of bufer gas was reduced, assessing the individual PPEs of AS "Conexus Baltic Grid" at the time of allocating the purchase price.

Operating income from significant customers represents at least 10% of the total operating income of the Parent Company and the Group.

Revenue from key customers

	Parent Company		Group	
	3 months of 2022	3 months of 2021	3 months of 2022	3 months of 2021
	EUR	EUR	EUR	EUR
Electricity transmission	25,706,009	20,768,326	25,706,009	20,768,326
Natural gas transmission	-	-	5,576,788	8,258,734
Natural gas storage	-	-	4,556,886	2,843,753
Total revenue from key customers	25,706,009	20,768,326	35,839,683	31,870,813

4. REVENUE

	Applied IFRS	Parent Company		Group	
		3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Revenue from contracts with customers recognised over time					
Electricity transmission system service	IFRS 15	19,115,798	19,311,418	19,115,798	19,311,418
Sales of balancing electricity	IFRS 15	12,649,667	3,647,487	12,649,667	3,647,487
Revenues from natural gas transmission *	IFRS 15	-	-	9,137,794	13,037,879
Revenue from storage of natural gas *	IFRS 15	-	-	6,508,367	5,522,644
Revenue from connection fees	IFRS 15	837,499	836,653	837,499	836,653
Cross-border electricity charges	IFRS 15	463,530	729,603	463,530	729,603
Revenue from reactive electricity	IFRS 15	129,061	146,597	129,061	146,597
Sales of regulatory electricity	IFRS 15	465,023	(5,097)	465,023	(5,097)
Electricity transit service	IFRS 15	176,000	-	176,000	-
Other services	IFRS 15	163,955	247,993	297,572	247,993
TOTAL REVENUE from contracts with customers		34,000,533	24,914,654	49,780,311	43,475,177
Other revenue					
Congestion management at borders	IAS 20	616,429	-	616,429	-
Lease of other assets	IFRS 16	488,147	552,754	488,147	552,754
Liquidation of electrical capacity overload		864,432	30,193	864,432	30,193
TOTAL OTHER REVENUE		1,969,008	582,947	1,969,008	582,947
Total revenue		35,969,541	25,497,601	51,749,319	44,058,124

Revenues and expenses from the components of mandatory procurement, applying the accounting principle of the agent, disclosed in the report at net value:

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Revenue from the mandatory procurement component	-	1,115,779	-	1,115,779
Costs of the mandatory procurement component	-	1,115,779	-	1,115,779
Compulsory procurement components, net	-	-	-	-

Revenues and expenses from natural gas balancing, applying the accounting principle of the agent, disclosed in the report at net value:

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Revenue from natural gas balancing activities	-	-	10,157,259	3,072,262
Expenditure on natural gas balancing activities	-	-	10,023,642	2,957,844
Natural gas balancing, net	-	-	133,617	114,418

5. MATERIALS AND CONSUMABLES USED

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Purchase of balancing electricity	10,282,109	2,924,851	10,282,109	2,924,851
Electricity transmission losses and technological consumption	5,972,927	2,505,265	5,972,927	2,505,265
Purchase of regulatory electricity	2,831,091	709,015	2,831,091	709,015
Electricity transit losses	1,559,018	861,442	1,559,018	861,442
Natural gas transmission and storage system maintenance services	-	-	1,315,780	1,072,974
Costs of used materials and repairs	163,154	132,878	668,873	292,311
Natural gas costs	-	-	401,047	263,916
Electricity for own consumption	159,795	96,469	159,795	96,469
TOTAL RAW MATERIALS AND MATERIALS USED	20,968,094	7,229,920	23,190,640	8,726,243

6. FINANCE INCOME AND COSTS

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
a) Finance income				
Other finance income	-	2,290	695	2,371
Total financial income	-	2,290	695	2,371
b) Finance costs				
Interest expense on borrowings	-	(564,047)	(89,602)	(602,164)
Coupon interest costs of issued debt securities (Note 14)	(129,806)	-	(129,806)	-
Expenditure on debt securities issued	(9,870)	-	(9,870)	-
Capitalised borrowing costs	49,601	-	49,601	-
Interest expense on leased assets	(57,723)	(59,493)	(63,110)	(65,189)
Other finance costs	(41)	(2,077)	(1,037)	(2,759)
Total finance cost	(147,840)	(625,617)	(243,825)	(670,112)

7. PROPERTY, PLANT AND EQUIPMENT

	Parent Company						
	Land, buildings EUR	Electricity transmission engineering EUR	Transmission lines, technological equipment EUR	Other electricity transmission equipment EUR	Other PPE EUR	Costs of construction of PPE and construction in progress EUR	TOTAL EUR
31 December 2020							
Cost or revalued value	39,913,349	7,781,511	1,065,211,783	10,735,329	10,337,446	91,009,302	1,224,988,720
Accumulated depreciation and impairment	(4,013,930)	(3,675,427)	(548,384,479)	(8,607,679)	(5,947,427)	-	(570,628,942)
Net book amount	35,899,419	4,106,084	516,827,304	2,127,650	4,390,019	91,009,302	654,359,778
2021							
Additions	-	-	7,729	1,250	5,280,422	27,414,091	32,703,492
Transfers	2,057,299	209,961	93,107,280	484,847	2,061,772	(97,921,159)	-
Sold	-	-	(3,676)	-	-	(92,287)	(95,963)
Disposals	-	-	(256,871)	-	(1,094)	-	(257,965)
Depreciation	(1,475,357)	(541,405)	(26,275,282)	(729,469)	(2,748,523)	-	(31,770,036)
Increase in value of non - current assets due to revaluation	-	987,460	43,873,271	168,764	-	-	45,029,495
Decrease of non-current assets value due to revaluation	-	(3,045)	(14,077,655)	(82,311)	-	-	(14,163,011)
Closing net book amount as at 31 December 2021	36,481,361	4,759,055	613,202,100	1,970,731	8,982,596	20,409,947	685,805,790
31 December 2021							
Cost or revalued value	41,572,109	8,365,473	1,204,172,346	11,471,818	17,669,409	20,409,947	1,303,661,102
Accumulated depreciation and impairment	(5,090,748)	(3,606,418)	(590,970,246)	(9,501,087)	(8,686,813)	-	(617,855,312)
Net book amount	36,481,361	4,759,055	613,202,100	1,970,731	8,982,596	20,409,947	685,805,790
2022							
Additions	282	-	-	-	88,728	4,477,119	4,566,129
Regrouped	8,205	-	5,821,462	-	-	(5,829,667)	-
Sold	-	-	(232,479)	-	-	-	(232,479)
Disposals	(44)	(2,224)	(42,239)	(5)	-	-	(44,512)
Depreciation	(369,410)	(158,739)	(7,844,481)	(179,172)	(860,341)	-	(9,412,143)
Closing net book amount as at 31 March 2021	36,120,394	4,598,092	610,904,363	1,791,554	8,210,983	19,057,399	680,682,785
31 March 2022							
Cost or revalued value	41,194,406	8,609,483	1,204,999,114	11,321,679	17,818,293	19,057,399	1,303,000,374
Accumulated depreciation and impairment	(5,074,012)	(4,011,391)	(594,094,751)	(9,530,125)	(9,607,310)	-	(622,317,589)
Net book amount	36,120,394	4,598,092	610,904,363	1,791,554	8,210,983	19,057,399	680,682,785

	Group								
	Land, buildings EUR	Electricity transmission engineering EUR	Gas transmission buildings and structures EUR	Transmission lines, technological equipment EUR	Other electricity transmission equipment EUR	Other PPE EUR	Emergency reserve EUR	Costs of construction of PPE and construction in progress EUR	Adjusted TOTAL EUR
31 December 2020									
Cost or revalued value	40,946,703	7 781,511	760,911,633	1,196,131,120	10,735,329	17,704,794	1,563,188	101,707,761	2,137,482,039
Accumulated depreciation and impairment	(4,013,930)	(3 675,427)	(438,591,735)	(606,163,138)	(8,607,679)	(10,808,637)	-	-	(1,071,860,546)
Net book amount	36,932,772	4 106,084	322,319,898	589,967,982	2,127,650	6,896,157	1,563,188	101,707,761	1,065,621,493
2021									
Additions	-	-	-	405,796	1,250	5,789,868	-	53,004,580	59,201,494
Transfers	2,108,113	209,961	12,852,612	96,249,917	484,847	2,193,704	-	(114,099,154)	-
Sold	-	-	(22,006)	(4,577)	-	(240)	-	(92,287)	(119,110)
Disposals	-	-	(404,182)	(472,559)	-	(2,950)	(24,409)	(83,938)	(988,038)
Depreciation	(1,475,357)	(541,405)	(11,405,968)	(31,156,513)	(729,469)	(3,504,662)	-	-	(48,813,374)
Increase in value of non - current assets due to revaluation	-	987,460	-	43,873,271	168,764	-	-	-	45,029,495
Decrease of non-current assets value due revaluation	-	(3,045)	-	(14,077,655)	(82,311)	-	-	-	(14,163,011)
Closing net book amount as at 31 December 2021	37,565,528	4,759,055	323,340,355	684,785,662	1,970,731	11,371,877	1,538,779	40,436,962	1,105,768,949
At 31 December 2021									
Cost or revalued value	42,656,276	8 365,473	771,087,876	1,337,283,799	11,471,818	26,393,089	1,538,779	40,436,961	2,239,234,072
Accumulated depreciation and impairment	(5,090,748)	(3 606 418)	(447,747,521)	(652,498,137)	(9,501,087)	(15,021,212)	-	-	(1,133,465,123)
Net book amount	37,565,528	4 759 055	323,340,355	684,785,662	1,970,731	11,371,877	1,538,779	40,436,962	1,105,768,949
2022									
Additions	8,588	-	11,362	40,078	-	159,095	-	7,263,517	7,482,640
Regrouped	8,205	-	331,590	5,979,017	-	-	-	(6,318,812)	-
Sold	-	-	-	(232,479)	-	-	-	-	(232,479)
Disposals	(44)	(2 224)	(17,821)	(42,239)	(5)	-	-	-	(62,333)
Depreciation	(369,410)	(158 739)	(2,872,943)	(9,093,435)	(179,172)	(1,013,997)	-	-	(13,687,696)
Closing net book amount as at 31 March 2022	37,212,868	4 598 092	320,792,542	681,763790	1,791,554	10,189,789	1,538,779	41,381,667	1,099,269,081
At 31 March 2022									
Cost or revalued value	42,286,880	8 609 483	771,380,828	1,339,053,553	11,321,679	25,654,040	1,538,779	41,381,667	2,241,226,909
Accumulated depreciation and impairment	(5,074,012)	(4 011 391)	(450,588,286)	(657,289,763)	(9,530,125)	(15,464,251)	-	-	(1,141,957,828)
Net book amount	37,212,868	4 598 092	320,792,542	681,763,790	1,791,554	10,189,789	1,538,779	41,381,667	1,099,269,081

Revaluation of PPEs is carried out with sufficient regularity to ensure that the carrying amount of PPE subject to revaluation does not differ materially from that which would be determined using fair value at the end of the reporting period. The Group's accounting policies require that the revaluation of PPE be performed on a regular basis, but at least every five years.

a) PPE in the electricity transmission segment

The following groups of PPEs in the electricity transmission segment, which are reported as power transmission lines and technological equipment, are revalued on a regular basis and at least every five years:

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

The revaluation of the above mentioned PPE groups was carried out in 2021 at their cost at 1 August 2021.

The valuation was conducted in accordance with real estate valuation standards and is based on the use of existing fixed assets, which is considered the best and most efficient use. As a result of the revaluation, the residual replacement value of each fixed asset was determined. The residual replacement value is the difference between the replacement cost of an asset or the replacement cost of an analogous asset at the time of valuation and the accumulated total physical, functional and economic depreciation.

Due to the specific nature and use of the assets, Level 3 data was used for the revaluation, which means that the data for the respective type of asset is not directly observable in the market.

The total fair value of the revalued assets was set at EUR 610,732,095. As a result of the revaluation, an increase in the value of PPE amounting to EUR 45,029,495 and a decrease amounting to EUR 14,163,011 were recognised. Of these amounts:

- EUR 4,416,052 related to an increase in the value of assets for which a revaluation loss was previously recognised in the income statement, while EUR 8,312,289 related to a revaluation loss on assets with no revaluation reserve previously recognized. These amounts were recognised in the income statement.
- EUR 34,762,722 relates to the net gain on revaluation of property, plant and equipment recognized in comprehensive income and included in the revaluation reserve.

b) PPE in the natural gas transmission and natural gas storage segments

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

The revaluation of fixed assets in the natural gas transmission and Storage segment was carried out in 2020. Due to the uniqueness and use of funds, Level 3 data was used for the revaluation, which means that the data for the respective type of assets are not easily observable in the market. In this revaluation (the previous one took place in 2016, when the assets were owned by AS "Latvijas Gāze") the data status of the assumptions used was not changed. The revaluation was performed by an external expert using the amortised replacement cost method. Under this method, the initial value of the assets is determined according to current prices and requirements and the materials used.

7.1. DEPRECIATION AND AMORTISATION

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Depreciation of PPE (Note 7)	(9,412,143)	(7,751,232)	(13,687,696)	(11,945,579)
Amortisation of intangible assets (Note 7)	(157,590)	(92,498)	(314,939)	(266,031)
Depreciation of right-to-use (Note 15)	(230,876)	(219,639)	(247,455)	(242,822)
Depreciation and amortization	(9,800,609)	(8,063,368)	(14,250,090)	(12,454,430)

8. OTHER LONG-TERM FINANCIAL INVESTMENTS

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Investments in subsidiaries, including:	134,394,971	134,394,971	-	-
AS "Conexus Baltic Grid"	134,394,971	134,394,971	-	-
Investments in the capital of other companies, including:	1,422	1,422	1,422	1,422
AS "Pirmais slēgtais pensiju fonds"	1,422	1,422	1,422	1,422
Residual value at the end of the reporting year	134,396,393	134,396,393	1,422	1,422

The Parent Company owns 1.9% of the share capital of AS "Pirmais slēgtais pensiju fonds". The Company is a nominal shareholder because all risks and rewards arising from the operations of the fund are assumed and gained by the Company's employees who are members of the pension plan.

Company	Location	Type of business	Shareholding
AS "Conexus Baltic Grid"	Latvia	Natural gas transmission and storage operator in Latvia	68.46%
AS "Pirmais slēgtais pensiju fonds"	Latvia	Pension plan management	1.9%

9. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
Receivables from contracts with customers				
Receivables for electricity transmission services	13,054,436	21,083,293	13,054,436	21,083,293
Trade receivables	1,071,255	429,929	11,760,976	13,803,063
Total debts from contracts with customers	14,125,691	21,513,222	24,815,412	34,886,356
Expected credit losses				
Other trade receivables	(4,350)	(4,350)	(4,350)	(4,350)
Total expected credit losses	(4,350)	(4,350)	(4,350)	(4,350)
Receivables from contracts with customers, net				
Receivables for electricity transmission services	13,054,436	21,083,293	13,054,436	21,083,293
Other trade receivables	1,066,905	425,579	11,756,626	13,798,713
DEBT FROM CONTRACTS WITH CUSTOMERS, NET	14,121,341	21,508,872	24,811,062	34,882,006

Impairment of receivables from contracts with customers	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
At the beginning of the reporting year	4,350	15,617	4,350	15,617
Charged to profit or loss	-	(11,267)	-	(11,267)
At the end of the reporting period	4,350	4,350	4,350	4,350

10. OTHER RECEIVABLES

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
Receivables related to European Union funded projects	1,745,876	1,174,056	1,745,876	1,174,056
Other financial assets	1,745,876	1,174,056	1,745,876	1,174,056
Overpaid corporate income tax	11,512	11,512	11,512	11,512
Deferred expenses	1,064,238	528,957	1,064,238	946,096
Other debtors	58,080	64,879	313,045	430,065
Other non-financial assets	1,133,830	605,348	1,388,795	1,387,673
TOTAL OTHER RECEIVABLES	2,879,706	1,779,404	3,134,671	2,561,729

11. CASH

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
Cash in bank	51,798,360	48,513,943	52,252,428	63,190,053
TOTAL CASH	51,798,360	48,513,943	52,252,428	63,190,053

12. EQUITY

a) Share capital

An overview of changes in the Parent Company's share capital is provided in the table below:

	Number of shares	Registered share capital, EUR
At 1 January 2020	64,218,079	64,218,079
New share issue	299,678,000	299,678,000
At 31 December 2020	363,896,079	363,896,079
New share issue	1,999,878	1,999,878
At 31 December 2021	365,895,957	365,895,957
At 31 March 202s	365,895,957	365,895,957

The share capital of the Group consists of the ordinary shares of the Parent Company. The share capital is fully paid.

Under the decision of the Shareholder meeting of AS "Augstsprieguma tīkls" of 28 May 2021 (minutes No.1, 1.§ un 2.§) an investment in the share capital of the Parent Company in the amount of EUR 1,999,878 has been made, capitalising retained earnings.

Under the decision of the shareholder meeting of AS "Augstsprieguma tīkls" 15 June 2020 (minutes No. 2, 1.§ un 2.§) an investment in the share capital of the Parent Company in the amount of EUR 299,678,000 (of which EUR 77,000,000 as a cash contribution and EUR 222,678,000 as a property investment of the shares of AS "Latvijas elektriskie tīkli").

The Parent Company made the following payments to the State budget for the use of state capital (dividends) from the previous year's profit:

In 2020: EUR 1 735 958;

In 2021: EUR 7 999 514.

b) Reserves

The Parent Company's reserves consist of retained earnings which are added to other reserves to ensure the Company's development. The Group's reserves consist of the revaluation reserve for fixed assets, the reserves established in the subsidiary's articles of association, the revaluation reserve for post-employment benefits, and retained earnings transferred to other reserves upon the owner's decision to ensure the company's development.

c) **Non - controlling interest**

Apart from dividends, no other transactions with non-controlling interests have taken place.

13. DEFERRED INCOME

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
a) Non-current deferred income				
- from connection fees	37,592,578	38,249,840	37,592,578	38,249,840
Non-current deferred income from contracts with customers	37,592,578	38,249,840	37,592,578	38,249,840
- on financing from European Union funds	140,706,643	140,707,294	158,727,970	158,863,339
- from congestion charge revenue	112,853,982	105,094,610	112,853,982	105,094,610
Other non-current deferred income	253,560,625	245,801,904	271,581,952	263,957,949
TOTAL non-current deferred income	291,153,203	284,051,744	309,174,530	302,207,789

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
b) Current deferred income				
- from connection fees	3,375,254	3,375,254	3,612,538	3,612,539
Current deferred income from contracts with customers	3,375,254	3,375,254	3,612,538	3,612,539
- unfinished projects funded from European Union, including:	924,911	950,636	924,911	950,636
<i>Project "Synchronisation of the Baltic Electricity Transmission System with the European Network, Phase 2"</i>	777,947	777,947	777,947	777,947
<i>Project "EU-SysFlex- A European system with effectively coordinated use of flexibility to integrate a higher share of RES"</i>	37,812	37,812	37,812	37,812
<i>Project "Study of dynamic stability of Baltic electricity systems"</i>	26,250	26,250	26,250	26,250
<i>Project "TSO-SSO-end-user connection system, INTERRFACE"</i>	82,902	108,628	82,902	108,628
- completed projects funded by European Union	2,707,706	2,443,153	3,242,073	2,978,118
- on financing receivable from European Union funds	571,820	1,174,056	571,820	1,174,056
- from congestion charge revenue	1,554,076	1,187,754	1,554,076	1,187,754
- from another project financing		-		4,652
Current other deferred income	5,758,513	5,755,599	6,297,534	6,295,216
TOTAL current deferred income	9,133,767	9,130,853	9,910,072	9,907,755

Movement of deferred income from contracts with customers (non-current and current):	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
At the beginning of the reporting year	39,964,854	43,374,572	39,964,854	43,374,572
The connection fee is recognised in the income statement	(860,278)	(3,409,718)	(860,278)	(3,409,718)
At the end of the reporting year	39,104,576	39,964,854	39,341,860	39,964,854

Movement of other deferred income (non-current and current):	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
At the beginning of the reporting period	253,217,743	242,608,578	272,150,690	254,643,244
EU co-financing received *	571,820	1,207,955	571,820	1,207,955
Accumulated EU co-financing from previous periods received	-	(31,604,872)	-	(31,604,872)
Deferred revenue from EU co-financing	(25,725)	32,393,231	(25,725)	40,210,739
Deferred revenue from connection fee received	203,015	1,660,242	203,015	1,660,242
Revenue from congestion charges received	10,087,900	11,441,072	10,087,900	11,441,072
IPGK reserved capacity fee	-	-	-	237,284
Capitalised co-financed project	-	-	-	130,468
Long-term share of congestion management revenue received	(1,665,214)	-	(1,665,214)	-
Revenue from congestion charges is included in the income statement	(296,990)	(1,040,506)	(296,990)	(1,040,506)
EU co-financing is included in the income statement	(910,155)	(3,447,957)	(1,045,470)	(4,734,936)
At the end of the reporting period	261,182,394	253,217,743	279,742,742	272,150,690
TOTAL at the end of the reporting period	300,286,970	293,182,597	319,084,602	312,115,544

*Funding received from the European Union (related to assets) is recognised when the Group and the Parent Company have fulfilled the conditions attached to it and have an unconditional right to receive it. The conditions for receiving the funding are as follows: The Parent Company and the Group shall ensure the management, internal control, and accounting of the projects co-financed by the European Union in accordance with the European Union directives and the legal requirements of the Republic of Latvia. Accounting records are kept in a separate account for each transaction related to the accounting of the projects co-financed by the EU. The Parent Company and the Group keep separate accounting records for the respective revenues, expenses, long-term

investments, and VAT of the co-financed projects. If the funds have not been received by the end of the reporting period, they are recognized as receivables in the balance sheet item "Other receivables".

14. BORROWINGS

The Parent Company issued bonds in October 2021. The total amount of the bond issuance program is up to EUR 160,000 thousand with the possibility of additional issuances if needed. The bonds are listed on the Nasdaq Riga Stock Exchange and bear a fixed coupon of 0.5% per annum. They mature on 20 January 2027, and the Parent Company may repurchase any series of the issued bonds in full, but not in part, at any time within 3 (three) months prior to their maturity, at a price equal to the principal amount of the bonds together with accrued interest.

In addition to the events of default, a cross-default condition is applied if the outstanding debt of the Parent Company and its subsidiary, individually or in the aggregate, exceeds EUR 20,000 thousand.

To finance working capital, AS "Augstsprieguma tīkls" and AS "SEB banka" have concluded an *Overdraft agreement* up to EUR 20,000 thousand with a maturity date of 18 June 2023, a base interest rate of 3 months EURIBOR and an additional interest rate of 0.35%. The overdraft facilities are unsecured. During the reporting period, under this overdraft agreement, AS "Augstsprieguma tīkls" did not receive any borrowing.

The Subsidiary company of the Parent Company, natural gas operator AS "Conexus Baltic Grid", attracts external funding on its own. In the reporting year, AS "Conexus Baltic Grid" had borrowings from North Investment Bank, AS "SEB banka", and OP Latvian Bank plc Latvian branch. At the same time, the Subsidiary has lines of credit of EUR 65,000 thousand (at 31 December 2021: EUR 90,000 thousand), of which at the end of the reporting period a line of credit in the amount of EUR 929 thousand had been used. The terms of the available credit line agreements exceed one year.

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

The weighted average long-term interest rate of the Group at the end of the reporting period also remained unchanged at 0.44% (at 31 December 2021: 0.44%). 75% of the Group's total non-current borrowings have a fixed interest rate (at 31 December 2021: 75%).

All of the Group's loans are denominated in euros and are unsecured.

Borrowings from credit institutions:

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
Non-current borrowings from credit institutions	-	-	30,000,000	60,282,986
Non-current portion of issued debt securities (bonds)	99,872,807	99,866,288	99,872,807	99,866,288
Current borrowings from credit institutions	-	-	40,829,197	37,772,866
Borrowings	99,872,807	99,866,288		197,922,140
Non – current accrued liabilities for coupon interest expenses on issued debt securities (bonds)	97,260	100,000	97,260	100,000
Current accrued interest on borrowings from credit institutions	-	-	16,872	37,369
TOTAL borrowings	99,970,067	99,966,288	170,816,136	198,059,509
Of which				
Non-current	99,970,067	99,966,288	129,970,067	160,249,274
Current	-	-	40,846,069	37,810,235

Movement of borrowings:

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
At the beginning of the reporting period	99,966,288	203,284,381	198,059,509	225,159,381
Borrowings received from credit institutions	-	-	929,024	84,949,950
Receipt from issue of debt securities (bonds)	-	99,861,000	-	99,861,000
Borrowings repaid to related parties	-	(86,672,207)	-	(86,672,207)
Borrowings repaid to credit institutions	-	(116,200,000)	(28,155,679)	(124,969,097)
Calculated borrowing interest rates for related parties	-	1 340,530	-	1,340,530
Calculated borrowing interest rates for credit institutions	-	726,121	89,602	988,116
Interest accrued on issued bonds	129,806	105,288	129,806	105,288
Paid interest on loans to related parties	-	(1,752,704)	-	(1,752,704)
Paid interest on loans to credit institutions	-	(726,121)	(72,730)	(950,748)
Paid interest on bonds	(126,027)	-	(126,027)	-
Changes in borrowings, net	3,779	(103,318,093)	(27,206,004)	(27,099,872)
At the end of the reporting period	99,970,067	99,966,288	170,816,136	198,059,509

The movement of lease liabilities is presented separately in Note 15.

15. ASSET LEASES

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.12.2021 EUR	At 31.03.2022 EUR	At 31.12.2021 EUR
15 a) Right-to-use assets				
Carrying value at the beginning of the reporting period	14,635,417	14,212,293	15,086,525	14,715,877
Amendments made to lease contract terms	83,913	57,729	83,913	98,705
Additions to right-of-use assets	686,101	1,145,431	686,101	1 145,431
Depreciation	(230,876)	(780,036)	(247,455)	(873,488)
Carrying value at the end of the reporting period	15,174,555	14,635,417	15,609,084	15,086,525
15 b) Non-current and current lease liabilities				
Liabilities at the beginning of the reporting period	14,938,982	14,418,995	15,406,319	14,933,065
Amendments made to lease contract terms	83,913	57,729	83,913	98,705
New lease contracts	686,101	1,145,431	686,101	1 145,431
Repayment of lease	(208,217)	(683,173)	(227,213)	(770,882)
Interest paid	(57,723)	(237,970)	(63,110)	(260,821)
Interest calculated	57,723	237,970	63,110	260,821
Liabilities at the end of the reporting period	15,500,779	14,938,982	15,949,121	15,406,319
Of which				
Non-current	13,957,062	14,199,182	14,380,339	14,647,122
Current	1,543,717	739,800	1,568,781	759,197

16. TRADE AND OTHER PAYABLES

	Parent Company		Group	
	31.03.2022 EUR	31.12.2021 EUR	31.03.2022 EUR	31.12.2021 EUR
Financial liabilities				
Payables for electricity and natural gas	8,200,111	17,595,113	8,200,111	17,639,639
Payables for materials and services	3,806,351	8,036,035	14,985,938	15,281,343
Total accounts payable	12,006,463	25,631,148	23,186,050	32,920,982
Accrued expenses	207,629	15,902	1,317,111	6,108,141
Other financial current payables	2,315,173	2,907,326	2,795,227	3,931,938
TOTAL financial liabilities	14,529,265	28,554,376	27 298 388	42,961,061
	Parent Company		Group	
	31.03.2022 EUR	31.12.2021 EUR	31.03.2022 EUR	31.12.2021 EUR
Non-financial liabilities:				
State social security contributions and other taxes	1,730,677	299,430	2,011,811	504,163
Connection fee advances received	1,552,963	1,247,950	1,552,963	1,247,950
Advances received	145	131	4,327,113	956,942
Other non-financial current payables	3,151,870	2,319,653	6,229,399	3 549,100
TOTAL non-financial liabilities	6,435,655	3,867,164	14,121,286	6 258,155
TOTAL trade and other current payables	20,964,920	32,421,540	41,419,674	49 219,216

17. FAIR VALUE CONSIDERATIONS

IFRS 13 establishes a hierarchy of valuation techniques based on whether observable market data is used in the valuation technique or whether there is any observable market data. Observable market data is obtained from independent sources. If market data is not observable, the valuation technique reflects the Company's assumptions about the market situation.

This hierarchy requires the use of observable market data if it is available. When carrying out the revaluation, the Company shall consider the relevant observable market prices, if it is possible.

The objective of measuring the fair value, even if the market is not active, is to determine the transaction price at which market participants would be ready to sell the asset or make a commitment at a given valuation date under current market conditions.

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

The level of the fair value hierarchy of a financial instrument should be determined as the lowest level if a significant part of its value consists of lower-level data.

The classification of a financial instrument in the fair value hierarchy is carried out in two steps:

1. Classify each level of data to determine the fair value hierarchy;
2. Classify the financial instrument itself on the basis of the lowest level if a significant part of their value is formed of lower-level data.

Quoted market prices - Level 1

The valuation technique in Level 1 uses unadjusted quoted prices in an active market for identical assets or liabilities when quoted prices are readily available and the price represents the actual market position for the transactions under fair competition.

Valuation techniques, when using market data – Level 2

In the valuation technique used in Level 2 models, all relevant data, directly or indirectly, is observable from the asset or liability side. The model uses market data that are not the quoted prices at Level 1 but that are observable directly (i.e., price) or indirectly (i.e., derived from price).

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

In the valuation technique, market data that are not based on observable market data (non-observable market data) are classified in Level 3. Non-observable market data are the data that are not easily available in an active market due to the illiquidity of the market or the complexity of the financial instrument. Level 3 data are usually determined from observable market data of a similar nature, from historical observations, or from analytical approaches.

Fair value of financial assets and liabilities and assets measured at fair value

The carrying amount of liquid and short-term (up to three months) financial instruments such as cash, short-term deposits, short-term trade receivables and debts to suppliers and contractors is approximately at their fair value.

The fair value of borrowings and lease liabilities is assessed by discounting future cash flows by applying market interest rates. As the interest rates applied to borrowings were determined recently and do not differ materially from market interest rates (although being fixed), while interest rates applied to lease liabilities are assessed as similar to current market interest rates, with the risk premium applied to the Group and the Parent Company not changed significantly, the fair value of non-current liabilities approximates their carrying amount.

Despite bonds (included under borrowings) being listed, market transactions are rare and cannot be considered representative of an active market. Thus Level 1 measurements are not applied to bonds issued. As a result, the fair value of bonds is determined by discounting future cash flows by applying market interest rates. As the interest rates applied to bonds were determined during 2021 and do not differ materially from market interest rates and the risk premium applied to the Group and the Parent Company has not changed significantly, the fair value of bonds approximates their carrying amount.

Management assessed that cash and short-term deposits, receivables, trade payables, bank overdrafts, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

	Parent Company			
	Carrying amount EUR	Level 1, EUR	Level 2, EUR	Level 3, EUR
At 31.03.2022				
Assets measured at fair value:				
Revalued property, plant and equipment (Note 7)	617,294,009	-	-	617,294,009
Financial assets:				
Cash (Note 11)	51,798,360	-	51,798,360	-
Receivables from contracts with customers (Note 9)	14,121,341	-	-	14,121,341
Other long-term financial investments (Note 8)	1,422	-	-	1,422
Other receivables (Note 10)	1,745,876	-	-	1,745,876
Financial liabilities:				
Borrowings (Note 14)	99,970,067	-	99,970,067	-
Lease liabilities (Note 15)	15,500,779	-	-	15,500,779
Trade and other payables (Note 16)	14,529,265	-	-	14,529,265
At 31.12.2021				
Assets measured at fair value:				
Revalued property, plant and equipment (Note 7)	619,931,886	-	-	619,931,886
Financial assets:				
Cash (Note 11)	48,513,943	-	48,513,943	-
Receivables from contracts with customers (Note 9)	21,508,872	-	-	21,508,872
Other long-term financial investments (Note 8)	1,422	-	-	1,422
Other receivables (Note 10)	1,174,056	-	-	1,174,056
Financial liabilities:				
Borrowings (Note 14)	99,966,288	-	99,966,288	-
Lease liabilities (Note 15)	14,938,982	-	-	14,938,982
Trade and other payables (Note 16)	28,554,376	-	-	28,554,376

	Groups			
	NBV EUR	Level 1, EUR	Level 2, EUR	Level 3, EUR
At 31.03.2022				
Assets measured at fair value:				
Revalued property, plant and equipment (Note 7)	1,008,945,978	-	-	1,008,945,978
Financial assets:				
Cash (Note 11)	52,252,428	-	52,252,428	-
Receivables from contracts with customers (Note 9)	24,811,062	-	-	24,811,062
Other long-term financial investments (Note 8)	1,422	-	-	1,422
Other receivables (Note 10)	1,745,876	-	-	1,745,876
Financial liabilities:				
Borrowings (Note 14)	170,816,136	-	170,816,136	-
Lease liabilities (Note 15)	15,949,121	-	-	15,949,121
Trade and other payables (Note 16)	27,298,388	-	-	27,298,388
At 31.12.2021				
Assets measured at fair value:				
Revalued property, plant and equipment (Note 7)	1,014,855,803	-	-	1,014,855,803
Financial assets:				
Cash (Note 11)	63,190,053	-	63,190,053	-
Receivables from contracts with customers (Note 9)	34,882,006	-	-	34,882,006
Other long-term financial investments (Note 8)	1,422	-	-	1,422
Other receivables (Note 10)	1,174,056	-	-	1,174,056
Financial liabilities:				
Borrowings (Note 14)	198,059,509	-	198,059,509	-
Lease liabilities (Note 15)	15,406,319	-	-	15,406,319
Trade and other payables (Note 16)	42,961,061	-	-	42,961,061

There has been no reclassification of assets between Level 1, Level 2 and Level 3 during the reporting period.

18. TRANSACTIONS WITH RELATED PARTIES

Related parties are State-owned enterprises that are controlled, jointly controlled or significantly influenced by the State.

Transactions in the ordinary course of business with the Latvian Government, including its departments and agencies, and transactions between state-controlled entities and public service providers are excluded from quantitative related party disclosures based on the provisions of paragraph 25 of IAS 24. The Group and the Parent Company enter into arm's length transactions with many of these entities.

The remuneration of management of the Augstsprieguma tīkls Group includes the remuneration of the members of the Board of the Group companies, the Council and the Council (Audit Committee) of the Parent Company. The remuneration for the management of the Parent Company includes the remuneration for the members of the Board of Management, the Council, and the supervisory body (audit committee) of the Parent Company.

Revenues and expenses from transactions with related parties (other public corporations)

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Revenues				
Electricity transmission system service	18,631,867	19,010,453	18,631,867	19,010,453
Sale of balancing electricity	4,623,761	949,028	4,623,761	949,028
Sale of regulatory electricity	389,712	(34,542)	389,712	(34,542)
Revenue from reactive electricity	123,266	145,070	123,266	145,070
Mandatory procurement components		705,821	0	705,821
Revenue from other services	809,192	482,605	809,192	482,605
Total revenues from transactions with related companies	24,577,798	21,258,435	24,577,798	21,258,435

	Parent Company		Group	
	3 months of 2022 EUR	3 months of 2021 EUR	3 months of 2022 EUR	3 months of 2021 EUR
Costs				
Purchase of balancing electricity	2,472,027	1,243,652	2,472,027	1,243,652
Purchase of regulatory electricity	2,831,091	707,748	2,831,091	707,748
Electricity for own consumption	25,628	42,913	25,628	42,913
Electricity capacity reserve maintenance costs	1,390,295	1,003,935	1,390,295	1,003,935
Mandatory procurement component	-	1,115,779	-	1,115,779
Communication expenses	809,933	777,197	809,933	777,197
Use of emergency automation, synchronous compensators	323,033	212,603	323,033	212,603
Long-term loan interest payments	-	346,689	-	346,689
Lease of fixed assets and land	180,495	205,121	180,495	205,121
Other costs	49,856	45,955	49,856	45,955
Total cost of transactions with related companies	8,082,358	5,701,592	8,082,358	5,701,592

Balances at the end of the accounting year arising from transactions with related parties (other public companies)

	Parent Company		Group	
	At 31.03.2022 EUR	At 31.03.2021 EUR	At 31.03.2022 EUR	At 31.03.2021 EUR
Receivables:				
state-controlled capital companies	9,504,824	7,172,168	9,504,824	7,172,168
Payables:				
state-controlled capital companies	5,468,530	3,763,439	5,468,530	3,763,439

19. EVENTS AFTER THE END OF THE YEAR

Pursuant to the resolution of the shareholder meeting of the Parent Company held on 29 April 2022, AS "Augstsprieguma tīkls" paid dividends in the amount of EUR 29,143,118 to the State on 5 May 2022. In accordance with the above-mentioned resolution of the shareholder meeting, the remaining part of the profit for 2021 in the amount of EUR 25,702,577 was used to increase the share capital of the Parent Company, taking into account the need to strengthen the national energy security, directing assets to the synchronisation of the energy transmission network of the Baltic States with the continental European network.

In compliance with the requirements of Article 35 of Regulation (EC) No. 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market in electricity (hereinafter "the Regulation"), the decision of the Agency for the Cooperation of Energy Regulators (ACER) of 6 April 2020, the electricity transmission system operators have agreed to establish a joint Baltic Regional Coordination Centre. The founders of the Baltic Regional Coordination Centre are the Baltic electricity transmission system operators: AS "Augstsprieguma tīkls", AS "Elering" and AB "Litgrid", each of which would acquire a 33.33% share (1/3 of the Baltic Regional Coordination Centre). The centre is scheduled to open in July 2022.

On 24 February 2022, escalated the military conflict between Russia and Ukraine. As a result of Russia's invasion of Ukraine, Russia and Belarus are subject to severe economic and political sanctions from the European Union, the United States, and other countries. Although this event is a non-adjusting event after the balance sheet date of 2021, it is expected to have an impact on the Group and the Parent Company.

The management of the Group continuously performs the necessary activities to ensure the continuity of operations of both the electricity transmission system operator and the unified natural gas transmission and storage operator and the availability of the provided services.

Considering that currently, the Latvian power system operates synchronously with Russia's unified (IPS/UPS) system, AS "Augstsprieguma tīkls" has assessed the possible risks related to Russia's military aggression against Ukraine. In the current situation, it is not possible to assess the level of risk of possible unplanned disconnection of the Baltic power systems from the Russian unified (IPS/UPS) system, however, AS "Augstsprieguma tīkls" together with the electricity transmission system operators of the Baltic States and Poland, has prepared for the operation of the Baltic electricity systems in the event of an emergency desynchronization.

The urgent synchronisation of the Baltic energy systems with the continental European power system is expected to lead to an increase in energy supply costs, but given the uncertain and complex situation, it is currently not possible to assess the extent of the financial impact. The Group provides strategically important public services. The Parent Company is a state-owned (100%) corporation and, in accordance with the Electricity Market Law, the only electricity

transmission system operator in Latvia. Management believes that mitigating the impact of volatility in electricity markets and ensuring the security and stability of energy supply as a nationally important mission is supported by ensuring the long-term financial stability of the Parent Company.

Also, due to Russian aggression in Ukraine, on 19 April 2022, the Latvian government took a decision to suspend the supply of natural gas from Russia from 1 January 2023. Although these are significant changes in the Baltic and Finnish single natural gas market, it is not expected that the importance of the Subsidiary in the Latvian energy system, as well as the impact on its business continuity and financial stability, will decrease.

In the near future, the Latvian Government plans to make decisions on alternative solutions for ensuring the supply of natural gas, which, in turn, will ensure the continued use of natural gas as an important energy resource. Also, in accordance with the initiatives of the European Union energy policy, AS “Conexus Baltic Grid” has already started work on the evaluation of the possibility to inject alternative energy resources to natural gas, i.e., biomethane and hydrogen, into the transmission system and storage.

By suspending the supply of natural gas from Russia, a revision of the value of the Subsidiary’s assets related to the natural gas supply from Russia, which makes up 6% of the total value of the Subsidiary’s assets, is possible. Decisions on the future strategic use of these assets and the determination of the appropriate value will be taken after an assessment of the current situation and consultations with the Estonian natural gas transmission system operator AS “Elering”.

To mitigate cyber security risks, the Parent Company and its Subsidiary AS “Conexus Baltic Grid”, as critical infrastructure companies, perform enhanced risk assessment and appropriate risk management.

In order to reduce energy supply risks, the Parent Company and its Subsidiary AS “Conexus Baltic Grid” have taken the necessary actions to increase the volume of natural gas in the storage facility and from 27 February 2022 gas injection was started at Inčukalns Storage.

Although the uncertainty about the future impact of events on the Group’s and the Parent Company’s operations has increased, no circumstances have been identified that would threaten the continuity of operations and the performance of functions determined by law.

After the end of the reporting period, there were no other circumstances or events that could significantly affect the future development of the Group and the Parent Company.

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