



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

CONDENSED INTERIM FINANCIAL STATEMENTS

for the 6-month period ended 30 June 2022



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



CONTENTS

Information about the Group and the Company	3
Key financial and performance indicators	5
Management report	7
Statement of management responsibility	25
Consolidated and stand-alone financial statements:	
Income statement	27
Comprehensive income statement	28
Statement of financial position	29
Statement of changes in equity	31
Statement of cash flows	33
Notes to the consolidated and stand-alone financial statements	35

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 – 30 June 2022



KEY FINANCIAL AND PERFORMANCE INDICATORS

KEY FINANCIAL AND PERFORMANCE INDICATORS

	Group		Parent Company	
	6 months of 2022	6 months of 2021	6 months of 2022	6 months of 2021
FINANCIAL INDICATORS				
Revenue, thous. EUR	118 928	80 353	91 251	50 905
EBITDA, thous. EUR	28 024	42 298	11 120	23 005
Profit, thous. EUR	(1 607)	14 135	(467)	63 805
	30.06.2022.	31.12.2021.	30.06.2022.	31.12.2021.
Total assets, thous. EUR	1 198 248	1 232 245	899 482	909 279
Total equity, thous. EUR	614 028	647 812	435 733	465 343
Borrowings, thous. EUR	174 199	198 060	100 101	99 966
Cash, thous. EUR	41 115	63 190	40 850	48 514
FINANCIAL RATIOS				
Liquidity ratio (≥ 1.2)	0.9	1.6	1.5	1.7
EBITDA Profitability	38%	38%	28%	29%
Equity ratio ($\geq 35\%$)	51%	53%	48%	51%
Net debt to equity, ($\leq 55\%$)	22%	23%	19%	18%
PERFORMANCE INDICATORS				
Electricity transmitted to users in Latvia, GWh	3 138	3 087	3 138	3 087
Natural gas transported, TWh	16.8	22.1	-	-
Natural gas for consumption in Latvia, TWh	4.8	7.0	-	-
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

The Regional Coordination Centre for the Electricity Systems of the Baltic countries has commenced its work

The Baltic Regional Coordination Center (“Baltic RCC”), was established by three Baltic electricity transmission system operators (TSOs) – Estonia’s “Elering”, Lithuania’s “Litgrid” and Latvia’s AS “Augstsprieguma tīkls” (AST) - has commenced its work in Tallinn. Its main task will be to coordinate the planning of the development of the electricity systems, as well as to coordinate the daily activities of individual operators in order to ensure the safety of electricity supply. The need for transmission system operators to establish regional coordination centers stems from the provisions of the European Union's Clean Energy Package. The management of the Regional Coordination Centre is ensured according to the principle of equality of all three Baltic countries - each operator holds the same number of capital shares in the new structure.

The price of electricity continues to rise

In June 2022, the average electricity price in the Latvian trading area increased to EUR 218.29 per megawatt-hour, which is 32.9% higher than in May, but compared to June 2021, the price was 186% higher. In June, Latvia reached the historically highest monthly average electricity price since the opening of the electricity market - 218.29 EUR/MWh. In Lithuania, the price was even higher - 223.16 EUR/MWh, while in Estonia the increase was not so big, and the price reached 173.83 EUR/MWh. The difference can be explained by the unavailability of the Valmiera - Tartu interconnector due to its reconstruction, which resulted in importing smaller amounts of electricity from Estonia to Latvia.

Fee for reservation of the network (grid) capacity

The fee for reservation of network (grid) capacity is established to avoid cases where potential operators of electricity generation facilities reserve network (grid) capacity for a long time without actually building the connection.

According to the adopted amendments to the Electricity Market Law, the fee for reservation of network (grid) capacity will be due if the capacity of the power generation facility to be connected exceeds 50 kilowatts. The network operator must publish on its website the information on the free capacities for generation and ensuring consumption connections.

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

In the second quarter of 2022, AS “Augstsprieguma tīkls” supplied 3,138 gigawatt hours (GWh) of electricity to consumers in Latvia, 2% more than in the corresponding period last year (3,087 GWh).

The volume of natural gas transported has decreased by 24%

In the first six 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 16.8 TWh, which is 24% 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 30 June 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. In the first half of 2022, AS “Augstsprieguma tīkls” together with the electricity transmission system operators of Estonia and Lithuania established the Regional Coordination Centre for Electricity Systems of the Baltic countries - "Baltic RCC" OÜ. See the information on the shareholdings in the associated company and its location in Note 8.

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.

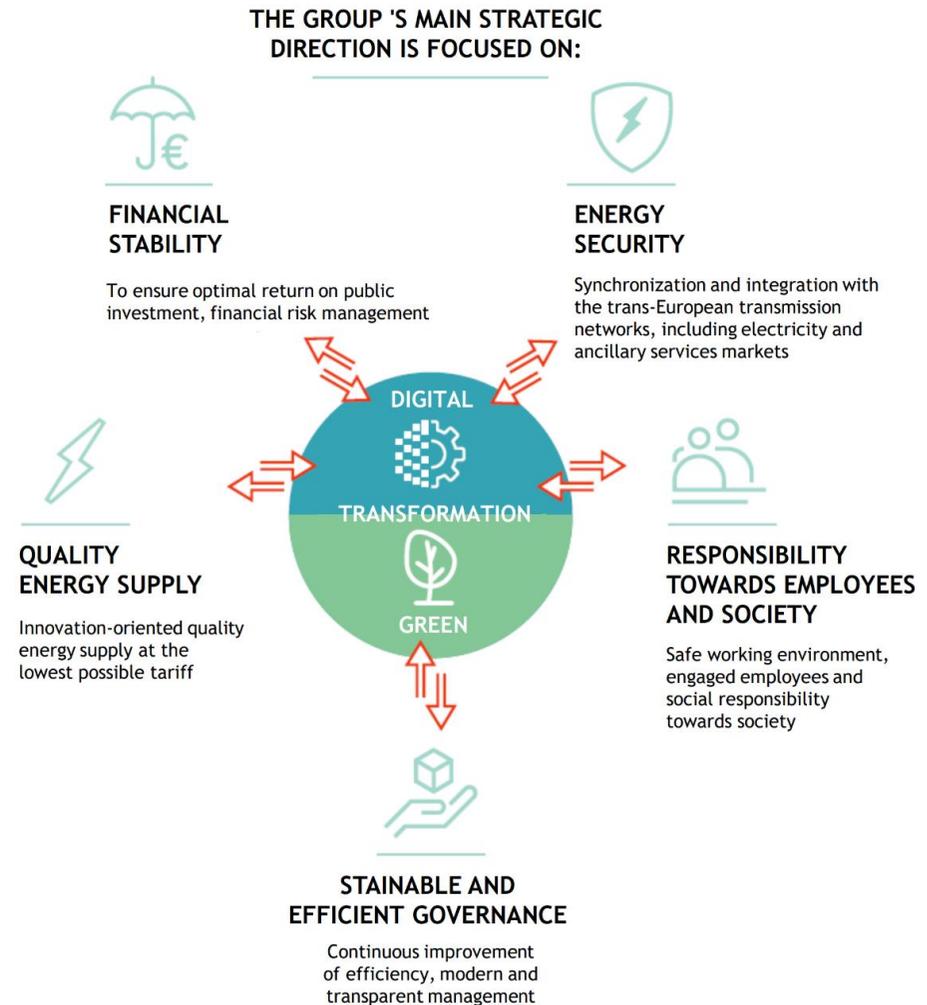
Values

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

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

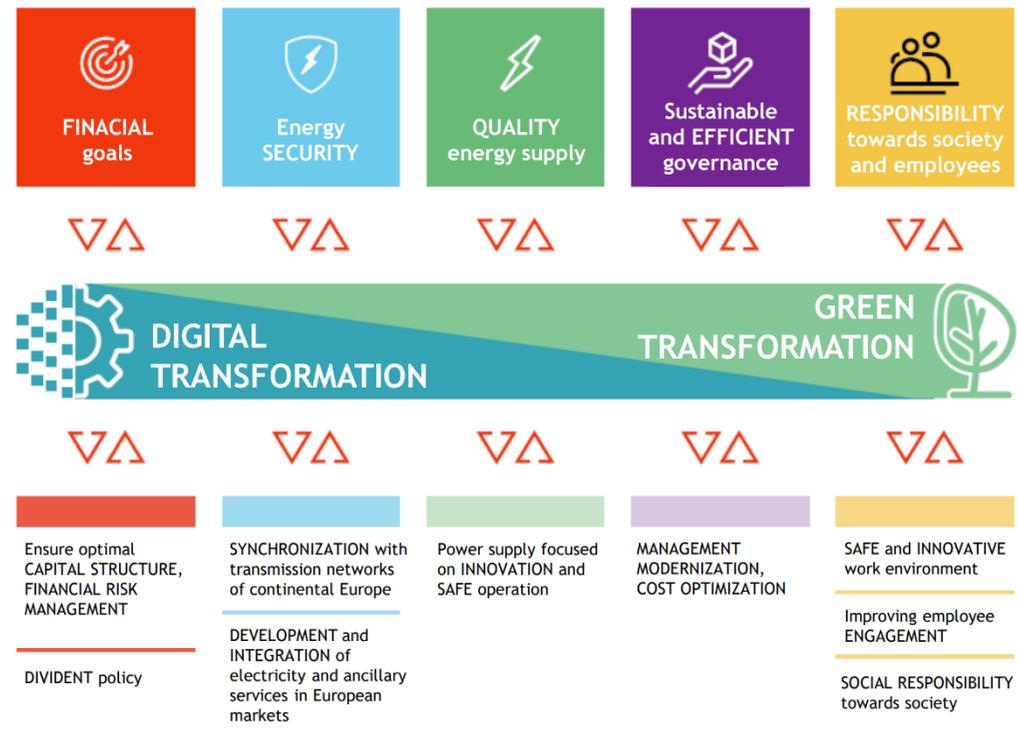
During the reporting period, the net turnover of the Augstspriegums Tīkli Group amounted to EUR 118,928 thousand, while the net loss amounted to EUR 1,607 thousand. The decrease in the Group’s profit compared to the corresponding period of 2021 is due to the sharp increase in the price of electricity. 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 2022, it was awarded, for the fourth 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 6 months of 2022, the price of electricity will continue to rise, having started so from May 2021. In June 2022, the average price of electricity in the Latvian trading area rose to EUR 218.29 per megawatt-hour, which is 33 % higher than in May, but compared to June 2021, the price is 186% higher. In June, Latvia reached the historically highest monthly average electricity price since the opening of the electricity market - 218.29 EUR/MWh. In Lithuania, the price was even higher - 223.16 EUR/MWh, while in Estonia the increase was not so big and the price reached 173.83 EUR/MWh, the difference can be explained by the unavailability of the Valmiera - Tartu interconnector due to its reconstruction, which made it possible to import a smaller amount of electricity from Estonia to Latvia.

Since 22 May 2022, it has not been possible to import electricity from Russia due to the sanctions imposed in connection with the Russian invasion of Ukraine, so imports from the European Union countries increased by 21% and reached 1,064,511 MWh. Poland exported 97,655 MWh to the Baltic States, which is 27% more than in May, while imports from Sweden and Finland increased by 21% and reached 419,491 and 547,365 MWh of electricity, respectively.

In June 2022, Latvia generated 278,793 MWh of electricity, down 21% from May and 31% lower than a year ago, while electricity consumption in Latvia was 538,011 MWh, down 6% from May and down 3% from a year ago. Local generation covered 52% of the national consumption, while the shortfall – 259,218 MWh - was imported from neighboring countries.

In the first six months of 2022, AS “Augstsprieguma tīkls” transferred 3,138 GWh of electricity to consumers in Latvia, 2% more than in the corresponding period last year (3,087 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 91,251 thousand, including revenues from electricity transmission network services EUR 37,776 thousand, which represents 41 % of the total net revenues of the segment. The 79 % year-on-year increase in revenues in the first six 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 six months 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 7,004 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. For information on the planned changes to the methodology, see the Regulatory Activities section.

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 six months of 2022, the total volume of transported gas reached 16.8 TWh, which is 24% less than in the corresponding period of the previous year. The volume of natural gas consumption for the needs of Latvian consumers reached 4.8 TWh, which is 32% less than a year earlier.

Revenues of the natural gas transmission segment in the reporting period amounted to EUR 14,123 thousand and EBITDA reached EUR 7,494 thousand, which accounted for 44% of Conexus' total EBITDA. Profit of the transportation segment reached EUR 768 thousand (87% less than a year earlier).

In the six 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 4,816 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 228 million. EUR. During the reporting period, investments amounting to EUR 2,164 thousand were made. The largest of these were:

- In the first six months of 2022, Conexus invested a total of EUR 545 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 417 thousand;
- Inčukalns UGS gas transmission pipeline was replaced in the amount of EUR 452 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 2,556 thousand compared to the previous year.

In the reporting period, sales in the natural gas storage segment amounted to EUR 13,554 thousand, and EBITDA reached EUR 9,410 thousand. The profit of the natural gas storage segment reached EUR 4,628 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 3.7 million, they are EUR 3,927 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 2.1 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 30 June 2022, the total amount of borrowings of the Parent Company was EUR 100,101 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 30 June 2022 amounted to EUR 174,199 thousand, of which EUR 100,101 thousand, loans from credit institutions of EUR 74,097 thousand, including the used line of credit of EUR 7,080 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 57,920 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>.

On 14 July 2022, the PUC published consultation documents on the amendments to the Methodology for Calculating Electricity Transmission System Tariffs and the Draft Methodology for Billing and Calculating Capital Costs (hereinafter referred to as the “Consultation Documents”). The Consultation Documents are available on the PUC website <https://www.sprk.gov.lv/content/publiskas-konsultacijas>.

Key planned changes:

- Differences in costs between those in the tariff budget and actual costs;
- Use of accumulated congestion charge revenues to reduce the tariff to recover operating costs;
- Change in the rate of return on capital from real to nominal;
- Results of asset revaluations made after 31 December 2021, will not be included in the regulated asset base.

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

In accordance with the Regulator’s decision No 171 of 27 November 2019, existing transmission service tariffs have been approved for the period from 1 January 2020 to 30 September 2022. Since no new tariffs on the natural gas transmission system service are expected to take effect from 1 October 2022, the current tariffs on the natural gas transmission system service will apply until the beginning of a new regulatory period.

The date of entry into force of the new regulatory period is not currently set but is expected to be October 1, 2023. This date depends on both the decision on Lithuania joining the single natural gas transmission entry-exit system of Finland, Estonia and Latvia, and the revision of the methodology for calculating tariffs for the natural gas transmission system scheduled for this year.

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.

In June 2022, the development plan of the power transmission network for the period 2023-2032 was submitted to the PUC for approval.

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.

IMPACT FROM RUSSIAN WAR AGAINST UKRAINE ON THE OPERATIONS OF THE COMPANY AND THE GROUP

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.

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. On 22 May 2019 AST has signed an Agreement on the conditions of the future interconnection of power system of Baltic states and power system of continental Europe. Synchronisation of the Baltic electricity power transmission system with the continental Europe is to be completed until 2025.

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.

Also, due to Russian aggression in Ukraine, on 19 April 2022 the Government of Latvia agreed conceptually on the abandonment of natural gas from Russia. The Economic, Agricultural, Environmental and Regional Policy Commission of the Parliament of the Republic of Latvia directed amendments to the Energy Law, which stipulate that natural gas supplies from Russia are banned from January 1, 2023. In support of the amendments prepared by the commission, on 14 July 2022, the Parliament of the Republic of Latvia adopted amendments to the Energy Law, which set a ban on natural gas supplies from Russia starting 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.

Due to emergency market conditions indicating need to perform impairment assessment, such assessment was carried out as part of preparation of condensed interim financial statements for 2nd quarter of 2022. Potential impairment of assets was considered for non-current assets of AS "Augstsprieguma tīkls" (including investment into AS "Conexus Baltic Grid" as a subsidiary) and for non-current assets of AS "Conexus Baltic Grid" as part of consolidated group.

Management of AST has performed impairment assessment of AST non-current assets (excluding investment into AS "Conexus Baltic Grid" presented as part of AS "Augstsprieguma tīkls" balance sheet). As a result of this assessment, it was concluded that recoverable amount of assets exceeds their balance sheet value, moreover, the value of assets that are directly impacted by potential desynchronisation from Russia is immaterial in the context of financial statements (0.3% of total property, plant and equipment).

Investment into AS “Conexus Baltic Grid” presented as part of AS “Augstsprieguma tīkls” balance sheet was assessed alongside with the value of non-current assets presented in the consolidated balance sheet of AS “Augstsprieguma tīkls”, as purchase value of AS “Conexus Baltic Grid” historically was determined in respect of value of its property, plant, equipment and other non-current assets. AS “Conexus Baltic Grid” management has identified indicators of impairment in June 2022 (due to planned disconnection from the system as of 1 January 2023) and has engaged independent expert in performing impairment testing. As a result of testing performed, no impairment was recognised for non-current assets of AS “Conexus Baltic Grid”, thus there is no need to recognise impairment of assets neither in separate nor in consolidated financial statements of AS “Augstsprieguma tīkls”.

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 Group.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Since the last day of the reporting period there were no events or circumstances that could significantly affect the non-audited condensed financial statements of AS “Augstsprieguma tīkls” Group and AS “Augstsprieguma tīkls” for the 6 months period ended 30 June 2022.

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.

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.

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, 17 August 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 30 June 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 6-month period ended 30 June 2022 were approved by the Board of AS “Augstsprieguma tīkls” on 17 August 2022.

Gunta Jēkabsone
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, 17 August 2022

INCOME STATEMENT

	Notes	Parent Company		Group	
		6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
Revenue	4	91 251 176	50 905 349	118 928 053	80 352 790
Other income	-	2 764 323	1 655 394	3 132 274	2 100 278
Raw materials and consumables used	5	(47 640 007)	(14 660 512)	(51 000 198)	(17 393 827)
Personnel expenses	-	(9 156 188)	(8 398 917)	(15 842 279)	(14 161 731)
Other operating expenses	-	(26 099 153)	(6 495 892)	(27 194 224)	(8 599 649)
EBITDA		11 120 151	23 005 422	28 023 626	42 297 861
Depreciation, amortisation, and impairment, of intangible assets and property, plant and equipment	7.1	(17 815 646)	(16 144 684)	(26 744 030)	(24 928 001)
OPERATING (LOSS)/PROFIT		(6 695 495)	6 860 738	1 279 596	17 369 860
Dividends from subsidiaries		6 536 774	58 286 236	-	-
Finance income	6a	3 469	2 290	4 182	2 549
Finance costs	6b	(311 965)	(1 344 162)	(503 881)	(1 458 552)
PROFIT BEFORE TAX		(467 217)	63 805 102	779 897	15 913 857
Corporate income tax	-			(2 387 165)	(1 779 103)
PROFIT FOR THE REPORTING PERIOD		(467 217)	63 805 102	(1 607 268)	14 134 754
Profit attributable to:					
Equity holder of the Parent Company		(467 217)	63 805 102	(3 309 394)	11 567 918
Non-controlling interests		-	-	1 702 126	2 566 836

The notes on pages 35 to 66 form an integral part of these financial statements.

Gunta Jēkabsons
Chairperson 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, 17 August 2022

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Parent Company		Group	
		6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
PROFIT FOR THE REPORTING PERIOD		(467 217)	63 805 102	(1 607 268)	14 134 754
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		(467 217)	63 805 102	(1 607 268)	14 134 754
Comprehensive income attributable to :					
Equity holder of the Parent Company		(467 217)	63 805 102	(3 309 394)	9 676 653
Non-controlling interests		-	-	1 702 126	4 458 101

The notes on pages 35 to 66 form an integral part of these financial statements.

Gunta Jēkabsons
Chairperson 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

Rīga, 17 August 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	-	2 492 782	2 121 767	4 713 276	4 163 016
Advance payments for intangible assets	-	-	-	6 720	6 720
Property, plant and equipment	7	678 574 505	685 805 790	1 095 313 282	1 105 768 949
Advance payments for property, plant and equipment	-	-	-	2 434 380	2 332 465
Right-of-use assets	15a	14 943 679	14 635 417	15 375 107	15 086 525
Non-current financial investments	8	134 441 393	134 396 393	46 422	1 422
Non-current prepaid costs	-	-	-	1 058 259	1 108 651
TOTAL NON-CURRENT ASSETS		830 452 359	836 959 367	1 118 947 446	1 128 467 748
CURRENT ASSETS					
Inventories	-	464 440	517 327	3 154 801	3 143 866
Advance payments for inventories	-	-	-	31 333	-
Receivables from contracts with customers	9	26 098 331	21 508 872	31 724 378	34 882 006
Other current assets	10	1 605 515	1 767 892	3 263 771	2 550 217
Corporate income tax	10	11 512	11 512	11 512	11 512
Cash	11	40 850 213	48 513 943	41 114 668	63 190 053
TOTAL CURRENT ASSETS		69 030 011	72 319 546	79 300 463	103 777 654
TOTAL ASSETS		899 482 370	909 278 913	1 198 247 909	1 232 245 402

The notes on pages 35 to 66 form an integral part of these financial statements.

Gunta Jēkabsons
Chairperson 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

Riga, 17 August 2022

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	Parent Company		Group	
		30.06.2022. EUR	31.12.2021. EUR	30.06.2022. EUR	31.12.2021. EUR
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12a	365 895 957	365 895 957	365 895 957	365 895 957
Reserves	12b	36 920 975	37 176 552	38 362 398	38 641 445
Retained earnings	-	32 915 762	62 270 520	111 530 357	143 727 293
Equity attributable to equity holder of the Parent Company	-	435 732 694	465 343 029	515 788 712	548 264 695
Non-controlling interests	12c	-	-	98 238 905	99 547 615
TOTAL EQUITY		435 732 694	465 343 029	614 027 617	647 812 310
NON-CURRENT LIABILITIES					
Employee benefit obligations	-	3 261 943	3 426 477	4 636 078	4 800 612
Lease liabilities	15b	13 784 009	14 199 182	14 209 841	14 647 122
Borrowings	14	100 101 316	99 966 288	158 153 551	160 249 274
Deferred income from contracts with customers	13	37 261 565	38 249 840	37 261 565	38 249 840
Other deferred income	13	264 028 966	245 801 904	285 893 260	263 957 949
TOTAL NON-CURRENT LIABILITIES		418 437 799	401 643 691	500 154 295	481 904 797
CURRENT LIABILITIES					
Borrowings	14	-	-	16 045 174	37 810 235
Lease liabilities	15b	1 508 729	739 800	1 533 793	759 197
Deferred income from contracts with customers	13	3 375 254	3 375 254	3 375 254	3 612 539
Other deferred income	13	3 805 118	5 755 599	4 348 420	6 295 216
Trade payables	16	27 854 257	25 631 148	33 736 236	32 920 983
Deferred corporate income tax liabilities	-	-	-	4 831 892	4 831 892
Other creditors	16	8 768 519	6 790 392	20 195 228	16 298 233
TOTAL CURRENT LIABILITIES		45 311 877	42 292 193	84 065 997	102 528 295
TOTAL EQUITY AND LIABILITIES		899 482 370	909 278 913	1 198 247 909	1 232 245 402

The notes on pages 35 to 66 form an integral part of these financial statements.

Gunta Jēkabsons
Chairperson 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, 17 August 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		-	(467 217)	-	-	-	-	(467 217)
Total comprehensive income for the reporting year		-	(467 217)	-	-	-	-	(467 217)
Dividends paid for 2021		-	(29 143 18)	-	-	-	-	(29 143 18)
Disposal of non-current assets revaluation reserve		-	255 577	-	(255 577)	-	-	-
Total transactions with owners and other changes in equity		-	(28 887 41)	-	(255 577)	-	-	(29 143 18)
AT 30 June 2022		365 895 957	32 915 762	2 680 615	62 162 043	(584 979)	(27 336 704)	435 732 694

The notes on pages 35 to 66 form an integral part of these financial statements.

Gunta Jēkabsons,
Chairperson 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

Riga, 17 August 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		-	(3 309 394)	-	-	-	-	(3 309 394)	1 702 126	(1 607 268)
Total comprehensive income for the reporting year		-	(3 309 394)	-	-	-	-	(3 309 394)	1 702 126	(1 607 268)
Dividends paid for 2021		-	(29 143 118)	-	-	-	-	(29 143 118)	(3 010 837)	(32 153 955)
Write-off of revaluation reserve		-	255 577	-	(279 047)	-	-	(23 470)	-	(23 470)
Total shareholder transactions and other changes in equity		-	(28 887 41)	-	(279 047)	-	-	(29 166 588)	(3 010 837)	(32 177 425)
At 30 June 2022		365 895 957	111 530 358	2 680 615	62 272 956	(842 630)	(25 748 544)	515 788 712	98 238 905	614 027 617

The notes on pages 35 to 66 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, 17 August 2022

STATEMENT OF CASH FLOW

	Notes	Parent company		Group	
		6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
I. Cash flow from operating activity					
Profit before tax		(467 217)	63 805 102	779 897	15 913 857
Adjustments:					
Depreciation, amortization and impairment losses on revaluation of intangible assets and property, plant and equipment	7.1	17 815 646	16 144 684	26 744 030	24 928 001
Depreciation of intangible assets and property, plant and equipment	7	74 055	111 568	42 679	229 350
Increase / (decrease) in provisions	-	(164 534)	(196 050)	121 246	(16 050)
Financial adjustment, net	-		1 921 843	(271 483)	1 803 481
Interest expense	-	376 501	1 344 162	567 420	1 457 551
Interest income	-	-	(2 290)	-	(2 290)
Dividends from subsidiaries		(6 536 774)	(58 286 236)		
Operating profit before changes in working capital		11 097 677	24 842 783	27 983 789	44 313 900
Adjustments:					
Decrease / (increase) in debts from customer agreements, deposits and other short-term receivables	-	(4 411 144)	22 151 091	2 521 006	21 739 853
Inventories (increase) / decrease	-	52 887	(10 180)	(42 269)	43 272
Increase / (decrease) in debt to suppliers and other creditors	-	(576 412)	(26 418 945)	(637 756)	(28 273 101)
Gross cash flow from operating activity		6 163 008	20 564 749	29 824 770	37 823 924
Interest expense	14	-	(1 223 071)	(179 542)	(1 325 069)
Lease interest	15b	(115 446)	(118 985)	(125 621)	(118 985)
Interest expense on issued debt securities (bonds)	-	(126 027)	-	(126 027)	-
Corporate income tax payments	-	-	-	(2 387 165)	-
Net cash flow from operating activity		5 921 535	19 222 693	27 006 415	36 379 870

The notes on pages 35 to 66 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, 17 August 2022

STATEMENT OF CASH FLOW (CONTINUED)

	Pielikums	Parent company		Group	
		6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
II. Cash flow from investing activity					
Acquisition and creation of fixed assets and intangible assets		(10 389 358)	(14 536 654)	(16 378 310)	(25 214 551)
Sale of fixed assets	7	232 479	68 641	263 855	132 633
EU funding received	13	3 060 852	788 359	7 044 268	3 807 579
Revenue from congestion charges received	13	16 578 364	4 745 584	16 578 364	4 745 584
Deposit refunds received	-	-	25 000 000	-	25 000 000
Investment in associate	-	(45 000)	-	(45 000)	-
Dividends received from subsidiaries	-	6 536 774	58 286 236	-	-
Net cash flow from investing activities		15 974 111	74 352 166	7 463 177	8 471 245
III. Cash flow from financing activities					
Asset lease payments	15b	(416 258)	(411 789)	(432 699)	(466 951)
Loans received from credit institutions	14	-	-	8 261 931	64 485 644
Repayment of loans from credit institutions	14	-	-	(32 258 945)	(2 357 639)
Repayment of borrowings from related parties		-	(46 672 207)	-	(46 672 207)
Dividends paid	-	(29 143 118)	(6 399 611)	(32 115 264)	(32 507 187)
Net cash flow from financing activities		(29 559 376)	(53 483 607)	(56 544 977)	(17 518 340)
Net cash increase / (decrease) during the reporting period		(7 663 730)	40 091 252	(22 075 385)	27 332 775
Cash balance at the beginning of the reporting period		48 513 943	32 224 560	63 190 053	47 388 296
Cash balance at the end of the reporting period		40 850 213	72 315 812	41 114 668	74 721 071

The notes on pages 35 to 66 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, 17 August 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”, the subsidiary AS “Conexus Baltic Grid”, the associated company "Baltic RCC" OÜ.

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 Augstsprieguma Tīkls 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 associated company of the group "Baltic RCC" OÜ is the Baltic Regional

Coordination Centre in Tallinn, charged with the main task of coordinating the planning of the development of electricity systems, as well as to coordinate the daily activities of individual operators to ensure the safety of electricity supply.

The financial statements were approved by the Board of the Company on 17 August 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
6 months of 2022						
External customers	91 251 176	14 123 310	13 553 567	118 928 053	-	118 928 053
Revenue	91 251 176	14 123 310	13 553 567	118 928 053	-	118 928 053
EBITDA	11 120 151	7 493 606	9 409 869	28 023 626	-	16 380 420
Depreciation and amortization	(17 815 646)	(5 105 040)	(3 823 344)	(26 744 030)	-	(26 744 030)
Segment (loss) / profit before tax	(7 003 991)	2 268 561	5 515 327	779 897	-	1 887 200
Segment assets at the end of the reporting period	765 087 399	228 001 345	215 867 445	1 208 956 189	(10 708 280)	1 198 247 909
Capital expenditure	10 697 344	2 163 971	3 723 065	16 584 380	-	16 584 380
6 months of 2021						
External customers	50 905 349	18 688 614	10 997 735	80 591 698	(238 908)	80 352 790
Revenue	50 905 349	18 688 614	10 997 735	80 352 790	(238 908)	80 352 790
EBITDA	23 005 422	12 338 393	6 954 046	42 297 861	-	42 297 861
Depreciation and amortization	(16 144 684)	(5 083 887)	(3 699 430)	(24 928 001)	-	(24 928 001)
Segment profit before tax	5 518 866	7 182 987	3 212 004	15 913 857	-	15 913 857
Segment assets at the end of the reporting period	787 827 151	231 600 162	210 676 396	1 230 103 709	(10 708 404)	1 219 395 305
Capital expenditure	11 629 814	2 738 284	7 649 765	22 017 863	-	22 017 863

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	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
EBITDA	11 120 151	23 005 422	28 023 626	42 297 861
Depreciation and amortisation	(17 815 646)	(16 144 684)	(26 744 030)	(24 928 001)
Segment profit before tax and financial expenses	(6 695 495)	6 860 738	1 279 596	17 369 860
Finance income	3 469	2 290	4 182	2 549
Finance costs	(311 965)	(1 344 162)	(503 881)	(1 458 552)
Segment profit /(loss) before tax	(7 003 991)	5 518 866	779 897	15 913 857
Profit before tax	6 536 774	58 286 236	-	-

Reconciliation of assets

	Parent Company		Group	
	At 30.06.2022 EUR	At 30.06.2021 EUR	At 30.06.2022 EUR	At 30.06.2021 EUR
Segment assets	765 042 399	787 827 151	1 208 956 189	1 230 103 709
Long term financial investment	134 439 971	134 394 971	-	-
Property, plant and equipment (impact of PPA adjustment on consolidation)*	-	-	10 708 163	10 708 163
Other assets	-	-	117	241
Total assets	899 482 370	922 222 122	1 198 247 909	1 219 395 305

* 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	
	6 months of 2022	6 months of 2021	6 months of 2022	6 months of 2021
	EUR	EUR	EUR	EUR
Electricity transmission	69 901 191	41 272 331	69 901 191	41 272 331
Natural gas transmission	-	-	14 009 802	18 515 542
Natural gas storage	-	-	9 046 666	5 571 204
Total revenue from key customers	69 901 191	41 272 331	92 957 659	65 359 077

4. REVENUE

	Applied IFRS	Parent Company		Group	
		6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
Revenue from contracts with customers recognised over time					
Electricity transmission system service	IFRS 15	37 776 375	38 166 068	37 776 375	38 166 068
Sales of balancing electricity	IFRS 15	30 872 440	7 838 075	30 872 440	7 838 075
Revenues from natural gas transmission *	IFRS 15	-	-	13 865 048	18 449 706
Revenue from storage of natural gas *	IFRS 15	-	-	13 553 567	10 997 735
Revenue from connection fees	IFRS 15	1 674 511	1 673 306	1 674 511	1 673 306
Cross-border electricity charges	IFRS 15	614 675	1 213 461	614 675	1 213 461
Revenue from reactive electricity	IFRS 15	273 769	276 452	273 769	276 452
Sales of regulatory electricity	IFRS 15	940 194	79 133	940 194	79 133
Electricity transit service	IFRS 15	641 000	-	641 000	-
Other services	IFRS 15	334 886	852 164	593 148	852 164
TOTAL REVENUE from contracts with customers		73 127 850	50 098 659	100 804 727	79 546 100
Other revenue					
Congestion management at borders	IAS 20	14 607 548	-	14 607 548	-
Lease of other assets	IFRS 16	832 096	746 305	832 096	746 305
Liquidation of electrical capacity overload		2 683 682	60 385	2 683 682	60 385
TOTAL OTHER REVENUE		18 123 326	806 690	18 123 326	806 690
Total revenue		91 251 176	50 905 349	118 928 053	80 352 790

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	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
Revenue from the mandatory procurement component	291 598	2 358 541	291 598	2 358 541
Costs of the mandatory procurement component	291 598	2 358 541	291 598	2 358 541
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	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
Revenue from natural gas balancing activities	-	-	16 545 377	7 012 024
Expenditure on natural gas balancing activities	-	-	(16 287 115)	(6 773 116)
Natural gas balancing, net	-	-	258 262	238 908

5. MATERIALS AND CONSUMABLES USED

	Parent Company		Group	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
Purchase of balancing electricity	23 249 606	6 056 697	23 249 606	6 056 697
Electricity transmission losses and technological consumption	11 623 379	4 486 849	11 623 379	4 486 849
Purchase of regulatory electricity	8 547 520	1 835 192	8 547 520	1 835 192
Electricity transit losses	3 616 442	1 719 575	3 616 442	1 719 575
Natural gas transmission and storage system maintenance services	-	-	1 927 399	1 851 063
Costs of used materials and repairs	358 249	416 375	1 382 504	793 327
Natural gas costs	-	-	408 537	505 300
Electricity for own consumption	244 811	145 824	244 811	145 824
TOTAL RAW MATERIALS AND MATERIALS USED	47 640 007	14 660 512	51 000 198	17 393 827

6. FINANCE INCOME AND COSTS

	Parent Company		Group	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
a) Finance income				
Other finance income	3 469	2 290	4 182	2 549
Total financial income	3 469	2 290	4 182	2 549
b) Finance costs				
Interest expense on borrowings	-	(1 425 025)	(180 744)	(1 527 023)
Coupon interest costs of issued debt securities (Note 14)	(261 055)	-	(261 055)	-
Expenditure on debt securities issued	(22 950)	-	(22 950)	-
Capitalised borrowing costs	88 500	201 954	88 500	201 954
Interest expense on leased assets	(115 446)	(118 985)	(125 621)	(130 377)
Other finance costs	(1 014)	(2 106)	(2 011)	(3 106)
Total finance cost	(311 965)	(1 344 162)	(503 881)	(1 458 552)

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	14 313	-	-	25 930	220 031	9 855 485	10 115 759
Transfers	25 733	-	6 623 507	161 959	-	(6 811 199)	-
Sold	-	-	(232 479)	-	-	-	(232 479)
Disposals	(44)	(2 223)	(71 783)	(5)	-	-	(74 055)
Depreciation	(710 795)	(265 085)	(14 082 022)	(283 115)	(1 699 493)	-	(17 040 510)
Closing net book amount as at 30 June 2022	35 810 568	4 491 747	605 439 323	1 875 500	7 503 134	23 454 233	678 574 505
30 June 2022							
Cost or revalued value	41 225 165	8 565 666	1 184 927 808	11 260 958	17 947 835	23 454 233	1 287 381 665
Accumulated depreciation and impairment	(5 414 597)	(4 073 919)	(579 488 485)	(9 385 458)	(10 444 701)	-	(608 807 160)
Net book amount	35 810 568	4 491 747	605 439 323	1 875 500	7 503 134	23 454 233	678 574 505

	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	22 619	-	25 064	130 019	25 930	697 007	-	14 589 206	15 489 845
Transfers	25 733	-	3 747 853	6 988 154	161 959	194 822	-	(11 118 521)	-
Sold	-	-	-	(232 479)	-	-	-	-	(232 479)
Disposals	(44)	(2 223)	(23 470)	(71 783)	(5)	-	-	-	(97 525)
Depreciation	(710 795)	(265 085)	(5 761 932)	(16 579 381)	(283 115)	(2 015 200)	-	-	(25 615 508)
Closing net book amount as at 30 June 2022	36 903 042	4 491 747	321 327 869	675 347 378	1 875 500	9 921 320	1 538 779	43 907 647	1 095 313 282
At 30 June 2022									
Cost or revalued value	42 317 639	8 565 666	774 784 531	1 318 964 975	11 260 958	26 375 795	1 538 779	43 907 647	2 227 715 990
Accumulated depreciation and impairment	(5 414 597)	(4 073 919)	(453 456 662)	(643 617 597)	(9 385 458)	(16 454 475)	-	-	(1 132 402 708)
Net book amount	36 903 042	4 491 747	321 327 869	675 347 378	1 875 500	9 921 320	1 538 779	43 907 647	1 095 313 282

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	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
Depreciation of PPE (Note 7)	(17 040 510)	(15 650 223)	(25 615 508)	(24 042 441)
Amortisation of intangible assets (Note 7)	(313 384)	(153 704)	(647 090)	(498 437)
Depreciation of right-to-use (Note 15)	(461 752)	(340 757)	(481 432)	(387 123)
Depreciation and amortization	(17 815 646)	(16 144 684)	(26 744 030)	(24 928 001)

8. OTHER LONG-TERM FINANCIAL INVESTMENTS

	Parent Company		Group	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 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 associates, including:	45 000	-	45 000	-
"Baltic RCC" OÜ	45 000	-	45 000	-
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%
"Baltic RCC" OÜ	Estonia	The regional coordination center of the Baltic electricity transmission systems	33.33%
AS "Pirmais slēgtais pensiju fonds"	Latvia	Pension plan management	1.9%

9. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. EUR	At 31.12.2021. EUR
Receivables from contracts with customers				
Receivables for electricity transmission services	24 772 785	21 083 293	24 772 785	21 083 293
Trade receivables	1 525 672	429 929	7 151 719	13 803 063
Total debts from contracts with customers	26 298 457	21 513 222	31 924 504	34 886 356
Expected credit losses				
Other trade receivables	(200 126)	(4 350)	(200 126)	(4 350)
Total expected credit losses	(200 126)	(4 350)	(200 126)	(4 350)
Receivables from contracts with customers, net				
Receivables for electricity transmission services	24 772 785	21 083 293	24 772 785	21 083 293
Other trade receivables	1 325 546	425 579	6 951 593	13 798 713
DEBT FROM CONTRACTS WITH CUSTOMERS, NET	26 098 331	21 508 872	31 724 378	34 882 006

Impairment of receivables from contracts with customers	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. 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	195 776	(11 267)	195 776	(11 267)
At the end of the reporting period	200 126	4 350	200 126	4 350

10. OTHER RECEIVABLES

	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. EUR	At 31.12.2021. EUR
Receivables related to European Union funded projects	15 938	1 174 056	15 938	1 174 056
Other financial assets	15 938	1 174 056	15 938	1 174 056
Overpaid corporate income tax	11 512	11 512	11 512	11 512
Deferred expenses	1 514 466	528 957	1 514 466	946 096
Other debtors	75 111	64 879	1 733 367	430 065
Other non-financial assets	1 601 089	605 348	3 259 345	1 387 673
TOTAL OTHER RECEIVABLES	1 617 027	1 779 404	3 275 283	2 561 729

11. CASH

	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. EUR	At 31.12.2021. EUR
Cash in bank	40 850 213	48 513 943	41 114 668	63 190 053
TOTAL CASH	40 850 213	48 513 943	41 114 668	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 30 June 2022	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 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. EUR	At 31.12.2021. EUR
a) Non-current deferred income				
- from connection fees	37 261 565	38 249 840	37 261 565	38 249 840
Non-current deferred income from contracts with customers	37 261 565	38 249 840	37 261 565	38 249 840
- on financing from European Union funds	143 387 262	140 707 294	165 251 556	158 863 339
- from congestion charge revenue	120 641 704	105 094 610	120 641 704	105 094 610
Other non-current deferred income	264 028 966	245 801 904	285 893 260	263 957 949
TOTAL non-current deferred income	301 290 531	284 051 744	323 154 825	302 207 789

	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. EUR	At 31.12.2021. EUR
b) Current deferred income				
- from connection fees	3 375 254	3 375 254	3 375 254	3 612 539
Current deferred income from contracts with customers	3 375 254	3 375 254	3 375 254	3 612 539
- unfinished projects funded from European Union, including:	930 870	950 636	930 870	950 636
<i>Project "Synchronisation of the Baltic Electricity Transmission System with the European Network, Phase 2"</i>	<i>777 947</i>	<i>777 947</i>	<i>777 947</i>	<i>777 947</i>
<i>Project "EU-SysFlex- A European system with effectively coordinated use of flexibility to integrate a higher share of RES"</i>	<i>37 812</i>	<i>37 812</i>	<i>37 812</i>	<i>37 812</i>
<i>Project "Study of dynamic stability of Baltic electricity systems"</i>	<i>26 250</i>	<i>26 250</i>	<i>26 250</i>	<i>26 250</i>
<i>Project "TSO-SSO-end-user connection system, INTERRFACE"</i>	<i>88 861</i>	<i>108 627</i>	<i>88 861</i>	<i>108 628</i>
- completed projects funded by European Union	1 031 298	2 443 153	1 569 946	2 978 118
- on financing receivable from European Union funds	15 938	1 174 056	15 938	1 174 056
- from congestion charge revenue	1 827 012	1 187 754	1 827 012	1 187 754
- from another project financing	-	-	4 652	4 652
Current other deferred income	3 805 118	5 755 599	4 348 420	6 295 216
TOTAL current deferred income	7 180 372	9 130 853	7 723 674	9 907 755

Movement of deferred income from contracts with customers (non-current and current):	Parent Company		Group	
	At 30.06.2022. 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	(1 720 068)	(3 409 718)	(1 957 352)	(3 409 718)
At the end of the reporting year	38 244 786	39 964 854	38 007 502	39 964 854

Movement of other deferred income (non-current and current):	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. 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 *	1 413 303	1 207 955	1 413 303	1 207 955
Accumulated EU co-financing from previous periods received	(2 571 421)	(31 604 872)	(2 571 421)	(31 604 872)
Deferred revenue from EU co-financing	3 060 852	32 393 231	7 044 268	40 210 739
Deferred revenue from connection fee received	731 794	1 660 242	731 794	1 660 242
Revenue from congestion charges received	16 578 364	11 441 072	16 578 364	11 441 072
IPGK reserved capacity fee	-	-	-	237 284
Capitalised co-financed project	-	-	-	130 468
Revenue from congestion charges is included in the income statement	(392 012)	(1 040 506)	(392 012)	(1 040 506)
EU co-financing is included in the income statement	(1 812 506)	(3 447 957)	(2 083 989)	(4 734 936)
At the end of the reporting period	270 226 117	253 217 743	292 870 997	272 150 690
TOTAL at the end of the reporting period	308 470 903	293 182 597	330 878 499	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%).

At the end of the reporting period, the Group's weighted average interest rate on long-term loans is 0.5% (at 31 December 2021: 0.44%). 82% 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 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. EUR	At 31.12.2021. EUR
Non-current borrowings from credit institutions	-	-	58 052 235	60 282 986
Non-current portion of issued debt securities (bonds)	99 879 398	99 866 288	99 879 398	99 866 288
Current borrowings from credit institutions	-	-	16 043 972	37 772 866
Borrowings	99 879 398	99 866 288	173 975 605	197 922 140
Non – current accrued liabilities for coupon interest expenses on issued debt securities (bonds)	221 918	100 000	221 918	100 000
Current accrued interest on borrowings from credit institutions	-	-	1 202	37 369
TOTAL borrowings	100 101 316	99 966 288	174 198 725	198 059 509
Of which				
Non-current	100 101 316	99 966 288	158 153 551	160 249 274
Current	-	-	16 045 174	37 810 235

Movement of borrowings:

	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. 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	-	-	8 261 931	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)	(32 258 945)	(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	180 744	988 116
Interest accrued on issued bonds	261 055	105 288	261 055	105 288
Paid interest on loans to related parties	-	(1 752 704)	-	(1 752 704)
Paid interest on loans to credit institutions	-	(726 121)	(179 542)	(950 748)
Paid interest on bonds	(126 027)	-	(126 027)	-
Changes in borrowings, net	135 028	(103 318 093)	(23 860 784)	(27 099 872)
At the end of the reporting period	100 101 316	99 966 288	174 198 725	198 059 509

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

15. ASSET LEASES

	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. 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	(461 752)	(780 036)	(481 432)	(873 488)
Carrying value at the end of the reporting period	14 943 679	14 635 417	15 375 107	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	(416 257)	(683 173)	(432 698)	(770 882)
Interest paid	(115 446)	(237 970)	(125 621)	(260 821)
Interest calculated	115 446	237 970	125 621	260 821
Liabilities at the end of the reporting period	15 292 738	14 938 982	15 743 635	15 406 319
Of which				
Non-current	13 784 009	14 199 182	14 209 841	14 647 122
Current	1 508 729	739 800	1 533 793	759 197

16. TRADE AND OTHER PAYABLES

	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. EUR	At 31.12.2021. EUR
Financial liabilities				
Payables for electricity and natural gas	23 702 749	17 595 113	23 702 749	17 639 639
Payables for materials and services	4 151 507	8 036 035	10 033 486	15 281 343
Total accounts payable	27 854 256	25 631 148	33 736 235	32 920 982
Accrued expenses	387 998	15 902	1 578 735	6 108 141
Other financial current payables	2 426 699	2 907 326	2 962 145	3 931 938
TOTAL financial liabilities	30 668 953	28 554 376	38 277 115	42 961 061
	Parent Company		Group	
	At 30.06.2022. EUR	At 31.12.2021. EUR	At 30.06.2022. EUR	At 31.12.2021. EUR
Non-financial liabilities:				
State social security contributions and other taxes	1 354 822	299 430	1 633 593	504 163
Connection fee advances received	2 050 364	1 247 950	2 050 364	1 247 950
Advances received	-	131	6 561 078	956 942
Other non-financial current payables	2 548 637	2 319 653	5 409 314	3 549 100
TOTAL non-financial liabilities	5 953 823	3 867 164	15 654 349	6 258 155
TOTAL trade and other current payables	36 622 776	32 421 540	53 931 464	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 30.06.2022.				
Assets measured at fair value:				
Revalued property, plant and equipment (Note 7)	611 806 570	-	-	611 806 570
Financial assets:				
Cash (Note 11)	40 850 213	-	40 850 213	-
Receivables from contracts with customers (Note 9)	26 098 331	-	-	26 098 331
Other long-term financial investments (Note 8)	46 422	-	-	46 422
Other receivables (Note 10)	15 938	-	-	15 938
Financial liabilities:				
Borrowings (Note 14)	100 101 316	-	100 101 316	-
Lease liabilities (Note 15)	15 292 738	-	-	15 292 738
Trade and other payables (Note 16)	30 668 953	-	-	30 668 953
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			
	Carrying amount EUR	Level 1, EUR	Level 2, EUR	Level 3, EUR
At 30.06.2022.				
Assets measured at fair value:				
Revalued property, plant and equipment (Note 7)	1 003 042 494	-	-	1 003 042 494
Financial assets:				
Cash (Note 11)	41 114 668	-	41 114 668	-
Receivables from contracts with customers (Note 9)	31 924 504	-	-	31 924 504
Other long-term financial investments (Note 8)	46 422	-	-	46 422
Other receivables (Note 10)	15 938	-	-	15 938
Financial liabilities:				
Borrowings (Note 14)	174 198 725	-	174 198 725	-
Lease liabilities (Note 15)	15 743 635	-	-	15 743 635
Trade and other payables (Note 16)	38 277 115	-	-	38 277 115
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	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
Revenues				
Electricity transmission system service	36 779 626	37 570 739	36 779 626	37 570 739
Sale of balancing electricity	10 344 612	1 747 642	10 344 612	1 747 642
Sale of regulatory electricity	466 618	22 746	466 618	22 746
Revenue from reactive electricity	244 119	259 096	244 119	259 096
Mandatory procurement components	114 783	1 557 513	114 783	1 557 513
Revenue from other services	1 247 450	952 293	1 247 450	952 293
Total revenues from transactions with related companies	49 197 208	42 110 029	49 197 208	42 110 029

	Parent Company		Group	
	6 months of 2022 EUR	6 months of 2021 EUR	6 months of 2022 EUR	6 months of 2021 EUR
Costs				
Purchase of balancing electricity	4 017 835	2 659 496	4 017 835	2 659 496
Purchase of regulatory electricity	8 545 761	1 833 922	8 545 761	1 833 922
Electricity for own consumption	45 393	70 741	45 393	70 741
Electricity capacity reserve maintenance costs	3 541 535	2 026 180	3 541 535	2 026 180
Mandatory procurement component	291 598	2 358 541	291 598	2 358 541
Communication expenses	1 608 112	1 551 909	1 608 112	1 551 909
Use of emergency automation, synchronous compensators	627 723	464 179	627 723	464 179
Liquidation of electrical capacity overload	211 425	-	211 425	-
Long-term loan interest payments	-	990 308	-	990 308
Lease of fixed assets and land	407 230	410 243	407 230	410 243
Other costs	91 497	85 551	91 497	85 551
Total cost of transactions with related companies	19 388 109	12 451 070	19 388 109	12 451 070

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

	Parent Company		Group	
	At 30.06.2022. EUR	At 30.06.2021. EUR	At 30.06.2022. EUR	At 30.06.2021. EUR
Receivables:				
state-controlled capital companies	8 945 536	7 387 285	8 945 536	7 387 285
Payables:				
state-controlled capital companies	9 942 482	4 638 330	9 942 482	4 638 330

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

Since the last day of the reporting period there were no events or circumstances that could significantly affect the non-audited condensed financial statements of AS "Augstsprieguma tīkls" Group and AS "Augstsprieguma tīkls" for the 6 months period ended 30 June 2022.

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.

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.

* * * * *