

**SADALES TĪKLS AS  
ANNUAL REPORT**

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\* Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting Standards as adopted by the European Union

## FINANCIAL CALENDAR

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Interim Condensed Financial Statements:

for the 3 months of 2026 (unaudited) – 29. 05. 2026

for the 6 months of 2026 (unaudited) – 31. 08. 2026

for the 9 months of 2026 (unaudited) – 30. 11. 2026

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[www.sadalestikls.lv](http://www.sadalestikls.lv)

## KEY FIGURES

### Operational figures

		2025	2024	2023	2022	2021
Length of power distribution lines	km	92,516	92,322	92,323	92,407	92,430
Installed capacity of transformer	MVA	6,236	6,001	5,969	5,971	5,951
Capacity demanded by customers	MVA	11,565	11,274	11,177	11,337	11,151
Distributed electricity	GWh	6,293	6,116	6,021	6,241	6,470
Electricity distribution losses, technological and self-consumption	GWh	246	237	242	256	271
Electricity losses	%	3.66%	3.62%	3.72%	3.73%	3.79%
System Average Interruption Duration Index (SAIDI)	minutes	133	215	266	240	208
System Average Interruption Frequency Index (SAIFI)	number	1.7	2.2	2.7	2.5	2.3
Capital expenditure	EUR'000	172,179	122,333	99,608	84,660	84,956
Number of employees at the end of the year		1,685	1,663	1,665	1,665	1,681

### Financial figures

		2025	2024	2023	2022	2021
						EUR'000
Revenue:		382,239	371,812	343,332	301,188	304,454
<i>including revenue from the distribution system services</i>		355,541	347,187	320,101	278,516	283,839
EBITDA <sup>1)</sup>		147,439	133,823	112,409	71,836	106,866
Profit / (loss)		35,270	28,256	16,906	(20,415)	10,429
Total assets		1,934,929	1,891,414	1,820,351	1,805,131	1,819,067
Regulatory Asset Base <sup>2)</sup>		1,582,857	1,581,023	1,580,463	1,584,629	1,592,699
Total equity		1,009,794	999,955	985,972	970,630	1,001,041
Net cash flows from operating activities		(18,234)	7,212	40,097	33,772	(19,217)
Borrowings		577,085	573,883	556,547	602,280	576,144

### Financial ratios

		2025	2024	2023	2022	2021
						%
EBITDA margin <sup>3)</sup>		38.6	36	32.7	23.9	35.1
Operating margin <sup>4)</sup>		9.2	7.6	4.9	-6.8	3.4
Return on assets (ROA) <sup>5)</sup>		1.8	1.5	0.9	-1.1	0.6
Return on equity (ROE) <sup>6)</sup>		3.5	2.8	1.7	-2.1	1
Return on capital employed (ROCE) <sup>7)</sup>		3.6	3.1	1.9	-0.6	1.5
Debt-to-capital ratio <sup>8)</sup>		36	36	37	37	36
Capital ratio <sup>9)</sup>		52	53	54	54	55

<sup>1)</sup> EBITDA – earnings before interest, income tax, share of profit or loss of associates and subsidiaries, depreciation and amortisation, and impairment of intangible assets and property, plant and equipment (in 12 months period)

<sup>2)</sup> Regulatory Asset Base - value of property, plant and equipment used effectively for the provision of distribution system

<sup>3)</sup> EBITDA margin – EBITDA / revenue

<sup>4)</sup> Operating margin – operating profit / revenue

<sup>5)</sup> Return on assets (ROA) – profit / average value of assets (total assets at the beginning of the year + total assets at the end of the year/2)

<sup>6)</sup> Return on equity (ROE) – profit / average value of equity (total equity at the beginning of the year + total equity at the end of the year/2)

<sup>7)</sup> Return on capital employed (ROCE) – (operating profit (in 12 months period) / (average value of equity + average value of borrowings)) \* 100%

*Average value of equity – (equity at the beginning of the year + equity at the end of the year) / 2*

*Average value of borrowings – (borrowings at the beginning of the year + borrowings at the end of the year) / 2*

<sup>8)</sup> Debt-to-capital ratio – average value of borrowings / (average value of borrowings + average value of equity)

<sup>9)</sup> Capital ratio – total equity / total assets (at the end of the year)

## MANAGEMENT REPORT

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Joint Stock Company (AS) Sadales tīkls (hereinafter referred to as the Company, Sadales tīkls AS) is the largest of the eight licensed distribution system operators (DSOs) in Latvia. The Company provides distribution system service to up to 774 thousand electricity distribution system users, covering 99% of the territory of the Republic of Latvia. The Company receives electricity for distribution system user facilities from the 330 kV and 110 kV transmission power grid, as well as from electricity producers connected to the distribution network. User facilities are connected to the distribution system at low voltage (0.4 kV) and medium voltage (6–20 kV) levels.

The Company operates under licence issued by the Public Utilities Commission (PUC) and provides electricity distribution system services in accordance with the approved differentiated tariffs for the electricity distribution system. The licence is valid until 30 June 2027. It requires the Company to perform the functions of a distribution system operator within the licensed service area, as well as to develop, maintain, and operate the distribution network necessary for energy supply. .

In 2025, the Company expanded its licensed service area by taking over and acquiring energy supply-related assets from SIA "Lauktehnikas Enerģētīķis" and SIA "VATS". In accordance with the licence conditions, the Company must ensure appropriate service quality, comply with environmental protection requirements, safety requirements, employee qualification standards, as well as applicable technical regulations, standards and contractual conditions. The licence also establishes the obligation for the Company to systematically develop its operations and participate in ensuring and developing a coordinated and efficient energy supply system.

### **Performance indicators**

In 2025, economic development continued to be affected by geopolitical uncertainty and external challenges, while the national economy gradually returned to growth. Inflation remained moderate, interest rates stabilised, lending activity improved, and domestic consumption increased, while the recovery of export markets continued gradually.

Given the availability of funding for energy-efficient solutions and the rise in energy prices in recent years, connections to larger capacity generators (solar power plants) have increased. The total generation capacity of producers connected to the distribution system reached 1,190 megawatts (MW), of which more than 920 MW, or 77%, consists of solar generation capacity (including both microgenerators and power plants). The number of microgenerators and generators (producers) connected to the distribution network is approaching 25 thousand.

2025 was historically the best year for electricity supply reliability – quality indicators improved, and the lowest number of power grid damage incidents was recorded, totalling 11,106. Compared to ten years ago, the number of damages has decreased by more than 2 times. To improve electricity supply reliability and service quality, Sadales tīkls AS systematically implements capital investment programmes to develop a weather-resilient power grid. Construction and reconstruction of underground power lines continue, while the share of insulated wires and aerial cables in the overhead network is increasing. Thanks to the Company's investments and EU co-financing, the share of insulated or weather-resilient network infrastructure is approaching 70%. In addition, in 2025, live-line works on the medium-voltage network were carried out, including the installation of sectionalisers, while generators were widely used during planned interruptions, reducing the duration and frequency of interruptions (SAIDI/SAIFI). A significant contribution was also made by clearing power line routes, with more than 5,400 km cleared during the year.

Since 2023, the electricity market data platform "STEP" has been available to participants in the Latvian electricity market. The Step data platform is an information technology system designed to ensure standardised and centralised preparation, storage and exchange of electricity market data between market participants and system operators. The entire electricity market operation has been transferred to this new system, which establishes uniform data quality standards, centralised data exchange and efficient use of new technological solutions, representing an important prerequisite for the successful development of the Latvian electricity market. The electricity market data platform is actively used by 24 electricity traders, all distribution system operators, the transmission system operator and two aggregators.

From 1 October, the European electricity market transitioned to a 15-minute data settlement period, ensuring harmonised principles across the European Union. Data exchange between electricity market participants is carried out through the "Step" data platform, where metering data are provided in 15-minute intervals. Actual 15-minute metering data became available to customers from 1 February 2026, following the full adaptation of the metering infrastructure and the simultaneous implementation for all customers.

The Company continues implementing the European Union Recovery and Resilience Facility investment project "Modernisation of the electricity distribution system of Sadales tīkls AS" (hereinafter – RRF). The agreement with the Ministry of Economics on the implementation of the project was signed on 24 March 2023, the total project financing amounts to EUR 41.9 million, and the project implementation period is until 31 July 2026 (according to amendments to Cabinet Regulation No. 726 of 15 November 2022, which entered into force on 18 December 2025, the project implementation period was extended by two months). Within the framework of the project, 7 modernisation activities are implemented.

1. Compensation for technical losses in distribution transformers using solar energy. The project aims to partially offset technical losses in distribution system transformers using solar energy by installing solar panel systems at existing Sadales tīkls AS transformer substations. By the end of 2025, a total of 599 objects with installed solar panels were connected to the electricity grid. A total of 753 substations are planned to be equipped;

2. Replacement of distribution transformers. The project provides for the replacement of the oldest transformers and / or distribution system transformers with the highest loss ratio across the entire territory of Latvia. Benefits include reduced electricity losses in transformers, reduced transformer repair and maintenance costs, as well as improved network reliability and electricity supply quality, enabling faster and more efficient connections of renewable energy generation. In total, 1,510 transformers are planned to be replaced under the project. As a result of the activity, the reduction of losses may reach 6.24 GWh per year;
3. Construction and reconstruction of medium-voltage lines. The activity aims to increase available capacity in populated areas where transmission substations have not yet been constructed, as well as to improve the reliability and quality of electricity supply in these areas. It is planned to construct / reconstruct medium-voltage lines with a total length of at least 75 km. In 2025, works were completed at 5 objects: Ape (construction of a medium-voltage cable line with a length of 8.051 km), Ādaži (construction of a medium-voltage cable line with a length of 1.092 km), Jaunmārupe (construction of a medium-voltage cable line with a length of 3.426 km), Lapmežciems (construction of the Ķemeri – Lapmežciems medium-voltage cable line with a length of 10.608 km), Roja (construction of the Valdemārpils – Roja medium-voltage cable line with a length of 23.911 km). By the end of 2025, a total of 47.088 km had been constructed. Works at Kalnciems, Mālpils, Baldone and Ropaži will be completed in 2026;
4. Improvement of building energy efficiency and heating solutions. Within this activity, energy-efficiency improvement measures are implemented in 6 Sadales tīkls AS buildings, and heating solutions are replaced in 9 bases. Work related to replacing 3 heating systems has already been completed. In 2025, the roofs and façades of all 6 objects were renovated, and the objects were commissioned. In 2025, technical documentation was prepared and procurement procedures organised for replacing heating solutions in 6 additional Sadales tīkls AS bases located in Rēzekne (conversion from the existing solution to an air-to-water heat pump and pellet heating boiler), Preiļi, Dagda, Smiltene and Alūksne (conversion from the existing solution to an air-to-water heat pump). Implementation of these objects will be completed in 2026;
5. Establishment of distribution connections with appropriate technical parameters to promote the use of renewable energy sources. Within the activity, construction or reconstruction of the Sadales tīkls AS distribution network is carried out to enable the installation of connections for public electric vehicle charging equipment and microgeneration. In total, 2,060 connection points are planned for construction. By the end of 2025, 746 connection points for electric vehicle charging and microgeneration had been established, which, together with distribution transformer substation buildings equipped with solar panels, total 1,345 connection points. Of this number, 259 are electric vehicle charging connectors, while the remainder are microgeneration connection points. By 31 July 2026, the project will reach at least 2,060 operational connection points for electric vehicle charging and / or microgeneration installations (this indicator includes connection points whose operation has been positively affected by investments in the development of the distribution network implemented within the project, including transformer replacement and medium-voltage line construction);
6. Electricity market data exchange and storage platform (hereinafter – the Data Platform). To promote the digital development of the electricity market and ensure the continuous availability of services and data, work on the "Step" data platform continues. Within the project, a user interface (front-end) or portal solution for the Data Platform is being developed and implemented, significantly expanding the platform's accessibility and usability. In addition to market participants, the portal will also provide access to end users, strengthening data transparency, ease of use and the practical value of the platform in everyday electricity services and data use. By July 2026, the Data Platform portal will be developed to ensure electricity market data exchange and services for electricity market participants;
7. Implementation of a smart electricity metering system. Within this activity, the development and implementation of a smart electricity metering system is carried out (including its integration with other existing Company information systems) in order to ensure the availability of electricity metering data necessary for the functioning of the electricity market for electricity market participants and to implement process automation. In 2025, the system's development continued.

Within the framework of the European Union Recovery and Resilience Facility plan supplement, Sadales tīkls AS implements the electricity distribution network modernisation project – REPowerEU, No. 7.1.1.2.i.0/1/24/I/CFLA/001. The agreement with the Central Finance and Contracting Agency for the implementation of the European Union Recovery and Resilience Facility project No. 7.1.1.2.i.0/1/24/I/CFLA/001 was signed on 18 October 2024. The total project financing amounts to EUR 60 million, and the project implementation period is until 30 June 2026. In 2025, the European Commission adopted a decision to reallocate up to EUR 6.8 million in additional financing for the construction of medium-voltage lines within the REPowerEU project. In 2025, the coordination of amendments to Cabinet Regulations was initiated regarding additional financing, additional cable line construction and the extension of the project implementation period for the activities "Ensuring capacity availability" and "Development of the electricity distribution system network" until 31 July 2026. It is planned that the amendments to the Cabinet Regulations will enter into force in March 2026. Within the project, 4 activities are implemented:

1. Ensuring capacity availability. Within the activity, it is planned to increase the capacity of the electricity distribution system by 70 megawatts, in order to increase the overall network capacity and create the possibility in the long term to connect additional renewable energy generation capacity to the network. This will be achieved by constructing a new 110 kV substation in Launkalne and increasing transformer capacity at existing 110 kV substations in Dobeles, Olaine, Jāņaparks (Valmiera), Tēraudlietuve (Jēkabpils) and TEC-2 (Acone, Salaspils municipality). In 2025, construction works were carried out at all 6 substations, including delivery, installation and assembly of 9 transformers. Works will continue in 2026, and construction of the objects will be completed by 31 July 2026;
2. Installation of remote-controlled medium-voltage switches. Within the activity, it is planned to install at least 285 remote-controlled medium-voltage switches to enable remote operation of the electricity distribution system and to identify power grid damage. The aim of the activity is to improve the reliability of the electricity supply and the remote management of the power grid. In 2025, all planned procurement procedures were announced, all design-build

contracts were concluded, and construction works were carried out. As a result of a successful procurement process, within the planned financing, contracts were concluded for the installation of 449 remote-controlled switches. In 2025, 447 remote-controlled switches were installed. The activity will be completed in 2026;

3. Development of the electricity distribution system network. Within the activity, the reconstruction of the overhead power grid into cable lines is planned in parts of Latvia – in the Riga metropolitan area, regional development centres, and state cities - where rapid development of microgeneration and electrification (e.g., heat pumps and electric vehicles) is observed or expected. The cable network solution ensures the highest network stability in the event of adverse weather conditions, climate change, or potential targeted physical attacks. In 2025, procurement procedures continued for both the initially planned cable line volume (150 km) and additional medium-voltage cable lines (40 km). Construction work was carried out, and 98 km of medium-voltage cable lines were installed in 2025. Reconstruction of the overhead power grid into cable lines will continue in 2026, reaching a total length of 190 km by 31 July 2026;
4. Implementation of a smart grid management solution. Within the activity, a smart grid management solution is planned to be implemented, supplementing and improving the existing DMS, SCADA, and related ICT systems. The solution will improve and automate network monitoring processes, including providing additional functionality for more flexible capacity management in continuously changing conditions across all voltage levels, enabling remote detection of power grid damage, and allowing prompt adjustment of the electricity distribution system's operating modes and system configuration. As a result, higher electricity quality, improved supply reliability, and the possibility of connecting additional renewable energy generation and consumption capacity to the electricity distribution system will be ensured. In 2025, implementation continued under the 2024 contract for the Distribution Control System (DCS) component, a contract with the Distribution Management System (DMS) service provider was concluded, and implementation commenced. Initial module deliveries, approvals, and testing for both DCS and DMS components were completed, reaching 65% of the total project scope in 2025. In 2026, all planned DCS and DMS deliveries will be completed, and the smart grid management solution will be implemented.

The Company's daily operations are based on ensuring the long-term interests of society, while continuously paying attention to changes in customer behaviour and needs, which form the basis for improving existing services and service quality, as well as for developing new services.

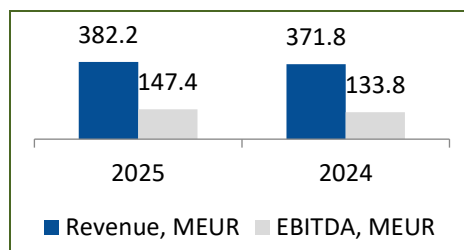
In 2025, the Company successfully implemented planned power grid maintenance and investment projects, improved the power grid's digital and technological solutions, enhanced electricity supply reliability indicators, and provided high-quality distribution system service to customers. Cooperation with customers and partners has been dynamic and innovation-driven, and the level of digital service provision has also improved. In 2025, Sadales tīkls AS customer satisfaction and loyalty reached a historically highest level – 72 index points (an increase of 2 points compared to 2024), indicating a high level of customer loyalty.

As a result of digital transformation, traditional customer service channels are increasingly being replaced by self-service solutions in the e-environment. Customers prefer continuous service availability and high service quality, delivered remotely at a time and place convenient for them, as demonstrated by the share of e-environment activities, which reached 98.8% in 2025. The Company's website sadalestikls.lv provides extensive information on services, several e-calculators, power grid damage reporting, digital maps, e-consultations, and other e-tools.

During the period from 1 January 2024 to 31 December 2025, households with a connection capacity of up to 25 A were granted a reduction on the fixed part of the "Basic" tariff plan. The reduction was applied in accordance with the permissible tariff deviation level established by the Electricity Market Law, ensuring a gradual and predictable implementation of tariff changes. The difference between the approved tariff and the tariff applied to customers is compensated from the State budget. In 2025, State support for distribution system service charges was granted to end users in the amount of EUR 11.2 million, excluding value-added tax (EUR 43 million in 2024). Overall, tariff stability is ensured in 2025 and 2026, maintaining the values approved in 2024; however, in 2026 the actual payment amount for some users will change due to the termination of State support.

## Financial results

Considering the stabilisation of electricity prices and developments in overall inflation, as well as the assessment of costs for the current tariff period, the differentiated distribution tariffs remained unchanged in 2025 – the tariff values introduced on 1 January 2024, determined by Sadales tīkls AS and approved by PUC, remained in force. During the reporting period, no significant deviations from the forecasts included in the tariff were identified; therefore, the distribution tariff values (both the fixed capacity charge and the variable component) will also remain unchanged in 2026. At the same time, it should be noted that on 31 December 2025, the State support for partial compensation of distribution system service charges for households ended.



The Company's revenue in 2025, compared to 2024, increased by EUR 10.4 million, while EBITDA increased by EUR 13.6 million. The improvement in financial results was mainly driven by higher revenue from distribution system services, supported by growth in electricity consumption and an increase in customers' connected capacity, as well as lower electricity purchase prices. At the same time, a negative impact resulted from increased costs in certain operating expense positions.

The volume of distributed electricity is one of the factors affecting revenue. In the reporting year, it reached 6 293 GWh, an increase of 177 GWh, or 2.9%, compared to 2024. Electricity consumption increased in several sectors – industry by 4.2%, residential by 3.9%, non-industrial (offices, cultural and sports facilities, hotels, etc.) by 3.0%, and agriculture by

2.9%. At the same time, a decrease in consumption was recorded in the commercial sector by 0.2% and in the other user groups by 3.4%.

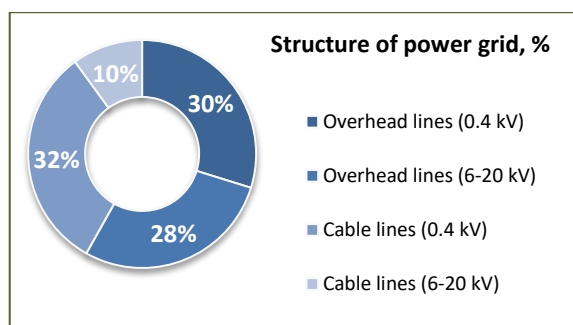
With the increase in the volume of distributed electricity, the actual volume of purchased electricity required to ensure the operation of the distribution system (technological losses and internal consumption), increased by 9 GWh compared to previous year, reaching 246 GWh. During the reporting period, electricity losses amounted to 3.66% of the electricity received by the network. The actual electricity volume required for the operation of the distribution system (technological losses) amounted for 235 GWh.

## Investments

The Company continued the development and modernisation of the power grid during the reporting year to ensure a safe, high-quality electricity supply to distribution system users. Investments were implemented in several areas – power grid renewal, network development and modernisation.

Within the framework of network renewal, works to improve power grid infrastructure continued in 2025, including dismantling part of the long-unused infrastructure and increasing the share of insulated power grid infrastructure (cables, insulated wires, and aerial cables). Such solutions enhance electricity supply reliability and reduce the impact of external factors on the power grid's operation.

Within the framework of network development, the total length of the power grid reached 92,516 km in 2025. It has increased by 194 km compared to 2024. The increase was mainly driven by new power plant connections and 20 kV power lines constructed to densely populated areas within the RRF project.



	2025	2024	2025/2024
Number of clients	774,456	798,741	-24,285
Installed capacity of transformers, MVA*	6,236	6,017	+219
Total length of power lines, km	92,516	92,322	+194
Share of overhead lines, %	58%	59%	-0.7 points
Share of cable lines, %	42%	41%	+0.7 points
Number of distribution network transformers*	30,838	30,715	+123

\*In 2025, the approach to accounting for transformers and their capacity was revised. The data for 2024 and 2025 reflect transformers that ensure electricity supply, excluding transformers that serve as additional elements supporting electricity supply.

The consistent renewal and modernisation of the electricity system is one of the key responsibilities of the electricity distribution system operator. By implementing the planned capital investment projects, electricity supply reliability and quality are improved each year, while ensuring that, in the long term, the average age of system elements, the volume of the renewable power grid, and the scope of repair works do not increase significantly.

Investments	2025	2024	Comment
Investments, million EUR	172.2	122.3	+49.8 million. EUR (+40.7%)
Reconstructed power lines, km	1,037	1,435	In 2025, EUR 43.5 million was invested in the reconstruction and renewal of the power grid (EUR 64.1 million in 2024), representing 25% of the investments made during the reporting period.
Built connections, mil. EUR	39.1	39.2	The costs of connections constructed upon customer request remain without significant changes compared to 2024. No significant increase in the number of requests has been observed, while the scale of the constructed connection projects varies.
Recovery and Resilience Facility (RRF) project & RePower project investments, million EUR	68.1	9.8	Within the RRF project, construction of medium-voltage lines and implementation of building energy-efficiency improvement projects continue. In addition, the REPower project has been launched to enhance digital network management, improve the technical solutions for the cable network, and ensure the availability of electricity capacity for electricity users.

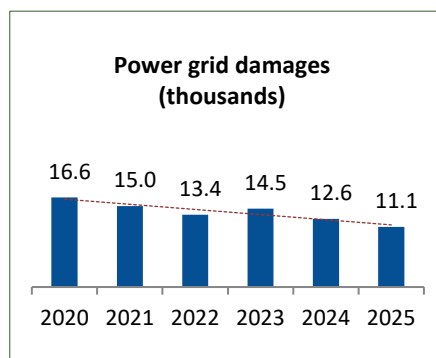
In 2024, PUC approved the electricity distribution system development plan of Sadales tīkls AS for the period from 2025 to 2034. The main investment directions in accordance with the development plan are: the consistent reconstruction of the power grid, improvements in electricity supply quality, and smart power grid management.

## Medium-term operational strategy for 2022-2027

The overall long-term objective of Sadales tīkls AS is to ensure a sustainable and economically justified electricity distribution system service by efficiently managing the power grid and improving electricity supply reliability and quality, which are important for the competitiveness and growth of the national economy, while also contributing to the achievement of climate-neutrality objectives.

Fulfillment of strategic goals in the fourth year of the strategy period:

## 1. Improving the Quality and Reliability of Electricity Supply



Indicator	2027 target	2025	2024	2023	2022	Comment
System average interruption duration index (SAIDI) (without massive damages), minutes	160	119	145	168	187	In 2025, SAIDI reduced by 26 minutes (18%), compared to 2024
System average interruption frequency index (SAIFI) (without massive damages), times	1.85	1.54	1.81	1.99	1.91	In 2025, SAIFI reduced by 0.27 times (15%), compared to 2024

In 2025, in order to improve electricity supply quality and reliability indicators, Company specialists continued to carry out live-line works on the medium-voltage (MV) network, including the construction of MV sectionalisers, to eliminate power grid damage. Generators continued to be widely used during planned interruptions, which also contributed to reductions in SAIDI/SAIFI indicators.

Both Sadales tīkls AS investments and European Union funding allow further increase in the share of the insulated or weather-resilient power grid, which is now approaching 70%. The clearing of power line routes from potentially hazardous trees and branches also plays a significant role in improving electricity supply quality – during 2025, more than 5 400 km were cleared.

Power grid inspection and defect detection are integral to power grid maintenance, enabling a safe, high-quality electricity supply. At the same time, the application and testing of the latest technologies enable power grid maintenance and improvement work to be carried out as efficiently as possible.

In April 2025, Sadales tīkls AS, in cooperation with the Latvian companies RAW SIA and Terra Topo SIA, launched an ambitious project to inspect overhead power lines using an innovative technological solution involving drones and helicopters. In 2025, it was planned to inspect overhead power lines with a total length of approximately 3,100 km. This multidimensional approach enables the acquisition of detailed and precise information about the condition of infrastructure, allowing potential problems to be identified quickly and ensuring timely repair or technical maintenance. In 2025, the first phase of the project was implemented. Using innovative technologies, remote inspection and vegetation assessment of 3,191 km of power lines was carried out, including data processing and classification, integration with the Company's information systems, optimisation of the inspection process and operational unit structure, development of training materials and data processing instructions, and employee training. This innovation enables detailed simulation, analysis and forecasting of power grid performance under various conditions, significantly improving decision-making quality and operational response to potential risks. The project will continue in 2026.

In addition to the power line inspection project, Sadales tīkls AS, in cooperation with the Latvian technology company InPass SIA, the Norwegian drone and aerial data technology company "Aersea", and the research centre "Norce", is developing a smart inspection system for wooden power line poles based on advanced technologies within the research project "Mobile utility pole smart inspection system" (MUPSIS 2024, Eureka No. 7161). This solution will automate the inspection of wooden poles, thereby reducing long-term power grid maintenance costs. The project is implemented within the European Partnership "Innovative SMEs" programme "Eurostars", with co-financing from the Latvian Council of Science and the Research Council of Norway. The technological solution includes radar sensors, multispectral and RGB imaging, LIDAR measurements, artificial intelligence analytics, and drone-based data acquisition. The expected outcome is the first solution of this type in Europe, significantly improving the accuracy, speed and efficiency of wooden pole diagnostics.

In addition, Sadales tīkls AS continues implementing research projects co-financed by the European Union Recovery and Resilience Facility. The project "Development of a new flexibility service solution for efficient management of network congestion using electricity end-user demand response potential" (ST FLEX) (No. 2.2.1.3.i.0/1/24/A/CFLA/003), implemented in cooperation with TET SIA, aims to develop a data-driven flexibility service solution for forecasting and managing network congestion. Another project, "ST ODA – Development of a new big-data-driven pre-storm overhead power grid damage forecasting system" (No. 2.2.1.3.i.0/1/24/A/CFLA/003), aims to develop a machine-learning-based solution for forecasting pre-storm damage to the overhead power grid.

## 2. Digital Transformation of the Company

The Company systematically plans and develops digital solutions based on automated, standardised processes and centralised data exchange. To ensure the implementation of digital transformation, specific tasks have been defined to develop the Company's digital environment and services. The Company's website, sadalestikls.lv, provides extensive, easily accessible information for customers about the services offered.

As a result of digital transformation, traditional customer service channels are increasingly being replaced by self-service solutions in the e-environment. Customers prefer continuous service availability and high service quality, which can be

received remotely at a time and place convenient for them. This is demonstrated by the share of e-environment activities, which reached 98.8% in 2025 (98.6% in 2024).

During the reporting year, in addition to the existing e-calculators for load and tariff calculations, a new self-service tool – "Energobarometer" was introduced, enabling customers to assess the efficiency of their connection usage and compare their electricity consumption with other households in Latvia.

In case of power grid damage, customers can report it on the Sadales tīkls AS website to ensure continuous access to services. In the case of large-scale damage, this option is used by more than 40% of customers. Digital maps enable customers to determine the cost of a new connection (following the expansion of the ampere-based fee zones, 95% of customers can determine the exact cost at any time), view existing and planned power grid interruptions, follow power line reconstruction and maintenance works, including route inspections using drones, helicopters or Company personnel, and check available capacity at medium-voltage substations, the reserved capacity of planned power plants, and the status of their installation.

During the reporting year, power grid damage in emergency situations, as well as in cases where internet access is unavailable, could still be reported by calling the free telephone number 8404. In addition, night-time notifications are provided, ensuring operational continuity for customers with critical infrastructure facilities, including hospitals.

An information line (8403) is available for obtaining information. In 2025, the most frequent reasons for customer calls were connection restoration, load increase and enquiries regarding new connections.

The virtual assistant Valts provides significant support and immediate responses to customer enquiries at any time of day, available on the website and in both portals. Valts helps users navigate the systems and improves the overall user experience.

To ensure effective customer communication, the Company continues to improve and optimise information distribution processes, including information on power grid maintenance and development works, reminders regarding the approaching end of the nine-month period of last guaranteed supply, and notifications about unplanned capacity restrictions. In 2025, a customer notification micro-application "STella" was also developed for large-scale power grid damage situations, enabling targeted communication with customers in specific areas of Latvia. This solution reduces the call centre's workload and significantly improves the efficiency of information flow during damage situations.

In addition to smart electricity solutions, Sadales tīkls AS also offers smart water supply solutions. During the reporting year, the Company concluded a five-year agreement with SIA "Rīgas ūdens" for equipping more than 22,000 commercial metering devices with remote reading equipment throughout Riga.

To ensure unified, centralised electricity market data exchange in Latvia, Sadales tīkls AS has served as the operator and manager of the national electricity market data exchange and storage platform since 2020. In 2023, the "STEP" data platform was made available to Latvian electricity market participants – an information technology system ensuring standardised and centralised preparation, storage and exchange of electricity market data between market participants and system operators. The most important market processes and data flows have been transferred to a unified solution, establishing common data quality standards and centralising data exchange. This approach strengthens the reliability of electricity market operations, facilitates cooperation among market participants, and creates the preconditions for the efficient implementation of new technological solutions to further market development in Latvia.

Indicator	2027	2025	2024	2023	2022	Comment
Standardized and centralized data exchange between market participants and system operators	Implementation of the national electricity market data exchange and storage platform	The system analysis has been completed, and the first deliverable for the Data Platform portal has been developed.	Procurement process for the Data Platform Portal conducted in two rounds	1st stage of the electricity market data exchange and storage platform implemented	Created data platform test environment	A contract for the development of the Data Platform portal has been concluded, the system analysis has been completed, and the first deliverable has been prepared; work on the portal UX design has commenced. The project is being implemented in accordance with the approved schedule.
Share of e-environment activity, %	99%	98.8%	98.6%	98.6%	98%	Valts sessions: >40 thousand sessions, similar volume as in the previous year. Information line 8403: 59 thousand customers, a 14% decrease (2024: 70 thousand customers) (process optimisation and more efficient service at the first contact). E-mails: responses provided to 24 thousand e-mails (2024: 27 thousand), 13% fewer (targeted transition towards digital solutions).

### 3. Endless (Continual) Improvement and Value Increase of the Company

In 2025, process management was improved, strengthening the application of Lean, Six Sigma and TOC principles within the Company.

Indicator	2027	2025	2024	2023	2022	Comment
Changes in wage costs	LCI* - 1%	- 9.3%	-3.1%	3.1%	4.6%	The national labor force index for 2025 averages 7.4%. Taking into account the Company's actual payroll costs, the cumulative change in payroll costs has reached an LCI of 9.3%
Changes in operational costs	CPI** - 1%	- 15.8%	-3.8%	-10.8%	5.6%	The average inflation (CPI) in the country in 2025, according to data from the Central Statistical Bureau, was 3.7%. Taking into account the existing cost structure, the strategic target cumulatively has currently been achieved at CPI – 15.8%.

\*LCI – Labour cost index. LCI - Starting from 2024, the data are presented cumulatively (in 2022 and 2023 – presented separately)

\*\*CPI – Consumer price index

#### 4. Ensuring Sustainable Development and Climate Neutrality

Indicator	2027	2025	2024	2023	2022	Comment
Employee engagement ratio	Medium-to-high score	66	67	66	65	The employee engagement index decreased by one point during the reporting year. At the same time, employee experience development continued – seminars for new employees were organised, a talent development programme was implemented, and a Leadership Code was developed. Educational activities and initiatives promoting employees' mental and physical well-being also continued, including the implementation of a well-being survey and the provision of individual summaries and recommendations.
Company Reputation Index (TRIM)	Above the industry index in Latvia and the Baltics	52	52	38	48	The Company's reputation indicator is strong and stable, exceeding the sector average in Latvia and the Baltic States (49 points). The stability of the reputation has been supported by improvements in service quality – enhanced network reliability, development of connection and generation services, high-quality customer service and communication, environmental responsibility, and the Company's corporate social responsibility activities in electrical safety. In 2025, the strengthening of cross-border cooperation also continued – a cooperation memorandum was signed with the Estonian DSO "Elektrilevi" on mutual support in eliminating power grid damage during crisis situations, and membership on the E.DSO Board of Directors was established.
Customer Satisfaction Index (CSI)	Medium-to-high score	72	70	64	66	The index increased by 2 points. In the business segment, it reached 70 points, while in the household segment, it reached 74 points. High ratings were also maintained in the large enterprise and municipality segments, with scores of 75 and 74, respectively. For customers, the most important aspects continue to be continuity of electricity supply, the balance between service value and cost and its quality, the Company's reputation, ease of cooperation, and availability of information.
Number of accidents caused by the employer	–	–	–	–	–	There have been no accidents caused by the employer's failure to implement or comply with safety measures.
Ensuring the creation of public power connection points for charging electric cars in the power grid*	600	563	234	49	31	*Since 2022, 563 public electric vehicle charging locations have been connected to the ST power grid.

The transition to a 15-minute interval		The transition of the data platform to a 15-minute interval was ensured on 01.10.2025.				From 1 October, the European electricity market transitioned to a 15-minute data settlement interval.
Greenhouse gas (carbon dioxide) emission reduction by providing distributed RER generation connections to the power grid (t, CO <sub>2</sub> )	224,700	415,213	337,514	185,108	111,381	Implemented reduction of greenhouse gas (carbon dioxide) emissions. Methodology for calculating the actual value: the amount of electricity produced by the hydroelectric power plant (HPP) and wind power plant (WPP) is determined according to the meter readings on the electricity transferred to the power grid of Sadales tīkls AS. The amount of electricity produced by solar power plants (SES) and micro-generators (MG) is determined by assuming an installed capacity utilization time of 1,000 hours per year. The calculation method uses the CO <sub>2</sub> emission factor for electricity supplied to final customers in Latvia according to the data referred to on the website of Augstsprieguma tīkls AS.

### Financial Objectives for the Strategy Period:

Objective	2027	2025	2024	2023	2022	Comment
Return on Capital Employed (ROCE)	3.1	3.6	3.1	1.9	-0.6	The electricity distribution system service tariffs in force since 1 July 2023 help the Company improve its return on invested capital.
Dividends to the shareholder	100%	100%	100%	–	100%	The Company closed the 2022 financial year with a loss; therefore, no dividends were paid in 2023. In 2024 and 2025, dividends were paid in full (100%) from the profits of previous years. In 2026, the Company will also propose paying 100% of the 2025 profit as dividends.

### Corporate governance

Along with the financial results of Sadales tīkls AS, the Corporate Governance Report 2025 of Sadales tīkls AS has also been published. The report has been prepared on the basis of the second edition of the Corporate Governance Code, published in December 2025 by the Corporate Governance Advisory Council established by the Ministry of Justice, which is based on international best practice in corporate governance.

In 2025, one member of the Management Board of Sadales tīkls AS left the position in October 2025, while no changes occurred in the composition of the Supervisory Board of Sadales tīkls AS during 2025. After evaluating both the corporate governance system of the Company and the application of governance principles in 2025, the Management Board of Sadales tīkls AS considers that the Company operates in accordance with the highest standards of good corporate governance practice and has complied with all applicable principles set out in the Corporate Governance Code in all material aspects. In addition, Sadales tīkls AS complies with the corporate governance policy principles and rules of the Latvenērgo Group, insofar as they do not conflict with the independence requirements applicable to Sadales tīkls AS as an electricity distribution system operator under regulatory enactments. More detailed information is available on the Sadales tīkls AS website: <https://sadalestikls.lv/lv/gada-parskati>.

### Non-financial disclosure

In its operations, Sadales tīkls AS strives to develop processes, products and services that contribute to the implementation of the United Nations Sustainable Development Goals, ensuring access for all to reliable, sustainable and modern energy at an affordable price, developing resilient and sustainable infrastructure, promoting inclusive and sustainable industrialisation and innovation, ensuring sustainable consumption and production patterns, and taking urgent action to combat climate change and its impacts.

Balancing responsible business practices with the economic, environmental, social, and governance areas that correspond to the principles of sustainable development and form the basis for cooperation with stakeholders, Sadales tīkls AS continues to implement the Sadales tīkls AS Sustainability Strategy for 2024–2027 (Sustainability Strategy), including the defined objectives and planned activities. Progress in 2025 in the areas of climate, governance, social and financial performance:

#### Environment

Sadales tīkls AS develops and promotes the availability of electricity generated from renewable energy sources ("green electricity") in the power grid, the development of electromobility connections, and innovation and new technologies, while also protecting and preserving natural biodiversity. The key commitments, indicators and progress achieved in the areas of climate and environment are as follows:

Indicator	2027	2025	2024	2023	Comment
Electricity distribution losses,%	<4%	3.66%	3.62%	3.72%	Since 2024, major grid modernisation has been carried out under the EU Recovery and Resilience Facility. A total of 628 outdated transformers were replaced, reducing losses by 1,212 MWh, and 102 km of medium-voltage cable lines were installed, increasing capacity in populated areas.
Number of significant environmental damage	0	0	0	0	In 2025, there were no significant environmental damages.
Increase in the share of isolated (cable, isolated wire or overhead cable) power grids vs total power lines,%	72%	69%	67%	65%	During the reporting year, the service life of the power grid was extended and the continuity and reliability of electricity supply improved by 2%, by increasing the share of insulated power grid infrastructure (cables, insulated wires and aerial cables) in the total volume of power lines.
Implemented projects to mitigate biodiversity impacts in electricity grid infrastructure	≥ 2 / per year	3	3	1	Since 2024, several measures have been implemented to protect birds and promote coexistence within the power grid infrastructure. Falcon nesting boxes have been installed on 36 ST electricity poles (2025: 25), providing suitable nesting sites for migratory birds; A 142-day live broadcast from a white stork nest was implemented, promoting public awareness of the bird life cycle; Improvements to stork nest infrastructure also continued: 1,012 metal nest bases were installed (2024: 1,003), 1,095 nests were dismantled (2024: 941), and 194 bird protection caps were installed on electricity poles (2024: 91). In addition, informational materials about the most common animal-caused power grid damages were published on the ST website.
Introduce data- based remote sensing technologies for damage detection in power lines	Implemented	Phase 1 has been implemented	In the process	Launched	Medium-Term Operational Strategy 2022–2027.
Implement common innovation processes and initiatives for innovation development	≥ 2 / per year	5	5	3	1) AC/DC Tech conference/forum – an international event featuring discussions with leading energy experts. Key themes included electricity supply quality, synchronisation with European grids, and Ukraine’s wartime experience in maintaining supply. The event drew over 30,000 participants. 2)AC/DC Lab – innovation laboratory: innovation directions were developed within the laboratory, which in 2025 focused on digital development, artificial intelligence and machine learning, process efficiency, employee and customer experience, resilience and growth. Employees prepared and presented seven team projects. 3) Participation in the annual Baltic electricity distribution operators’ forum, focusing on grid maintenance and modernisation, procurement, financial planning, project management, and AI. Sadales tīkls AS shared experience in distributed generation, EU funding, crisis management, and drone technologies. 4) State Innovative Capital Companies Initiative (VIKI) – led by ST in 2025. Proposals were developed for amendments to the State Administration Structure Law and public procurement reform. Cooperation with the Saeima Budget and Finance Committee and interinstitutional working groups was ensured, and a memorandum was signed to reduce bureaucracy and improve public administration efficiency. 5) Publicity, communication, and international representation were strengthened, including signing an MoU with Korea Electric Power Corporation on smart grid cooperation. The Company increased its visibility through participation in major events such as Enlit Europe and CIREC, promoting innovation and smart energy technologies.
Greenhouse gas (carbon dioxide) emission reduction by providing distributed RER generation connections to the power grid (t, CO2)	1,540	857	338	194	During the reporting year, by connecting renewable energy generation capacity, Latvia’s energy independence was strengthened, and energy self-sufficiency increased. These measures have collectively reduced greenhouse gas emissions by 415 thousand tonnes of CO <sub>2</sub> .

In 2025, an innovative solution – a smart water supply service – was introduced, involving the installation of remote reading equipment for commercial water metering devices, and an export pilot project was implemented to supply wooden poles produced by Sadales tīkls AS to the Estonian electricity distribution system operator "Elektrilevi".

The wooden poles are produced at the Sadales tīkls AS production facility, in compliance with environmental requirements and qualification standards. The production process complies with the production control certificate for wooden poles for overhead lines EN 14229:2010. The Company's environmental management system complies with the requirements of the ISO 14001:2015 standard in the operational areas "Electricity distribution and supply" and "Production of wooden poles for power transmission lines".

## Social area

The commitments in the social area are aimed at promoting the well-being of employees, customers, and local communities, contributing to the achievement of the Company's objectives, enhancing the Company's recognition and reputation, and developing a safe, high-quality electricity supply in Latvia, while ensuring fast and convenient access to electricity data.

Indicator	2027	2025	2024	2023	Comment
Strengthen (improve) staff well-being through physical safety, mental and physical health activities (number of activities)	≥ 3	6	≥ 5	≥ 3	In 2025, more than three employee well-being initiatives were implemented, covering safety, health, team cohesion and sustainable environment topics: 1) Safety education: online lecture "Potentially Dangerous Animals", infographic "How to act when encountering a snake". 2) Health Week: online lecture with a physiotherapist, employees received immunity-support packages, as well as an invitation to spend time in nature. 3) Virtual sports club "ST sporto" – during a two-month challenge, employees completed 35,435 kilometres and 4,162 activities — running, walking, cycling and hiking on the STRAVA platform. 4) Participation in the Lielā talka – 50 employees took part in environmental clean-up and improvement activities, and a digital clean-up was also implemented to improve the digital environment; 5) Employee summer sports and team-building event; 6) Employee team events "KOMANDĀ ir SPĒKS" were organised.
Ensuring the highest standards for personal protective equipment and safety in the working environment, reduction of serious accidents	0	0	0	0	During the reporting year, no serious accidents were registered that would have been caused by the employer's actions, including insufficient supervision, inadequate equipment or insufficient risk management. To strengthen the occupational safety culture, the annual seminar for qualified work performers was organised, attended by 80 occupational safety specialists from 50 companies. Sadales tīkls AS participated in the State Labour Inspectorate Good Practice Award "Golden Helmet" competition for the seventh time, receiving recognition each year. In 2025, the Company won 1st place and the main award, the "Golden Helmet," for its diverse and high-quality employee training in occupational safety. In 2025, within the TRI™M index, employee satisfaction with personal protective equipment (work clothing, footwear, helmets, etc.) was also assessed. The result was 4.6 out of 6 index points, indicating a high level of employee satisfaction.
Ensure management of critical infrastructure and protection of information resources at the Company's disposal, number of high-impact incidents per year	0	0	0	0	–
Promote children's and young people's knowledge of electrical safety through educational activities, children and young people educated per year	≥ 6,000	≥ 13,407	12,019	≥ 6,000	The Company's electrical safety ambassadors in schools educated 6,207 children in 2025. In the first online electrical safety literacy initiative — the All-Latvia Electrical Safety Marathon — more than 7,200 third-grade students participated. During the year, several career and educational events were held in cooperation with schools, promoting engineering sciences and strengthening children's and young people's safety awareness. Young people were also involved in transformer substation painting projects, promoting their participation in the development of the environment and urban space. In 2025,

					the Sadales tīkls AS transformer substation in Daugavpils was painted, with a QR code leading to the website arelektribuneriske.lv.
To inform and to educate the public on electrical safety issues. (campaigns implemented)	≥1 / per year	≥1 / per year	≥1 / per year	≥1 / per year	In 2025, Sadales tīkls AS actively implemented electrical safety education and public awareness activities, organising events for families, children, and farmers, publishing in the largest media outlets, and maintaining regular communication on safety issues. Awareness of electrical installation safety was strengthened through the campaign "For a Safe Contact" and by informing the public about the introduction of new safety requirements. At the same time, the Company reinforced its image as an industry expert, ensuring broad media coverage and providing regular expert commentary on developments in the energy sector. To promote public engagement and the visibility of technical work, an employee video competition was also organised; in total, 30 videos showcasing the Company's technical operations were published on social media, achieving high audience engagement.
Ensuring high levels of customer satisfaction and communication excellence through the development of digital customer services, CSI	60-70	72	70	63	See section Medium-term operational strategy for 2022-2027
Sustainable and economically viable distribution service and secure and high quality electricity supply, SAIDI (minutes), SAIFI(times)	160 minutes 1.85 times	119 minutes 1.54 times	145 minutes 1.81 times	168 minutes 1.99 times	See section Medium-term operational strategy for 2022-2027

## Donations

Sadales tīkls AS continues to actively support Ukraine in rebuilding its destroyed electricity supply infrastructure. Since the beginning of the war in February 2022, Sadales tīkls AS has been in contact with colleagues in the energy sector in Ukraine has been sending donations of the Company's equipment and materials via Ziedot.lv.

Year	Recipients of the donation	Registration number	Donation	Amount (EUR)
2022	Foundation "Ziedot.lv"	40008078226	ATVs and transformers, vehicles, generators and electrical materials for the general support of Ukrainian society	255,696.37
2024	Foundation "Ziedot.lv"	40008078226	Special equipment units, generators and electrical materials for the general support of Ukrainian society	88,255.73

In 2025, the Management Board of Sadales tīkls AS decided to donate and conclude a donation agreement with the foundation "Ziedot.lv" for the donation of one unit of specialised equipment with accessories, valued at EUR 9,500.00, with the purpose of providing general support to Ukrainian society. The donation was implemented at the beginning of 2026.

## Governance

Sadales tīkls AS implements the principles of good corporate governance, ensuring effective management of resources, managing risks and opportunities.

Indicator	2027	2025	2024	2023	Comment
Integrate sustainability into decision-making processes, define a structure for sustainability issues and decision-making, identify sustainability goals	Implemented	in the process	in the process	–	Sadales tīkls AS has established a clear governance and management structure for sustainability matters. The Sustainability Strategy is approved by the Company's Management Board, which oversees its implementation and execution and actively participates in the development of sustainability directions. Sustainability activities and objectives are integrated into the Company's annual goal-setting process, ensuring sustainability is an integral part of business planning. The Strategic Management function monitors the implementation of strategic objectives, assesses progress, evaluates proposals for change, and manages them. Work continues on integrating sustainability issues and related assessments into decision-making processes, strengthening the application of sustainability principles in day-to-day governance.
Raise employee understanding of	≥ 40%	≥ 40%	≥ 40%	–	In 2025, employee involvement in sustainability and business development processes was strengthened.

sustainability and its importance, annual employee engagement					Employees participated in the BEA seminar and the conference "Ilgbūtība", while the sustainability section of the ST website was updated, and information was distributed to all employees. Starting from the third quarter of 2025, all employees will regularly receive an email with key facts on the progress of business and sustainability objectives, promoting transparency and a shared understanding of the Company's priorities. In addition, a sustainability survey was conducted in 2025, and its results are available to employees on the internal website.
Effective management of sustainability data, a common approach to sustainability data management	implemented	in the process	–	–	A unified sustainability data management solution for Group-level reporting has been established and is being developed within the Latvenergo Group.
Maintain a corporate culture that supports ethical behaviour, corruptive events	0	0	0	0	During the reporting year, no corruption-related incidents were identified in the Company. Employees used the reporting e-mail channel, ensuring adherence to the principles of openness and transparency. Once every quarter, new employees are informed about the principles of integrity and available reporting mechanisms, thereby promoting a shared understanding of ethics and compliance requirements.
Maintain a corporate culture that supports ethical behaviour, breaches of ethical standards	0	0	0	0	No whistleblower reports.
Improve sustainability requirements for suppliers, educational activities	≥ 3 / per year	≥ 3	6	≥ 3	The Code of Ethics is available on the <a href="#">website</a> – cooperation between the Latvenergo Group and its suppliers is based on shared principles, which Sadales tīkls AS also observes and respects. Regular dialogue is maintained with construction companies, designers, and suppliers registered in the qualification system, providing up-to-date technical information, updates on the regulatory environment, and developments in occupational safety. The "Sadales tīkls Electricity Supply Review" is published quarterly, helping cooperation partners keep up with key developments in the sector. In 2025, the Company actively participated in six contractor occupational safety days, promoting a safe working environment and a shared understanding of safety requirements in power grid construction and maintenance.
Implement sustainable procurements,% of procurements that includes a sustainability criteria/requirement	≥ 30%	≥ 30%	≥ 30%	–	In 2025, two green procurements were implemented. Cooperation partners registered on the list of qualified tenderers comply with the Company's occupational safety and environmental management requirements.
Disclose non-financial information in accordance with EU and LV disclosure requirements	x	x	x	–	The Non-Financial Report has been prepared in accordance with the requirements applicable in 2025.
Promote ST's reputation and image as a responsible company	Above the industry average in Latvia and the Baltics	52	52	38	See section: Medium-Term Operational Strategy 2022–2027. Average sector indicator in Latvia and the Baltics in 2025: 49 (TRIM Reputation Study 2025).

Participation in industry associations, alliances and organisations provides Sadales tīkls AS with information on developments in the energy sector and related industries, while ensuring the representation of interests in the development of national and international policy documents, regulatory enactments and standards.

Sadales tīkls AS actively participates in several national organisations, including the Latvian Association of Power Engineers and Energy Builders, the Latvian National Project Management Association, the Latvian Chamber of Commerce and Industry, the Employers' Confederation of Latvia, the Latvian National Accreditation Bureau, and the Business Efficiency Association.

The Company is also a member of several international industry organisations, including the Baltic Institute of Corporate Governance, the Latvian National Committee of the World Energy Council, the European Network for Cyber Security (ENCS), E.DSO – the European distribution system operators' organisation for smart grid development, ALLIANCE G3 CPL – for the standardisation, certification and development of G3 technologies, EU DSO Entity – the official EU-level organisation representing distribution system operators, and Nordiska Träskyddsrådet (NTR) – the Nordic wood protection trade association.

In accordance with Article 5 of the Sustainability Information Disclosure Law, the Company, as a subsidiary, is exempt from the obligation to prepare a sustainability report in accordance with the procedures specified in the law, and information regarding Sadales tīkls AS is included in the consolidated sustainability report of the Latvenergo Group.

Information on the Company's sustainability governance aspects is available on the Sadales tīkls AS website at <http://sadalestikls.lv/> in the "Company – Sustainability" section, which covers topics such as corporate social responsibility, economic responsibility, product responsibility, society, employees and the working environment, environmental protection, and others.

## **Further development**

The goals of Sadales tīkls AS are derived from the medium-term operational strategy of Sadales tīkls AS for 2022-2027 and the sustainability strategy of Sadales tīkls AS for 2024-2027. The target values for 2026 have been set to ensure progress towards the values defined in the strategy.

The objectives for 2026 have been determined, taking into account anticipated future challenges and the results of analyses of internal and external factors. In setting the target values and defining the tasks to be implemented, potential factors affecting the Company's operations in 2026 have been considered.

In accordance with the energy strategy, the State plans to continue in the coming years the systematic transition of various sectors of the national economy towards wider electrification, with particular focus on the heat energy and transport sectors. These sectors are expected to account for the largest increase in electricity consumption. To facilitate this transition, the State will continue developing and implementing targeted support programmes that will help both companies and residents adopt electrified technologies and related solutions in their daily activities. At the same time, it is expected that the acceleration of electrification may also require additional regulatory changes to ensure the efficient, sustainable, and transparent development of the sector, for example, by reviewing the electricity connection process or certain aspects of distribution system service tariff regulation.

In 2026, the Company will continue to develop and efficiently maintain the power grid, as well as smart grid management and sustainable material management, to achieve continuously lower SAIDI and SAIFI indicators, thereby ensuring long-term increases in power grid reliability and quality. Further improvements in customer service and digitalisation will also be promoted. It is planned to continue implementing the electricity market data exchange and storage platform portal (2023–2026) and a smart grid management solution, expanding the functional capabilities of the existing Distribution Management System (DMS) and Distribution Control System (DCS).

Work on energy crisis management will also continue across all preparedness and response stages, ensuring the reliability, stability, and continuity of Sadales tīkls AS operations.

To accelerate network development, the Company attracts external financing that does not negatively impact tariffs for end consumers. By using European Union Recovery and Resilience Facility funding (including REPowerEU), the Company will ensure faster improvement of power grid reliability, the modernisation of automated dispatch management systems, and the development of electric vehicle charging connection points.

In 2026, Cabinet Regulations entered into force, according to which Sadales tīkls AS will prepare a project application to attract investment from the Modernisation Fund. In the second quarter of 2026, an agreement on financing allocation will be concluded, and the implementation of the project "Increasing the capacity of the electricity network of Sadales tīkls AS, fully financed by the Modernisation Fund, will be launched.

In 2026, the coordination of Cabinet Regulations regarding the Cohesion Fund measure 2.6.1.2 "Development of energy security infrastructure" investments will continue, in accordance with which a project application will be prepared and the project "Security and development of electricity distribution infrastructure of Sadales tīkls AS" will be initiated.

The Company will continue implementing the defined objectives aimed at continuously improving, preventing or mitigating the impact of its operations on the environment and climate change, as well as protecting and preserving biodiversity, natural and energy resources, and the health and well-being of residents, while also raising employee awareness regarding responsible and environmentally conscious use of energy resources.

To ensure the sustainable development of the Company, in 2026 Sadales tīkls AS will continue to strengthen employee engagement and loyalty, while maintaining a high level of customer satisfaction and further developing the Company's reputation and public image. In the field of climate neutrality, the Company will continue implementing public charging points for electric vehicles in the power grid, ensuring the connection of distributed renewable energy generation, and reducing greenhouse gas (carbon dioxide) emissions through decarbonisation and energy efficiency projects.

By implementing the planned tasks for 2026, progress will be ensured towards achieving the objectives set in the Sadales tīkls AS Medium-Term Operational Strategy (2022–2027) and the Sadales tīkls AS Sustainability Strategy (2024–2027).

Over the next ten years, the role of distribution system operators will change significantly. The future of the energy sector will be characterised by decentralisation, decarbonisation and digitalisation. The Latvian Energy Strategy until

2050 foresees a significant acceleration of electrification across all sectors of the economy, identifying it as a key driver of the national energy transition.

To ensure a sustainable transformation of the consumption structure and promote the transition to locally available, secure, and climate-neutral energy, Sadales tīkls AS will develop a power grid that meets future needs. In 2026, the Company will begin developing its operational strategy for the period 2027–2031.

## Financial risk management

The Company's operations are subject to several financial risks, including market risk, interest rate risk, credit risk and liquidity risk. The management of the Company minimizes the negative impact of potential financial risks on the financial position of the Company.

Financial risk management is carried out in accordance with the principles laid down in the *Financial Risk Management Policy* of the Latvenergo Group.

### a) Currency risk

Currency risk arises when a future transaction or assets or liabilities are denominated in a currency other than the Company's functional currency. If the Company were to incur currency risk for any reason, then it would be effectively hedged in accordance with the principles set forth in the Financial Risk Management Policy.

### b) Interest rate risk

Interest rate risk for the Company is related to the loans issued and received from the Parent Company in accordance with the Agreement on Provision of Mutual Financial Resources concluded within Latvenergo Group and in accordance with the concluded long-term borrowing agreements.

In accordance with the agreement on Provision of Mutual Financial Resources concluded within the Latvenergo Group, an annual interest rate equal to the sum of the actual one-month EURIBOR (Euro Interbank Offered Rate) rate and the weighted average added rate of external short-term financing attracted by the Parent Company Latvenergo AS. In case the one-month EURIBOR rate is with a negative value, the interest rate is equal to the weighted average added rate of external short-term financing attracted by the Parent Company Latvenergo AS. The interest payable on mutual current borrowings and loan during the financial year did not expose significant interest rate risk.

As of 31 December 2025, the total amount of the Company's non-current borrowings from the parent company Latvenergo AS is EUR 567,938 thousand (31/12/2024: EUR 569,169 thousand). As of 31 December 2025, 63.19% (31/12/2024: 50.8%) of the Company's non-current borrowings had a variable interest rate, which is affected by the change in the six-month interbank EURIBOR rate. Other long-term borrowings are subject to a fixed interest rate.

### c) Credit risk

Financial assets that potentially expose the Company to a certain degree of credit risk are mainly current loans, receivables from contracts with customers, advance payments to third parties, cash and cash equivalents. Except for the Parent Company Latvenergo SIA, the Company does not have a significant concentration of credit risk in relation to any counterparty or group of counterparties. As of 31 December 2025, the concentration of the Company's credit risk per counterparty – Latvenergo AS – reached 48% of all trade receivables (31/12/2024: 36%). The Company considers that trade receivables of the related parties are fully recoverable. Trade receivables are stated at their recoverable amount. The Company's partners in cash transactions are the largest local banks with good reputation and with assigned investment-grade credit ratings to their parent companies.

### d) Liquidity risk

The Company observes prudent liquidity risk, ensuring the availability of adequate financial resources for the settlement of liabilities within the specified terms. The Company receives the necessary cash resources from the Parent Company in accordance with the agreement concluded within the Latvenergo Group on Provision of Mutual Financial Resources.

The management of the Company predicts that it will not have liquidity problems and the Company will be able to settle with creditors within the specified terms. The management of the Company believes that the Company will have sufficient financial resources so that its liquidity is not endangered.

## Events after the reporting year

On 24 February 2026 the Management Board of Sadales tīkls AS decided to recognise the revaluation of Sadales tīkls AS electricity lines as of 1 January 2026 for financial reporting purposes and the result of the revaluation was recognised in the financial statements of 2025 as an adjusting event.

Considering the geopolitical situation in the Middle East, the Company's management has assessed the potential impact on its operations. As at the date of preparation of the financial statements, no direct and material impact on the Company's operating results or financial position has been identified. The Company operates in accordance with the licence issued by the Public Utilities Commission and provides electricity distribution system services under tariffs approved by the regulator. The cost of electricity required for the Company's technological processes is fixed until the end of 2027, which significantly limits the short-term impact of energy price fluctuations. Indirect effects may arise through general macroeconomic factors, including inflation; however, such impact is not considered material at present. In addition, the tariff methodology provides for recovery of such costs through regulatory mechanisms. The Company continues to monitor the situation and will assess the potential impact if material developments occur.

There have been no other significant events subsequent after the end of the reporting year that might have a material effect on the Company's Financial Statements for the year ended 31 December 2025.

### **Statement of management responsibility**

Based on the information available to the Management Board of Sadales tīkls AS, in all material aspects Sadales tīkls AS Annual Report 2025 which includes the Management Report has been prepared in accordance with applicable laws and regulations and in all material respect present a true and fair view of the assets, liabilities, financial position and profit and loss of Sadales tīkls AS. Information provided in the Management Report is accurate.

### **Proposals for profit distribution**

Considering the Law on Governance of Capital Shares of a Public Entity and Management of Capital Companies and ratios of the Company's capital structure, the Management Board of Sadales tīkls AS propose to pay 100% or EUR 35,270 thousand of the Company's profit for 2026 to the Parent company in dividends. The distribution of dividends is subject to a resolution of Sadales tīkls AS Shareholder Meeting.

#### **Management Board of Sadales tīkls AS:**

**Sandis Jansons**  
Chairman of the  
Management Board

**Kristīne Sarkane**  
Member of the  
Management Board

**Vīgants Radziņš**  
Member of the  
Management Board

**Raimonds Skrebs**  
Member of the  
Management Board

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## Statement of Profit or Loss

		EUR'000	
	Notes	2025	2024
<b>Revenue</b>	5	<b>382,239</b>	<b>371,812</b>
Other income		3,097	1,777
Raw materials and consumables used	6	(125,432)	(127,961)
Personnel expenses	7	(69,961)	(68,311)
Other operating expenses	8	(42,504)	(43,494)
<b>EBITDA</b>		<b>147,439</b>	<b>133,823</b>
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	10, 11, 12	(89,965)	(85,031)
<b>Operating profit</b>		<b>57,474</b>	<b>48,792</b>
Finance income	9 a	81	69
Finance costs	9 b	(15,215)	(16,379)
<b>Profit before tax</b>		<b>42,340</b>	<b>32,482</b>
Corporate income tax	18 b	(7,070)	(4,226)
<b>Profit for the year</b>		<b>35,270</b>	<b>28,256</b>

EBITDA – operating profit before depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right-of-use assets (*Earnings Before Interest, Tax, Depreciation and Amortisation*).

## Statement of Comprehensive Income

		EUR'000	
	Notes	2025	2024
<b>Profit for the year</b>		<b>35,270</b>	<b>28,256</b>
<i>Comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
- gains on revaluation of non-current assets	11 a, 11 b, 18 a	3,016	-
- (loss) / gains on remeasurement on defined benefit plan	18, 22 a	(191)	2,633
<b>Comprehensive income for the year</b>		<b>2,825</b>	<b>2,633</b>
<b>Total comprehensive income for the year</b>		<b>38,095</b>	<b>30,889</b>

Notes on pages 23 to 52 form an integral part of these financial statements.

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Chairman of the  
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Member of the  
Management Board

**Vigants Radziņš**  
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**Raimonds Skrebs**  
Member of the  
Management Board

**Jānis Šteins**  
Head of Consolidation unit  
Accounting department Latvenergo AS

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## Statement of Financial Position

EUR'000

	Notes	31/12/2025	31/12/2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	27,630	25,919
Property, plant and equipment	11 a	1,845,266	1,767,669
Right-of-use assets	12	1,404	1,695
Investment property	11 d	129	279
Non-current financial investments	13	1	1
<b>Total non-current assets</b>		<b>1,874,430</b>	<b>1,795,563</b>
<b>Current assets</b>			
Current loan to related parties	19	–	31,101
Inventories	14	23,853	23,595
Receivables from contracts with customers	15	35,474	40,127
Other current receivables		531	554
Deferred expenses		341	174
Cash and cash equivalents	16	300	300
<b>Total current assets</b>		<b>60,499</b>	<b>95,851</b>
<b>TOTAL ASSETS</b>		<b>1,934,929</b>	<b>1,891,414</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	652,693	652,693
Reserves	18 a	348,487	354,081
Retained earnings / (accrued losses)		8,614	(6,819)
<b>Total equity</b>		<b>1,009,794</b>	<b>999,955</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings from related parties	19	464,100	474,309
Lease liabilities	12	828	1,207
Provisions	22a	9,156	8,125
Deferred income from contracts with customers and advances received	23 a	156,716	150,436
Other deferred income	23 a	68,058	33,851
<b>Total non-current liabilities</b>		<b>698,858</b>	<b>667,928</b>
<b>Current liabilities</b>			
Borrowings	19	112,985	99,574
Lease liabilities	12	637	621
Trade and other payables	21	72,264	79,488
Provisions	22 b	619	–
Deferred income from contracts with customers and advances received	23 b	38,524	43,714
Other deferred income	23 b	1,248	134
<b>Total current liabilities</b>		<b>226,277</b>	<b>223,531</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,934,929</b>	<b>1,891,414</b>

Notes on pages 23 to 52 form an integral part of these financial statements.

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## Statement of Changes in Equity

EUR'000

	Notes	Attributable to equity holder of the Company			TOTAL
		Share capital	Reserves	Accrued losses	
<b>As of 31 December 2023</b>		<b>652,693</b>	<b>361,274</b>	<b>(27,995)</b>	<b>985,972</b>
Dividends for 2023	18 b	–	–	(16,906)	<b>(16,906)</b>
Disposal of non-current assets revaluation reserve	18 a	–	(9,826)	9,826	–
<b>TOTAL changes recognised in equity</b>		<b>–</b>	<b>(9,826)</b>	<b>(7,080)</b>	<b>(16,906)</b>
Profit for the period		–	–	28,256	<b>28,256</b>
Comprehensive income for the year		–	2,633	–	<b>2,633</b>
<b>Total comprehensive income for the year</b>	18 a, 22 a	<b>–</b>	<b>2,633</b>	<b>28,256</b>	<b>30,889</b>
<b>As of 31 December 2024</b>		<b>652,693</b>	<b>354,081</b>	<b>(6,819)</b>	<b>999,955</b>
Dividends for 2024	18 b	–	–	(28,256)	<b>(28,256)</b>
Disposal of non-current assets revaluation reserve	18 a	–	(8,419)	8,419	–
<b>TOTAL changes recognised in equity</b>		<b>–</b>	<b>(8,419)</b>	<b>(19,837)</b>	<b>(28,256)</b>
Profit for the period		–	–	35,270	35,270
Comprehensive income for the year		–	2,825	–	<b>2,825</b>
<b>Total comprehensive income for the year</b>	18 a, 22 a	<b>–</b>	<b>2,825</b>	<b>35,270</b>	<b>38,095</b>
<b>As of 31 December 2025</b>		<b>652,693</b>	<b>348,487</b>	<b>8,614</b>	<b>1,009,794</b>

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## Statement of Cash Flows

	Notes	2025	2024
EUR'000			
<b>Cash flows from operating activities</b>			
Profit before tax		<b>42,340</b>	<b>32,482</b>
<b>Adjustments:</b>			
- Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	10, 11, 12	89,965	85,031
- Loss from disposal of non-current assets		6,204	7,945
- Finance income	9 a	(81)	(69)
- Finance costs	9 b	15,215	16,379
- Decrease in provisions	22 a, b	1,460	1,094
<b>Operating profit before working capital adjustments</b>		<b>155,103</b>	<b>142,862</b>
Increase in inventories		(262)	(606)
Decrease / (increase) in receivables from contracts with customers and other receivables		5,202	(9,601)
Increase in trade and other payables		(50,312)	(16,767)
Impact on the Parent Company's borrowings / loan from receivables and payables of the Group companies, net	19	(120,867)	(104,414)
<b>Cash generated from operating activities</b>		<b>(11,136)</b>	<b>11,474</b>
Payments of interest on leases	12	(29)	(36)
Paid corporate income tax		(7,069)	(4,226)
<b>Net cash flows generated from operating activities</b>		<b>(18,234)</b>	<b>7,212</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets and property, plant and equipment		(173,423)	(117,584)
<b>Net cash flows used in investing activities</b>		<b>(173,423)</b>	<b>(117,584)</b>
<b>Cash flows from financing activities</b>			
Proceeds on borrowings from the Parent Company, net	19	155,623	89,129
Received financing from European Union		37,356	22,562
Paid financing from European Union to the parent company as a cooperation partner		(695)	(678)
Payments of principal on leases	12	(627)	(642)
<b>Net cash flows generated from financing activities</b>		<b>191,657</b>	<b>110,371</b>
<b>Net decrease in cash and cash equivalents</b>		<b>-</b>	<b>(1)</b>
Cash and cash equivalents at the beginning of the reporting year		300	301
<b>Cash and cash equivalents at the end of reporting year</b>	16	<b>300</b>	<b>300</b>

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## Notes to the Financial Statements

### 1. GENERAL INFORMATION ON THE COMPANY

Sadales tīkls AS (hereinafter – Sadales tīkls AS or the Company) is power supply utility engaged in electricity distribution, electric installation, as well construction of buildings and facilities or parts thereof, assembly of engineering systems and production of poles for distribution system lines. The registered address of the Company is 1 Šmerļa Street, Riga, Latvia, LV–1160. Registered in Commercial Register of the Republic of Latvia on 18 September 2006, No. 40003857687. Objects of the Company are located throughout the territory of Latvia.

The sole shareholder holding all of shares of Sadales tīkls AS and preparing consolidated annual report including Sadales tīkls AS as its subsidiary, is Latvenergo AS (The registered address of the Company is 12 Pulkveža Brieža Street, Riga, Latvia, LV–1230), whose shares are owned by the Republic of Latvia and are held by the Ministry of Economics of the Republic of Latvia, see on Latvenergo AS web page section “Investors” (<http://www.latvenergo.lv/eng/investors/reports/>).

The company's business activities are distribution of electricity (NACE: 35.13), Construction of utility projects for electricity and telecommunications (NACE: 42.22), installation of electrical installations (NACE: 43.21), sawing, planing and impregnation (NACE: 16.10) and education not elsewhere classified (NACE: 85.59).

Since 4 October 2025 the Management Board of Sadales tīkls AS was comprised of the following members: Sandis Jansons (Chairman of the Board), Raimonds Skrebs, Kristīne Sarkane and Vīgants Radziņš.

Until 4 October 2025 the Management Board of Sadales tīkls AS was comprised of the following members: Sandis Jansons (Chairman of the Board), Baiba Priedīte, Raimonds Skrebs, Kristīne Sarkane and Vīgants Radziņš.

On 14 July 2020 the Supervisory Board of Sadales tīkls AS was established, comprised of the following members: Kristaps Ločmelis (Chairman of the Board), Edijs Šaicāns (Deputy Chairman), Inese Zīle and Viktorija Meikšāne.

The accounting service is provided by Latvenergo AS (40003032949) in accordance with the concluded accounting service agreement.

The Company's auditor is the certified audit company Ernst & Young Baltic SIA (40003593454) (licence No. 17) and certified auditor in charge is Diāna Krišjāne, certificate No. 124.

The Management Board of Sadales tīkls AS has approved 2025 Annual report, including the Financial Statements on 30 March 2026. The Company's Financial Statements are subject to Shareholder's approval after the issue (see on webpage [www.sadalestikls.lv](http://www.sadalestikls.lv) section *Financial Reports*).

### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Company's Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1. Basis of preparation

The Company's Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting Standards as adopted by the European Union. Due to the European Union's endorsement procedure, the standards and interpretations not approved for use in the European Union are also presented in this note as they may have impact on the Company's Financial Statements in the following periods if endorsed.

The Company's Financial Statements are prepared under the historical cost convention, except for some financial assets and liabilities (including derivative financial instruments and non-current financial investments) measured at fair value and certain property, plant and equipment carried at revalued amounts as disclosed in the accounting policies presented below.

The Statement of cash flows is prepared using the indirect method by adjusting the profit before tax with the cash flows generated from operating activities.

The Company's Financial Statements have been prepared in euro (EUR) currency and all amounts shown in these Financial Statements except non-monetary items are presented in thousands of EUR (EUR'000). All figures, unless stated otherwise are rounded to the nearest thousand.

Certain monetary amounts, percentages and other figures included in this report are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent.

The Company's Financial Statements for 2025 include the financial information in respect for the year ended 31 December 2025 and comparative information for 2024. Where it has been necessary, comparatives for 2024 are reclassified using the same principles applied for preparation of the Financial Statements for 2025.

The Company has reclassified individual positions in the statement of financial position ended 31 December 2024. During the reporting year, the Company reassessed the presentation of advances received, that in accordance with IFRS 15 represent contract liabilities, and determined that disclosure of advances received together with deferred income that includes deferred income from contracts with customers, provides more relevant information if contract liabilities are presented in a one note. As a result, received advances in a amount of EUR 25,792 thousand previously included within 'Trade and other payables' has been reclassified to 'Deferred income and advances received' in the comparative period. This reclassification had no impact on total assets, total liabilities, net assets, or profit for the year.

**Changes of individual positions in the Statement of Financial Position for the year ended 31 December 2024:**

	31/12/2024 as previously reported	Adjustments	31/12/2024 as restated
EUR'000			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	105,280	(25,792)	79,488
Deferred income	18,056	(18,056)	–
Deferred income from contracts with customers and advances received	–	43,714	43,714
Other deferred income	–	134	134
<b>Total current liabilities</b>	<b>223,531</b>	<b>–</b>	<b>223,531</b>

The preparation of the Company's Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Company's Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company's Financial Statements are disclosed in Note 4.

**Adoption of new and/or changed IFRS, International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations**

**a) Standards issued and which became effective, and that have been endorsed by the European Union, and are not relevant for the Company's operations**

The adopted policies correspond to the accounting policies of the previous financial year, except for the following IFRS amendments, which has adopted starting from 1 January 2025, but not relevant for the Company's operations:

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**  
The amendments are effective for annual reporting periods beginning on or after 1 January 2025. The Company has assessed that the aforementioned standard is not relevant for the Company's operations, as the Company does not have significant transactions in foreign currencies.

**b) Standards and its amendments issued and endorsed by the European Union, but have not yet become effective and not early adopted, and which are relevant for the Company's operations**

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early adoption of amendments related to the classification of financial assets and the related disclosures is permitted, with the option to apply the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the obligation is discharged, cancelled, expired, or otherwise qualifies for derecognition. They introduce an accounting policy option to derecognise liabilities settled via electronic payment systems before the settlement date, subject to specific conditions. They also provide guidance on assessing the contractual cash flow characteristics of financial assets with environmental, social, and governance (ESG)-linked features or other similar contingent features. Additionally, they clarify the treatment of non-recourse assets and contractually linked instruments and require additional disclosures under IFRS 7 for financial assets and liabilities with contingent event references (including ESG-linked) and equity instruments classified at fair value through other comprehensive income. The Company will assess the impact of these amendments on the classification of financial instruments and disclosures in the Financial Statements, but does not expect them to have a significant impact on the Company's financial position.

- **Annual Improvements to IFRS Accounting Standards – Volume 11**

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11. An entity

shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. The Annual Improvements to IFRS Accounting Standards - Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the standards. The Company will evaluate the impact of these annual improvements on the Financial Statements, but does not expect them to have a material impact on the Company's financial position.

**c) Standards and its amendments issued and endorsed by the European Union, but have not yet become effective and not early adopted, and are not relevant for the Company's operations**

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. The Company has assessed that the aforementioned amendments are not applicable to the Company.

**d) Standards and its amendments issued, but are not yet effective and not yet endorsed by the European Union, and are not early adopted, but which are relevant for the Company's operations**

- **IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating; investing; financing; income taxes; and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. The standard has not yet been endorsed by the EU. The Company's management has initially assessed that the requirements of the standard will not significantly affect the classification of items in the Statement of Profit or Loss and will not result in significant changes in the disclosure of items in the Statement of Cash Flows, except only the change of the initial position in the Statement of Cash Flows from "profit or loss before tax" to "profit or loss from operating activities" that would be necessary for the determination of cash flows from operating activities. Regarding to the items to be included in the Statement of Profit or Loss, only the "operating activities" and "income tax" categories are relevant to the Company, as the Company does not have investments in subsidiaries and investment properties, and foreign exchange rate fluctuations will be classified in the income statement category "operating activities", as the related income and expenses, that arise from foreign exchange differences, relate to the purchase of goods and raw materials. The Company's management will further evaluate the standard requirements regarding the implementation of newly created management-defined performance measures (MPM) in the Financial Statements.

**e) Standards and its amendments issued, but are not yet effective and not yet endorsed by the European Union, and are not early adopted and are not relevant for the Company's operations**

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures (including amendments)**
- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (Amendments)**
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The Company's management has assessed that the aforementioned standards or their amendments are not applicable to the Company.

## **2.2. Going concern**

As of 31 December 2025 the Company's current liabilities exceeded current assets by EUR 165,778 thousand (31/12/2024: EUR 127,680 thousand). Current liabilities mainly consist of borrowings from and liabilities to the Parent company.

The Management of the Company foresees that in 2026 the Company will not have liquidity problems and will settle its liabilities to creditors within set terms as it is foreseen that the Company will have positive operating cash flow. Credit risk exposure in connection with trade receivables is managed by the Company's Management. This exposure has significantly concentrated only on transactions with the Parent Company – Latvenergo AS (distribution system services). The Company will not be influenced by significant liquidity risk as the liabilities mainly comprise of liabilities from related parties and the Management of the Company is confident that related parties will agree on deferring the maturity dates of liabilities settlements or the Parent Company will provide additional financing to avoid insolvency of the Company.

On 12 February 2026 the Company has received a support letter from the Parent Company. The letter verifies that annual report for the year 2025 of Sadales tīkls AS is prepared in accordance with going concern principle, acknowledging that Latvenergo AS position as 100% shareholder is to ensure that subsidiary is managed so that it has sufficient financial resources and is able to carry its operations and settle its obligations, as well if necessary, not to request repayment of a principal amount of the loan, as well repayment of accrued interest from Sadales tīkls AS, if that would cause doubt for Sadales tīkls AS to continue its operations at least 12 months after the approval of Sadales tīkls AS year 2025 Annual report.

The management of the Company therefore concluded that going concern principle is applicable for preparation of these financial statements.

### 2.3. Foreign currency translation

#### a) Functional and presentation currency

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The Company's Financial Statements have been prepared in euros (EUR), which is the Company's functional currency. All figures, unless stated otherwise are rounded to the nearest thousand.

#### b) Transactions and balances

All transactions denominated in foreign currencies are translated into the functional currency according to the European Central bank (ECB) exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate of the European Central bank at the last day of the reporting year. The resulting gain or loss is charged to the Company's Statement of Profit or Loss.

### 2.4. Non-financial assets and liabilities

#### 2.4.1. Intangible assets

Intangible assets are measured on initial recognition at historical cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Assets under development are recognised in Statement of Financial Position within intangible assets and measured at cost until the intangible assets are completed and received.

#### a) Connection usage rights

Connection usage rights are the payments for the rights to use the transmission system's power grid and are measured at cost net of amortisation and accumulated impairment that is calculated on straight-line basis to allocate the cost of connection usage rights to the residual value over the estimated period of relationship with a supplier (connection installer) – 20 years.

#### b) Licenses and software

Usage rights, licenses and software are shown at historical cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of usage rights, licenses and software over their estimated useful lives. Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding a period of use defined in agreement or 3 – 10 years.

#### 2.4.2. Property, plant and equipment

Property, plant and equipment (PPE) are measured on initial recognition at cost. Following initial recognition PPE are stated at historical cost or revalued amount, less accumulated depreciation and accumulated impairment losses, if any.

If an item of PPE consists of components with different useful lives and the cost of these components are significant against the cost of an PPE item, these components are recognised separately.

Land is not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Type of property, plant and equipment (PPE)	Estimated useful life, years
Buildings and facilities	15 – 80
Distribution system electricity lines and electrical equipment:	
– electricity lines	30 – 50
– electrical equipment of transformer substations	30 – 35
Technology equipment and machinery	8 – 10
Other property, plant and equipment	2 – 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on property, plant and equipment disposals are determined by comparing proceeds with carrying amounts. Those are included in the Company's Statement of Profit or Loss. If revalued property, plant and

equipment have been sold or disposed, appropriate amounts are reclassified from revaluation reserve to retained earnings.

All fixed assets under construction are stated at historical cost and comprised costs of construction of assets. The initial cost includes construction and installation costs and other direct costs related to construction of fixed assets. General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Assets under construction are not depreciated as long as the relevant assets are completed and ready for intended use, assets under construction are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, either individually or at the cash-generating unit level. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the recoverable amount that is higher of the asset's fair value less costs to sell and value in use.

The Company classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and sale is considered highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

#### **2.4.3. Investment property**

Investment properties are land or a building or part of a building held by the Company as the owner to earn rentals or for capital appreciation, rather than for use in the production of goods or supply of services or for administrative purposes, or sale in the ordinary course of business. Investment property generates cash flows independently of the other assets held. The investment properties are initially recognised at cost and subsequently measured at acquisition cost net of accumulated depreciation and impairment losses. The applied depreciation rates are based on estimated useful life set for respective fixed asset categories – from 15 to 80 years

The Company apply the cost model in valuation of investment properties. Land or building or part of a building held by the Company as the owner to earn rentals or for capital appreciation, rather than for use in the production of goods or supply of services or for administrative purposes, or sale in the ordinary course of business, after decision of the Company's management are initially recognised as investment properties at cost and subsequently measured at acquisition cost net of accumulated depreciation and impairment losses.

#### **2.4.4. Revaluation of property, plant and equipment**

Revaluations have been made with sufficient regularity to ensure that the carrying amount of property, plant and equipment items subject to valuation does not differ materially from that which would be determined using fair value at the end of reporting period.

Electricity distribution system assets (property, plant and equipment) are revalued regularly but not less frequently than every five years:

- electricity lines,
- electrical equipment of transformer substations.

Increase in the carrying amount arising on revaluation is recognised in the Statement of Comprehensive income as "Non-current assets revaluation reserve" in shareholders' equity. Decrease in the carrying amount arising on revaluation primarily offset previous increases recognised in 'Comprehensive income' and if decrease exceeds revaluation reserve, it is recognised in the Statement of Profit or Loss.

At the date of revaluation, initial carrying amounts and accumulated depreciation are increased or decreased proportionately with the change in the carrying amount of the asset so that the carrying amount of the asset after the revaluation equals its revalued amount.

Non-current assets revaluation reserve is decreased and transferred to retained earnings at the moment, when revalued asset has been written off or disposed.

Revaluation reserve cannot be distributed in dividends, invested in share capital, used for indemnity, reinvested in other reserves, or used for other purposes.

#### **2.4.5. Impairment of non-financial assets**

Assets that are subject to depreciation or amortisation, land and investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market expectations regarding the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the Comprehensive Income within PPE revaluation reserve for the assets accounted at revalued amount and in the Statement of Profit or Loss within amortisation, depreciation and impairment charge expenses for the assets that are accounted at cost, less depreciation and impairment, and for the assets accounted at revalued amount in case if impairment charge exceeds revaluation surplus previously recognised on individual asset.

The key assumptions used in determining recoverable amount of the asset are based on the Group entities' or the Parent Company's management best estimation of the range of economic conditions that will exist over the remaining useful life of the asset, on the basis of the most recent financial budgets and forecasts approved by the management for a maximum period of 10 years. Estimates are based on Latvian regulatory authority (Public Utilities Commission) stated methodology. Assets are reviewed for possible reversal of the impairment whenever events or changes in circumstances indicate that impairment must be reviewed. The reversal of impairment for the assets that are accounted at cost, less depreciation and impairment, is recognised in the Statement of Profit or Loss. Reversal of impairment loss for revalued assets is recognised in the Statement of Profit or Loss to the extent that an impairment loss on the same revalued asset was previously recognised in the Statement of Profit or Loss; the remaining reversals of impairment losses of revalued assets are recognised in Comprehensive Income.

#### **2.4.6. Leases**

At the time of conclusion of the contract, the Company assesses whether the contract is a lease or contains a lease. A contract is a lease, or contains a lease, when the contract gives the right to control the use of an identified asset throughout the period of time in exchange for consideration.

Leases and right-of-use assets are recognised for all long-term leases that meet the criteria of IFRS 16 (the remaining lease term exceeds 12-months at the date of implementation of the standard).

Low value leases are not recognised completely, applying the exemption for leases of land under transformer substations, which are considered not material according to the criteria of IFRS 16, and the value of this type of asset is not material.

Leases are recognised as right-of-use assets and the corresponding lease liabilities at the date when leased assets are available for use of the Company. The cost of the right-of-use an asset consists of:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

The Company accounts right-of-use assets of land, buildings and facilities.

The right-of-use asset is amortised on a straight-line basis from the commencement date to the end of the useful life of the underlying asset. Depreciation is calculated on a straight-line basis from the commencement date of the lease to the end of the lease term, unless an asset is scheduled to be redeemed. The right-of-use asset is periodically reduced for impairment losses, if any, and adjusted for any revaluation of the lease liabilities.

Assets and liabilities arising from leases at commencement date are measured at the amount equal to the present value of the remaining lease payments, discounted by the Company's incremental interest rate.

Lease liabilities are subsequently measured when there is a change in future lease payments due to changes of an index or a rate used to determine these payments, when the Company's estimate of expected payments changes, or when the Company changes its estimate of the purchase option, lease term modification due to extension or termination. When a lease liability is subsequently measured, the corresponding adjustment is made to the carrying amount of the right-of-use asset or recognised in the statement of profit or loss if the carrying amount of the right-of-use asset decreases to zero.

Each lease payment is divided between the lease liability and the interest expense on the lease. Interest expense on lease is recognised in the statement of profit or loss over the lease term to form a constant periodic interest rate for the remaining lease liability for each period.

Lease payments related to short-term leases are recognised as an expense in the statement of profit or loss on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less at the commencement date.

#### **2.4.7. Inventories**

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using the weighted average method.

At the end of each reporting year the inventories are reviewed for any indications of obsolescence. When obsolete or damaged inventories are identified allowances are recognised to their recoverable amount. Additionally, during the reporting year at least each month inspection of idle inventories is performed with the purpose to identify obsolete and damaged inventories. Allowances for an impairment loss are recognised for those inventories.

The following basic principles are used in determining impairment losses for idle and obsolete inventories:

- inventories that haven't turned over during last 6 months are impaired in amount of 50%,
- inventories that have not turned over during last 12 months are fully impaired.

#### 2.4.8. Provision

Provisions are recognised when the Group or the Parent Company have a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required for settling the obligation by using pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation as a discount rate. The increase in provisions due to passage of time is recognised as interest expense.

##### a) Provisions for post-employment benefits

The Company provides certain post-employment benefits to employees whose employment conditions meet certain criteria. Obligations for benefits are calculated taking into account the current level of salary and number of employees eligible to receive the payment, historical termination rates as well as number of actuarial assumptions.

The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method.

The liability is recognised in the Company's Statement of Financial Position in respect of post-employment benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using weighted average discount rate of the European Insurance and Occupational Pensions Authority (EIOPA) and EURBMK BBB electricity industry rate. The discount rate used is determined by reference to market yields on government bonds due to lack of deep market on high quality corporate bonds. The currency and maturity of the government bonds correspond the currency and estimated maturity of the liabilities. The discount rate reflects the time value of money and not actuarial or investment risk. The Company uses projected unit credit method to establish its present value of fixed benefit obligation and related present and previous employment expenses. According to this method it has been stated that each period of work makes benefit obligation extra unit and the sum of those units comprises total Company's obligations of post-employment benefits. The Company use objective and mutually compatible actuarial assumptions on variable demographic factors and financial factors (including expected remuneration increase and determined changes in benefit amounts).

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Comprehensive Income in the period in which they arise. Past service costs are recognised immediately in the Statement of Profit or Loss.

## 2.5. Financial assets and liabilities

### 2.5.1. Financial assets and liabilities

The Company classifies its financial assets under IFRS 9 in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments:

- *Amortised cost.* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on de-recognition is recognised directly in profit or loss. Impairment losses are presented as separate item in the statement of profit or loss position 'Other operating expenses'.

#### Equity instruments

The Company subsequently measure all equity investments at fair value.

#### Financial Liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains or losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss.

### *Impairment*

The Company assesses on a forward-looking basis the expected credit losses associated with their debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Rules for estimating and recognising impairment losses are described in Note 4 b.

The Company has applied two expected credit loss models: counterparty model and portfolio model.

Counterparty model is used on individual contracts basis for the related parties, cash and cash equivalents and significant receivables. The expected credit losses according to this model for those are based on assessment of the individual counterparty's risk of default based on Moody's 12-months corporate default and recovery rates if no significant increase in credit risk is identified. The circumstances indicating a significant increase in credit risk is significant increase in Moody's default and recovery rates (by 1 percentage point) and counterpart's inability to meet payment terms (overdue 30 days or more, insolvency or bankruptcy, or initiated similar legal proceedings and other indications on inability to pay). If significant increase in credit risk identified, calculated lifetime expected credit loss.

For estimation of expected credit loss for unsettled revenue on individually significant other receivables and other receivables of energy industry companies and related parties The Company apply the simplified approach and record lifetime expected losses based on corporate default and recovery rates.

Portfolio model is used for trade receivables by grouping together receivables with similar risk characteristics and the days past due and defined for basic business activities. For trade receivables grouped by portfolio model the Company apply the simplified approach and record lifetime expected losses on receivables based on historical observed default rates, adjusted for forward-looking estimates, if any significant exists.

#### **2.5.2. Receivables from contracts with customers and other receivables**

Receivables from contracts with customers and other receivables are classified in groups:

- a) Receivables from distribution system services,
- b) Receivables from connection service fees and other distribution system services,
- c) Receivables from subsidiaries.

Receivables from contracts with customers are recognised initially when they originated. Receivables without a significant financing component are initially measured at the transaction price and subsequently are measured at amortised cost.

The Company consider the evidence of impairment for the receivables from contracts with customers and other receivables at both an individual and a collective level.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The Company applies the IFRS 9 simplified approach to measuring expected credit losses of these receivables which uses a lifetime expected loss allowance (see Note 4 b).

For individually significant other receivables and other receivables of energy industry companies and related parties' receivables the counterparty model is used based on individual contract basis. The expected credit losses according to this model are based on assessment of the individual counterparty's risk of default based on Moody's corporate default and recovery rates for the relevant industry's entity.

#### **2.5.3. Cash and cash equivalents**

Cash and cash equivalents include cash balances on bank accounts, demand deposits at bank and other short-term deposits with original maturities of three months or less.

#### **2.6. Dividend distribution**

Dividend distribution to the Shareholder of the Company is recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's Shareholder.

#### **2.7. Corporate income tax**

Corporate income tax is paid on distributed profits which has been generated. Both distributed profits and deemed profit distributions are subject to the tax rate of 20% of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognised in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

#### **2.8. Grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants are recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

##### ***Grants related to expense items***

When a grant relates to an expense item, and it has a number of conditions attached, it is initially recognised at fair value as deferred income. Grants are credited to income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

A grant received for part-financed research project costs is recognized as a cost reduction in the period in which the actual costs are incurred.

#### **Grants related to assets**

Property, plant and equipment received at nil consideration are accounted for as grants. Those grants are recognised at fair value as deferred income and are credited to the Statement of Profit or Loss on a straight-line basis over the expected lives of the related assets.

## **2.9. Revenue recognition**

### **Revenue from contracts with customers**

Revenue from contracts with customers in scope for IFRS 15 encompasses sold goods or services provided as output of the entity's ordinary activities.

In evaluating whether collectability of an amount of consideration is probable, the Company uses portfolio approach practical expedient for all distribution services customers. Company reasonably expects that, the effects on the financial statements from applying these requirements to the portfolio would not differ materially from applying the requirements to the individual contracts within the portfolio. For other customers collectability is assessed individually.

The Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Major distinct performance obligations identified in the contracts with customers by the Company include provision of distribution system services. The Company has assessed that connecting a customer to the distribution network as a separate performance obligation is not distinct within the context of the contract due to being highly interrelated to sales of distribution services (Note 4 c).

Where contracts with customers include variable consideration, the Company estimate at contract inception the variable consideration expected over the life of the respective contracts and updates that estimate each reporting period. A constrained variable consideration is identified in relation to sales of distribution system services.

The Company use output method to measure progress towards complete satisfaction of a performance obligations. Revenue from provision of distribution system services are recognised over time as a continuous delivery of these goods and services is made over the term of the respective contracts.

Payment terms for goods or services transferred to customers according to contract terms are within 20 to 45 days from the provision of services or sale of goods. Invoices are mostly issued monthly.

#### *Revenue recognised over time*

#### **Sales of distribution services**

Revenues from electricity distribution services are based on regulated tariffs that are subject to approval by the Public Utilities Commission (PUC), revenues from reactive energy are based on regulations by Cabinet of Ministers of the Republic of Latvia 'Regulations on electricity trade and usage'. The Company recognizes revenue from sales of distribution services and from reactive energy at the end of each month on the basis of the automatically made meter readings or customers' reported meter readings, on the period in which the services are rendered.

In accordance with paragraph 108 of the Transitional Provisions of the "Electricity Market Law" adopted by the Saeima of the Republic of Latvia, from 1 January 2024 to 31 December 2025, for a twelve-month period has been set a ceiling for the increase in the fixed part of the distribution tariff for household users with a connection capacity of up to 25A. The difference between the approved and applied tariffs to customers is compensated from the state budget (Note 5).

These regulations do not change agreements on the scope of provided services and do not change the approved distribution system tariffs, and respectively do not change the Company's revenue recognition principles, but the process of receiving the transaction fees and the payer for the services. The Company has the right to receive the full fee for the provided services: from customer at a reduced price within the specified period of time and the payment for the reduction in price has been received from the state.

#### **Distribution system connection fees**

Distribution system connection fees are non-refundable upfront fees paid by customers to secure connection to the distribution network, and are not considered as separate (distinct) performance obligations as related to distribution system services. Connection fees partly reimburse the cost of infrastructure required to connect customers to the network. The distribution system connection fee is calculated in accordance with the methodology established by the Latvian regulatory authority PUC..

Revenue from distribution system connection fees are initially recognised as contract liabilities and recognised over the estimated customer relationship period – 20 years (Note 4 c).

## 2.10. Related parties

Related parties of the Company are the parent Company, other Latvenergo Group Companies, members of the Management board, members of the Supervisory Board and close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence.

## 3. FINANCIAL RISK MANAGEMENT

### 3.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risks (including pricing risk for regulated activities and interest rate risk), credit risk and liquidity risk.

Risk management (except for pricing risk for regulated activities) is carried out by the Parent Company's Treasury department (the Latvenergo AS Treasury) according to Latvenergo Group's Financial Risk Management Policy approved by the Management Board of the Parent Company. The overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of Group Companies. The Latvenergo AS Treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Management Board of the Parent Company by approving Latvenergo Group's Financial Risk Management Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, liquidity risk, and credit risk, use of investment for excess liquidity.

Financial assets and financial liabilities that are exposed to financial risks disclosed in the table below by measurement categories: EUR'000

	Notes	Financial assets at fair value through comprehensive income	Financial assets at amortised cost
<b>Financial assets as of 31 December 2025</b>			
Non-current financial investments	13	1	–
Receivables from contracts with customers	15	–	35,474
Other trade and current receivables		–	531
Cash and cash equivalents	16	–	300
		<b>1</b>	<b>36,305</b>
<b>Financial assets as of 31 December 2024</b>			
Non-current financial investments	13	1	–
Current loan	19	–	31,101
Receivables from contracts with customers	15	–	40,127
Other trade and current receivables		–	554
Cash and cash equivalents	16	–	300
		<b>1</b>	<b>72,082</b>

EUR'000

	Notes	Financial liabilities at amortised cost
<b>Financial liabilities as of 31 December 2025</b>		
Borrowings	19	577,085
Lease liabilities	12	1,465
Trade and other payables	21	72,264
		<b>650,814</b>
<b>Financial liabilities as of 31 December 2024</b>		
Borrowings	19	573,883
Lease liabilities	12	1,828
Trade and other payables	21	79,488
		<b>655,199</b>

#### a) Market risk

##### *I) Foreign currencies exchange risk*

Foreign currencies exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. As of 31 December 2025 and 31 December 2024 the Company's revenues and financial assets and liabilities were denominated in euros, therefore the Company is not exposed to significant foreign currencies exchange risk.

Latvenergo Group's Financial Risk Management Policy is to hedge all anticipated cash flows (capital expenditure and purchase of goods and services) in each major foreign currency that might create significant currency risk. During 2025 and 2024 the Company had no capital expenditure project which expected transactions would create significant currency risk.

##### *II) Interest rate risk*

The Company's interest rate risk mainly arises from long-term borrowings at variable rates. They expose the Company to a risk that finance costs might increase significantly when interest rates rise up. The Company's policy is to maintain at least 35% of its borrowings as fixed interest rates borrowings with duration between 2 – 4 years.

As of 31 December 2025, 36.81% of the total Company's borrowings (31/12/2024: 49.24%) are with fixed interest rate.

The Company analyses its interest rate risk exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and hedging. Based on these scenarios, the Company calculates the impact on profit and loss as well as on cash flows of a defined interest rate shift.

Over the next 12 months, if interest rates on euro denominated borrowings at floating base interest rates will be 50 basis points higher compared to interest rates as of 31 December 2025 assuming that all other variables held constant, the Company's profit for the year would have been EUR 1,660 thousand lower (31 December 2024: have been EUR 1,373 thousand lower).

The Company's borrowings with floating rates do not impose fair value interest rate risk.

### III) Price risk

Price risk is the risk that the fair value and cash flows of financial assets and liabilities will fluctuate in the future due to reasons other than changes in the market prices resulting from interest rate risk or foreign exchange risk. The purchase and sale of the services provided by the Company under the free market conditions, as well as the purchases of resources used in capital expenditure are impacted by the price risk. The most significant price risk is related to purchase of electricity, services and materials.

While from 1 April 2023, the Company purchases electricity at the fixed electricity purchase price and fixed the service provided by the trader, incl. balancing service price in certain periods in order to mitigate the impact of this market risk.

The Company acts as a distribution system operator and provides electricity distribution services in the territory of the Republic in Latvia at tariffs that include projected operational costs, investments and profitability level approved by the Public utilities commission, i.e., operates in a regulated market.

### b) Credit risk

The Company's credit risk arises from cash and cash equivalents and outstanding receivables. Credit risk exposure in connection with cash and cash equivalents is managed by the Latvenergo AS Treasury according to Latvenergo Group's Financial Risk Management Policy.

Credit risk exposure in connection with trade receivables is managed by the Company's Management. This exposure has significantly concentrated on trade transactions with Latvenergo AS (distribution system services and mandatory procurement PSO fees transactions). Impairment loss has been deducted from gross accounts receivable (Note 15).

The maximum credit risk exposure related to financial assets comprises of carrying amounts of cash and cash equivalents (see table below and Note 16) and receivables from contracts with customers (Note 15).

Assessment of maximum possible exposure to credit risk		EUR'000	
	Notes	31/12/2025	31/12/2024
Receivables from contracts with customers, net	15	35,474	40,127
Other trade and current receivables		531	554
Cash and cash equivalents	16	300	300
		<b>36,305</b>	<b>40,981</b>

For banks and financial institutions, independently rated parties with own or parent bank's minimum rating of investment grade are accepted. Otherwise, if there is no independent rating, Latvenergo AS Treasury according to Latvenergo Group's Financial Risk Management Policy performs risk control to assess the credit quality of the financial counterparty, taking into account its financial position, past co-operation experience and other factors and after performed assessment individual credit limits are set based on internal ratings in accordance with principles set by the Financial Risk Management Policy. The basis for estimating the credit quality of financial assets not past due and not impaired is credit ratings assigned by the rating agencies or, in their absence, the earlier credit behaviour of clients.

Under IFRS 9 the Company measures the probability of default upon initial recognition of a receivable and at each balance sheet date consider whether there has been a significant increase of credit risk since the initial recognition (Notes 2.5.1. and 2.5.2.).

Expected credit risk are regularly monitored. Credit risk related to cash and cash equivalents is managed by balancing the placement of financial assets in order to maintain the possibility to choose the best offers and to reduce probability to incur losses.

All cash and cash equivalents at the end of the reporting period in the amount of EUR 300 thousand (31 December 2024: EUR 300 thousand) are placed in SEB Banka AS and Swedbank AS with investment level credit rating assigned for the parent companies of the banks.

No credit limits were exceeded during the reporting year, and the Company's management does not expect any losses due to occurrence of credit risk.

### c) Liquidity risk

Latvenergo AS Treasury monitors the liquidity situation of the Company to ensure that subsidiary has sufficient financial resources and is able to carry its operations and settle its obligations.

Sadales tīkls AS is the member of both Group Accounts in SEB Banka AS and Swedbank AS, which were concluded to efficiently and unitedly manage financial resources of Latvenergo Group.

The Company's liquidity risk is managed through Group Accounts, Latvenergo Group mutually concluded agreement 'On provision of mutual financial resources' and long term financing agreements; therefore, sufficient amount of cash and cash equivalents, the availability of long and short term funding are provided to meet commitments according to the Company's strategic plans as well as to compensate the fluctuations in the cash flows due to occurrence of variety of financial risks.

The Company's management is monitoring rolling forecasts of the Company's liquidity reserve, which comprises of an evaluation of the amount of cash and cash equivalents (Note 16).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the settlement terms. The amounts disclosed in the table are the contractual undiscounted cash flows. Contractual undiscounted cash flows originated by the borrowings are calculated taking into account the actual interest rates at the end of the reporting year.

Liquidity analysis (contractual undiscounted gross cash flows):					EUR'000
	Less than 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years	TOTAL
<b>As of 31 December 2025</b>					
Borrowings from the Parent Company	122,264	225,202	208,007	87,136	<b>642,609</b>
Lease liabilities (Note 12)*	690	640	437	188	<b>1,955</b>
Current financial liabilities (Note 21)	64,199	–	–	–	<b>64,199</b>
	<b>187,153</b>	<b>225,842</b>	<b>208,444</b>	<b>87,324</b>	<b>708,763</b>
<b>As of 31 December 2024</b>					
Borrowings from the Parent Company	112,407	216,937	226,844	88,421	<b>644,609</b>
Lease liabilities (Note 12)*	780	615	810	208	<b>2,413</b>
Current financial liabilities (Note 21)	69,303	–	–	–	<b>69,303</b>
	<b>182,490</b>	<b>217,552</b>	<b>227,654</b>	<b>88,629</b>	<b>716,325</b>

\* the carrying amount of the lease (discounted) as of 31 December 2025 is EUR 1,465 thousand (31 December 2024: EUR 1,828 thousand)

### 3.2. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern as well as to ensure necessary financing for investment program.

In order to maintain or adjust the capital structure, the Company may evaluate the amount and timing of raising new debt due to investment programs or initiate new investments in the share capital by shareholder.

The capital ratio figures were as follows:

	EUR'000	
	31/12/2025	31/12/2024
Total equity	1,009,794	999,955
Total assets	1,934,929	1,891,414
<b>Capital Ratio</b>	<b>52%</b>	<b>53%</b>

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Management of the Company has assessed the situation at the end of the reporting period and has determined that the events related to Russian military action in Ukraine and related sanctions against Russia and Belarus, have not created a significant negative impact on the Company's financial results, considering the nature and continuity of services provided by the Company. The Management of the Company continuously takes the necessary actions to ensure both the continuation of the operations of the electricity distribution system operator and the availability of the services provided to customers, and the Management of the Company does not foresee significant operational disruptions in the future that could affect the continuation of the Company's operations and the valuation of assets and liabilities. The assumptions of the Company's Management are based on the information available at the date of approval of the financial statements. The impact of future events on the Company's future operations may differ from the current assessment.

## **a) Estimates concerning property, plant and equipment**

### *I) Useful lives of property, plant and equipment*

The Company makes estimates concerning the expected useful lives and residual values of property, plant and equipment. These are reviewed at the end of each reporting period and are based on the past experience as well as industry practice. Previous experience has shown that the actual useful lives have sometimes been longer than the estimates. Values of fully depreciated property, plant and equipment are disclosed in Note 11 a. Quantifying an impact of potential changes in the useful lives is deemed impracticable therefore sensitivity analysis is not disclosed.

### *II) Recoverable amount of property, plant and equipment*

The Company performs impairment tests for items of property, plant and equipment when the events and circumstances indicate a potential impairment. For the items of PPE are defined separate cash-generating units. According to these tests assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests, management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. The estimates are based on the forecasts of the general economic environment, consumption and the estimated price of distribution services. The estimates are based on Latvian regulatory authority (Public Utilities Commission) stated methodology. There are no impairment charges recognised during the current reporting year (Note 11 c).

The assessment of impairment comprises price forecasts for the basic revenue and costs flows and assumptions related to capital investment plans from the Public Utilities Regulatory Commission. Based on the above factors and the results of the asset recoverability test, no impairment of assets was recognised as of 31 December 2025 (31/12/2024: not recognised), as the recoverable amount exceeded the carrying amount. The assumptions of the Management of Sadales tīkls AS are based on information that was available at the time of approval of the Financial Statements, therefore the actual impact of future events may differ from the current assessment (Note 11 c).

### *III) Revaluation*

Revaluation of the Company's property, plant and equipment (distribution system assets) is performed by independent, external and certified valuers by applying income method and the depreciated replacement cost model. Valuation has been performed according to standards on property valuation, based on current use of property, plant and equipment that is estimated as the most effective and best use of these assets. As a result of valuation, depreciated replacement cost is determined for each asset. Depreciated replacement cost is difference between the cost of replacement or renewal of similar asset at the time of revaluation and the accumulated loss of an asset's value that encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence (Note 11).

Revaluation of fixed assets is carried out regularly, but not less often than once every 5 years, revaluation can be carried out more often if there is a significant and long-term increase in the construction costs of civil engineering structures. The revaluation process is initiated if the increase in construction costs of engineering structures since the previous revaluation exceeds 10% for two consecutive quarters, according to the data of the Central Statistics Bureau, and a long-term increase in costs is expected.

## **b) Impairment of financial assets**

The Company has the following types of financial assets that are subject to the expected credit loss model:

- receivables from contracts with customers,
- other trade and current receivables,
- cash and cash equivalents.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's historical analysis, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Company applies two expected credit loss models: portfolio model and counterparty model.

Using the portfolio model the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables of basic business activities. To measure expected credit losses these receivables have been grouped based on shared credit risk characteristics and the days past due. The Company therefore has concluded that the expected loss rates for these receivables are a reasonable approximation of the credit risk exposure. The expected loss rates are based on the payment profiles of sales by assessing the historical credit losses experienced. There are no adjustments made to the historical loss rates that would reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as the Company has assumed that macroeconomical situation and its future projections do not have significant impact on expected credit loss.

Counterparty model is used on basis of evaluating individual contracts with customers and individually significant trade receivables and receivables of related parties, and cash and cash equivalents.

If no significant increase in credit risk is identified, the lifetime expected credit losses according to this model are based on assessment of the individual counterparty's or counterparty's industry risk of default and recovery rate assigned by Moody's credit rating agency for 12 months expected losses rates. The circumstances indicating a significant increase in credit risk is significant increase in Moody's default and recovery rates (by 1 percentage point)

and counterparty's inability to meet payment terms (overdue 30 days or more, insolvency or bankruptcy, or initiated similar legal proceedings and other indications on inability to pay). If significant increase in credit risk is identified, calculated lifetime expected credit loss.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial, considering also the fact that almost all of cash and cash equivalents are held in financial institutions with the credit rating grade of the institution or its parent bank at investment grade credit rating (mostly 'A level' credit rating) (Level 1).

#### **c) Estimates concerning revenue recognition from contracts with customers**

##### *Recognition of connection service fees*

Distribution system connection fees are not considered as separate (distinct) performance obligations, as are not distinct individually or within the context of the contract. Sales of distribution services are provided after customers have paid for the network connection, therefore network connection fees and sales of distribution services are highly interdependent and interrelated.

Income from connection fees is deferred as an ongoing service is identified as part of the agreement with customers to provide distribution system services and recognised as deferred income from contracts with customers under IFRS 15. Connection and other service fees are recognised as income over the estimated customer relationship period. Based on the Management estimate, 20 years is the estimated customer relationship period, which is estimated as period after which requested power output for connection object could significantly change due to technological reasons.

Thus period over which revenue is recognised is based on the Management estimate, as it is reasonably certain that assets, whose costs are partly reimbursed by connection service fees, will be used to provide distribution system services for a longer period than the term stated in agreement with the customer.

#### **d) Recognition and revaluation of provisions**

The Company has set up provisions for post-employment benefits. The amount and timing of the settlement of these obligations is uncertain. A number of assumptions and estimates have been used to determine the present value of provisions, including the amount of future expenditure, inflation rates, and the timing of settlement of the expenditure. The actual expenditure may also differ from the provisions recognised as a result of possible changes in legislative norms. For revaluation of provisions for post-employment obligations probabilities of retirement in different employees' aging groups as well as variable demographic factors and financial factors (including expected remuneration increase and determined changes in benefit amounts) have been estimated. The probabilities and other factors are determined on the basis of previous experience.

#### **e) Lease term and classification**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Company.

In order to carry out its economic activities, the Company has entered into a lease agreement for the lease of land, buildings and engineering structures related to the distribution system network infrastructure. Based on an evaluation of the terms of the agreement, such as rights of the ownership is not transferred, the lessor retains all the significant risks and rewards of ownership of these assets, and accounts lease of the agreements as operating lease until the adoption of IFRS 16.

#### **f) Fair value measurement**

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values of the Company's borrowings:

- The fair values of borrowings with floating interest rates are approximate equal to their carrying amount, as their actual floating interest rates approximate the market price of similar financial instruments available to the Company;
- The borrowings with fixed interest rates had the fixed repayment period and are not traded in the active market;
- for the financial instruments, what are not traded in the active market, the fair value is measured, using valuation techniques.
- The Company uses various methods and models and make assumptions, which are based on the market conditions regarding the interest rates and other market conditions, existing at the end of reporting period.
- The fair value calculations for borrowings are based on discounted cash flows using discount factor of respective EUR swap rates increased by the Company's credit risk margin.

The Company's management assessed that fair values of cash and cash equivalents, trade receivables, trade payables and other current receivables and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 5. REVENUE

		EUR'000	
	IFRS applied	2025	2024
<b>Revenue from contracts with customers</b>			
Distribution system services*	IFRS 15	355,541	347,187
Connection service fees (Note 23)	IFRS 15	17,770	17,063
Reactive energy	IFRS 15	3,626	3,303
Other services	IFRS 15	5,209	4,172
<b>TOTAL Revenue from contracts with customers</b>		<b>382,146</b>	<b>371,725</b>
Other revenue			
Income from lease of assets	IFRS 16	93	87
<b>TOTAL other revenue</b>		<b>382,239</b>	<b>371,812</b>

\* Including the state support to all end-users in the amount of EUR 11,236 thousand (01/01 – 31/12/2024: in the amount of EUR 42,669 thousand), in accordance with the state support mechanism for reducing energy prices

In 2025 and 2024, the Company did not provide construction services.

The Company's revenue from contracts with customers based on the timing of revenue recognition:		EUR'000	
		2025	2024
Goods and services transferred over time		381,875	371,480
Goods and services transferred at a point in time		271	245
<b>TOTAL revenue from contracts with customers</b>		<b>382,146</b>	<b>371,725</b>

Contract liabilities:		EUR'000	
		31/12/2025	31/12/2024
Non-current deferred income from connection fees (Note 23 a)		156,716	150,436
Current deferred income from connection fees (Note 23 b)		16,990	17,581
Current other deferred income (Note 23 b)		329	341
Advances received (Note 23 b)		21,205	25,792
<b>TOTAL liabilities</b>		<b>195,240</b>	<b>194,150</b>

Movement in contract liabilities (non-current and current part):		EUR'000	
		2025	2024
<b>At the beginning of the year</b>		<b>194,150</b>	<b>177,017</b>
Connection fees recognised as deferred income (Note 23)		23,459	30,176
Changes in advances received (Note 23)		(4,587)	4,049
Credited to the Statement of Profit or Loss		(17,782)	(17,092)
<b>At the end of the year</b>		<b>195,240</b>	<b>194,150</b>

Contract liabilities include current advances received from the customers before the transfer of related goods or services, transferred in less than 12 months.

Sales market for the services provided and goods sold by Sadales tīkls AS is the territory of Latvia.

## 6. RAW MATERIALS AND CONSUMABLES USED

	EUR'000	
	2025	2024
Transmission system services	87,688	87,303
Electricity expenses	25,713	25,462
Distribution network repair and maintenance costs	9,199	11,670
Raw materials and spare parts used	2,832	3,526
<b>TOTAL raw materials and consumables used</b>	<b>125,432</b>	<b>127,961</b>

## 7. PERSONNEL EXPENSES

	EUR'000	
	2025	2024
Wages and salaries	53,444	50,820
State social insurance contributions	12,544	11,935
Expenditure of employment termination	2,729	2,718
Pension costs – defined contribution	2,639	2,491
Benefits defined in the Collective Agreement and other benefits system costs	1,849	1,923
Capitalised personnel expenses	(3,244)	(1,576)
<b>TOTAL personnel expenses, including remuneration to the management</b>	<b>69,961</b>	<b>68,311</b>
<b>Including remuneration to the management:</b>		
Wages and salaries	908	934
State social insurance contributions	10	10
Pension costs – defined contribution	215	222
Others benefits defined in the Collective Agreement	3	7
<b>TOTAL remuneration to the management</b>	<b>1,136</b>	<b>1,173</b>
	<b>2025</b>	<b>2024</b>
Number of employees at the end of the year	1,685	1,652
Average number of employees during the year	1,669	1,654

## 8. OTHER OPERATING EXPENSES

	EUR'000	
	2025	2024
Information technology maintenance	12,688	11,734
Transportation expenses	7,932	8,744
Telecommunication services	4,706	4,930
Net loss on disposal and sales of property plant and equipment	5,395	6,626
Premises maintenance and utilities expenses	2,780	2,994
Corporate management services	2,616	3,045
Selling expenses and customer services	798	1,108
Environment protection and work safety	1,014	984
Public utilities regulation fee	514	557
Lease of real estate and property, plant and equipment	252	176
Audit fee*	37	38
Other expenses	3,772	2,558
<b>TOTAL other operating expenses</b>	<b>42,504</b>	<b>43,494</b>

\*fees to the certified audit company Ernst & Young Baltic SIA for the audit of the year 2025 and 2024 annual report

## 9. FINANCE INCOME AND COSTS

	EUR'000	
	2025	2024
<b>a) Finance income</b>		
Interest income	(81)	(69)
<b>TOTAL finance income</b>	<b>(81)</b>	<b>(69)</b>
<b>b) Finance costs</b>		
Interest expense on borrowings	15,737	17,019
Interest expense on lease liabilities (Note 12)	29	35
Capitalised borrowing costs (Note 11 a)	(551)	(675)
<b>TOTAL finance costs</b>	<b>15,215</b>	<b>16,379</b>

## 10. INTANGIBLE ASSETS

EUR'000

	Connection usage rights	Software	Assets under development	TOTAL
<b>As of 31 December 2023</b>				
Cost	47,586	3,394	1,003	<b>51,983</b>
Accumulated amortisation	(22,390)	(2,341)	–	<b>(24,731)</b>
<b>Net book amount</b>	<b>25,196</b>	<b>1,053</b>	<b>1,003</b>	<b>27,252</b>
<b>Year ended 31 December 2024</b>				
Additions	–	–	1,428	<b>1,428</b>
Transfers	901	–	(901)	–
Amortisation charge	(2,488)	(273)	–	<b>(2,761)</b>
<b>Closing net book amount as of 31 December 2024</b>	<b>23,609</b>	<b>780</b>	<b>1,530</b>	<b>25,919</b>
<b>As of 31 December 2024</b>				
Cost	48,486	3,394	1,530	<b>53,410</b>
Accumulated amortisation	(24,877)	(2,614)	–	<b>(27,491)</b>
<b>Net book amount</b>	<b>23,609</b>	<b>780</b>	<b>1,530</b>	<b>25,919</b>
<b>Year ended 31 December 2025</b>				
Additions	–	–	4,491	<b>4,491</b>
Transfers	565	–	(565)	–
Amortisation charge	(2,510)	(270)	–	<b>(2,780)</b>
<b>Closing net book amount as of 31 December 2025</b>	<b>21,664</b>	<b>510</b>	<b>5,456</b>	<b>27,630</b>
<b>As of 31 December 2025</b>				
Cost	49,051	3,394	5,456	<b>57,901</b>
Accumulated amortisation	(27,387)	(2,884)	–	<b>(30,271)</b>
<b>Net book amount</b>	<b>21,664</b>	<b>510</b>	<b>5,456</b>	<b>27,630</b>

## 11. PROPERTY, PLANT, AND EQUIPMENT

### a) Property, plant, and equipment

EUR'000

	Land, buildings and facilities	Distribution system electricity lines and electrical equipment	Technology equipment and machinery	Other property, plant and equipment	Assets under construction	Property, plant and equipment TOTAL
<b>As of 31 December 2023</b>						
Cost or revalued amount	50,139	3,080,869	2,524	80,218	27,434	<b>3,241,184</b>
Accumulated depreciation and impairment	(7,466)	(1,449,135)	(1,960)	(45,695)	(442)	<b>(1,504,698)</b>
<b>Net book amount</b>	<b>42,673</b>	<b>1,631,734</b>	<b>564</b>	<b>34,523</b>	<b>26,992</b>	<b>1,736,486</b>
<b>Year ended 31 December 2024</b>						
Additions	–	–	–	–	120,904	<b>120,904</b>
Transfers	1,817	103,690	198	2,994	(108,699)	–
Reclassified to investment property, net	(1)	–	–	–	–	<b>(1)</b>
Reclassified to non-current assets held for sale	–	–	–	(10)	–	<b>(10)</b>
Disposals	(152)	(8,014)	–	(27)	(20)	<b>(8,213)</b>
Impairment charge	–	–	–	–	(132)	<b>(132)</b>
Depreciation	(2,173)	(72,513)	(114)	(6,565)	–	<b>(81,365)</b>
<b>Closing net book amount as of 31 December 2024</b>	<b>42,164</b>	<b>1,654,897</b>	<b>648</b>	<b>30,915</b>	<b>39,045</b>	<b>1,767,669</b>
<b>As of 31 December 2024</b>						
Cost or revalued amount	51,740	3,130,580	2,511	82,582	39,619	<b>3,307,032</b>
Accumulated depreciation and impairment	(9,576)	(1,475,683)	(1,863)	(51,667)	(574)	<b>(1,539,363)</b>
<b>Net book amount</b>	<b>42,164</b>	<b>1,654,897</b>	<b>648</b>	<b>30,915</b>	<b>39,045</b>	<b>1,767,669</b>
<b>Year ended 31 December 2025</b>						
Additions	–	–	–	–	167,688	<b>167,688</b>
Transfers	5,251	122,040	3,756	9,433	(140,480)	–
Reclassified to investment property, net	(69)	–	–	(6)	–	<b>(75)</b>
Disposals	(99)	(6,216)	(1)	(66)	(24)	<b>(6,406)</b>
Increase in value of assets as a result of revaluation recognised in comprehensive income	–	3,016	–	–	–	<b>3,016</b>
Decrease in the value of assets as a result of revaluation recognised in profit or loss	–	(3,016)	–	–	–	<b>(3,016)</b>
Impairment charge	–	–	–	–	(717)	<b>(717)</b>
Depreciation	(2,366)	(73,523)	(206)	(6,798)	–	<b>(82,893)</b>
<b>Closing net book amount as of 31 December 2025</b>	<b>44,881</b>	<b>1,697,198</b>	<b>4,197</b>	<b>33,478</b>	<b>65,512</b>	<b>1,845,266</b>
<b>As of 31 December 2025</b>						
Cost or revalued amount	56,740	4,146,883	6,173	91,515	66,803	<b>4,368,114</b>
Accumulated depreciation and impairment	(11,859)	(2,449,685)	(1,976)	(58,037)	(1,291)	<b>(2,522,848)</b>
<b>Net book amount</b>	<b>44,881</b>	<b>1,697,198</b>	<b>4,197</b>	<b>33,478</b>	<b>65,512</b>	<b>1,845,266</b>

Property plant and equipment of the Company has not been pledged or exposed to other ownership constraints.

As of 31 December 2025 cost of fully depreciated property plant and equipment which are still in use amounted to EUR 508,570 thousand (31/12/2024: EUR 38,214 thousand), affected by the revaluation of electrical equipment and electricity lines.

In 2025 the Company has capitalised borrowing costs in the amount of EUR 551 thousand (2024: EUR 675 thousand) (Note 9 b). Rate of capitalised borrowing costs was of 2.71% (2024: 2.86%).

### b) Property plant and equipment revaluation

Revaluation of non-current assets is performed with sufficient regularity to ensure that the carrying amount of revalued non-current assets does not differ materially from the value that would be determined by measuring them at fair value at the end of the reporting period. Distribution system assets (property, plant and equipment) are revalued regularly, but not less frequently than at least once every 5 years.

Distribution system assets (property, plant, and equipment) revaluation carried out:

- electrical equipment of transformer substations, revalued as of 1 July 2025.
- electricity lines, revalued as of 1 January 2026 (the result of the revaluation was recognised in the financial statements of 2025 as an adjusting event).

Revaluation of the distribution system electrical equipment of transformer substations and electricity lines is performed by an independent, certified expert using the income method and the depreciated replacement cost method.

As a result of the revaluation, the increase in the carrying amount of the distribution system electrical equipment and electricity lines revalued in 2025 in the amount of EUR 3,016 thousand, was recognised in the revaluation reserve of non-current assets in equity, while the decrease in value in the amount of EUR 3,016 thousand was recognized in the profit or loss statement item "Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets".

The carrying amounts of revalued electricity lines and electrical equipment assets at revalued amounts and their cost basis are as follows:

	Historical cost basis	Revalued amounts
EUR'000		
<b>As of 31 December 2024</b>		
Cost	3,004,215	–
Revalued amount	–	3,130,580
Accumulated depreciation and impairment	(1,581,370)	(1,475,683)
<b>Net book amount</b>	<b>1,422,845</b>	<b>1,654,897</b>
<b>As of 31 December 2025</b>		
Cost	3,115,226	–
Revalued amount	–	4,146,883
Accumulated depreciation and impairment	(1,608,904)	(2,449,685)
<b>Net book amount</b>	<b>1,506,322</b>	<b>1,697,198</b>

#### c) Impairment

Impairment review performed for electricity distribution system assets in accordance with 36 IAS and based on value in use calculations. The cash-generating unit is defined as the distribution system assets the nominal after-tax discount market rate is used to determine the value in use of the cash flow generating unit by discounting the cash flow.

Key assumptions used in asset valuation	2025	2024
Discount rate	5.52%	6.15%
Long-term growth rate	2.00%	2.00%

The impairment assessment is based on price forecasts for basic revenue and cost flows, as well as assumptions related to capital investment plans approved by the Public Utilities Commission. Based on these factors and the results of the asset recoverability test, no impairment was recognised as at 31 December 2025 (31/12/2024: none recognised), as the recoverable amount exceeded the carrying amount. Management's assumptions are based on information available at the date of approval of the Financial Statements; therefore, the actual impact of future events may differ from the current assessment.

For other significant accounting estimates see Note 4 a, II.

#### d) Investment property

	EUR'000	
	2025	2024
Cost	495	539
Accumulated depreciation and impairment	(216)	(65)
<b>Net book amount at the beginning of the year</b>	<b>279</b>	<b>474</b>
Reclassified from property, plant and equipment, net	75	1
Disposals, net	(225)	(196)
<b>Net book amount at the end of the year</b>	<b>129</b>	<b>279</b>
Cost	146	495
Accumulated depreciation and impairment	(17)	(216)
<b>Net book amount at the end of the year</b>	<b>129</b>	<b>279</b>

From property, plant and equipment has been reclassified land and buildings intended for disposal.

## 12. LEASES

### a) Right-of-use assets and lease liabilities

The Company has concluded several agreements for lease of land and premises, and real estate related to assets of distribution system network infrastructure. In order to support operating activities of distribution system, Sadales tīkls AS has entered into agreement with the Parent Company – Latvenergo AS for lease of the land, buildings and facilities related to assets of distribution system network infrastructure. The Company has recognised right-of-use assets for land, buildings and facilities.

EUR'000	31/12/2025	31/12/2024
	Land, buildings and facilities	Land, buildings and facilities
<b>Right-of-use assets</b>		
<b>Net book amount at the beginning of the year</b>	<b>1,695</b>	<b>2,264</b>
Recognised changes in lease agreements	268	204
Depreciation recognised	(559)	(773)
<b>Net book amount at the end of the year</b>	<b>1,404</b>	<b>1,695</b>

	EUR'000	
	31/12/2025	31/12/2024
<b>Lease liabilities</b>		
<b>Net book amount at the beginning of the year</b>	<b>1,828</b>	<b>2,323</b>
Recognised changes in lease agreements	268	214
Decrease of lease liabilities	(660)	(744)
Recognised interest liabilities (Note 5)	29	35
<b>Net book amount at the end of the year</b>	<b>1,465</b>	<b>1,828</b>
<i>Of which are:</i>		
– Non-current	828	1,207
– Current	637	621

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### b) Expenses from leases (IFRS 16)

The following amounts are recognised in profit or loss:

EUR'000	2025	2024
Depreciation for the right-of-use assets (land, buildings and facilities)	559	773
Interest expense on lease liabilities (included in financial costs)	29	35
Short-term leases	81	88
Variable lease payments not included in the lease liabilities	93	87
Net gain resulting from partial termination of the lease	–	10
<b>TOTAL expenses from leases</b>	<b>762</b>	<b>993</b>

In the Statement of Cash Flows for the year 2025, lease payments to related parties in amount of EUR 91 thousand (2024: EUR 95 thousand) have been executed by non-cash offsetting and included in cash flows from operating activities in working capital adjustments. Other lease payments in amount of EUR 724 thousand (2024: EUR 714 thousand) are included in the cash flows from financing activities (payments of principal on leases) and in cash flows from operating activities (payments of interest on leases).

### c) Income from leases

EUR'000

	2025	2024
Income from leases (the Company is the lessor) (Note 5)	93	87

Future minimum lease payments receivable under operating lease contracts by due date:

EUR'000	2025	2024
– < 1 year	73	74
– 1–5 years	365	371
<b>TOTAL rental income</b>	<b>438</b>	<b>446</b>

### 13. NON-CURRENT FINANCIAL INVESTMENTS

Name of the company	Country of incorporation	Business activity held	31/12/2025		31/12/2024	
			Interest held%	EUR'000	Interest held%	EUR'000
Pirmais Slēgtais Pensiju Fonds AS	Latvia	Management of pension plans	0.93%	1	0.93%	1

As of 31 December 2025 the Company together with Enerģijas publiskais tirgotājs SIA owns one share of Pirmais Slēgtais Pensiju Fonds AS with a nominal value of EUR 1,422 (1.85% share in the share capital), thus each party owns 1/2 of the share in the amount of EUR 711.

However, the Company is only a nominal shareholder as all risks and benefits arising from associate's activities will accrue to the Company's employees who are members of the pension plan. While this investment is also subject to the evaluation of fair value, identified changes in fair value are immaterial.

### 14. INVENTORIES

	EUR'000	
	31/12/2025	31/12/2024
Raw materials and materials	23,505	21,098
Goods for sale	409	729
Non-current assets held for sale	–	4
Other inventories	49	49
Advance payments for materials	337	2,265
Provisions for impairment of raw materials and materials	(447)	(550)
<b>TOTAL inventories</b>	<b>23,853</b>	<b>23,595</b>

Movements in provisions for impaired inventories:	EUR'000	
	2025	2024
<b>At the beginning of the year</b>	<b>550</b>	<b>632</b>
Impairment reversal in the Statement of Profit or Loss	(103)	(82)
<b>At the end of the year</b>	<b>447</b>	<b>550</b>

Changes in provisions for impaired inventories are included as an expense during the period in the Statement of Profit or Loss position 'Raw materials and consumables used'.

### 15. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

Receivables from contracts with customers grouped by the expected credit loss (ECL) assessment model, net

	EUR'000	
	31/12/2025	31/12/2024
Receivables with lifetime ECL assessment by simplified approach (portfolio model)	6,071	5,462
Individually assessed receivables with lifetime ECL assessment (counterparty model)	29,403	34,665
<b>Total receivables from contracts with customers</b>	<b>35,474</b>	<b>40,127</b>

There is no significant concentration of credit risk with respect to trade receivables as the Company has a large number of customers. The major electricity distribution services customer – Latvenergo AS is assessed using counterparty model (see Note 24 b).

Receivables from contracts with customers, net	EUR'000	
	31/12/2025	31/12/2024
<b>Receivables from contracts with customers:</b>		
– electricity distribution system services customers (portfolio model)	5,317	5,465
– electricity distribution system services customers (counterparty model)	11,684	19,591
– connection fees and other distribution services customers (portfolio model)	2,326	1,624
– receivables from related parties (counterparty model)	17,753	15,111
	<b>37,080</b>	<b>41,791</b>
<b>Allowances for expected credit loss from contracts with customers:</b>		
– electricity distribution system services customers (portfolio model)	(145)	(198)
– electricity distribution system services customers (counterparty model)	(20)	(24)
– connection fees and other distribution services customers (portfolio model)	(1,427)	(1,429)
– receivables from related parties (counterparty model)	(14)	(13)
	<b>(1,606)</b>	<b>(1,664)</b>
<b>Receivables from contracts with customers, net:</b>		
– electricity distribution system services customers (portfolio model)	5,172	5,267
– electricity distribution system services customers (counterparty model)	11,664	19,567
– connection fees and other distribution services customers (portfolio model)	899	195
– receivables from related parties (counterparty model)	17,739	15,098
	<b>35,474</b>	<b>40,127</b>

Receivables from contracts with customers with lifetime expected credit losses (ECL) assessed on the portfolio model basis and grouped by past due days: EUR'000

Payment delay in days	ECL rate	31/12/2025			31/01/2024		
		Receivables	Allowances for ECL	Net	Receivables	Allowances for ECL	Net
On time	0.20%	5,807	(14)	5,793	5,084	(12)	5,072
< 30	3%	247	(7)	240	373	(11)	362
30 - 59	20%	4	(1)	3	3	(1)	2
60 - 89	50%	9	(5)	4	7	(3)	4
90 - 179	60%	40	(24)	16	16	(10)	6
180 - 359	75%	60	(45)	15	62	(46)	16
> 360	100%	1,448	(1,448)	–	1,480	(1,480)	–
Individually assessed*	100%	28	(28)	–	64	(64)	–
		<b>7,643</b>	<b>(1,572)</b>	<b>6,071</b>	<b>7,089</b>	<b>(1,627)</b>	<b>5,462</b>

\*receivables under insolvency process

Movements in loss allowances for impaired receivables from contracts with customers: EUR'000

	2025	2024
<b>At the beginning of the year</b>	<b>1,664</b>	<b>2,136</b>
Receivables written as uncollectible	(104)	(386)
Allowances for expected credit losses	46	(86)
<b>At the end of the year</b>	<b>1,606</b>	<b>1,664</b>

The Company's management estimates, assumptions and methodology for the estimation of the impairment loss of financial assets and evaluation of impairment risk are described in Notes 2.5.2. and 4 b.

## 16. CASH AND CASH EQUIVALENTS

	EUR'000	
	31/12/2025	31/12/2024
Cash at bank	300	300
<b>TOTAL cash and cash equivalents</b>	<b>300</b>	<b>300</b>

In the current interest rate environment current account balances do not actually generate interest income.

Latvenergo AS and its subsidiaries associated and entered into two Group Accounts in SEB Banka AS and Swedbank AS to efficiently and unitedly manage financial resources of Latvenergo Group. Sadales tīkls AS is the member of both Group Accounts and with the entering into these contracts has assumed the rights and obligations of the subsidiary.

## 17. SHARE CAPITAL

As of 31 December 2025 the registered share capital of Sadales tīkls AS is EUR 652,693 thousand (31/12/2024: EUR 652,693 thousand) and consists of 652,693 thousand ordinary shares (31/12/2024: 652,693 thousand) with the nominal value of EUR 1 per share (31/12/2024: EUR 1 per share). All shares have been fully paid.

## 18. RESERVES AND DIVIDENDS

### a) Reserves

As of 31 December 2025 the Company's reserves in the amount EUR 348,487 thousand (31/12/2024: EUR 354,081 thousand) consist of the property plant and equipment revaluation reserve and post-employment benefit plan revaluation reserve. The property, plant and equipment and post-employment benefit plan revaluation reserves cannot be distributed as dividends.

	EUR'000		
	Non-current assets revaluation reserve	Post- employment benefit plan revaluation reserve	TOTAL
<b>As of 31 December 2023</b>	<b>362,667</b>	<b>(1,393)</b>	<b>361,274</b>
Disposal of non-current assets revaluation reserve	(9,826)	–	<b>(9,826)</b>
Income on remeasurement on defined benefit plan	–	2,633	<b>2,633</b>
<b>As of 31 December 2024</b>	<b>352,841</b>	<b>1,240</b>	<b>354,081</b>
Disposal of non-current assets revaluation reserve	(8,419)	–	<b>(8,419)</b>
Increase of assets as a result of revaluation	3,016	–	<b>3,016</b>
Income on remeasurement on defined benefit plan	–	(191)	<b>(191)</b>
<b>As of 31 December 2025</b>	<b>347,438</b>	<b>1,049</b>	<b>348,487</b>

### b) Dividends

Considering the law On Governance of Capital Shares of a Public Entity and Management of Capital Companies and ratios of the capital structure, the Management Board of Sadales tīkls AS proposes to pay out 100% profit of 2025 that equals the amount of EUR 35,270 thousand or EUR 0.05404 per share in dividends to the Parent Company. The distribution of net profit and amount of dividends for 2025 payable is subject to a resolution of the Sadales tīkls AS Shareholders' Meeting.

These financial statements do not reflect this amount as a liability as the dividends have not been approved by the Company's shareholder as of 31 December 2025.

In 2025 the dividends for 2024 declared to equity holder of the Company were EUR 28,256 thousand or EUR 0.04329 per share and corporate income tax calculated at the time of profit distribution was in amount of EUR 7,064 thousand.

Dividends to the Parent Company paid with non-cash mutual offset.

## 19. BORROWINGS AND CURRENT LOAN TO RELATED PARTIES

The Company receives borrowings from the Parent Company AS "Latvenergo".

	EUR'000	
	31/12/2025	31/12/2024
Non-current borrowings	464,100	474,309
Current portion of non-current borrowings	103,838	94,860
Current borrowings	4,887	–
Accrued interest on borrowings	4,260	4,714
<b>TOTAL borrowings</b>	<b>577,085</b>	<b>573,883</b>

Non-current and current borrowings by maturity:

	EUR'000	
	31/12/2025	31/12/2024
– < 1 year	112,985	99,574
– 1 – 5 years	336,126	339,719
– > 5 years	127,974	134,590
	<b>577,085</b>	<b>573,883</b>

Movement in borrowings from the Parent Company:

	EUR'000	
	2025	2024
<b>At the beginning of the year</b>	<b>573,883</b>	<b>556,547</b>
Changes in current borrowing in cash (net), including:	155,624	89,129
– Borrowings received	325,127	262,459
– Borrowings repaid	(169,503)	(173,330)
Changes in borrowings by mutual offsetting of group companies (net), including:	(151,968)	(73,313)
– Current borrowings repaid	(150,737)	(91,091)
– Non-current borrowings (repaid) / received	(1,231)	17,778
Changes in accrued interest	(454)	1,520
<b>Movement in borrowings, net</b>	<b>3,202</b>	<b>17,336</b>
<b>At the end of the year</b>	<b>577,085</b>	<b>573,883</b>

Borrowings by maturity:	EUR'000	
	31/12/2025	31/12/2024
<b>Fixed rate non-current and current borrowings:</b>		
– < 1 year (current portion of non-current borrowings)	61,606	71,759
– 1 – 5 years	147,910	193,081
– > 5 years	–	15,994
	<b>209,516</b>	<b>280,834</b>
<b>Floating rate non-current and current borrowings:</b>		
– < 1 year (current borrowings)	4,886	–
– < 1 year (current portion of non-current borrowings)	46,493	27,815
– 1 – 5 years	188,216	146,638
– > 5 years	127,974	118,596
	<b>367,569</b>	<b>293,049</b>
<b>TOTAL borrowings</b>	<b>577,085</b>	<b>573,883</b>

As of 31 December 2025 and as of 31 December 2024 the Company had all of its borrowings denominated in euros.

The fair value of current and non-current borrowings with floating rates equals their carrying amount, as their actual floating interest rates approximate the market price of similar financial instruments available to the Company, and the effect of fair value revaluation is not significant.

The fair value of current and non-current borrowings with fixed rates is less than their carrying amounts by EUR 8,253 thousand (2024: less than their carrying amounts by EUR 10,448 thousand). The fair value calculations are based on discounted cash flows using discount factor of respective EUR interest swap rates increased by the Company's credit risk margin. The average interest rate for discounting cash flows of non-current borrowings was 0.538% (2024: 0.295%).

#### I) Current borrowings and loan to the Parent Company

The agreement 'On provision of mutual financial resources' is intended for the financing of mutual current assets, and within the scope of it, in the reporting year the Company both temporarily borrowed and periodically issued and received repayment.

In accordance with this agreement the annual interest rate is applied on the outstanding current borrowings and loan, which is equal to the sum of the one month EURIBOR (Euro Interbank Offer Rate) and the weighted average added rate of the external short-term financing attracted by the Parent Company. If the one month EURIBOR is a negative value, then the interest rate is equal to the weighted average added rate of the external short-term financing attracted by the Parent Company. During the reporting period the interests payable on mutual current borrowings and loan did not expose a significant interest rate risk.

Financial transactions between related parties have been carried out by using current borrowings to effectively and unitedly manage Latvenergo Group companies' financial resources, using Group accounts.

In 2025 the effective average interest rate for borrowings was 2.26% (2024: 4.14%). The rate increase is related to the one-month EURIBOR rate increase in the market.

Movement in current borrowings from the Parent Company:	EUR'000	
	2025	2024
<b>At the beginning of the year</b>	–	<b>1,961</b>
Borrowings received	485,457	342,177
Borrowings repaid	(386,941)	(251,664)
Calculated interest	414	473
Interest paid	(414)	(473)
<b>Movement in borrowings, net</b>	<b>98,516</b>	<b>90,513</b>
Borrowings toggled from current to non-current borrowings	(93,629)	(123,575)
The loans converted into non-current loans	–	31,101
<b>At the end of the year</b>	<b>4,887</b>	–

Movement in current loan to the Parent Company:	EUR'000	
	2025	2024
<b>At the beginning of the year</b>	<b>31 101</b>	–
Current loan repaid	(31 101)	–
Current loan issued	–	31 101
<b>At the end of the year</b>	–	<b>31 101</b>

## II) Non-current borrowings from the Parent Company, including current portion

EUR'000

Agreement conclusion date	Principal amount of the loan	Outstanding loan amount		Interest rate	Maturity date
		31/12/2025	31/12/2024		
29 September 2011	316,271	–	1,610	6 months EURIBOR + floating rate	1 September 2025
20 October 2015	90,000	–	10,000	fixed rate	21 October 2025
22 August 2016	60,000	6,666	13,333	fixed rate	22 August 2026
22 August 2016	50,000	10,000	15,000	fixed rate	14 June 2027
14 December 2018	260,000	91,624	119,687	fixed rate	31 January 2030
3 March 2020	200,000	108,269	131,202	fixed rate+ floating rate	25 March 2030
8 March 2022	175,000	133,824	154,412	6 months EURIBOR + floating rate	31 March 2032
31 August 2023	175,000	175,000	123,925	6 months EURIBOR + floating rate	31 January 2034
07 November 2025	163,000	42,555	–	6 months EURIBOR + floating rate	30 November 2035
<b>TOTAL</b>	<b>1,621,957</b>	<b>567,938</b>	<b>569,169</b>		

As of 31 December 2025, the un-drawn committed non-current credit facilities amount to EUR 120.4 million (31/12/2024: EUR 51 million).

For 63.19% of the non-current borrowings received from the Parent Company as of 31 December 2025 (31/12/2024: 50.76%) was set floating interest rate, which was influenced by 6 months EURIBOR interbank fluctuations. During 2025 the effective average interest rate of all non-current borrowings was 2.72% (2024: 2.89%). As of 31 December 2025, for non-current floating rate borrowings 6 month EURIBOR ranged from 2.083% to 2.123% (31/12/2024: from 2.886% to 3.590%). Non-current borrowings are not secured with a pledge or otherwise.

### Movement in non-current borrowings from the Parent Company, including current portion:

EUR'000

	2025	2024
<b>At the beginning of the year</b>	<b>573,883</b>	<b>554,586</b>
Borrowings repaid	(94,860)	(105,798)
Calculated interest	15,323	16,547
Interest paid	(15,777)	(15,027)
<b>Movement in borrowings, net</b>	<b>(95,314)</b>	<b>(104,278)</b>
Borrowings toggled from non-current to current borrowings	93,629	123,575
<b>At the end of the year</b>	<b>572,198</b>	<b>573,883</b>
including:		
Non-current portion	464,100	474,309
Current portion	103,838	94,860
Accrued interest	4,260	4,714

### d ) Pledges

The Company's assets are not pledged to secure the borrowings.

## 20. FAIR VALUE MEASUREMENT

In this Note is disclosed the fair value measurement hierarchy for the Company's financial assets, liabilities, revalued property, plant and equipment.

Quantitative disclosures of fair value measurement hierarchy for assets at the end of the year: EUR'000

	Fair value measurement using		TOTAL
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>As of 31 December 2025</b>			
<b>Financial assets for which fair values are disclosed</b>			
Investment property	–	129	129
Receivables from contracts with customers	–	35,474	35,474
Trade and other receivables	–	531	531
Other trade and current receivables	300	–	300
<b>Assets measured at fair value</b>			
Non-current financial assets	–	1	1
Revalued property, plants and equipment (Note11)	–	1,697,198	1,697,198
<b>As of 31 December 2024</b>			
<b>Financial assets for which fair values are disclosed</b>			
Investment property	–	279	279
Current loan	31,101	–	31,101
Receivables from contracts with customers	–	40,127	40,127
Trade and other receivables	–	554	554
Other trade and current receivables	300	–	300
<b>Assets measured at fair value</b>			
Non-current financial assets	–	1	1
Revalued property, plants and equipment (Note11)	–	1,654,897	1,654,897

There have been no transfers for assets between Level 2 and Level 3 during the reporting period.

The Company have not measured their assets using quoted market prices as significant observable inputs (Level 1).

Summary of quantitative information about the significant unobservable inputs used for revalued property, plant and equipment and indicators of sensitivity analysis are disclosed in Note 11.

Quantitative disclosures of fair value measurement hierarchy for financial liabilities at the end of the year: EUR'000

	Fair value measurement using		TOTAL
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>As of 31 December 2025</b>			
<b>Financial liabilities for which fair values are disclosed</b>			
Floating rate borrowings	358,863	–	358,863
Fixed rate borrowings	209,075	–	209,075
Lease liabilities	–	1,465	1,465
Trade and other payables	–	64,199	64,199
<b>As of 31 December 2024</b>			
<b>Financial liabilities for which fair values are disclosed</b>			
Floating rate borrowings	288,929	–	288,929
Fixed rate borrowings	280,240	–	280,240
Lease liabilities	–	1,828	1,828
Trade and other payables	–	69,303	69,303

There have been no transfers for liabilities between Level 2 and Level 3 during the reporting period.

The Company have not measured their liabilities using quoted market prices as significant observable inputs (Level 1).

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts which approximates their fair values:

	Carrying amount		Fair value	
	31/12/2025	31/12/2024	31/12/2025	31/12/2024
<b>Financial liabilities</b>				
<i>Interest-bearing liabilities including:</i>				
– fixed rate borrowings	209,075	280,240	200,822	269,792

## 21. TRADE AND OTHER PAYABLES

	EUR'000	
	31/12/2025	31/12/2024
<b>Financial liabilities</b>		
Trade payables to related parties (Note 24 b)	32,669	37,115
Trade payables for materials and services	19,321	21,774
Accrued expenses on transactions with related parties (Note 24 c)	3,820	1,443
Accrued expenses	7,813	8,456
Other current financial payables	576	515
<b>TOTAL financial liabilities</b>	<b>64,199</b>	<b>69,303</b>
<b>Financial liabilities</b>		
State social security contributions and other taxes	5,889	8,327
Other current payables	2,176	1,858
<b>TOTAL financial liabilities</b>	<b>8,065</b>	<b>10,185</b>
<b>TOTAL trade and other payables</b>	<b>72,264</b>	<b>79,488</b>

The carrying amounts of trade and other payables are approximate to their fair values.

## 22. PROVISIONS

### a) Current termination benefit

	EUR'000	
	31/12/2025	31/12/2024
Non-current post-employment benefits	9,156	8,125
<b>TOTAL trade and other payables</b>	<b>9,156</b>	<b>8,125</b>

Movement in provisions for post-employment benefits:

	EUR'000	
	2025	2024
<b>At the beginning of the year</b>	<b>8,125</b>	<b>9,663</b>
Current service cost	1,066	1,153
Interest cost	324	351
Post-employment benefits paid	(550)	(542)
Losses / (gain) as a result of changes in actuarial assumptions	191	(2,633)
Transfer of Latvenergo AS employees to Sadales tīkls AS	–	133
<b>At the end of the year</b>	<b>9,156</b>	<b>8,125</b>

Total charged / (credited) provisions are included in the Company's Statement of Profit or Loss position 'Personnel expenses' within expenditure of employment termination (Note 7) while gains / (losses) as a result of changes in actuarial assumptions – in the Company's Statement of Comprehensive Income:

	EUR'000	
	2025	2024
<b>At the beginning of the year</b>	<b>8,125</b>	<b>9,663</b>
Charged / (credited) to the Statement of Comprehensive Income	191	(2,633)
Charged to the Statement of Profit or Loss	840	1,095
<b>At the end of the year</b>	<b>9,156</b>	<b>8,125</b>

Weighted average discount rate used for discounting benefit obligations in 2025 was 4.0% (2024: 3.62%) considering weighted average discount rate of EIOPA risk-free interest rate and EURBMK BBB electricity industry rate at the end of the reporting year. The Company's Collective Agreement provides indexation of employees' wages at least at the level of inflation. In calculation of these liabilities also the probability determined on the basis of previous experience of retirement in different employees' aging groups was also considered.

A quantitative sensitivity analysis for significant assumptions as of the end of the year is as shown below:

Assumptions	Date of valuation	EUR'000					
		Discount rate		Future salary changes		Retirement probability changes	
		1pp increase	1pp decrease	1pp increase	1pp decrease	1pp increase	1pp decrease
Impact on provisions for post-employment benefits	31/12/2025	1,003	(848)	1,047	(899)	1,111	(945)
	31/12/2024	887	(747)	922	(790)	985	(834)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

b) Current termination benefits		EUR'000	
	31/12/2025	31/12/2024	
Current termination benefits	619	–	
<b>TOTAL current termination benefits</b>	<b>619</b>	<b>–</b>	

## 23. DEFERRED INCOME AND ADVANCES RECEIVED

EUR'000			
	IFRS / IAS applied	31/12/2025	31/12/2024
<b>a) Non-current deferred income</b>			
<b>Contracts with customers</b>			
Connection fee (Note 5)	IFRS 15	156,716	150,436
<b>Other</b>			
On financing from European Union funds	IAS 20	68,058	33,851
<b>TOTAL non-current deferred income</b>		<b>224,774</b>	<b>184,287</b>
<b>b) Current deferred income</b>			
<b>Contracts with customers</b>			
Connection fee (Note 5)	IFRS 15	16,990	17,581
Distribution system service (Note 5)	IFRS 15	329	341
Advances received (Note 5)	IFRS 15	21,205	25,792
<b>TOTAL deferred income from contracts with customers and advances received</b>		<b>38,524</b>	<b>43,714</b>
<b>Other</b>			
On financing from European Union funds	IAS 20	1,248	134
<b>TOTAL current deferred income and advances</b>		<b>39,772</b>	<b>43,848</b>
<b>TOTAL deferred income and advances</b>		<b>264,546</b>	<b>228,135</b>

Movement in deferred connection (non-current and current) fees:		EUR'000	
	2025	2024	
<b>At the beginning of the year</b>	<b>168,017</b>	<b>154,904</b>	
Received fees	23,459	30,176	
Credited to Statement of Profit or Loss (Note 5)	(17,770)	(17,063)	
<b>At the end of the year</b>	<b>173,706</b>	<b>168,017</b>	

Deferred income from connection fees by receipt period:		EUR'000	
	31/12/2025	31/12/2024	
– < 1 year	16,990	17,581	
– 1 – 5 years	67,960	70,324	
– > 5 years	88,756	80,112	
	<b>173,706</b>	<b>168,017</b>	

Movement on financing from European Union funds (non-current and current) fees:		EUR'000	
	2025	2024	
<b>At the beginning of the year</b>	<b>33,985</b>	<b>12,673</b>	
Received financing from European Union	37,356	22,562	
Transferred financing from European Union to the parent company as a cooperation partner	(695)	(678)	
Credited to Statement of Profit or Loss	(1,340)	(572)	
<b>At the end of the year</b>	<b>69,306</b>	<b>33,985</b>	

\*During the reporting period Sadales tīkls AS received European Union financing in the amount of EUR 24,677 thousand (2024: EUR 10,000 thousand) from the Central Finance and Contracting Agency and within the framework of supplement plan of Recovery and Resilience Facility is implementing the electricity distribution network modernisation project – REPowerEU, No. 7.1.1.2.i.0/1/24/I/CFLA/001, and European Union funds' financing in the amount of EUR 12,570 thousand (2024: EUR 12,570 thousand) from the Ministry of Economics of the Republic of Latvia for implementing the project "Modernisation of the electricity distribution system of AS "Sadales tīkls" within the framework of the Recovery Fund", No. 1.2.1.5.i.0/1/22/I/EM/002.

## 24. RELATED PARTY TRANSACTIONS

The Company is 100% subsidiary of Latvenergo AS. The Parent Company and, indirectly, Sadales tīkls AS and other companies of Latvenergo Group, are controlled by the Latvian state. Related parties of the Company are Shareholder of the Company, the Parent Company, members of the Company's Management board, members of the Supervisory Board and close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence.

Trading transactions taking place under normal business activities with the Latvian government including its departments and agencies and transactions between state-controlled entities and providers of public utilities are excluded from the scope of related party quantitative disclosures. The Company makes transactions with many of these institutions, in accordance with the principle of fair competition.

Transactions with government related entities include sales of a distribution system services and its related services and does not contain individually significant transactions and quantitative disclosure of transactions with those related parties is impossible due to broad range of the Company's customers, except for transactions with transmission system operator – Augstsprieguma tīkls AS and its subsidiary Conexus Baltic Grid AS.

	EUR'000			
	2025		2024	
	Latvenergo Group's Company's	Other related parties*	Latvenergo Group's Company's	Other related parties*
<b>a) Sales/purchases of goods, PPE and services to/from related parties</b>				
<b>Sales of goods, PPE and services, finance income</b>				
– Sales of goods and services	194,757	269	166,368	58
– Lease of assets	7	–	7	–
– Interest income	81	–	69	–
	<b>194,845</b>	<b>269</b>	<b>166,444</b>	<b>58</b>
<b>Purchases of goods, PPE, and services, finance cost</b>				
– Purchases of goods and services	51,728	87,783	52,475	87,439
– Purchases of property, plant and equipment and installation of connections	–	6,340	–	2,801
– Lease of assets	103	354	104	364
– Interest expense	15,736	–	17,019	–
	<b>67,567</b>	<b>94,477</b>	<b>69,598</b>	<b>90,604</b>

	31/12/2025		31/12/2024	
	EUR'000			
<b>b) Receivables and payables at the end of the year arising from sales/purchases of goods, PPE and services</b>				
<b>Trade receivables (Note 15)</b>				
– Latvenergo AS	16,865		14,365	
– Other related parties*	9		2	
	<b>16,874</b>		<b>14,367</b>	
<b>Trade payables (Note 21)</b>				
– Latvenergo AS	24,549		28,784	
– Liepājas enerģija SIA	8		10	
– Other related parties*	8,112		8,321	
	<b>32,669</b>		<b>37,115</b>	
<b>c) Accrued income and accrued expenses raised from transactions with related parties</b>				
<b>Accrued income</b>				
– for services received to to Latvenergo AS	865		732	
	<b>865</b>		<b>732</b>	
<b>Accrued expenses</b>				
– for interest payable to Latvenergo AS (Note 19)	4,260		4,714	
– for purchased goods and received services from Latvenergo AS (Note 21)	3,820		1,443	
– Other related parties*	5		–	
	<b>8,085</b>		<b>6,157</b>	
<b>d) Received advance payments from related parties</b>				
– Latvenergo AS	127		1,388	
– Pienava Wind SIA	96		–	
	<b>223</b>		<b>1,388</b>	
<b>e) Advance payments to related parties</b>				
– Other related parties*	656		728	
	<b>656</b>		<b>728</b>	

\* Other related parties included transmission system operator – Augstsprieguma tīkls AS and its subsidiary Conexus Baltic Grid AS, Pirmais Slēgtais Pensiju Fonds AS

Sadales tīkls AS receives borrowings from the Parent Company, please refer to Note 19. Information of remuneration to the Company's management disclosed in Note 7.

## 25. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As of 31 December 2025 the Company had commitments amounting to EUR 58,598 thousand (31/12/2024: EUR 78,191 thousand) for capital expenditure contracted but not delivered at the end of the reporting year according to contracts signed for construction of distribution system assets.

## 26. EVENTS AFTER THE REPORTING PERIOD

On 24 February 2026 the Management Board of Sadales tīkls AS decided to recognise the revaluation of Sadales tīkls AS electricity lines as of 1 January 2026 for financial reporting purposes and the result of the revaluation was recognised in the financial statements of 2025 as an adjusting event.

There have been no other significant events subsequent after the end of the reporting year that might have a material effect on the Company's Financial Statements for the year ended 31 December 2025.

**Sandis Jansons**  
Chairman of the  
Management Board

**Kristīne Sarkane**  
Member of the  
Management Board

**Vīgants Radziņš**  
Member of the  
Management Board

**Raimonds Skrebs**  
Member of the  
Management Board

**Jānis Šteins**  
Head of Consolidation unit  
Accounting department Latvenergo AS

*This document is signed with a secure digital signature and contains a time stamp*



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*Translation from Latvian*

## INDEPENDENT AUDITORS' REPORT

DOCUMENT DATE IS THE TIME OF ITS ELECTRONIC SIGNATURE

To the Shareholder of Sadales tīkls AS

### Opinion

We have audited the accompanying financial statements of Sadales tīkls AS (the Company) set out on pages 19 to 52 of the accompanying annual report, which comprise the balance sheet as at 31 December 2025, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Sadales tīkls AS as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Reporting on other information

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

- the Key figures as set out on page 3 of the accompanying annual report;
- the Management Report as set out on pages 4 to 18 of the accompanying annual report.

Other information does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

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

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia*

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.



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Based solely on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



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

ERNST & YOUNG BALTIC SIA  
Licence No. 17

Diāna Krišjāne  
Chairperson of the Board  
Latvian Certified Auditor  
Certificate No. 124

Rīga,

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