Limited Liability Company
(Sabiedrība ar ierobežotu atbildību)
Citrus Solutions

Annual report for 2016

PREPARED IN ACCORDANCE WITH LATVIAN LEGISLATION REQUIREMENTS
AND INDEPENDENT AUDITORS' REPORT

CONTENTS

Information on the Company

Name of the Company:	***Citrus Solutions***
Legal status:	Limited liability company (Sabiedrība ar ierobežotu atbildību)
Number, place and date of registration:	50003752271, Riga, 28 June 2005
Legal address:	Ūnijas iela 52, Riga, LV – 1084, Latvia
Shareholder:	SIA *Lattelecom* (100%) Dzirnavu iela 105, Riga LV – 1011, Latvia Reg. No. 40003052786
Core business types (NACE code):	43.21, 42.22, 43.29, 74.10, 80.20, 43.22
Board:	Miks Stūrītis – chairman of the board (from 12.03.2011) Jūlija Grinberga – member of the board (from 02.05.2012) Raimonds Gerbis - member of the board (from 22.05.2015) Dace Mačuļska - member of the board (from 22.05.2015)
Outsourcing accountant:	Ilvija Gredzena – Head of the Accountancy department of Financial Service of SIA Lattelecom
Reporting year:	1 January 2016 – 31 December 2016
Previous reporting year:	1 January 2015 – 31 December 2015
Auditors and their address:	Deloitte Audits Latvia SIA Licence No. 43 Grēdu iela 4a, Riga, LV-1019, Latvia Elīna Sedliņa Sworn Auditor Certificate No. 179

Management report

SIA *Citrus Solutions* (hereinafter *Citrus Solutions* or the Company) management provides the management report about the reporting year ended in 31 December 2016.

OVERVIEW OF THE COMMERCIAL OPERATIONS

The activity spheres of Citrus Solutions are telecommunication infrastructure and building management system solutions, various security systems, external and internal power network solutions, design and construction of data centers, design, construction and maintenance of heating, ventilation and air conditioning systems, as well as other technical solutions related to low voltage and electrical networks, equipment and general management thereof, as well as engineering communication structures.

According to the clients' needs, *Citrus Solutions* offers integrated solutions that include full range of establishment and development services of infrastructure - starting with assessment and designing of the existing situation and ending with implementation and maintenance of the project.

Projects of *Citrus Solutions* implemented in 2016 reflect the Company's ability to integrate different solutions, as well as to manage full spectrum of internal network construction and hardware security in the construction object. The Company's clients have appreciated the management of complex integrated projects and the ability independently to adapt to the customer's changing needs, especially offering the best solutions and alternatives during the realization of project.

In 2016, the Company employed on average 250 employees, about 200 of which are highly qualified engineers and technical specialists. There were organized trainings for the managers on the operational level in order to improve their planning, delegation, communication and employees management skills. The qualification of technical employees was expanded in such spheres as Fire alarm systems; Public announcement systems; Structures systems; Video systems; BMS systems; Cold supply equipment for working with refrigerating media; Construction process; Construction standards, object documentation; laws, Cabinet regulations and building standards of the Republic of Latvia regulating the construction of electronic communication systems and networks; design skills using specialized software were mastered as well. Several regulated certificates related to the Company's operations were obtained. The Company's employees, as well as technical resources are located in the largest towns of Latvia.

To provide the necessary range of services for the clients *Citrus Solutions* has concluded cooperation contracts with partners in Latvia and abroad on supply of equipment, cables, systems and technical materials, as well as for performing the construction works. Stabilizing the range of partners within one proposal for the clients are offered recruitment of different equipment, design and construction of telecommunication, electricity supply and other infrastructures.

The Company's management system is certified in according with the requirements of two internationally recognized standards - ISO 9001:2008 and ISO 14001:2004. Certification scopes: research and development, design, construction and maintenance of the automation, telematics, security and other low-voltage systems, electrical installations and telecommunication solutions.

Since 2006, the Company has *Certificate of industrial safety* that confirms the Company's rights to perform work that contains state secrets, classified information of international organizations or foreign countries and the Company's ability to ensure protection of such information. On June 1, 2016 the validity term of the Certificate of industrial safety of the company was extended by April 30, 2021. Since 2011, the Company has *Railway security certificate* that allows to perform works at the protected areas of railway, valid until July 11, 2021.

SHARE CAPITAL

At the end of 2016, *Citrus Solutions* share capital was EUR 1 070 999 that consists of 1 070 999 shares, with the nominal value of EUR 1. SIA *Lattelecom* owns 100% of the share capital of *Citrus Solutions.*

MANAGEMENT REPORT (continued)

SHARES IN OTHER COMPANIES
Citrus Solutions holds 1.85% shares of *Pirmais slēgtais pensiju fonds*. The Company is only a formal shareholder, as all the risk arising from the operations of the pension fund and income is owned by the employees of *Citrus Solutions* – participants of the pension program.

OPERATING RESULTS
In the reporting year *Citrus Solutions* net turnover reached EUR 28 million.

In 2016 the company's largest projects were VSIA "Paula Stradiņa Klīniskā universitātes slimnīca" (Pauls Stradins Clinical University Hospital), construction of mechanical systems and electrical networks of A block (Client – SIA RERE Būve) and SJSC "Latvian Air Traffic" (VAS "Latvijas Gaisa satiksme") project "Dynamic rotor integration – supply and installation of continuous power supply diesel rotor 0.4kV in KDP building".
Citrus Solutions continued the cooperation with SJSC RIGA International Airport (VAS „Starptautiskā lidosta Riga"), performing installation of Airport's perimeter security system within the framework of the project "Security Solution for the Aerodrome Perimeter, Stage 2".
In 2016 mechanical system construction was performed in several hotels in Riga – in the new hotel building in Krogus street 1 (Client – AS LNK Industries), in the hotel IBIS on Marijas street 5 (Client – SIA Enfort), in the hotel Pulmann on Jēkaba street 24 (Client – SIA Wisher Enterprise LV).
In 2016 *Citrus Solutions* as the General contractor continued reconstruction works of SIA Lattelecom office, ensuring both performance of general construction works and systems.

In 2016 SIA *Citrus Solutions* commenced construction of telecommunication networks in Germany, Bavaria region (Client – OFM Communications GmbH&Co). Revenue from operation in Germany in 2016 amounted to 562 thousand EUR. Next year the operations in Germany are to be expanded significantly.

Citrus Solutions normalized EBITDA[1] in 2016 was EUR 552 thousand, EBITDA profit margin was 2.0%.

The amount of capital investments during the reporting year reached EUR 416 thousand that was used for the renewal of production means and improvement of information technologies. In 2016 the Company has paid EUR 2.2 million in different taxes, considering the received re-payments.

PROFIT DISTRIBUTION SUGGESTED BY THE BOARD
The board suggests to distribute the profit in amount of EUR 90 336 in dividends to the shareholders.

MANAGEMENT OF THE COMPANY

According to the Commercial Law, the Company's statutes anticipates two-level management procedure, which, according to the decision of the Company's Shareholders' meeting of 11 November 2008, is realized by the Shareholders' meeting and Board.

In 2016 the duties of the member of the Board in the Company were performed by: Miks Stūrītis (Chairman of the board), Jūlija Grinberga, Raimonds Gerbis, Dace Mačuļska.

DISCLOSABLE INTEREST
Citrus Solutions member of the boards and their family members or in their management existing companies do not have parts or parts options contracts in the company *Citrus Solutions* or companies of Lattelecom group. The members of the board do not have interest in contracts or agreements related with *Citrus Solutions.*

THE BOARD'S RESPONSIBILITY FOR THE ANNUAL REPORT
The board is responsible for preparation of the Company's financial statements on the basis of the Company's initial accounting records for each reporting period.

[1] Normalized EBITDA (profit from the operating activities before interest, taxes, depreciation, amortization, losses from disposal of fixed assets and termination benefits) there is mentioned as a ratio widely used in telecommunications industry and investors' environment although it is not a common accounting term and it should not be explained as an alternative to profit and cash flow from operating activity.

MANAGEMENT REPORT (continued)
THE BOARD'S RESPONSIBILITY FOR THE ANNUAL REPORT (continued)

The financial statements give a fair view of the Company's financial state at the end of the reporting year, business result and cash flow for the reporting year.

The board confirms that in the preparation of the financial statements for 2016 set out on pages 7 to 26 there have been consistently used applying appropriate accounting records methods, as well as there were made cautious estimates and forecasts. The board confirms that the requirements of the Latvian legislation have been met and the financial statements has been prepared on the going concern basis.

The board is responsible for the appropriate accounting records and taking action, in order to save the Company's funds, reveal and avoid fraud and other irregularities.

RISK MANAGEMENT

Operations of *Citrus Solutions* are subject to several risks caused by business environment and market in which the Company operates. The most significant risks that could threaten *Citrus Solutions* operations in the future are such strategic risks as changes in the development of construction market, decrease or increase of construction prices.

Operational risks are related with the ability to realize large and complex projects. The management of financial risks in relation to the Company's liquidity, currency and interest rate fluctuations and credit risk of cooperation partners is based on financial risk management policy of *Lattelecom* group.

Citrus Solutions performs identification, evaluation of risks and develops operating plans to prevent, reduce or transfer risks to third parties that might have an adverse effect on, property, staff, finances or operating results of *Citrus Solutions*. To avoid a financial losses in case any of the risks would materialize, part of those are insured. Currently *Citrus Solutions* has insurance cover in such spheres as property, commercial termination, civil third party liability, construction specialists' civil third party liability and employees' insurance.

EVENTS AFTER THE END OF REPORTING YEAR

In the period since the last date of the reporting year till the signing of this report there were no considerable events that would significantly impact the results of reporting year.

FURTHER DEVELOPMENT OF THE COMPANY

In future years, the Company's development is related to obtaining and implementation of orders of external clients (outside *Lattelecom* group), which will be the main priority of the Company.

Ability to offer integrated solutions to clients has served as a competitive advantage of the Company that will help to obtain new contracts with a higher added value.

AUDITORS

Audit of the financial statements that is included in pages from 7 to 26 was performed by SIA "Deloitte Audits Latvia" in accordance with the International Standards on Auditing.

On behalf of the Board

Chairman of the board ______________________________ /Miks Stūrītis/

Riga, 26 January 2017

Profit or loss account
(**according to period costs method**)

	Notes	2016 EUR	2015 EUR
NET TURNOVER	1	**28 166 160**	**25 023 566**
Costs (capitalized) referenced to own long-term investments	2	-	47 104
Other operating income	3	313 401	
Cost of materials:			
a) costs of raw materials and consumables;		(1 741 116)	(1 617 839)
b) other external costs		(92 458)	(83 001)
		(1 833 574)	(1 700 840)
Personnel costs:			
a) remuneration for work;		(4 614 626)	(4 265 710)
b) pensions from company funds;		(14 375)	(18 154)
c) state mandatory social insurance payments;		(1 121 706)	(964 313)
d) other social insurance costs		(209 017)	(224 643)
		(5 959 724)	(5 472 820)
Write-offs and value adjustments:			
a) depreciation and write off of fixed and intangible assets;	8, 9	(179 491)	(175 633)
b) write-off of the value of current assets	4	(37 545)	(310 158)
Other operating expenses	5	(20 266 208)	(16 852 404)
Other income from interest and similar income	6	-	45 876
Interest payments and similar costs	6	(53 599)	(13 737)
PROFIT OR LOSS BEFORE TAXES		**149 420**	**592 424**
Corporate income tax	7	(158 144)	(139 329)
Deferred tax	7	99 060	88 013
PROFIT OR LOSS FOR THE ACCOUNTING YEAR		**90 336**	**541 108**

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the Board

Chairman of the board ________________________________/Miks Stūrītis/

Outsourcing accountant ______________________________/Ilvija Gredzena/

Riga, 26 January 2017

Balance Sheet

ASSETS	Notes	31 December 2016 EUR	31 December 2015 EUR
LONG-TERM INVESTMENTS			
Intangible assets			
Other intangible assets		186 066	40 635
Creation of intangible assets		22 535	28 090
Total Intangible assets	8	**298 601**	**68 725**
Fixed assets			
Buildings		3 950	4 862
Equipment and machinery		4 522	6 376
Other fixed assets and inventory		335 930	322 444
Creation of fixed assets		120 372	35 197
Total fixed assets	9	**464 774**	**368 879**
Long-term financial investments			
Deferred tax assets	7	553 756	454 696
Total long-term financial investments		**553 756**	**454 696**
Total long-term investments		**1 227 331**	**892 300**
CURRENT ASSETS			
Inventories			
Raw materials, basic materials and consumables		1 289 637	2 186 055
Advance payments for goods		33 338	55 890
Total inventories	10	**1 322 975**	**2 241 945**
Debtors			
Trade receivables	11	2 161 234	5 608 303
Receivables from related companies	22c	3 065 665	2 881 597
Other debtors	12	149 662	1 229 143
Prepaid expenses		3 984	8 429
Accrued income	13	3 331 492	3 590 341
Total debtors		**8 712 037**	**13 317 813**
Cash	14	**253 337**	**586 836**
Total current assets		**10 288 349**	**16 146 594**
TOTAL ASSETS		**11 515 480**	**17 038 894**

The notes on pages 12 to 26 form an integral part of these financial statements.

Balance Sheet

LIABILITES	Notes	31 December 2016 EUR	31 December 2015 EUR
EQUITY			
Share capital	15	1 070 999	1 070 999
Reserves	15a	-	(12 935)
Retained profits of the reporting year		90 336	541 108
Total Equity		**1 161 335**	**1 599 172**
PROVISIONS			
Other provisions	16	363 168	618 326
Total provisions		**363 168**	**618 326**
CREDITORS			
Long-term creditors			
Next period revenue	20	13 062	-
Total long-term creditors		**13 032**	**-**
Short-term creditors			
Advanced payments from customers		616 910	1 817 909
Accounts payable	17	2 471 227	3 738 523
Debts to related companies	22c	3 368 556	6 864 142
Taxes and State mandatory social insurance payments	18	190 156	225 664
Other creditors	19	1 127	1 612
Deferred income	20	19 524	-
Accrued liabilities	21	3 310 445	2 173 546
Total short-term creditors		**9 977 945**	**14 821 396**
Total creditors		**9 990 977**	**14 821 396**
TOTAL LIABILITES		**11 515 480**	**17 038 894**

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the Board

Chairman of the board ________________________________/Miks Stūrītis/

Outsourcing accountant ______________________________/Ilvija Gredzena/

Riga, 26 January 2016

Statement of changes in equity

	Share capital	Reserves	Retained profits	Total
	EUR	EUR	EUR	EUR
Balance at 31 December 2014	**1 071 000**	**-**	**686 103**	**1 757 103**
Dividends paid	-	-	(686 103)	(686 103)
Profits of the reporting year	-	-	541 108	541 108
Financial instrument revaluation reserve	-	(12 935)	-	(12 935)
The denomination of the share capital from lats to euro	(1)	-	-	(1)
Balance at 31 December 2015	**1 071 999**	**(12 935)**	**541 108**	**1 599 172**
Dividends paid	-	-	(541 108)	(541 108)
Profits of the reporting year	-	-	90 336	90 336
Financial instrument revaluation reserve	-	12 935	-	12 935
Balance at 31 December 2016	**1 070 999**	**-**	**90 336**	**1 161 335**

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the Board

Chairman of the board ________________________________/Miks Stūrītis/

Outsourcing accountant ______________________________/Ilvija Gredzena/

Riga, 26 January 2016

Cash flow statement

(according to the indirect method)

	Notes	2016 EUR	2015 EUR
Cash flows from operating activities			
Profit before taxes		149 420	592 424
Adjustments:			
- amortization of intangible assets;	8	28 515	18 177
- depreciation of fixed assets;	9	150 976	157 456
- losses from the sales of fixed assets /(gains);	5, 3	(24 764)	90
- provisions (excluding provisions for doubtful debts);	16	(255 185)	(261 346)
- net exchange rate fluctuations;		5 910	(21 694)
- interest payments	6	27 257	13 737
Profit before adjustments for the effect of changes to current assets and short term liabilities		82 156	498 844
Decrease (increase) in accounts receivable		4 605 776	(6 317 861)
Decrease (increase) in inventories		918 970	(746 989)
Increase (decrease) in accounts payable to suppliers, contractors and other creditors		(1 313 996)	3 036 176
Gross cash flows from operating activities		4 292 906	(3 529 830)
Interest paid		(25 803)	(11 834)
Corporate income tax paid	18	(206 826)	(90 968)
Net cash flows from operating activities		**4 060 277**	**(3 632 632)**
Cash flows from investing activities			
Purchase of fixed and intangible assets		(157 233)	(162 434)
Income from disposal of fixed and intangible assets		25 349	9
Net cash flows from investing activities		**(131 884)**	**(162 425)**
Cash flows from financing activities			
Loans received		2 597 268	6 552 441
Repayment of loans		(6 312 142)	(1 617 299)
Dividends paid		(541 108)	(686 103)
Net cash flows from financing activities		**(4 255 982)**	**4 249 039**
Result of fluctuations in the foreign currency exchange rates		(5 910)	21 694
Net (decrease) / increase of cash and cash equivalents		**(333 499)**	**475 676**
Cash and cash equivalents at the beginning of the reporting year		586 836	111 160
Cash and cash equivalents at the end of the reporting year	14	**253 337**	**586 836**

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the Board

Chairman of the board ________________________________/Miks Stūrītis/

Outsourcing accountant ______________________________/Ilvija Gredzena/

Riga, 26 January 2016

Note of financial statements

Accounting policies

GENERAL INFORMATION

The Limited Liability Company *Citrus Solutions* (hereinafter *Citrus Solutions* or the Company) was established and registered in the Commercial Register of the Republic of Latvia on 28 June 2005 under the common registration number 50003752271, its legal address is Ūnijas iela 52, Rīga. The Company's parent company is *Lattelecom*, which holds 100% of the Company's share capital. The main business lines of *Citrus Solutions* are construction and servicing of telecommunication infrastructure for corporate clients. The number of employees at *Citrus Solutions* at the end of the reporting year was 212.

ACCOUNTING AND ASSESSMENT PRINCIPLES

Basis of the preparation of financial statements

The financial statements have been prepared in accordance with the laws “On Accounting” and “Law on Annual Statements and Consolidated Annual Statements” of the Republic of Latvia, except for the position “Deferred tax assets”, which is recognized and assessed in accordance with requirements of the International accounting standard No 12 “Income tax”. The Company is a subsidiary of Lattelecom group and the consolidated statement of the group is prepared in accordance with requirements of the International accounting standards.

The financial statements have been prepared on the historical cost measurement principle basis.

All amounts disclosed in the financial statements are provided in euro (EUR), if not stated otherwise.

The reporting period is the calendar year. The balances on 31 December 2016 represent the financial state of the Company at the end of the day.

The profit or loss account was prepared according to the period costs method.

The cash flow statement is prepared applying the indirect method.

Amounts, whose terms of receipt, payment or write off are due more than one year after the balance sheet date, are classified as long-term. Amounts to be received, paid or written off within one year of the balance sheet date are classified as short term.

Applied accounting principles

The items of financial statements were evaluated in accordance with the following accounting principles:

a) assumption that the Company will continue to operate;
b) the same valuation methods will be used as in the previous year;
c) evaluation was done with due caution:
   - the financial statements reflect only the profit generated to the date of the balance sheet;
   - all expected risk amounts and losses incurred during the reporting year or prior years have been taken into consideration even if discovered in the period of time between the balance sheet date and the date of preparation of the financial statements;
   - all impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit;
d) income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses were matched with revenue for the reporting period;
e) assets and liabilities have been valued separately.
f) the opening balance agrees with the prior year closing balance;
g) all material items, which would influence the decision-making process of users of the financial statements, have been indicated and insignificant items have been combined and their details disclosed in the notes;
h) business transactions are recorded taking into account their economic contents and substance, not the legal form.

Accounting policies (continued)

Related parties

The Company considers that related parties are the group's parent company and subsidiaries in the group, as well as other companies which may have a significant impact on the Company's activities.

Other related parties of the Company are the highest level managers of the Company and their close family members, as well as companies under the control or significant influence of such individuals.

Foreign currency revaluation

Transactions in foreign currency are translated into euro on the basis of the reference exchange rate published by the European Central Bank (hereinafter "ECB") that is effective at the beginning of the day when the transaction takes place, however, the last available foreign currency exchange rate that can be used in accounting is applied, if the transaction date is a working day in Latvia but it does not have a published foreign currency exchange rate to be used in accounting, as according to the calendar of foreign currency exchange rate publishing source it is a holiday. Profit or loss resulting from these transactions, as well as resulting from revaluation of monetary assets and liabilities denominated in the local currency is recognized in the profit or loss account.

At the end of the year financial assets and liabilities in foreign currency are revalued on the basis of exchange rate set by the ECB effective on the last day of the reporting period and all relevant fluctuations of currency rate are disclosed in profit or loss account.

Euro exchange rate against currencies in which the Company has had transactions:

	31 December 2016	**31 December 2015**
USD	1.05410	1.08870

Intangible assets

Intangible assets include trademarks, software licenses, capitalized project groups' staff expenses and service expenses related to implementation of software. If a software is an integral part of equipment and it cannot operate without the specific program, software is recognized under fixed assets.

Intangible assets are recognized at purchase costs, deducting accumulated amortization and accrued losses from value reduction. Intangible assets are amortized by linear method over their useful life (over 3 to 5 years).

On each balance sheet date, it is assessed whether certain indications exist that would show that the value of an asset might be decreased. The recoverable value of intangible assets not ready for use is determined every year regardless of the fact whether indications exist that would show that the value of an asset might be decreased. For purposes of impairment assessment, intangible assets are divided in groups so that they would represent as small unit as possible for which it is possible to determine the amount of cash flow.

If the book value of an intangible asset exceeds the expected recoverable amount, which is the highest of the net realizable value and value in use, then its book value is immediately reduced to the recoverable value, including the difference in the profit or loss account.

Fixed assets

Fixed assets are carried at purchase costs, deducting accumulated depreciation and accrued losses from value reduction. Depreciation of fixed assets is calculated by linear method, allocating the equally purchase costs of fixed assets until the expected disposal value to the forecast length of useful life of fixed assets:

	Useful life in years
Buildings	7
Energy equipment	10
Other fixed assets	3 – 5

Accounting policies (continued)

Fixed assets (continued)

Useful life of fixed assets is reviewed at least once a year. Impact caused by changes in the useful life is disclosed in the profit or loss account in the period when the changes incurred and in next periods.

If the book value of a fixed asset exceeds the expected recoverable amount, which is the highest of the net realizable value and value in use of a fixed asset, then its book value is immediately reduced to the recoverable value, including the difference in the profit or loss account.

Current maintenance and repair costs of tangible assets are recognized in the profit or loss account period as incurred.

Profit or loss from disposal of fixed assets are determined by comparing revenue from sales with balance value of fixed assets and are included in the profit from operating activities.

Accounting of lease contracts

Lease transactions that essentially transfer all risks and rewards characteristic of property rights to the object to the lessor are classified as finance lease transactions. All other lease transactions are classified as operating lessee transactions.

(i) The company is a lessor

If the Company's assets are involved in the operating lease, income from operating lease is included in the profit or loss account by linear method during lease period. The initial direct costs arising from the lease transaction are included in the book value of the leased asset and recognized in the profit or loss account in the period, when income from the sales is recognized.

When the Company is a lessor under financial lease terms, it discloses the leased asset in the balance sheet as accounts receivable that is equal to the current value of lease payment. Revenue from lease is included in the profit or loss account in the lease contract period applying a constant periodical interest rate for the balance of claims.

(ii) The company is a lessee

Payments made in accordance with the operating lease contract are included in the profit or loss account by linear method over the period of lease.

If the Company is a lessee under financial lease terms, in the balance sheet the Company includes fixed asset and liabilities at the lowest of the fixed asset's fair value at the beginning of the lease or current value of minimum lease payment. Each lease payment is divided in reduction of liabilities and financial payment that is calculated applying consistent interest rate to the remaining value of liabilities. Interest payments are recognized in the profit or loss account during the period of lease. Leased fixed asset is amortized over the shortest of the lease terms or useful life.

Inventories

Inventories are evaluated by the lowest of the purchase costs or net sales value. Purchase value is determined applying the average weighted inventories evaluation method. In cases, when the net sales value of inventories is lower than weighted average purchase price, appropriate provisions are created for these inventories to reduce their value to net sales value.

Accounts receivable

Accounts receivable represent amounts to be repaid in less than one year and reflected in the balance sheet, deducting provisions for doubtful or bad debts.

Provisions for doubtful debts are created in cases, when the Company's management believes that the recoverability of these liabilities is uncertain.

Accounting policies (continued)

Accounts receivable (continued)

Provisions for doubtful accounts receivable are calculated based on the information about the financial state of the respective debtor and debt recovery, as well as analysis of the debt age structure. Provisions for the separate accounts receivable are made in cases when there are an objective evidence that recovery of these accounts receivable is doubtful. General provisions for the doubtful accounts receivable are calculated based on the analysis of debt age. In the reporting year the following provisions rates were applied:

Accounts receivable (delay in days)	1 – 30	31 – 90	91 – 180	181 – 365	> 365
Rate of provisions, %	2	15	60	85	100

Bad debts are written off, when their recovery is considered as impossible.

Cash and cash equivalents

Cash and cash equivalents are bank account balances, cash in transit and bank deposits, the initial term of which do not exceed three months.

Loans

Loans are recognized at purchase value that is the fair value of the received compensation, deducting transaction costs that are directly attributable to receipt of a loan. In the next periods loans are evaluated at amortized purchase value, using effective interest rate method. Revenue or loss are recognized in the profit or loss account as interest income or expenses when liabilities are excluded from the balance sheet, using amortization process. Part of loans, repayment term of which exceeds 12 months, is included in the long-term liabilities.

Provisions

Provisions are made in cases when the Company, as a result of past events, has current legal liabilities or caused as a result of practice and it is expected that resources of economic value will be necessary to settle these liabilities and it possible to estimate the amount of these liabilities reliably.
In the balance sheet provisions are reflected, indicating as precisely as possible the amount of expenses, which is necessary to settle liabilities in the amount disclosed at the balance sheet date. Provisions are used only in relation to expenses for which they were initially created and they are reduced in case the possible outflow of resources cannot be estimated.

At the end of the reporting year, there provisions have been created for guarantee repairs, evaluating conditions of contracts concluded with clients and the respective projects. Provision is created as certain percentage from revenue of implemented projects for the guarantee period defined in the contract. The provision percentage is determined, based on the historical experience of the Company in similar projects and other available information.

Accrued liabilities

Accrued liabilities are clearly known amounts of settlement with suppliers and contractors for goods or services received in the reporting year, if a relevant payment document has not been received at the balance sheet date.
As of the end of the reporting year, the accrued expenses of unused vacations, accrued expenses for bonuses for performance results in the reporting year, termination benefits and other accrued expenses for which services have been received in the reporting year have been created. The accrued expenses for unused vacations are calculated by multiplying the number of unused vacation days of an employee with the average day salary of the employee. The accrued expenses for bonuses are created on the basis of the assessment of the Company’s and individual goals completion in accordance with the bonus scheme implemented in the Company. The accrued expenses for termination benefits are created in accordance with termination rates determined by the trade union on the basis of the annual salary and time an employee has worked in the Company. The compulsory state social security contributions are added to the accrued expenses for unused vacations, bonuses and termination benefits.

Accounting policies (continued)

Possible liabilities and assets

Possible liabilities are not disclosed in the financial statements. Information on the possible liabilities is disclosed in the note, except for cases, when the probability of outflow of resources that include economic benefits is immaterial. Possible assets are not disclosed in the financial statements but information is disclosed in the notes, if inflow of economic benefits is probable.

Pension fund

The amount of payments to the pension fund, within prescribed limit, is chosen by each employee independently.
Payments to the pension fund are accounted as expenses in the period when the respective employee has provided the services stipulated in the labor contract.
The Company holds 1.85% of AS *Pirmais Slēgtais Pensiju Fonds* shares, however, the Company is only a formal shareholder. Investment in the share capital of the fund was written off as expenses as at the date of establishment, as risks and rewards related to the pension fund are related only to the participants of the pension plan – employees of the Company.

Income taxes

Income taxes represent the Corporate Income Tax and Deferred tax for the reporting year.

Corporate Income Tax for the reporting year is calculated by applying the tax rate of 15% determined in the law.
For accrued expenses, for which no external supporting documents were received as at the date of submission of the Corporate Income Tax declaration, the Company corrects the taxable income. The adjusted amounts are determined according to account balances of the accrued liabilities, reducing those by the amount of expenses on the basis of the external supporting documents

Deferred tax assets and liabilities
Deferred tax is calculated by applying the liability method to all temporary differences between values of assets and liabilities that are used for tax calculations and their value in the accounting records. In order to determine the amount of deferred assets and liabilities, tax rates are used that are expected in the periods when the respective asset will be used or liabilities settled based on the tax rates on balance sheet date. Temporary differences arise mainly of the depreciation of fixed assets, provisions and accrued liabilities.
Deferred tax assets are recognized only if there is high probability that in the future a taxable profit can be obtained, against which the deductible temporary differences can be used.

Revenue recognition

Revenue is recognized when goods are delivered and services are provided.
Revenue from sales of goods are recognized at the time of delivery, if material risks and rewards related to property rights are transferred to the buyer and the seller does not retain further management rights that usually are related to property rights, not real control over the goods sold.
Revenue for the services provided are recognized at the moment when services are provided, on the basis of time spent.
Interest income is recognized in the profit or loss account applying the effective interest rate method.

Long-term contracts

Long-term contract is a specific contract on establishment of the object or set of assets. Set of assets are assets that are closely related or mutually dependent upon the project, technology and function, or due to their final purpose or use.
Long-term contracts are contracts specifying that works shall be commenced in one financial reporting period and completed in other, although the total term for completion may be less than 12 months.
If the result of a long-term contract can be reliably estimated, revenue and expenses related to such contract are recognized in the profit or loss account as income and expenses, considering the stage of completion of the contractual works in per cent at the balance sheet date. If the result of a long-term contract cannot be reliably estimated, revenue is recognized to the extent it is possible to recover the expenses related to the contract and a part of the expected profit is not recognized. Expenses related to contract are recognized when incurred. The stage of completion is assessed in per cent, on the basis of costs of work accomplished. Expected losses from the contract are recognized as expenses in the profit or loss account.

Accounting policies (continued)

Dividends
Dividends are recognized in the financial statements in the period when the Company's shareholders general meeting confirm payment of dividends.

Events after the balance sheet date
Amounts recognized in the financial statements are adjusted considering events after the balance sheet date, which provide additional information about the Company that was true at the balance sheet date (adjusting events). Events after the balance sheet date that are not considered adjusting are reflected in the note of the financial statements, if they are significantly.

Comparative figures
In cases, when the classification of certain items of the financial statements is changed to provide a more fair view on the Company’s financial state, the comparative figures of its operating results and cash flows are adjusted in accordance with the new classification.

Application of assessments and more important assumptions
Preparing the financial statements, the management, in accordance with Latvian Accounting Regulations, has to rely on certain estimates and assumptions related to recognition of assets, liabilities, revenues and expenses and contingent liabilities. Estimates are mainly related to recognition of revenues from long-term contracts, useful life of fixed assets, provisions for guarantee repairs, provisions for doubtful debts and obsolete stocks, as well as fixed assets impairment evaluation. Although these estimates are based on comprehensive management information on current events and activities, actual results may differ from these estimates.

1. NET TURNOVER

	2016 EUR	2015 EUR
Income from construction of engineering systems and infrastructure	23 698 680	20 331 286
Income from servicing and maintenance services provided to electronic communication network	2 710 503	3 009 962
Income from sale of materials	1 756 977	1 682 318
Total	**28 166 160**	**25 023 566**

2. COSTS (CAPITALIZED) REFERENCED TO OWN LONG-TERM INVESTMENTS

	2016 EUR	2015 EUR
Personnel costs	-	1 334
Other costs	-	136
Total	**-**	**1 470**

3. OTHER OPERATING INCOME

	2016 EUR	2015 EUR
Income from lease of fixed assets	7 495	6 954
Gain on disposal of fixed assets	24 764	-
Recovered receivables	232 634	-
Other income	48 508	40 150
Total	**313 401**	**47 104**

4. WRITE-OFF OF THE VALUE OF CURRENT ASSETS

	2016 EUR	2015 EUR
Write-off accounts receivable and creation of provisions	(21 738)	(272 972)
Costs of write-off inventories	(19 099)	(28 547)
Provisions for slow moving inventories	3 292	(8 639)
Total	**(37 545)**	**(310 158)**

5. OTHER OPERATING COSTS

	2016 EUR	2015 EUR
Engineering systems, infrastructure construction services costs and material costs	(17 462 457)	(14 132 939)
Car lease, maintenance costs	(1 029 809)	(1 055 022)
Network, equipment maintenance services costs and material costs	(732 738)	(589 050)
Office and administrative expenses	(437 461)	(388 149)
Rent and maintenance of premises, public utilities	(261 476)	(281 553)
IT services costs	(207 363)	(210 918)
Other costs of economic activity	(134 904)	(194 773)
Total	**(20 266 208)**	**(16 852 404)**

6. INTEREST INCOME AND EXPENSES

	2016 EUR	2015 EUR
Other income from interest and similar income		
net profit from exchange rate fluctuations	-	45 876
Total	**-**	**45 876**
Interest payments and similar costs		
on loans	(27 257)	(13 737)
net losses from exchange rate fluctuations	(26 342)	-
Total	**(53 599)**	**(13 737)**

7. INCOME TAXES

	2016 EUR	2015 EUR
Corporate income tax:		
- reporting year	(153 296)	(145 618)
- correction of the previous year*	(4 848)	6 289
Deferred tax	99 060	88 013
Total	**(59 084)**	**(51 316)**

* Correction of Corporate Income Tax for the previous year refers to the accrued expenses, the external supporting documents of which were not received at the date of the annual statement and therefore those were considered as expenses that are not deductible in the calculation of the Corporate Income Tax, while at the date of submission of the Corporate Income Tax declaration the external supporting documents were received and the taxable income adjustment was not necessary.

The mentioned correction does not have an impact on the total corporate and deferred tax expenses, as the deferred tax assets is recognized for the amount of accrued liabilities that is corrected in the tax calculation.

Actual income tax comparison with theoretical calculations:

	2016 EUR	2015 EUR
Profit before taxes	**149 420**	**592 424**
Theoretically calculated corporate income tax - 15%	22 413	88 864
Tax correction for:		
expenses that are not deductible, determining taxable income	18 377	23 561
other	18 294	(61 109)
Total	**50 084**	**51 316**

Changes of deferred tax

	2016 EUR	2015 EUR
Balance at the beginning of the reporting year	454 696	366 683
Income of deferred tax	99 060	88 013
Balance at the end of the reporting year	**553 756**	**454 696**

Deferred tax assets and liabilities are mutually excluded as income tax refers to the same tax administration institution.

In the Balance sheet position “Deferred tax assets” includes the following amounts:

	31.12.2016 EUR	31.12.2015 EUR
From temporary differences between the fixed assets value in the balance sheet and tax calculation purpose	(37 056)	(16 012)
From provisions for outdated inventories	35 873	-
From doubtful accounts receivable	-	44 146
From accrued liabilities and provisions	554 939	426 562
Deferred tax asset	**553 756**	**454 696**

8. INTANGIBLE ASSETS

	Other Intangible assets EUR	Creation of Intangible assets EUR	Total EUR
Purchase value			
31 December 2015	**98 130**	**28 090**	**126 220**
Purchased	-	168 391	168 391
Put into operation	173 946	(173 946)	-
31 December 2016	**272 076**	**22 535**	**294 611**
Amortization			
31 December 2015	**(57 495)**	**-**	**(57 495)**
Amortization	(28 515)	-	(28 515)
31 December 2016	**(86 010)**	**-**	**(86 010)**
Remaining value			
31 December 2015	**40 635**	**28 090**	**68 725**
31 December 2016	**186 066**	**22 535**	**208 601**

In 2016 capital investment in the intangible assets were EUR 168 391 (In 2015 - EUR 36 417).

9. FIXED ASSETS

	Buildings EUR	Equipment and machinery EUR	Other fixed assets and inventory EUR	Creation of fixed assets EUR	Total EUR
Purchase value					
31 December 2015	**6 382**	**140 501**	**3 229 517**	**35 197**	**3 411 237**
Purchased	-	-	-	247 455	247 455
Put into operation	-	-	163 280	(162 280)	-
Excluded in the reporting year	-	(56 011)	(187 162)	-	(243 173)
31 December 2016	**6 382**	**84 490**	**3 204 275**	**120 372**	**3 415 519**
Depreciation					
31 December 2015	**(1 520)**	**(134 125)**	**(2 906 713)**	**-**	**(3 042 358)**
Depreciation	(912)	(1 854)	(148 210)	-	(150 976)
Excluded in the reporting year	-	56 011	186 578	-	242 589
31 December 2016	**(2 432)**	**(79 968)**	**(2 868 345)**	**-**	**(2 950 745)**
Remaining value					
31 December 2015	**4 862**	**6 376**	**322 444**	**35 197**	**368 879**
31 December 2016	**3 950**	**4 522**	**335 930**	**120 372**	**464 774**

In 2016 capital investment in the fixed assets were EUR 247 455 (In 2015 - EUR 104 584).

The additions of fixed assets include personnel and other costs that are directly related with introduction of fixed assets and are capitalized on basis of the amount of spent hours in these project. No expenses were capitalized in 2016, but in 2015 these amounted to EUR 1 470 (Note 2).

The Company in its economic activity uses also fully depreciated intangible assets and fixed assets. The initial purchase value of these intangible assets and fixed assets is EUR 2 448 590 (In 2015 - EUR 2 613 402).

10. INVENTORIES

	31.12.2016. EUR	31.12.2015. EUR
Raw materials and materials	1 528 790	2 428 500
Provision for obsolete and slow-moving goods	(239 153)	(242 445)
Advance payments for goods	33 338	55 890
Total Inventories	**1 322 975**	**2 241 945**

Provision for obsolete and slow-moving goods

	2016 EUR	2015 EUR
Provisions at the beginning of reporting year	242 445	233 806
Created/(reduced) provisions in the reporting year, net	(3 292)	8 639
Provisions at the end of reporting year	**239 153**	**242 445**

11. TRADE RECEIVABLES

	31.12.2016. EUR	31.12.2015. EUR
Accounts receivable-Latvian clients	2 239 870	5 860 525
Accounts receivable –foreign clients	33 023	74 699
Provision for doubtful debts	(111 659)	(326 921)
Total trade receivables	**2 161 234**	**5 608 303**

Movement of provisions for doubtful and bad debts

	2016 EUR	2015 EUR
Provisions at the beginning of reporting year	326 921	440 224
Written off doubtful accounts receivable	(4 366)	(386 275)
Recovered doubtful accounts receivable	(232 634)	(35 094)
Created provisions for doubtful accounts receivable	21 738	308 066
Provisions at the end of reporting year	**111 659**	**326 921**

12. OTHER DEBTORS

	31.12.2016. EUR	31.12.2015. EUR
Advanced payments to foreign suppliers	-	809 124
Overpaid taxes (Notes 18)	37 789	218 636
Advanced payments to Latvian suppliers	61 856	151 077
Settlements with employees	50 017	50 306
Total other debtors	**149 662**	**1 229 143**

13. ACCRUED INCOME

	31.12.2016. EUR	31.12.2015. EUR
Accrued income*	3 331 492	3 590 341
Total accrued income	**3 331 492**	**3 590 341**

* Accrued income for the construction projects in progress are recognized on the basis of percentage of completion at the balance sheet date.

14. CASH

	31.12.2016. EUR	31.12.2015. EUR
Cash in banks	253 337	586 836
Total cash	**253 337**	**586 836**

15. SHARE CAPITAL (FIXED CAPITAL)

At the end of 2016 share capital *of Citrus Solutions* was EUR 1 070 999 and it was constituted by 1 070 999 shares with nominal value of each part EUR 1. SIA *Lattelecom* holds 100% of *Citrus Solutions* share capital. The Company's share capital paid by making property investment.

16. PROVISIONS

Movement in provisions for warranty repairs

	2016 EUR	2015 EUR
Provisions at the beginning of reporting year	618 326	879 672
Created/ (reduced) provisions in the reporting year, net	(255 158)	(261 346)
Provisions at the end of the reporting year	**363 168**	**618 326**

17. ACCOUNTS PAYABLE TO SUPPLIERS AND CONTRACTORS

	31.12.2016. EUR	31.12.2015. EUR
Settlements with suppliers in Latvia	2 089 431	3 486 273
Settlements with suppliers abroad	381 796	252 250
Total accounts payable to suppliers and contractors	**2 471 227**	**3 738 523**

18. TAXES AND STATE MANDATORY SOCIAL INSURANCE PAYMENTS

(a)Tax payments in Latvia

	Balance 31.12.2015 EUR	Calculated in 2016 EUR	(Paid)/ Repaid in 2016 EUR	Balance 31.12.2016 EUR
Corporate income tax (Notes 7)	54 651	154 562	(203 244)	5 969
Value added tax	(218 636)	(280 729)	470 068	(29 297)
State mandatory social insurance payments	170 916	1 608 586	(1 595 442)	184 060
Business risk fee	97	1 107	(1 120)	84
Personal income tax	-	882 211	(882 168)	43
Total taxes	**7 028**	**2 365 737**	**2 211 906**	**160 859**
including taxes liabilities	225 664			190 156
taxes overpayment	(218 636)			(29 297)

(b) Tax payments in Lithuania

	Balance 31.12.2015 EUR	Calculated in 2016 EUR	Paid in 2016 EUR	Balance 31.12.2016 EUR
Value added tax	-	3 582	(3 582)	-
Total taxes	**-**	**3582**	**(3 582)**	**-**
including tax liabilities	-			-

(c) Tax payments in Germany

	Balance 31.12.2015 EUR	Calculated in 2016 EUR	Paid in 2016 EUR	Balance 31.12.2016 EUR
Value added tax	-	(8 492)	-	(8 492)
Total taxes	**-**	**(8 492)**		**(8 492)**
including tax liabilities	-			-
taxes overpayment				(8 492)

Total taxes and state mandatory social insurance payments	**7 028**	**152 367**
including tax liabilities	225 664	190 156
taxes overpayment	(2118 636)	(37 789)

19. OTHER CREDITORS

	31.12.2016. EUR	31.12.2015. EUR
Settlements with the pension fund	1 023	1 508
Other	104	104
Total other creditors	**1 127**	**1 612**

20. NEXT PERIOD INCOME

	31.12.2016. EUR	31.12.2015. EUR
Long-term next period income part Security systems maintenance services	13 032	-
Total next period income	**13 032**	**-**

	31.12.2016. EUR	31.12.2015. EUR
Short-term next period income part Security systems maintenance services	19 524	-
Total next period income	**19 524**	**-**

21. ACCRUED LIABILITIES

	31.12.2016. EUR	31.12.2015. EUR
Accrued expenses for construction of engineering systems and infrastructure	2 298 037	1 239 035
Accrued bonuses costs for the work results of reporting year	548 919	403 671
Accrued expenses on unused vacations	288 757	297 863
Accrued expenses for termination benefits	9 849	97 150
Accrued expenses for servicing and maintaining electronic communication network	-	16 046
Other accrued expenses	164 883	119 781
Total accrued liabilities	**3 310 445**	**2 173 546**

22. TRANSACTIONS WITH RELATED PARTIES

SIA *Citrus Solutions*, SIA *Lattelecom BPO* and SIA *Lattelecom Technology* are 100% subsidiary enterprises of SIA *Lattelecom*. Furthermore SIA *Lattelecom* indirectly owns SIA *Lattelecom Technology* 100% subsidiary enterprise SIA *Baltijas Datoru Akadēmija* and SIA *Media 360.*

Citrus Solutions material transactions with related companies are following:

(a) Revenue from provided services and sold goods

		2016 EUR	2015 EUR
Lattelecom	(construction of electronic communications network, maintenance services and sale of materials)	10 130 361	10 585 939
Lattelecom Technology	(electrical installation)	-	1 000
Total		**10 130 361**	**10 586 939**

(b) Costs of received services and goods

		2016 EUR	2015 EUR
Lattelecom Technology	(purchase of materials, IT services)	(45 188)	(1 314 209)
Lattelecom	(purchase of materials, rent of premises and transport, administrative, accounting, communications, IT and other services)	(1 279 589)	(1 122 546)
Lattelecom BPO	(advertising services)	-	(22)
Total		**(1 324 777)**	**(2 436 777)**

(c) Balances of accounts receivable/ payable

	31.12.2016. EUR	31.12.2015. EUR
Related undertaking debts		
Lattelecom	3 065 665	2 881 597
Total related undertaking debts	**3 065 665**	**2 881 597**
Debts to related undertakings		
Lattelecom	341 761	122 828
Lattelecom Technology	5 051	4 697
Loan from *Lattelecom,* principal amount	3 021 744	6 736 617
Total debts to related undertakings	**3 368 556**	**6 864 142**

In the reporting year *Citrus Solutions* used credit line from the parent company *Lattelecom*, which is issued until June 2017 and available in the amount of EUR 8 000 000. At the end of the reporting year, the Company used credit line in amount of 3 021 744 (in 2014 - EUR 6 736 617). The interest rate of credit line is linked to the inter-bank one-month credit interest rate EURIBOR.
Assets of Citrus Solutions are not pledged as a security for loan and available credit resources.

23. INFORMATION ABOUT ONGOING LONG-TERM PROJECTS

	2016 EUR	2015 EUR
Recognized revenue	11 126 929	17 764 391
Recognized expenses	(9 471 783)	(15 109 395)
Total	**1 655 146**	**2 654 996**

During 2017 it is planned to recognize as revenue EUR 2 997 083 for ongoing long-term projects, for which contracts had been signed until December 31, 2016.

23a. INFORMATION ABOUT ONGOING LONG-TERM PROJECTS

	2016 EUR	2015 EUR
Total amount of advance payments received from clients	616 910	1 817 909
Total	**616 910**	**1 817 909**

24. NUMBER OF EMPLOYEES

	2016	2015
Number of employees at the end of reporting year	212	267
The annual average number of employees	247	260

25. REMUNERATION OF MANAGEMENT

	2016 EUR	2015 EUR
Member of the board:		
- remuneration	264 831	453 193
- State mandatory social insurance payments	62 473	47 684
Total	**327 304**	**500 877**

26. REMUNERATION TO THE COMMERCIAL COMPANY OF SWORN AUDITORS

	2016 EUR	2015 EUR
Audit of the annual report	6 500	6 500
Total	**6 500**	**6 500**

27. CONTINGENT LIABILITIES

Bank guarantees

According to the agreements concluded with AS “Swedbank” and AS “SEB banka” on issuance of guarantees, on 31 December 2016, the Company had received guarantees in the amount of EUR 1 696 764 (in 2014: EUR 2 989 387).

Inventories liabilities

Inventories purchase transactions for which contracts have been signed but the actual performance has not been performed and liabilities have not been included in the financial statements, are as follow:

	2016 EUR	2015 EUR
Liabilities for materials and raw materials	136 259	305 456
Total	**136 259**	**305 456**

28. FINANCIAL RISK MANAGEMENT

Management of financial risks in relation to the Company’s liquidity, currency and interest rate fluctuations and credit risk of the transaction partners in the *Lattelecom* group companies is centralized.

Financing and liquidity risk

The group’s cash management policy anticipates provision of sufficient liquidity of the group’s companies, as well as their ability to finance their operations without any financing limits. According to the group’s policy, allocation of the necessary financing to *Citrus Solutions* is organized by the parent company *Lattelecom*. The Company has access to the credit line provided by *Lattelecom* in the amount of EUR 8.0 million until June 2017.

Currency risk

The group’s policy is to limit the net currency fluctuation risk as to the all known and expected transactions in foreign currency.
The euro is the dominant currency in the settlements with foreign business partners.
Cash in foreign currencies was accumulated for the limitation of currency exchange fluctuations regarding with anticipated transactions.

Interest rate risk

Considering that *Citrus Solutions* loan from parent company has a floating interest rate that is defined for 1 month period, the Company is exposed to interest rate fluctuations risk. Interest rate risk hedging measures in the group are implemented centrally, assessing the interest rate risk impact on the group's financial indicators.

Credit risk

Financial instruments that potentially expose the Company to a certain level of credit risk concentration primarily represent accounts receivables and cash in bank. The Company’s policy ensures that goods and services are sold to clients with appropriate credit history. Accounts receivables are shown after deducting the value of doubtful debts. According to the group’s cash management policy, the Company’s partners in derivative financial instruments and cash transactions are financial institutions with appropriate credit reputation. The parent company is strictly monitoring and limiting the credit risk that is allowed for the group companies with each separate financial institution.

Fair value

The book value of financial assets and liabilities, which term is less than one year, approximately corresponds with their fair value. For the debt liabilities for which interest payments have to be made, market interest rates are applied and it is considered that the book value of these liabilities comply with their fair value.

29. EVENTS AFTER THE END OF REPORTING YEAR

In the period since the last day of the reporting year there have been no events that would significantly influence the Company's financial state on 31 December 2016.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the shareholders of SIA Citrus Solutions

Report on the Financial Statements

Our opinion on the financial statement

We have audited the financial statement from page 7 to 26, included in the appended annual statement of SIA Citrus Solutions ("Company"). The appended financial statement includes:

- balance sheet as of 31 December, 2016,
- profit or loss statement for 2016,
- statement of changes in equity for 2016,
- cash flow statement for 2016, as well as

notes of the financial statement, which include summary of major accounting principles.

In our opinion, the aforementioned financial statement provides a fair and clear notion of the financial status of SIA Citrus Solutions as of 31 December, 2016 and its financial performance and cash flow in 2016 in accordance with the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.

Grounds of the opinion

The audit was performed in accordance with International Audit Standards (IAS). Our duties, defined in these standards, are described below in the chapter of our report "Auditor's responsibility for the audit of the financial statement".

We are independent from the Company in accordance with the requirements of the Code of Ethics for Professional Accountants (CEPA) developed by the International Ethics Standards Board for Accountants and the requirements of ethics included in the Law on Audit Services of the Republic of Latvia, which are applicable to the audit of the financial statement performed by us in the Republic of Latvia. We have complied with other principles of ethics specified in the CEPA code and the Law on Audit Services.

We believe that the audit evidence obtained by us give sufficient and justified grounds for our opinion.

Reporting on other information, including Management report

The management is responsible for other information. Other information includes Management report that is provided in the appended annual statement from page 4 to 6.

Our opinion on the financial statement does not concern this other information, including the Management report.

In regard to the audit of the financial statement, our duty is to familiarize with the other information, and, upon doing so, to assess whether this other information differs significantly from the information of the financial statement or out knowledge, which we had obtained during the audit, and whether it contains any other significant non-conformities.

If, based on the performed work and considering the information and understanding of the Company and its sphere of activity, gained during the audit, we come to the conclusion that other information contains significant non-conformities, our duty is to report this condition. No conditions to be reported have come to our attention.

In addition to that, in regard to the Management report, our duty is to consider whether the Management report has been prepared in accordance with the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.

Based on the procedures performed within the framework of our audit, we believe that:

- the information provided in the Management report on the financial year, for which the financial statement has been prepared, conforms to the financial statement, and
- the Management report has been prepared in accordance with the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.
- No other conditions related to other information, which ought to be reported, have come to our attention.

Responsibility of the Management and persons, who have been entrusted with management of the Company, for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia, 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.

Upon preparation of the financial statement, the management shall assess the ability of the Company to continue operation, to clarify conditions related to the ability of the Company to continue operation, if necessary, and to apply the principle of continued operation, unless the management is planning to liquidate the Company or stop its operations or it does not have any real alternative for closing the Company or terminating its operation.

The persons, who have been entrusted with management of the Company, are responsible for supervising the preparation of the financial statement of the Company.

Auditors' Responsibility for the audit of the financial statement

Our goal is to gain sufficient confidence that the financial statement generally does not contain major non-conformities caused by errors or fraud, and to provide auditor's report, which contains an opinion. Sufficient confidence is a high level confidence but it does not guarantee that the audit, performed in accordance with IAS, will always identity a major non-conformity if there is one. Non-conformities may result from fraud or errors, and these are deemed as major, if it can be reasonably argued that each of them individually or all together might have impact on the economic decisions, made by the users, based on this financial statement.

Upon conducting of an audit in accordance with IAS, we make professional judgments and observe professional skepticism during the entire audit process. We also:

- identify and evaluate risks that there might me major non-conformities in the financial statement, resulting from fraud or errors; we develop and conduct audit procedures to mitigate these risks, and obtain audit evidence that provides sufficient and adequate grounds for our opinion. The risk that no major non-conformities resulting from fraud are identified is higher than the risk of non-conformities caused by errors, since fraud may contain secret agreements, document forging, intentionally hidden information, incorrectly presented information or internal control violations.
- we gain understanding of the internal control, which is essential for conducting of audit, in order to develop audit procedures specifically for given conditions, but not for the purpose of providing opinion on the efficiency of the internal control of the Company;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made and information provided by management;
- we make conclusions on conformity of the continued operation principle applied by the management and, based on the audit evidence gained, on whether there is a major uncertainty in regard to events or conditions, which may cause major doubts on the ability of the Company to continue operation. If we conclude that there is major uncertainty, the auditor's report emphasizes the information on these conditions, provided in the financial statement, or, if no such information is provided, we give a modified opinion. Our conclusions are based on audit evidence, gained until the date of the auditor's report. Nevertheless, under the impact of future events or conditions, the Company may still terminate its operation;
- we evaluate the general structure and content of the financial statement, including the disclosed information and explanations in the notes, and whether this financial statement provides a true reflection of the transactions and events that serve as basis for the statement.

We report to persons, who have been entrusted with management of the Company, also regarding the planned scope and time of audit, as well as important audit observations, including major internal control flaws, which we identified during the audit.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stuģis /signature/
Member of the board

Elīna Sedliņa /signature/
Certified auditor of Latvia
Certificate No. 179

Riga, Latvia
27 January 2017