

Limited liability company
„Citrus Solutions”
(Unified registration number 50003752271)

2020 ANNUAL REPORT

PREPARED IN ACCORDANCE WITH THE
LAW ON THE ANNUAL FINANCIAL STATEMENTS AND
CONSOLIDATED FINANCIAL STATEMENTS OF THE REPUBLIC OF LATVIA
AND INDEPENDENT AUDITOR REPORT

Riga, 2021

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Information on the Company

Name of the Company	Citrus Solutions
Legal status of the Company	Limited liability company
Number, place and date of registration	50003752271, Riga, June 28, 2005
Registered address	Dzirnavu street 105, Riga, LV-1011, Latvia
Stakeholder	SIA Tet (100%) Dzirnavu street 105, Riga, LV-1011, Latvia Reg. No. 40003052786
Board members	Jūlija Zandersone - Chairman of the Board (from July 1, 2017) Raimonds Gerbis - member of the Board (from May 22, 2015) Kārlis Kostjukovs - member of the Board (from January 2, 2019)
Outsourcing accountant	Ilvija Gredzena - Head of the Accountancy department of SIA <i>Lattelecom</i>
Reporting year	1 January – 31 December 2020
Auditors and their address:	SIA Ernst&Young Baltic License No 17 Muitas street 1A Riga, LV-1010 Latvia Diāna Krišjāne Sworn Auditor of the Republic of Latvia Certificate No 124

MANAGEMENT REPORT

The Board of SIA *Citrus Solutions* (hereinafter *Citrus Solutions* or the Company) provides the management report about the reporting year ended on December 31, 2020.

OVERVIEW OF THE COMMERCIAL OPERATIONS

Activities of *Citrus Solutions* are construction, design and maintenance.

Since 2005 the Company has been registered as construction merchant, register number 0095-R, which allows the Company to operate in 17 construction spheres. The Company employs 65 certified specialists. The Company has valid 1st (highest) qualification class.

Since 2006 the Company has been granted *Industrial safety certificate*, which confirms the rights of the Company to perform work, containing state secret, classified information of the international organizations or foreign institutions, within the framework of its commercial activity, as well as the ability of the Company to ensure protection of such information. The rights of use of the *Industrial safety certificate* expire on April 30, 2021. Since 2011 the Company has national railway technical inspection safety certificate of the Republic of Latvia, which allows performance of works in the protective areas of the railway and expires on July 11, 2021. The management system of *Citrus Solutions* is certified in accordance with the requirements of three internationally recognized standards – ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

SHARE CAPITAL

In 2020 the share capital of *Citrus Solutions* comprises EUR 5 070 999. It consists of 5 070 999 shares, with the nominal value of EUR 1 each. SIA *Tet* owns 100% of the share capital of *Citrus Solutions*.

FOREIGN BRANCHES OF THE COMPANY

In 2020 the Company continues operation in representation in Germany.

SHARES IN OTHER COMPANIES

Citrus Solutions owns 100% of the share capital of *Citrus Solutions GmbH* and 1.85% shares of *Pirmais slēgtais pensiju fonds*. The Company is only a formal shareholder of the *Pirmais slēgtais pensiju fonds*, 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 23.684 million EUR.

In 2020 the company's major projects were design and construction of the optical network in Kurzeme and entire territory of Latvia (Client - AS Latvijas Valsts Radio un televīzijas centrs), construction of internal electrical supply, electronic communication networks, security systems, data centre, heating, ventilation and air conditioning systems (Client - SIA Abora), construction of external power supply network, reconstruction of the building and territory improvement (Client - SIA Kvadrums), design of Architectural, Structural and Engineering Communications (internal and external) and construction of engineering communications (Client - SIA NEWCOM Construction), design and construction of the air conditioning system of the State institution office building (Client - VAS Valsts nekustamie īpašumi).

Citrus Solutions normalized EBITDA¹ profit in 2020 was 1 382 thousand EUR, EBITDA profit margin 5.7%.

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)

Due to the effect of Covid-19 in 2020 the potential clients significantly hesitated with making decisions on launch and implementation of new projects. As the scope of new deals declined, the construction market experienced decrease of prices of those construction services, which are also provided by *Citrus Solutions*.

The scope of capital investments in the reporting year reached 0.255 million EUR, which were used for renovation of means of production and improvement of information technologies. 3.616 million EUR, considering received repayments, were paid in various taxes in Latvia in 2020.

In 2020 the net profit of the Company amounted to 1.03 million EUR. The financial performance of the Company was affected by the results in major projects.

MANAGEMENT OF THE COMPANY

According to the Commercial Law, the Company's statutes anticipate 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 the Board.

In 2020 the duties of the member of the Board in the Company were performed by: Jūlija Zandersone, Raimonds Gerbis, Kārlis Kostjukovs.

DISCLOSABLE INTEREST

Citrus Solutions members of the Board and their family members or companies under their management do not have shares or share options contracts in the company *Citrus Solutions* or companies of *Tet* group. The members of the Board do not have interest in contracts or agreements related with *Citrus Solutions*.

RESPONSIBILITY OF THE BOARD 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.

The financial statement gives 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 appropriate accounting records methods were consequentially used and cautious estimates and forecasts were made, upon preparation of the financial statements for 2020. The Board confirms that the requirements of the Latvian legislation have been met and the financial statements have been prepared on the continued operation basis.

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

DISTRIBUTION OF PROFIT RECOMMENDED BY THE BOARD

The Board of the Company, pursuant to the Policy on dividends of *Tet* group and the procedure of the laws and regulations, suggests paying out 80% of the profit to be distributed of the reporting year in dividends to the stakeholders.

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, increase in the construction prices of the subcontractors, increase of salaries for those working in construction industry, as well as lack of construction resources.

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 *Tet* group.

MANAGEMENT REPORT (continued)

The most significant risks of Covid-19 pandemic were related to the emergency state declared in Latvia twice, which resulted in introduction of major trade, gathering, partial movement and other restrictions. The risks related to Covid-19 included – risk of employee sickness (risk of interruption of activity), potential reduction of solvency of the clients, restriction to provide services in person, deviations in project implementation deadlines and general economic decline in the country. Although the pandemic situation is new and related to significant uncertainty in the future, the Company continued operation, being able to adapt to the changing environment.

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 financial losses in case any of the risks would materialize, part of those is 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

After the end of the financial year the restrictions related to the spread of Covid-19 are still continued in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and the world. It cannot be predicted how the situation might develop in the future, and therefore there is uncertainty of economic development. The Company management is constantly evaluating the situation and believes that it will be able to adapt to the market trends under the situation of crisis and remote work, and it also has not observed delays in debtor payments.

FURTHER DEVELOPMENT OF THE COMPANY

In future years, the Company's development is related to obtaining and implementation of orders of external clients (outside *Tet* group), which will be the main priority of the Company. In the first half of 2021 the situation around Covid-19 impact is expected to be similar, where the potential clients hesitate with launching and implementing new projects.

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.

On behalf of the Board

Chairman of the Board _____ /Jūlija Zandersone/

Riga, January 31, 2021

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Profit or loss account

(classified according to cost types)

	Notes	2020 EUR	2019 EUR
NET TURNOVER	1	23 684 475	30 997 114
Costs (capitalized) referenced to own long-term investments	2	39 708	23 957
Other operating income	3	955 603	172 738
Cost of materials:			
a) costs of raw materials and consumables;		(412 049)	(1 874 946)
b) other external costs		(61 037)	(77 347)
		(473 086)	(1 952 293)
Personnel costs:			
a) remuneration for work;		(6 526 520)	(6 433 897)
b) pensions from Company funds;		(9 887)	(13 524)
c) state mandatory social insurance payments;		(1 601 995)	(1 583 472)
d) other social insurance costs		(185 205)	(185 383)
		(8 323 607)	(8 216 276)
Write-offs and value adjustments:			
a) depreciation and write off of fixed and intangible assets;	8, 9	(243 788)	(235 673)
b) write-off of the value of current assets, if these exceed such amounts of value write-offs, which the relevant company considers to be regular.	4	(8 306)	(3 802)
Other operating expenses	5	(14 560 192)	(19 394 930)
Other income from interest and similar income:			
a) from other persons		913	1 012
Interest payments and similar costs:			
a) to related companies	6	(23 194)	(42 212)
PROFIT OR LOSS BEFORE CORPORATE INCOME TAX		1 048 526	1 349 635
Corporate income tax	7	(17 641)	103 673
PROFIT OF THE ACCOUNTING YEAR		1 030 885	1 453 308

The note forms an integral part of these financial statements.

On behalf of the Board

Chairman of the Board _____/Jūlija Zandersone/

Outsourcing accountant _____/Ilvija Gredzena/

Riga, January 25, 2021

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Balance Sheet - Assets

	Notes	December 31, 2020 EUR	December 31, 2019 EUR
LONG-TERM INVESTMENTS			
Intangible assets			
Other intangible assets		258 555	214 396
Total Intangible assets	8	258 555	214 396
Fixed assets			
Land plots, buildings and engineering structures		581	1 575
Equipment and machinery		1 703	2 125
Other fixed assets and inventory		326 312	389 697
Creation of fixed assets and costs of unfinished construction objects		34 923	3 696
Total fixed assets	9	363 519	397 093
Long-term financial investments			
Interest in capital of related companies	10	1 525 000	1 525 000
Total long-term financial investments		1 525 000	1 525 000
Total long-term investments		2 147 074	2 136 489
CURRENT ASSETS			
Inventories			
Raw materials, basic materials and consumables		982 674	980 258
Advance payments for goods		30 814	273 244
Total inventories	11	1 013 488	1 253 502
Debtors			
Trade receivables	12	3 230 331	4 893 102
Receivables from related companies	21	1 441 927	777 068
Other debtors	13	266 891	407 189
Prepaid expenses		8 349	16 773
Accrued income	14	3 448 409	8 934 612
Total debtors		8 395 907	15 028 744
Cash	15	1 490 572	355 264
Total current assets		10 899 967	16 637 510
BALANCE SHEET		13 047 041	18 773 999

The note forms an integral part of these financial statements.

On behalf of the Board

Chairman of the Board _____/Jūlija Zandersone/

Outsourcing accountant _____/Ilvija Gredzena/

Riga, January 25, 2021

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Balance sheet - Liabilities

	Notes	December 31, 2020 EUR	December 31, 2019 EUR
EQUITY			
Share capital (fixed capital)	16	5 070 999	5 070 999
Retained profits/losses of the previous years		1 461 461	8 153
Retained profits of the reporting year		1 030 885	1 453 308
Total Equity		7 563 345	6 532 460
PROVISIONS			
Other provisions	17	218 740	230 299
Total provisions		218 740	230 299
CREDITORS			
Long-term creditors			
Next period revenue		-	5 320
Total long-term creditors		-	5 320
Short-term creditors			
Advanced payments from customers		505 704	1 389 769
Accounts payable	18	1 196 352	3 272 332
Debts to related companies	21	202 377	3 519 262
Taxes and State mandatory social insurance payments	19	490 749	576 231
Other creditors		2 846	3 855
Deferred income		5 320	15 728
Accrued liabilities	20	2 861 608	3 228 743
Total short-term creditors		5 264 956	12 005 920
BALANCE SHEET		13 047 041	18 773 999

The note forms an integral part of these financial statements.

On behalf of the Board

Chairman of the Board _____/Jūlija Zandersone/

Outsourcing accountant _____/Ilvija Gredzena/

Riga, January 25, 2021

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Statement of changes in equity

	Share capital (fixed capital)	Reserves	Retained profits	Total
	EUR	EUR	EUR	EUR
Balance on December 31, 2018	3 570 999	-	40 766	3 611 765
Increase of fixed capital	1 500 000	-	-	1 500 000
Dividends paid	-	-	(32 613)	(32 613)
Profits of the reporting year	-	-	1 453 308	1 453 308
Balance on December 31, 2019	5 070 999	-	1 461 461	6 532 460
Dividends paid	-	-	-	-
Profits of the reporting year	-	-	1 030 885	1 030 885
Balance on December 31, 2020	5 070 999	-	2 492 346	7 563 345

The note forms an integral part of these financial statements.

On behalf of the Board

Chairman of the Board _____/Jūlija Zandersone/

Outsourcing accountant _____/Ilvija Gredzena/

Riga, January 25, 2021

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Cash flow statement

(according to the indirect method)

	Notes	2020 EUR	2019 EUR
Cash flow from operating activities			
Profit before taxes		1 048 526	1 349 635
Adjustments:			
- amortization of intangible assets	8	106 717	102 981
- depreciation of fixed assets;	9	137 071	132 692
- other interest revenue and similar revenue	5, 3	(5 444)	(28 779)
- provisions (excluding provisions for doubtful debts);	17	(11 559)	(19 106)
- profit or losses from no currency exchange rate fluctuations;		(2 638)	1 013
- interest payments and similar costs.	6	20 556	42 212
Profit before adjustments for the effect of changes to current assets and short term liabilities		1 293 229	1 580 648
Decrease (increase) in accounts receivable		6 632 836	(620 650)
Decrease (increase) in inventories		240 014	(328 562)
Increase (decrease) in accounts payable to suppliers, contractors and other creditors		(3 397 137)	(1 522 358)
Gross cash flows from operating activities		4 768 942	(890 922)
Interest paid		(20 556)	(42 212)
Corporate income tax paid	19	(17 641)	-
Net cash flows from operating activities		4 730 745	(933 134)
Cash flows from investing activities			
Purchase of shares of related companies, associated companies or other companies		-	(1 500 000)
Purchase of fixed and intangible assets		(254 695)	(417 740)
Income from disposal of fixed and intangible assets		5 765	460 178
Net cash flows from investing activities		(248 930)	(1 457 562)
Cash flows from financing activities			
Income from share and bond or capital share investments		-	1 500 000
Loans received		1 093 780	5 854 123
Repayment of loans		(4 442 925)	(5 610 027)
Dividends paid		-	(32 613)
Net cash flows from financing activities		(3 349 145)	1 711 483
Result of fluctuations in the foreign currency exchange rates		2 638	(1 013)
Net (decrease) / increase of cash and cash equivalents		1 135 308)	(680 226)
Cash and cash equivalents at the beginning of the reporting year		355 264	1 035 490
Cash and cash equivalents at the end of the reporting year	15	1 490 572	355 264

The note forms an integral part of these financial statements.

On behalf of the Board

Chairman of the Board _____/Jūlija Zandersone/

Outsourcing accountant _____/Ilvija Gredzena/

Riga, January 25, 2021

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Notes of Financial statement

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 Dzirnavu street 105, Riga. The Company's parent company is SIA *Tet*, 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 268.

Stakeholder or shareholder of the Company, which prepares the consolidated annual report, including the Company as its subsidiary, is SIA *Tet*, reg. No 40003052786, Dzirnavu street 105, Riga, LV-1011. Copies of the consolidated annual reports are available in website of SIA *Tet* <https://www.tet.lv/par-tet/par-mums/gada-parskati>.

ACCOUNTING AND ASSESSMENT PRINCIPLES

Basis of the preparation of financial statements

The financial statement has been prepared in accordance with the laws "On Accounting" and "Law on Annual Statements and Consolidated Annual Statements" of the Republic of Latvia". 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 December 31, 2020 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, terms of receipt, payment or write off of which 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.

In accordance with the criteria stipulated in the law, the Company is classified as medium Company.

The law provided for additional allowances to small and medium companies in preparation of financial statements, but at the same time also stipulates that the financial statement shall provide a true and clear notion on the financial condition and profit or losses of the company, but for the annual report of a large and medium company – also for the cash flow.

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, except for the debtor accounting policy, see Trade receivables;
- 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;

Accounting policies (continued)

- 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.

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:

	December 31, 2020	December 31, 2019
USD	1.2271	1.1450

Intangible assets

Intangible assets include trademarks, software licenses, capitalized project groups' staff expenses and service expenses related to implementation of software. If 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.

Accounting policies (continued)

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

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.

Participation in group subsidiaries

Investments in subsidiaries (i.e., companies, in which the Company owns more than 50% of the share capital or which it controls otherwise) shall be accounted, using the cost method. After initial recognition the investments in subsidiaries shall be booked at their initial value, minus losses from value depreciation. If any events or change of circumstances shows that the balance value of the investments in subsidiaries could be unrecoverable, the value of the relevant investments in subsidiary shall be reviewed to determine their value depreciation.

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.

Accounting policies (continued)

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 receivables 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.

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 is 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.

The following provisions rates were applied in the Company:

Accounts receivable (delay in days)	Not delayed	1 - 30	31 - 90	91 - 180	181 - 365	> 365
Rate of provisions, %	0.3	3	25	65	65	100

Pursuant to group policies, the bad debt provision rates are reviewed annually as estimate.

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.

Accounting policies (continued)

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.

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 employment 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.

Corporate income tax

Pursuant to the Law "On Corporate Income Tax" of the Republic of Latvia the legal entities pay the corporate income tax for the distributed profit and the relevantly distributed profit. 20% tax rate from the gross amount or 20/80 of the net costs shall be applied to the distributed profit and relevantly distributed profit. The corporate income tax for the payment of dividends shall be booked in profit or loss calculation as costs in the reporting period, when the relevant dividends have been announced, whereas for other relevant profit items – at the moment of incurring of the costs within the framework of the reporting year.

Revenue recognition

Revenue is recognized when goods are delivered and services are provided.

Revenue from sales of goods is 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

A 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.

Accounting policies (continued)

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.

Dividends

Dividends are recognized in the financial statements in the period when the Company's shareholders general meeting confirms 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 fairer 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

Upon preparing of 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

	2020	2019
	EUR	EUR
Income from construction of engineering systems and infrastructure	20 033 668	25 606 798
Income from servicing and maintenance services provided to electronic communication network	3 325 241	3 512 323
Income from sale of materials	325 566	1 877 993
Total	23 684 475	30 997 114

* Income decrease is related to COVID-19 impact on the economic activity of the Company.

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

	2020	2019
	EUR	EUR
Personnel costs	37 368	22 545
Other costs	2 340	1 412
Total	39 708	23 957

3. OTHER OPERATING INCOME

	2020	2019
	EUR	EUR
Income from lease of fixed assets	2 299	8 299
Gain on disposal of fixed assets	5 444	28 779
Used obsolete inventories	-	5 255
Recovered receivables	17 851	-
Cancellation of provisions for penalty payments	499.356	-
Other income	430 653	130 405
Total	955 603	172 738

4. WRITE-OFF OF THE VALUE OF CURRENT ASSETS

	2020	2019
	EUR	EUR
Write-off accounts receivable and creation of provisions	-	(2 610)
Costs of write-off inventories	(8 306)	(1 192)
Total	(8 306)	(3 802)

5. OTHER OPERATING COSTS

	2020	2019
	EUR	EUR
Engineering systems, infrastructure construction services costs and material costs	(11 278 848)	(15 867 343)
Car lease, maintenance costs	(977 031)	(993 994)
Network, equipment maintenance services costs and material costs	(1 377 901)	(1 527 167)
Office and administrative expenses	(300 438)	(282 685)
Other costs of economic activity	(189 566)	(247 594)
Rent and maintenance of premises, public utilities	(245 507)	(249 514)
IT services costs	(190 901)	(180 359)
Penalties paid	-	(46 274)
Total	(14 560 192)	(19 394 930)

6. INTEREST INCOME AND EXPENSES

	2020	2019
	EUR	EUR
Other income from interest and similar income		
net profit from exchange rate fluctuations	913	1 012
Total	913	1 012
Interest payments and similar costs		
on loans	(23 194)	(42 212)
Total	(23 194)	(42 212)

7. INCOME TAX

	2020 EUR	2019 EUR
Corporate income tax:		
- reporting year	(17 641)	-
- correction of the previous year*	-	103 673
Total	(17 641)	103 673

*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 moment of preparation of 2017 annual report, 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.

8. INTANGIBLE ASSETS

	Other Intangible assets EUR	Creation of Intangible assets EUR	Total EUR
Purchase value			
December 31, 2019	504 630	8 340	512 970
Purchased	-	150 876	150 876
Put into operation	148 816	(148 816)	-
December 31, 2020	653 446	10 400	663 846
Amortization			
December 31, 2019	(298 574)	-	(298 574)
Amortization	(106 717)	-	(106 717)
December 31, 2020	(405 291)	-	(405 291)
Remaining value			
December 31, 2019	206 056	8 340	214 396
December 31, 2020	248 155	10 400	258 555

In 2020 capital investment in the intangible assets were 150 876 EUR (in 2019 it was 157 517 EUR).

9. FIXED ASSETS

	Buildin gs EUR	Equipment and machinery EUR	Other fixed assets and inventory EUR	Creation of fixed assets EUR	Total EUR
Purchase value					
December 31, 2019	6 963	79 522	2 556 901	3 696	2 647 082
Purchased	-	-	-	103 819	103 819
Put into operation	-	-	72 592	(72 592)	-
Excluded in the reporting year	-	(6 211)	(123 054)	-	(129 265)
December 31, 2020	6 963	73 311	2 506 439	34 923	2 621 636
Depreciation					
December 31, 2019	(5 389)	(77 397)	(2 167 203)	-	(2 249 989)
Depreciation	(993)	(422)	(135 656)	-	(137 071)
Excluded in the reporting year	-	6 211	122 732	-	128 943
December 31, 2020	(6 382)	(71 608)	(2 180 127)	-	(2 258 117)
Remaining value					
December 31, 2019	1 574	2 125	389 698	3 696	397 093
December 31, 2020	581	1 703	326 312	34 923	363 519

In 2020 capital investment in the fixed assets was 103 819 EUR (in 2019 it was 260 223 EUR).

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 projects. In 2020 the capitalized costs amounted to 39 708 EUR (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 2 123 374 EUR (in 2019 it was 1 565 737 EUR).

10. PARTICIPATION IN SHARE CAPITAL OF RELATED COMPANIES

Purchase value of the investments

Company	Participation (%)	31.12.2020. EUR	31.12.2019. EUR
<i>Citrus Solutions GMBH</i>	100	1 525 000	1 525 000
Total		1 525 000	1 525 000

Financial information on subsidiary

Company	Address	Equity (unaudited)		Reporting year profit / (losses) (unaudited)	
		2020 EUR	2019 EUR	2020 EUR	2019 EUR
<i>Citrus Solutions GMBH</i>	Schmidtstadt 5,92268, Etzelwang	3 156 210	1 951 051	1 205 159	434 658

In 2018 a subsidiary was registered in Germany - Citrus Solutions Gbmh. The company Citrus Solutions Gbmh provides telecommunication construction services. In 2020 the subsidiary had gained income of 20 485 815 EUR and its net profit reached 1 205 159 EUR (financial accounting data are according to the accounting principles of mother company; audited annual reports are not available at the moment of preparing of the annual report).

11. INVENTORIES

	31.12.2020. EUR	31.12.2019. EUR
Raw materials and consumables	1 076 299	1 065 578
Provision for obsolete and slow-moving goods	(93 625)	(85 319)
Advance payments for goods	30 814	273 244
Total Inventories	1 013 488	1 253 502

Provision for obsolete inventories and slow-moving goods

	2020 EUR	2019 EUR
Provisions at the beginning of reporting year	85 319	90 574
Created/(reduced) provisions in the reporting year, net	8 306	(5 255)
Provisions at the end of reporting year	93 625	85 319

12. TRADE RECEIVABLES

	31.12.2020. EUR	31.12.2019. EUR
Accounts receivable	3 353 867	5 034 489
Provision for doubtful debts	(123 536)	(141 387)
Total trade receivables	3 230 331	4 893 102

Movement of provisions for doubtful and bad debts

	2020	2019
	EUR	EUR
Provisions at the beginning of reporting year	141 387	169 541
Written off doubtful accounts receivable	-	(30 764)
Created provisions for doubtful accounts receivable	(17 851)	2 610
Provisions at the end of reporting year	123 536	141 387

13. OTHER DEBTORS

	31.12.2020.	31.12.2019.
	EUR	EUR
Advanced payments to foreign suppliers	14 627	11 917
Overpaid taxes (Note 19)	151 581	161 362
Advanced payments to Latvian suppliers	42 851	147 549
Other debtors	3 807	481
Settlements with employees	54 025	85 880
Total other debtors	266 891	407 189

14. ACCRUED INCOME

	31.12.2020.	31.12.2019.
	EUR	EUR
Accrued income*	3 448 409	8 934 612
Total accrued income	3 448 409	8 934 612

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

15. CASH

	31.12.2020.	31.12.2019.
	EUR	EUR
Cash in banks	1 490 572	355 264
Total cash	1 490 572	355 264

16. SHARE CAPITAL (FIXED CAPITAL)

At the end of 2020 the share capital of *Citrus Solutions* was 5 070 999 EUR and it was constituted by 5 070 999 shares with nominal value of EUR 1 each. SIA *Tet* holds 100% of *Citrus Solutions* share capital.

17. PROVISIONS

Movement in provisions for warranty repairs

	2020	2019
	EUR	EUR
Provisions at the beginning of reporting year	230 299	249 405
Created/ (reduced) provisions in the reporting year, net	(11 559)	(19 106)
Provisions at the end of the reporting year	218 740	230 299

18. ACCOUNTS PAYABLE TO SUPPLIERS AND CONTRACTORS

	31.12.2020.	31.12.2019.
	EUR	EUR
Settlements with suppliers	1 196 352	3 272 332
Total accounts payable to suppliers and contractors	1 196 352	3 272 332

19. TAXES AND STATE MANDATORY SOCIAL INSURANCE PAYMENTS

(a) Tax payments in Latvia

	Balance 31.12.2020	Balance 31.12.2019
	EUR	EUR
Corporate income tax	(141 476)	(141 476)
Value added tax	47 142	210 300
State mandatory social insurance payments	153 244	277 837
Business risk state tax	99	114
Total taxes	59 009	346 775

(b) Tax payments in Germany

	Balance 31.12.2020	Balance 31.12.2019
	EUR	EUR
State mandatory social insurance payments	-	-
Resident income tax	(837)	-
Corporate income tax (Note 7)	(9 268)	(19 886)
Value added tax	290 264	87 980
Total taxes	280 159	68 094

	EUR	EUR
Total taxes (a), (b)	339 168	414 869
Total	339 168	414 869
incl. tax liabilities	490 749	576 231
overpaid tax	(151 581)	(161 362)

20. ACCRUED LIABILITIES

	31.12.2020.	31.12.2019.
	EUR	EUR
Accrued expenses for construction of engineering systems and infrastructure	1 116 063	1 965 381
Accrued bonuses costs for the work results of reporting year	1 189 062	740 470
Accrued expenses on unused vacations	556 483	522 892
Total accrued liabilities	2 861 608	3 228 743

21. RECEIVABLES FROM RELATED COMPANIES AND PAYABLES TO RELATED COMPANIES

SIA *Citrus Solutions* is 100% subsidiary of SIA *Tet*. SIA *Citrus Solutions* holds 100% of subsidiary *Citrus Solutions GmbH*.

Balances of accounts receivable/ payable

	31.12.2020.	31.12.2019.
	EUR	EUR
Related company debts		
<i>Tet</i>	1 247 126	607 678
<i>Citrus Solutions GbmH</i>	194 801	169 390
Total related companies' debts	1 441 927	777 068
Payables to related companies		
<i>Tet</i>	202 377	150 757

T2T	-	19 360
Citrus Solutions GMBH	-	-
Loan from Tet, principal amount	-	3 349 145
Total debts to related companies	202 377	3 519 262

In the reporting year *Citrus Solutions* used credit line from the parent company *Tet*, which is issued until June 30, 2021, and is available in the amount of EUR 5 000 000. At the end of the reporting year the Company had not used the granted credit line (in 2019 it had used 3 349 145 EUR). 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.

22. INFORMATION ON ONGOING CONSTRUCTION CONTRACTS

	2020 EUR	2019 EUR
Recognized revenue*	1 857 218	10 461 279
Recognized expenses*	(1 115 536)	(6 383 963)
Total amount of advance payments received from clients	477 478	1 313 526
Total	1 219 160	5 390 842

*In 2020 major on-going construction projects are the development modernization project of the border crossing point "Terehova", construction of Data centre, design, author's supervision and construction of the combined system of the fire detection and alarm and fire announcement with background music of building A of the shopping centre "ORIGO".

23. NUMBER OF EMPLOYEES

	2020	2019
Average number of Board members in the reporting year	3	3
The annual average number of other employees	290	294

24. REMUNERATION OF MANAGEMENT

	2020 EUR	2019 EUR
Member of the board:		
- remuneration	304 199	291 537
- State mandatory social insurance payments	73 052	70 144
Total	377 251	361 681

25. OFF-BALANCE SHEET LIABILITIES

Bank guarantees

In accordance with the contracts, signed with AS „Swedbank”, AS „SEB banka”, AS „Luminor bank” and OP Corporate bank plc branch office in Latvia on issuing of guarantees, on December 31, 2020 the Company had received guarantees of 3 997 002 EUR (in 2019 it was 4 176 940 EUR).

Liabilities for purchase of inventories

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:

	2020 EUR	2019 EUR
Liabilities for materials and raw materials	154 861	324 581
Total	154 861	324 581

26. 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 *Tet* 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 *Tet*. The Company has access to the credit line provided by *Tet* in the amount of 5.0 million EUR until June 30, 2021.

Currency risk

The group's policy is to limit the net currency fluctuation risk as to 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 in recoverable amount. 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.

27. EVENTS AFTER THE END OF REPORTING YEAR

After the end of the financial year the restrictions related to the spread of Covid-19 are still continued in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and the world. It cannot be predicted how the situation might develop in the future, and therefore there is uncertainty of economic development. The Company management is constantly evaluating the situation and believes that it will be able to adapt to the market trends under the situation of crisis and remote work, and it also has not observed delays in debtor payments.

On behalf of the Board

Chairman of the Board _____/Jūlija Zandersone/

Outsourcing accountant _____/Ilvija Gredzena/

Riga, January 25, 2021

THIS DOCUMENT HAS BEEN ELECTRONICALLY SIGNED WITH SECURE ELECTRONIC
SIGNATURE AND CONTAINS TIME STAMP

INDEPENDENT AUDITOR STATEMENT