Citrus Solutions SIA

Reg. No. 50003752271

Adress: 105 Dzirnavu street, Riga

Consolidated Annual Report
for the year ended 31 December 2021

(according to International Financial Reporting Standards
as adopted by the EU)

Riga, 2022

This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.

Ierobežotas pieejamības ārēja informācija

CONTENT

GENERAL INFORMATION

The principal activities of Citrus Solutions Group (Group or Citrus Solutions) are provision of telecommunications network construction and maintenance services.

The number of employees of the Group at the end of the period was 353.

The Parent company of the Group (the Parent company) - SIA *Citrus Solutions* was established as a limited liability company on 28 June, 2005 with registration number 50003752271 (registered address 105 Dzirnavu Street, Riga, LV-1011, Latvia). SIA *Citrus Solutions* 100% of shares are owned by SIA ”Tet”.

At the end of 2021 SIA *Citrus Solutions* owns 100% of shares in one subsidiary *Citrus Solutions GmbH*, which principal activity is network construction.

During 2021 *Citrus Solutions* group has established 2 legal entities with the aim to provide service in Germany for specific clients with the only participants in both legal entities being SIA *Citrus Solutions* and *Citrus Solutions GmbH:* legal entity “Citrus Angeln” and entity legal “Citrus Gifhorn”.

Financial year	1 January -31 December 2021
SIA Citrus Solutions Board members:	Jūlija Zandersone – Chairman of the Management Board (from 3 July 2017) Raimonds Gerbis – Member of the Management Board (from 22 May 2015) Kārlis Kostjukovs - Member of the Management Board (from 2 January 2019)
Outsourced Accountant	Ilvija Gredzena – SIA Lattelecom reg.no.40003554567 Director of Accounting Department
Auditor’s name and address	Sworn auditor Raivis Irbītis Certificate No. 205
	SIA "Grant Thornton Baltic Audit" Blaumaņa street 22 Riga, LV - 1011 License No.183

MANAGEMENT REPORT

The Management Board of *Citrus Solutions* (hereinafter "Citrus Solutions" or "Group") presents the management report for the financial year ended 31 December 2021.

OVERVIEW OF THE COMMERCIAL ACTIVITY

Citrus Solutions main operating areas are construction, designing and maintenance. Since 2005 Group parent company SIA *Citrus Solutions* is registered as construction company with the number 0095-R, which allows to operate in several construction areas. There are 65 certified professionals working in SIA *Citrus Solutions*. *SIA Citrus Solutions* has in force the 1st (the highest) construction qualification class.

Since 2006 Group parent company SIA *Citrus Solutions* has received *Industrial Security certificate*, which confirms the company rights to perform within commercial activities such works which contain the state secret, information classified by international organisation or foreign institutions, as well as company's abilities to provide protection of such information. *Citrus Solutions* management system is certified in accordance with three international quality standard requirements – ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

SHARE CAPITAL

At the end of 2021, the share capital of Citrus Solutions was EUR 5,070,999. The share capital is consisting of 5,070,999 shares with a nominal value of EUR 1. SIA Tet holds 100% of Citrus Solutions share capital.

GROUP FOREIGN BRANCHES AND PARTICIPATION IN LEGAL ENTITIES

During 2021 the Parent Company SIA *Citrus Solutions* continues operations of its branch in Germany, as well as separately also the subsidiary *Citrus Solutions GmbH* performs its operations in Germany.

With the aim to participate in municipality procurement tenders during 2021 there were two legal entities established for construction of optical cables in Germany together with *Citrus Solutions* GMBH: legal entity "Citrus Angeln" and legal entity "Citrus Gifhorn".

SHAREHOLDING IN OTHER COMPANIES

Citrus Solutions owns 100% of the share capital of Citrus Solutions GmbH and holds 1,85 % of the shares at pension fund AS *Pirmais Slēgtais Pensiju Fonds*. Group is a formal *Pirmais slēgtais pensiju fonds* shareholder, as all risks and benefits from the pension fund operations are attributed to *Citrus Solutions* employees – participants of the pension program.

FINANCIAL PERFORMANCE

Citrus Solutions group net turnover was EUR 52,037 million.

Major projects in 2021 were: "Rail Baltica", design and construction of electronic communication network for Riga railway bridge, embankment and Riga Central station (the customer: general liability company Bererix); optical cable construction in Germany (the customer: Oederan city); Transportation and container automatic identification system delivery, modernisation and maintenance (the customer: State Revenue Service); Dr. Mauriņa vein and laser medicine new clinic building construction (the customer: SIA Flebomedika); network design. construction and maintenance (the customer: SIA Tet).

The major large-scale optic construction projects started during 2021 in Germany include Westenergie Probstei, Wemacom and Westnetz Harsewinkel. Full construction completed in 2021 in project Wingas. In addition, there were internal network construction projects started – the assembly works in the Cologne Opera House, the Montana Volkswagen plant in Emden and Montana Drewag office building in Dresden.

The construction works started last year in projects Angeln and Oderan were successfully continued. The completion of these projects is planned for the middle of 2022. Optical network construction Bas Sassendorf and internal network assembly works in Daimler customer Center in Bremen were completed at the end of 2021.

MANAGEMENT REPORT (continued)

Citrus Solutions group normalised EBITDA[1] profit in 2021 was EUR 5,65 million, EBITDA profit margin 11%. In 2021 Group net profit reached EUR 3,653 million. Financial results of the Group were affected bu the results of the largest projects.

In the second half of 2021 the volume of design projects significantly increased, as well as there were decisions made by customers to renew implementation of new projects, despite the increase of construction costs and deficit of workforce in the industry.

In 2021 *Citrus Solutions* continued to work actively for improving its competitiveness by realising employee competence development in management, project management and technical skill areas. *Citrus Solutions* engineers continued to learn new technologies via applying them successfully in customer projects. Significant emphasis was put on digital designing and construction technology implementation. There were BIM ("Būvniecības informācijas modelēšana" - Construction information modelling) usage skills and processes developed. Also, electronic construction quality control system was implemented.

The capital expenditure in the reporting year reached EUR 0,566 million, which were used to update construction tools and improve information technologies. In 2021 in various taxes there were EUR 6,946 million, including repaid tax amounts.

CORPORATE MANAGEMENT

According to the Commercial Law, the Parent company statutes prescribe two-level corporate management procedure which, in accordance with the Company shareholder Meeting decision from 11 November 2008, is carried out by the Cpmpany Shareholder Meeting and the Management Board.

In 2021 the Management Board member responsibilities are carried out by: Jūlija Zandersone, Raimonds Gerbis, Kārlis Kostjukovs.

PRESENTABLE INTEREST

Citrus Solutions Management board members and their family members or companies managed by them do not hold shares or share option contracts in companies *Citrus Solutions* or *Tet* Group companies. Board members do not hold any interest in agreements or contracts related to *Citrus Solutions*.

RESPONSIBILITY OF THE MANAGEMENT BOARD FOR THE ANNUAL REPORT

The Management Board of the Parent company is responsible for the preparation of Group financial statements based on the Group accounting records for each reporting period.

The financial statements give a true and fair view of the Company's financial position at the end of the reporting, its performance, and its cash flows for the financial year.

The Management Board confirms that appropriate accounting principles and prudent valuations and forecasts have been consistently applied in the preparation of the financial statements for 2021. The Management Board confirms that the laws of the Republic of Latvia have been complied with and that these financial statements have been prepared on a going concern basis.

The Management Board is responsible for keeping proper accounting records and for taking measures for safeguarding the Company's assets and for the prevention and detection of fraud and other irregularities.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The Management Board in accordance with the Group dividend policy and statutory requirements, proposes to distribute to its shareholders a dividend equal to 80% of the distributable reporting period earnings.

[1] Normalised EBITDA (profit from operating activities before interest, taxes, depreciation, amortisation, loss from fixed asset exclusion and dismissal benefits) is reported here as financial ration used in telecommunication industry and widely by investors, although it is not accounting measure and should not be viewed as an alternative for operating profit ad cash flows.

MANAGEMENT REPORT (continued)
RISK MANAGEMENT

Operations of *Citrus Solutions* group are impacted by several risks created by business environment and market in which the Group operates. Major risks which may threaten the *Citrus Solutions* operations in the nearest future are such strategic risks as changes in the development of construction market, construction price increase for subcontractors, price increase for construction materials, supply delivery delays caused by production and logistic global impact, remuneration increase in construction industry, as well as deficit of construction resources, including workforce.

Operational risks are related to abilities to execute large and complicated projects. Financial risk management related to group liquidity, currency exchange rate and interest rate fluctuations and credit risk of partners is based on *Tet* Group financial risk management policy.

The key risks of the COVID -19 pandemic were related to the state of emergency that was declared in Latvia, as a result of which there were significant restrictions on trade, gathering of people, partly people movement, vaccination and other restrictions imposed. Risks associated with COVID -19 included: employees exposed to disease risk (risk related to business continuity), availability of workforce, a potential decrease in customers' ability to pay, restrictions for carrying out duties in person (at premises), delays in project deadlines. Although the circumstance of the pandemic is related with significant uncertainties in the future, the Group continued its operations while adopting to changing circumstances. Covid-19 pandemic did not leave significant impact on the operations of the Group in 2021.

Citrus Solutions performs identification and valuation of risks, develops operating planes to eliminate, decrease or transfer to the third parties' risks, which may negatively impact *Citrus Solutions* property, personnel, finances, or operational ratios. To avoid financial losses in case of occurrence of any of the risks, part of them is covered by insurance. At the moment *Citrus Solutions* has insurance in the areas such as property, interruption of commercial operations, civil liability, construction civil liability and employee insurance.

SUBSEUQUENT EVENTS

After the end of the reporting period in the Republic of Latvia and other many countries restrictions related to Covid-19 spread continue. It cannot be forecasted how the situation may develop and therefore there is economic development uncertainty. Group Management continuously evaluates the situation and considers that the Group will be able to adopt to market changes in crisis and distant work circumstances, as well as has not observed delays of debtor payments.

After the end of the reporting year because of the geo-political events, there is a significant increase in prices of materials, as well as risks related to workforce availability have increased. All European countries have imposed significant sanctions against Russian physical and legal persons; therefore, the Group continues to monitor the requirements and evaluates all subcontractors and potential customers. At the moment of signing the financial statements the impact on transactions and operations from the additionally imposed sanctions is not significant.

FUTURE DEVELOPMENT

In the upcoming years the Group development is related to attracting external customer (outside Tet Group) orders and implementing projects in Latvia and Germany, which will be the main focus of the Group. In 2022 the designing and construction works will continue.

The ability to offer integrated solutions has been the Group's competitive advantage, which will help to sign new contracts with larger added value. In additional high priority will be development of digitalisation within the company and its processes.

On behalf of the Management Board,

Chairman of the Management Board __________________ /Jūlija Zandersone/

30 June 2022

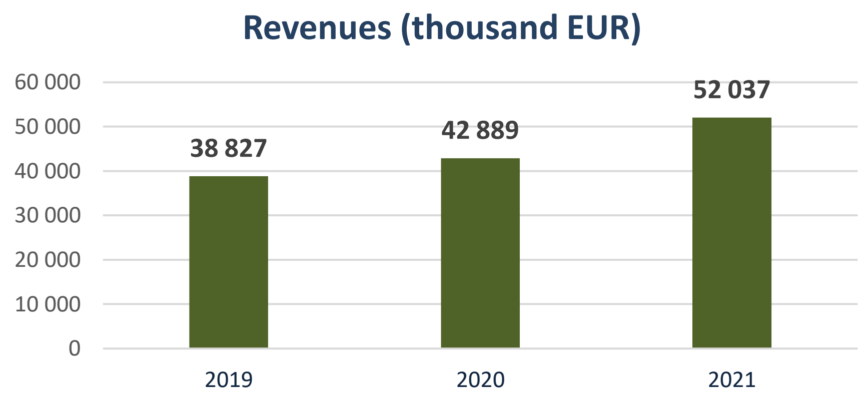
FINANCIAL REVIEW

Introduction

In year 2021 in Latvia, as well as worldwide, the economy development was determined by Covid-19 pandemic, which started in the beginning of the year 2020. For the economics and the public in general it was the second complicated year in the row filled with challenges and accompanied with significant anxiety and uncertainty. After the recession in last year, there was observed a moderate economic growth in year 2021 in Latvia, as well as globally. Economic development forecasts were regularly reviewed and adjusted. The direct support to people and businesses provided by the state for those affected by the crisis was continued in 2021 along with export support activities initiated by the government. The Covid-19 crisis had also a significant impact on labour market in Latvia with increasing unemployment rates in 2020, which stabilised and decreased in 2021. In the reporting year inflation rate has increased, which was influenced by high increase in energy and gas prices and accompanied by a significant rise in average salary levels, particularly in IT industry. Work in various industries was dependent on Covid-19 restrictions and obligations for vaccination certificates and testing. The mostly suffered is the services industry (travel, entertainment, catering).

Revenue

Citrus Solutions Group's revenue in 2021 amounted to EUR 52 million, which in comparison with the previous year is an increase by EUR 9.1 million (See Note 1). In 2021 an increase observed in construction projects in Latvia, as well as significant increase in Germany.



Operational results

In 2021, *Tet* Group's normalized EBITDA[2] was EUR 5.65 million (EUR 3.2 million in 2020). EBITDA profit margin is at 11%. Personnel costs compared to 2020 have decreased by EUR 262.5 thousand. Other operating costs have increased by EUR 6.4 million as a result of increase in direct cost of sales (See Note 3). In 2021, Group's operating profit[3] was EUR 4.8 million (EUR 2.5 million in 2020), which is an increase by 55% as a result of revenues growth.

Financial income and expenses

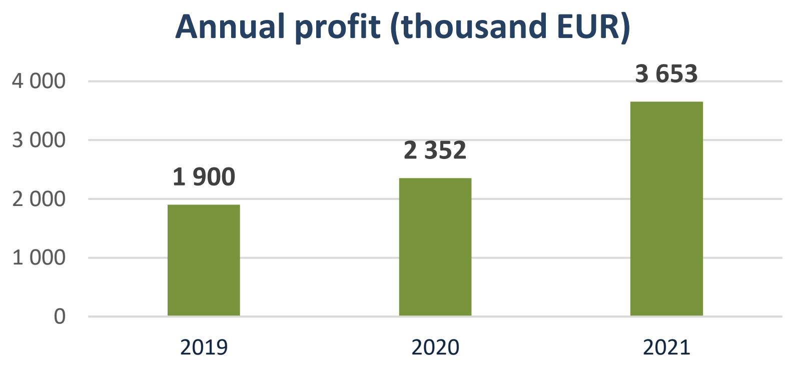
In 2021, Group's net financial expenses were EUR 1.1 thousand (in 2020 – net financial income of EUR 453 thousand). In 2020 there is an income from reversal of penalty cost accruals included in the results.

Annual profit

[2] Normalised EBITDA (earnings before interest, taxes, depreciation and amortisation, gains from disposal of assets, termination benefits and share of results of associates) is referred to in this part of the document as an indicator widely used in the telecommunications industry and known to investors, even though it is not regarded as a generally accepted accounting term and should not be referred to as an alternative term to operating profit and cash flow.

[3] Operating profit – earnings before interest, taxes and revenue from co-participation in the associates.

In 2021, Group's profit constituted EUR 3.6 million, which is an increase by EUR 1.3 million compared to the previous year (EUR 2.4 million in 2020) as a result of the Group growth and an increase of revenues. In 2021, Return of Capital Employed (ROCE[4]) constituted 37% (32% in 2020).



Capital expenditure
In 2021, capital expenditure constituted EUR 566 thousand (EUR 748 thousand in 2020), of which the highest value investments have been made in acquisition of construction equipment.

[4] ROCE (Return On Capital Employed) is shown in percent, measuring profit before tax and interest against average capital employed during the reported year (assets minus current accounts payable and minus long-term liabilities excluding borrowings)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 EUR	2020 EUR
Revenue from contracts with customers	1	52,037,099	42,888,840
Total revenue		**52,037,099**	**42,888,840**
Employee costs	2		
salaries and wages		(8,263,232)	(8,032,916)
contributions in pension fund		(13,529)	(9,887)
social insurance payments		(2,057,733)	(2,004,900)
other social benefits		(490,039)	(514,325)
Other operating expenses	3	(35,561,692)	(29,145,049)
Depreciation, amortisation and impairment loss	7,8,9	(855,191)	(707,133)
Total operating expenses		**(47,241,417)**	**(40,414,210)**
Profit from operating activities		**4,795,682**	**2,474,630**
Finance income	4	9,652	500,269
Finance costs	4	(10,744)	(47,500)
Profit before income tax		**4,794,589**	**2,927,399**
Income tax expense	5	(1,141,456)	(575,548)
Profit for the year		**3,653,133**	**2,351,851**
Total comprehensive income for the year		**3,653,133**	**2,351,851**

The notes from page 13 to 38 form an integral part of these consolidated financial statements.

On behalf of the SIA *Tet* Management Board

Jūlija Zandersone
Chairman of the Management Board

Ilvija Gredzena
Outsourced Accountant

30 June 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2021 EUR	31 December 2020 EUR	1 January 2020 EUR
ASSETS				
Non-current assets				
Intangible assets	7	266, 235	272,369	221,667
Property, plant and equipment	8	1,689,565	1,942,893	1,956,936
Right-of-use assets	9	68,577	10,655	-
Deferred income tax		-	49,655	15,010
Total non-current assets		**2,024,377**	**2,275,572**	**2,193,613**
Current assets				
Inventories	10	2,242,257	1,808,550	2,362,300
Trade receivables from contracts with customers	1,11	6,347,998	9,240,508	8,654,122
Accrued income from contracts with customers	1,11	14,106,890	4,067,485	9,208,633
Prepaid expenses and prepayments	12	1,033,472	247,382	121,996
Cash and cash equivalents	13	1,232,831	1,500,884	375,395
Total current assets		**24,963,448**	**16,864,809**	**20,722,446**
Total assets		**26,987,825**	**19,140,381**	**22,916,059**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		5,070,999	5,070,999	5,070,999
Retained earnings		7,763,426	4,110,293	1,758,442
Total equity		**12,834,425**	**9,181,292**	**6,829,441**
Non-current liabilities				
Deferred income tax liabilities	5	151,541	-	-
5ease liabilities	9	18,556	4,862	-
Total non-current liabilities		**170,097**	**4,862**	**-**
Current liabilities				
Trade and other payables	14	11,492,552	7,795,843	13,625,193
Prepayments from contracts with customers	1,16	179,504	505,704	1,389,769
Deferred income from contracts with customers	1,16	-	5,320	21,049
Lease liabilities	9	49,482	5,793	-
Tax liabilities	17	2,261,765	1,641,567	1,050,607
Total current liabilities		**13,983,303**	**9,954,227**	**16,086,618**
Total equity and liabilities		**26,987,825**	**19,140,381**	**22,916,059**

The notes from page 13 to 38 form an integral part of these consolidated financial statements.

On behalf of the SIA *Tet* Management Board

Jūlija Zandersone
Chairman of the Management Board

Ilvija Gredzena
Outsourced Accountant

30 June 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital EUR	Retained earnings EUR	Total equity EUR
Balance at 1 January 2020		**5,070,999**	**1,758,442**	**6,829,441**
Net profit for the year 2020		-	2,351,851	**2,351,851**
Balance at 31 December 2020		**5,070,999**	**4,110,293**	**9,181,292**
Net profit for the year 2021		-	3,653,133	**3,653,133**
Balance at 31 December 2021		**5,070,999**	**7,763,426**	**12,834,425**

The notes from page 13 to 38 form an integral part of these consolidated financial statements.

On behalf of the SIA *Tet* Management Board

Jūlija Zandersone
Chairman of the Management Board

Ilvija Gredzena
Outsourced Accountant

30 June 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021 EUR	2020 EUR
Operating activities			
Profit before tax		4,794,589	2,927,399
Adjustments for:			
Depreciation and impairment loss	8	703,805	595,222
Amortisation and impairment loss	7,9	151,386	6,325
Interest costs		11,483	50,257
Foreign exchange difference		1,742	2,638
Change in provisions for trade debtors		43,336	(17,851)
Operating profit before working capital changes		5,706,341	3,669,576
Decrease / (Increase) in trade and other receivables		(7,926,666)	4,412,582
Decrease/ (Increase) in inventories		(433,707)	553,750
(Decrease) / Increase in trade and other payables		2,051,298	(775,935)
Cash generated from operations		(602,734)	7,859,973
Corporate income tax paid		(875,337)	(17,641)
Interest paid		(9,002)	(44,862)
Net cash from operating activities		**(1,487,073)**	**7,797,470**
Investing activities			
Purchase of intangible assets and property, plant and equipment		(566,089)	(748,218)
Interest received		9,652	913
Net cash used in investing activities		**(556,437)**	**(747,305)**
Financing activities			
Payment of principal portion of lease liabilities	9	(34,627)	(1,036)
Loans received		6,859,397	3,857,185
Loans payments		(5,047,571)	(9,778,187)
Net cash used in financing activities		**1,777,199**	**(5,922,038)**
Result of foreign exchange rates		**(1,742)**	**(2,638)**
Net increase in cash and cash equivalents		**(268,053)**	**1,125,489**
Cash and cash equivalents at the beginning of the year		1,500,884	375,395
Cash and cash equivalents at the end of the year	13	**1,232,831**	**1,500,884**

The notes from page 13 to 38 form an integral part of these consolidated financial statements.

On behalf of the SIA *Tet* Management Board

Jūlija Zandersone
Chairman of the Management Board

Ilvija Gredzena
Outsourced Accountant

30 June 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF ACCOUNTING POLICIES

(a) Corporate information

The consolidated financial statements of SIA *Citrus Solutions* and its subsidiary (collectively, the Group) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Management Board on 30 June 2022.

The Parent Company's shareholders have the power to amend the consolidated and separate financial statements after the issue.

(b) Basis of preparation / Accounting principles

These consolidated financial statements of *Citrus Solutions* Group for the year ended 31 December 2021 have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Interpretations issued by its International Financial Reporting Interpretations Committee (IFRIC) as endorsed by EU. Consolidated financial statements are prepared in euro currency (EUR).

Citrus Solutions Group consolidated financial statements for the reporting year ended 31 December 2021 has been prepared in accordance with International Financial Reporting Standards for the first time (the first-year adoption).

Changes in accounting policies

The Group has applied all accounting policies in accordance with the all the current IFRS standards in force.

The Group adopted those new / revised standards and interpretations becoming mandatory for financial years beginning on or after 1 January 2021. Taking into account that these financial statements are the first financial statements in accordance with IFRS (the first-year adoption), the new standards and interpretation were applied also for the previous periods.

New / revised standards and interpretations applied in the reporting year and the impact on consolidated financial statements:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2** (effective for annual reporting periods beginning on or after January 1, 2021 with earlier application permitted). The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to *IFRS 7 Financial Instruments: Disclosures* to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The amendments did not have significant impact on Group's financial statements.

- **Amendments to IFRS 16 *Covid-19 Related Rent Concessions*** (effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted). IASB amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The Group performed earlier application of the amendments and accounted changes in lease payments resulting from the Covid-19 related rent concession the same way as these were not lease modifications. There was no impact on Group's financial statements.

There are several new standards, amendments to standards and interpretations (adopted and not adopted by the EU), which are not yet effective for the year ended 31 December 2021 and which have not been applied in preparing these consolidated statements:

- **Amendments to IFRS 3 *Business Combinations*; IAS 16 *Property, Plant and Equipment*; IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Annual Improvements 2018-2020** (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted). The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
    - **Amendments to IFRS 3 *Business Combinations*** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
    - **Amendments to IAS 16 *Property, Plant and Equipment*** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
    - **Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
    - **Annual Improvements 2018-2020** make minor amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture* and the Illustrative Examples accompanying *IFRS 16 Leases.*

The Group considers that the amendments will not have significant impact on Group's financial statements.

- **Amendments to IFRS 10 *Consolidated Financial Statements*** and **IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting; not adopted by the EU). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Group considers that the amendments will not have significant impact on Group's financial statements.

- **Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*** (effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted; not adopted by the EU). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The Group considers that the amendments will not have significant impact on Group's financial statements.

- **Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*** (effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted; not adopted by the EU). The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Group considers that the amendments will not have significant impact on Group's financial statements.

- **Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*** (effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted; not adopted by the EU). The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Group considers that the amendments will not have significant impact on Group's financial statements.

- **Amendments to IAS 12 *Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*** (effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted; not adopted by the EU). Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Group considers that the amendments will not have significant impact on Group's financial statements.

(c) Estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying consolidated financial statements relate to revenue recognition, leases, provision for expected credit losses of trade receivables and contract assets. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement and complexity of estimates is described below.

(i) Determining whether a contract is, or contains, a lease
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group performs analysis and evaluation of all contract aspects to determine whether the contract is a service contract or lease of an asset. The following criteria are considered: (1) asset substitution (the asset is not identified asset if the supplier has a substantive right to substitute the asset), (2) a capacity portion (a portion of a larger asset that is not physically distinct - is not considered an identified asset unless it represents substantially all of the capacity of the entire asset), (3) the right to control the use of an identified asset, including both the right to obtain substantially all of the economic benefits from its use and the right to direct the use for a period of time. The Group has concluded that lease contracts meeting the criteria for lease accounting are transportation lease contracts.

(ii) Provision for expected credit losses (ECL) of trade receivables and contract assets / Allowances for doubtful debts

The Group uses a provision matrix to calculate expected credit losses for trade receivables and contract assets. The provision rates are based on days past due for groupings of different customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates; however, the historical credit loss experience is adjusted with forward-looking information – unemployment rates in the country.

Expected credit losses management is based on the following principles:

i) Full life-time expected credit losses are considered for both trade debtors from contracts with customers, lease debtors, as well as debts from contracts, which contain significant financing component in accordance with IFRS 15;
ii) Forward-looking creditworthiness assessment of debtors is considered (the current unemployment rate and the employment rates in future periods in the country);
iii) Expected credit losses for past due debtors' debts are dependent on specific number of days past due;

iv) Loss allowance is assessed and recognised also for the financial assets, for which there is no evidence for decrease of creditworthiness on specific date (debts, which is not due yet, as well as contract assets – accrued revenues);
v) Expected credit losses for the debts, which are not yet due, as well as for accrued revenues in construction projects are based on total bad debt write-off cost proportion against total sales in previous periods;
vi) Calculation of allowance rates considers also the expected recovered debt amount (within the debt collection process) proportion against the debtors' gross portfolio amounts.

The Group recognised general allowances at debtors' portfolio level for expected credit loss for those debt categories, for which there is no indicators for increase in credit risk. In addition, specific allowances are recognised via assessment of individual customers and their ability to fulfil contract obligations.

Allowance rates for expected credit losses / doubtful debts:

Trade debtors / Contract assets *(overdue days)*	**Not due / Accrued revenues***	**1 - 30**	**31 - 90**	**91 - 180***	**181 - 365**	**> 365**
Allowance (ECL) rates, %, as at 31.12.2020	0,3%	3 %	25%	65%	65%	100%
Allowance (ECL) rates, %, as at 31.12.2021	0,3%	3 %	25%	65%	65%	100%

The year 2021, the same as the year 2020 has witnessed global economic crisis as the result of a pandemic caused by the coronavirus (Covid-19). Due to pandemic in Latvia there was an emergency state introduced for several times and was in force at the end of the reporting period 31.12.2021. The Group evaluated the impact of the pandemic on Groups' customer creditworthiness during the reporting period and possible effects in future. Although the economic environment in Latvia has increased uncertainty, the impact of Covid-19 on Group's operating performance has not been significant. The Group expects that during the year 2022 the situation would not become worse than in the reporting period. The Group assessed that no changes in the expected credit losses model is required.

(d) Basis of consolidation

(i) Subsidiaries
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group: (i) has the power over the investee (existing rights that give it the current ability to direct the relevant activities of the investee), (ii) is exposed, or has rights, to variable returns from its involvement with the investee and (iii) has the ability to affect those returns through its power over the investee. There is a presumption that a majority of voting rights results in control.

Subsidiaries are consolidated from the date on which control is transferred to the Group and until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

(ii) Transactions eliminated on consolidation
The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2021. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currencies

Transactions denominated in foreign currencies are converted into euro at the European Central Bank rate of exchange prevailing on the previous day before the transaction took place. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. At the year-end foreign currency financial assets and liabilities are translated at the European Central Bank rate of exchange, which is in force at 31 December, and all associated exchange differences are dealt with through the income statement.

Exchange rates in the last two years have been:

	2021 as at 31 December	**2020** as at 31 December
USD/EUR	1.1326	1.2271

(f) Intangible assets

Intangible assets comprise of acquired trade names, computer software licences and other licences. Where the software is an integral part of the related hardware that cannot operate without that specific software, computer software is treated as property, plant and equipment.

Initial assessment of useful lives of other intangible assets is made on an individual basis, evaluating the operating period of these assets including assets purchase agreement stipulations and expiration conditions. Useful lives are reassessed annually and changed when necessary to reflect current assessment on their remaining lives considering prospective economic utilisation and other conditions.

Intangible assets are amortised using the straight-line method over their useful lives as follows:

	Useful lives, years
Trade names	3 – 7
Software and licences	3 – 6

Intangible assets are stated at historical cost less accumulated amortisation and any accumulated impairment losses. At the end of each reporting period the evaluation is performed whether any indication for an impairment exists. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount, which is the higher of a fair value less cost to sell and value in use, recognising impairment loss as an expense in the other comprehensive income statement. Assessment of impairment indications is carried out at each end of the reporting period date. In case the impairment indications exist, an impairment test is performed. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash inflows.

Labour costs and licence acquisition costs are initially accumulated in software implementation in progress projects. On the date when item of intangible asset is ready for its intended use, development or acquisition value is reclassified from software implementation in progress to “Software and licences”.

(g) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Asset useful lives are assessed annually and changed when necessary to reflect current assessment on their remaining lives considering technological change, prospective economic utilisation and physical condition of the assets concerned.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the depreciable amount of the assets over their estimated useful lives as follows:

	Useful lives, years
Construction equipment and tools	3 – 10
Other fixed assets	2 – 7

The useful life and residual value of an asset is reviewed at least at each financial year-end. Effect from a change in the estimated useful life of an asset is recognised prospectively by including it in other comprehensive income statement in the current period and future periods.

At the end of each reporting period the evaluation is performed whether any indication for an impairment exists. In case the carrying amount of tangible assets is higher than its forecasted recoverable amount, which is the higher of a fair value less cost to sell and value in use, then the carrying amount of a tangible asset is written down immediately to its recoverable amount, recognising impairment loss as an expense in the other comprehensive income statement. Assessment of impairment indications is carried out at each end of the reporting period date. In case the impairment indications exist, an impairment test is performed. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash inflows.

Gains and losses on disposals of assets are determined by comparing proceeds with the carrying amount and are included in the results from operating activities.

The cost of the construction of property, plant and equipment is determined by the reference to the actual costs incurred to the suppliers and subcontractors as at the end of the reporting period. Labour costs and equipment acquisition costs are initially accumulated in capital work in progress projects. On the date when item of property, plant or equipment is ready for its intended use, development or acquisition value is reclassified from capital work in progress to “Property, plant and equipment”.

(h) Financial instruments

i. Financial assets

Financial assets comprise trade receivables from contracts with customers, cash and cash equivalents.

The Group classifies financial instruments as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, based on both following factors: (i) the Group's business model for managing the financial asset un (ii) the contractual cash flow characteristics of the financial asset.

Financial assets are measured at amortised cost if both conditions are met: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group recognises financial assets in the statement of financial position only then when it becomes the Contract party in accordance with specific conditions of the contract for the instrument.

Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in four categories: (i) Financial assets at amortised cost (debt instruments), (ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments), (iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and (iv) Financial assets at fair value through profit or loss.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group’s financial assets at amortised cost includes trade receivables (both current and non-current).

Derecognition:

A financial asset is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when: (i) the rights to receive cash flows from the asset have expired or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment:

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

- *Trade receivables from contracts with customers (debt instruments)*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional (in addition to the passage of time). The Group's rights to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due) is accounted as receivables.

Trade receivables from contracts with customers, as well as other receivables with no significant financing component (in accordance with IFRS 15), the Group initially recognises at transaction price. Trade receivables from contracts with customers with significant financing component (in accordance with IFRS 15), the Group initially recognises at fair value, to which transaction costs, that are directly attributable to acquisition of financial asset, are added or deducted.

Full life-time expected credit losses are considered for trade debtors from contracts with customers. The Group recognises the allowances for expected credit losses in relation to financial assets measured at amortised cost (refer to the (d) *"Estimates and Judgments"* section).

Cash and Cash equivalents

Cash and cash equivalents comprise current accounts with banks, cash on hand, and short-term deposits with banks. Cash deposits that meet following conditions are considered to be short-term bank deposits:

- the purpose of deposit is cash accumulation and not investment;
- which are convertible into a certain amount of money immediately without significant restrictions and penalties;
- which are exposed to insignificant risk of changes in the value of money;
- for which deposit period is up to 3 months.

(ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

For purposes of subsequent measurement, financial liabilities are classified in two categories: (i) Financial liabilities at fair value through profit or loss and (ii) Financial liabilities at amortised cost (loans and borrowings).

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Group recognises financial liabilities in the statement of financial position only then when it becomes the Contract party in accordance with specific conditions of the contract for the instrument. The Group classifies all liabilities as measured at amortised cost. The Group does not hold the financial liabilities measured at fair value through profit or loss statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(i) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property and Land	2 to 3 years
Motor vehicles	2 years

The right-of-use assets are also subject to impairment. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount, which is the higher of a right-of-use asset's fair value less costs to sell and value in use, recognising impairment loss as an expense in the profit or loss. Assessment of impairment indications is carried out at each end of the reporting period date. In case impairment indications exist, an impairment test is carried out.

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group used both the interest rate implicit in the lease and Group's incremental borrowing rate at the lease commencement date in cases where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

The Group's liabilities for leases are included in "Lease liabilities" (see Note 11).

iii) The incremental borrowing rate
For most of lease contracts the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) and makes several specific estimates (e.g., Group's stand-alone credit rating, lease term).

iv) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of property and land (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not

contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of specific parts of property and land that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

(j) Inventories
Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined by the weighted average cost method for items that are interchangeable. For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The Group performs estimates for calculation of net realisable values for slow-moving and obsolete inventories to determine the loss of decrease in the value of inventories. Typically, net realisable values are determined for each position separately; if it is not possible, then historical experience is used to estimate possible loss.

(k) Contract assets (Deferred expenses from contracts with customers / Prepayments received)
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional (in addition to the passage of time). The Group has deferred expenses from contracts with customers representing costs obtain contracts, as well as prepayments received for services and goods.

(l) Contract liabilities (Customer prepayments / Deferred income from contracts with customers)
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue in profit or loss statement when the Group performs its performance obligations under the contract.

Usually, the Group receives only current advances from customers, which do not exceed 12 months period. However, from time to time the Group may receive from customers non-current advances for specific services. Such advances the Group accounts as Deferred income (contract liabilities from contracts with customers) and recognises gradually in profit or loss statement within all the period of a contract.

(m) Trade payables
Trade payables are initially recognised at fair value and further measured at amortised cost applying the effective interest rate method. Carrying amount of trade payables corresponds to fair value in case the payment periods are relatively short.

(n) Contingent assets and liabilities
Contingent assets are not recognised in the consolidated financial statements but disclosed in the notes when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

(o) Employee benefits

- *Short-term employee benefits*

Short-term employee benefits are recognised as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits.

- *Pension fund*

The Group participates a defined contribution pension plan. The defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to fund all employee benefits relating to employee service in the current and prior years.

Monthly contributions into the non-profit joint stock company *Pirmais Slēgtais Pensiju Fonds* (hereinafter – the Pension Fund) are made based on individual employee's choice within the defined company benefit framework. The Group recognises contributions to a defined contribution plan as an expense when an employee has rendered service.

The Group owns 50% of the shares of Pension Fund. Since the Group is only a nominal shareholder as all risks and benefits arising from its activities will accrue to *Tet's* employees – members of the pension plan. Therefore, the initial investment into the pension fund was recognised as an expense as it did not meet the asset recognition requirements.

(p) Income taxes

Starting from 1 January 2018 legal entities no longer need to pay tax on profit earned for the financial year. Corporate income tax is payable for profits distributed and seemingly distributed. Thereby, under the current legislation, there are no differences arising from asset value calculated for tax purposes and accounting purposes, resulting in recognition of deferred tax asset or liability in the accounts of separate company. Distributed and seemingly distributed profits are taxed at 20% rate from gross taxable amount or 20/80 from net amounts.

Corporate income tax from dividends is recognized in the Statement of Profit and Loss as expenses in the period when dividend distribution is announced but, for other deemed profit distributions – at the moment when expenses have incurred within the financial year. Before dividends are declared no provisions for income tax for dividends are recognised but information about potential liabilities is disclosed in notes to financial statements.

Corporate income tax in Germany is calculated in accordance with the current German tax legislation and is calculated as tax expenses in the respective year of operations. Tax rate depends on the specific region in Germany.

(q) Deferred corporate income tax asset and liabilities

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset was realised, or the liability was settled, based on tax rates that had been enacted or substantively enacted by the balance sheet date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on (1) depreciation of tangible assets while performing review of *Citrus Solutions GmbH* depreciation rates in accordance with the parent company depreciation rates, which are according to IFRS principles, and (2) additionally calculated project revenues and costs in accordance with IFRS 15, since taking into account German legislation provision for revenues are recognised only in the amount of actual costs incurred and not applying percentage of completion method without accruing revenues for the profit component.

(r) Revenue from contracts with customers

The Group operates in construction services industry based on separate customer agreements concluded for each construction object or project.

i. Provision of services

The Group provides construction services and network maintenance services. These services are sold separately usually in the form of projects with a separate customer agreement concluded for each construction object. In case there are both construction and maintenance services included in the agreement, the allocation of transaction price between performance obligations is made based on relative stand-alone selling prices.

- *Revenue from construction services:*

In Construction projects the Group recognises service revenues by reference to the stage of completion. The Group uses an input method in measuring progress of the construction services. Usually, the Group can reliably estimate the outcome of a long–term contract; therefore, contract revenue and contract costs are recognised as revenue and expenses in the profit or loss based on the percentage of completion method at the end of the reporting period date. If the outcome of a long–term contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred and which will be recovered, and the expected profit is not recognised. An expected loss on long–term contracts is recognised as an expense immediately.

- *Revenue from network maintenance services:*

Network maintenance services are provided to customers over time taking into account that customer simultaneously receive and consume the received benefits. Revenue accounting is performed for these services separately for each customer agreement.

Warranty obligations: For construction projects the group separately considers the warranty obligations as a separate performance obligation and accounts separately the expected costs to be incurred during the warranty period agreed in a customer contract. For construction projects the Group recognised the full amount of remuneration at the completion of a project; however, in the statement of financial position there are provisions for future warranty costs accrued.

ii. Sales of goods

For contracts with customers in which the sale of goods is the only performance obligation or sale of goods / equipment is separately defined within the customer contract, revenue recognition occurs at a point in time when control of the asset is transferred to the customer. Generally, this is performed on delivery of the goods.

iii. Significant financing component:

The Group is making assessment and conclusions whether there is a significant financing component in contracts with customers. Significant financing component is assessed in contracts if the total payment period exceeding one year. For these contracts a part off total consideration received from customer is allocated to interest income in the statement of comprehensive income. At the end of the reporting year there are no contracts identified with the significant financing component.

As a practical expedient, the Group chose not to adjust the promised amount of consideration for the effects of a significant financing component for those contracts, where at contract inception, the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service is one year or less.

(s) Earnings per share

Earnings per share are calculated by dividing profit or loss for the year by the weighted-average number of ordinary shares outstanding during the year. The average number of shares in issue during the year is weighted to take into account the timing of the issue of new shares.

(t) Dividends

Dividends are recorded in the financial statements of the Group in the period in which they are approved by the Group's shareholders.

(u) Events after the Reporting Period
The amounts recognised in financial statements are adjusted to reflect events after the reporting period that provide additional information about the Group's position at reporting period (adjusting events). Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

(v) Determination of fair values
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying value of current financial assets and liabilities is assumed to approximate their fair values. Fair value of the remaining financial instruments is estimated by discounting the expected future cash flows to net present values using appropriate prevailing market interest rates available at the end of the period. Market interest rates apply to interest-bearing debt and the book value of these items is regarded as corresponding to their fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTE 1
TOTAL REVENUE

	2021 EUR	2020 EUR
Revenue from cable construction	49,016,167	39,626,513
Revenue from cable maintenance	3,020,932	3,262,327
Total revenue from contracts with customers (1)	**52,037,099**	**42,888,840**

(1) Revenue from construction and maintenance is earned from services in Latvia EUR 24,735,597 and in Germany EUR 27,301,502.

i. Timing of revenue recognition

	2021 EUR	2020 EUR
Goods and services transferred at a point in time	50,478,856	42,379,826
Goods and services transferred over time	1,558,243	509,014
Total	**52,037,099**	**42,888,840**

ii. Contract assets

	31 December 2021 EUR	31 December 2020 EUR	1 January 2020 EUR
Current receivables from contracts with customers (Note 11)	6,311,837	9,221,038	8,654,122
Accrued income from contracts with customers (Note 11)	14,143,051	4,086,955	9,208,633
Total	**20,454,888**	**13,307,993**	**17,862,755**

iii. Contract liabilities

	31 December 2021 EUR	31 December 2020 EUR	1 January 2020 EUR
Prepayment from customer contracts (Note 16)	179,504	505,704	1,389,769
Deferred income from customer contracts (current) (Note 16)	-	5,320	21,049
Accrued warranties	1,163,384	1,685,811	230,299
Total	**1,342,888**	**2,196,835**	**1,641,117**

	2021 EUR	2020 EUR
Balance at 1 January	**2,196,835**	**1,641,117**
Increase in contract liabilities during the year	1,510,446	1,743,288
Contract performance obligations fulfilled during the year (included in profit and loss statement)	2,364,393	1,187,570
Balance at 31 December	**1,342,888**	**2,196,835**

iv. Performance obligations of contracts as at 31 December

Transaction price allocated to remaining performance obligations in future years within contracts with customers for network construction (performance obligations fully or partly not satisfied) as at the end of 2021 amounted to EUR 37,994 thousand (as at the end of 2020: contracts with customers for network construction EUR 16,078 thousand).

NOTE 2
EMPLOYEE COSTS

	2021 EUR	2020 EUR
Salaries and wages	(8,247,810)	(8,011,086)
Social insurance payments	(2,042,685)	(1,991,402)
Termination benefits	(79,295)	(72,832)
Contributions in pension fund	(13,529)	(9,887)
Other benefits	(490,039)	(514,325)
	(10,873,358)	**(10,599,532)**
Capitalised to non-current assets (see Note 9,10b)	48,825	37,504
Total	**(10,824,533)**	**(10,562,028)**

	2021	2020
Number of staff at the end of the year	353	328
Average number of permanent and temporary employees during the year	347	355

Salaries and wages less costs capitalised to non-current assets amount to EUR 48,825 (2020: EUR 37,504).

NOTE 3
OTHER OPERATING EXPENSES

	2021 EUR	2020 EUR
Direct service costs	(32,768,596)	(25,860,932)
Transport costs	(824,157)	(774,911)
General administration expenses	(789,662)	(1,103,140)
Expenses related to short-term lease and lease of low-value assets	(442,225)	(433,147)
IT costs	(315,361)	(309,402)
Property rent and maintenance	(275,309)	(293,730)
Cost of materials	(95,553)	(365,242)
Bad debt expenses	(43,348)	-
Marketing and advertising costs	(7,481)	(6,885)
	(35,561,692)	(29,147,389)
Capitalised to non-current assets (see Note 9,10b)	-	2,340
	(35,561,692)	**(29,145,049)**

NOTE 4
FINANCE INCOME AND FINANCE COSTS

	2021 EUR	2020 EUR
Interest income and other finance income	9,652	913
Reversal of penalty cost accruals	-	499,356
Total	**9,652**	**500,269**

The amount of EUR 9,652 (EUR 913 in 2020) comprises interest income from tax overpayment in Germany.

	2021 EUR	2020 EUR
Interest payments	(8,741)	(47,107)
Interest on lease liabilities	(2,003)	(393)
Total	**(10,744)**	**(47,500)**

NOTE 5
INCOME TAX

	2021 EUR	2020 EUR
Current income tax expense	(940,260)	(610,193)
Deferred tax expense	(201,196)	34,645
Total	**(1,141,456)**	**(575,548)**

Reconciliation of accounting and taxable profit and analysis of the tax charge:

	2021 EUR	2020 EUR
Income tax rate	25%	25%
Accounting profit before tax	**4,794,589**	**2,927,399**
Tax calculated	(1,198,647)	(731,850)
Adjusted for tax effect of:		
- income tax effect from profit taxable with 0% rate in Latvia	260,514	262,132
- income tax effect from a higher income tax rate on profit in Germany	(194,508)	(99,718)
- other corrections	(8,814)	(6,112)
Total	**(1,141,456)**	**(575,548)**
Effective income tax rate	24%	20%

Movement in the deferred income tax account is as follows:

	2021 EUR	2020 EUR
At the beginning of the year	**49,655**	**15,010**
Released to the profit or loss	(201,196)	34,645
At the end of the year	**(151,541)**	**49,655**

Corporate income tax for dividends to be declared in future from the year 2021 profit and which are not included in the profit or loss statement, based on the current legislation, would amount to EUR 260 thousand (as at 31.12.2020 the amount was EUR 262 thousand).

NOTE 6
EARNINGS/DIVIDENDS PER SHARE

	2021	2020
Net profit attributable to ordinary shares	3,653,133	2,351,851
Number of ordinary shares outstanding	5,070,999	5,070,999
Basic and diluted earnings per share for profit for the period (EUR) 31.12.2021.	0.72	0.46

NOTE 7
INTANGIBLE ASSETS

	Software and licences	Software implementation in progress	Total
	EUR	EUR	EUR
At 1 January 2020			
Cost	514,613	8,340	**522,953**
Accumulated amortisation / impairment loss	(301,286)	-	**(301,286)**
Net book value	**213,327**	**8,340**	**221,667**
At 1 January 2020			
Opening net book value	**213,327**	**8,340**	**221,667**
Additions	-	161,644	**161,644**
Transfers	159,584	(159,584)	**-**
Disposals	-	-	**-**
Amortisation	(110,942)	-	**(110,942)**
Closing net book value	**261,969**	**10,400**	**272,369**
At 31 December 2020			
Cost	674,197	10,400	**684,597**
Accumulated amortisation / impairment loss	(412,228)	-	**(412,228)**
Net book value	**261,969**	**10,400**	**272,369**
Year ended 31 December 2020			
Opening net book value	**261, 969**	**10,400**	**272,369**
Additions	-	114,957	**114,957**
Transfers	50,611	(50,611)	**-**
Disposals	(1,826)	-	**(1,826)**
Amortisation	(119,265)	-	**(119,265)**
Closing net book value	**191,489**	**74,746**	**266,235**
At 31 December 2021			
Cost	619,810	74,746	**694,556**
Accumulated amortisation / impairment loss	(428,321)	-	**(428,321)**
Net book value	**191,489**	**74,746**	**266,235**

The additions to Intangible assets include the operating expenses, which are directly attributable to the implementation of software and are capitalised based on the hours spent on those projects. The total amount of expenses capitalised to intangible assets was EUR 48,825 in 2021 (EUR 39,844 in 2020) (see Notes 2,3).

NOTE 8
PROPERTY, PLANT AND EQUIPMENT

	Cable network EUR	Electronic communications equipment EUR	Other assets EUR	Capital work in progress EUR	Total EUR
At 1 January 2020					
Cost	6,963	1,049,244	3,390,145	3,696	**4,450,048**
Accumulated depreciation	(5,389)	(251,791)	(2,235,932)	-	**(2,493,112)**
Net book value	**1,574**	**797,453**	**1,154,213**	**3,696**	**1,956,936**
At 1 January 2020					
Opening net book value	**1,574**	**797,453**	**1,154,213**	**3,696**	**1,956,936**
Additions	-	-	-	586,574	**586,574**
Transfers	-	284,299	271,047	(555,347)	**-**
Disposals	-	(5,073)	(322)	-	**(5,395)**
Depreciation charge and impairment loss	(993)	(278,452)	(315,776)	-	**(595,222)**
Closing net book value	**581**	**798,227**	**1,109,162**	**34,923**	**1,942,893**
At 31 December 2020					
Cost	6,963	1,333,543	3,661,192	34,923	**5,036,621**
Accumulated depreciation	(6,382)	(535,316)	(2,552,030)	-	**(3,093,728)**
Net book value	**581**	**798,227**	**1,109,162**	**34,923**	**1,942,893**
Year ended 31 December 2020					
Opening net book value	**581**	**798,227**	**1,109,162**	**34,923**	**1,942,893**
Additions	-	-	-	451,132	**451,132**
Transfers	38,400	163,781	108,592	(310,774)	**-**
Disposals	-	-	(655)	-	**(655)**
Depreciation charge and impairment loss	(844)	(364,335)	(368,625)	-	**(703,805)**
Closing net book value	**38,137**	**597,673**	**878,474**	**175,281**	**1,689,565**
At 31 December 2021					
Cost	45,363	1,517,021	3,671,995	175,281	**5,409,659**
Accumulated depreciation	(7,226)	(919,348)	(2,793,521)	-	**(3,720,094)**
Net book value	**38,137**	**597,673**	**878,474**	**175,281**	**1,689,565**

(a) Fully depreciated property, plant and equipment
A number of property, plant and equipment items that have been fully depreciated are still used in operations. The total acquisition cost of this property, plant and equipment as at 31 December 2021 amounted to EUR 1 519 156 (EUR 2 123 374 – in 2020).

NOTE 9
LEASES

Group as a lessee
The Group has lease contracts for vehicles. Leases of motor vehicles - 2 years.

NOTE 9
LEASES (continued)

Carrying amounts of right-of-use assets and the movements during the period:

	Motor vehicles EUR	Total EUR
At 1 January 2020	**-**	**-**
Additions	11,624	11,624
Disposals	-	-
Depreciation charge	(969)	(969)
As at 31 December 2020	**10,655**	**10,655**
Additions	90,043	90,043
Disposals	-	-
Depreciation charge	(32,121)	(32,121)
As at 31 December 2021	**68,577**	**68,577**

The carrying amounts of lease liabilities and the movements during the period:

	31.12.2021. EUR	31.12.2020. EUR
At 1 January	**10,655**	**-**
Additions	90,043	11,624
Accretion of interest	1,967	67
Payments	(34,627)	(1,036)
At 31 December	**68,038**	**10,655**
Current	49,482	5,793
Non-current part	18,556	4,862

The following are the amounts recognised in profit or loss:

	31.12.2021. EUR	31.12.2020. EUR
Depreciation expense of right-of-use assets	32,121	969
Expense relating to short-term leases, leases of low-value assets (included in other operating costs, Note 3)	442,225	433,147
Interest expense on lease liabilities	1,967	67
	476,313	**434,183**

The Group had total cash outflows for leases of EUR 713,203 in 2021 (in 2020: EUR 726,605). There are no leases that have not yet commenced as at 31 December 2021 (as at 31 December 2020 no leases that have not yet commenced).

NOTE 10
INVENTORIES

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Cables, wires and other materials	2,320,558	1,902,175	2,447,619
Allowance for impairment of obsolete and slow-moving inventories	(78,301)	(93,625)	(85,319)
Total	**2,242,257**	**1,808,550**	**2,362,300**

Allowance for impairment of obsolete and slow-moving inventories:

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
At the beginning of the year	93,625	85,319	90,574
Charged to profit or loss during the year	7,135	8,306	(4,062)
Written off	(22,459)	-	(1,193)
At the end of the year	**78,301**	**93,625**	**85,319**

NOTE 11
TRADE AND OTHER RECEIVABLES

RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Receivables from contracts with customers	6,492,977	9,358,842	8,753,997
Less: Impairment loss allowance for trade receivables	(144,979)	(118,334)	(99,875)
Total	**6,347,998**	**9,240,508**	**8,654,122**

ACCRUED INCOME FROM CONTRACTS WITH CUSTOMERS

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Accrued income	14,143,051	4,086,955	9,250,145
Less: Impairment loss allowance for trade receivables	(36,161)	(19,470)	(41,512)
Total	**14,106,890**	**4,067,485**	**9,208,633**

Movement on impairment loss allowance for receivables from customer agreements and accrued income from contracts with customers was as follows:

	Collectively impaired 31.12.2021. EUR	Collectively impaired 31.12.2020. EUR	Collectively impaired 01.01.2020. EUR
Balance at 1 January 2021	**137,804**	**141,387**	**169,541**
Charged to profit or loss during the year 2021	43,336	(3,583)	2,610
Debts written-off	-	-	(30,764)
Balance at 31 December 2021	**181,140**	**137,804**	**141,387**

As at 31 December, the ageing structure of current trade receivables is as follows:

	31.12.2021. Gross EUR	31.12.2021. Net EUR	31.12.2020. Gross EUR	31.12.2020. Net EUR
Not due	18,925,146	18,888,985	13,097,443	13,077,972
Overdue less than 30 days	61,329	61,175	203,806	197,692
Overdue 30-90 days	1,420,785	1,415,764	9,249	6,937
Overdue 90-180 days	66,013	66,013	12,281	4,298
Overdue 180-365 days	69,872	5,433	18,959	3,576
Overdue more than 365 days	92,883	17,518	104,059	17,518
Total	**20,636,028**	**20,454,888**	**13,445,797**	**13,307,993**

	01.01.2020. Gross EUR	01.01.2020. Net EUR
Not due	17,949,167	17,830,852
Overdue less than 30 days	9,861	9,565
Overdue 30-90 days	16,369	12,277
Overdue 90-180 days	-	-
Overdue 180-365 days	28,745	10,061
Overdue more than 365 days	-	-
Total	**18,004,142**	**17,862,755**

NOTE 11
TRADE AND OTHER RECEIVABLES (continued)

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable:

	31.12.2021.		31.12.2020.	
	Gross EUR	Net EUR	Gross EUR	Net EUR
Overdue 90-180 days	66,013	66,013	-	-
Overdue 180-365 days	-	-	-	-
Overdue more than 365 days	17,518	17,518	17,518	17,518
Total	**83,531**	**83,531**	**17,518**	**17,518**

NOTE 12
PREPAID EXPENSES AND PREPAYMENTS

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Advance payments of goods and services	878,995	-	-
Rent expenses	79,676	59,551	42,249
Insurance services	53,473	6,323	1,700
Overpaid taxes	21,328	181,108	66,478
Other expenses	-	400	11,569
Total	**1,033,472**	**247,382**	**121,996**

NOTE 13
CASH AND CASH EQUIVALENTS

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Cash at bank and in hand	1, 232,831	1,500,884	375,395
Total	**1,232,831**	**1,500,884**	**375,395**

NOTE 14
TRADE AND OTHER PAYABLES

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Trade payables to providers of goods and services	7,957,444	4,827,766	10,157,151
Accrued liabilities for services received	1,764,533	1,130,063	2,204,680
Accrued liabilities for salaries	1,083,958	1,281,531	740,470
Unused vacations	686,617	556,483	522,892
Total	**11,492,552**	**7,795,843**	**13,625,193**

NOTE 15
BORROWINGS

As at 31 December 2021 and 2020, bank borrowings were not used. As at 31 December 2021 *Citrus Solutions* Group had not entered into credit line agreements with financial institutions (no credit line agreements as at 31 December 2020).

During the reporting period *Citrus Solutions* used credit line from its Parent company *Tet*, which is concluded with until 30 June 2023 and is available in the amount of EUR 5 000 000. Credit line interest rate is tied to interbank one month interest rate EURIBOR. For information regarding the used credit line amount at the end of the reporting year see in Note 19.

Citrus Solutions Group's assets are not pledged as security for loans or available credit facilities.

NOTE 16
PREPAYMENTS FROM CUSTOMERS, OTHER PREPAYMENTS AND DEFERRED INCOME

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Prepayments received from contracts with customers	179,504	505,704	1,389,769
Deferred income from contracts with customer	-	5,320	21,049
Total	**179,504**	**511,024**	**1,410,818**

Prepayments received from contracts with customers represent the advance payments received for cable construction services based on issued advance invoices.

NOTE 17
TAX LIABILITIES

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Corporate income tax	1,186,537	457,026	44,012
Value added tax	711,317	337,406	728,644
Social security tax	238,898	847,036	277,837
Employee resident income tax	124,900	-	-
Duty for business risk	113	99	114
Total	**2,261,765**	**1,641,567**	**1,050,607**

NOTE 18
COMMITMENTS

(a) Capital and inventory purchase commitments
Capital expenditure and inventory purchase contracted for deliveries of equipment and software at the end of the reporting period date (but not yet fulfilled and therefore not recognised in the financial statements) amounted to EUR 29,399 (EUR 154,861 in 2020; 01.01.2020. EUR 324 581).

(b) Guarantees
At the end of 2021 *Citrus Solutions* group received bank guaranties in the amount of EUR 7,483 million from AS *Swedbank, AS SEB Banka, Luminor Bank* and *OP Corporate Bank.*
At the end of 2020 *Citrus Solutions* group received bank guaranties in the amount of EUR 5.472 million from AS *Swedbank, AS SEB Banka, Luminor Bank* and *OP Corporate Bank.*
At 1 January 2020 *Citrus Solutions* group received bank guaranties in the amount of EUR 4.177 million from AS *Swedbank, AS SEB Banka, Luminor Bank* and *OP Corporate Bank.*

NOTE 19
RELATED PARTY TRANSACTIONS

SIA Tet Group owns 100% of the shares of SIA *Citrus Solutions*. SIA *Te*t owns 100% of SIA *Lattelecom*. SIA *Lattelecom* owns 100% of SIA *Baltijas Datoru Akadēmija*, SIA *Helio Media* and SIA *Data Experts*.

The following transactions were carried out with related parties:

a) Sales of services

		2021 EUR	2020 EUR
SIA Tet	(telecommunication network construction and maintenance services)	6,506,575	6,212,017
SIA Data Experts	(telecommunication construction services)	3,080	-
Total		**6,509,655**	**6 ,212,017**

b) Purchases of goods and services

		2021 EUR	2020 EUR
SIA Tet	(rent of property, administrative services)	1,090,982	1,091,073
SIA Lattelecom	(accounting services)	27,096	27,276
SIA Baltijas Datoru Akadēmija	(training services)	5,968	-
Total		**1,124,046**	**1,118,349**

c) Outstanding balances arising from sale/purchase of goods/services

	31.12.2021. EUR	31.12.2020. EUR	01.01.2020. EUR
Receivables from related parties:			
SIA Tet	957,336	1,247,126	607,678
Total	**957,336**	**1,247,126**	**607,678**
Payables to related parties:			
SIA Tet	76,522	212,155	170,117
Loan from SIA Tet	1,811,826	-	3,349,145
Total	**1,888,348**	**22,155**	**3,519,262**

During the reporting period *Citrus Solutions* used credit line from its Parent company *Tet*, which is concluded with until 30 June 2023 and is available in the amount of EUR 5 000 000. At the end of the reporting year the Group has used the credit line in the amount of 1,811,826 EUR.

Regarding outstanding balances to related parties no assets are pledged to secure the debts and liabilities, no warranties are issued or received. The settlement is made in cash. There are no doubtful debts allowances provided for related parties debts.

d) Key management remuneration

	2021 EUR	2020 EUR
Salaries	331,550	301,408
Other benefits	2,503	2,791
Total	**334,053**	**304,199**

Key management remuneration represents payments made during the respective years.

NOTE 20
FINANCIAL RISK MANAGEMENT

Financial risks with respect to the Group's liquidity, currency, interest rate and counter-party credit risk are managed on a centralised basis within the Group.

The Group due to its day-to-day business operations is exposed to financial risks, primarily to currency risk and interest rate risk, which may impact directly the operating results and financial position of the Group companies. The Group hedges risks from foreign currency exchange and interest rate fluctuations through its normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Financial risk management activities are undertaken to support the underlying operating business transactions of the Group, and the Group companies do not undertake any speculative transactions that would increase exposure to currency or interest rate risks.

(a) Liquidity risk
Appropriate treasury policies are in place to ensure that the Group companies have sufficient liquidity and are able to finance their operations without funding constraints. Financing and liquidity risks are reduced by spreading maturities of the borrowings and by maintaining flexibility in funding by keeping credit facilities available.

NOTE 20
FINANCIAL RISK MANAGEMENT (continued)

The management believes that the Group's operating cash flows, available long-term credit facilities and the Group's track record of expanding maturing credit lines will continue to ensure that it has sufficient liquidity.

As at 31 December 2021 and 31 December 2020 external credit lines were not used.

The following table demonstrates contractual maturities of financial liabilities:

	TOTAL EUR	6 months or less EUR	6-12 Months EUR	More than 12 months EUR
As at 31 December 2021				
Trade and other payables	11,492,552	11,492,552	-	-
Lease liabilities	68,038	24,741	24,741	18,556
Total	**11,560,590**	**11,517,293**	**24,741**	**18,556**
As at 31 December 2020				
Trade and other payables	**7,795,843**	**7,795,843**	**-**	**-**
Lease liabilities	**10,655**	**966**	**965**	**4 862**
Total	**7,806,498**	**7,796,809**	**965**	**4,862**
As at 1 January 2020				
Trade and other payables	**13,625,193**	**13,625,193**	**-**	**-**
Lease liabilities	**-**	-	**-**	**-**
Total	**13,625,193**	**13,625,193**	**-**	**-**

(b) Currency risk
The Group companies are exposed to currency risk arising from movements in exchanges rates. Euro is the preferred currency in settlements with foreign business partners. The Group is not significantly exposed to USD and other currencies exchange risk.

The following table demonstrates the sensitivity to a possible change in exchange rates, with all other variables held constant:

As at 31 December 2021	**TOTAL** **EUR**	**EUR** **EUR**	**USD** **EUR**
Financial asset/(liability)			
Cash and cash equivalents	1,232,831	1,204,256	28,575
Trade and other receivables	20,454,888	20,454,888	-
Lease liabilities	(68,038)	(68,038)	-
Trade and other payables	(11 492 552)	(11,492 552)	-
Net statement of the financial position exposure	**10,127,129**	**10,098,554**	**28,575**
Impact to net result if foreign currency had strengthenec (weakened) against EUR by 10%	2,857/(2,857)	-	2,857/(2,857)

As at 31 December 2020	**TOTAL** EUR	**EUR** EUR	**USD** EUR
Financial asset/(liability)			
Cash and cash equivalents	1,500,884	1,500,884	-
Trade and other receivables	13, 307,993	13,307,993	-
Lease liabilities	(10,655)	(10,655)	-
Trade and other payables	(7,795,843)	(7,795,843)	-
Net statement of financial position exposure	**7,002,379**	**7,002,379**	-
Impact to net result if foreign currency had strengthened/ (weakened) against EUR by 10%	-	-	-

NOTE 20
FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk

The Group's is primarily financed from shareholder's equity and cash flows from operating activities. As at 31 December 2021 and 31 December 2020 the Group had not used external bank borrowings.

(d) Credit risk

Financial instruments, which potentially subject the Group to concentrations of credit risk, consist principally of trade receivables (Note 11) and cash at bank. The carrying amount of the above instruments represents the maximum credit exposure of the Group. The Group has policies in place to ensure that sales of products and services are provided to customers with an appropriate credit history. Trade receivables are presented net of allowances for doubtful debts. Counterparties for cash transactions are limited to financial institutions with an appropriate credit standing. The Group closely monitors and limits the amount of credit exposure of the Group companies to any financial institution. The group is moderately exposed to credit risk with respect to customer concentration based on the current number of customers.

The exposure to credit risk for trade and other receivables (current and non-current), which are financial instruments, by geographic region was:

	31.12.2021. **EUR**	**31.12.2020.** **EUR**
Latvia	11,777,597	8,120,262
Germany	8,858,431	5,320,618
Denmark	-	4,917
Less: Impairment loss allowance for trade and other receivables	(181,140)	(137,804)
Total	**20,454,888**	**13,307,993**

Maximum exposure to credit risk for trade and other receivables (current and non-current), which are financial instruments by type of counterparty:

	31.12.2021. **EUR**	**31.12.2020.** **EUR**
Corporate customers	20,636,028	13,445,797
Less: Impairment loss allowance for trade and other receivables	(181,140)	(137,804)
Total	**20,454,888**	**13,307,993**

The maximum exposure to credit risk for financial instruments:

	31.12.2021.		**31.12.2020.**	
	Gross **EUR**	**Net** **EUR**	**Gross** **EUR**	**Net** **EUR**
Neither past due nor impaired				
Trade and other receivables	18,925,147	18,888,986	13,097,443	13,077,972
Cash at bank and in hand	1,232,831	1,232,831	1,500,884	1,500,884
Total	**20,157,978**	**20,121,817**	**14,598,327**	**14,578,856**
Past due and impaired				
Trade and other receivables	1,710,881	1,565,902	348,354	230,021
Total	**21,868,859**	**21,687,719**	**14,946,681**	**14,808,877**

(e) Market risk

The Group is exposed to relatively minor market risk, which occurs as risk of loss due to changes in market prices. Market risk impact the financial results in cases if sales of goods or services is performed for fixed prices, but purchase prices for goods and services are variable. The Group holds the required level of balances of goods for sales in stock in warehouses. The Group's exposure to market price risk is observed mainly in relation to fluctuating metal, energy resource, fuel and other material prices, and for such risk management purposes the Group uses fixed-price material delivery contracts.

NOTE 21
CAPITAL MANAGEMENT

Tet Group's goal is to maximise the shareholders' value by maintaining a strong capital base to sustain creditor, customer and market confidence and future development of the business. The Group performs capital management by monitoring the return on capital employed (ROCE).

The Group's target ROCE for 2021 was 37% (32% in 2020). The actual capital expenditures amounted to EUR 566 thousand (EUR 748 thousand in 2020).

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTE 22
FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31.12.2021. EUR		**31.12.2020. EUR**	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	1,232,831	1,232,831	1,500,884	1,500,884
Trade and other accounts receivables, net	20,454,888	20,454,888	13,307,993	13,307,993
Trade and other payables	(11,492,552)	(11,492,552)	(7,795,843)	(7,795,843)

Group management has performed assessment that fair values of cash and short-term deposits, receivables, payables and other current liabilities are close to their accounting values, considering the short-term nature of most of these financial instruments. Fair value of financial assets and financial liabilities is the price, for which it is possible to sell asset, or which can be paid for transfer of liabilities, based on an orderly transaction between market participants at the measurement date. There were no transfers between levels during the reporting period and they are classified in Level 3.

NOTE 23
EVENTS AFTER THE REPORTING PERIOD

After the end of the financial year in the Republic of Latvia and many other countries restrictions related to spread of Covid-19 continue to be in place, which significantly decreases economic development in the country and globally. It is not predictable how the situation would develop in the future and thus uncertainty exists in relation to the development of economy. Group Management believes that after the end of the financial reporting date Covid-19 pandemic would not significantly impact Group operations. The basis for this assumption is the information available at the date of signing of the financial reports, as a result the impact of upcoming events on Group operations in future may differ from Group Management assessment. Still Group Management will proceed to evaluate the situation continuously and believes that will be able to adopt it operations also in the circumstances of crisis and certain restrictions.

After the end of the reporting year because of the geo-political events, there is a significant increase in prices of materials, as well as risks related to workforce availability have increased. All European countries have imposed significant sanctions against Russian physical and legal persons; therefore, the Group continues to monitor the requirements and evaluates all subcontractors and potential customers. At the moment of signing the financial statements the impact on transactions and operations from the additionally imposed sanctions is not significant.

There have been no other events from the last day of the reporting period until the date of signing of these financial statements, as a result of which there should be adjustments made in these financial statements or which should be described in these financial statements.

Chairman of the Board ________________________________ /Jūlija Zandersone/

Outsourced accountant __________________________________/Ilvija Gredzena/

30 June 2022

Grant Thornton

INDEPENDENT AUDITORS' REPORT

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To the shareholder of "Citrus Solutions" SIA

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SIA "Citrus Solutions" ("the Company") and its subsidiaries ("the Group") set out on pages 9 to 38 of the accompanying consolidated annual report, which comprise:

- the consolidated balance sheet as at 31 December 2021,
- the consolidated profit and loss statement for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of SIA "Citrus Solutions" and its subsidiaries as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended 31 December 2019 and for the year ended 31 December 2020 were not audited.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Group, as set out on page 3 of the accompanying Consolidated Annual Report,
- the Management Report, as set out on pages 4 to 8 of the accompanying Consolidated Annual Report.

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

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

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

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

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

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

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

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

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

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

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

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

SIA „Grant Thornton Baltic Audit"
License No. 183

Silvija Gulbe
Member of the Board

Raivis Irbītis
Sworn auditor
Certificate No. 205

Riga, 30 June 2022