

Limited liability company *Citrus Solutions*
(SIA *Citrus Solutions*)
(Registration number 50003752271)

ANNUAL REPORT 2022

(PREPARED IN ACCORDANCE WITH THE REPUBLIC OF LATVIA LAW
ON THE ANNUAL FINANCIAL STATEMENTS
AND CONSOLIDATED FINANCIAL STATEMENTS)

Riga, 2023

This version of financial statements is a translation copy from the original, which was prepared in Latvian (“Translation from Latvia” copy) and should be used only for informative purpose

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COMPANY DATA

Company name:	Citrus Solutions
Legal status:	Limited liability company
Registration number, date and place of registration:	500003752271, 28 June 2005, Riga
Address:	105 Dzirnavu Street, Riga, LV-1011, Latvia
Shareholders:	SIA <i>Tet</i> (100%) Dzirnavu iela 105, Rīga LV-1011, Latvija Reģ. Nr. 40003052786
Management Board member names, surnames, positions:	Jūlija Zandersone – Chairman (from 01.07.2017.) Raimonds Gerbis- Member (from 22.03.2015.) Kārlis Kostjukova- Member (from 02.01.2019.)
Accountant	Ilvija Gredzena – SIA <i>Lattelecom</i> Manager of accounting department
Reporting period:	1 January 2022 – 31 December 2022
Auditors:	SIA „SIA „Ernst & Young Baltic” Licence No.17 Legal address 1a Muitas street, Riga, LV-1010, Latvia Certified auditor in charge: Diāna Krišjāne Certified auditor licence No. 124

MANAGEMENT REPORT

The Management Board of SIA *Citrus Solutions* (hereinafter – *Citrus Solutions* or the Company) presents the management report for the financial year ended on 31 December 2022.

BUSINESS OVERVIEW

Citrus Solutions principal activities are construction, design, and maintenance.

Since 2005 the Company has been registered as the construction merchant, the number in the Register 0095-R, which allows the Company to operate in several construction areas. There are 65 certified specialists working in the Company. The Company holds active the 1st (the highest) construction merchant qualification category (class).

Since 2006 the *Industrial Security Certificate* has been issued to the Company, which certifies the Company's rights in its commercial activities to perform works containing the state secrets, classified information of international organisations or foreign institutions, as well as confirms the Company's abilities to provide protection of such information. The management system in *Citrus Solutions* has been certified in conformity with three internationally recognised standards – ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 requirements.

SHARE CAPITAL

In 2022 *Citrus Solutions* share capital is EUR 5 070 999. It consists of 5 070 999 shares with the nominal value of EUR 1 each. SIA *Tet* holds 100% of the share capital of *Citrus Solutions*.

FOREIGN COMPANY BRANCHES

In 2022 the Company continues its operations of the branch in Germany.

PARTICIPATION IN ASSOCIATIONS

For the participation in municipality procurement in 2022 there were two associations established for the construction of optical network in Germany together with the group company *Citrus Solutions GmbH*: Association "Citrus Angeln" and Association "Citrus Gifhorn".

SHAREHOLDING IN OTHER COMPANIES

Citrus Solutions holds 100% of the share capital of *Citrus Solutions GmbH* and 1.85% of shares of *Pirmais slēgtais pensiju fonds*. The Company is a nominal *Pirmais slēgtais pensiju fonds* shareholder, all operational risks and gains from the pension fund are owned by *Citrus Solutions* employees – participants of pension programmes.

To strengthen operations of its subsidiary *Citrus Solutions GmbH* in Germany, the Company in 2022 made the contribution in its share capital in the amount of EUR 3,475 million. As a result of this contribution the share capital of the subsidiary at the end of 2022 amount to EUR 5,0 million.

OPERATIONAL RESULTS

Compared to the year 2021, *Citrus Solutions* net turnover in the reporting year has doubled reaching EUR 57,923 million.

In 2022, the main projects of *Citrus Solutions* carried out were: the design, construction and equipping of Phase One of the Latvian-Belarusian border (commissioned by VAS "Valsts nekustamie īpašumi"); reconstruction of the building of the Embassy of the Republic of Latvia (commissioned by VAS "Valsts nekustamie īpašumi"); the design and installation of internal technical networks of the Novira Plaza business centre (commissioned by SIA "Moduls Engineering"); the design and construction of internal technical networks and security systems of the Preses Nams business centre (the contracting entity being SIA "UPB Nams"); the design and construction of electronic communication networks of "Rail Baltica" Riga railway bridge, railway embankment and Riga Central Station (the contracting entity

being general partnership Bererix); the construction of optical networks in several municipalities in Germany; the construction of a new building for the Mauriņa Clinic for Vein and Laser Medicine (commissioned by SIA "Flebomedika"); the design, construction and maintenance of networks (commissioned by SIA "Tet").

Citrus Solutions normalised EBITDA¹ profit in 2022 amounted to EUR 5,631 million, EBITDA profit margin was 9,6 %.

Due to the war in Ukraine caused by Russia in 2022 the Company faced a significant cost increase for materials and workforce. Despite this the Company has managed to neutralise successfully the impact via applying cost indexation mechanisms in the concluded contracts, as well as via fixing the prices for materials.

In 2022 *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. The Company continues to develop BIM usage skills and processes.

The capital expenditure in the reporting year reached EUR 0,654 million, which were used to update construction tools and improve information technologies. In 2022 in various taxes in Latvia there were EUR 5,605 million paid, including repaid tax amounts.

Overall financial results of the Company were affected by the successful execution of the largest projects and their results. In 2022 the company received dividends from its German subsidiary *Citrus Solutions GmbH* in the amount of EUR 3,881 million and closed the year with net profit of EUR 8,318 million.

CORPORATE MANAGEMENT

According to the Commercial Law, the 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 Company Shareholder Meeting and the Management Board.

In 2022 the Management Board member responsibilities were 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 is responsible for the preparation of Company financial statements based on the Company 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.

¹ 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.

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 2022. 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 *Tet* Group dividend policy and statutory requirements, proposes to distribute to its shareholders a dividend equal to 100% of the distributable reporting period earnings.

RISK MANAGEMENT

Operations of *Citrus Solutions* group are impacted by several risks created by business environment and market in which the Company 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 construction materials, supply delivery delays caused by production and logistic global impact, remuneration increase in construction industry, as well as deficit of construction resources.

Operational risks are related to abilities to execute large and complicated projects. Financial risk management related to the Company 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, because 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 Company continued its operations while adopting to changing circumstances. Covid-19 pandemic did not leave significant impact on the operations of the Group in 2022.

In relation to the war in Ukraine caused by Russia, in 2022 the Company faced significant cost increase for materials and workforce. The Company is able to control successfully and decrease this risk via applying cost indexation mechanisms, as well as via fixing material prices and in new projects creating reserves for price increase.

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 areas such as property, interruption of commercial operations, civil liability, construction civil liability and employee insurance.

SUBSEQUENT EVENTS

With decreasing risks of restrictions caused by Covid-19 outspread, other risks and threats have appeared related to the war in Ukraine caused by Russia, as a result of which still there is economic development uncertainty. The Company Management continuously evaluates the situation and considers that the Company will be able to adopt to market changes in crisis and distant work circumstances, as well as has not observed delays of debtor payments.

COMPANY FUTURE DEVELOPMENT

In the upcoming years the Company 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 Company. In 2023 the designing and construction works will be actively continued.

The ability to offer integrated solutions has been the Company's competitive advantage, which will also further help to sign new contracts with larger added value. In addition 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/

INCOME STATEMENT

(according to the period cost assessment method)

	Note	2022 EUR	2021 EUR
NET TURNOVER	1	57,923,211	29,227,291
a) from construction services		57,422,313	27,922,479
b) from other services		500,898	1,304,812
Costs capitalised as part of non-current assets	2	-	48,825
Other income	3	720,246	490,144
Material costs:			
a) costs of raw materials;		(557,268)	(1,051,117)
b) other external costs		(51,818)	(61,015)
		(609,086)	(1,112,132)
Employee costs			
a) salaries and wages		(8,694,319)	(6,892,907)
b) pensions		(13,474)	(13,529)
c) social insurance payments		(2,048,469)	(1,625,119)
d) other social insurance costs		(201,924)	(197,988)
		(10,958,186)	(8,729,543)
Write-off of assets			
a) depreciation of fixed assets and amortisation of intangible assets	8,9	(345,833)	(262,754)
b) current assets written off in excess of normal write-offs	4	(76,794)	(7,274)
Other operating costs	5	(41,427,211)	(18,618,826)
Income from:			
a) subsidiaries		3,881,128	-
Other interest received and similar income from:			
a) other persons		-	9,6529
Interest paid and similar expenses to other			
a) related parties	6	(80,644)	(3,329)
PROFIT BEFORE TAX		9,026,831	1,042,054
Corporate income tax	7	(709,062)	(30,129)
NET PROFIT		8,317,769	1,011,925

The notes form an integral part of these financial statements.

On behalf of the Management Board

 Jūlija Zandersone
 Chairman of the Board

 Ilvija Gredzena
 Accountant

BALANCE SHEET

ASSETS	Note	31 December 2022 EUR	31 December 2021 EUR
NON-CURRENT INVESTMENTS			
Intangible assets			
Other intangible assets		494,185	255,506
Total intangible assets	8	494,185	255,506
Property, plant and equipment			
Land, building and construction		34,979	38,137
Plant and machinery		869	1,286
Other fixed assets		281,358	226,166
Fixed assets under construction		193,149	175,281
Total property, plant and equipment	9	510,355	440,870
Non-current financial assets			
Investment in subsidiaries	10	5,000,000	1,525,000
Total non-current financial assets		5,000,000	1,525,000
Total non-current investments		6,004,540	2,221,376
CURRENT ASSETS			
Inventories			
Raw materials and consumables		1,962,383	1,098,735
Advance payments		825,521	125,451
Total inventories	11	2,787,904	1,224,186
Accounts receivable			
Trade receivables	12	2,787,763	2,731,516
Trade receivables from related parties	21	1,476,465	1,760,300
Other receivables	13	740,568	352,635
Deferred expenses		198,889	17,635
Accrued income	14	30,541,481	9,464,948
Total accounts receivable		35,745,166	14,327,034
Cash and cash equivalents	15	1,696,515	742,882
Total current assets		40,229,585	16,294,102
TOTAL ASSETS		46,234,125	18,515,478

The notes form an integral part of these financial statements.

On behalf of the Management Board

 Jūlija Zandersone
 Chairman of the Board

 Ilvija Gredzena
 Accountant

BALANCE SHEET

EQUITY AND LIABILITIES	Note	31 December 2022 EUR	31 December 2021 EUR
EQUITY			
Share capital	16	5,070,999	5,070,999
Retained earnings from previous years		700,854	2,492,346
Current year profit		8,317,769	2,492,346
Total equity		14,089,622	8,575,270
Provisions			
Other provisions	17	270,297	246,353
Total provisions		270,297	246,353
LIABILITIES			
CURRENT LIABILITIES			
Prepayments from customers		8,828,428	179,505
Trade payables	18	5,297,277	2,323,417
Trade payables to related parties	21	11,365,333	734,018
Tax and social security payments	19	1,313,644	1,075,274
Other payables		9,041	6,880
Accrued liabilities	20	5,060,483	5,374,761
Total current liabilities		31,874,206	9,693,855
TOTAL EQUITY AND LIABILITIES		46,234,125	18,515,478

The notes on form an integral part of these financial statements.

On behalf of the Management Board

 Jūlija Zandersone
 Chairman of the Board

 Ilvija Gredzena
 Accountant

STATEMENT OF CHANGES IN EQUITY

	Share capital EUR	Retained earnings EUR	Total EUR
Balance at 31 December 2020	5,070,999	2,492,346	7,563,345
Net profit for the year	-	1,011,925	1,011,925
Balance at 31 December 2021	5,070,999	3,504,271	8,575,270
Net profit for the year	-	8,317,769	8,317,769
Dividends paid	-	(2,803,417)	(2,803,417)
Balance at 31 December 2022	5,070,999	9,018,623	14,089,622

The notes on form an integral part of these financial statements.

On behalf of the Management Board

Jūlija Zandersone
Chairman of the Board

Ilvija Gredzena
Accountant

CASH FLOW STATEMENT

	2022	2021
	EUR	EUR
Cash flow from operating activities		
Profit before tax	9,026,831	1,042,054
Adjustments for:		
- depreciation	9 147,309	152,614
- amortisation	8 198,524	110,140
- changes in provisions	17 23,944	27,613
- foreign exchange difference	(14,457)	(1,742)
- income from subsidiaries and associated companies	(3,881,128)	-
- interest income and similar income	5, 3 (8,422)	3,552
- interest costs and similar costs	6 66,188	1,586
Profit from operating activities before changes in working capital	5,558,789	1,335,817
Decrease /(increase) in accounts receivable	(21,415,791)	(5,931,127)
Decrease/(increase) in inventory and long-term assets held for sale	(1,563,718)	(210,698)
(Decrease)/increase in trade accounts payable	11,399,707	3,992,129
Cash generated from operating activities	6,021,013	813,879
Interest costs paid	(66,188)	(1,586)
Income tax paid	19 (709,062)	(30,129)
Net cash from operating activities	(6,796,263)	(845,594)
Cash flow from investing activities		
Purchase of shares in subsidiaries, associates or other companies	(3,475,000)	-
Purchase of intangible assets and fixed assets	(654,005)	(340,608)
Proceeds from sale of property, plant, equipment and investments	8,430	-
Dividends received	3,881,128	-
Cash flow from investing activities	(239,447)	(340,608)
Cash flow from financing activities		
Received borrowings	17,160,456	2,628,707
Expenses for repayment of borrowings	(6,382,153)	(2,191,937)
Dividends paid	(2,803,417)	-
Net cash flow from financing activities	7,974,886	436,770
Foreign exchange difference	14,457	1,742
Net increase in cash and cash equivalents	953,633	(747,690)
Cash and cash equivalents at the beginning of the year	742,882	1,490,572
Cash and cash equivalents at the end of the year	1,696,515	742,882

The notes on form an integral part of these financial statements.

On behalf of the Management Board

 Jūlija Zandersone
 Chief Executive Officer

 Ilvija Gredzena
 Accountant

Notes to the Financial Statements

Accounting policies

BASIC INFORMATION

A limited liability company *Citrus Solutions* (further *Citrus Solutions* or Company) established and registered in the Company Register of Latvia on 28 June 2005 with registration number 50003752271, legal address Dzirnavu street 105, Riga. The parent company is SIA *Tet*, which holds 100% of the Company share capital. *Citrus Solutions* principal activities are construction and maintenance services of telecommunication infrastructure for business customers. The number of employees of *Citrus Solutions* at the end of the reporting year was 335.

The parent company preparing consolidated annual report and including also its subsidiary, is SIA *Tet* with registration number 40003052786, Dzirnavu street, 105, Riga, LV-1011. Consolidated annual report copies are available in SIA *Tet* web page: <https://www.tet.lv/par-tet/par-mums/gada-parskati>.

ACCOUNTING AND VALUATION PRINCIPLES

Basis of preparation of financial statements

Annual accounts of the company have been prepared in accordance with laws *Law On Accounting* and *Law On the Annual Financial Statements and Consolidated Financial Statements*. The Company is the subsidiary of *Tet* group and Group consolidated financial statements are prepared in accordance with International Financial Reporting standards.

The financial statements are prepared under the historical cost convention principle.

All amounts shown in these financial statements are presented in euro (EUR) unless stated differently.

Reporting period is calendar year. Balances disclosed as at 31 December 2022 reflect the position as at the close of business on that date.

The income statement has been prepared according to the period cost assessment method.

The cash flow statement has been prepared in accordance with the indirect method.

Non-current line items include amounts expected to be received, paid or written-off after more than twelve months from the end of reporting period. Amounts expected to be received, paid or written-off within twelve months are disclosed as current assets and liabilities.

In accordance with the criteria specified in the law the Company is a medium-size company.

The law defines additional relieves for small and medium companies in preparation of financial statements, but also prescribes that financial statements should present true and fair view of the Company financial position and profit or losses, but for medium and large companies – also of cash flows.

Accounting principles applied

Financial statement line items are disclosed based on following accounting principles:

- a) ability to continue as a going concern;
- b) the same measurement methods used as in previous period;
- c) measurement performed with appropriate caution:
 - financial statements include profits earned only till the balance sheet date;
 - all risks and losses incurred during reporting year or earlier are considered, even if they have appeared in the time period during balance sheet date and date of financial statements preparation;
 - all expected risk amounts and losses are taken into account, which have occurred during reporting and previous years, also in cases, when they have become known during the period between the balance sheet date and the date of preparation of the annual report;
 - all value impairment and amortisation amounts have been calculated and included disregarding the fact whether the result of reporting year is profit or loss;

Accounting policies (continued)

- d) revenues and expenses which relate to the reporting period are included disregarding payment received and invoice issue and received dates. Income and expenses regarding the same transaction are included in the same reporting period.
- e) assets and liabilities measured independently/have not been offset;
- f) reporting period balance sheet beginning values conform to comparing period balance sheet end values;
- g) there have been disclosed all items, which materially affect decisions and judgements that may be made by users of financial statements, immaterial items are disclosed summarized and their details are disclosed additionally in the notes of the financial statements;
- h) transactions of the reporting period disclosed considering their economic matters not the legal form.

Relief from duty to prepare consolidated financial statements

In accordance with *Law On the Annual Financial Statements and Consolidated Financial Statements* requirements the Company has been released from the duty of preparing consolidated financial statements in case it is simultaneously the subsidiary of other Group and its Parent company with 100% shareholding is the company registered in the Republic of Latvia, which prepares the consolidated annual report.

Related parties

Parent company and its subsidiaries are considered to be related parties, as well as other entities, which could materially affect Company's transactions.

Other related parties comprise top management and their close family members, and those entities in which these persons have control or material influence.

Foreign currencies

Transactions denominated in foreign currencies are converted into euro at the European Central Bank (further – ECB) rate of exchange prevailing in the beginning of the day when the transaction took place, but of the last available exchange rate used for accounting in case the date of transaction is a working day in Latvia, but there is no published foreign exchange rate due to the fact that in accordance with the calendar of the exchange rate publication source, the transaction day is a holiday. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

At the year-end foreign currency financial assets and liabilities are translated at the ECB rate of exchange, which is in force at the last day of the reporting year, and all associated exchange differences are accounted through the income statement.

Exchange rates of currencies, in which Company has had transactions:

	2022	2021
	As at 31 December	As at 31 December
USD	1.066	1.1326

Intangible assets

Intangible assets comprise trademarks, computer software licences, capitalised staff costs and the related costs of services for the software implementation. 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.

Intangible assets are stated at historical cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over their useful lives (3-5 years).

At each balance-sheet date the review for impairment is carried out to evaluate whether any indication for impairment of an asset exists.

Accounting policies (continued)

The recoverable amount of an intangible asset not yet available for use is measured 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 flows.

If the carrying amount of any intangible asset is greater than its expected recoverable amount, which is the higher of an asset's net selling price and value in use, then the carrying amount is immediately decreased down to recoverable amount with the difference included in the profit or loss statement.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation of tangible property, plant and equipment is calculated using the straight-line method to write off the costs of each asset to their residual values over their estimated useful lives as follows:

	<u>Useful lives, years</u>
Buildings	7
Energy equipment	10
Other fixed assets	3 – 5

The useful life 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 a profit or loss in the current period and future periods.

If the carrying amount of an asset is greater than its estimated recoverable amount, which is the higher of an asset's net selling price and value in use, it is written down immediately to its recoverable amount with the difference included in the profit or loss statement.

Current repair and maintenance costs are included in the profit or loss statement in the year when occurred.

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

Construction costs of fixed assets and unfinished construction object costs are accounted at initial acquisition costs. Acquisition costs include construction costs and other direct costs. Unfinished construction assets are not depreciated until respective assets are completed and put into operation.

Investments in subsidiaries

Investments in subsidiaries (implying in companies, in which the Company holds more than 50% of the share capital or it otherwise has the power to exercise control) are accounted at initial acquisition cost. After initial recognition investments in subsidiaries are accounted at historical cost less accumulated impairment cost. If any events or circumstances indicate that any impairment exist at the balance sheet date, the value of the respective investment in subsidiary, is reviewed to assess impairment.

Accounting of lease contracts

Leases of assets under which the lessee assumes substantially all the benefits and risks of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) A company is a lessor

When assets are leased out under an operating lease, income from operating leases is recognised in the income statement on a straight-line basis over the lease term. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset and recognised as expense over the lease term on the same basis as the lease income.

If a company is a financial lessor, it reflects the asset in the balance sheet as a receivable at an amount equal to the present value of the lease payments. Lease income is recognised over the term of the lease on the basis of constant periodic rate of return.

Accounting policies (continued)

(ii) A company is a lessee

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

If company is a financial lessee, it recognises in the balance sheet the fixed asset, as well as liabilities measured as the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest rate on the balance of liability outstanding. The interest cost is charged to the income statement over the lease period. The fixed asset acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined applying FIFO accounting method. Inventories are accounting in accordance with their purchase costs using "First in – First-out" principle. In case net realisable value of inventories is lower than acquisition cost, allowance for impairment is accrued down to net realisable value.

Trade receivables

Receivables are composed of amounts with payment period less than one year and which in the balance sheet are disclosed less allowances for bad and doubtful debtors. Allowances for doubtful receivables are recognised in cases when Company management believes that recovery of receivables is doubtful.

Allowances for doubtful receivables are calculated based on the information on financial position of individual debtors and a possibility for debt recovery, as well as by performing ageing analysis of receivables. Allowances for individual debtors are made in cases when there is objective evidence of a dispute or an inability to pay, including cases, when contracts with customers have been terminated. General allowances for doubtful accounts receivable are calculated based on ageing analysis.

The Company applies the following allowance rates:

Debt, (in delay days)	Not delayed	1 - 30	31 - 90	91 - 180	181 - 365	> 365
Impairment rate, %	0.3	3	25	65	65	100

In accordance with Group policy, impairment rates for doubtful debt allowances are reviewed each year.

Bad debts are written-off when their recoverability is considered to be impossible.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts with banks, cash on hand, and short-term deposits with banks not exceeding three months.

Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received less directly attributable transaction costs. During further periods borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement as interest income/expense when the liabilities are derecognised through the amortisation process. The part of outstanding amount, which is due after more than 12 months, is included in non-current liabilities.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the reliable estimate of the amount of the obligation can be made.

Provisions are measured in the balance sheet at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are used only for expenditures for which the provisions were originally recognised and are reversed if an outflow of resources is no longer probable.

Accounting policies (continued)

At the end of the reporting year there are provisions recognised for warranty repair works, based on evaluation of the conditions concluded in the customer agreements and respective projects. Provisions are recognised in the amount of specific percentage from the income of executed project for the specific warranty period agreed in the customer contract. The percentage number of provisions is determined based on the Company historic experience in similar projects and other available information.

Accrued liabilities

Accrued liabilities are recognised only for certain amounts that are owed to the suppliers for the goods and services received during the reporting year when at the end of the reporting year there is no invoice received.

At the end of reporting period there are recognised accrued liabilities for unused vacations, accrued expenses for bonuses, termination benefits and other liabilities for services received in the reporting period. Accruals for unused vacations are calculated in accordance with the number of vacation days unused as at 31 December and the average day remuneration. Provisions for employee bonuses are made based on estimated level of achievement of the corporate and individual targets according to the company's bonus scheme. Termination benefits are accrued based on rates agreed with Trade union, taking into account annual remuneration and time worked within the Company. Accrued liabilities for vacations, bonuses and termination benefits include social security contributions payable by the Company.

Contingent liabilities and assets

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. Contingent assets are not recognised in the financial statements but disclosed in the notes when an inflow of economic benefits is probable.

Pension fund

The contribution amount to be paid into pension fund within specific limits is chosen by each employee independently.

Contributions into pension fund are accounted as costs in the period when a respective employee has provided services agreed in the employment contract.

The Company owns 1,85% of the shares of AS *Pirmais Slēgtais Pensiju Fonds*; however, the Company is only a nominal shareholder. Contribution in pension fund shares was written-off at the moment of occurrence of costs, since all risks and benefits arising from its activities are owned only by members of the pension plan - the Company employees.

Corporate income tax

In accordance with the Republic of Latvia "*Law On Corporate Income tax*" the corporate income tax by legal persons are payable on distributed profits and conditionally distributed profits. To distributed profits and conditionally distributed the 20% tax rate from gross amounts or 20/80 from net costs profits is applied. Company income tax for dividend payments are recognised in profit or loss as expenses in the reporting period when respective dividends are declared whereas for other conditionally distributed profit objects – at the moment when the costs were incurred during the reporting year.

Revenue recognition

Revenue is recognised at the moment of delivery of goods or when services are rendered.

Revenue from sales of goods is recognised on delivery of goods if significant risks and rewards of ownership of the goods have been passed to the buyer and the seller does not retain any management rights usually related to ownership and no actual control over sold goods.

Revenue from provided services are recognised at the moment of rendering of these services based on the actual time spent.

Interest income is recognised in profit or loss statement applying the effective interest rate.

Long-term contracts

A long-term contract is specifically prepared contract for construction of an asset (an object) or a group of assets. A group of assets implies assets interrelated or dependent on each other due to their projects, technologies or functions, or a goal or usage of these assets.

Accounting policies (continued)

Long-term contracts are such contracts, in which it is stated that works are started within one financial statement period but completed in other period, although the total completion period may also not reach 12 months.

When the outcome of a long-term contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses in the income statement on the percentage of completion method on the balance sheet date. When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and expected profit is not recognised. Contract costs are recognised as expense in the period in which they are incurred. An expected loss on the long-term contract is recognised as an expense immediately.

Dividends

Dividends are recognised in the Company financial statements in the financial period in which the Company Shareholder general meeting has approved the distribution of dividends.

Events after the Balance Sheet date

The amounts recognised in financial statements are adjusted to reflect post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events). Post year end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Comparatives

In cases when classification of separate financial statements items are changed to improve the true and fair view of the Company financial position, performance and changes in financial position, comparative figures are restated according to the new classification.

Estimates and significant judgments

The preparation of financial statements in conformity with Latvian accounting regulations 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 financial statements relate to revenue recognition from long-term contracts, useful life for tangible assets, provisions for warranty repairs, allowance for bad debts and inventories, and impairment evaluation for tangible 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.

1. NET TURNOVER

	2022	2021
	EUR	EUR
Revenue from engineering systems, infrastructure construction services *	53,987,028	24,819,266
Revenue from electronic communication network service and maintenance services	3,435,285	3,103,213
Revenue from sales of materials	500,898	1,304,812
Total	57,923,211	29,227,291

*In 2022 the turnover increased because the volume of turnover in construction project increased – the biggest projects were the construction of the border infrastructure of the Republic of Belarus, the design and installation of the internal engineering networks of the business center Novira Plaza, construction of the new building of the Mauriņa medicine clinic.

2. COSTS CAPITALISED AS PART OF LONG-TERM INVESTMENT

	2022	2021
	EUR	EUR
Employee costs	-	48,825
Other operating costs	-	-
Total	-	48,825

3. OTHER INCOME

	2022	2021
	EUR	EUR
Revenue from rent fixed assets	5,088	2,274
Other income	690,435	487,870
Gain on disposal of assets	8,422	-
Reclaimed obsolete stock	16,301	-
Total	720,246	490,144

4. CURRENT ASSETS WRITTEN OFF IN EXCESS OF NORMAL WRITE-OFFS

	2022	2021
	EUR	EUR
Debts written-off and allowances for bad and doubtful debts	(76,794)	(138)
Inventories and goods written-off and allowances for slow moving and obsolete stock	-	(7,136)
Total	(76,794)	(7,274)

5. OTHER OPERATING COSTS

	2022	2021
	EUR	EUR
Costs of engineering systems, infrastructure construction services and materials*	(37,409,372)	(15,497,413)
Costs of networks, equipment maintenance services and materials	(1,528,809)	(1,131,781)
Transport costs	(1,295,770)	(1,027,134)
Office and general administration expenses	(460,650)	(366,095)
Other operating expenses	(308,307)	(198,370)
IT costs	(218,985)	(200,396)
Rent, maintenance, and utilities	(205,318)	(197,637)
Total	(41,427,211)	(18,618,826)

* In 2022, the costs of materials and construction services increased, as the volume of turnover in construction projects has increased.

6. INTEREST INCOME AND EXPENSES

	2022	2021
	EUR	EUR
Other interest income and other income		
Interest income	-	9,652
Total	-	9,652
Interest expenses and other expenses		
Interest expenses	(66,186)	(1,586)
Net foreign exchange	(14,458)	(1,743)
Total	(80,644)	(3,329)

7. INCOME TAX

	2022 EUR	2021 EUR
Income tax:		
- current year	(709,062)	(30,129)
Total	(709,062)	(30,129)

8. INTANGIBLE ASSETS

	Other intangible assets EUR	Software implementation in progress EUR	Total EUR
Cost			
At 31 December 2021.	593 019	74 746	667 765
Additions	-	437 203	437 203
Transfer to exploitation	431 668	(431 668)	-
Disposals	(7 876)	-	(7 876)
At 31 December 2022	1 016 811	80 281	1 097 092
Amortization			
At 31 December 2021	(412 259)	-	(412 259)
Amortisation	(198 524)	-	(198 524)
Disposals	7 876	-	7 876
At 31 December 2022	(602 907)	-	(602 907)
Net book value			
At 31 December 2021	180 760	74 746	255 506
At 31 December 2022	413 904	80 281	494 185

Capital investments in software were EUR 437,203 during 2022 (EUR 109 987 in 2021).

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings EUR	Plant and machinery EUR	Other fixed assets EUR	Capital work in progress and prepayment EUR	Total EUR
Cost					
At 31 December 2021	45,363	71,257	2, 483,934	175,281	2,775,835
Additions	-	-	-	216,802	216,802
Transfer to exploitation	2,500	-	196,434	(198,934)	-
Disposals	-	(92)	(47,461)	-	(47,553)
At 31 December 2022	47,863	71,165	2,632,907	193,149	2,945,084
Depreciation					
At 31 December 2021	(7,226)	(69,971)	(2,257,768)	-	(2,334,965)
Depreciation	(5,658)	(417)	(141,234)	-	(147,309)
Disposals	-	92	47,453	-	47,545
At 31 December 2022	(12,884)	(70,296)	(2,351,549)	-	(2,434,729)
Net book value					
At 31 December 2021	38,137	1,286	226,166	175,281	440,870
At 31 December 2022	34,979	869	281,358	193,149	510,355

Capital investments in property, plant and equipment were EUR 216,802 during 2022 (EUR 230 620 in 2021).

A number of property, plant and equipment items that have been fully depreciated are still used in operations. The total original cost value of this property and equipment at the end of the year was EUR 1,985,008 (EUR 1,519,156 in 2021).

10. INVESTMENTS IN SUBSIDIARIES

Investment purchase value

Company	Holding (%)	31.12.2022. EUR	31.12.2021. EUR
<i>Citrus Solutions GmbH</i>	100	5,000,000	1,525,000
Total		5,000,000	1,525,000

Financial information about subsidiary

Company	Address	Equity (unaudited)		Net profit (unaudited)	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
<i>Citrus Solutions GmbH</i>	Schmidtstadt 5,92268, Etzelwang	8,355,103	5,739,297	3,021,934	2,583,087

In 2018 a subsidiary in Germany, Citrus Solutions GmbH, was registered. The company Citrus Solutions GmbH provides telecommunications construction services. In 2022 the subsidiary had earned EUR 33,317,377 in revenue and its net profit reached EUR 3,021,934 (financial accounting data in accordance with the accounting principles of the parent company; audited report data is not available at the time of preparation of the annual report).

11. INVENTORIES

	31.12.2022. EUR	31.12.2021. EUR
Raw materials and consumables	2,023,164	1,177,036
Allowance for slow moving and obsolete inventory	(60,781)	(78,301)
Advance payments for materials	825,521	125,451
Total	2,787,904	1,224,186

Movement on allowance account for slow moving and obsolete inventory:

	2022 EUR	2021 EUR
Balance at the beginning of the year	78,301	93,625
Charged to income statement during the year	(17,520)	(15,324)
Balance at the end of the year	60,781	78,301

12. TRADE RECEIVABLES

	31.12.2022. EUR	31.12.2021. EUR
Trade receivables	2,988,168	2,855,127
Impairment loss allowance for trade and other receivables	(200,405)	(123,611)
Total	2,787,763	2,731,516

Movement on allowance account for bad and doubtful debts:

	2022 EUR	2021 EUR
Balance at the beginning of the year	123,611	123,536
Debts written-off	-	63
Charged to income statement during the year	76,794	12
Balance at the end of the year	200,405	123,611

13. OTHER RECEIVABLES

	31.12.2022.	31.12.2021.
	EUR	EUR
Advance payment to suppliers abroad	133,734	39,363
Overpaid taxes (19. note)	372,081	69,937
Advance payment to suppliers in Latvia	160,207	133,137
Other receivables	-	1,889
Settlements with employees	74,546	108,309
Total	740,568	352,635

14. ACCRUED INCOME

	31.12.2022.	31.12.2021.
	EUR	EUR
Accrued income*	30,541,481	9,464,948
Total	30,541,481	9,464,948

*Accrued revenue for construction projects in progress is recognized based on the percentage of contract completion at the balance sheet date. The amounts of increase in accumulated revenues are related to the increase in the amount of construction projects (see Note 1).

15. CASH

	31.12.2022.	31.12.2021.
	EUR	EUR
Cash at bank	1,696,515	742,882
Total	1,696,515	742,882

16. EARNINGS PER SHARE

At the end of 2022, the share capital of *Citrus Solutions* was EUR 5,070,999 consisting of 5 070 999 shares with a nominal value of EUR 1 each. SIA *Tet* owns 100% of the share capital of *Citrus Solutions*.

Dividends paid in 2022 EUR 2,803,417 EUR (0.552 EUR per capital share) and in 2021 not paid dividends.

17. PROVISIONS

Movement of reserves for warranty repairs

	31.12.2022.	31.12.2021.
	EUR	EUR
Accruals at the beginning of the reporting year	246,353	218,740
Provisions created/(reduced) in the reporting year	23,944	27,613
Total	270,297	246,353

Provisions for warranty repairs are planned to be used within the next 5 years.

18. TRADE PAYABLES

	31.12.2022.	31.12.2021.
	EUR	EUR
Trade payables *	5,297,277	2,323,417
Total	5,297,277	2,323,417

*In 2022, the volume of settlements with suppliers increased as the volume of unfinished construction projects increased.

19. TAXES AND SOCIAL SECURITY PAYMENTS

(a) Taxes in Latvia

	31.12.2022	31.12.2021
	EUR	EUR
Corporate income tax	660,369	(79)
Value added tax	(163,436)	(51,991)
Social security tax	205,438	226,398
Employee resident income tax	275	124,900
Duty for business risk	125	113
Total	866,207	351,411
Total requirements are included in the item "Other receivables"	(163,436)	(52,070)

(b) Taxes in Germany, Belgium

	31.12.2022	31.12.2021
	EUR	EUR
Social security tax	-	-
Employee resident income tax	21,392	12,546
Corporate income tax (7 Note)	(46)	(17,867)
Value added tax in Germany	(208,599)	-
Value added tax in Belgium	426,045	711,317
Total	447,437	711,317
Total requirements are included in the item "Other receivables"	(208,645)	(17,867)
	EUR	EUR
Total taxes (a), (b)	941,563	1,005,337
Total	941,563	1,005,337
Including, tax liabilities	1,313,644	1,075,274
tax overpayment	(372,081)	(69,937)

20. ACCRUED LIABILITIES

	31.12.2022.	31.12.2021.
	EUR	EUR
Accumulated costs engineering systems infrastructure construction services *	2,160,970	589,685
Accrued liabilities to related companies**	1,020,008	3,123,268
Accumulated bonus costs for the work results of the reporting year	1,051,664	875,191
Accrued costs of unused vacation	827,841	686,617
Other liabilities	-	100,000
Total	5,060,483	5,374,761

*Accumulated liabilities for the costs of the engineering system, infrastructure construction services in 2022 have increased compared to 2021, due to the increased turnover in construction projects.

** Accumulated liabilities to related companies decreased due to a decrease in the amount of liabilities to subsidiary *Citrus Solutions GmbH*.

21. RELATED PARTY TRANSACTIONS

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

Trade receivables/trade payable to related parties

	31.12.2022. EUR	31.12.2021. EUR
Trade receivables from subsidiaries		
<i>Tet</i>	1,071,986	957,336
<i>Citrus Solutions GmbH</i>	404,479	802,964
Total	1,476,465	1,760,300
Trade payables to subsidiaries		
<i>Tet</i>	150,259	70,853
<i>Citrus Solutions GmbH</i>	-	226,395
Borrow from <i>Tet</i> , principal amount	11,215,074	436,770
Total	11,365,333	734,018

During the reporting year, *Citrus Solutions* used a credit line from the parent company *Tet*, which has been granted until June 30, 2023 and is available in the amount of EUR 27,000,000. At the end of the reporting year, the Company had used the granted credit line in the amount of EUR 11,215,074. The credit line interest rate is tied to the one-month interbank credit interest rate EURIBOR.

Citrus Solutions assets are not pledged as collateral for borrowing and available credit resources.

22. INFORMATION ON UNCOMPLETED CONSTRUCTION CONTRACTS

	2022 EUR	2021 EUR
Recognized revenue*	43,761,735	12,771,827
Recognized expenses*	(32,701,575)	(9,431,412)
Advanced payment received from customers	8,779,703	92,870
Total	19,839,863	3,433,285

*The largest unfinished construction projects of 2022 are the construction of the infrastructure of the border of the Republic of Belarus, the construction of smoke extraction and fire automatic system in the object "Trade and business buildings in Riga, Marijas street 2A and Marijas street 2", the construction of Dr. Mauriņa clinic.

23. NUMBER OF EMPLOYEES

	2022	2021
Average number of Management Board	3	3
Average number of permanent and temporary employees during the year	330	285

24. MANAGEMENT REMUNERATION

	2022 EUR	2021 EUR
Management Board		
- remuneration	353,259	334,053
- state social insurance contributions	83,334	78,639
Total	436,593	412,692

25. COMMITMENTS

Bank guarantees

According to the agreements concluded with AS „Swedbank”, AS „SEB banka”, AS „Luminor bank” and OP Corporate bank plc branch in Latvia and insurance companies for issuing guarantees, on December 31, 2022, the Company had received guarantees in the amount of EUR 23,937,261 (EUR 4,913,067 in 2021). On December 31, 2022, the Company has issued guarantees to the subsidiary *Citrus Solutions GmbH* in the amount of EUR 2,645,801.

25. COMMITMENTS (continue)

Inventory purchase commitments

Inventory purchase transactions for which contracts have been concluded, but actual execution has not taken place and liabilities are not included in the financial statement, are as follows:

	2022 EUR	2021 EUR
Inventory commitments	168,891	29,399
Total	168,891	29,399

Operating lease obligations

As a lessee, the company has concluded property lease agreements. The total annual lease costs in 2022 were EUR 752,502 (EUR 663,302 in 2021). On December 2022 the total minimum lease payment under the irrevocable operating leases:

	2022 EUR	2021 EUR
With a term of one year	54,928	120,682
With a term longer than one year, but shorter than five years	-	89,722
Total	54,928	210,404

26. FINANCIAL RISK MANAGEMENT

Financial risks related to the Company's liquidity, currency and interest rate fluctuations, and credit risk of business partners are managed centrally in Tet Group companies.

Financing and Liquidity risk

The group's cash management policy envisages ensuring sufficient liquidity of the group's companies, as well as their ability to finance their activities without any financing restrictions. According to the group's policy, the parent company Tet organizes the necessary funding for Citrus Solutions. Together with Citrus Solutions GmbH, the company has access to a credit line granted by Tet in the amount of EUR 27.0 million until June 30, 2023.

Currency risk

The Group's policy is to limit the net risk of exchange rate fluctuations for all clearly known and expected foreign currency transactions.

In settlements with foreign business partners, the dominant currency is the euro.

Cash in foreign currency was accumulated to hedge exchange rate fluctuations in relation to anticipated transactions.

Interest rate risk

Considering that Citrus Solutions loan from the parent company has a variable interest rate, which is set for a period of 1 month, the Company is exposed to the risk of interest rate fluctuations. Measures limiting the risk of interest rate fluctuations are implemented centrally in the group, evaluating the impact of interest rate risk on the Group's financial indicators. Interest payments on the used credit line are included in the calculation of profit or loss for the reporting year. In the second half of 2022, there was an increase in Euribor interest rates around the world and the Company's management has taken this risk into account in the forecasts for the following years.

Credit risk

Financial instruments that potentially expose the Company to a certain degree of concentration of credit risk are mainly debts of buyers and customers and cash in the bank. Company policy ensures that goods and services are sold to customers with adequate credit history. Trade receivables are present at recoverable amount. According to the cash management policy of the concern, the Company's partners in derivative financial instruments and cash transactions are financial institutions with an appropriate credit reputation. The parent company strictly monitors and limits the credit risk that the group companies are allowed with each individual financial institution.

27. SUBSEQUENT EVENTS

There have been no events after the end of the reporting period that could materially affect the consolidated financial statements as at and for the year ended 31 December 2022.

On behalf of Management Board,

Chairman of the Board _____/Jūlija Zandersone/

Accountant _____/Ilvija Gredzena/