

UAB Modus Grupė

Independent Auditor's Report,
Consolidated Annual Management Report and
Consolidated Financial Statements for the Year
Ended 31 December 2019, Prepared in Accordance
with International Financial Reporting Standards as
Adopted by the European Union

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Independent Auditor's Report

To the Shareholders of UAB Modus Grupė

Opinion

We have audited the consolidated financial statements of UAB Modus Grupė and its subsidiaries ("the Group"). The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019,
- the consolidated statement of profit or loss and other comprehensive income 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, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Group's consolidated annual management report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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, 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.



In addition, our responsibility is to consider whether information included in the Group's consolidated annual management report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements and whether consolidated annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of consolidated financial statements, in our opinion, in all material respects:

- The information given in the Group's consolidated annual management report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- consolidated annual management report has been prepared in accordance with the requirements of the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings.

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, 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 Responsibilities 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 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.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania

17 April 2020

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 2 to 4 of this document.

UAB Modus Grupė

Company code: 302719143, address: Ozo St. 10A, LT-08200 Vilnius

Consolidated Annual Management Report for the Year Ended 31 December 2019

Consolidated annual management report**General information about the Group:**

Name	UAB Modus Grupė
Legal form	Limited liability company
Code	302719143
VAT payer's code	LT100007287918
Authorised capital	Authorised capital of EUR 22,939,783 is divided into 79,102,700 ordinary registered shares with the par value of 0.29 EUR each.
Shareholder (100%)	MG NL holding B.V. (Company code 853264363, address: Naritaweg 165, Telestone 8, Teleport, 1043BW Amsterdam, Netherlands)
Registered address:	Ozo St. 10A, LT-08200 Vilnius
Telephone	+370 5 235 6080
Fax	+370 5 235 6089
E-mail	info@modus.group
Website	www.modus.group
Date and place of registration	30 January 2012, Vilnius branch of the State Enterprise Centre of Registers
Register where the data about the Company is filed and stored	Register of Legal Entities
Type of main activities	Consulting management activities

I. Objective overview of the position, activity and development of the group of companies, characterisation of the main types of risks and uncertainties faced by the CompanyPriority activity fields of the group of companies

The Group consists of the Company and its 7 subsidiaries (31 December 2018 – 7), 102 secondary subsidiaries (31 December 2018 – 108), and 8 associated companies (31 December 2018 – 8).

Modus Group is an international Group of companies operating mainly in the spheres of renewable energy, mobility services, smart parking solutions and car sales. The Group operates 18-car brand network of offices, among them - the Porsche, Bentley, BMW, Fiat, Maserati and etc.

In 2019, EBITDA of the Group amounted to 55,347 thousand EUR (2018: 19,607 thousand EUR) and has increased by 183.10%. EBITDA includes the following (thousand EUR):

Type of business	2019	2018
Renewable energy	16,309	7,943
Automotive business	9,993	8,217
Mobility	2,344	2,133
Real estate	1,436	1,386
Transactions and other ¹	25,265	(72)

¹The common practice of a holding company is sale, acquisition and merger of companies and assets. The results of these transactions are included in the group of *Transactions and other*.

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Main risks faced by the Group

- Introduction of new taxes related to activities of the companies, or increase in effective tax rates.
- Lack of skilled labour force.
- Adverse changes in renewable energy regulation.
- Sudden inflation or general deterioration of the country's economic conditions, which might have an impact on the demand and price of cars.

II. Analysis of the financial and non-financial operating results of the Group; information on environmental and personnel issues

During 2019, consolidated operating sales revenue amounted to 504,689 thousand EUR and was higher by 49.30% than in 2018 (2018: 338,029 thousand EUR). In 2019, cost of sales amounted to 457,762 thousand EUR (2018: 302,830 thousand EUR), and gross profit amounted to 46,927 thousand EUR (2018: 35,199 thousand EUR).

Consolidated operating profit before taxation amounted to 43,658 thousand EUR in 2019 and was significantly higher than in the previous reporting period when operating profit before taxation was 3,723 thousand EUR. In 2019, there was also a marked increase in consolidated net profit from operating activities: in 2019 – 40,074 thousand EUR., in 2018 – 3,121 thousand EUR.

The Group's consolidated assets amounted to 365,234 thousand EUR as at 31 December 2019 (31 December 2018 – 267,975 thousand EUR).

The most significant events of 2019:

- On 14 November 2018, UAB Modus Grupė subsidiary UAB Inter Krasta – the sole shareholder of UAB Krasta Auto, UAB Krasta Auto Kaunas, UAB Krasta Auto Klaipėda and owning 100% of UAB Krasta auto Vilnius share through UAB Krasta Auto, concluded a sales and purchase agreement of the aforementioned companies under which it undertook the obligation to sell 100% shares of the aforementioned companies to Inchcape International Holdings Limited. The sale of the aforementioned companies was carried out on 31 January 2019.
- At the end of 2019, construction of modern biogas power plants in Belarus was completed. Their total power is 5 MW. These projects were carried out in cooperation with the European Bank for Reconstruction and Development (EBRD) and local commercial banks.

Ratios characterising the Group's activities

Ratio	2019	2018
Gross profitability = gross profit/sales	9.30%	10.41%
Net profitability = net profit/sales	7.94%	0.92%
Debt ratio = liabilities/total assets	0.75	0.87
Asset turnover = sales/total assets	1.38	1.26
Current ratio = current assets/current liabilities	1.09	0.99

Employees

In 2019, the average number of employees at the Group was 594 (2018 – 720 employees).

Information on the Head of the Company

Other managing positions held by the Director of UAB Modus Grupė Kęstutis Bagdonavičius:

Person	Legal form	Name	Code	Address:	Position
Kęstutis Bagdonavičius	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Chairman of the Board and Board member (as of 1 April 2020)
Kęstutis Bagdonavičius	B.V.	MG NL Holding	58978976	Kabelweg 57, kamer 6.05a, 1014 BA, Amsterdam, Netherlands	Member of the Directors Council

UAB Modus Grupė

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Consolidated Annual Management Report for the Year Ended 31 December 2019

Person	Legal form	Name	Code	Address:	Position
Kęstutis Bagdonavičius	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Director (as of 1 April 2020)
Kęstutis Bagdonavičius²	UAB	Modus Group Services	302784365	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Kęstutis Bagdonavičius	JSIC	ERGO Joint Stock Insurance Company	100367422	Pionierskaya 2A, 220020, Minsk, Belarus	Chairman of Supervisory Council

Board members of UAB Modus Grupė:

Person	Legal form	Name	Position
Kęstutis Bagdonavičius	UAB	Modus Grupė	Chairman of the Board (as of 1 April 2020)
Liudas Liutkevičius	UAB	Modus Grupė	Board member (Chairman until 31 March 2020)
Giedrius Audickas	UAB	Modus Grupė	Board member
Erika Zakarauskienė	UAB	Modus Grupė	Board member
Ruslan Sklepovič	UAB	Modus Grupė	Board member

Other managing positions held by the Board Members of UAB Modus Grupė (excluding K. Bagdonavičius – provided in the table above):

Person	Legal form	Name	Code	Address:	Position
Liudas Liutkevičius	UAB	Modus Asset Management	302790959	Vilnius city municipality Vilnius, Ozo St. 10A	Chairman of the Board
Liudas Liutkevičius	UAB	Inter Krasta	302693905	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Liudas Liutkevičius	UAB	Unimodus	126123769	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Liudas Liutkevičius	SIA	Unimodus	50103911801	Ģertrūdes iela 14-7, Riga, Latvia	Board member
Liudas Liutkevičius	UAB	LM Auto	302784123	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Liudas Liutkevičius	UAB	Parkdema	304559196	Vilnius city municipality Jogailos St. 4, Vilnius	Board member
Liudas Liutkevičius	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Board member (Chairman until 31 March 2020)
Liudas Liutkevičius²	UAB	Inter Krasta	302693905	Vilnius city municipality Vilnius, Ozo St. 10A	Managing Director

² Highlighted – main workplace.

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Person	Legal form	Name	Code	Address:	Position
Liudas Liutkevičius	UAB	Nuomos sprendimai	304168938	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Liudas Liutkevičius	UAB	Plėtros sprendimai	304169901	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Liudas Liutkevičius	UAB	Modus Estate Services	302790998	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Liudas Liutkevičius	UAB	Askela	110858226	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	Director
Liudas Liutkevičius	UAB	Nekilnojamojo turto konsultacijos	304168895	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Liudas Liutkevičius	UAB	Nekilnojamojo turto prekyba	304168443	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Liudas Liutkevičius	UAB	Autoimex	300662220	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Liudas Liutkevičius	UAB	Energijos Brokeris	302567536	Vilnius city municipality Didžioji St. 25, Vilnius	Director
Liudas Liutkevičius	UAB	SECURITY COMPONENTS	111759715	Vilnius city municipality Vilnius, Juozo Balčikonio St. 9	Director
Liudas Liutkevičius	UAB	GEPAGA	110666382	Marijampolė municipality, Gamyklų St. 4, Marijampolė	Director
Giedrius Audickas	UAB	Inter Krasta	302693905	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Giedrius Audickas	UAB	Unimodus	126123769	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Giedrius Audickas	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Giedrius Audickas	UAB	LM Auto	302784123	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Giedrius Audickas	UAB	Axton Commodities	304917017	Vilnius city municipality Vilnius, Juozo Balčikonio St. 9	Board member
Giedrius Audickas	UAB	Modus Mobility	302784358	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Giedrius Audickas³	UAB	Modus Group Services	302784365	Vilnius city municipality Vilnius, Ozo St. 10A	Managing Partner for Mobility
Giedrius Audickas	UAB	Modus Mobility	302784358	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Giedrius Audickas	UAB	Modus Automotive Services	302784148	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Giedrius Audickas	UAB	Modus Unipark Services	302791089	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Erika Zakarauskienė	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Board member

³ Highlighted – main workplace.

UAB Modus Grupė

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Person	Legal form	Name	Code	Address:	Position
Erika Zakarauskienė⁴	UAB	Modus Group Services	302784365	Vilnius city municipality Vilnius, Ozo St. 10A	Chief Financial Officer
Erika Zakarauskienė	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Head of Finance
Ruslan Sklepovič	AB	Modus Energy	302693613	Vilnius city municipality Vilnius, Ozo St. 10A	Chairman of the Board
Ruslan Sklepovič	UAB	Axton Commodities	304917017	Vilnius city municipality Vilnius, Juozo Balčikonio St. 9	Chairman of the Board
Ruslan Sklepovič	UAB	Baltic Sun Energy	302444569	Vilnius city municipality Vilnius, Ozo St. 10A	Chairman of the Board
Ruslan Sklepovič	UAB	Lepita	302854931	Vilnius city municipality Vilnius, Ozo St. 10A	Chairman of the Board
Ruslan Sklepovič	UAB	Sigvilta	302841574	Vilnius city municipality Vilnius, Ozo St. 10A	Chairman of the Board
Ruslan Sklepovič	UAB	Psenergija	302850071	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Senergita	302850317	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Jenergija	302850299	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Menergija	302850267	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Nenergija	302850064	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Venergija	302850089	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Zenergija	302850121	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Lenergija	302850203	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Unimodus	126123769	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	UAB	Modus Asset Management	302790959	Vilnius city municipality Vilnius, Ozo St. 10A	Board member
Ruslan Sklepovič	B.V.	Modus Energy International	36406945	Kabelweg 57, kamer 6.05a, 10i 4BA Amsterdam	Board member
Ruslan Sklepovič	Sp. z o.o.	Ecowolt	553137	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Greenprojekt	564174	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member

⁴ **Highlighted** – main workplace

UAB Modus Grupė

Company code: 302719143, address: Ozo St. 10A, LT-08200 Vilnius

Consolidated Annual Management Report for the Year Ended 31 December 2019

Person	Legal form	Name	Code	Address:	Position
Ruslan Sklepovič	Sp. z o.o.	Modus Energy Asset 4	767798	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Modus Energy Asset 5	766083	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Modus Energy Asset 6	766092	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Modus Solar Asset Poland	727539	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Modus Energy Asset 7	785445	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Modus Energy Asset 8	786187	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Modus Energy Asset 9	787372	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Modus Energy Asset 10	806694	UL. Ludwika Waryńskiego 3A, 00-645, Warsaw, Poland	Board member
Ruslan Sklepovič	Sp. z o.o.	Modus Energy Asset 11	813994	Aleje Ujazdowskie 41, 00-540, Warsaw, Poland	Board member
Ruslan Sklepovič⁵	UAB	Modus Energy Solutions	301557546	Vilnius city municipality Vilnius, Ozo St. 10A	Head of Development
Ruslan Sklepovič	AB	Modus Energy	302693613	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	Modus solar turtas	304824538	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	Turovita	302894840	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	Fariavita	302854664	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	Director
Ruslan Sklepovič	UAB	Lepita	302854931	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	Sigvilta	302841574	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	Green Genius	302841738	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	Denergija	302791071	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	ViaModus	302751041	Vilnius city municipality Vilnius, Ozo St. 10A	Director

⁵ **Highlighted** – main workplace

UAB Modus Grupė

Company code: 302719143, address: Ozo St. 10A, LT-08200 Vilnius

Consolidated Annual Management Report for the Year Ended 31 December 2019

Person	Legal form	Name	Code	Address:	Position
Ruslan Sklepovič	UAB	Fotona	302841720	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	Green Genius Global	304994394	Vilnius city municipality Vilnius, Juozo Balčikonio St. 9	Director
Ruslan Sklepovič	UAB	Pavilnių saulės slėnis 19	302791025	Vilnius city municipality Vilnius, Ozo St. 10A	Director
Ruslan Sklepovič	UAB	Modus Group Services	302784365	Vilnius city municipality Vilnius, Ozo St. 10A	Managing Partner of Energy Business

Members of the Supervisory Board of UAB Modus Grupė:

Person	Legal form	Name	Position
Simon Rozas	UAB	Modus Grupė	Chairman (as of 6 March 2020), independent member
Kęstutis Martinkėnas	UAB	Modus Grupė	Member
Jolanta Martinkėnienė	UAB	Modus Grupė	Member
Saul Umbrasas	UAB	Modus Grupė	Independent member
Vytautas Paukštys	UAB	Modus Grupė	Independent member

Other managing positions held by the members of the Supervisory Board of UAB Modus Grupė:

Person	Legal form	Name	Code	Address:	Position
Simon Rozas⁶	SA	Cube Infrastructure Managers	B 124.233	41 Avenue de la Liberté, Luxembourg	Director for Investments
Simon Rozas	d. o. o.	Rune Crow	6535522670	Tumpići 16, Veprinac, Croatia	Deputy Chairman of the Supervisory Board
Simon Rozas	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Deputy Chairman and member of the Supervisory Board
Kęstutis Martinkėnas⁶	UAB	Modus Group Services	302784365	Vilnius city municipality Vilnius, Ozo St. 10A	Director for Strategic Planning
Kęstutis Martinkėnas	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Member of the Supervisory Board
Jolanta Martinkėnienė⁶	UAB	Modus Group Services	302784365	Vilnius city municipality Vilnius, Ozo St. 10A	Consultant on design issues
Jolanta Martinkėnienė	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Member of the Supervisory Board
Saul Umbrasas⁶	LLC	E-Band Communications	95-2140062	17034 Camino San Bernardo, San Diego, CA 92127, USA	Senior Vice- president for sales and marketing

⁶Highlighted – main workplace

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Person	Legal form	Name	Code	Address:	Position
Saul Umbrasas	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Member of the Supervisory Board
Vytautas Paukštys⁷	UAB	Aktyvus sektorius	300619315	Saulėtekio al. 15, Vilnius	Director
Vytautas Paukštys	UAB	REDMOB	301238790	Vytauto Žalakevičiaus St. 4D-34, Vilnius	Director
Vytautas Paukštys	LLC	Redmob Media Private Limited	36AAICR708 0A1ZG	#301, 10-93/5, S N, Colony, Nagaram, Hyderabad 500083, India	Director
Vytautas Paukštys	LLC	Eskimi Limited Nigeria	RC1141149	No 27 (Old 29), Ogunlowo Street, Off, Obafemi Awolowo Way, Behind Airport Hotel, Ikeja, Lagos, Nigeria	Director
Vytautas Paukštys	LLC	Eskimi Pte Limited Singapore	201911011N	20A Tanjong Pagar, Road, Singapore, 88443	Director
Vytautas Paukštys	LLC	ESKIMI MOBILE MEDIA LIMITED CAMEROON	RC/LBE/2015 /B/0853	Half Mile-Limbe, Opposite PMUC Office, P.O. Box 634, Limbe, Cameroon	Director
Vytautas Paukštys	LLC	Eskimi Limited Bangladesh	16892548435 3	KA-32/12, Nadda, Nasrim Mintu Road, Gulshan, Dhaka-1212, Bangladesh	Director
Vytautas Paukštys	UAB	Modus Grupė	302719143	Vilnius city municipality Vilnius, Ozo St. 10A	Member of the Supervisory Board

Environmental protection

Certain Group companies are subject to the following standards of environmental protection:

- Order No 493 of 8 October 2003 of the Minister of the Environment of the Republic of Lithuania "Information of Fuel Efficiency and Procedure for Informing Users of CO₂ Gas Emissions upon Sales of New Passenger Cars".
- Order No 710 of 24 December 2003 of the Minister of the Environment of the Republic of Lithuania on Approval of Rules for Handling of Vehicles not Suitable for Exploitation.
- Management of waste (including hazardous waste) from car servicing and maintenance following the requirements of the Law on Waste Management and Rules of Waste Management.

The activities of the Group companies fully comply with the legislative requirements.

III. Information on significant events after the end of the financial year

After the end of the reporting period until the date of these financial statements there were no subsequent events, which would have a significant impact on these financial statements or would require additional disclosure, except the ones described in Note 36 provided in the explanatory notes to the consolidated financial statements.

⁷Highlighted – main workplace

UAB Modus Grupė

Company code: 302719143, address: Ozo St. 10A, LT-08200 Vilnius

Consolidated Annual Management Report for the Year Ended 31 December 2019

IV. Operating plans and forecasts of the Group of companies' activities

The fundamental principle for business development is to invest in what will be relevant tomorrow thereby promoting progress of the four business sectors of the Modus Group. The main investments are planned to be directed to the development of renewable energy and mobility services throughout Europe. These investments reflect long-term strategic priorities of the Group. In addition, the Group will continue to operate in the automotive and real estate sectors on a consistent basis.

V. Information about the research and development activity of the Group of companies

To justify the projects carried out by the Group of companies, market researches are performed. Annual budget of research is not established, researches are carried out when necessary.

VI. The number and nominal value of the shares of the parent company controlled by the company itself, its subsidiaries or other persons authorised but acting on their own behalf

The Company has no own shares.

VII. Information on the objectives of the financial risk management, its policy for hedging major types of foretasted transactions for which hedge accounting is used, and the Group of companies employs financial instruments and when it is important for the valuation of the Group of companies' assets, equity, liabilities, income and costs

The Group did not use any financial instruments, which are important to the evaluation of the Group's assets, liabilities, financial position and performance results, except for currency exchange rates: the Group carries out payments mainly in two currencies - EUR and USD. In order to hedge against fluctuations of USD exchange rate, the Group forms derivative financial instruments (forward swaps).

Dr. Kęstutis Bagdonavičius
Director
UAB Modus Grupė

Vilnius, the Republic of Lithuania
17 April 2020

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Consolidated statement of financial position as at 31 December 2019

(In EUR thousand, unless otherwise stated)

Consolidated statement of financial position

ASSETS	Notes	As at 31 December 2019	As at 31 December 2018 (adjusted)	As at 1 January 2018 (adjusted)
Non-current assets				
Property, plant and equipment	5	129,183	87,691	60,354
Investment property	5	4,866	249	249
Goodwill	6	125	125	1,626
Intangible assets	6	2,314	1,591	1,001
Granted long-term loans and long-term deposits	7	3,571	1,009	877
Other investments	10	23,056	16,175	2,164
Trade and other receivables	8	2,591	3,076	2,554
Deferred income tax asset	31	2,910	3,370	1,609
Total non-current assets		168,616	113,286	70,434
Current assets				
Loans granted and term deposits	7	46,934	19,490	9,963
Other investments	10	-	-	2,460
Inventories	9	103,842	73,175	30,899
Trade and other receivables	8	20,860	44,682	15,439
Contract assets	23	922	1,583	1,532
Prepayments, deferred costs and accrued income	11	11,761	4,960	4,027
Advance corporate income tax		756	181	531
Cash and cash equivalents	12	11,543	9,971	6,700
Assets held for sale	13	-	647	1,258
Total current assets		196,618	154,689	72,809
TOTAL ASSETS		365,234	267,975	143,243

(continued on the next page)

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Consolidated statement of financial position as at 31 December 2019

(In EUR thousand, unless otherwise stated)

Consolidated statement of financial position (cont'd)

EQUITY AND LIABILITIES	Notes	As at 31 December 2019	As at 31 December 2018 (adjusted)	As at 1 January 2018 (adjusted)
Authorised capital	14	22,940	22,940	22,940
Share premium	14	7,879	7,879	7,879
Legal reserve	14	421	-	-
Revaluation reserve	14	14,811	-	-
Currency exchange translation reserve		(285)	(466)	(201)
Retained earnings (loss)	14	44,969	5,174	(7,101)
Equity attributable to shareholders of the parent company		90,735	35,527	23,517
Non-controlling interest		963	399	591
Total equity		91,698	35,926	24,108
Non-current liabilities				
Bank loans and lease liabilities	15	76,930	55,398	36,565
Other borrowings	16	12,848	18,893	9,295
Deferred tax liabilities	31	1,785	-	-
Advances received		5	3	-
Employee benefits	17	49	47	39
Grants and subsidies	18	1,245	1,264	990
Provisions	19	100	43	33
Trade and other payables		-	-	150
Total non-current liabilities		92,962	75,648	47,072
Current liabilities				
Bank loans and lease liabilities	15	33,209	40,309	25,035
Other borrowings	16	18,778	15,393	10,428
Corporate income tax liabilities		3,107	1,691	1,054
Prepayments received, accrued liabilities and deferred income	20	8,805	11,094	6,896
Contract liabilities	23	21	1,293	-
Employment related liabilities	21	3,749	2,950	2,608
Trade and other payables	22	112,905	83,671	26,042
Total current liabilities		180,574	156,401	72,063
Total liabilities		273,536	232,049	119,135
TOTAL EQUITY AND LIABILITIES		365,234	267,975	143,243

The accompanying explanatory notes are an integral part of these consolidated financial statements.

The consolidated financial statements were prepared and signed on 17 April 2020:

Kęstutis Bagdonavičius
Director

Erika Zakarauskienė
Chief Financial Officer

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

Consolidated statement of profit or loss and other comprehensive income

	Notes	<u>2019</u>	<u>2018 (adjusted)</u>
<u>Continued operations</u>			
Revenue	23	504,689	338,029
Cost of sales	24	<u>(457,762)</u>	<u>(302,830)</u>
Gross profit		46,927	35,199
Other activity income	25	288	190
Other activity expenses	25	(1,478)	(209)
Selling expenses	26	(12,503)	(12,733)
Administrative expenses	27	(13,712)	(12,708)
Impairment loss on trade receivables and contract assets	8	<u>(370)</u>	<u>398</u>
Operating profit (loss)		19,152	10,137
Profit on disposal of investments into subsidiaries	28	25,914	1,523
Finance income	30	5,626	1,264
Finance costs	30	<u>(7,033)</u>	<u>(9,202)</u>
Result from financing activities		(1,407)	(7,938)
Share of profit of associated or jointly controlled entities		(1)	1
Operating profit (loss) before tax		43,658	3,723
Corporate income tax	31	<u>(3,584)</u>	<u>(602)</u>
Net profit (loss) from continued operations		40,074	3,121
<u>Discontinued operations</u>			
Net profit (loss) from discontinued operations	29	-	9,316
Net profit (loss)		40,074	12,437
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Effect of currency rate changes		181	(265)
Items that will be reclassified subsequently to profit or loss:		181	(265)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Employee benefits (accrual)	17	(27)	(8)
Revaluation of property, plant and equipment, net of tax	14	<u>15,199</u>	<u>-</u>
Items that will not be reclassified subsequently to profit or loss:		15,172	(8)
Total comprehensive income		55,427	12,164
Net profit (loss) attributable to:			
Shareholders of the parent company		40,031	3,145
Non-controlling interests		43	(24)
Total comprehensive income attributable to:			
Shareholders of the parent company		55,028	12,188
Non-controlling interests		399	(24)

The accompanying explanatory notes are an integral part of these consolidated financial statements.

The consolidated financial statements were prepared and signed on 17 April 2020:

Kęstutis Bagdonavičius
Director

Erika Zakarauskiene
Chief Financial Officer

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Consolidated statement of changes in equity for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

Consolidated statement of changes in equity

	Authorised capital	Share premium	Legal reserve	Revaluation reserve	Currency exchange translation reserve	Retained earnings (losses)	Attributable to shareholders of the parent company	Non-controlling interests	Total
1 January 2018	22,940	7,879	-	-	(201)	(6,510)	(7,101)	591	24,108
Net profit (loss) for the reporting period (adjusted, Note 35)	-	-	-	-	-	3,121	3,145	(24)	3,121
Other comprehensive income for the reporting period	-	-	-	-	(265)	9,308	9,308	-	9,043
Total comprehensive income for the reporting period	-	-	-	-	(265)	12,429	12,453	(24)	12,164
Increase (decrease) in non-controlling interests	-	-	-	-	-	(168)	-	(168)	(168)
Initial application of IFRS 16 (Note 4.1)	-	-	-	-	-	(178)	(178)	-	(178)
31 December 2018	22,940	7,879	-	-	(466)	5,573	5,174	399	35,926
Net profit (loss) for the reporting period	-	-	-	-	-	40,074	40,031	43	40,074
Other comprehensive income for the reporting period	-	-	-	14,843	181	329	(27)	356	15,353
Total comprehensive income for the reporting period	-	-	-	14,843	181	40,403	40,004	399	55,427
Increase (decrease) in non-controlling interests	-	-	-	-	-	165	-	165	165
Transfers to legal reserve	-	-	421	-	-	(421)	(421)	-	-
Revaluation reserve used (Note 14)	-	-	-	(32)	-	38	38	-	6
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income (Note 5)	-	-	-	-	-	174	174	-	174
31 December 2019	22,940	7,879	421	14,811	(285)	45,932	44,969	963	91,698

The accompanying explanatory notes are an integral part of these consolidated financial statements.

The consolidated financial statements were prepared and signed on 17 April 2020:

Kęstutis Bagdonavičius
Director

Erika Zakarauskiėnė
Chief Financial Officer

Consolidated statement of cash flows

	Notes	2019	2018 (adjusted)
Cash flows from operating activities			
Net profit (loss)		40,074	3,121
Elimination of non-monetary transactions:			
Depreciation expenses	5	9,791	7,605
Amortisation expenses	6	490	342
Share of profit of associated and jointly controlled entities	10	1	(1)
Impairment (reversal) of trade and other receivables	8	370	(398)
Write down (reversal of write down) of inventories to net realisable value	9	585	(110)
Impairment (reversal) of loans granted	7	542	462
Impairment of financial assets at fair value (gain on increase)	30	(1,410)	1,322
Change in fair value of derivative financial instruments	15	(27)	(17)
Change in provisions	19	57	10
Finance (income) costs		1,632	3,279
Effect of currency exchange		(1,079)	967
Loss (profit) on disposal of property, plant and equipment, and intangible assets	25	541	209
Loss (profit) on disposal of investments into subsidiaries	28	(25,914)	(1,523)
Income tax expenses (income)	31	3,584	602
Amortisation of grants	18	(79)	(32)
Effect of changes in working capital:			
(Increase) decrease in inventories		(40,852)	(41,401)
(Increase) decrease in trade and other receivables		13,927	(31,427)
Decrease (increase) in contract assets		661	(51)
Decrease (increase) in prepayments, deferred costs and accrued income		(8,302)	(1,147)
Increase (decrease) of property, plant and equipment held for sale		-	611
Increase (decrease) in trade, other payables and current liabilities		37,198	59,502
Increase (decrease) in prepayments received, accrued liabilities and deferred income		(379)	4,201
Increase (decrease) in contract liabilities		(1,272)	1,293
Increase (decrease) in employment related liabilities		1,766	575
Paid income tax		(3,219)	(1,491)
Net cash from operating activities		28,686	6,503

(continued on the next page)

Consolidated statement of cash flows (cont'd)

	Notes	2019	2018
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(16,588)	(12,926)
Disposal of property, plant and equipment and intangible assets		11,987	7,000
Receipt of government grants	18	60	306
Disposal of discontinued operations	29	-	(294)
Acquisition of bonds		(4,818)	(1,960)
Redemption of bonds		427	-
Acquisition of other long-term investments		(1,518)	(534)
Acquisition of associated entities		(3)	(356)
Acquisition of subsidiaries		-	(527)
Disposal of subsidiaries		20,890	3,440
Term deposit payments		(3,010)	(1,515)
Redemption of term deposits		-	83
Loans granted		(95,650)	(19,370)
Loans recovered		71,915	11,153
Interest received		1,991	287
Other increase in cash flows from (to) investing activities		-	1,070
Net cash used in investing activities		(14,317)	(14,143)
Cash flows from financing activities			
Loans received		46,724	54,801
Loans repayment		(28,917)	(23,418)
Emission of bonds		-	5,000
Repurchase of bonds		(937)	-
Interest paid and transaction costs		(5,301)	(3,430)
Lease payments		(24,531)	(20,708)
Dividend paid to non-controlling interests		(37)	(28)
Change in non-controlling interests		202	(140)
Other decrease in cash flows from (to) financing activities		-	(1,166)
Net cash generated from/(used in) financing activities		(12,797)	10,911
Effect of exchange rate changes on cash and cash equivalents		-	-
Increase (decrease) in net cash flows		1,572	3,271
Cash and cash equivalents at the beginning of the period		9,971	6,700
Cash and cash equivalents at the end of the period		11,543	9,971

The accompanying explanatory notes are an integral part of these consolidated financial statements.

The consolidated financial statements were prepared and signed on 17 April 2020:

 Kęstutis Bagdonavičius
 Director

 Erika Zakarauskienė
 Chief Financial Officer

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

Explanatory notes

1. Background information

UAB Modus Grupė (hereinafter "the Company") is a joint stock company registered with the Register of Legal Entities on 30 January 2012 under the Law on Register of Companies of the Republic of Lithuania, company code 302719143, legal address: Ozo g. 10A, LT-08200 Vilnius. Activities of the company – consulting management activities.

The ultimate parent company is MG NL Holding B.V., legal address Naritaweg 165, Telestone 8, Teleport, 1043BW Amsterdam, the Netherlands, company code: 853264363. Activities of the company – consulting on business management and other issues.

The Group consists of the Company and its 7 subsidiaries (31 December 2018 – 7), 102 secondary subsidiaries (31 December 2018 – 108), and 8 associated companies (31 December 2018 – 8).

Subsidiaries directly controlled by the Company, controlled share 100% (equity and net profit (loss) from consolidated financial statements, except for UAB Modus Group Services and UAB Modus Asset Management):

Subsidiary company	Address:	Company code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
UAB Inter Krasta	Vilnius city municipality Vilnius, Ozo St. 10A	302693613	Lithuania	15,205	16,142	4,797	15,205	46,827	30,546	Consulting on business management and other issues
AB Modus Energy	Vilnius city municipality Vilnius, Ozo St. 10A	302693613	Lithuania	10,757	18,019	(27)	10,757	37,776	11,003	Consulting on business management and other issues
UAB Unimodus	Vilnius city municipality Vilnius, Ozo St. 10A	126123769	Lithuania	11,602	6,326	(381)	11,400	11,936	200	Lase of premises, administration of real estate
UAB Modus Mobility	Vilnius city municipality Vilnius, Ozo St. 10A	302784358	Lithuania	2	(3,386)	(954)	2	(6,627)	(3,170)	Civil engineering construction
UAB Modus Group Services	Vilnius city municipality Vilnius, Ozo St. 10A	302784365	Lithuania	1,252	50	(799)	1,252	89	39	Consulting on business management and other issues
UAB Modus Asset Management	Vilnius city municipality Vilnius, Ozo St. 10A	302790959	Lithuania	400	172	(207)	409	433	(276)	Management of investment funds, consulting

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

1. General information (cont'd)

Subsidiaries directly controlled by the Company, controlled share 50% and more:

Subsidiary, controlled share%	Address:	Company code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
UAB Axton Commodities, 60%	Vilnius city municipality Vilnius, Juozo Balčikonio St. 9	304917017	Lithuania	150	205	(45)	150	(245)	(450)	Trading, buying, selling, brokering, import, export of electricity, natural gas, coal, oil, emission allowances and related financial derivatives.

Subsidiaries indirectly controlled by the Company, controlled share 100%:

Subsidiary company	Address:	Company code	Country	as at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
Energy										
UAB Fariavita	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	302854664	Lithuania	1,003	914	1	1,003	1,031	117	Civil engineering construction
UAB Tiekesta	Vilnius city municipality Vilnius, Ozo St. 10A	302791018	Lithuania	3	808	411	3	644	(164)	Civil engineering construction
UAB ViaModus	Vilnius city municipality Vilnius, Ozo St. 10A	302751041	Lithuania	3	(5)	(2)	3	(8)	(3)	Consulting on business management and other issues
UAB Investiciniai energetikos projektai	Vilnius city municipality Vilnius, Ozo St. 10A	302470304	Lithuania	369	1,445	269	-	-	-	Production, sale and distribution of electricity (sold in 2019)
UAB Modus Energy Solutions	Vilnius city municipality Vilnius, Ozo St. 10A	301557546	Lithuania	-	10,906	7,003	-	24,226	13,320	Construction organisation of solar power plants and biopower plants
UAB Autoidėja	Vilnius city municipality Vilnius, Ozo St. 10A	125028784	Lithuania	1,053	900	548	1,053	2,957	454	Electricity generation, transmission and distribution
UAB Tvari energija	Vilnius city municipality Vilnius, Ozo St. 10A	302508769	Lithuania	1,400	974	(148)	1,400	1,343	(276)	Electricity generation, transmission and distribution

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

1. General information (cont'd)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Company code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
UAB Erengie Group	Vilnius city municipality Vilnius, Ozo St. 10A	302491056	Lithuania	-	95	26	-	-	-	Production, sale and distribution of electricity (sold in 2019)
UAB Intergates	Vilnius city municipality Vilnius, Ozo St. 10A	302481546	Lithuania	3	1,907	338	3	4,220	1,000	Electricity generation, transmission and distribution
UAB Fotona	Vilnius city municipality Vilnius, Ozo St. 10A	302841720	Lithuania	403	126	(39)	403	92	(34)	Civil engineering construction
UAB Modus Energijos Inovacijos	Vilnius city municipality Vilnius, Ozo St. 10A	304141357	Lithuania	3	2	-	3	1	(1)	Electricity generation, transmission and distribution
Green Genius Sp. z o.o.	Al. Aleje Jerozolimskie 56C, 00-803, Warsaw	5223030650	Poland	1	(381)	(244)	-	-	-	Production, sale and distribution of electricity (sold in 2019)
UAB Green Genius	Vilnius city municipality Vilnius, Ozo St. 10A	302841738	Lithuania	3	(526)	(539)	-	-	-	Lease of solar power plant and electricity distribution (sold in 2019)
UAB Modus bioujos	Vilnius city municipality Vilnius, Ozo St. 10A	302791057	Lithuania	3	130	128	3	184	54	Consulting on business management and other issues
UAB Baltic Sun Energy	Vilnius city municipality Vilnius, Ozo St. 10A	302444569	Lithuania	459	1,613	274	-	-	-	Production, sale and distribution of electricity (sold in 2019)
ZAO Renvia Servis	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	690663648	Belarus	1	(26)	(43)	1	(522)	(408)	Civil engineering construction n.e.c. (merged to OOO Modus Usługi in 2019)
ZAO Belovezha Biogas	225088, Kamenets district, Ryasniansky s/s, ag. Ryasna, Anniversary St. 1, Room. 32	690664710	Belarus	18	4	(7)	18	(305)	(311)	Electricity generation, transmission and distribution
ZAO Green Biogas,	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	690664802	Belarus	18	(10)	(22)	18	(173)	(191)	Electricity generation, transmission and distribution
ZAO Modus Engineering	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	690664708	Belarus	90	34	(10)	90	15	(22)	Electricity generation, transmission and distribution

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

1. General information (cont'd)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Company code	Country	as at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
ZAO Mir Biogas	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	690664723	Belarus	18	(7)	(15)	1,875	1,558	(256)	Electricity generation, transmission and distribution
ZAO Zadneprovskiy Biogas	231522, Grodno region, Shchuchin district, v/s Vasilishkovsky, Vasilishki, 26 Sovietskaya St.	812003710	Belarus	1,472	956	(503)	1,534	1,127	114	Electricity generation, transmission and distribution
ZAO Parochonskoe Biogas	225750, Brest region, Pinsk district, Osnezhitsky v/s, Zapolye, 7 Pinskaya St.	690658211	Belarus	14	(963)	(968)	28	(1,122)	(110)	Electricity generation, transmission and distribution
ZAO Kabylovka Biogas,	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-14	690662468	Belarus	15	(502)	(493)	18	(693)	(166)	Electricity generation, transmission and distribution
ZAO Severnyj Biogas	231522, Grodno region, Shchuchin district, v/s Vasilishkovsky, Vasilishki, 26 Sovietskaya St.	391003017	Belarus	14	(341)	(346)	31	(435)	(45)	Electricity generation, transmission and distribution
ZAO Modus Biogas	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-14	690664777	Belarus	16	(129)	(144)	16	(178)	(61)	Consulting on business management and other issues
ZAO Ostromech Biogas	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	690664657	Belarus	18	7	(4)	18	3	(4)	Electricity generation, transmission and distribution
OOO OZ Energy	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	691817683	Belarus	-	(3)	(1)	15	(8)	(5)	No activities
OOO Sofi Energy	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	691817719	Belarus	-	(2)	(1)	17	(7)	(5)	No activities
OOO Olekshicy-Energy	231784 Grodno region, Berestovitsky district agr. city Olekshitsy, St. Mira, 6	591472684	Belarus	-	(2)	(1)	17	(19)	(17)	No activities

UAB Modus Grupė

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1. General information (continued)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Company code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
OOO Gorod-Energy	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	691817706	Belarus	-	(2)	(1)	16	(8)	(5)	No activities
OOO Noe -Energy	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	691817670	Belarus	-	(4)	(2)	16	(21)	(18)	No activities
OOO BG 17	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	691817696	Belarus	-	(3)	(2)	16	(415)	(416)	Civil engineering (no activities in 2018)
OOO Elit Agro	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-14	692144622	Belarus	-	-	-	-	(1)	(1)	No activities (acquired in 2019)
OOO Gerki Biogas	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-14	692144607	Belarus	-	-	-	-	(1)	(1)	No activities (acquired in 2019)
UAB AUTOIDĖJA City	Vilnius city municipality Vilnius, Ozo St. 10A	302791000	Lithuania	3	-	(1)	3	(1)	(2)	No activities
UAB Balteina	Vilnius city municipality Vilnius, Ozo St. 10A	302736598	Lithuania	3	(4)	(1)	3	(6)	(2)	No activities
UAB Cenergija	Vilnius city municipality Vilnius, Ozo St. 10A	302850107	Lithuania	3	(2)	(1)	3	(3)	(1)	No activities
UAB Dennergija	Vilnius city municipality Vilnius, Ozo St. 10A	302791071	Lithuania	3	(1)	(1)	3	(3)	(2)	No activities
UAB Hanitaksa	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	302854721	Lithuania	3	-	(1)	3	(1)	(1)	No activities
UAB Hipso	Vilnius city municipality Veiverių St. 9B-41, Vilnius	302848490	Lithuania	3	-	(1)	3	(2)	(2)	No activities
UAB Kalintava	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	302860350	Lithuania	3	-	(1)	3	(1)	(1)	No activities

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Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

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1. General information (cont'd)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Company code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
UAB Kenergija	Vilnius city municipality Vilnius, Ozo St. 10A	302850274	Lithuania	3	(2)	(1)	3	(4)	(1)	No activities
UAB Pavilnių saulės slėnis 19	Vilnius city municipality Vilnius, Ozo St. 10A	302791025	Lithuania	3	1	(1)	3	(1)	(1)	No activities
UAB Pavilnių saulės slėnis 25	Vilnius city municipality Vilnius, Ozo St. 10A	302794021	Lithuania	3	(2)	(1)	3	(18)	(16)	No activities
UAB Pavilnių saulės slėnis 26	Vilnius city municipality Vilnius, Ozo St. 10A	302793994	Lithuania	3	1	(1)	3	-	(1)	No activities
UAB Pavilnių saulės slėnis 27	Vilnius city municipality Vilnius, Ozo St. 10A	302791107	Lithuania	3	1	(1)	3	-	(1)	No activities
UAB Modus Energy Systems	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	302859394	Lithuania	3	(13)	(6)	3	(22)	(9)	No activities
UAB Sekovita	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	302860368	Lithuania	3	-	(1)	3	(1)	(1)	No activities
UAB Ipedita	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	302854714	Lithuania	3	-	(1)	3	(1)	(1)	No activities
UAB Tekilta	Vilnius city municipality Vilnius, A. Kojelavičiaus St. 3	302859729	Lithuania	3	-	(1)	3	(1)	(1)	No activities
UAB Želsvelė biodujos	Želsvelės St. 1, Želsva, Marijampolė municipality, Lithuania	304095721	Lithuania	3	2	(1)	3	1	(1)	No activities
UAB Kairėnai biodujos	Grinkiškių St. 24, Kairėnai, Radviliškis r. municipality, Lithuania	304097544	Lithuania	3	2	(1)	3	1	(1)	No activities
UAB Vėriškės biodujos	Žilioniai village 12, Radviliškis r., Lithuania	304095696	Lithuania	3	2	(1)	3	1	(1)	No activities
UAB Grūduva biodujos	Šakiai city municipality, Gotlybiškiai village Mokyklos St. 2	304097537	Lithuania	3	2	(1)	3	1	(1)	No activities

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Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

1. General information (cont'd)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Corporate entities Code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
Green Genius Italy S.r.l.	Via Orvinio 15, Rome	RM-1481989	Italy	6	(25)	(34)	-	-	-	Electricity production, transmission and distribution (no activities in 2018, sold in 2019)
LLC Axton Energija	вул.Богдана Хмельницького, буд. 52, м. Київ, 01030	43277358	Ukraine	-	-	-	-	(1)	(1)	No activity (established in 2019)
Mobility										
UAB Prime Leasing	Vilnius city municipality Vilnius, Ozo St. 10A	302565318	Lithuania	1,950	154	223	1,950	479	325	Wholesale of new and used cars; rental of new and used cars; sale of new cars by instalments; car sharing service CityBee
UAB Miesto Bitė	G. D. Kuverto St. 15E-35, Neringa	302793236	Lithuania	2	-	(1)	2	(2)	(1)	Rental of new and used cars, car sharing service CityBee
UAB Pavilnių saulės slėnis 14	Vilnius city municipality Vilnius, Ozo St. 10A	302791139	Lithuania	2	1	(1)	2	(1)	(1)	Civil engineering constructions
UAB Pavilnių saulės slėnis 15	Vilnius city municipality Vilnius, Ozo St. 10A	302791114	Lithuania	2	1	(1)	2	(1)	(1)	Civil engineering constructions
UAB CityBee Solutions	Vilnius city municipality Vilnius, Ozo St. 10A	302833691	Lithuania	2,400	2,131	54	2,400	2,411	280	Car sharing service CityBee
UAB Modus Unipark Services	Vilnius city municipality Vilnius, Ozo St. 10A	302791089	Lithuania	3	(41)	(5)	3	(46)	(5)	Management consultancy activity for parking services companies
UAB Valunta	Vilnius city municipality Vilnius, Ozo St. 10A	302854778	Lithuania	1,362	1,286	204	1,362	954	(332)	Rent of cars
SIA CityBee Latvija	Rīga, Biķernieku St. 145	50203191721	Latvia	-	-	-	3	(547)	(550)	Car sharing service CityBee (established in 2019)
CityBee Eesti OU	Kaluri St. 2, 51004, Tartu	14646800	Estonia	-	-	-	3	(488)	(490)	Car sharing service CityBee (established in 2019)

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1. General information (continued)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Corporate entities Code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
CityBee Spain, S.L.U.	C/ Velázquez nº 94, 4º Dcha. 28006 Madrid	B88357678	Spain	-	-	-	3	8	(46)	Car sharing service CityBee (established in 2019)
Nummy Investments Sp. z o.o.	Ul. Wielicka 43 /10, 02-657, Warsaw, Masovian Voivodeship	5223047053	Poland	1	(499)	(230)	1	(527)	4	Car parking services
CityBee Polska Sp. z o. o.	28 Czerwca 1856 R., nr 406, Poznan 61-441	739033	Poland	1	(408)	(401)	1	(1,926)	(1,512)	Rental of new and used cars, car sharing service CityBee
OOO Modus Park	223043, Minsk district, v. Tsna, 4 Yubileynaya St., Room 2-15	191681764	Belarus	88	(111)	(81)	88	(164)	(28)	Car parking services
Cars										
UAB Krasta auto	Vilnius city municipality Vilnius, Ozo St. 10A	121981098	Lithuania	16,502	442	3,697	-	-	-	- Trade of new and used cars and spare parts (sold in 2019)
UAB Krasta auto Vilnius	Vilnius city municipality Vilnius, Ozo St. 10A	302693894	Lithuania	3	576	573	-	-	-	- Trade of new and used cars, motorcycles and other vehicles, their spare parts; car service; activities related to rent of vehicles and other assets (sold in 2019)
UAB Krasta auto Kaunas	Kaunas city municipality Veiverių Sr. 150, Kaunas	135188342	Lithuania	1,092	1,244	446	-	-	-	- Trade of new and used cars, their spare parts, repair of cars (sold in 2019)
UAB Krasta auto Klaipėda	Klaipėda city municipality Svajonės St. 40, Klaipėda	302697056	Lithuania	3	348	95	-	-	-	- Trade of new and used cars, their spare parts, repair of cars (sold in 2019)

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Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

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1. General information (cont'd)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Corporate entities Code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
UAB Autoforumas	Marijampolė municipality Gamyklų St. 4, Marijampolė	151390037	Lithuania	-	(369)	(255)	-	-	-	Trade of new and used cars, their spare parts, repair of cars (sold in 2019)
UAB Fiada	Marijampolė municipality Gamyklų St. 4, Marijampolė	151447118	Lithuania	9	1	(3)	-	-	-	Trade of new and used cars, their spare parts, repair of cars (sold in 2019)
UAB Autobrava	Vilnius city municipality Vilnius, Ozo St. 10A	125481247	Lithuania	2,818	7,215	1,810	2,818	12,063	4,848	Trade of new and used cars, their spare parts
UAB Autoimex	Vilnius city municipality Vilnius, Ozo St. 10A	300662220	Lithuania	4,382	1,428	1,425	4,382	3,034	1,740	Trade of new and used cars, their spare parts
UAB Interviga	Vilnius city municipality Vilnius, Ozo St. 10A	302651678	Lithuania	227	(51)	(58)	227	(124)	(73)	Trade of auto lubricants
SIA Autobrava	Rīga, Biķernieku St. 145	40103325594	Latvia	-	(2,695)	(421)	-	(2,984)	(289)	Trade of new and used cars, their spare parts, car repair services
SIA Baltijas Sporta Auto	Rīga, Krasta St. 54	40103655093	Latvia	3	1,617	621	3	1,994	376	Trade of new and used cars, their spare parts, car repair services
UAB Prime Auto	Vilnius city municipality Vilnius, Ozo St. 10A	302841713	Lithuania	3	4,669	1,860	3	5,947	1,278	Trade of new and used cars, their spare parts, car repair services
OOO Avtoidea	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St.	190829939	Belarus	3	(6,400)	(461)	7,003	2,464	1,867	Trade of new cars, their spare parts, car repair services
UAB Neoparta	Vilnius city municipality Vilnius, Ozo St. 10A	302784493	Lithuania	3	1,383	70	3	1,384	1	Electronic trade of spare parts

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Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

1. General information (cont'd)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Corporate entities Code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
UAB Autobrava Motors	Vilnius city municipality Vilnius, Ozo St. 10A	302792561	Lithuania	2	(181)	(183)	1,002	132	(687)	Civil engineering constructions, installation of electrical and other equipment, installation of electrical systems, wholesale and retail trade of electric apparatus and devices
UAB Luxury Motors	Vilnius city municipality Vilnius, Ozo St. 10A	302793243	Lithuania	2	1	(1)	2	(65)	(66)	Civil engineering constructions, installation of electrical and other equipment, installation of electrical systems, wholesale and retail trade of electric apparatus and devices
UAB Mobility Fleet Solutions (former UAB Adorada)	Vilnius city municipality Vilnius, Ozo St. 10A	302735731	Lithuania	3	2,304	338	30	22	55	Trade of cars (2018: consulting on business management and other issues)
UAB Modus Automotive Services	Vilnius city municipality Vilnius, Ozo St. 10A	302784148	Lithuania	2	-	(2)	2	(4)	(4)	No activity
OOO Autoimax	Kulman St. 9-604, Minsk	193292793	Belarus	-	-	-	5	(20)	(25)	No activities (established in 2019)
Real estate										
UAB Askela	Vilnius, A. Kojelavičiaus St. 3	110858226	Lithuania	1,057	143	(33)	1,057	197	(32)	Lease, maintenance and development of real estate; production and sale of electricity
UAB Kreta	Vilnius city municipality Vilnius, Ozo St. 10A	120895543	Lithuania	3,517	870	45	3,517	2,817	92	Hotels and similar accommodation, real estate management and lease, construction, electricity generation.
SIA Unimodus	Rīga, Krasta St. 54	50103911801	Latvia	3	(222)	(77)	3	3	(79)	Established for development of real estate projects in Latvia; currently no commercial activity
UAB Nekilnojamojo turto prekyba	Vilnius city municipality Vilnius, Ozo St. 10A	304168443	Lithuania	3	2	(1)	3	3	(1)	Construction, management and lease of real estate
UAB Nuomos sprendimai	Vilnius city municipality Vilnius, Ozo St. 10A	304168938	Lithuania	3	2	(1)	3	3	(1)	Construction, management and lease of real estate

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Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

1. General information (cont'd)

Subsidiaries indirectly controlled by the Company, controlled share 100% (cont'd):

Subsidiary company	Address:	Corporate entities Code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
UAB Plėtros sprendimai	Vilnius city municipality Vilnius, Ozo St. 10A	304169901	Lithuania	3	2	1)	3	3	1)	Construction, management and lease of real estate
UAB Nekilnojamojo turto nuoma	Vilnius city municipality Vilnius, Ozo St. 10A	304167170	Lithuania	1,503	598	(188)	1,503	1,503	(121)	Construction, management and lease of real estate
UAB Nekilnojamojo turto konsultacijos	Vilnius city municipality Vilnius, Ozo St. 10A	304168895	Lithuania	3	2	1)	3	3	1)	Construction, management and lease of real estate
UAB Modus Estate Services	Vilnius city municipality Vilnius, Ozo St. 10A	302790998	Lithuania	2	1)	(2)	2	3	(2)	Leases of real estate
UAB Pavilnių saulės slėnis 22	Vilnius city municipality Vilnius, Ozo St. 10A	302790973	Lithuania	2	1	1)	2	3	1)	Leases of real estate
UAB Pavilnių saulės slėnis 17	Vilnius city municipality Vilnius, Ozo St. 10A	302791096	Lithuania	3	1	1)	3	3	(2)	Leases of real estate
OOO Unimodus	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-13	690655332	Belarus	2,341	60	130	2,359	2,310	(40)	Construction, management and development of real estate.
OOO Unimodus Grodno	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-14	590700887	Belarus	17	(218)	(23)	18	8	2	Established for development of real estate projects in Belarus; currently performs no commercial activity
OOO Unimodus Gomel	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-14	490986205	Belarus	17	(38)	(6)	17	8	2	Established for development of real estate projects in Belarus; currently performs no commercial activity
OOO Modus Uslugi	223043, Minsk district, Papernyansky v/s, v. Tsna, 4 Yubileynaya St., Room 2-15	690663862	Belarus	6	(110)	14	-	-	-	Accounting services (merged to ZAO Renvia Servis in 2019)
ZAO Modus Projekts	222397, Minsk district, Miadel city, 2-3 1 Maya St.	690657363	Belarus	5,289	4,776	(223)	5,289	5,265	659	Electricity generation, transmission and distribution

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(In EUR thousand, unless otherwise stated)

1. General information (continued)

Subsidiaries indirectly controlled by the Company, controlled share – 50% or more:

Subsidiary, controlled share%	Address:	Corporate entities Code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
UAB Menergija, 82.5%	Vilnius city municipality Vilnius, Ozo St. 10A	302850267	Lithuania	2	(295)	(64)	2	42	(108)	Civil engineering construction n.e.c.
UAB Nenergija, 82.5%	Vilnius city municipality Vilnius, Ozo St. 10A	302850064	Lithuania	2	6	3	2	278	210	Civil engineering construction n.e.c.
UAB Venergija, 82.5%	Vilnius city municipality Vilnius, Ozo St. 10A	302850089	Lithuania	2	(121)	(20)	2	(129)	(23)	Civil engineering construction n.e.c.
UAB Zenergija, 82.5%	Vilnius city municipality Vilnius, Ozo St. 10A	302850121	Lithuania	2	(33)	(33)	2	38	67	Civil engineering construction n.e.c.
UAB Jenergija, 82.5%	Vilnius city municipality Vilnius, Ozo St. 10A	302850299	Lithuania	2	(315)	(102)	2	(92)	119	Civil engineering construction n.e.c.
UAB Psenergija, 66.78%	Vilnius city municipality Vilnius, Ozo St. 10A	302850071	Lithuania	2	175	172	2	742	257	Electricity generation, transmission and distribution
UAB Senergita, 55.26%	Vilnius city municipality Vilnius, Ozo St. 10A	302850317	Lithuania	2	(93)	66	2	282	220	Electricity generation, transmission and distribution
UAB Lenergija, 82.5%	Vilnius city municipality Vilnius, Ozo St. 10A	302850203	Lithuania	2	98	66	2	324	159	Civil engineering construction n.e.c.
UAB Sigvilta, 80.95%	Vilnius city municipality Vilnius, Ozo St. 10A	302841574	Lithuania	446	510	74	446	670	160	Civil engineering construction
UAB Lepita, 66.98%	Vilnius city municipality Vilnius, Ozo St. 10A	302854931	Lithuania	196	125	(34)	196	117	(8)	Electricity generation, transmission and distribution
UAB LM Auto, 50%	Vilnius city municipality Vilnius, Ozo St. 10A	302784123	Lithuania	201	219	(138)	401	498	(121)	Sale of new and used cars, motorcycles, other vehicles, their spare parts; car service; activities related to the lease of vehicles and other property

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1. General information (cont'd)

Associated entities directly controlled by the Company, controlled share – 50% or less (not less than 21%):

Associated company, controlled share%	Address:	Company code	Country	As at 31 December 2018			As at 31 December 2019			Short description of activity
				Carrying amount of investments	Equity	Net profit (loss)	Carrying amount of investments	Equity	Net profit (loss)	
Ausieniškių ŽŪB, 50.00%	Vilnius city municipality Vilnius, Ozo St. 10A	302751326	Lithuania	-	(138)	(8)	-	(142)	(3)	Agriculture, alternative energy
Mockėnų ŽŪB, 50.00%	Vilnius city municipality Vilnius, Ozo St. 10A	302794217	Lithuania	13	27	8	13	26	(1)	Agriculture, production of silage
UAB Ginana, 24.86%	Panevėžys city municipality, Smilgiai village Panevėžio St. 23-1	302872801	Lithuania	68	226	(3)	68	226	(1)	No activity
UAB Bonalėja, 24.90%	Marijampolė municipality, Želsva village, Želsvelės St. 1	303556891	Lithuania	74	258	(2)	75	258	-	No activity
UAB Investiciniai turto projektai, 24.86%	Radviliškis city municipality, Kairėnai village, Grinkiškio St. 24	303502954	Lithuania	68	234	(2)	68	233	-	No activity
UAB Lifla, 24.88%	Radviliškis r. municipality, Žilioniai village 12	304137558	Lithuania	69	245	(2)	70	245	-	No activity
UAB Agapas, 24.89%	Šakiai city municipality, Gotlybiškiai village Mokyklos St. 2	304097697	Lithuania	74	256	(3)	74	255	(1)	No activity
UAB Gėpaga, 50%	Marijampolė municipality Gamyklų St. 4, Marijampolė	110666382	Lithuania	-	(3,484)	(511)	-	(3,539)	(55)	Lease, maintenance and development of real estate

UAB Modus Grupė

Company code 302719143, Ozo St. 10A, LT-08200 Vilnius

Explanatory notes to the consolidated financial statements for the year ended 31 December 2019

(In EUR thousand, unless otherwise stated)

1. General information (cont'd)

Sales of the Group companies

Based on the decision of the Board of 17 January 2019, minutes No. 19/01/17, on 18 January 2019, 100% shares of UAB Green Genius were sold to MG NL Holding B.V. Group entity Green Genius Global B.V. The right of ownership was transferred to the new shareholder on 18 January 2019.

Pursuant to the agreement on the sale-purchase of entities, dated 14 November 2018, 100% shares of UAB Krasta Auto, UAB Krasta Auto Kaunas and UAB Krasta Auto Klaipėda as well as of UAB Krasta Auto Vilnius through UAB Krasta Auto were sold to Inchcape International Holdings Limited on 31 January 2019. The right of ownership was transferred to the new shareholder on 31 January 2019.

On 16 April 2019, 100% shares of Green Genius Sp. z o.o. were sold to a MG NL Holding B.V. Group entity Modus Energy International B.V. The sale transaction was performed based on the decision of the Board of 29 March 2019, minutes No. 190329. The right of ownership was transferred to the new shareholder on 16 April 2019.

On 29 April 2019, 100% shares of UAB Autoforumas and of UAB Fiada through UAB Autoforumas were sold to customers based on the decision of the Board of 29 April 2019, minutes No. 190429. The right of ownership was transferred to new shareholders on 17 May 2019.

On 31 October 2019, 100% shares of UAB Baltic Sun Energy, UAB Investiciniai energetikos projektai and UAB Erengie Group were sold to customers. The right of ownership was transferred to new shareholders on 14 November 2019.

On 13 December 2019, 100% shares of Green Genius Italy S.r.l. were sold to a MG NL Holding B.V. Group entity Modus Energy International B.V. The sale was performed based on the decision of the Board of 26 February 2019, minutes No. 190226. The right of ownership was transferred to the new shareholder on 13 December 2019.

Acquisition/establishment of Group companies

CityBee Eesti Ou was established on 22 January 2019, SIA CityBee Latvija – on 24 January 2019, and CityBee Spain S.L.U. – on 14 June 2019. 100% shares of these entities are owned by the Group company UAB CityBee Solutions.

OOO Elit Agro and OOO Gerki Biogas were established on 16 August 2019. 100% shares of these entities are owned by the Group company OOO Ostromech Biogas.

OOO Autoimax was established on 10 September 2019. 100% shares of the entity are owned by the Group companies – UAB Autoimex (99%) and UAB Inter Krasta (1%).

LLC Axton energija was established on 8 October 2019. 100% shares of the entity are owned by the Group company UAB Axton Commodities.

Other general information

As at 31 December 2019 and 2018, the Group had branches in Poland and Latvia.

In 2019, the average number of employees at the Group was 594 (2018 – 720 employees).

2. New standards, amendments and interpretations

a) Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

In 2019, the Group applied all new and revised standards, amendments and interpretations announced by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), that are relevant for its operations and are effective for the reporting period beginning on 1 January 2019.

The following standards and amendments were initially applied by the Group to the annual reporting periods beginning on 1 January 2019:

IFRS 16 - Leases

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognises the leased asset that reflects his right to use the underlying asset, and the lease liability that reflects his obligation to pay the lease payments. Exceptions to the recognition apply to short-term lease and lease of low-value positions. Lessor accounting is substantially unchanged, i. e. the lessors will continue to allocate the lease to finance and operating leases.

IFRS 16 replaces the existing lease guidelines, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15. Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Leases in which the Group is a lessee

The Group initially applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

After implementation of IFRS 16, the Group recognised lease liabilities that were previously classified as “operating leases” according to the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s current borrowing discount rate, which for the respective contracts was 2.10% – 7.68%.

The Group recognised new assets and liabilities for its operating leases of its equipment, premises, land and automotive activities. The nature of expenses related to those leases has changed because the Group recognised a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Impact on the consolidated financial statements of the Group is disclosed in Note 4.1 in the explanatory notes.

Leases in which the Group is a lessor

The Group does not have material leases in which it is a lessor; therefore, no significant impact of IFRS 16 has been determined.

b) Standards adopted by the EU that are not yet effective

Several new standards are effective for annual periods beginning on 1 January 2020 with early application permitted. While preparing these consolidated financial statements, the Group decided not to adopt early the new or amended standards.

The following amended standards are not expected to have a significant impact on the Group’s consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Definition of Material (Amendments to IAS 1 and IAS 8).

c) Standards not yet endorsed by the EU

The following amendments to effective or new standards, not yet endorsed by the EU, are not relevant for the Group:

- Definition of a Business (Amendments to IFRS 3);
- IFRS 17 Insurance Contracts;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- IFRS 14 - Regulatory Deferral Accounts.

3. Accounting policies

3.1. Compliance with standards

These consolidated financial statements (hereinafter – financial statements) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), as set by the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

The Group's management prepared and signed these financial statements on 17 April 2020. The shareholders of the Group have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

The financial statements are prepared under the assumption that in the near future the Group will continue as a going concern.

3.2. Basis of preparation of the financial statements

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – IFRS) as adopted by the European Union (hereinafter – EU). These financial statements are the first financial statements of the Group prepared in accordance with IFRS, as adopted by the EU. In preparation of these financial statements the Group applied IFRS 1 First-time Adoption of International Financial Reporting Standards.

Explanation of the effect of the transition to IFRS on the Group's financial position, financial performance and cash flows is presented in Note 35.

Basis of measurement

The financial statements have been prepared on the acquisition cost basis, except for property, plant and equipment – the asset groups of buildings and pipes as well as machinery and equipment of the solar and biogas power plants at a revalued value, the investment property – the group of buildings at fair value, and the investments at fair value.

All amounts in these financial statements are presented in the legal currency of Lithuania – the euro (EUR).

Significant accounting policies applied are presented below.

3.3. Currency

All amounts in these financial statements are presented in the common currency of the European Union adopted for payments in Lithuania – the euro (EUR) which is the functional currency of Group companies operating in Lithuania and other European Union countries. The functional currencies of the entities operating in the European Union countries which have not adopted the euro, are their local currencies.

3.4. Basis of consolidation and investments in subsidiaries and associates

The Group's consolidated financial statements include the Company, its subsidiaries and associates. The financial statements of subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Equity and net income attributable to non-controlling shareholders are treated separately in the statements of financial position and profit or loss.

Investments in associates, i.e. those which are significantly affected by the Group, are accounted for using equity method in the Group's consolidated financial statements. Investments in associates are tested for impairment when there is an indication that the asset may be impaired or the impairment recognised in prior years no longer exists.

Goodwill acquired in a business combination is recognised at acquisition cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired, liabilities and contingent liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill value is reviewed annually or more frequently in case of any events or circumstances indicating that the carrying amount is impaired.

The amount at which the fair value of the recognised assets acquired, liabilities and contingent liabilities assumed is still in excess of the acquisition cost of investment after a second measurement of the assets acquired, liabilities and contingent liabilities assumed and assessment of the acquisition cost, is immediately recognised in profit or loss.

3. Accounting policies (cont'd)

Goodwill acquired in a business combination for the purpose of measuring impairment is, from the acquisition date, allocated to each of the acquirer's cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is measured through assessment of the recoverable amount of the cash-generating unit to which the goodwill is related. Where the recoverable amount of a cash-generating unit is lower than the balance value, impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Losses of subsidiaries are attributed to non-controlling interest even if that results in a deficit balance of the non-controlling interest. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of non-controlling interests, if any;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Investments in subsidiaries and associates in the separate financial statements of Group entities are carried at acquisitions cost, less impairment. Expenses directly related to the acquisition of subsidiaries and associates are recognised in profit or loss when incurred. Impairment testing is performed when there is an indication that the asset may be impaired or the impairment recognised in prior years no longer exists.

3.5. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.6. Statement of Cash Flows

The statement of cash flows presents the Group's cash inflows and outflows during the year, and its financial position at the end of the year. Following requirements of the standards, cash flows are attributed to three groups: cash flows from (to) operating activities, cash flows from (to) investing activities, and cash flows from (to) financing activities.

3. Accounting policies (cont'd)

Cash flows from (to) operating activities are presented indirectly, i.e. as net profit adjusted to the non-cash amounts from activities, changes in working capital, changes in the fair value of derivative financial instruments, interest paid from the Group's loans allocated to finance activities, non-characteristic operational amounts and corporate income tax paid.

Cash flows from investing activities comprise payments related to acquisition/sale of non-current assets and investments, receipt of dividends and interest.

Cash flows from financing activities comprise amounts received and paid related to shareholders, proceeds from borrowings and repayment of borrowings, interest payments not related to Group loans allocated to finance working capital, long-term and short-term borrowings not related to primary activities.

3.7. Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Primary or the most favourable market must be made available for the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value of a non-financial asset is measured by taking into account the ability of a market participant to generate the economic benefit by using an asset in the most efficient and optimal way or by selling the same to another market participant, who would use such asset in the most efficient and optimal way.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 inputs are unobservable inputs for the asset or liability that are significant in measuring the fair value.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Group's management at each reporting date. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above (Note 33).

3.8. Property, plant and equipment

Property, plant and equipment are assets that are controlled by the Group and from which it expects to receive future economic benefits, and the useful life of which is longer than one year. Property, plant and equipment, except for buildings, pipelines and machinery and equipment of solar and biogas power plants, are accounted for at acquisition cost reduced by subsequently accumulated depreciation and subsequently impairment losses. Buildings, pipelines and machinery and equipment of solar and biogas power plants are carried at a revalued value, reduced by subsequently accumulated depreciation and subsequently impairment losses, based on periodically performed evaluations by independent appraisers (until 31 December 2019, these groups were carried at acquisition cost and depreciation was calculated for 2019).

3. Accounting policies (cont'd)

The effect of the revaluation on the consolidated financial statements of the Group is disclosed in the explanatory Note 4.2.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment are ready for their intended use, such as repair and maintenance costs, are normally charged to the statement of profit or loss in the period the costs are incurred.

Subsequent expenditure is included in the carrying amount of the property, plant and equipment or is recognised as a separate item only if it is probable that the Group will receive future economic benefits and the cost of the item can be reliably estimated. The carrying amount of the replaced part is written off. All other repair and maintenance expenditure is recognised in the statement of profit or loss and other comprehensive income in the period in which it was incurred.

An increase in the carrying amount of buildings, pipelines and machinery and equipment of solar and biogas power plants after the revaluation is credited to the revaluation reserve under equity and to deferred tax liabilities. Impairment losses that cover the previous increase in the value of the same asset, are recognised directly in equity by reducing the revaluation reserve, any other decrease in the value is recognised in profit or loss.

Gain or loss on disposal of the property is calculated by deducting the carrying amount of the disposed asset from the proceeds received and is recognised in the statement of profit or loss. Subsequent to the sale of the revalued asset, a respective share of the revaluation reserve is transferred to the retained earnings.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Group of property, plant and equipment	Useful life time (in years)	Minimum capitalisation value, EUR
Buildings and pipelines	15 – 35	300
Structures	8	300
Machinery and equipment of solar and biogas power plants	10 – 25	300
Other machinery and equipment	5	300
Vehicles	5 – 6	300
Other fixtures, fittings and tools	3 – 6	300

The useful lives, depreciation method and residual values are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress is stated at acquisition cost less accumulated impairment. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the construction is not finished and the relevant assets are not started to be used.

Borrowing costs which are directly attributable to acquisition of assets that require time to prepare for an intended use or sale, construction or production, are capitalised in the cost of a respective asset. All other borrowing costs are expensed in the period they occur.

3.9. Investment property

Investment property is initially measured at acquisition cost, including the transaction-related costs. After initial recognition, buildings are stated at fair value and depreciation is not calculated. The fair value of investment property - buildings - is adjusted on an annual basis during the preparation of the financial statements, recording the change in the value in the statement of profit or loss and other comprehensive income (until 31 December 2019, buildings were stated at cost method and depreciation was calculated for 2019; therefore, the change in fair value was accounted for as profit (loss) not recognised in the statement of profit or loss and other comprehensive income). Land is stated at acquisition cost less impairment losses, if any.

The effect of changes in the accounting policy is disclosed in the explanatory Note 4.3.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on the disposal or sale of investment property are recognised in the statement of profit or loss in the year of the disposal or sale for the period in which it was sold.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

3. Accounting policies (cont'd)

3.10. Intangible assets other than goodwill

Intangible assets are initially measured at acquisition cost. Acquisition cost of intangible assets acquired on business combination is equal to their fair value at the day of business combination. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives are amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

The estimated useful lives of intangible assets with finite useful lives are set out below:

<u>Group of intangible non-current assets</u>	<u>Useful life time (in years)</u>	<u>Minimum capitalisation value, EUR</u>
Software	3	300
Concessions, patents, licenses, trademarks and similar rights	3	300
Other intangible assets	4	300

Intangible assets with indefinite lives are not amortised but assessed for impairment at the end of each reporting period.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

3.11. Financial instruments

3.11.1. Recognition and the initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.11.2. Classification and subsequent measurement

Financial assets. Accounting policies.

On initial recognition, a financial asset is classified as measured at: amortised cost; at fair value through other comprehensive income (FVOCI) – debt investment; as fair value through other comprehensive income (FVOCI) – equity investment; or at fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

3. Accounting policies (cont'd)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets. Business model assessment.

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the company are compensated - e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of the sale of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets. Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative expenses) as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers the following factors:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets (e.g. irrevocable features).

A prepayment feature is consistent with the solely payments of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets. Subsequent measurement and gains and losses.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced due by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss, unless the dividends clearly reflect the portion of the investment cost recovered. The remaining net profit and loss are recognised in other comprehensive income and are never reclassified to profit or loss.

3. Accounting policies (cont'd)

Financial assets. Subsequent measurement and gains and losses.

Financial assets at FVTPL. Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Held-to-maturity financial assets are measured at amortised cost using the effective interest method.

Loans and other receivables are measured at amortised cost using the effective interest method.

Available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities. Classification, subsequent measurement and gains and losses.

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

3.11.3. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in the statement of financial position, but retains all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.11.4. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends to either settle them or to realise the asset and the liability simultaneously.

3.11.5. Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge against foreign currency and interest rate risks. Embedded derivatives are separated from the host contract and accounted for separately when the host contract is not a financial asset and when certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, derivative financial instruments are carried at fair value and its changes are usually recognised in profit or loss.

The Group defines certain derivative financial instruments as hedging instruments for hedging against volatility in cash flows associated with highly probable forecasted transactions arising from changes in foreign currency and interest rates and certain derivative financial instruments and non-derivative financial liabilities as hedges of foreign exchange risk arising from net investment in a foreign operation.

At the beginning of a defined hedging relationship, the Group documents the entity's risk management objective and hedging strategy. The Group also records economic relationships between the hedged item and the hedging instrument, including whether the changes in the hedged item and the cash flows of the hedging instrument are expected to be offset against each other.

3. Accounting policies (cont'd)

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve.

The effective portion of changes in the fair value of a derivative financial instrument recognised in other comprehensive income has been restricted from the inception of the hedge to the cumulative change in the fair value of the hedged item calculated on the basis of the present value. An ineffective portion of the fair value change of a derivative is recognised immediately in profit or loss.

The Group defines a hedging instrument in a cash flow hedge relationship only as an instant currency swap element. The change in the fair value of the forward element of the forward transaction ("forward points") is accounted for separately as a hedging cost and is recognised in the cost of the hedging reserve in equity.

Where, in the case of a forecasted hedge transaction, a non-financial item, such as inventory, is subsequently recognised, the amount accumulated in the hedging reserve and the cost of the hedging reserve are included directly in the cost of the non-financial item when it is recognised.

For all other hedged hedges, the amount accrued in the hedging reserve and the cost of the hedging reserve is reclassified to profit or loss for the same period or periods in which the estimated future cash flows of the hedge affect profit or loss.

If the hedge does not meet the hedge accounting criteria or the hedge is sold, it expires, is cancelled or used, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accrued in the hedging reserve remains in equity until it is included in the cost of acquisition of non-financial transactions in the event of a hedge of a non-financial transaction or, in the case of other cash flow hedges, is reclassified to profit or loss for the same period or periods during which the estimated cash flows of the hedge affect profit or loss.

If the expected cash flow hedges are no longer probable, the accumulated amounts and the cost of the hedge reserve are reclassified immediately to profit or loss.

3.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is calculated under the FIFO method. The cost of finished goods and work in progress includes the applicable allocation of fixed (raw materials, packaging, direct remuneration, etc.) and variable overhead (depreciation, indirect remuneration, utilities, etc.) costs based on a normal operating capacity. The inventories that may not be realised are fully written off.

3.13. Cash and cash equivalents

Cash comprises cash in hand and cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits in bank and other short-term highly liquid investments and surpluses of bank accounts.

3.14. Assets held for potential sale

Non-current assets or disposal groups including assets and liabilities are accounted for as assets held for sale when and only when benefit is more likely to be gained from disposal rather than their continued use in the Group.

Such assets or disposal groups are measured at the lower of their carrying amount or fair value, less selling expenses. Impairment loss of disposal groups are initially attributed to goodwill and subsequently attributed proportionally to the remaining assets and liabilities, except that loss is not recognised for inventories, financial assets, deferred tax assets, employee benefit assets, investment property or other assets which continue to be measured in accordance with other accounting policies of the Group. Impairment loss is initially accounted for in the statement of profit or loss.

When intangible assets and property plant and equipment are accounted for as held for potential sale, their depreciation is no longer calculated.

3. Accounting policies (cont'd)

3.15. Lease

Accounting policy applied until 31 December 2018

Lease

Lease is a right to control the usage of certain determined assets over the useful life. Determined assets are physically separated assets which are directly or indirectly determined by a contract without significant rights to change them. The right of replacement of determined assets is assessed based on facts and circumstances at the time of contract conclusion. The right to control the usage of assets over the useful life is a right to receive substantially all economic benefits from the use of assets and a right to decide on how to use the asset over its useful life. The lessee shall reassess the agreements only in the event of changes to contractual conditions and the change right is significant.

In 2018, the Group recognised leases under the provisions of IAS 17, i.e. finance leases are recognised if substantially all the risks and rewards of ownership are transferred. Leases were recognised as operating leases if substantially all the risks and rewards of ownership of the asset are retained.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the amount of liabilities is decreased by payments made, and finance costs incurred are accounted for respectively, applying the Group's incremental borrowing rate.

Operating lease

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss in statements of profit or loss and other comprehensive income on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Leases embedded in other agreements are separated if:

- Fulfilment of the arrangement is dependent on the use of a specific asset or assets;
- The arrangement conveys a right to use the asset.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term. IFRIC 4 explicitly interprets the criteria based on which it is determined whether the contract is attributable to a lease contract.

Finance lease

Where the Group is a lessor in a lease which has not transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease liabilities, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over the shorter of their useful life or lease term, if the Group is reasonably certain that they will obtain ownership by the end of the lease term.

Accounting policy applied as of 1 January 2019

Lease

IFRS 16 was initially applied as of 1 January 2019 and replaced the existing lease guidelines of IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Lease. Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group applies IFRS 16 as of 1 January 2019 applying the modified retrospective approach without adjusting the comparative information. The effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. According to the retrospective approach, where the comparative information is not adjusted, the data for 2018 is prepared under the requirements of IAS 17. The disclosure requirements under IFRS 16 are not applicable to comparative information. The interpretations and amendments to IFRS 16 Leases that are relevant to the Group are set out below.

During the transition period, the Group applied IFRS 16 to contracts previously identified as leases under IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

For contracts that IAS 17 and IFCIC 4 were not applied during the reporting period IFRS 16 was not applied. IFRS 16 was applied only to the contracts that were valid or changed during or after 1 January 2019.

3. Accounting policies (cont'd)

Leases in which the Group is a lessee

The Group evaluates each lease for possible lease items. If the contract is a lease or includes a lease, the Group accounts for each lease component of the lease separately from the non-lease (service) components of the lease.

The Group does not apply lease recognition provisions to short-term leases (of up to one year) and leases with low value of leased assets (computers, telephones, printers, furniture, etc.). In deciding whether an asset is of low value, the Group assesses each asset individually. In determining whether an asset is of low value, rents are not assessed over the lease term. Low value assets are assets with a value of up to EUR 5 thousand. Payments related to short-term leases and leases of low-value assets are recognised directly as costs in the statement of profit or loss and other comprehensive income. The Group does not apply the lease recognition provisions to all intangible assets. To such assets, the Group applies the provisions of IAS 38 *Intangible Assets*.

The Group recognises the right-of-use assets and the lease liability in the statement of financial position at the inception of the lease.

At the commencement date, the Group measures the right-of-use assets at cost. After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, and any adjustment due to reassessment of any liability.

At the inception date the Group measures a lease liability at the present value of the lease payments outstanding at that date. Lease payments should be discounted using the interest rate specified in the lease contract, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the borrowing rate charged by the lessee. The Group fixes the lessee's borrowing interest rate at the beginning of each year and uses it for all newly signed contracts and contracts the conditions of which (not all, but only for which the lease obligation needs to be reassessed) have changed during that year. A reassessment of a lease liability occurs when the cash flows change from the original terms of the lease, for example, when changes in the lease term or lease payments change based on an index or interest rate. Changes that were not a term of the original lease contract are changes to the lease.

Leases in which the Group is a lessor

Finance lease

At the inception date, the Group recognises assets held under finance leases in the statement of financial position and presents them as a receivable equal to the amount of the net investment in the lease. The Group uses the interest rate set out in the lease contract to estimate the net investment in the lease. In the case of a sublease, if the interest rate specified in the sublease contract cannot be readily determined, the Group, as an intermediate lessor, uses the discount rate used for the host contract (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease. Primary direct costs are included in the initial measurement of net investment in the lease and reduce the amount of revenue recognised over the lease term. The interest rate stipulated in the lease contract is determined in such a way that the initial direct costs are automatically included in the amount of the net investment in the lease; they are not added separately. The Group recognises finance income over the lease term on the basis of a method that reflects a constant periodic rate of return on the Group's net investment in the finance lease. The Group deducts period-related lease fees from gross investment in the lease to gradually reduce both principal and unearned finance income.

Operating lease

The Group recognises lease fees related to operating leases as income on a straight-line basis. Expenses (including depreciation) incurred in earning the lease income are recognised as costs by the Group. Initial direct costs incurred in obtaining an operating lease are included in the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The Group accounts for a change in an operating lease as a new lease from the date the change takes effect, and the lease payments prepaid or accrued in connection with the initial lease.

3.16. Grants and subsidies

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets. Assets received free of charge are also allocated to this group of grants. The amount of the asset related grants is recognised in the financial statements gradually according to the depreciation rate of the assets associated with this grant. In profit or loss, a relevant expense account is reduced by the amount of grant amortisation.

Subsidies received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the subsidies, which are not subsidies related to assets, are considered as subsidies related to income. The income related subsidies are recognised by amounts used to the extent of the costs incurred or the calculated income not received during the period, for compensation of which the subsidy is received.

3. Accounting policies (cont'd)

3.17. Provisions

Provisions are recognised when and only when the Group has a present obligation (legal or constructive) as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group re-evaluates provisions at each date of the statement of financial position and adjust them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest.

3.18. Corporate income tax

Income tax assets and liabilities of the reporting and previous periods are stated at the amount which is expected to be recovered from or paid to a tax administration authority. Income tax is calculated applying tax rates effective as at the last day of the reporting period. Income tax charge is based on profit for the year and considers deferred taxation. The Group's income tax is calculated based on the Lithuanian tax legislation.

In 2019 and 2018, the corporate income tax rate in the Republic of Lithuania was 15%.

Tax losses in the Republic of Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Operating losses carry forward is disrupted if the Group changes its activities that resulted in the losses, unless the Group changes its activities due to reasons beyond the entity. Losses from a transfer of securities and/or derivatives can be deferred for 5 years and covered only from the profit of the same type of transactions. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

Income tax for the subsidiaries operating in foreign countries is calculated in line with the requirements of local tax legislation. Standard income tax rates in foreign countries where the Group entities operate in 2019 and 2018 are as follows:

Country	Rate, %
Poland	19
Latvia*	20
Estonia*	20
Spain	25
Hungary	9
Belarus	18

**As of 1 January 2018, taxation of the income of the subsidiaries operating in Estonia and Latvia has been postponed until the moment of profit appropriation, i.e. until the payment of dividends.*

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured at the tax rate that is expected to be applied to the period in which the asset will be disposed of or the liability settled, subject to the tax rates that were adopted or substantially adopted at the date of the statement of financial position.

Deferred tax assets are recognised in the statement of financial position to the extent the Group's management believes they will be realised in the foreseeable future, based on taxable profit forecasts. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred tax is not recognised in the financial statements.

Tax profit or loss in Lithuania may be transferred between Group companies. Based on the Law on Corporate Income Tax, losses may be transferred both for or without consideration. Group entities willing to transfer tax profit or loss must meet certain conditions:

- on the day of transfer of the tax losses, the parent entity in the Group of entities holds, directly or indirectly, at least 2/3 of shares of each of the subsidiaries taking part in the transfer of the tax losses;
- tax losses are transferred between the entities within a Group of entities which have been part of that Group for an uninterrupted period of at least two years calculating until the day of transfer of the tax losses;
- tax losses are transferred or taken over by the entity (entities) of the Group of entities which have been part of the Group since the date of the entity's / entities' registration and will be part of the Group of entities for an uninterrupted period of at least two years calculating from the date of the entity's/entities' registration.

3. Accounting policies (cont'd)

3.19. Revenue recognition

As of 1 January 2018, revenue of the Group is recognised in accordance with IFRS 15, i. e. the Group recognises income at the time and to such an extent that the transfer of committed goods or services to customers would represent an amount that corresponds to the consideration that the Group expects to obtain in exchange for those goods or services. In applying this Standard, the Group takes into account the terms of the contract and all relevant facts and circumstances. Revenue is recognised in the Group using the five-step model. Information regarding the Group's accounting policies related to the contracts with clients is provided under Note 23.

Step 1 - Identify Customer Agreements.

Agreement between two and/or more parties (depending on the conditions of purchase or sale), which creates implemented rights and liabilities, is recognised as contract. A contract subject to IFRS 15 is recognised only if the following criteria are met:

- the parties have approved the contract (in writing, orally or in accordance with other usual business practices) and are bound by the obligations under the contract;
- there is a possibility to identify the rights of each party regarding the transferable goods and/or services;
- there is a possibility to identify the payment terms provided for the transferable goods and/or services;
- the contract is of a commercial nature;
- there is a chance of getting a reward in return for the goods and / or services that will be passed on to the customer.

Contracts with the customer may be aggregated or disaggregated into several contracts, while retaining the criteria of the former contracts. Such aggregation or disaggregation is considered a change of contract.

Step 2 - Identify performance obligations in the contract.

The contract establishes a commitment to deliver goods and/or services to the customer. When goods and/or services can be distinguished, the commitments are recognised separately. Each commitment is identified in one of two ways:

- the product and/or service is separate; or
- a set of individual goods and/or services that are essentially the same and passed on to the customer in a uniform model.

Step 3 - Determining the transaction price.

Under the new IFRS 15, the transaction price may be fixed, variable or both.

Transactions concluded by the Group are subject to fixed prices for both ongoing services and services performed at a given moment. The Company applies the following sales price calculation methods: adjusted market valuation method, expected cost and profit margin method and residual value method. Similar transactions are measured equally.

Step 4 - Allocate the transaction price to each performance obligation.

Normally, the Group attributes the transaction price to each operating liability, based on relative separate sales prices of each contractually committed to transfer good or service. If data on separate sales prices is not observed in the market, an entity performs its assessment.

Step 5 - Recognition of revenue when performance obligations are fulfilled by the Group.

The Group recognises revenue when it implements operational commitment by transferring committed goods or services to the customer (i.e. when the customer obtains control of the mentioned goods or services). The recognised amount of revenue is equal to the amount of implemented performance obligation. Operational commitment may be implemented at the point of time or over a certain period of time.

Revenue on subcontracting services of power plants is recognised over a period of time based on stage of completion method. The related costs are recognised in profit or loss and other comprehensive income when incurred. Advances received are included into contractual liabilities. Revenue after sale of goods are recognised based on INCOTERMS.

Revenue is recognised when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, and when specific criteria have been met for each type of income, as described below. The Company relies on historical results, taking into account the customer type, the transaction type and the terms of each agreement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue from sales is recognised net of VAT and discounts, including accrued expected discounts for the year.

3.20. Recognition of expenses

Expenses are recognised on the basis of accrual and matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

3. Accounting policies (cont'd)

The amount of expenses is usually accounted for as the amount paid or payable, excluding VAT. When settlement term is long and interest not specified, the amount of costs is valued at the amount of settlement discounted by the market interest rate.

3.21. Foreign currency

Transactions in foreign currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses from such transactions and from revaluation of assets and liabilities denominated in foreign currencies as at the reporting date are stated in profit or loss. Such balances are translated at period-end exchange rates.

The accounting of subsidiaries is kept in a corresponding local currency, which is their functional currency. Balance items in the consolidated financial statements of consolidated foreign subsidiaries are translated into euro at year-end exchange rates, and their items of the statements of profit or loss are translated at the average exchange rates for the period. Currency exchange gains or losses occurring on translation are directly included in the statement of other comprehensive income. Upon disposal of the corresponding investment, the accumulated translation reserve is transferred to profit or loss in the same period when the gain or loss on disposal is recognised.

Goodwill and fair value adjustments arising on acquisition of a foreign subsidiary are recognised at net assets of the acquired entity and accounted for using the exchange rate as at the last day of the reporting period.

For the preparation of the statement of financial position as at 31 December, the following main exchange rates were applied:

<u>2019</u>	<u>2018</u>
1 EUR = 4.25670 PLN	1 EUR = 4.30280 PLN
1 EUR = 1.11890 USD	1 EUR = 1.14540 USD
1 EUR = 2.35464 BYN	1 EUR = 2.47660 BYN

3.22. Impairment of assets

3.22.1. Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs (expected credit losses) on:

- financial assets measured at amortised cost;
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group holds that a financial asset is a default event when financial asset is past due for over 180 days.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3. Accounting policies (cont'd)

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual and business customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.22.2. Non-derivative financial assets

The Group recognises an impairment loss which is estimated as a difference between the carrying amount of an asset and current amount of deferred cash flows discounted by applying the effective interest rate, if it is probable that the Group will not recover all amounts receivable.

3.22.3. Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (cash-generating unit).

The recoverable amount is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

3.23. Use of estimates in the preparation of financial statements

The preparation of financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Significant areas in these financial statements that require estimates include impairment of property, plant and equipment and investment property (Note 5), intangible assets and goodwill (Note 6), long-term and short-term loans granted (Note 7), impairment of trade and other receivables (Note 8) and revaluation of inventories (Note 9); depreciation and amortisation (Notes 5, 6), classification and fair value of assets held for sale (Note 10), valuation of contract assets (Note 23), recognition of deferred tax asset (Note 31). Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

As to the management, at the date of preparation of these financial statements, the underlying assumptions and estimates were not subject to a significant risk that from today's point of view it is likely that the carrying amounts of assets and liabilities will have to be adjusted significantly in the subsequent periods.

3. Accounting policies (cont'd)

3.24. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

3.25. Non-current employee benefits

In accordance with the requirements of the Labour Code of the Republic of Lithuania, each employee leaving the Group operating in the Republic of Lithuania on retirement is eligible to a one-off payment of 2-month salary, and if employment relations have lasted less than one year – a severance pay equal to one average salary.

Several Group entities pay their employees jubilee bonuses and termination benefits in accordance with their internal regulations. The amounts of these termination benefits depend on the number of years worked by an employee, the average salary and minimum monthly salary as determined under legislation.

Current year cost of employee benefits is expensed immediately in profit or loss. The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Gain or loss resulting from changes in employee benefits (decrease or increase) is recognised immediately in profit or loss.

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in the statement of other comprehensive income as incurred.

Reassessments comprised of actuarial profit and loss are directly charged to retained earnings through other comprehensive income in the statement of financial position with corresponding debit or credit in the period when they are incurred. Reassessments are not charged to profit or loss in the later periods.

3.26. Subsequent events

Subsequent events that provide additional information about the Group's position on the last day of the reporting period (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

3.27. Related parties

Related parties – legal and (or) natural persons related to an entity. A party is related to an entity if it corresponds to at least of the following characteristics:

- a) the party directly or indirectly controls the entity or is controlled by it;
- b) the party has a significant influence over the entity;
- c) the party has joint control over a joint venture;
- d) the party and another entity are controlled by the same parent or by the same natural person (their group);
- e) the party is an associate or a subsidiary;
- f) the party is a jointly controlled entity;
- g) the party is a member of the key management personnel of the entity or its parent;
- h) the party is a close member of the family of one of the individuals referred to under items a), b), c) or g);
- i) the party is an entity that is controlled, jointly controlled or significantly influenced by either of the individuals referred to under items g) or h); or
- j) the party is an entity accumulating and paying post-employment pensions and other benefits to the employees of the entity or other legal person related to the entity.

3.28. Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain International Financial Reporting Standard specifically requires such set-off.

4. Changes in accounting policy and accounting estimates

4.1. IFRS 16 Leases

The Group initially applied IFRS 16 Leases as of 1 January 2019. Several other new standards are also effective as of 1 January 2019; however, they have no significant impact on the financial statements of the Company.

The Company has applied IFRS 16 using the modified retrospective method, according to which the cumulative effect of the initial application is recognised under the retained earnings as at 1 January 2018. Information about the changes in the accounting policy is presented below. Additionally, the disclosure requirements in IFRS 16 have not been applied to comparative information.

Lease – the Group as lessee

The Group has lease contracts for premises, land, transport vehicles and equipment. Previously, the Group used to classify leases either operating or finance leases. Leases in terms of which the Group assumed substantially all the risks and rewards of ownership were classified as finance leases; in other cases such leases were classified as operating leases. The Group recognises the right-of-use assets and lease liabilities for most of these lease contracts in accordance with IFRS 16.

- *Leases previously classified as finance lease*

At the date of initial application, the Group did not change the initial carrying amount of recognised assets and liabilities for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities are equal to leased assets and liabilities recognised in accordance with IAS 17). The requirements of IFRS 16 of on such leases are applicable as of 1 January 2019.

- *Leases previously classified as operating lease*

The Group has recognised the right-of-use assets and lease liabilities for all lease contracts previously classified as operating lease, except for short-term leases and leases of low-value assets. The right-of-use assets have been recognised on the basis of an amount equal to lease liabilities taking into account the prepaid amounts of lease. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted applying the Group's borrowing discount rate.

- *Practical exceptions to the application*

For the initial application of IFRS 16, the Group used the following practical exceptions permitted by the Standard:

- The Group has applied a uniform discount rate to a rental portfolio with sufficiently similar characteristics;
- Evaluation of operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases (directly recognising lease payments as an expense).
- Use of the average term of homogeneous contracts in determining the term of the lease, when the contract contains the possibilities to extend or terminate the lease;
- Exclusion of lease containing low-value positions.

Effect of the initial application of IFRS 16 (increase/(decrease)) as at 1 January 2019 is as follows:

	As at 1 January 2018
Right-of-use assets – property, plant and equipment	5,809
Lease liabilities	(6,019)
Deferred tax asset	32
Retained earnings (loss)	178

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the period ended 31 December 2019, the Group recognised EUR 1,442 thousand of depreciation charges and EUR 305 thousand of interest expenses from these leases.

Effect on the statement of financial position (increase/(decrease)) as at 31 December 2019:

	As at 31 December 2019
Assets	10,416
Right-of-use assets	10,371
Deferred tax assets	45
Non-current liabilities	(8,952)
Lease liabilities	(8,952)
Current liabilities	(1,720)
Lease liabilities	(1,720)
Effect on equity	256

4. Changes in accounting policy and accounting estimates (cont'd)

Effect on the statement of profit or loss and other comprehensive income (increase/(decrease)) in 2019:

	2019
Depreciation expenses	1,442
Lease expenses according to IAS 17	(1,653)
Operating profit	(211)
Profit on disposal of investments into subsidiaries	(3)
Finance costs	305
Interest	305
Income tax benefit (expense)	(13)
Current period profit/(loss)	78

Effect on the statement of cash flows (increase/(decrease)) in 2019:

	2019
Cash flows from operating activities	1,734
Depreciation and amortisation expenses	1,442
Finance (income) costs	305
Income tax expenses (income)	(13)
Cash flows from (to) investing activities	(3)
Disposal of subsidiaries	(3)
Cash flows from (to) financing activities	(1,653)
Lease liability payments	(1,348)
Interest paid	(305)
Increase (decrease) in net cash flows	78

These liabilities were estimated at the present value of the remaining lease payments, discounted using the Group's current borrowing discount rate, which for relevant contracts was 2.10% – 7.68%. Changes in the lease term or a discount rate will have a significant effect on the value of assets and lease liabilities. The discount rate sensitivity analysis showing the change in the lease liability due to a change in the discount rate, is presented below:

	Increase / decrease	Effect on the lease liabilities of the Group
As at 31 December 2018	+1%	(317)
	-1%	317
As at 31 December 2019	+1%	(519)
	-1%	519

Lease – the Group as a lessor

The Group does not have material leases in which it is a lessor; therefore, no significant impact of IFRS 16 has been determined.

4. Changes in accounting policy and accounting estimates (cont'd)

4.2. IAS 16 – Property, plant and equipment

Changes in accounting policies

In 2019, the Group changed the accounting policy for the groups of property, plant and equipment (buildings and pipelines as well as machinery and equipment of solar and biogas power plants). As of 31 December 2019, these groups are accounted for not at acquisition cost but at a revalued value, less subsequent impairment losses based on the evaluations periodically performed by independent appraisers.

Management has made this decision because the revaluation model is considered as a more accurate reflection of the Group's business logic and strategic objectives. The change in the accounting policy was made in the consolidated financial statements prospectively, based on the interpretation of TAS 16.

An independent valuation was carried out in November - December 2019, in accordance with the International Valuation Standards (IVS) and the related legal acts of the Republic of Lithuania. The revalued value of buildings and pipelines as well as of machinery and equipment of solar and biogas power plants (hereinafter – buildings and solar and biogas plants) was calculated according to the discounted cash flow method, based on the information presented by the owner that was compared to the Lithuanian market data. The revalued value as determined by the external appraiser amounted to EUR 52,769 thousand. Biogas power plants with a carrying amount of EUR 29,906 thousand, built last year in Belarus, were not revalued as their revalued value is estimated to be close to the construction cost. The revaluation result per groups is disclosed in Note 5.

If the buildings and the solar and biogas plants were not revalued and continued to be carried at cost, the carrying amount of these asset groups as at 31 December 2019 would be EUR 64,731 thousand.

The following significant assumptions were used to determine the revalued amount of assets based on an independent external valuation of biogas power plants in Lithuania:

- it is considered that the income under the electricity sales contracts will be earned at the available fixed tariff until the end of the tariff (12 years from the entry into force of the tariff); according to the existing power purchase agreements, the incentive tariff is fixed under all circumstances;
- variable power plant costs are indexed at an annual rate of 2% for the entire period until the end of the incentive tariff;
- costs related to management and operation of power plants are based on market prices valid at the time of valuation; contingency rate – 0.5%;
- the determined capitalisation rate for continuity value – 7-10%;
- the discount rate (WACC) as determined by asset appraisers is 6.5% – 8.5%.

The following significant assumptions were used to determine the revalued amount of assets based on an independent external evaluation of solar power plants in Lithuania:

- it is considered that the income under the electricity sales contracts will be earned at the available fixed tariff until the end of the tariff (12 years from the entry into force of the tariff); according to the existing power purchase agreements, the incentive tariff is fixed under all circumstances;
- variable power plant costs are indexed at an annual rate of 2% for the entire period until the end of the incentive tariff;
- costs related to management and operation of power plants are based on market prices valid at the time of valuation; the contingent costs ratio is 2%;
- the determined capitalisation rate for continuity value is 7%;
- the discount rate (WACC) as determined by asset appraisers is 6.5%.

The following significant assumptions were used to determine the revalued amount of assets based on an independent external evaluation of the solar power plant in Belarus:

- it is considered that income under the electricity sales contracts will be earned at a basic tariff set annually by the Ministry of Antitrust and Trade; the tariff is increased annually on the basis of the decision of the Ministry (over the next few years this coefficient will be 2.7%);
- USD rate forecasts;
- variable power plant costs are indexed at an annual rate of 1%;
- Costs related to management and operation of power plants are based on market prices valid at the time of valuation;
- the discount rate (WACC) determined by asset appraisers is 13.76%.

4. Changes in accounting policy and accounting estimates (cont'd)

The following significant assumptions were used in determining the revalued value of the property based on an independent external valuation of a hotel operating in Lithuania:

- it is considered that revenue in 2020 will grow by 5.3%, in 2021 - by 6.75%, later the growth will slow down;
- the occupancy starting from the first year of the projected period will be 86% and will grow up to 93%;
- the growth ratio applied to general expenses in 2020 is 7.2%, in 2021 - 7.9%, from 2022 - 1%;
- Costs related to management and operation of power plants are based on market prices valid at the time of valuation;
- the discount rate (WACC) as determined by asset appraisers is 7.5%; typical operating profit multiplier - 8.

The following significant assumptions were used in determining the revalued value of the property based on an independent external valuation of the building in Belarus:

- it is assumed that income from long-term leases will be earned regardless of possible changes in the real estate market;
- loss of income, taking into account the significance of the lessee and the long-term lease relations, is accepted at a minimum level (1%);
- costs related to management and operation of premises are based on market prices valid at the time of valuation;
- the discount rate (WACC) as determined by asset appraisers is 13.2%.

The sensitivity analysis below shows the revalued value fluctuations that depend on changes in the discount rate:

Sensitivity to the discount rate (EUR thousand):

	+1 p.p	- 1 p.p.
Biogas power plants	(1,400)	1,400
Solar power plants	(214)	214
Buildings	(870)	870
Total	(2,484)	2,484

Changes in accounting estimates

At the end of 2018, the Group reviewed the useful lives of property, plant and equipment. As at 1 January 2019, the useful life periods were adjusted, mostly extended, for certain items of non-current assets. It was estimated that the depreciation charge for 2019 due to the review of the useful lives has decreased by EUR 1,650 thousand.

Due to the review of the useful lives of property, plant and equipment, reclassifications were made among the groups of property, plant and equipment - previously solar and biogas power plants and equipment were classified as "Other fixtures, fittings and tools", after the review the assets were transferred to new groups: "Buildings and pipelines", "Structures", "Machinery and equipment of solar and biogas power plants". It is considered that such classification more correctly reflects the purpose of the property.

4. Changes in accounting policy and accounting estimates (cont'd)

4.3 IAS 40 – Investment property

Changes in accounting policies

In 2019, the Group changed the accounting policy for the group of buildings in the investment property – as of 31 December 2019, this group is accounted for not at acquisition cost but at fair value and the depreciation is not calculated. The fair value of the investment property – buildings - is adjusted during preparation of financial statements for each financial year, recording the change in the value in the statement of profit or loss and other comprehensive income (until 31 December 2019, buildings were carried at acquisition cost and the depreciation was calculated for 2019, therefore, the change in the fair value of EUR 205 thousand was stated as profit (loss) not recognised in the statement of profit or loss and other comprehensive income, also as the change in the related deferred tax liability of EUR (31) thousand).

Management has made this decision because the fair value model is considered to more accurately reflect the Group's business logic and strategic objectives. Changes in the accounting policy are presented prospectively in the consolidated financial statements in accordance with the interpretation of IAS 40.

The independent valuation was carried out as in December 2019 on the basis of the International Valuation Standards (IVS) and the related legal acts of the Republic of Lithuania. The fair value of the buildings was estimated based on the comparative method. The fair value, determined by independent appraisers, amounted to EUR 2,788 thousand. The result of the fair value change is disclosed in Note 5.

For determination of the fair value of assets according to an independent external valuation of buildings as to the comparative method, the analysis of transactions presented by the State Enterprise Centre of Registers, in Vilnius City Municipality, Fabijoniškės Eldership, S. Nėries Street was performed. The appraiser presents the transactions of the parking lots within the defined value zone, which are most similar by their characteristics to the appraised object. The transactions closest to the valuation date are used in order of priority. The calculation of the adjusted sales prices of comparable objects produces some fluctuations (arithmetic average makes 155 Eur/m², median – 153 Eur/m²). The analysis of all available comparable transactions revealed that the comparable objects are similar (as far as possible taking into account the individual characteristics of the valued asset) and their arithmetic average sufficiently objectively reflects the market value of the valued asset.

If the buildings were not revalued and continued to be carried at cost, the carrying amount of this asset group as at 31 December 2019 would be EUR 2,583 thousand.

5. Property, plant and equipment and investment property

Property, plant and equipment of the Group comprised:

	Land	Buildings and pipelines	Structures	Machinery and equipment of solar and biogas power plants	Other machinery and equipment	Vehicles	Other equipment, fittings and tools	Prepayments and construction in progress	Total
Acquisition cost									
1 January 2018	3,553	19,611	-	-	4,285	14,308	40,011	796	82,564
Acquisition of a property (+)	39	-	101	-	201	17,688	1,224	22,952	42,205
Disposal of subsidiaries (-)	(614)	(4,676)	-	-	(1,569)	(32)	(233)	(307)	(7,431)
Effect of foreign currency translation (+ / -)	-	(5)	-	-	-	-	(619)	(422)	(1,046)
Disposals and write-offs (-)	-	-	-	-	(150)	(7,478)	(1,422)	(33)	(9,083)
Transfers to inventories (-)	-	-	-	-	-	(1,075)	-	-	(1,075)
Reclassifications (+ / -)	-	4	4	-	28	30	16,974	(17,040)	-
Initial application of IFRS 16	505	-	6,895	-	-	163	82	-	7,645
As at 31 December 2018	3,483	14,934	7,000	-	2,795	23,604	56,017	5,946	113,779
Acquisition of a property (+)	12	222	4,711	46	394	25,688	1,170	19,762	52,005
Revaluation (+)	-	8,634	-	9,310	-	-	-	-	17,944
Disposal of subsidiaries (-)	(165)	-	(21)	(4,416)	(211)	(59)	(1,147)	(65)	(6,084)
Effect of foreign currency translation (+ / -)	-	334	-	908	(1)	-	365	13	1,619
Disposals and write-offs (-)	-	(163)	-	(1,003)	(224)	(11,899)	(2,244)	(51)	(15,584)
Reclassifications (+ / -)	-	20,550	283	50,386	303	(1,561)	(46,405)	(23,556)	-
Transfers due to revaluation (-)	-	(4,629)	-	(6,772)	-	-	-	-	(11,401)
Transfers to investment property (-)	(2,847)	(4,731)	-	-	-	-	-	-	(7,578)
As at 31 December 2019	483	35,151	11,973	48,459	3,056	35,773	7,756	2,049	144,700
Accumulated depreciation									
1 January 2018	-	(3,720)	-	-	(3,005)	(1,570)	(11,424)	-	(19,719)
Depreciation for the period (-)	-	(467)	(5)	-	(520)	(2,524)	(4,089)	-	(7,605)
Disposal of subsidiaries (-)	-	1,314	-	-	1,091	25	604	-	3,034
Effect of foreign currency translation (+ / -)	-	-	-	-	-	-	83	-	83
Disposals and write-offs (-)	-	-	-	-	133	1,439	388	-	1,960
Transfers to inventories (+)	-	-	-	-	-	283	-	-	283
Reclassifications (+ / -)	-	-	(3)	-	-	32	(29)	-	-
Initial application of IFRS 16	(177)	-	(1,574)	-	-	(20)	(65)	-	(1,836)
As at 31 December 2018	(177)	(2,873)	(1,582)	-	(2,301)	(2,335)	(14,532)	-	(23,800)
Depreciation for the period (-)	(19)	(729)	(1,218)	(2,023)	(221)	(4,345)	(1,144)	-	(9,699)
Disposal of subsidiaries (+)	13	-	12	2,137	104	16	687	-	2,969
Effect of foreign currency translation (+ / -)	-	1)	-	(101)	-	-	(132)	-	(234)
Disposals and write-offs (+)	-	1	-	151	198	1,795	915	-	3,060
Reclassifications (+ / -)	-	(2,769)	(65)	(7,689)	(77)	432	10,168	-	-
Transfers due to revaluation (+)	-	4,629	-	6,772	-	-	-	-	11,401
Transfers to investment property (+)	-	1,560	-	-	-	-	-	-	1,560
As at 31 December 2019	(183)	(182)	(2,853)	(753)	(2,297)	(4,437)	(4,038)	-	(14,743)
Impairment									
1 January 2018	(1,221)	(496)	-	-	-	-	(774)	-	(2,491)
Impairment for the year (+)	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries (-)	203	-	-	-	-	-	-	-	203
As at 31 December 2018	(1,018)	(496)	-	-	-	-	(774)	-	(2,288)
Impairment for the year (+)	-	-	-	-	-	-	-	-	-
Transfers to investment property (-)	1,018	496	-	-	-	-	-	-	1,514
As at 31 December 2019	-	-	-	-	-	-	(774)	-	(774)
Carrying amount as at:									
1 January 2018	2,332	15,395	-	-	1,280	12,738	27,813	796	60,354
As at 31 December 2018	2,288	11,565	5,418	-	494	21,269	40,711	5,946	87,691
As at 31 December 2019	300	34,969	9,120	47,706	759	31,336	2,944	2,049	129,183

5. Property, plant and equipment and investment property (cont'd)

Amortisation of the Group's intangible assets and depreciation of property, plant and equipment was accounted for in the statement of profit or loss and other comprehensive income under cost of sales (Note 24) – EUR 9,115 thousand (2018: EUR 6,581 thousand), costs to sell – (Note 26) – EUR 38 thousand (2018: EUR 50 thousand), and administrative expenses (Note 27) – EUR 1,013 thousand (2018: EUR 1,200 thousand). Depreciation and amortisation costs presented in the non-current asset movement tables are higher by EUR 115 thousand (2018: EUR 116 thousand) than in the statement of profit or loss and other comprehensive income due to unrealised profit of EUR 36 thousand (2018: EUR 53 thousand), amortisation of grants – EUR 79 thousand (2018: EUR 32 thousand) (2018: and the received insurance premium of EUR 31 thousand).

At the end of 2018, the Group reviewed the useful lives of property, plant and equipment. The change of the mentioned accounting estimate was recognised prospectively – as at 1 January 2019, the useful lives of certain items of property, plant and equipment, have been changed, mainly extended. Due to the review of the useful lives, the depreciation costs of the Group's property, plant and equipment, acquired prior to 1 January 2019, decreased by approximately EUR 1,650 thousand.

The acquisition cost of fully depreciated property, plant and equipment of the Group still in use comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Buildings and pipelines	-	8	142
Other machinery and equipment	1,754	-	-
Vehicles	-	183	157
Other fixtures, fittings and tools	2,410	881	694
Total	4,164	1,072	993

The carrying amounts of property, plant and equipment acquired under lease (2018: finance lease) was as follows (Note 15):

	As at 31 December		1 January
	2019	2018	2018
Land	288	-	-
Structures	8,858	-	-
Other machinery and equipment	49	68	39
Vehicles	29,233	20,567	6,327
Other fixtures, fittings and tools	44	24	42
Total	38,472	20,659	6,408

The carrying amount of property, plant and equipment leased to third parties (operating lease) was as follows:

	As at 31 December		1 January
	2019	2018	2018
Other machinery and equipment	-	-	428
Vehicles	4,215	5,497	6,327
Total	4,215	5,497	6,755

Interest capitalised by the Group during 2019 amounted to EUR 343 thousand (2018: EUR 540 thousand). Capitalisation rate fluctuated from 2.6% to 8.4% during 2019 (2018: from 2.5% to 8.5%).

No impairment of property, plant and equipment was determined as at 31 December 2019 and 2018 and 1 January 2018.

5. Property, plant and equipment and investment property (cont'd)

Investment property of the Group comprised the following:

	Land
Acquisition cost	
1 January 2018	454
As at 31 December 2018	454
Acquisition of a property (+)	-
Transfers to investment property (+)	2,847
As at 31 December 2019	3,301
Impairment	
1 January 2018	(205)
Impairment for the year (-)	-
As at 31 December 2018	(205)
Transfers to investment property (-)	(1,018)
As at 31 December 2019	(1,223)
Carrying amount as at:	
1 January 2018	249
As at 31 December 2018	249
As at 31 December 2019	2,078
	Buildings
Acquisition cost	
1 January 2018	-
As at 31 December 2018	-
Transfers to investment property (+)	4,731
As at 31 December 2019	4,731
Impact of change of accounting policy (-)	(2,148)
As at 31 December 2019 (after change)	2,583
Change in fair value (+/-)	205
As at 31 December 2019	2,788
Accumulated depreciation	
1 January 2018	-
As at 31 December 2018	-
Depreciation for the period (-)	(92)
Transfers to investment property (-)	(1,560)
As at 31 December 2019	(1,652)
Effect of change of accounting policy (+)	1,652
As at 31 December 2019 (after change)	-
Impairment	
1 January 2018	-
As at 31 December 2018	-
Transfers to investment property (-)	(496)
As at 31 December 2019	(496)
Effect of change of accounting policy (+)	496
As at 31 December 2019 (after change)	-
Carrying amount as at:	
1 January 2018	-
As at 31 December 2018	-
As at 31 December 2019	2,788

Until 31 December 2019, buildings were accounted using the cost method and their depreciation was calculated for 2019. Therefore, the change in the fair value of EUR 205 thousand was stated as profit (loss) not recognised in the statement of profit or loss and other comprehensive income as well as the change in the related deferred tax liability of EUR (31) thousand.

As at 31 December 2019, property, plant and equipment and investment property with the total carrying amount of EUR 84,442 thousand (31 December 2018: EUR 58,352 thousand, 1 January 2018 – EUR 45,561 thousand) are pledged to credit institutions to guarantee repayment of the loans; lease liabilities are secured by the leased property. The pledge of property for different contracts ends from April 2020 to March 2029 (Note 15).

6. Intangible assets

Intangible assets of the Group comprised the following:

	Goodwill	Software	Concessions trademarks and similar rights	Other intangible assets	Advances paid	Total
Acquisition cost						
1 January 2018	1,626	1,674	24	163	51	3,538
Acquisitions (+)	-	1,279	23	45	11	1,358
Disposal of subsidiaries (-)	(1,501)	(599)	-	(63)	-	(2,163)
Disposals and write-offs (-)	-	(355)	-	(19)	(35)	(409)
Reclassifications (+ / -)	-	16	2	(2)	(16)	-
As at 31 December 2018	125	2,015	49	124	11	2,324
Acquisitions (+)	-	1,106	22	229	2	1,359
Disposal of subsidiaries (-)	-	(226)	-	(2)	-	(228)
Disposals and write-offs (-)	-	(38)	-	(17)	-	(55)
Reclassifications (+ / -)	-	(88)	2	97	(11)	-
As at 31 December 2019	125	2,769	73	431	2	3,400
Amortisation						
1 January 2018	-	(775)	(13)	(123)	-	(911)
Amortisation charge for the period (+)	-	(321)	(6)	(15)	-	(342)
Disposal of subsidiaries (+)	-	270	-	52	-	322
Disposals and write-offs (+)	-	323	-	-	-	323
Reclassifications (+ / -)	-	1	1)	-	-	-
As at 31 December 2018	-	(502)	(20)	(86)	-	(608)
Amortisation charge for the period (-)	-	(416)	(13)	(61)	-	(490)
Disposal of subsidiaries (+)	-	86	-	-	-	86
Disposals and write-offs (+)	-	36	-	15	-	51
Reclassifications (+ / -)	-	1)	(2)	3	-	-
As at 31 December 2019	-	(797)	(35)	(129)	-	(961)
Carrying amount as at:						
1 January 2018	1,626	899	11	40	51	2,627
As at 31 December 2018	125	1,513	29	38	11	1,716
As at 31 December 2019	125	1,972	38	302	2	2,439

As at 31 December 2019 and 2018, 1 January 2018 the Group did not have any intangible assets the control of which would be limited by legislation or certain agreements, or pledged intangible assets.

The acquisition cost of fully amortised intangible non-current assets of the Group still in use comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Software	268	206	528
Concessions, patents, licenses, trademarks and similar rights	3	-	-
Other intangible assets	-	-	12
Total	271	206	540

Amortisation of the Group's intangible non-current assets was accounted for in the statement of profit or loss and other comprehensive income under cost of sales (Note 24), costs to sell (Note 26) and administrative expenses (Note 27).

6. Intangible assets (cont'd)

Value of goodwill related to subsidiaries:

	As at 31 December		1 January
	2019	2018	2018
UAB Lepita	82	82	82
SIA Baltijas Sporta Auto	27	27	27
UAB Fotona	16	16	16
Citypark Eesti OÜ	-	-	1,501
Total	125	125	1,626

Impairment tests were carried out as at 31 December 2019. Goodwill is allocated to the Group's cash-generating units in order to test it for impairment. These calculations are based on five-year cash flow forecasts in accordance with the five-year financial forecasts prepared by the management (cash flow model). One of the more important assumptions used when assessing the value in use was the discount rate after taxes and forecasts of the Group companies' operations for 2020–2024. For estimation of impairment as at 31 December 2019, the Group used a fixed discount rate after taxes, which is 6.50% (31 December 2018: 7.53%) and an average growth in the gross net profit margin of 1% over the period of 5 years. No impairment was determined as at 31 December 2019.

Management calculated the planned profit before taxes based on results of previous activities, agreements signed and its expectations for market development. Based on the analysis carried out, the management did not determine any impairment loss.

7. Loans granted and term deposits

The Group's long-term loans granted and term deposits comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Loans to related parties (Note 34)	3	365	305
Accrued interest receivable from related parties (Note 34)	-	76	4
	3	441	309
Less: impairment	-	-	-
Total loans granted	3	441	309
Non-current term deposits and accrued interest receivable	3,568	568	568
Total	3,571	1,009	877

Short-term loans granted by the Group and term deposits comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Loans to related parties (Note 34)	44,614	17,092	10,763
Accrued interest receivable from related parties (Note 34)	2,671	751	526
Loans to other entities	1,979	3,535	1,707
Accrued interest receivable from other entities	274	184	9
	49,538	21,562	13,005
Less: impairment (from related parties, Note 34)	(4,129)	(3,587)	(3,125)
Less: impairment (from other companies)	-	-	-
Total loans granted	45,409	17,975	9,880
Current term deposits and accrued interest receivable	1,525	1,515	83
Total	46,934	19,490	9,963

7. Loans granted and term deposits (cont'd)

As at 31 December 2019 and 2018, 1 January 2018, the loans were granted by the Group to directly and indirectly controlled subsidiaries and parties related to shareholders.

Changes in the loans granted by the Group and term deposits during the year were as follows:

	2019	2018
Balance of the loans granted and term deposits in the beginning of the year	20,499	10,840
Loans granted	95,650	19,370
Repaid loans	(71,915)	(11,153)
Interest calculated on loans	2,619	759
Interest received	(712)	(287)
Calculated impairment	(542)	(462)
Subsidiaries sold	1,896	-
Term deposits	3,010	1,515
Redeemed term deposits	-	(83)
Balance of the loans granted and term deposits at the end of the year	50,505	20,499

Loans granted and term deposits are denominated in the following currencies:

	As at 31 December		1 January
	2019	2018	2018
EUR	50,496	20,443	10,684
BYN	9	37	69
PLN	-	19	87
Total	50,505	20,499	10,840

The loans bear fixed interest rates from 2.00% to 5.22% and are in line with the market conditions.

8. Trade and other receivables

The Group's trade and other receivables comprised the following:

	As at 31 December		1 January
	2019	2018	2018
		(adjusted)	(adjusted)
Trade receivables	9,558	10,449	10,356
Receivable finance lease amounts	3,451	3,708	3,173
Receivables from related parties (Note 34)	5,575	16,435	68
	<u>18,584</u>	<u>30,592</u>	<u>13,597</u>
Less: impairment allowance for receivables	(823)	(1,032)	(1,545)
Less: impairment allowance for receivables from related parties (Note 34)	-	-	-
Trade receivables, net	17,761	29,560	12,052
Receivable VAT	2,789	5,347	1,615
Overpayment of other taxes and prepaid taxes	964	582	376
Collaterals and other receivables	1,937	12,269	3,950
	<u>5,690</u>	<u>18,198</u>	<u>5,941</u>
Less: non-current finance lease receivables	(2,410)	(2,662)	(2,396)
Less: other non-current receivables	(181)	(414)	(158)
Other receivables, net	3,099	15,122	3,387
Total	20,860	44,682	15,439

8. Trade and other receivables (cont'd)

Impairment expenses of the Group's current trade and other receivables are accounted for in the statement of profit or loss and other comprehensive income under impairment loss on trade receivables and contract assets.

Fair values of trade and other receivables approximate their carrying amounts.

Changes in impairment allowance for the Group's trade receivables for the year were the following:

	<u>2019</u>	<u>2018</u>
Impairment of receivables at the beginning of the period	(1,032)	(1,545)
Impairment (reversal) is accounted for in the statement of profit or loss and other comprehensive income	(370)	398
Written-off bad receivables	372	80
Sale of business	168	32
Other adjustments	39	3
Impairment allowance for receivables at the end of the period	<u>(823)</u>	<u>(1,032)</u>

Ageing of the Group's trade receivables, before impairment, from third parties can be specified as follows:

	<u>As at 31 December</u>		<u>1 January</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
Amounts not past due	8,405	7,355	9,321
Overdue up to 1 month	1,300	3,824	1,942
Overdue 1 to 3 months	1,516	1,062	620
Overdue 3 to 6 months	537	431	352
Overdue 6 to 12 months	473	229	439
Overdue more than 12 months	778	1,256	855
Total	<u>13,009</u>	<u>14,157</u>	<u>13,529</u>

Ageing of the Group's trade receivables, before impairment from related parties can be specified as follows:

	<u>As at 31 December</u>		<u>1 January</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
Amounts not past due	1,988	5,030	68
Overdue up to 1 month	3,078	382	-
Overdue 1 to 3 months	103	4,426	-
Overdue 3 to 6 months	26	452	-
Overdue 6 to 12 months	268	6,094	-
Overdue more than 12 months	112	51	-
Total	<u>5,575</u>	<u>16,435</u>	<u>68</u>

In the opinion of the management, as at the date of the statement of financial position there were no indications for trade and other receivables not overdue and for which impairment was not stated that debtors will not be able to discharge their payment obligations.

Impairment allowance for trade receivables overdue more than 12 months is not formed, if by the issue date of these consolidated financial statements the amount was recovered.

As at 31 December 2019, trade and other receivables with the value of EUR 1,885 thousand (31 December 2018 – EUR 1,357 thousand, 1 January 2018 – EUR 362 thousand) are pledged to credit institutions to guarantee repayment of the loans. The pledge of property for different contracts ends from April 2020 to March 2029 (Note 15).

9. Inventories

The Group's inventories comprised:

	As at 31 December		1 January
	2019	2018	2018
Goods for resale	102,910	72,563	30,487
Raw materials, materials and consumables	573	435	111
Unfinished goods and work in progress	359	177	301
Total	103,842	73,175	30,899

As at 31 December 2019, there were no goods in transit (at 31 December 2018: EUR 72 thousand, as at 1 January 2018 - none).

As at 31 December 2019, inventories by the value of EUR 88,741 thousand were held at warehouses of third parties (at 31 December 2018: EUR 50,584 thousand, at 1 January 2018: EUR 17,747 thousand).

In 2019, inventories amounting to EUR 425,263 thousand (2018: EUR 278,460 thousand) were recognised as costs incurred during the year and included in the cost of sales.

As at 31 December 2019, inventories by the value of EUR 86,820 thousand (31 December 2018: EUR 58,729 thousand, 1 January 2018: EUR 18,319 thousand) are pledged to credit institutions to guarantee repayment of the loans. The pledge of property for different contracts ends from April 2020 to March 2029 (Note 15).

10. Other investments

Other long-term investments of the Group comprised the following:

1) Investments in associates, accounted for using equity method:

	As at 31 December		1 January
	2019	2018	2018
UAB Bonalėja	75	74	-
UAB Agapas	74	74	-
UAB Lifila	70	69	-
UAB Investiciniai turto projektai	68	68	-
UAB Ginana	68	68	-
Mockėnų ŽŪB	13	13	9
Total	368	366	9

Changes in the Group's investments in associates, stated at equity method, during the year were the follows:

	2019	2018
The Group's investments in associates at the beginning of the period	366	9
Investments acquired during the period	3	356
Increase (decrease) due to share of net profit (loss)	(1)	1
The Group's investments in associates at the end of the period	368	366

Increase (decrease) in the Group's investments in associates due to profit (loss) is accounted for in the statement of profit or loss and other comprehensive income as share of profit of associates and joint ventures.

Information on associated entities is presented in the general information part of the consolidated explanatory notes.

10. Other investments (cont'd)

2) Non-equity securities (Note 34):

	As at 31 December		1 January
	2019	2018	2018
Bonds	14,879	10,488	-
Accrued receivable interest	2	442	-
Total	14,881	10,930	-

The interest rate of the bonds is 6%, the maturity date - January 2026.

3) Investments in shares:

	As at 31 December		1 January
	2019	2018	2018
UAB Parkdema	3,600	2,190	-
Air Lituanica Club - 2% of shares	25	25	25
Wise Guys Batch 9 OU - 1.18% of shares	5	5	5
Other	4	4	-
Total	3,634	2,224	30

4) Investments in investment units:

	As at 31 December		1 January
	2019	2018	2018
Investment units of Stichting First Energie Fonds	2,657	2,655	2,125
Investment units of Modus Renewable Energy Lithuanian Investments	1,516	-	-
Total	4,173	2,655	2,125
Total (1+2+3+4)	23,056	16,175	2,164

Investments in shares

Investments in shares comprise mainly an investment in UAB Parkdema. The fair value of the investment was estimated according to the asset-based and discounted cash flow methods. The fair value that belongs to the Group as determined by an external appraiser amounted to EUR 3,600 thousand (2018: EUR 2,190 thousand). The change in the fair value is accounted for in the Statement of profit or loss and other comprehensive income under finance income (expenses) (Note 30).

Investments in investment units

The fair value of the investments units was calculated by estimating the net asset value of the fund and calculating the market value of the fund unit, which is equal to the net asset value of the fund divided by the number of fund units. Accordingly, the Group's share is equal to the number of fund units held by the Group, measured at market value. The net asset value of the fund consists mainly of loans granted (in one fund) and equity securities (in the other fund), the fair value of which has been determined by independent external appraisers.

10. Other investments (cont'd)

Other short-term investments of the Group comprised investments in the Group entities held for sale:

	As at 31 December		1 January
	2019	2018	2018
YGE Poland Solar 6 Sp. z o.o.	-	-	1,359
Greenproject Sp. z o.o.	-	-	157
Greenproject 5 Sp. z o.o.	-	-	103
EKOWOLT 3 Sp. z o.o.	-	-	103
EKO PARK XXVII Sp. z o.o.	-	-	93
QUINTAX SOLAR II Sp. z o.o.	-	-	93
EKO PARK XXIV Sp. z o.o.	-	-	92
QUINTAX SOLAR III Sp. z o.o.	-	-	80
EKO PARK XVIII Sp. z o.o.	-	-	71
EKO PARK XX Sp. z o.o.	-	-	54
Greenproject 2 Sp. z o.o.	-	-	52
QUINTAX SOLAR I Sp. z o.o.	-	-	45
SPP Wytwarzanie 28 Sp. z o.o.	-	-	36
SPP Wytwarzanie 27 Sp. z o.o.	-	-	32
SPP Wytwarzanie 26 Sp. z o.o.	-	-	21
SPP Wytwarzanie 25 Sp. z o.o.	-	-	19
SPP Wytwarzanie 24 Sp. z o.o.	-	-	19
SPP Wytwarzanie 23 Sp. z o.o.	-	-	19
SPP Wytwarzanie 22 Sp. z o.o.	-	-	12
Total	-	-	2,460

As at 1 January 2018, the entities held for sale did not carry out any activities.

The result from disposal of other short-term investments of the Group is stated in the statement of profit or loss and other comprehensive income under the item of gain from disposal of investments in subsidiaries (Note 28).

11. Prepayments, deferred costs and accrued income

The Group's prepayments, deferred costs and accrued income comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Prepayments	4,990	2,725	2,359
Deferred costs	1,908	1,044	673
Accrued income	4,700	1,022	995
Prepayments to related parties (Note 34)	163	169	-
Total	11,761	4,960	4,027

12. Cash and cash equivalents

The Group's cash and cash equivalents comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Cash in banks	11,428	9,908	6,431
Cash in hand	37	33	100
Cash in transit	78	30	169
Total	11,543	9,971	6,700

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December		1 January
	2019	2018	2018
EUR	8,438	9,170	6,074
USD	1,907	151	2
BYN	1,063	390	481
PLN	121	228	142
RUB	14	32	1
Total	11,543	9,971	6,700

As at 31 December 2019, the use of cash and cash equivalents with the carrying amount of EUR 177 thousand (31 December 2018 – EUR 174 thousand, 1 January 2018 – EUR 176 thousand) was limited as the loan repayment guarantee to credit institutions.

The Group has measured its cash and cash equivalents as at 31 December 2019 and 31 December 2018 and 1 January 2018 in accordance with IFRS 9, and no material impairment was determined – the carrying amount of the Group's cash and cash equivalents approximates their fair value.

As at 31 December 2019, cash and cash equivalents by the value of EUR 2,771 thousand (31 December 2018 – EUR 6 thousand, 1 January 2018 – EUR 34 thousand) are pledged to credit institutions to guarantee repayment of the loans. The pledge of property for different contracts ends from April 2020 to March 2029 (Note 15).

13. Assets held for sale

The following are the changes in the Group's assets held for sale during the year:

	2019	2018
Assets held for sale in the beginning of the period	647	1,258
Subsidiaries sold	647)	-
Reclassified from property, plant and equipment	-	792
Sold during the period	-	(1,224)
Impairment accounted for in the statement of profit or loss and other comprehensive income	-	(179)
Assets held for sale at the end of the period	-	647

14. Equity

Authorised capital

As at 31 December 2019 and 2018 and 1 January 2018, the Company's authorised capital comprised 79,102,700 ordinary shares with the nominal value of EUR 0.29 each. All the shares are fully paid in.

In 2019 and 2018, the Group did not acquire nor transfer any of its own shares.

As at 31 December 2019 and 2018 and 1 January 2018, the Group's shareholders were as follows:

	<u>Number of shares 2019</u>	<u>Number of shares 2018</u>	<u>Ownership interest (%)</u>	<u>Shares with voting rights (%)</u>
MG NL holding B.V.	79,102,700	79,102,700	100%	100%
Total	<u>79,102,700</u>	<u>79,102,700</u>	<u>100%</u>	<u>100%</u>

Share premium

Share premium was recognised as a difference between the emission price and the nominal value of the shares.

Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of at least 5 per cent of the net profit must be allocated to the reserve up to the extent equal to 10 per cent of the authorised capital. The reserve can only be used to cover future losses.

Revaluation reserve

Revaluation reserve is an increase in the value of property, plant and equipment resulting from revaluation of assets. The reserve cannot be used to cover the losses. Changes in the revaluation reserve are presented below.

	<u>Revaluation</u>	<u>Deferred tax</u>	<u>Revaluation reserve, after taxes</u>
Balance at the beginning of the period	-	-	-
Revaluation of non-current assets during the period	17,944	(2,745)	15,199
Depreciation of the revaluation of non-current assets	(38)	6	(32)
	<u>17,906</u>	<u>(2,739)</u>	<u>15,167</u>
Non-controlling interest	(419)	63	(356)
Balance at the end of the period	<u>17,487</u>	<u>(2,676)</u>	<u>14,811</u>

Draft appropriation of profit

The draft appropriation of profit was not prepared as at the date of approval of these consolidated financial statements.

15. Bank loans and lease liabilities

Bank loans and lease liabilities of the Group comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Non-current			
Bank loans and interest payable	45,935	29,834	26,436
Liabilities arising from derivative financial instruments	10	24	34
Lease liabilities (2018: finance lease)	30,985	25,540	10,095
	76,930	55,398	36,565
Current part			
Bank loans and interest payable	17,321	30,833	15,515
Liabilities arising from derivative financial instruments	21	34	41
Lease liabilities (2018: finance lease)	15,867	9,442	9,479
	33,209	40,309	25,035
Total	110,139	95,707	61,600

The following are the contractual maturities for the Group's long-term bank loans and leasing (finance lease) liabilities:

	As at 31 December		1 January
	2019	2018	2018
In 2 to 5 years	62,991	44,848	36,565
After five years	13,939	10,550	-
Total	76,930	55,398	36,565

Long-term and short-term bank loans and lease liabilities (2018: finance lease) were denominated in the following currencies:

	As at 31 December		1 January
	2019	2018	2018
EUR	74,169	71,894	58,264
USD	22,702	14,529	3,336
BYN	10,841	7,239	-
PLN	2,427	2,045	-
Total	110,139	95,707	61,600

The following are the changes in the bank loans and lease (finance lease) liabilities of the Group during the year:

	2019	2018
Balance of bank loans and leasing (finance lease) liabilities at the beginning of the period	95,707	61,600
Initial application of IFRS 16 (Note 4.1)	-	6,019
Balance in the beginning of the period (adjusted)	95,707	67,619
Proceeds from borrowings	22,810	42,620
Increase in lease liabilities (2018: finance lease)	36,433	30,097
Loans repaid	(20,379)	(20,581)
Leasing payments	(24,531)	(20,708)
Interest calculated	4,498	2,591
Interest paid	(4,523)	(2,300)
Transaction costs	(3)	(147)
Amortisation of transaction costs	56	61
Effect of currency exchange rate	130	138
Increase in liabilities arising from derivative financial instruments	(27)	(17)
Subsidiaries sold	(32)	(3,666)
Balance of bank loans and leasing (finance lease) liabilities at the end of the period	110,139	95,707

15. Bank loans and lease liabilities (cont'd)

As at 31 December 2019 and 2018, and 1 January 2018, the bank loans bore variable interest rates depending on various maturities of EURIBOR and LIBOR plus margins in compliance with market conditions.

As at 31 December 2019 and 2018, and 1 January 2018, leasing liabilities bore variable interest rates depending on various maturities of EURIBOR plus margins in compliance with market conditions.

As at 31 December 2019, property, plant and equipment with the carrying amount of EUR 84,442 thousand (31 December 2018 – EUR 58,352 thousand, 1 January 2018 – EUR 45,561 thousand) are pledged to credit institutions to guarantee repayment of the loans. The end dates of pledges for different agreements are from April 2020 until March 2029 (Note 5).

As at 31 December 2019, trade and other receivables with the value of EUR 1,885 thousand (31 December 2018 – EUR 1,357 thousand, 1 January 2018 – EUR 362 thousand) are pledged to credit institutions to guarantee repayment of the loans. The end dates of pledges for different agreements are from April 2020 until March 2029 (Note 8).

As at 31 December 2019, inventories by the carrying amount of EUR 86,820 thousand (31 December 2018 – EUR 58,729 thousand, 1 January 2018 – EUR 18,319 thousand) are pledged to credit institutions to guarantee repayment of loans. The end dates of pledges for different agreements are from April 2020 until March 2029 (Note 9).

As at 31 December 2019, cash and cash equivalents by the value of EUR 2,771 thousand (31 December 2018 – EUR 6 thousand, 1 January 2018 – EUR 34 thousand) are pledged to credit institutions to guarantee repayment of the loans. The end dates of pledges for different agreements are from April 2020 until March 2029 (Note 12).

Based on the loan agreements concluded by the Group's entities, Group entities have to comply with certain financial and non-financial covenants. As at 31 December 2019, the Group did not comply with certain specified financial and non-financial ratios; therefore, as at 31 December 2019, the Group received waivers from the banks that they will not require early repayment of the loans. UAB Modus Grupė and UAB Unimodus did not meet the financial ratios; however, the loans are short-term and are expected to be repaid in time, so bank waivers have not been obtained.

16. Other borrowings

Other borrowings of the Group comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Long-term loans and accrued interest payable to related parties (Note 34)	7,473	8,987	3,479
Debts under non-equity securities and accrued interest payable to related parties (Note 34)	4,344	4,344	5,245
Long-term loans and accrued interest payable to other companies	1,031	-	-
Debts under non-equity securities and accrued interest payable	-	5,562	517
Other borrowings	-	-	54
Total non-current part	12,848	18,893	9,295
Debts under non-equity securities and accrued interest payable	5,128	150	-
Short-term loans and accrued interest payable to related parties (Note 34)	1,195	444	1,531
Short-term loans and accrued interest payable to other companies	848	-	-
Debts under non-equity securities and accrued interest payable to related parties (Note 34)	549	1,109	172
Other borrowings	11,058	13,690	8,725
Total current part	18,778	15,393	10,428
Total	31,626	34,286	19,723

16. Other borrowings (cont'd)

The following are the changes in the Group's borrowings during the year:

	<u>2019</u>	<u>2018</u>
Balance of other borrowings at the beginning of the period	34,286	19,723
Bonds issued	-	5,000
Redeemed bonds	(937)	-
Loans received	23,914	7,270
Loans repaid	(13,561)	(2,837)
Interest calculated	879	1,202
Interest paid	(775)	(983)
Disposal of subsidiaries	(17,203)	-
Change in other financial liabilities	5,023	4,911
Balance of other borrowings at the end of the period	31,626	34,286

As at 31 December 2019 and 2018, and 1 January 2018, other financial liabilities of the Group are denominated in EUR. Loans from related parties bear fixed interest rates that are in line with the market conditions.

Borrowings under non-equity securities

	<u>As at 31 December</u>		<u>1 January</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
Individual and institutional investors	5,128	5,150	-
Ultimate shareholder	4,893	4,665	4,691
UAB Statybiniai projektai	-	788	726
Practica Venture Capital KÜB	-	562	517
Total	10,021	11,165	5,934

	<u>Number of bonds</u>	<u>Nominal value, EUR</u>	<u>Interest rate (%)</u>	<u>Maturity date</u>
Individual and institutional investors*	50,000	100	5%	12-2020
Ultimate shareholder	150,000	29	8%	06-2023
UAB Statybiniai projektai	19,406	29	10%	01-2019
Practica Venture Capital KÜB	375,000	1	12%	06-2019
Total	594,406			

*Publicly distributable bond emission was issued on 5 January 2018. Accounting of financial instruments is carried out by AB Šiaulių bankas. As of 26 February 2018, bonds were listed in the Nasdaq Baltics First North alternative market. The bonds were acquired by individual and institutional investors.

17. Employee benefits

According to the legislative requirements of the Republic of Lithuania, each employee at the age of retirement is entitled to a one-off payment in the amount of 2-month salary.

The Group's employee benefits comprised of the following:

	<u>2019</u>	<u>2018</u>
Employee benefits in the beginning of the period	47	39
Formed	27	8
Disposal of subsidiaries	(25)	-
Employee benefits at the end of the period	49	47

17. Employee benefits (cont'd)

For calculation of the employee benefits, the Group evaluated an impact of the mortality level in Lithuania, the discount rate, the retirement age, age and turnover of employees, growth of remuneration and other factors. Actuarial loss related to the above mentioned liabilities are presented in the Group's statement of profit or loss and other comprehensive income under employee benefits (accrual).

18. Grants and subsidies

The grants and subsidies of the Group consisted of the following:

	<u>2019</u>	<u>2018</u>
Grants and subsidies in the beginning of the period	1,264	990
Grants and subsidies received during the period	60	306
Amortisation	(79)	(32)
Grants and subsidies at the end of the period	<u>1,245</u>	<u>1,264</u>

On 22 December 2010, the Group entered into a financing and administration agreement with the Ministry of Economy of the Republic of Lithuania and VšĮ Lietuvos verslo paramos agentūra regarding construction of a motel with a camp-site and the development of tourism services in the Vilnius city municipality. During 2014, a grant of EUR 15 thousand was received under the financing agreement (2013: EUR 1,306 thousand). After the evaluation of the property in 2013, it was determined that the value of the non-current assets was lower than the production cost; therefore, when accounting for impairment of the property, EUR 230 thousand of the subsidy was written off. Since 2014, the use of the grant is registered by reducing the depreciation costs of property, plant and equipment.

In 2018, a grant was received from the EU structural funds for the co-financed project "Creation of an innovative management solution for the car sharing service". The grants were received for creation of non-current assets. A grant is recognised as used when the asset is depreciated and recoverable costs are incurred. In 2019, a grant was received under the same project.

19. Provisions

Provisions of the Group included the following:

	<u>As at 31 December</u>		<u>1 January</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
Provisions for technical maintenance package	64	13	11
Provision for repurchased cars	36	30	22
Total	<u>100</u>	<u>43</u>	<u>33</u>

20. Prepayments received, accrued liabilities and deferred income

The Group's prepayments received, accrued liabilities and deferred income comprised the following:

	<u>As at 31 December</u>		<u>1 January</u>
	<u>2019</u>	<u>2018</u> <u>(adjusted)</u>	<u>2018</u>
Advances received	5,614	7,742	6,186
Accrued expenses	2,337	1,418	523
Prepayments received from related parties (Note 34)	485	987	-
Deferred income	369	947	187
Total	<u>8,805</u>	<u>11,094</u>	<u>6,896</u>

21. Employment related liabilities

The Group's liabilities related to employment relations comprised the following:

	As at 31 December		1 January
	2019	2018	2018
Vacation reserve	1,241	1,269	980
Accrued annual bonuses	1,189	505	192
Payable remuneration	696	575	782
Payable taxes related to remuneration	621	593	654
Other employment related liabilities	2	8	-
Total	3,749	2,950	2,608

22. Trade, other payables and current liabilities

As at 31 December, Group's trade, other amounts payable and current liabilities comprised the following:

	As at 31 December		1 January
	2019	2018 (adjusted)	2018 (adjusted)
Trade payables	109,115	77,484	21,524
Payable VAT	3,442	5,742	4,272
Trade payables to related parties (Note 34)	177	159	189
Other taxes payable (excluding corporate income tax)	45	29	57
Other amounts payable	126	257	-
Total	112,905	83,671	26,042

The abovementioned trade, other amounts payable and current liabilities are interest-free and they are usually assigned a payment term of up to 60 days.

23. Revenue

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

For the year ended 31 December, the Group's revenue comprised the following:

	2019	2018
Primary geographic markets		
Lithuania	357,837	249,350
Belarus	43,738	28,879
Latvia	31,522	25,334
Poland	23,472	14,117
Ukraine	20,751	-
Estonia	11,367	4,796
Germany	10,684	9,275
Italy	2,791	1,323
Other countries	2,527	4,955
Total	504,689	338,029

23. Revenue (cont'd)

	2019	2018
Major product and service lines		
Revenue from sale of cars	390,623	255,472
Revenue from sale of energy	60,373	26,056
Revenue from sale of parts	24,812	32,449
Revenue from lease of cars	15,673	9,582
Revenue from car service	5,647	6,204
Revenue from parking services	-	1,441
Other	7,561	6,825
Total	504,689	338,029
Timing of revenue recognition		
At a point of time	463,157	324,910
Over a certain period	41,532	13,119
Total	504,689	338,029

Contract assets and contract liabilities

The following table provides information about amounts receivable, contract assets and contract liabilities under contracts with customers.

	As at 31 December		1 January
	2019	2018	2018
Contract assets	922	1,583	1,532
Contract liabilities	(21)	(1,293)	-
Total	901	290	1,532

Contract assets are primarily related to the Group's rights to compensation for subcontracting work which is completed as at 31 December but non-taxable. No impairment has been determined for the amount of contract assets for the periods ended 31 December 2019 and 2018, and 1 January 2018. Contract assets are transferred to amounts receivable when rights become unconditional. This usually happens when the Group presents a customer with an invoice.

Contract liabilities are related to prepayments received from customers for subcontracting work the revenue of which is recognised over the period.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the revenue recognition policies.

Type of product / service	Nature and timing of the satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Income from sale of cars and spare parts	The Group sells new and used cars and spare parts both to individuals and to legal persons. Invoices are issued under contractual terms and are usually payable immediately or within 15 days.	Revenue is recognised when a car or parts are delivered to the customer – i.e. when the customer assumes all the risks and rewards for the goods.
Income from car service	The Group provides car services both to individuals and to legal persons. Invoices are issued under contractual terms and are usually payable immediately or within 15 days.	Income is recognised after actual delivery of the service.
Income from lease of cars	The Group provides short-term lease of cars, bicycles and scooters. Accounting (reporting) period – one calendar month. Invoices are issued and revenue recognised at a particular point in time – on the last day of each reporting period for the previous month. Settlement term for legal persons - 30 days. Individuals pay for the services immediately after they are rendered.	Income is recognised after actual delivery of the service.

23. Revenue (cont'd)

Type of product / service	Nature and timing of the satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Revenue from energy produced by biogas and solar power plants	The Group sells biogas and solar energy (electricity, heating) which it produces and distributes to the buyer's network. Accounting (reporting) period – one calendar month. Invoices are issued and revenue recognised at a particular point in time – on the last day of each reporting period. Payment period – 30 days.	Revenue is recognised over the period when energy is produced and based on the actual quantity of the energy produced.
Revenue from subcontracting of power plants	The Group builds solar and biogas power plants to customers. Each project starts upon signing a contract and under the construction stage deadlines established in the contract. Duration of a project depends on complexity of a project; however, it usually lasts no longer than one year. During construction the buyer controls all of the work carried out; therefore, if the customer terminates a contract, the Group has the right to compensation of the costs incurred up to the moment of termination, including the margin agreed upon. Invoices are issued under contractual terms and are usually payable within 30 days following the date of the invoice.	Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised when they are incurred. Advances received are included in contract liabilities. The Group's rights to compensation for the subcontracting work which as at 31 December is completed but non-taxable, i.e. Invoices are not issued, are included in contract assets.
Other income	The Group provides other services (management, etc.) and sells other goods (raw materials, etc.) Invoices are issued under contractual terms and are usually payable immediately or within 15 days.	Revenue is recognised after actual delivery of services or, when selling the goods, when the client assumes all the risk and benefits.

24. Cost of sales

For the year ended 31 December, the Group's cost of sales comprised the following:

	2019	2018 (adjusted)
Cost of sales of cars*	369,882	237,966
Contracting costs*	28,794	11,820
Costs of sales of spare parts*	19,408	25,832
Depreciation and amortisation	9,115	6,581
Salaries and related taxes	6,793	7,154
Cost of raw materials*	4,484	2,407
Fuel	3,285	1,902
Cost of sales of equipment and other goods*	2,695	435
Repair and servicing costs of cars and other equipment	2,646	609
Servicing costs of solar and biogas power plants	2,163	1,153
Insurance costs	1,095	892
Cost of warranty works	1,078	673
Other	6,324	5,406
Total	457,762	302,830

*In 2019, inventories amounting to EUR 425,263 thousand (2018 – EUR 278,460 thousand) were recognised as costs incurred during the year and were included in the cost of sales.

25. Other activity results

For the year ended 31 December, other activity income (expenses) comprised the following:

	2019	2018
OTHER ACTIVITY INCOME		
Penalties received and damages covered	47	-
Gain from resold services	-	190
Other income	241	-
	<u>288</u>	<u>190</u>
OTHER ACTIVITY EXPENSES		
Loss from resold services	767)	-
Loss on disposal of non-current assets	(541)	(209)
Other expenses	(170)	-
	<u>(1,478)</u>	<u>(209)</u>
Other operating results:	<u>(1,190)</u>	<u>(19)</u>

26. Selling expenses

For the year ended 31 December, selling expenses comprised the following:

	2019	2018
Salaries and related expenses	6,388	7,588
Advertising and promotional costs	2,946	2,120
Customs and registration costs	604	398
Representation expenses	359	316
Transportation and short-term insurance costs	317	276
Trainings and secondments	295	360
Legal and other consulting services	201	227
Fuel and lease of cars	165	217
Demo and display cars maintenance costs	135	566
Depreciation and amortisation	38	50
Other	1,055	615
Total	<u>12,503</u>	<u>12,733</u>

27. Administrative expenses

For the year ended 31 December, administrative expenses consisted of the following:

	2019	2018
Salaries and related expenses	4,855	4,163
Legal and consulting expenses	1,107	804
Depreciation and amortisation	1,013	1,200
IS lease and maintenance expenses	780	676
Maintenance of premises, repair and maintenance of equipment	731	893
Accounting and audit expenses	705	352
Write-down of inventories	585	(110)
Bank charges	560	380
Taxes	507	186
Support	437	65
Communication services	373	248
Business trip expenses	291	338
Fuel, car lease and maintenance	268	335
Lease of premises	218	1,690
Advertising and representation expenses	118	137
Other	1,164	1,351
Total	<u>13,712</u>	<u>12,708</u>

28. Profit on disposal of investments into subsidiaries

Profit from disposal of investments into subsidiaries for the year ended 31 December, included the following:

	2019	2018
Profit on disposal of investments into subsidiaries engaged in car business	22,592	-
Profit on disposal of investments into subsidiaries engaged in energy business	3,322	-
Profit from short-term investments into Group companies held for sale	-	1,523
Total	25,914	1,523

Profit on disposal of investments into subsidiaries engaged in car business

In 2019, the Group sold investments into the following subsidiaries: UAB Krasta Auto, UAB Krasta Auto Kaunas, UAB Krasta Auto Vilnius, UAB Krasta Auto Klaipėda and UAB Autoforumas. The sale of companies is not considered a discontinuing operation because the activities of the divested entities continue or the divested entities did not form a significant separate operating segment.

The table below presents the sale transactions (the values as at the date of sale and the carrying amounts are not considered to differ materially from their fair values):

Item/Company	UAB Krasta Auto	UAB Krasta Auto Kaunas	UAB Krasta Auto Klaipėda	UAB Krasta Auto Vilnius	UAB Autoforumas	Total
Non-current assets						
Property, plant and equipment	8	110	40	240	27	425
Intangible assets	27	1	1	1	-	30
Deferred income tax asset	11	39	19	85	-	154
Trade and other receivables	-	-	-	189	-	189
Total non-current assets	46	150	60	515	27	798
Current assets						
Inventories	4,018	1,303	740	4,143	43	10,247
Advance corporate income tax	-	37	24	5	-	66
Loans granted	5,000	-	-	-	-	5,000
Trade and other receivables	5,032	616	286	2,903	36	8,873
Prepayments, deferred costs and accrued income	39	145	53	466	1	704
Total current assets	14,089	2,101	1,103	7,517	80	24,890
Total assets	14,135	2,251	1,163	8,032	107	25,688
Non-current liabilities						
Deferred tax liability	-	2	-	-	-	2
Provisions	-	-	-	-	25	25
Advances received	-	-	-	134	-	134
Total non-current liabilities	-	2	-	134	25	161
Current liabilities						
Other borrowings	14,538	139	165	729	470	16,041
Corporate income tax liabilities	48	51	18	38	-	155
Prepayments received, accrued liabilities and deferred income	157	535	384	679	2	1,757
Employment related liabilities	41	175	107	409	48	780
Trade, other payables and current liabilities	(497)	484	192	5,752	31	5,962
Total current liabilities	14,287	1,384	866	7,607	551	24,695
Total liabilities	14,287	1,386	866	7,741	576	24,856
Net assets at the time of disposal	(152)	865	297	291	(469)	832
Disposed share capital, %	100	100	100	100	100	100
Sales price	-	-	-	24,766	-	24,766
Cash and cash equivalents	(515)	(411)	(29)	(346)	(41)	(1,342)
Cash flows from disposal	-	-	-	23,465	(41)	23,424
Profit on disposal of investments into subsidiaries	24,403	(1,276)	(326)	(637)	428	22,592

Company name	Date of disposal	Date of carrying amounts
UAB Krasta Auto	31/01/2020	31/01/2020
UAB Krasta Auto Vilnius	31/01/2020	31/01/2020
UAB Krasta Auto Kaunas	31/01/2020	31/01/2020
UAB Krasta Auto Klaipėda	31/01/2020	31/01/2020
UAB Autoforumas	17/05/2020	31/03/2020

Net cash flows from disposal after set-offs amount to EUR 18,424 thousand, because EUR 5,000 thousand were offset with the payable loan.

28. Profit on disposal of investments into subsidiaries (cont'd)
Profit on disposal of investments into subsidiaries engaged in energy business

In 2019, the Group sold investments into the following subsidiaries: Green Genius Sp. z o.o., UAB Green Genius, Green Genius S.r.l., UAB Baltic Sun Energy, UAB Investiciniai energetikos projektai, UAB Erengie Group. The sale of companies is not considered a discontinuing operation because the sold solar power plants continue operating or the sold companies did not form a significant separate operating segment.

The table below presents the sale transactions (the values as at the date of sale and the date of carrying amounts are not considered to differ materially from their fair values):

Item/Company	Green Genius Italy S.r.l.	Green Genius Sp. z o.o.	UAB Green Genius	UAB Investiciniai energetikos projektai	UAB Baltic Sun Energy	UAB Erengie Group	Total
Non-current assets							
Property, plant and equipment	136	126	7	1,137	1,119	165	2,690
Intangible assets	-	-	112	-	-	-	112
Deferred income tax asset	-	-	96	-	-	-	96
Other assets	-	35	-	-	-	-	35
Total non-current assets	136	161	215	1,137	1,119	165	2,933
Current assets							
Advance corporate income tax	-	-	-	7	-	-	7
Loans granted	-	19	-	350	268	-	637
Trade and other receivables	74	621	207	6	4	1	913
Prepayments, deferred costs and accrued income	790	4	3	-	-	-	797
Total current assets	864	644	210	363	272	1	2,354
Total assets	1,000	805	425	1,500	1,391	166	5,287
Non-current liabilities							
Deferred tax liability	-	-	-	86	63	16	165
Total non-current liabilities	-	-	-	86	63	16	165
Current liabilities							
Bank loans and lease liabilities	-	-	-	-	-	32	32
Other borrowings	1,420	1,292	765	-	194	24	3,695
Corporate income tax liabilities	3	-	-	-	41	1	45
Prepayments received, accrued liabilities and deferred income	2	12	-	1	1	1	17
Employment related liabilities	43	55	89	-	-	-	187
Trade, other payables and current liabilities	747	70	115	1,066	2	2	2,002
Total current liabilities	2,215	1,429	969	1,067	238	60	5,978
Total liabilities	2,215	1,429	969	1,153	301	76	6,143
Net assets at the time of disposal	(1,215)	(624)	(544)	347	1,090	90	(856)
Disposed share capital, %	100	100	100	100	100	100	100
Sales price	10	1	3	914	1,687	186	2,801
Cash and cash equivalents	(83)	(12)	(18)	(145)	(69)	(8)	(335)
Cash flows from disposal	(73)	(11)	(15)	769	1,618	178	2,466
Profit on disposal of investments into subsidiaries	1,142	613	529	422	528	88	3,322

Company name	Date of disposal	Date of carrying amounts
Green Genius Italy S.r.l.	13/12/2019	31/12/2019
Green Genius Sp. z o.o.	16/04/2019	31/03/2019
UAB Green Genius	18/01/2019	01/01/2019
UAB Investiciniai energetikos projektai	14/11/2019	31/12/2019
UAB Baltic Sun Energy	14/11/2019	31/12/2019
UAB Erengie Group	14/11/2019	31/12/2019

Profit from short-term investments into Group companies held for sale

In 2018, the Group sold all of its short-term investments into entities of the entities group held for sale. The investments were sold through shareholders to related companies in Poland. The total sales price amounts to EUR 3,440 thousand, the result of the sales is a profit of EUR 1,523 thousand.

29. Discontinued operations

On 3 April 2018, the Group sold all of its parking business. Management has decided to sell this operating segment in January 2019, following a strategic decision to focus more on renewable energy and mobility.

On 22 January 2018, UAB Modus Grupė signed an investment agreement with a closed-end investment fund for informed investors Energy and Infrastructure SME Fund and UAB Parkdema. Following the agreement, on 30 March 2018, UAB Modus Grupė acquired 8,528,157 non-convertible bonds of UAB Parkdema by the total value of EUR 8,528 thousand. The bonds entitle to 6% fixed annual interest.

On 30 March 2018, UAB Modus Grupė acquired 3,512,185 ordinary registered intangible shares of UAB Parkdema, at par value of EUR 1 each. Settlement of the emission price was performed by non-monetary contribution belonging to UAB Modus Grupė, the total value of which, as determined by the independent appraiser, amounted to EUR 3,512 thousand, i.e. equal to 100% shares of UAB VNO turtas.

On 3 April 2018, UAB Modus Grupė sold 100% shares of the subsidiary UAB Unipark by the value of EUR 8,528 thousand to UAB Parkdema. The debt was set off against the amount payable for the shares of UAB Parkdema.

Business discontinuation results and net cash flows

Item	31 March 2018
Non-current assets	
Property, plant and equipment	4,194
Intangible assets	340
Goodwill	1,501
Trade and other receivables	474
Deferred income tax asset	141
Total non-current assets	6,650
Current assets	
Inventories	27
Trade and other receivables	1,586
Prepayments, deferred costs and accrued income	214
Total current assets	1,827
Total assets	8,477
Non-current liabilities	
Deferred tax liability	125
Bank loans and lease liabilities	3,255
Trade, other payables and current liabilities	245
Total non-current liabilities	3,625
Current liabilities	
Bank loans and lease liabilities	411
Employment related liabilities	233
Trade, other payables and current liabilities	1,778
Total current liabilities	2,422
Total liabilities	6,047
Net assets at the time of disposal	2,430
Sales price	12,040
Cash and cash equivalents	(294)
Profit from discontinued operations	9,316
Debt set-offs due to acquisition of shares and bonds	(12,040)
Net cash flows received (disposed)	(294)

30. Finance income and finance costs

For the year ended 31 December, finance income (expenses) comprised the following:

	2019	2018
FINANCE INCOME		
Interest income	3,458	1,201
Gain on increase in financial assets at fair value	1,410	-
Gain from currency exchange	693	-
Penalties and fines	7	13
Other income from financing and investing activities	58	50
	5,626	1,264
FINANCE EXPENSES		
Interest expenses	(5,090)	(3,314)
Impairment of loans granted	(542)	(462)
Guarantee commitment and commission fees	(498)	(192)
Loss arising on derivative financial instrument	(133)	(1,141)
Penalties and fines	(86)	37
Currency exchange loss	-	(1,729)
Impairment of financial assets measured at fair value	-	(1,322)
Other expenses from financing and investing activities	(684)	(1,005)
	(7,033)	(9,202)
Financing activity result	(1,407)	(7,938)

31. Corporate income tax

In 2019 and 2018, corporate income tax in the Group and subsidiaries operating in Lithuania is calculated by applying a 15% income tax rate for the estimated taxable profit of the period. Income tax in other countries is calculated using income tax rates applicable in those countries.

As at 31 December, the Group's income tax expenses (income) recognised in the statement of profit or loss comprised the following:

	2019	2018 (adjusted)
Current tax expense	4,281	2,531
Deferred tax expense (income)	(603)	(1,876)
Corrections of corporate income tax of previous reporting periods	(94)	(53)
Income tax expense (income) recognised in the statement of profit or loss and other comprehensive income	3,584	602

Changes in the Group's deferred income tax assets and liabilities were the following:

	2019	2018
Income (expenses) recognised in the statement of profit or loss	(603)	(1,876)
Initial application of IFRS 16 (Note 4.1)	-	(32)
Profit (loss) not recognised in the statement of profit or loss due to change in the accounting policy for investment property (Note 5)	31	-
Income (expenses) recognised in other comprehensive income (including change due to currency exchange rate fluctuations)	2,739	-
Change due to currency exchange rate fluctuations	(5)	131
Transfer of liabilities (assets) related to disposal of subsidiaries	83	16
Change in deferred income tax, net	2,245	(1,761)

31. Corporate income tax (cont'd)

The following is a reconciliation of the Group's corporate income tax with a theoretical amount:

	2019	2018 (adjusted)
Profit (loss) before tax	43,658	3,723
Corporate income tax applying a standard income tax rate of 15%	6,549	558
Tax effect of non-taxable income	(5,242)	(674)
Non-deductible (deductible) expenses	2,687	349
Tax effect of tax losses and other temporary differences for which no deferred tax asset was recognised	999	527
Corrections of corporate income tax of previous reporting periods	(94)	(53)
Effect of different income tax rates applicable to foreign subsidiaries	31	(55)
Investment incentive	(1,346)	(50)
Total corporate income tax expense (income)	3,584	602

Changes in temporary differences of the Group before and after tax effect were as follows:

	Temporary differences			Deferred tax		
	As at 31 December		1 January	As at 31 December		1 January
	2019	2018	2018	2019	2018	2018
Deferred income tax asset						
Tax losses	23,099	18,148	9,820	3,527	3,143	1,472
Write-down of inventories	657	671	778	104	101	121
Incentive of investments into property, plant and equipment	648	852	826	98	128	124
Impairment of amounts receivable	626	1,459	980	95	229	149
Vacation reserve	305	576	536	51	87	80
Bonus reserve	123	99	-	19	15	-
Other accrued costs	1,947	351	22	293	54	3
Total deferred tax asset	27,405	22,156	12,962	4,187	3,757	1,949
Deferred tax liability						
Differences between the financial and tax depreciation of property, plant and equipment	(20,163)	(2,073)	(2,267)	(2,841)	(372)	(340)
Derivative financial instruments	(22)	(58)	-	(3)	(9)	-
Other accrued income	(1,655)	(32)	-	(218)	(6)	-
Total deferred tax liabilities	(21,840)	(2,163)	(2,267)	(3,062)	(387)	(340)
Deferred income tax, net	5,565	19,993	10,695	1,125	3,370	1,609

The deferred income tax of the Group as at 31 December in different tax jurisdictions:

	As at 31 December		1 January
	2019	2018	2018
Deferred income tax asset			
Belarus	2,910	690	382
Lithuania	-	2,677	1,227
Poland	-	3	-
Total deferred tax asset	2,910	3,370	1,609
Deferred tax liability			
Lithuania	1,785	-	-
Total deferred tax liability	1,785	-	-
Total	1,125	3,370	1,609

31. Corporate income tax (cont'd)

Deferred tax asset for tax losses is recognised as the Group's management believes they will be realised in the foreseeable future, based on taxable profit forecasts.

Deferred tax assets and liabilities are offset if they will be realised in net value and over those periods, and they are related to the same tax administration authority. Each Group company pays income tax at net value; i.e. offsets temporary differences; therefore, deferred tax liabilities of each Group company are offset against deferred income tax assets of that company. Deferred income tax assets and liabilities of different Group entities are offset. Deferred income tax assets and liabilities arising on consolidation entries are also offset if they are related with the same tax administration authority.

As at 31 December temporary differences and tax losses for which deferred tax assets were not recognised as they are not expected to be realised:

	As at 31 December		1 January
	2019	2018	2018
Total temporary differences for which no deferred tax assets were recognised	319	361	-
Tax losses for which no deferred tax assets were recognised	4,688	2,674	436
Total temporary differences and tax losses	5,007	3,035	436

32. Contingent liabilities

In 2019 and 2018, the Group was not involved in any legal proceedings that could, in the opinion of the management, have significant influence on the Group's consolidated financial position.

The tax administrator has not performed a full-scope tax investigation in the Group. The Tax Authorities have not performed full-scope tax investigations at the Company. The Tax Authorities may inspect accounting, transaction and other documents, accounting records and tax returns for the current and previous 3 calendar years at any time, and where appropriate, for the current and previous 5 or 10 calendar years and impose additional taxes and penalties. Management of the Group is not aware of any circumstances which would cause calculation of additional significant liabilities due to unpaid taxes.

The Group has issued the following guarantees/sureties:

Receiver of guarantee/surety	Type	Maturity term of guarantee/surety	Currency	As at 31 December	
				2019	2018
Alfa Bank	Guarantee	31/03/2020	USD	4,737	-
Bank Moscow-Minsk	Guarantee	31/03/2019	USD	-	4,471
Three Thousand Corporations OÜ	Surety (for LLC Solar Zalukwa)	Paid in 2020	EUR	7,800	-
OP Corporate Bank plc Lithuanian branch	Surety (for UAB Baltijos autonomoma)	06/09/2020	EUR	929	1,000
Luminor bank AS, Lithuanian branch	Surety (for UAB Smilgiai biodujos)	23/11/2024	EUR	325	356
Luminor bank AS, Lithuanian branch	Surety (for UAB Bioinvest)	31/12/2022	EUR	90	118
Luminor bank AS, Lithuanian branch	Surety (for UAB Energmeta)	Paid in 2019	EUR	-	162
Total				13,881	6,107

All the companies for which the sureties have been issued are related companies. Furthermore, all the companies met the financial ratios if such were prescribed in the loan agreements. Therefore, no provisions for the liabilities related to the sureties issued have been recognised as at 31 December 2019.

Provisions for liabilities under other surety agreements were not accounted for as at 31 December 2019 as the Group estimates that the entities for which sureties are provided will continue their activities or start developing new profitable activities; also, no information is available on termination or liquidation of the activities of those entities. Further activities plans of the entities are known to the Group and the risk is managed through active participation in determination of activity plans and continual financial control.

32. Contingent liabilities (cont'd)

The Group has issued guarantees to suppliers for an amount of EUR 19,307 thousand. The guarantees are effective until May 2020. The value of the guarantees issued by the Group amounts EUR 1,230 thousand. The guarantees are effective until January 2021.

In 2019, some Group entities were not in compliance with the requirement of the Law on Companies of the Republic of Lithuania, which provides that a company's equity cannot be lower than 1/2 of its authorised capital. The following are the companies which as at 31 December 2019 were not in compliance with the requirement: UAB Jenergija, UAB Venergija, UAB Fotona, UAB Lepita, UAB ViaModus, UAB Pavilnių saulės slėnis 25, UAB Modus energy systems, UAB Autoidėja City, UAB Balteina, UAB Cenergija, UAB Denergija, UAB Hanitaksa, UAB Hipso, UAB Ipedita, UAB Kalintuva, UAB Kenergija, UAB Sekovita, UAB Tekilta, UAB Pavilnių saulės slėnis 19, UAB Pavilnių saulės slėnis 26, UAB Pavilnių saulės slėnis 27, UAB Modus energijos inovacijos, UAB Grūduva biodujos, UAB Kairėnai biodujos, UAB Vėriškės biodujos, UAB Želsvelė biodujos, UAB Prime Leasing, UAB Pavilnių saulės slėnis 14, UAB Pavilnių saulės slėnis 15, UAB Miesto bitė, UAB Modus Unipark Services, UAB Modus Group Services, UAB Axton Commodities, UAB Interviga, UAB Luxury Motors, UAB Modus Automotive Services, UAB Pavilnių saulės slėnis 17, UAB Nekilnojamojo turto nuoma, UAB Nekilnojamojo turto prekyba, UAB Nuomos sprendimai, UAB Plėtros sprendimai, UAB Nekilnojamojo turto konsultacijos, UAB Pavilnių saulės slėnis 22, UAB Modus Estate Services.

As at 31 December 2018, the Group had issued letters of credit for EUR 1,083 thousand. EUR 275 thousand of the amount was used and the Group calculated liabilities to the bank for that amount. The remaining EUR 808 thousand amount of letters of credit was not yet paid. EUR 566 thousand of the amount is already used and the Group calculated liabilities to the bank for the amount. In December 2019, the total liability to the bank amounting to EUR 841 thousand was settled.

The investment of EUR 3,600 thousand into UAB Parkdema has been pledged as to the agreement with the creditor. The agreement provides for subordination also of the held bonds, the value of which amounts to EUR 14,879 thousand. The maturity ends in December 2026.

The Group has issued a letter of intent to buy a solar power plant in 2025 for EUR 448 thousand, excluding VAT.

According to the agreement between the investors and the sub-fund Modus Renewable Energy Lithuanian Investments which is the manager of the closed-ended renewable energy composite investment fund Modus Renewable Energy Fund I, the Group committed to repurchase the investments into the subsidiaries in January 2025 by the total amount of EUR 1,285.4 thousand, if no other investors are found.

33. Financial instruments – fair values and risk management

Main financial liabilities of the Group comprise loans, finance lease, other financial debts, trade and other payables. The main objective of these financial liabilities is to increase financing of the Group's activities and to guarantee liquidity.

The Group classifies financial liabilities into three groups:

- Bank loans and lease liabilities (Note 15);
- Other financial debts (Note 16);
- Trade, other payables and current liabilities (Note 22).

The Group has various financial assets: trade and other receivables, loans granted, short-term investments and cash.

The Group classifies financial assets into three groups:

- Cash and cash equivalents (Note 12);
- Other investments (Note 10).
- Trade, other receivables and loans granted stated at amortised cost (Notes 8 and 7 respectively).

Fair value

As at 31 December 2019 and 2018, and 1 January 2018, the Group did not have any significant financial instruments, presented at fair value in the statement of financial position, except for the investments into shares and investment units (Note 10).

The Group's main financial assets and liabilities not carried at fair value are trade and other receivables (including loans granted), non-current and current trade and other debts.

The fair value of the Group's financial assets and liabilities as at 31 December 2019 and 2018, and 1 January 2018, approximates their carrying amount.

Methods and assumptions used for determination of fair values are described below:

- The carrying amount of current trade and other receivables, current trade and other payables and short-term borrowings approximates fair value due to short-term nature of instruments.
- The fair value of long-term liabilities is established on the basis of the market price of the same or similar loan or interest rate applicable at the time for loans with the same maturity term. The fair value of long-term liabilities with variable interest is close to their carrying amount.
- The fair value of the investments into shares and investment units has been determined based on the valuation of independent appraisers.

33. Financial instruments – fair values and risk management (cont'd)

The main risks arising from financial instruments are credit risk, interest rate risk, liquidity risk, foreign currency risk. The Group is also exposed to capital management and inventories risk. Risks are described below.

Credit risk

The Group's credit risk is primarily related to amounts receivable (including loans granted) and arises due to potential default of other contract parties to meet contractual obligations. Amounts receivable in the statement of financial position are stated less doubtful amounts receivable which the Group estimates based on previous experience and current economic environment. Credit risk related to cash is limited since the Group performs transactions with banks having high credit rating issued by foreign agencies.

The amount of maximum exposure to credit risk equals the carrying amount of receivables, contract assets, loans granted and cash and cash equivalents which in the Group as at 31 December 2019 was EUR 109,477 thousand (31 December 2018 – EUR 95,986 thousand, 1 January 2018 – EUR 39,229 thousand).

The Group's credit risk is measured separately for Group entities. Balance of amounts receivable of Group entities and overdue amounts receivable are controlled each month.

The Group's credit risk concentration related to trade amounts receivable is not high. The Group has no significant transactions carried out in a different country to the one in which a respective Group entity operates.

An analysis of not overdue and overdue amounts receivable and loans granted as well as impairment recognised as at 31 December 2019 and 2018, 1 January 2018 is presented in Notes 7 and 8.

Expected credit loss assessment.

Trade and other receivables

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and available press information about customers). The following segments of credit risk were identified, taking into account the types of customers and the services purchased: 1) sales of energy (electricity, heat, gas) – business clients; 2) sub-contraction and servicing of power plants – business clients, and 3) sale of raw materials – business clients and private persons, 4) hotel operation and lease of real estate – business clients and private persons, 5) lease of cars (*car-sharing*) – business clients and private persons, 6) sale of cars in the mobility sector entities – business clients and private persons, 7) operating lease of cars – business clients and private persons, 8) sale of cars in auto sector entities – business clients and private persons. The ECLs rate is estimated for each segment based on actual credit loss experience over the past year. These rates are multiplied by scalar factors to reflect the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The ECL for trade receivables from related parties is calculated individually assessing the expected credit risk because historically these amounts are recoverable and the credit risk is considered to be minimal.

Trade receivables have no significant element of financing. The Group's credit terms for sales are 30 days from receipt of the invoice.

The Group applies the simplified approach for trade receivables.

The Group has elected to use a provision matrix to calculate ECLs, which is based on:

- historical default rates over expected deadline for trade receivables;
- correction of assessment of future forecasts.

Based on impairment analysis performed as at 31 December 2019 and 2018, the Group determined that there were no significant impairment losses, except for the accounted ones.

Loans granted

The Group uses individual assessment model to determine expected loss of loans granted. The Group uses internal credit rating categories which reflect credit risk on financial assets. Expected economic changes (country and sector risk) are included in the internal rating model. The Group's management reviews the main economic indicators of the markets in which the Group's debtors operate and determine any expected significant changes which could have an impact on the expected credit losses.

If the management determines that there are no significant expected economic variables, the expected credit loss based on historic information are used. Following analysis, no significant expected credit losses were determined.

As at 31 December 2019 and 2018, and 1 January 2018, there were no indications that the amounts receivable, the impairment for which was not accounted for, may not be recoverable.

33. Financial instruments – fair values and risk management (cont'd)

Interest rate risk

The Group is exposed to the risk of changes in interest rate due to bank loans and other financial borrowings with variable interest rates. As at 31 December 2019, such liabilities of the Group amounted to EUR 110,108 thousand (31 December 2018 – EUR 89,631 thousand, 1 January 2018 – EUR 61,525 thousand). In 2019 and 2018, the Group manages the risk by maintaining an appropriate balance of loans with fixed and variable interest rate. The Group used interest rate swap transaction with Luminor Bank AB to manage interest rate risk.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates (increase/decrease in basis points is determined based on economic conditions and the Group's experience), with all other variables held constant (through the impact on floating rate borrowings). There is no other impact on the Group's equity, other than the impact of income tax of the current year.

	<u>Increase / decrease, p.p.</u>	<u>Impact on the Group's profit before taxes</u>
2019	0.3	223
2018	0.3	182

Liquidity risk

The objective of short-term liquidity risk management is to control the day to day funds' requirement. Each Group entity independently plans its internal cash flows. The Group's short-term liquidity is controlled by daily assessments of the balances and requirement of cash and cash equivalents.

The risk of long-term liquidity is controlled by analysing the expected future cash flows taking into consideration possible financing sources. The ability to raise required funds and the impact of the investments carried out on the Group's liquidity are assessed before approval of the Group's new investment project.

Maturities of the Group's financial liabilities in 2019, 2018 and 1 January 2018 based on contractual undiscounted payments are provided in Notes 15 and 16.

Foreign exchange risk

Changes in currency exchange rates can have an impact on the Group's financial position due to its activities. During the reporting period the Group used foreign exchange swap transaction with Swedbank AB to manage foreign currency exchange risk.

The Group is exposed to foreign exchange risk when sales, purchases and borrowings are denominated in other currencies than the Euro.

The Group uses currency exchange swap transaction with credit institutions to manage the currency exchange risk.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates due to changes in the value of monetary assets and liabilities, with all other variables held constant.

	<u>Foreign exchange rate</u>	<u>Increase / decrease,%</u>	<u>Impact on the Group's profit before taxes</u>
2019	EUR/USD	+5%	1,094
	EUR/BYN	+5%	342
	EUR/PLN	+5%	99
	EUR/USD	-5%	(1,094)
	EUR/BYN	-5%	(342)
	EUR/PLN	-5%	(99)
2018	EUR/USD	+5%	757
	EUR/BYN	+5%	188
	EUR/PLN	+5%	28
	EUR/USD	-5%	(757)
	EUR/BYN	-5%	(188)
	EUR/PLN	-5%	(28)

33. Financial instruments – fair values and risk management (cont'd)

Capital management

The Group manages its capital to ensure that the capital is sufficient to guarantee the Group's activities. The management of entities controls that the entities are in compliance with capital requirements provided in legislation and loan agreements and provide information to the Group's management. There were no changes in the policies or processes of capital management in 2019 and 2018.

The Law on Companies of Republic of Lithuania requires for the equity of a separate company to comprise no less than 50% of its share capital. In 2019 and 2018, the equity of the Group was in compliance with the legal requirements.

Raw materials price risk.

Some Group entities are exposed to the risk of fluctuations in prices of raw materials used in production which depend on the prices in international markets. In the opinion of the Group's management, this risk is managed by concluding long-term and short-term agreements with suppliers of raw materials.

34. Related parties transactions

Salaries of the Group's key management personnel and related taxes:

	<u>2019</u>	<u>2018</u>
Employment-related amounts calculated for the year		
Key remuneration and related taxes	1,577	1,368
Number of the management members	32	40

In 2019 and 2018, the management of the Group did not receive any loans, guarantees; no other payments or property transfers were made.

During 2019 and 2018, the main transactions of the Group entities carried out with related entities were receipt of loans from related parties, issue of loans to related parties and supply of goods.

The related parties of the Group include:

- The ultimate beneficial owner (shareholder) is K. Martinkėnas.
- The ultimate parent company is MG NL Holding B.V.;
- Entities of the entities group – MG NL Holding B.V. group entities;
- Associated entities – the list of entities is provided in the part of general information in the explanatory notes;
- Other related parties – other entities controlled by MG NL Holding BV shareholder, his family members and management of the Group.

The table below provides information on transactions with related entities during the period ended 31 December 2019:

Related party	<u>Amounts receivable</u>	<u>Amounts payable</u>	<u>Sales of goods and services (including interest)</u>	<u>Purchases of goods and services (including interest)</u>
<i>Ultimate beneficial owner</i>	-	5,033	-	358
<i>Parent company</i>	435	-	15	-
<i>Entities of the entities group</i>	44,258	877	28,581	712
<i>Associated entities</i>	165	371	111	12
<i>Other related companies</i>	18,920	7,942	258,095	494
Total	<u>63,778</u>	<u>14,223</u>	<u>286,802</u>	<u>1,576</u>

34. Related-party transactions (cont'd)

The table below provides information on transactions with related entities during the period ended 31 December 2018:

Related party	31 December 2018		1 January 2018		Sales of goods and services (including interest)	Purchases of goods and services (including interest)
	Amounts receivable (including loans granted)	Amounts payable (including loans received)	Amounts receivable (including loans granted)	Amounts payable (including loans received)		
<i>Ultimate beneficial owner</i>	-	4,795	-	5,071	-	364
<i>Parent company</i>	243	-	125	-	15	-
<i>Entities of the entities group</i>	25,443	1,153	4,640	-	3,173	2
<i>Associated entities</i>	229	357	539	-	11,123	147
<i>Other related companies</i>	16,316	9,725	3,237	5,545	124,050	164
Total	42,231	16,030	8,541	10,616	138,361	677

Following adjustment of amounts in this note, amounts receivable and amounts payable of previous periods were adjusted.

35. Explanations on transition to IFRS and correction of errors

The Company's management resolved to present the Group's financial statements for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter – IFRS). In order to implement the decision, adjustments were made to the Group's accounting policy which as of 1 January 2018 is consistent with the requirements of IFRS.

Transition from Business Accounting Standards (BAS) to IFRS was accounted for applying all mandatory exemptions and privileges of IFRS 1. 1 January 2018 was set as the date of transition to IFRS. The Group has consistently applied the accounting policies in the first financial statements both as at the date of transition to IFRS and for every financial year presented in the first financial statements. Upon initial application of IFRS, the Group:

- recognised all assets and liabilities the recognition of which is required by IFRS;
- did not recognise items as assets or liabilities if IFRS do not permit such recognition;
- reclassified items that were recognised in accordance with BAS as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with IFRS; and
- applied IFRS in measuring all recognised assets and liabilities.

The first financial statements in accordance with IFRS are presented as if the Group had always applied International Financial Reporting Standards, with all the mandatory exemptions and incentives of IFRS 1 which were effective and relevant as at the end of the first financial year in accordance with IFRS with some exemptions as at the date of transition to IFRS. All adjustments to the balances of initial financial position arising from transition to IFRS are recognised as at the date of transition as retained earnings.

When preparing the financial statements for the year ended 31 December 2019, the comparative information for the year ended 31 December 2018, presented in these financial statements, and when preparing the initial statement of financial position in accordance with IFRS EU as at 1 January 2018 (the date of the Group's transition to IFRS), the accounting policies set out in Note 3 were applied.

When preparing their initial statement of financial position in accordance with IFRS, the Group adjusted the amounts presented in the financial statements prepared under Business Accounting Standards of the Republic of Lithuania (generally accepted accounting principles applied previously).

The effect of transition to IFRS on the consolidated financial statements of the Groups is presented below.

35. Explanations on transition to IFRS and correction of errors (cont'd)Index to reconciliation notesCorrection of errors

- (a) The Group has adjusted the consolidated result for 2018, taking into account the consolidated financial statements of the subsidiary UAB Unimodus for 2019. UAB Unimodus has retrospectively reflected the effect of the withholding tax, which on equity as at 1 January 2018 amounted to EUR (83) thousand, on the result for 2018 – EUR (8) thousand and on equity as at 31 December 2018 – EUR (91) thousand. The impact on other items is stated in the tables.
- (b) The Group has adjusted the consolidated result for 2018, taking into account the consolidated financial statements of the subsidiary UAB Inter Krasta for 2019. UAB Inter Krasta has retrospectively reflected the effect of payables to suppliers and accumulated costs, which on equity as at 1 January 2018 amounted to EUR (63) thousand, on the result for 2018 – EUR (72) thousand and on equity as at 31 December 2018 – EUR (135) thousand. The impact on other items is stated in the tables.
- (c) The Group has adjusted the deferred tax assets and liabilities as at 1 January 2018 – assets and liabilities were offset according to jurisdictions, the effect is a decrease in the deferred tax and liabilities by an amount EUR 197 thousand.

Transition to IFRS

- (d) Pursuant to IFRS 10, all subsidiaries must be consolidated, when BAS allows non-consolidation of short-term investments into subsidiaries acquired for the purpose of sale. As a result, inter-company transactions carried out prior to disposal of the subsidiaries have been eliminated. The effect on revenues is EUR (4,913) thousand, on cost – EUR 3,843 thousand, on gain from disposal of investments into subsidiaries – EUR 1,070 thousand.
- (e) According to IFRS 5, net profit (loss) from discontinued operations is accounted for not under continued operations but under discontinued operations. The effect – reclassification of EUR 9,316 thousand from other activity income.
- (f) According to IFRS, gains or losses arising from the re-sale of services must be offset and the result shown. The effect is a decrease in other activity income and costs respectively by EUR 1,084 thousand.
- (g) As according to IFRS goodwill is not amortised, as at the date of transition to IFRS the value of goodwill (acquisition cost less accrued amortisation) was accounted for and amortisation expenses of EUR 62 thousand for 2017 were reversed. Goodwill impairment tests were carried out; however, impairment was not determined (Note 6).
- (h) One-off loan charges in accordance with IFRS are capitalised and offset with financial liabilities and amortised over the period of agreement. As at the date of transition to IFRS, EUR 117 thousand impact of retained earnings was calculated and accounted on profit, but the liabilities to banks decreased by EUR 80 thousand, and non-current and current liabilities decreased by EUR 37 thousand accordingly. The effect on the result for 2018 is a profit of EUR 87 thousand, on non-current and current liabilities related to bank loans as at 31 December 2018 – a decrease by EUR 147 thousand and EUR 55 thousand, respectively.
- (i) Interest expenses, incurred during construction, must be capitalised if the relevant conditions are met. During 2018, EUR 540 thousand of interest expenses were capitalised on property, plant and equipment.
- (j) According to IFRS, the change in the currency translation reserve is accounted for as income (expenses) in the statement of profit or loss and other comprehensive income. The effect on the result for 2018 is EUR (265) thousand.
- (k) IFRS requires to calculate and state a provision for long-term employee benefits: each employee at the age of retirement is entitled under the law of the Republic of Lithuania to a one-off payment in the amount of 2-month salary. A provision of EUR 14 thousand was calculated and recognised as at the date of the transition to IFRS. Subsequently, as at 31 December 2018, this provision was recalculated resulting in an increase of EUR 8 thousand with the decrease recorded as expenses in the statement of profit or loss and other comprehensive income (Note 17).
- (l) In accordance with IFRS, loss is also attributed to non-controlling interest; therefore, as of the date of transition to IFRS, the non-controlling interest was recalculated and a loss of EUR 33 thousand for 2018 was assigned to it.
- (m) IFRS 15 provides for the recognition of contract assets and contract liabilities. Contract assets were reclassified from *prepayments, deferred costs and accrued income*, and were recognised by an amount of EUR 1,532 thousand as at 1 January 2018; no contract liabilities were recognised. As at 31 December 2018, the contract assets have increased by EUR 1,583 thousand, and contract liabilities were recognised by an amount of EUR 1,293 thousand. This amount was reclassified from *prepayments received, accrued liabilities and deferred income*. No impairment has been determined for contract assets (Note 23).
- (n) According to IFRS, if the bank's consent in relation to non-compliance with the financial and non-financial ratios is obtained after the end of the reporting period, the related financial liabilities are reclassified as current liabilities.
- (o) The effect on initial application of IFRS 16 is disclosed in Note 4.1.

35. Explanations on transition to IFRS and correction of errors (cont'd)
Reconciliation of the statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

	Note	Previously applied general accounting principles	Effect of transition to IFRS/correction of errors	IFRS
Continued operations				
Revenue	(d)	342,942	(4,913)	338,029
Cost of sales	(b), (d)	(306,601)	3,771	(302,830)
Gross profit		36,341	(1,142)	35,199
Other activity income	(e), (f)	10,590	(10,400)	190
Other activity expenses	f)	(1,293)	1,084	(209)
Selling expenses		(12,733)		(12,733)
Administrative expenses	g)	(12,770)	62	(12,708)
Impairment loss on trade receivables and contract assets		398		398
Operating profit (loss)		20,533	(10,396)	10,137
Profit on disposal of investments into subsidiaries	(d)	453	1,070	1,523
Finance income		1,264		1,264
Finance costs	(h), (i)	(9,829)	627	(9,202)
Result from financing activities		(8,565)	627	(7,938)
Share of profit of associates and joint ventures		1		1
Operating profit (loss) before tax		12,422	(8,699)	3,723
Corporate income tax	(a)	(594)	(8)	(602)
Net profit (loss) from continued operations		11,828	(8,707)	3,121
Discontinued operations				
Net profit (loss) from discontinued operations	(e)	-	9,316	9,316
Net profit (loss)		11,828	609	12,437
Other comprehensive income				
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Effect of currency rate changes	(j)	-	(265)	(265)
Other comprehensive income that will be reclassified subsequently to profit or loss:		-	(265)	(265)
<i>Other comprehensive income that will not be reclassified subsequently to profit or loss:</i>				
Employee benefits (accrual)	(k)	-	(8)	(8)
Revaluation of property, plant and equipment, net of tax		-	-	-
Items that will not be reclassified subsequently to profit or loss:		-	(8)	(8)
Total comprehensive income		11,828	336	12,164
Net profit (loss) attributable to:				
shareholders of the parent company		11,819	(8,674)	3,145
Non-controlling interests	(l)	9	(33)	(24)
Total comprehensive income attributable to:		11,819	369	12,188
shareholders of the parent company		11,819	369	12,188
Non-controlling interests	(l)	9	(33)	(24)

35. Explanations on transition to IFRS and correction of errors (cont'd)
Reconciliation of the statement of financial position as at 1 January 2018 and 31 December 2018:

Note	1 January 2018			31 December 2018		
	Previously applied general accounting principles	Effect of transition to IFRS	IFRS	Previously applied general accounting principles	Effect of transition to IFRS	IFRS
Non-current assets						
Property, plant and equipment	(i),(o)		60,354	81,342	6,349	87,691
Investment property			249	249		249
Goodwill	(g)		1,626	63	62	125
Intangible assets			1,001	1,591		1,591
Granted long-term loans and long-term deposits			877	1,009		1,009
Other investments			2,164	16,175		16,175
Trade and other receivables			2,554	3,076		3,076
Deferred tax asset	(c),(o)		1,806	3,339	31	3,370
Total non-current assets			70,631	106,844	6,442	113,286
Current assets						
Loans granted and term deposits			9,963	19,490		19,490
Other investments			2,460	-		-
Inventories			30,899	73,175		73,175
Trade and other receivables	(a)		15,522	44,773	(91)	44,682
Contract assets	(m)		-	-	1,583	1,583
Prepayments, deferred costs and accrued income	(m)		5,559	6,543	(1,583)	4,960
Advance corporate income tax			531	181		181
Cash and cash equivalents			6,700	9,971		9,971
Assets held for sale			1,258	647		647
Total current assets			72,892	154,780	(91)	154,689
TOTAL ASSETS			143,523	261,624	6,351	267,975
Authorised capital			22,940	22,940		22,940
Share premium			7,879	7,879		7,879
Legal reserve			-	-		-
Revaluation reserve			-	-		-
Currency exchange translation reserve			(201)	(466)		(466)
Retained earnings (loss)			(7,058)	4,763	411	5,174
Equity attributable to shareholders of the parent company			23,560	35,116	411	35,527
Non-controlling interest	(l)		591	432	(33)	399
Total equity			24,151	35,548	378	35,926
Non-current liabilities						
Bank loans and lease liabilities	(h), (n), (o)		36,645	58,092	(2,694)	55,398
Other borrowings			9,295	18,893		18,893
Deferred tax liabilities	(c)		197	-		-
Advances received			-	3		3
Employee benefits	(k)		25	25	22	47
Grants and subsidies			990	1,264		1,264
Provisions			33	43		43
Trade, other payables and non-current liabilities			150	-		-
Total non-current liabilities			47,335	78,320	(2,672)	75,648
Current liabilities						
Bank loans and lease liabilities	(h), (n), (o)		25,072	31,799	8,510	40,309
Other borrowings			10,428	15,393		15,393
Corporate income tax liabilities			1,054	1,691		1,691
Prepayments received, accrued liabilities and deferred income	(b), (m)		6,896	12,315	(1,221)	11,094
Contract liabilities	(m)		-	-	1,293	1,293
Employment related liabilities			2,608	2,950		2,950
Trade, other payables and current liabilities	(b)		25,979	83,608	63	83,671
Total current liabilities			72,037	147,756	8,645	156,401
Total liabilities			119,372	226,076	5,973	232,049
TOTAL EQUITY AND LIABILITIES			143,523	261,624	6,351	267,975

35. Explanations on transition to IFRS and correction of errors (cont'd)

Significant adjustments of the statement of cash flows for 2018

There are no significant differences between the statement of cash flows in accordance with IFRS and the statement of cash flows in accordance with previously applied general accounting principles.

36. Subsequent events

Information on the impact of coronavirus (COVID-19) on the performance of the Group

On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic, and the Government of the Republic of Lithuania (hereinafter - GRL) on 26 February 2020 declared a state of emergency. Responding to the potentially serious threat the COVID – 19 presents to public health, authorities of GRL have taken measures to contain the outbreak: introduced a quarantine, restricted the cross-borders movement of people, totally or partly restricted certain industries: airlines and bus depots suspended their operations, schools, universities, restaurants, cinemas, theatres and museums and sport facilities, retailers of not essential goods were closed. Some businesses in Lithuania have also instructed employees to remain at home and have curtailed or temporarily suspended business operations.

Impacts of these events include:

- Disruption to business operations and economic activity in Lithuania, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Lithuania and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

On 16 March 2020, DRL announced a State aid program to counter the negative effects of the outbreak of COVID -19 on the economy. The details of the program and its eligibility criteria are yet to be announced.

On 30 March 2020, GRL decided by 15 April to establish a business support fund that will invest in large domestic companies in difficulty due to coronavirus. It is planned that private and international investors will join the fund to support large businesses. The Ministry of Economy and Innovation is responsible for organising the activities of the fund. The Fund will operate through UAB Investicijų ir verslo garantijos (hereinafter - Invega). In addition, on 30 March 2020, Invega presented three aid measures to help companies maintain liquidity, which will be available to large Lithuanian companies in difficulty.

In the first week of April 2020, in anticipation that the number of new cases of coronavirus infection in Lithuania should reach a peak and continue to decrease in the near future, discussions have begun on easing quarantine conditions in outlets that can implement strict control and prevention. The position is supported by the Lithuanian Association of Trade Companies; however, the Government of the Republic of Lithuania has not notified about specific decisions by the signing date of these financial statements.

Based on the publicly available information at the date these consolidated financial statements were authorised for issue, management has considered the potential development of the outbreak and its expected impact on the Group and economic environment, in which the Group operates.

The management has assessed that part of the Group companies operate in the sector subject to a temporary government restriction, and has considered that the restriction period maybe extended beyond the end of the quarantine date announced to date (i.e. 27 April) to two or even three months.

In response to the circumstances, the management has already initiated actions to mitigate the risk, which include:

- The Group reacts responsibly to the situation: employees are acquainted with coronavirus prevention, are constantly provided with disinfection and protection means, work is organised remotely, except when it is necessary to perform the relevant functions in the workplace;
- Assessment of the potential impact of temporary disruptions in the Group's business operations on the Group's activities;
- Revision of cost base and supply chains of the Group's companies: only in individual cases may it be allowed to order and purchase goods or services that are not essential for maintaining the business continuity of the companies;
- Where possible, formal requests are sent to suppliers to defer the existing commitments, pricing is reviewed and negotiations regarding price reduction are carried out;
- Liabilities that relate to capital expenditures are reviewed with a view to their termination or deferral;
- Discussions are planned with the creditors of the Group companies regarding the possibility of deferral of fulfilment of obligations and extension of payment terms, formal requests have already been sent to some creditors regarding the possibility of suspension of credit payments;
- The Group has approved internal borrowing guidelines, which allow companies to act as an intermediary between borrowers and other companies within the Group, thus ensuring the necessary corporate income;
- Part of planned investments and development projects is being suspended;

36. Subsequent events (cont'd)

- Cash flows, supply and sales of the Group's companies are monitored very frequently, order rules have been tightened - new orders of higher value are not executed without increased collateral from customers;
- Additional sources of income are actively sought in the Group's companies, where the situation may lead to a decrease in sales of services;
- Applications are submitted to participate in the aid programs announced by the GRL and to take advantage of the granted benefits; If the Group has a cash flow disruption, it could participate in the aid program announced by the GRL, using the premises for short-term accommodation activities of the managed hotel for this purpose.

Measures taken by the Government of the Republic of Lithuania and foreign governments to combat the economic consequences may have a positive effect on the activities of companies operating in countries with which the Group has economic relations. It is likely that the aid packages envisaged by the governments of the countries will enable the companies operating in those countries not to suffer severe negative economic shocks and this will have a positive impact on the future operations of the Group.

Having made an assessment of the circumstances of the COVID-19 pandemic on the Group's performance in 2020, management did not identify any significant impact of the situation on the Group's operations. Assessments of the situation take into account possible disruptions related to business development abroad and to sales of cars. In addition, it is noted that the Group may indirectly feel the economic impact of the pandemic through the limited ability of other companies to meet their obligations to the Group companies. However, due to the specific nature of the diversified activities of the Group of companies, no significant negative impact on the operational activities of the Group has been identified, based on the following reasons:

- A high-value securities transfer transaction took place in January 2020. The result of the sale of securities is taken into account in the Group's financial performance forecasts, which results in a positive net profit forecast at the end of the year;
- Part of the Group's companies operate in sectors subject to temporary government restrictions and are included in the aid program announced by the Government of the Republic of Lithuania to reduce the impact of coronavirus on the most affected activities;
- It is estimated that the end of global quarantine and the approach of the warm season may increase the demand for mobility services, given that movement between countries may be restricted for longer than the quarantine period and that more people will choose domestic travelling during the holiday season.
- Due to the limited export opportunities of used cars, the increased car fleet is intended to be used in offering long-term rental services to legal entities operating in the Lithuanian and foreign markets, for commercial activities;
- According to the available data, the situation has not affected sales of car parts and car services;
- The cross-border restrictions slow down the processes in logistics; however, the supply processes are performed on an ongoing basis. Companies trading car parts have warehouses, so in the event of a temporary supply disruption, trading of parts would not cease. In cases where there is a shortage of specific parts in order to provide vehicle service, it is possible to purchase the missing parts from other suppliers operating in local markets;
- The companies operating in the real estate segment have entered into long-term agreements, which are favourable agreements with respect to the Group companies, since they provide security. Lessees of warehouses and offices managed and administered by the Group are financially strong and non-short-term companies. The likelihood that they will be affected by the consequences of the current situation is considered low;
- Existing real estate development projects are at an early stage, in the design or pre-construction phase; therefore, the projects will be easily carried to subsequent periods without negative consequences. If the current situation is prolonged, the development and construction processes may be postponed for a longer period, and this will have an insignificant impact on their realisation;
- The maintenance and operation of owned or leased property may be reduced by no or limited use of the property;
- The operating costs of the Group's companies can be optimised to maximum to maintain only the basic functions during the critical period;
- Competitors operating in the market segments of goods and services relevant to the Group face the same supply and operating restrictions as the Group companies; therefore, the probability of losing customers is not higher than usual.
- According to technology specialists, the level of cyber security risk in the Group is low. Cyber security is one of the priority areas. The IT systems used in the Group are secure, constantly updated and accessible exclusively to the Group's employees, regardless of their location. Specialists periodically instruct the Group's employees and take care of improvement of their cyber culture;
- A teleworking procedure has been approved at the group level, which is made available to all employees by signing. When applying for telework, employees confirm that their workplace meets security requirements.

In addition to the above-mentioned impact of the circumstances on future plans, the Group's management also assessed the potential risk of material breaches of financing agreements in 2020. According to the management, the cash flow generated by the Group companies will be sufficient for the business continuity of the Group companies and will be used to service loan agreements and issued bond obligations. The ability to make quick decisions and the ability to save on operating costs in the event of a significant deterioration in the business environment will, if necessary, help to balance cash flows and thus avoid possible negative consequences.

36. Subsequent events (cont'd)

The management of the Group believes that the situation should improve over the 3rd quarter 2020. The measures and actions being considered by the Government of the Republic of Lithuania and foreign governments suggest that, if necessary, business support programs will be expanded and, under natural business conditions, profitable companies will continue to operate. Therefore, management has assessed the going concern assumption adopted in preparing these consolidated financial statements of the Group as appropriate.

Other subsequent events

On 1 January 2020, Modus Energy International B.V. issued 176 shares of class B, which all were acquired by UAB Modus Grupė in exchange disposing 100% shares of AB Modus Energy, the value of which, as determined by independent appraisers, amounted to EUR 80,900 thousand.

On 2 January 2020, the Group sold 60,100 ordinary uncertificated shares of the subsidiary UAB Nekilnojamojo turto nuoma with the nominal value of EUR 25 each, i.e. sold 100% of shares based on the decision of Board meeting of 27 December 2019, the minutes No. 20191227. At the same time, 100% shares of ZAO Modus Projekts, the subsidiary of UAB Nekilnojamojo turto nuoma, were sold. Sales price – EUR 2,436 thousand.

On 6 March 2020, the Chairman of the Company's Supervisory Board Kęstutis Bagdonavičius was replaced by Simon Rozas, who is also an independent member.

On 1 April 2020, the director of the Company was changed – Kęstutis Bagdonavičius was appointed to replace Liudas Liutkevičius.

On 1 April 2020, the following changes took place in the Company's Board:

- Kęstutis Bagdonavičius was appointed as the Chairman of the Board instead of Liudas Liutkevičius, and was also appointed as a member of the Board;
- Liudas Liutkevičius continues as a member of the Board;
- Erika Zakarauskienė was appointed as a member of the Board;
- Ainė Martinkėnaitė-Martyniuk and Oleg Martyniuk terminated their work in the Board.

In April 2020, an agreement by the value of EUR 1,700 thousand was extended with AB Swedbank until 30 April 2020.

After the end of the financial year until the date of approval of these financial statements, no other subsequent events occurred, except for the ones described above, which would have a material effect on the financial statements or require additional disclosure.

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JOINT STOCK COMPANY MODUS GRUPĖ
CONFIRMATION OF THE RESPONSIBLE PERSONS

17 April 2020

Vilnius

The Company's director and Finance director are responsible for fairness and completeness of the annual consolidated financial statements of UAB Modus Grupė, company code 302719143, legal address Ozo st. 10A, Vilnius, the Republic of Lithuania, data is collected and stored at the Register of Legal Entities.

We, Mr. Kęstutis Bagdonavičius, Director of UAB Modus Grupė, and Mrs. Erika Zakarauskienė, Finance director, confirm that, to our knowledge, the consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the Group's consolidated financial position, consolidated operating results and consolidated cash flows for the year then ended. We also confirm that, to our knowledge, the information on business development and overview of activities as well as other information, provided in the consolidated annual management report of UAB Modus Grupė for the year ended 31 December 2019, is correct.

UAB Modus Grupė
Director Dr. Kęstutis Bagdonavičius _____

UAB Modus Grupė
Finance director Erika Zakarauskienė _____