

**K2 LT**  
**(Public Limited Liability Company)**  
**INDEPENDENT AUDITOR'S REPORT,**  
**FINANCIAL STATEMENTS AND ANNUAL REPORT**  
**For the period ended on**  
**December 31, 2020**

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**K2 LT, AB ANNUAL REPORT  
FOR A TWELVE-MONTH PERIOD ENDED ON DECEMBER 31, 2020**

**General information**

Name	K2 LT, AB
Legal form	Public limited liability company
Date of registration and register	May 19, 2015, Register of Legal Entities (from 07/10/2008 to 19/05/2015 the legal form was private limited liability company)
Legal person identification code	301950535
Manager of register for legal entities	Centre of registers, SE
Authorised capital	EUR 311.822
Address of headquarters	Metalistų g. 3, Kėdainiai
Tel.no.	+ 370 613 30996
E-mail address	info@k2lt.lt
Website	www.lietuvoskrematoriumas.lt

K2 LT, UAB was registered on October 7, 2008. Until 14/04/2015 the registered address of the Company was M. Počobuto g. 4, Vilnius. As of 14/04/2015 the address was changed to Metalistų g. 3, Kėdainiai.

Shareholders of the Company include both natural and legal persons. The Company has subsidiary Rekviam LT, UAB.

At the end of 2020 the Company employed 10 people and as at December 31, 2019 – 12 people. Financial year of the Company coincides with the calendar year.

On May 19, 2015 private limited liability company K2 LT was reregistered as a public limited liability company K2 LT. Following the decision of the general shareholders' meeting of March 30, 2015, the authorised capital of the Company was converted into euros and increased from EUR 226 222 to EUR 226 519. Following the decision of the general shareholders' meeting of April 22, 2015, the authorised capital was increased from EUR 226 519 to EUR 278 827 by issuing 52.308 new units of shares with nominal value of EUR 1 and an emission price of EUR 23 each. On February 12, 2019 the board approved a new share issue. With the total number of newly issued 32.995 ordinary registered shares, the company's authorized capital has been increased from EUR 278 827 to EUR 311 822.

**Operations of the Company in 2020**

Operating activity of the Company is crematorium services. In 2020 K2 LT, AB generated EUR 2 044 121 Eur of revenue, i.e. 43 % more than in 2019, and executed 7 365 cremations, which is 50 % more than in 2019. Of all the cremations performed in 2020, 571 are associated with COVID-19, i.e., these individuals either had coronavirus or were suspected of having the disease prior to death, but no COVID-19 study has been performed.

During 2020 and at the beginning of 2021, the construction of a farewell house in Kaunas was completed. The subsidiary UAB Rekviam LT, which leases the building from the Company, started the activity of organizing funeral ceremonies in them. This is one of the completed stages of a coherent and long-term strategy of the K2LT group of companies.

Net financial year result – net profit – is EUR 950 483 (EUR 505 824 the previous year). The growth of income and profit was mainly influenced by a 50 percent increase in the number of cremations, which was influenced by a 13% increase in mortality and from 17% to 18.1% increase in the popularity of the respectful ritual cremation service at the Lithuanian Crematorium.

## **Business Environment**

The Company holds an exclusionary position in the market of cremation services in the territory of Lithuania. This market has high entrance barriers:

- Legal  
Pursuing cremation activities requires a licence, which is issued only to crematoriums that are already built. Operations have to correspond to all environmental protection requirements in Lithuania and EU. As of 2015 such constructions are only permitted in a land plot of commercial purpose.
- Environmental  
Lithuanian environment protection laws are one of the strictest in the EU. Technology of the crematorium has to correspond to all environmental pollution and emission requirements. To be able to follow these requirements a larger initial investment into a project is required.
- Psychological  
This is still the toughest barrier to overcome. The society is still highly hostile with regard to cremation services being provided in a close distance to residential environment. It is very difficult to find a land plot that would not be subject to any conflicts of interest.
- Administrative  
So far as cremation is not considered a regular way of burial, receiving permission for building a crematorium from the local authority is complicated. By providing permissions to community-sensitive projects authorities risk losing their popularity.

It would take approximately 2 years to build a crematorium, considering that the project is developed in accordance with a plan and with all required permissions, as well as support from authorities and community.

## **Staff**

As at December 31, 2020 the Company employed 10 people, including the director Bernardas Vilkelis.

## **Annual Financial Statements**

Financial statements for the period January – December 2020 were audited by Moore Mackonis UAB and are provided separately (attached).

## **Significant Transactions**

During the reporting period, the Company sold a plot of land in Vilnius with an acquisition value of EUR 181 818.

## **Acquisition and Transfer of the Company's Shares**

As of May 11, 2015 shares of K2 LT, AB are traded in the securities market *NASDAQ OMX Vilnius*, electronic trade system *First North*.

At the end of reporting period the Company had over 200 shareholders, both natural and legal persons.

## **Acquired and Transferred Shares**

The Company did not acquire shares of other companies during the reporting period of 2020.

## **Subsidiaries**

The Company established a subsidiary UAB Rekviem LT, the main activity of which is the organization of funeral ceremonies throughout Lithuania, from 2021 also works as a farewell home operator in Kaunas.

## **The Company's Operational Plans and Forecasts**

In 2021, the goal of AB K2 LT is to continue the development of the group of companies, to introduce the concept of new, modern farewell houses to the market, to engage in the target market share and to ensure the availability and growth of the cremation service. Also invest in further steps of the strategy - increasing cremation capacity at the Lithuanian Crematorium, new Farewell farewell house projects in other cities.

The main goal of the Lithuanian Crematorium is to ensure the sustainable operation of the company during the pandemic, to use the available capacity as efficiently as possible, to maintain the quality of service for both business and private customers and thus strengthen market share by providing respectful ritual cremation services in Lithuania and over 7 000 cremations.

The main goal of AB K2 LT is to ensure sustainable growth of the company by exploiting its competitive advantages, increasing popularity of services, experience and awareness in the field of cremation and burial. The main focus remains to provide high-quality ritual cremation services in Lithuania and, in view of the ongoing changes in the funeral services sector, to offer a farewell service in Lithuania to meet customer needs.

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Bernardas Vilkelis  
Director of K2 LT, AB

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of K2 LT, AB

### **Opinion**

We have audited the financial statements of K2 LT, AB (the Company), which comprise the balance sheet as at December 31, 2020, and the profit (loss) statement, statement of cash flows, statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements *present fairly, in all material respects*, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with the Business Accounting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with the International Standards on Auditing (the ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (the IESBA code) issued by the International Ethics Standards Board for Accountants and the requirements of the Republic of Lithuania Law on Audit in relation with audit in the Republic of Lithuania. We have also fulfilled our other ethical responsibilities in accordance with the Republic of Lithuania Law on Audit 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 annual report but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except for what is indicated hereafter.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

We are also obligated to assess whether the financial information in the Company's annual report corresponds to the financial statements of the same financial year and whether the annual report was prepared following the applicable legal requirements. In our opinion, based on the work completed in the course of the financial statement audit, in all material respects:

- Financial information in the Company's annual report corresponds to the information in the financial statements of the same financial year; and
- The annual report of the Company was prepared in accordance with the requirements of the Law on Financial Statements of Entities of the Republic of Lithuania.

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

Management is responsible for preparation and fair presentation of these financial statements in accordance with the Business Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercised professional judgement and maintained professional scepticism throughout the planning and performance of the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained 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 entity's internal control.
- Evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Made a conclusion concerning the appropriateness of use of going concern basis of accounting and whether, based on the evidence obtained, material uncertainty exists related to events or conditions that may cast significant doubts on the Company's ability to continue as a going concern. If we conclude that this material uncertainty exists, we are required to draw attention in the auditor's report to related disclosures in the financial statements, or, if these disclosures are insufficient, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained before the date of auditor's report. Future events or conditions may determine that the Company will not be able to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to 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 Moore Mackonis UAB

Sigita Pranckėnaitė  
Licenced Auditor  
March 09, 2021  
J.Kubiliaus 6, Vilnius

**K2 LT, AB**

Company code 301950535 Address: Metalistų g 3, Kėdainiai.  
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**Financial statements for the period ended on December 31, 2020**

(All amounts are presented in Euros, unless indicated otherwise)

Approved in the General Shareholders' Meeting  
 On \_\_\_\_\_, 2021, Minutes No. \_\_\_\_\_

**BALANCE SHEET**

<b>ASSETS</b>		<b>Notes No.</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>A.</b>	<b>NON-CURRENT ASSETS</b>		<b>4 090 780</b>	<b>3 221 445</b>
1.	INTANGIBLE ASSETS			
1.1.	Development works			
1.2.	Goodwill			
1.3.	Computer software			
1.4.	Concessions, patents, licences, trademarks and similar rights			
1.5.	Other intangible assets			
1.6.	Paid advances			
2.	TANGIBLE ASSETS		3 718 156	2 906 268
2.1.	Land	1	440 000	621 819
2.2.	Buildings and constructions	1	1 211 356	1 241 153
2.3.	Plant and machinery	1	775 826	826 980
2.4.	Transport means	1	2	18 669
2.5.	Other fixtures, fittings, tools and equipment	1	58 814	44 902
2.6.	Investment property			
2.6.1	Land			
2.6.2	Buildings			
2.7.	Paid advances and tangible asset construction (production) works in progress	1	1 232 158	152 745
3.	FINANCIAL ASSETS		372 500	315 105
3.1.	Shares of the Group companies		2 500	2 500
3.2.	Loans to the Group companies	4	370 000	312 605
3.3.	Amounts receivable from the Group companies			
3.4.	Shares of associates			
3.5.	Loans to associates			
3.6.	Amounts receivable from associates			
3.7.	Non-current investments			
3.8.	Amounts receivable after one year			
3.9.	Other financial assets			
4.	OTHER NON-CURRENT ASSETS		124	72
4.1.	Deferred income tax assets	14	124	72
4.2.	Biological assets			
4.3.	Other assets			



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**Financial statements for the period ended on December 31, 2020**

(All amounts are presented in Euros, unless indicated otherwise)

<b>ASSETS</b>		<b>Notes No.</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>B.</b>	<b>CURRENT ASSETS</b>		<b>749 077</b>	<b>311 749</b>
1.	Inventories		59 138	38 536
1.1.	Raw materials, materials and components			
1.2.	Production and works in progress			
1.3.	Products			
1.4.	Goods for resale	2	31 603	28 961
1.5.	Biological assets			
1.6.	Non-current tangible assets for resale			
1.7.	Paid advances	2	27 535	9 575
2.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		65 085	71 968
2.1.	Trade receivables	4	64 233	70 288
2.2.	Receivables from the Group companies			
2.3.	Receivables from associates			
2.4.	Other amounts receivable	4	852	1 680
3.	Current investments			
3.1.	Shares of the Group companies			
3.2.	Other investments			
4.	CASH AND CASH EQUIVALENTS	5	624 854	201 245
<b>C.</b>	<b>FUTURE COSTS AND ACCRUED INCOME</b>	3	7 439	5 820
	<b>TOTAL ASSETS:</b>		<b>4 847 296</b>	<b>3 539 014</b>
	<b>EQUITY AND LIABILITIES</b>	<b>Notes No.</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>D.</b>	<b>EQUITY CAPITAL</b>		<b>3 451 455</b>	<b>2 500 972</b>
1.	CAPITAL		311 822	311 822
1.1.	Authorised (subscribed) or principal capital	6	311 822	311 822
1.2.	Subscribed unpaid capital (-)			
1.3.	Own shares (-)			
2.	SHARE PREMIUM		1 514 760	1 514 760
3.	REVALUATION RESERVE (RESULTS)			
4.	RESERVES		31 183	27 883
4.1.	Legal reserve or reserve capital		31 183	27 883
4.2.	To acquire own shares			
4.3.	Other reserves			
5.	RETAINED PROFIT (LOSS)	7	1 593 690	646 507
5.1.	Reporting year profit (loss)		950 483	505 824
5.2.	Previous year profit (loss)		643 207	140 683
<b>E.</b>	<b>GRANTS, SUBSIDIES</b>			
<b>F.</b>	<b>PROVISIONS</b>			
1.	Provisions for pensions and similar obligations			
2.	Tax provisions			
3.	Other provisions			

**K2 LT, AB**

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**Financial statements for the period ended on December 31, 2020**

(All amounts are presented in Euros, unless indicated otherwise)

<b>EQUITY AND LIABILITIES</b>		<b>Notes No.</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>G.</b>	<b>AMOUNTS PAYABLE AND OTHER LIABILITIES</b>		<b>1 359 909</b>	<b>1 038 042</b>
1.	AMOUNTS PAYABLE AFTER ONE YEAR AND OTHER NON-CURRENT LIABILITIES		464 506	517 296
1.1.	Borrowing liabilities	8		13 418
1.2.	Payables to credit institutions	8	464 506	503 878
1.3.	Received advances			
1.4.	Trade payables			
1.5.	Amounts payable on the basis of bills of ex- change and cheques			
1.6.	Amounts payable to the Group companies			
1.7.	Amounts payable to associates			
1.8.	Other amounts payable and non-current liabili- ties			
2.	AMOUNTS PAYABLE WITHIN ONE YEAR AND OTHER CURRENT LIABILITIES		895 403	520 746
2.1.	Borrowing liabilities	8	15 821	11 131
2.2.	Payables to credit institutions	8	488 001	365 552
2.3.	Received advances	9	20 820	20 957
2.4.	Trade payables	9	100 385	44 619
2.5.	Amounts payable on the basis of bills of ex- change and cheques			
2.6.	Amounts payable to the Group companies			
2.7.	Amounts payable to associates			
2.8.	Income tax liabilities	9	167 990	14 558
2.9.	Liabilities related to employment	9	59 662	62 822
2.10.	Other amounts payable and current liabilities	9	42 724	1 107
<b>H.</b>	<b>ACCRUED COSTS AND FUTURE INCOME</b>	10	35 932	
	<b>TOTAL EQUITY AND LIABILITIES:</b>		<b>4 847 296</b>	<b>3 539 014</b>

Director Bernardas Vilkelis

Chief Accountant, Audikom, UAB, Jelena Sergejeva

09.03.2021

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Approved in the General Shareholders' Meeting  
On \_\_\_\_\_, 2021, Minutes No. \_\_\_\_\_

**PROFIT (LOSS) STATEMENT**

<b>Line No.</b>	<b>Items</b>	<b>Notes No.</b>	<b>2020</b>	<b>2019</b>
1.	SALES REVENUE	11	2 044 121	1 427 760
2.	COST OF SALES	12	(270 862)	(248 780)
3.	CHANGE IN THE FAIR VALUE OF BIO-LOGICAL ASSETS			
<b>4.</b>	<b>GROSS PROFIT (LOSS)</b>		<b>1 773 259</b>	<b>1 178 980</b>
5.	Sales costs	12	(17 743)	(27 415)
6.	General and administrative costs	12	(646 896)	(615 368)
7.	Results from other activities	11	30 307	9 846
8.	Income from investments into shares of parent company, subsidiaries and associates			
9.	Income from other non-current investments and loans			
10.	Other interest income and similar	13	1 511	103
11.	Impairment in the value of financial assets and current investments			
12.	Interest costs and similar	13	(21 970)	(25 034)
<b>13.</b>	<b>PROFIT (LOSS) BEFORE TAX</b>		<b>1 118 468</b>	<b>521 112</b>
14.	Income tax	14	(167 985)	(15 288)
<b>15.</b>	<b>NET PROFIT (LOSS)</b>		<b>950 483</b>	<b>505 824</b>

Director Bernardas Vilkelis \_\_\_\_\_

Chief Accountant, Audikom, UAB, Jelena Sergejeva \_\_\_\_\_

09.03.2021

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**STATEMENT OF CHANGES IN EQUITY**

	Paid-up authorised capital or principal capital	Share premium	Own shares (-)	Revaluation reserve		Reserves provided for by law		Other reserves	Retained profit (loss)	Total
				Non-current tangible assets	Financial assets	Legal reserve or reserve capital	To acquire own shares			
1	<b>Balance as at December 31, 2018</b>	<b>278 827</b>	<b>1 019 835</b>				<b>27 883</b>		<b>140 683</b>	<b>1 467 228</b>
2	Result of changes in accounting policy									
3	Result of material error corrections									
4	<b>Recalculated balance as at December 31, 2018</b>	<b>278 827</b>	<b>1 019 835</b>				<b>27 883</b>		<b>140 683</b>	<b>1 467 228</b>
5	Increase (decrease) in the value of non-current tangible assets									
6	Increase (decrease) in the value of effective hedge instrument									
7	Acquisition (sale) of own shares									
8	Profit (loss) not recognised in profit (loss) statement									
9	Net profit (loss) of the reporting period								505 824	505 824
10	Dividends									
11	Other payouts									
12	Formed reserves									
13	Used reserves									
14	Increase (decrease) in authorised capital or contributions by (share returns to) owners	32 995	494 925							527 920
15	Other increase (decrease) in authorised or principal capital									
16	Contributions to cover losses									
17	<b>Balance as at December 31, 2019</b>	<b>311 822</b>	<b>1 514 760</b>				<b>27 883</b>		<b>646 507</b>	<b>2 500 972</b>
18	Increase (decrease) in the value of non-current tangible assets									

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**Financial statements for the period ended on December 31, 2020**

(All amounts are presented in Euros, unless indicated otherwise)

	Paid-up authorised capital or principal capital	Share premium	Own shares (-)	Revaluation reserve		Reserves provided for by law		Other reserves	Retained profit (loss)	Total
				Non-current tangible assets	Financial assets	Legal reserve or reserve capital	To acquire own shares			
19	Increase (decrease) in the value of effective hedge instrument									
20	Acquisition (sale) of own shares									
21	Profit (loss) not recognised in profit (loss) statement									
22	Net profit (loss) of the reporting period								950 483	950 483
23	Dividends									
24	Other payouts									
25	Formed reserves						3 300		(3 300)	
26	Used reserves									
27	Increase (decrease) in authorised capital or contributions by (share returns to) owners									
28	Other increase (decrease) in authorised or principal capital									
29	Contributions to cover losses									
30	<b>Balance as at December 31, 2020</b>	<b>311 822</b>	<b>1 514 760</b>				<b>31 183</b>		<b>1 593 690</b>	<b>3 451 455</b>

Director Bernardas Vilkelis \_\_\_\_\_

Chief Accountant, Audikom, UAB, Jelena Sergejeva \_\_\_\_\_

09.03.2021

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**STATEMENT OF CASH FLOWS (DIRECT METHOD)**

Line No.	Items	Notes No.	2020	2019
<b>1.</b>	<b>Cash flows from operating activities</b>			
1.1.	Reporting period cash inflows (VAT included)		2 737 717	1 711 775
1.1.1.	Cash inflows from clients		2 737 717	1 711 775
1.1.2.	Other inflows			
1.2.	Reporting period cash payouts		(1 407 539)	(930 783)
1.2.1.	Cash paid to suppliers of raw materials, goods and services (VAT included)		(698 764)	(503 935)
1.2.2.	Cash payouts related to employment		(191 467)	(188 578)
1.2.3.	Taxes paid to the budget		(515 726)	(235 869)
1.2.4.	Other payouts		(1 582)	(2 401)
	<u>Net cash flows from operating activities</u>		<b>1 330 178</b>	<b>780 992</b>
<b>2.</b>	<b>Cash flows from investing activities</b>			
2.1.	Acquired non-current assets (investments excluded)	1	(937 828)	(616 559)
2.2.	Transferred non-current assets (investments excluded)	1	37 791	17 200
2.3.	Acquired non-current investments			
2.4.	Transferred non-current investments			
2.5.	Provided loans		(57 395)	(220 100)
2.6.	Recovered loans	4		3 746
2.7.	Received dividends, interest			103
2.8.	Other increases in cash flows from investing activities			
2.9.	Other decreases in cash flows from investing activities			
	<u>Net cash flows from investing activities</u>		<b>(957 432)</b>	<b>(815 610)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>			
3.1.	Cash flows related to the owners			527 920
3.1.1.	Issued shares			527 920
3.1.2.	Shareholder contributions to cover losses			
3.1.3.	Acquired own shares			
3.1.4.	Paid dividends			
3.2.	Cash flows related to other sources of financing		50 863	(314 889)
3.2.1.	Increase in financial payables		448 629	
3.2.1.1.	Acquired loans	8	448 629	
3.2.1.2.	Issued bonds			
3.2.2.	Decrease in financial payables		(397 766)	(314 889)
3.2.2.1.	Returned loans	8	(365 552)	(260 652)
3.2.2.2.	Acquired bonds			
3.2.2.3.	Paid interest		(21 538)	(19 228)
3.2.2.4.	Lease (financial lease) payments	8	(10 676)	(35 009)
3.2.3.	Increase in other liabilities of the Company			

**K2 LT, AB**

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<b>Line No.</b>	<b>Items</b>	<b>Notes No.</b>	<b>2020</b>	<b>2019</b>
3.2.4.	Decrease in other liabilities of the Company			
3.2.5.	Other increases in cash flows from financing activities			
3.2.6.	Other decreases in cash flows from financing activities			
	<u>Net cash flows from financing activities</u>		<b>50 863</b>	<b>213 031</b>
4.	<b>Effect of changes in currency rates on the balance of cash and cash equivalents</b>			
5.	<b>Net increase (decrease) in cash flows</b>		<b>423 609</b>	<b>178 413</b>
6.	<b>Cash and cash equivalents at the beginning of the period</b>	5	<b>201 245</b>	<b>22 833</b>
7.	<b>Cash and cash equivalents at the end of the period</b>	5	<b>624 854</b>	<b>201 246</b>

Director Bernardas Vilkelis \_\_\_\_\_

Chief Accountant, Audikom, UAB, Jelena Sergejeva \_\_\_\_\_

09.03.2021

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Approved in the General Shareholders' Meeting  
On \_\_\_\_\_, 2021, Minutes No. \_\_\_\_\_

### EXPLANATORY NOTES

#### General Information

K2 LT, AB was registered on October 7, 2008. Up until April 14, 2015 the registered address of the Company was M. Počobuto str. 4, Vilnius. As April 14 of 2015 it was changed to Metalistų str. 3, Kėdainiai.

Operating activity of the Company is the crematorium services.

Shareholders of the Company include both legal and natural persons.

Average number of Company's employees was 10 in 2019 and 12 in 2019.

Financial year of the Company coincides with the calendar year.

On May 19, 2015 private limited liability company K2 LT was reregistered as a public limited liability company K2 LT. Following the decision of the general shareholders' meeting of March 30, 2015, the authorised capital of the Company was converted into euros and increased from EUR 226 222 to EUR 226 519. Following the decision of the general shareholders' meeting of April 22, 2015, the authorised capital was increased from EUR 226 519 to EUR 278 827 by issuing 52,308 new units of shares with nominal value of EUR 1 and an emission price of EUR 23 each. On February 12, 2019 the board approved a new share issue. With the total number of newly issued 32.995 ordinary registered shares, the company's authorized capital has been increased from EUR 278 827 to EUR 311 822.

In 2018 AB K2 LT has established (2018-09-03) subsidiary - Rekviem LT UAB (code 304910332) with authorized capital 2.500 EUR, number of shares - 100. During the reporting year, UAB Rekviem LT had revenue of EUR 6 645, which is 0.32% of the parent company's income. The proceeds come from contracts with funeral company partner companies for the administration of the funeral ceremony organization system.

#### Accounting Policy

##### (a) Basis for Accounting

The financial statements of the Company are prepared in accordance with the legal acts of the Republic of Lithuania regulating financial accounting and financial reporting and the provisions of Business Accounting Standards, effective on January 1, 2020.

When managing the accounting records and preparing the financial statements the Company follows the general accounting principles: entity, going concern, periodicity, consistency, monetary measure, accrual, comparison, prudence, neutrality and content materiality.

The financial statements are prepared on the basis of accrual and going concern principles. According to the accrual principle the impact of transactions and other events is acknowledged when it occurs and is registered in the accounting records and presented in the financial statements of a related period. The financial statements are prepared assuming the Company has no intentions or necessity to be liquidated or to significantly reduce the scope of activity.



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#### (b) Intangible Assets

Non-current intangible assets are identified as non-monetary assets with no material form, upon using them for over a year the Company expects direct and (or) indirect economic benefit and their acquisition (production) cost is at least EUR 500.

In the accounting records intangible assets are registered at acquisition (production) cost. Acquisition cost of intangible asset includes amount of money paid or payable upon acquisition, including customs fees and other non-refundable taxes. Asset acquisition cost also includes other direct expenses of preparation for use. Expenses on intangible asset's update and improvement, incurred after its acquisition or production, are recognized as costs of the period they were incurred in.

In the balance sheet intangible assets are presented at balance value, i.e. acquisition (production) cost less the accumulated amortization and impairment in value plus any reversals on impairment.

Amortization of intangible assets is calculated by applying directly proportional (straight-line) method throughout the total useful life period:

Computer software	3 years
Licences, patents, other acquired rights	3 years

#### (c) Non-current Tangible Assets

The Company classifies assets as non-current tangible, when they provide direct and (or) indirect economic benefit, are used for over one year and have an acquisition (production) cost of at least EUR 500, and the risk related to tangible assets is transferred to the Company.

Non-current tangible assets are registered in the accounting records at acquisition (production) cost, which comprises amount paid or payable for those assets upon acquisition, transportation costs, paid non-refundable taxes, costs of designing, mounting, installing and other expenses related to the acquisition and preparation for use of those assets. Acquisition cost of non-current tangible assets does not include non-refundable value added tax. It is recognised as operating costs of the period in which those assets were acquired.

Reconstruction and repair costs incurred on non-current tangible assets are recognised as costs of the reporting period they were incurred in.

Non-current tangible assets presented in the financial statements are measured at actual acquisition (production) cost less the accumulated depreciation and impairment in the asset value plus reversal on impairment in value.

The Company applies a directly proportional (straight-line) method to calculate the non-current tangible asset depreciation. Separate groups of non-current tangible assets have different depreciation rates approved:

<b>Asset group</b>	<b>Average useful life period (in years)</b>
Buildings and constructions	25
Plant and machinery	6
Transport means	6
Other fixtures, fitting, tools and equipment	4
Other tangible assets (computers)	3

Non-current tangible asset depreciation is calculated from the first day of the following month after the exploitation was started. Calculation of depreciation is discontinued on the first day of the following month after the asset is written-off, transferred or otherwise disposed of. Depreciable asset value is estimated by subtracting liquidation value, which is equal to EUR 1 for all non-current tangible asset objects, from asset acquisition (production) cost.

Lease is recognised as financial lease when according to lease terms all risks and benefits related to the ownership of the asset are basically transferred to the Company. Accounting for leased assets is

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the same as for owned assets. Interest and other borrowing costs are recognised as financial costs of the period they were incurred in.

Profit or loss accumulated after transferring non-current tangible asset is calculated by comparing received income with the carrying value of that asset. Result of the transaction is recognised in the profit (loss) statement in the item of income or costs from other activities.

The Company's unused depreciated assets are written-off. Non-current tangible assets no longer used in the operations of the Company and intended for sale are included in the balance sheet item of inventories.

At the end of each reporting year the Company conducts a stocktaking of non-current tangible assets. Balance value of every single asset unit is reviewed to determine its impairment. If impairment is detected, the asset's recoverable value is calculated. Recoverable value of an asset is the higher of the two values: net realizable value or asset exploitation value. Losses of asset impairment are recognised when the carrying value of an asset unit exceeds the asset's recoverable value. Losses incurred due to impairment are recognised in the profit (loss) statement.

#### (d) Financial Assets

Financial assets include cash and cash equivalents, amounts receivable, provided loans and investments intended for sale.

Financial assets are registered in the accounting records when the Company receives or, on the basis of an executed contract, acquires the right to receive cash or other financial asset. Amounts receivable are recognised at acquisition cost less the losses of impairment in value. Cash and cash equivalents are recognised at acquisition cost. Provided loans are initially recognised at acquisition cost and are subsequently registered at amortized cost.

Investments intended for sale are investments that the Company acquired with intention to sell or in seeking to benefit from short-term fluctuations in investment price. Investments intended for sale are measured at acquisition cost upon their acquisition, subsequently at each financial statement date they are recognised at fair value.

If it is likely that the Company will not be able to recover amounts receivable, a loss of impairment in value is recognised and it is calculated as a difference between asset value and current value of future cash flows discounted applying the effective interest rate.

#### (e) Inventories

In the financial statements inventories are measured at acquisition (production) cost or net realizable value, depending on which one is lower. Net cost is calculated following the FIFO method. Net cost of inventories includes purchase price, adjusted by amounts of inventory devaluation and received discounts, related charges, fees, transportation, preparation for use and other expenses directly related to acquisition of inventories. Net realizable value is an estimated sales price under regular business conditions less the estimated production completion and possible sales costs.

Expenses incurred when pursuing the order of a client are capitalised and reflected in the item of work in progress until the related income is recognised.

Losses of impairment in the value of inventories are recognised as operating costs and the reversal of losses of impairment in the value of inventories reduces the operating costs of the reporting period.

#### (f) Amounts Receivable

Amounts receivable are initially measured at acquisition cost. Subsequently current amounts receivable are recognised after assessing their impairment in value. A debt that has a payment term overdue for over four months is considered doubtful until the procedure of its recovery is in course. Doubtful debts

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are recognised as operating costs of the reporting period. Recovery of previously recognised doubtful debts reduces the doubtful debt costs of the reporting period.

Transaction of transfer of amount receivable (debt) (factoring without regress right) is considered a sale of debts and they are written off at once. If the debt transfer does not foresee transfer of risks and the debt buyer can waive the transaction, it is registered as a borrowing guaranteed by pledge.

#### (g) Cash and Cash Equivalents

Cash includes cash on hand and in bank accounts. Cash equivalents are liquid investments readily convertible into a known amount of cash. Usually the term of those investments does not exceed three months and the risk of change in value is very insignificant.

In the cash flow statement cash and cash equivalents comprise cash on hand, in bank accounts and current term deposits. Received dividends are attributed to investing activities in the cash flow statement. Paid dividends are attributed to financing activities. Interest paid for loans and lease is attributed to financing activities. Interest received for term deposits is reflected in investing activities.

#### (h) Future Costs

Future costs are accrued when during the reporting and previous reporting periods the Company pays for services of continuous nature to be provided in the future periods and the amounts paid shall be proportionally recognised as costs in the future reporting periods when incurred.

#### (i) Equity Capital and Reserves

Equity capital of the Company includes paid up part of authorised capital, share premium, legal reserve, revaluation reserve and retained profit (loss).

Ordinary registered shares are measured at their nominal value. Amount received for sold shares in excess of their nominal value is recognised as share premium. Costs related to new emission of shares reduce the share premium. Profit or loss from sold, issued or annulled own shares is not recognised in the profit (loss) statement.

According to the Law on Entities of the Republic of Lithuania, a legal reserve must conclude to the amount equal to 1/10 of the authorised capital. Until the determined amount of legal reserve is reached the Company's deductions that go into it must amount to at least 1/20 of net profit. A part of a legal reserve that exceeds the determined amount may be redistributed with the Company's profit appropriation. Legal reserve that was used to cover Company's losses must be reformed.

Account of retained profit (loss) shows a profit earned during the reporting and previous periods that is not yet distributed or losses that are not yet covered.

Profit appropriation is registered in the accounting records of the Company when the shareholders pass a decision to distribute the profit, i.e. on the day of the shareholders' meeting, irrespective of when it was earned.

#### (j) Financial Liabilities

Financial liabilities are registered in the accounting records when the Company undertakes a liability to pay in cash or repay in other financial assets. Amounts payable for goods and services are measured at acquisition cost, i.e. the value of received assets or services. Initially loans are recognised at acquisition cost and subsequently they are recognised at amortised cost. Accumulated interest is recognised in the account of other amounts payable.

Financial liabilities include amounts payable for received goods and services, loans, financial lease liabilities and bonds.

Current liabilities are those that have to be fulfilled within one year subsequent to the balance sheet date.

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### (k) Provisions

Provisions are recognised as liabilities when the Company has a legal obligation or an irrevocable commitment as a result of actions in the past, and it is also likely that fulfilling a legal obligation or irrevocable commitment shall require using assets at hand, and the amount of the liability can be reliably measured.

### (l) Sales Revenue

Sales revenue is recognised following the accrual principle. Income amount is recognised at fair value considering provided and foreseen discounts, returns and write-downs of sold goods. Income from sold goods is recognised when the goods are sold and the amount of income can be reliably measured.

Income from other activities includes profit from transferred used non-current assets, also other income that is not related to operating activity of the Company, but received from third parties, except for income from financing activities and extraordinary gains.

Income from financing activities includes positive effect of changes in currency rate, received interest, fines and charges on overdue payments paid by the buyers, received dividends, reversal of impairment in the value of investments.

### (m) Costs

Costs are recognised in the accounting records following the accrual and comparison principles and within the reporting period in which the related income is earned, irrespective of the time the money was spent. Costs that are not related to reporting period income earning, but are intended for income earning in the future periods are registered in the accounting records and presented in the financial statements as assets.

Cost of sales constitutes costs incurred in the Company within the reporting period and attributable to goods sold and services provided. This account only includes a part of costs that is related to products, goods and services sold within the reporting period.

General and administrative costs show costs incurred during the reporting period and related to operating activity of the Company and providing conditions for reporting period income earning, but they do not depend on the quantity of sold products, goods and services. Those costs are recognised, registered in the accounting records and presented in the financial statements of the period they were incurred in.

Costs from other activities include losses from sold used non-current assets and other costs that are not related to operating activity of the Company but are incurred to earn the income from other activities.

Costs from financing activities include negative result of changes in currency rate, paid fines and charges on overdue, interest and liability charges related to financial payables, impairment in the value of investments.

### (n) Income Tax and Deferred Income Tax

Calculation of income tax is based on the requirements of Income Tax Law of the Republic of Lithuania. The income tax rate of 15% is applicable to the Company in 2020.

### (o) Foreign Currencies

All currency items in the balance sheet are measured in euros applying the currency rate on the balance sheet date. Assets recognised at acquisition value and acquired in foreign currency are presented in the balance sheet in euros on the basis of currency rate on the day of the transaction. Differences

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occurring after covering amounts registered in currency items with a different currency rate are recognised as profit or loss of the reporting period.

#### (p) Accounting Estimates Made When Preparing the Financial Statements

When preparing the financial statements management has to make certain assumptions and estimates, which affect the presented amounts of assets, liabilities, income and costs, as well as disclosure of contingencies.

Significant areas of these financial statements, in which the estimates are used, include depreciation, impairment in value measurements, provisions and possible income tax recalculations. State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania may review accounting records of the Company and its subsidiaries and associates anytime within five consecutive years after reporting yearend and attribute additional taxes and fines. The management of the Company is not aware of the circumstances, which could lead to significant liabilities in this respect.

Future events may change the assumptions used to make the estimates. The result of changes in those estimates is recognised in the financial statements when it occurs.

#### (q) Error Corrections and Reclassifications

Errors of previous reporting periods detected in current reporting period are corrected in the financial statements of current period, if they are not material. Correction of an error is included in the same profit (loss) statement line, where the error was made. Material errors are corrected retrospectively and the error correction is presented in the financial statements of the reporting period by adjusting results of the previous year. Information on correction of such error is presented in the notes.

The Company considers an error to be material when it amounts to over 5% of reporting period net profit.

If the information for the reporting year is classified differently, the comparative year is reclassified so that the numbers are comparable.

#### (r) Contingent Liabilities and Assets

Contingent liabilities are future liabilities that may occur from events in the past and they can be confirmed or rejected by contingent future events that are not controlled by the Company, or current liabilities occurring from the past events. They are not reflected in the balance sheet as the amount of those liabilities cannot be reliably measured and (or) it is not likely that they will need to be fulfilled. Information on them is presented in the notes.

Contingent assets are assets that due to future events that are not controlled by the Company may belong to the Company and bring economic benefit. Information on probable assets is presented in the notes.

#### (s) Events after the Balance Sheet Date

Events after the balance sheet date are economic events that take place within the period from the balance sheet date to the date on which the financial statements are prepared, signed by the head of the Company and presented for approval.

Events after the balance sheet date that provide additional information on the Company's position at the balance sheet date (events leading to adjustment) are reflected in the financial statements. Events after the balance sheet date that are not leading to adjustment are described in the notes, if it is significant.

#### (t) Fair Value Measurement

Fair value measurement standard is applied when other Business Accounting Standards require or permit establishing the fair value of non-current tangible assets, investment property, biological assets,

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financial assets held for sale, derivative financial instruments and financial liabilities, or disclosing information on established fair value, conducting fair-value-based estimates.

Fair value is the amount in which, on the day of value measurement, parties of the transaction can sell each other assets or liabilities or transfer liabilities under ordinary market conditions.

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**Notes****1. Non-current Tangible Assets**

Indicators	Land	Buildings and constructions	Plant and machinery	Transport means	Other fixtures, fittings, tools and equipment	Paid advances and construction in progress	Total
<b>Acquisition value</b>							
<b>December 31, 2018</b>	150 000	1 834 217	1 023 068	106 703	89 570	14 550	3 218 108
Acquired	471 819				6 545	138 195	616 559
Written-off (-)				(26 453)	(4 140)		(30 593)
Reclassifications							
<b>December 31, 2019</b>	621 819	1 834 217	1 023 068	80 250	91 975	152 745	3 804 074
Acquired		43 572			28 258	1 079 413	1 151 243
Written-off (-)	(181 819)			(42 516)			(224 335)
Reclassifications							
<b>December 31, 2020</b>	440 000	1 877 789	1 023 068	37 734	120 233	1 232 158	4 730 982
<b>Accumulated depreciation</b>							
<b>December 31, 2018</b>		519 695	144 935	55 476	38 842		758 948
Calculated for the period		73 369	51 153	19 079	11 243		154 844
Written-off (-)				(12 974)	(3 012)		(15 986)
Transferred from item to item							
<b>December 31, 2019</b>		593 064	196 088	61 581	47 073		897 806
Calculated for the period		73 369	51 154	13 942	14 721		153 186
Written-off (-)				(37 791)	(375)		(38 166)
Reclassifications							
<b>December 31, 2020</b>		666 433	247 242	37 732	61 419		1 012 826
<b>Balance value</b>							
<b>December 31, 2018</b>	150 000	1 314 522	878 133	51 227	50 728	14 550	2 459 160
<b>December 31, 2019</b>	621 819	1 241 153	826 980	18 669	44 902	152 745	2 906 268
<b>December 31, 2020</b>	440 000	1 211 356	775 826	2	58 814	1 232 158	3 718 156

No indicators for the impairment in the value of non-current tangible assets were determined. Deferred depreciation is charged to selling expenses in 2020 EUR 153 186 (EUR 154 844 in 2019).

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**Non-current Assets Serving as Collateral**

<b>Name of pledged assets</b>	<b>Carrying value</b>	<b>Pledge end date</b>
Crematorium building with equipment	1 987 182	16-01-2025

No fully depreciated assets that are still in use exist. Buildings are constructed on the land leased for the following 99 years and the land lease rights are presented to SEB bank as collateral.

**Carrying Value of Leased Assets**

<b>Asset groups</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Transport means	2	18 669

**2. Inventories**

	<b>31.12.2020</b>	<b>31.12.2019</b>
Inventories for sale	31 603	28 961
Paid advances	27 535	9 575
<b>Total</b>	<b>59 138</b>	<b>38 536</b>

**3. Future Costs**

	<b>31.12.2020</b>	<b>31.12.2019</b>
Insurance	7 391	5 318
Press subscription	48	502
<b>Total</b>	<b>7 439</b>	<b>5 820</b>

**4. Amounts Receivable within One Year**

	<b>31.12.2020</b>	<b>31.12.2019</b>
Trade receivables	64 233	70 288
Loans granted		1 253
Other amounts receivable	852	427
<b>Total</b>	<b>65 085</b>	<b>71 968</b>

One year receivable - 100% loan to the subsidiary UAB "Rekviem" 31.12.2020 amounted EUR 370 000 (2019 - EUR 312 605). Trade receivables serve as collateral to SEB (8 note)

**5. Cash**

	<b>31.12.2020</b>	<b>31.12.2019</b>
Cash in bank	623 136	198 359
Cash on hand	1 718	2 886
<b>Total</b>	<b>624 854</b>	<b>201 245</b>

All funds in the bank and future income serve as collateral to SEB (8 note).



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**6. Authorised Capital Structure**

Indicators	Number of shares	Amount
Share capital structure at the end of financial year		
1. On the basis of share type		
1.1. Ordinary shares	311 822	311 822
1.2. Preference shares		
1.3. Employee shares		
1.4. Special shares		
1.5. Other shares		
<b>Total</b>	<b>311 822</b>	<b>311 822</b>

On December 31, 2020 all shares were paid up.

**7. Profit Appropriation Project**

Items	Year	Amount
Retained result – profit (loss)		643 207
Net financial year result – profit (loss)		950 483
Result – profit (loss) – available for appropriation	31.12.2020	1 593 690
Shareholders' contributions to cover losses		
Transfers from reserves		
Profit available for appropriation		1 593 690
Profit appropriation:		
- Reserves provided for by law		
- Other reserves		
- Dividends		
- Other		
Retained result – profit (loss)		1 593 690

**8. Financial Payables**

	31.12.2020	31.12.2019
<b>Non-current liabilities (2 to 5 years)</b>	<b>464 506</b>	<b>517 296</b>
Bank credit lines and loans (b)	464 506	503 878
Lease liabilities (a)	-	13 418
<b>Current liabilities</b>	<b>503 822</b>	<b>376 683</b>
Bank credit lines and loans (b)	488 001	365 552
Lease liabilities (a)	15 821	11 131
<b>Total</b>	<b>968 328</b>	<b>893 979</b>

(a) Lease of transport means from Luminor amounting to EUR 13 418, subject to 3-month EURIBOR annual interest and with return date of 20/01/2022.

(b) SEB bank loans: 1) EUR 260 635 subject to 6-month EURIBOR plus 1,6 per cent annual interest and with return date of 01/06/2022, 2) EUR 243 243 subject to 6-month EURIBOR plus 2,52 per cent annual interest and with return date of 01/06/2022, 3) EUR 448 629 subject to 6-month EURIBOR plus 2,5 per cent annual interest and with return date of 16/01/2025.

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Information on assets serving as collateral is presented with tangible assets (note 1), cash (note 5) and amounts receivable (note 4).

**9. Amounts Payable within One Year**

	<b>31.12.2020</b>	<b>31.12.2019</b>
Amounts received in advance	20 820	20 957
Trade payables	100 386	44 619
Salary liabilities		18 096
Holiday accumulations	47 555	27 689
Social insurance liabilities	5 059	4 686
Personal income tax liabilities	7 047	12 352
Income tax liabilities	167 990	14 559
VAT liabilities	39 800	52
Other amounts payable	2 924	1 053
<b>Total</b>	<b>391 581</b>	<b>144 063</b>

**10. Accrued costs and future income**

The company had accrued expenses at the end of the year - EUR 35 932 for annual bonuses for employees.

**11. Income**

	<b>2020</b>	<b>2019</b>
<b>Income from sold services and goods</b>	<b>2 044 121</b>	<b>1 427 760</b>
Sold goods	68 838	63 658
Services	1 975 283	1 364 102
<b>Income from other activities</b>	<b>30 307</b>	<b>9 846</b>
Income from metal sales	9 781	6 128
Gains on disposals of fixed assets	13 489	3 718
Other income	7 037	

**12. Costs**

	<b>2020</b>	<b>2019</b>
<b>Cost of sales</b>	<b>270 862</b>	<b>248 781</b>
Net cost of inventories	49 862	46 386
Depreciation	124 522	124 522
Gas costs, maintenance of systems	31 338	50 719
Other costs	65 140	27 154
<b>Sales costs</b>	<b>17 743</b>	<b>27 415</b>
Advertising	17 317	27 108
Other costs	426	307
<b>General and administrative costs</b>	<b>646 896</b>	<b>615 368</b>
Salaries and social insurance	354 066	355 265
Depreciation	28 287	30 321
Audit costs	3 200	3 200
Other costs	261 343	226 582

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**13. Financing and Investing Activities**

	2020	2019
<b>Income</b>	<b>1 511</b>	<b>103</b>
Interest	1 511	103
<b>Costs</b>	<b>21 970</b>	<b>25 035</b>
Fines and penalties		4 432
Interest	20 177	20 226
Other costs	1 793	377
<b>Results</b>	<b>(20 460)</b>	<b>(24 932)</b>

**14. Income Tax Costs**

The Company calculated EUR 124 (2019 – EUR 72) of deferred income tax income. Declared income tax is calculated applying the 15 per cent rate and is presented in the income tax costs: EUR 168 036 in 2020, EUR 15 288 in 2019.

**15. Transactions with Management and Other Related Persons**

Head of administration (1 person) was paid EUR 63 637 of salary during 2020 (EUR 59 449 during 2019). No other income, loans, guarantees or payouts were received by the manager within 2020. Supervisory board is not assembled. There is a board of directors consisting of 5 persons, who were paid the total of EUR 33 760 during 2020 (EUR 30 311 during 2019).

**16. Rights and Obligations of the Company Not Indicated in the Balance Sheet**

The Company did not receive or issue any guarantees or pledges. The Company is also not involved in any legal proceedings.

**17. Contingent Liabilities**

At the end of the reporting year the Company did not have any contingent liabilities.

**18. Events after the Balance Sheet Date**

No events took place after the balance sheet date and before the date of financial statement conclusion.

Director Bernardas Vilkelis \_\_\_\_\_

Chief Accountant, Audikom, UAB, Jelena Sergejeva \_\_\_\_\_

09.03.2021