



**JOINT STOCK COMPANY
LATVIJAS JŪRAS MEDICĪNAS CENTRS**
(Unified registration number: 4003306807)

FINANCIAL STATEMENTS FOR THE 9 MONTH OF 2020
(17th financial year)

**PREPARED IN ACCORDANCE WITH THE LAW 'ON ACCOUNTING' AND
'ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS LAW' OF
THE REPUBLIC OF LATVIA**

Riga, 2020

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Information on the Company

Name of the Company	Latvijas Jūras medicīnas centrs	
Legal status	Joint Stock Company	
Number, place and date of registration	40003306807 Rīga, 27 August 1996	
	Re-registered with the Commercial Register On 27 February 2004 under the unified registration number 4000 330 6807	
Core business:	Hospital activities (86.10) Retail sale of medical and orthopaedic goods in specialised stores (47.74) Other education n.e.c. (85.59) General medical practice activities (86.21) Special medical practice activities (86.22) Dental practice activities (86.23) Other human health activities (86.90) Residential nursing care activities (87.10) Other residential care activities (87.90) Other social work activities without accommodation n.e.c. (88.99) Physical well-being activities (96.04) Other personal service activities n.e.c. (96.09)	
Address	Patversmes iela 23 Rīga, LV-1005, Latvia	
Largest shareholders	Ilze Birka (17.50%) Mārtiņš Birks (17.50%) SIA 'POM' (8.82%) Guna Švarcberga (10.36%) Jānis Birks (12.80%) Adomas Navickas (6.85%)	
Names of the Board members, their positions	Jānis Birks – Chairman of the Board Juris Imaks – Member of the Board Anatolijs Ahmetovs – Member of the Board	
Names and positions of Council members, their positions	Mārtiņš Birks – Chairman of the Council Viesturs Šiliņš – Deputy Chairman of the Council Ineta Gadzjus – Member of the Council Jevgeņijs Kalējs – Member of the Council Uldis Ōsis – Member of the Council	
Reporting year	1 January 2020 – 30 September 2020	
Name and address of the certified auditor in charge	KPMG Baltics AS License No 55 Vesetas iela 7 Rīga, LV-1013, Latvia	Certified Auditor in Charge Rainers Vilāns Certificate No. 200

Statement of the Board's Responsibility

The Board of AS Latvijas Jūras Medicīnas Centrs (hereinafter – the Company) is responsible for preparing the financial statements of the Company.

The financial statement on pages 8 to 29 is prepared based on accounting records and source documents and present fairly the financial position of Company as at 30 September 2020 and the results of its operations, and cash flows for the 9-month period of 2020.

The above mentioned financial statement of the Company is prepared in accordance with the laws 'On accounting' and 'Annual Reports and Consolidated Annual Reports Law' effective in the Republic of Latvia, on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statement.

The management of the Company is responsible for the maintenance of a proper accounting system, safeguarding the Company's assets, and the prevention and detection of fraud and other irregularities in the Company. The management is also responsible for compliance with laws of the Republic of Latvia.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

20 November 2020

Management Report

Type of business

A/S Latvijas Jūras medicīnas centrs (hereinafter – LJMC or the Company) is a certified and advanced private medical facility available to everyone, which consists of Sarkandaugava Ambulatory Healthcare Centre at 23 Patversmes iela, Rīga; Central Hospital at 23 Patversmes iela, Rīga; Vecmīlgravis Hospital and Northern Diagnostics Centre 26 Vecmīlgrāvja 5.līnija; Rīga, and Vecmīlgrāvis Primary Health Care Centre at 10 Melidas iela, Rīga. In 2019, the average number of employees of LJMC was 347. The shares of A/S Latvijas Jūras medicīnas centrs are traded on the Baltic Secondary list of Nasdaq Rīga.

As of 5 September 2013, A/S Latvijas Jūras medicīnas centrs has been included on the list of medical facilities approved by the Health Inspectorate of Latvia, which provides medical tourism services, namely, LJMC provides medical tourism services as a reliable partner and this provides an insight into the overall Latvian health care system because the list only includes those healthcare institutions which have been registered with the register of health care institutions for at least 3 years and control has been carried out in the health care institution during the past three years.

LJMC has accredited Clinical Diagnostics Laboratory at 23 Patversmes iela with the Latvian National Accreditation Bureau.

LJMC has signed cooperation agreements with all health insurance companies operating in Latvia. LJMC has received certificate No. MSC-50-034 issued by Exova BM TRADA confirming compliance of the energy management system with ISO 50001:2018.

Activities in the 12 months of 2019 and further development

The Company's activities in the 12 months of 2019

In 2019 LJMC continued to provide high-quality medical services and attract new local and foreign patients. Similar to prior years, also in 2019 LJMC employed excellent doctors from Latvia and competent medical personnel. Activities of highly qualified and professional personnel allowed LJMC to provide examinations of competitive and exceptional quality, and to establish attraction of foreign patients as one of the development directions for 2019. LJMC is on the official list of providers of medical tourism services maintained by the Health Inspection of the Republic of Latvia.

LJMC not only successfully attracted foreign patients in 2019, but also actively popularised paid medical services among local public, thus ensuring increase in the number of patients living in Latvia, promoting competitiveness and recognition of LJMC.

Radiology Department in 2019 provided the full range of diagnostic services (magnetic resonance, X-ray examinations and ultrasonography) increasing the amount and quality of services (both state paid services and services paid by patients). PET/CT radiological examinations are available and payable both by private means and state funds.

In order to implement the requirements of GDPR in 2019, with the help of an independent data protection inspector LJMC continued drafting and approving documents (internal rules, LJMC staff newsletter, patient data processing procedure, personal data processing and protection policy), renewing contracts (on the use of medical facilities in digital form, use of medical information system, insurance company services, communication services), and began the training process for LJMC staff.

In 2019, LJMC signed agreements with the National Health Service for the provision of state paid medical services in the amount provided by the budget for 2019.

In 2019, LJMC continued working on ISO. In 2019, LJMC received ISO 9001:2015 quality certification in functional diagnostics and radiological diagnostics, in-patient medical rehabilitation and day-care rehabilitation valid until 14 March 2022, and continued updating the hygiene and disinfection plan, and implementing ISO certification in other units of LJMC.

Further development of the Company

Management Report

To attract more foreign and local patients in 2019 LJMC made investments to implement innovative solutions for providing medical services, improve qualification of staff and enhance patient service. LJMC will also continue the state policy in re-profiling of hospitals to ambulatory healthcare institutions.

Continuing to improve the available services with highly-qualified and professional diagnostics service, LJMC's Radiology Department as one of the most modern and innovative cancer diagnostics centre in Eastern Europe will promote the increase in the number of local and foreign patients.

By attracting patients not only from Latvia and other Baltic countries, but also from other EU countries and offering high-quality medical services, LJMC will increase its competitiveness in the Baltics medical market.

Financial results

In the 9 months of 2020, LJMC operated in accordance with the budget approved for 2020. The profit of LJMC is EUR 362 709.

Risk Management

LJMC continues carrying out activities seeking to limit the negative impact of potential financial risks on the financial position of LJMC by implementing a set of control and analysis measures. Financial assets exposed to credit risk are mostly cash, trade receivables and other receivables. Credit risk is managed by LJMC by performing regular debtor control procedures and debt collection measures aiming to identify and solve any problems on a timely basis.

Liquidity risk is managed by LJMC in line with the principle of prudence ensuring that appropriate credit resources are available to cover liabilities as they fall due. LJMC does not use loans, except operating leases.

The situation after the last day of the reporting year and Going Concern

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Latvian government declared a state of emergency on 12 March 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Latvian government authorities have taken measures to contain the outbreak, including suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries, pending further developments.

The management has considered the fact that the Company operates in the health care sector subject to temporary lock-down imposed by the government due to global circumstances and has considered that the lock-down period may be extended beyond the initially announced period of one month up to two or even three months or beyond and the adverse economic environment may last throughout the remainder of 2020 with recovery in the 1st quarter of 2021. Based on the publicly available information at the date these financial statements were authorized for issue, management has considered the potential development of the outbreak and its expected impact on the Company and the economic environment, in which the Company operates, including the measures already taken by the Latvian government. For more details refer to Note 31 (Summary of Significant of Significant Accounting Policies).

No other significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.

AS Latvijas Jūras medicīnas centrs
Address: Patversmes iela 23, Rīga, LV-1005
Unified registration number: 40003306807

Management Report

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

20 November 2020

Financial Statements

Profit or Loss Statement for the 9-month period of 2020

	Note	30.09.2020. EUR	2019 EUR	30.09.2019 EUR
1. Net sales	2	5 252 269	7 271 469	5 382 079
2. Cost of goods and services	3	(4 642 712)	(6 816 419)	(5 107 394)
3. Gross Profit		609 557	455 050	274 685
4. Administrative expenses	4	(417 272)	(580 100)	(409 121)
5. Other operating income	5	171 840	292 827	219 022
6. Other operating expenses	6	(1 416)	(2 682)	(255)
7. Interest and similar income		-	-	-
8. Profit/ (loss) before corporate income tax		362 709	165 095	84 331
9. Corporate income tax for the reporting year		-	(935)	-
10. Profit/ (loss) for the reporting year		362 709	164 160	84 331
Number of shares		800 000	800 000	800 000
Earnings per share (EUR)*		0.45	0.21	0.11

* Profit or loss after corporate income tax/average number of shares in the reporting year.

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

 Chairman of the Board
 Jānis Birks

 Member of the Board
 Juris Imaks

 Member of the Board
 Anatolijs Ahmetovs

 Chief Accountant
 Gunta Kaufmane

20 November 2020

Balance Sheet as at 30 September 2020

	Note	30.09.2020. EUR	31.12.2019 EUR	30.09.2019 EUR
Assets				
Long-term assets				
I Intangible assets:				
Concessions, patents, licenses, trademarks and similar rights		-	-	39
Total intangible assets:		-	-	39
II Fixed assets:				
1. Land, buildings and engineering structures		4 287 193	4 370 610	4 398 415
2. Equipment and machinery		167 106	176 891	164 090
3. Other fixed assets		86 856	107 499	37 282
4. Construction in progress		4 159	4 159	1 332
Total fixed assets:	9	4 545 314	4 659 159	4 601 119
Total long-term investments:		4 545 314	4 659 159	4 601 158
Current assets				
I Stock:				
1. Raw materials, primary materials and auxiliary materials	9	136 088	101 746	88 517
Total stock:		136 088	101 746	88 517
II Receivables:				
1. Trade receivables		395 105	96 072	358 504
2. Due from related parties		47 685	26 261	55 521
3. Other receivables		21 280	60 641	29 324
4. Prepaid expenses		6 423	33 576	5 282
5. Accrued income		-	117 940	-
Total receivables:		470 493	334 490	448 631
III Cash:	15	1 844 608	1 987 454	1 822 351
Total current assets:		2 451 189	2 423 690	2 359 499
Total assets		6 996 503	7 082 849	6 960 657

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

Balance Sheet as at 30 September 2020

	Note	30.09.2020. EUR	31.12.2019 EUR	30.09.2019 EUR
Equity and Liabilities				
Shareholders' equity:				
1. Share capital	16	1 120 000	1 120 000	1 120 000
2. Long term investment revaluation reserve		2 292 360	2 292 360	2 292 360
3. Reserves:				
b) reserves according to Statutes		63 819	63 819	63 819
4. Retained earnings				
a) retained earnings brought forward from previous years		1 948 616	1 861 747	1 861 747
b) profit/(loss) for the reporting year		-	164 160	84 311
Total shareholders' equity:		5 424 795	5 502 086	5 422 257
Liabilities:				
Long term liabilities:				
1. Deferred income	21	725 132	725 132	780 643
Total long term liabilities:		725 132	725 132	780 643
Short-term liabilities:				
1. Customer advances		1 831	1 831	1 831
2. Accounts payable to suppliers and contractors		155 159	179 885	122 836
3 Taxes and compulsory state social security contributions	20	183 060	163 775	171 434
4. Other creditors		225 857	195 720	205 445
5. Deferred income	21	21 762	55 513	21 763
6. Accrued liabilities		258 907	258 907	234 447
Total short term liabilities:		846 576	855 631	757 756
Total liabilities:		1 571 708	1 580 763	1 538 400
Total equity and liabilities		6 996 503	7 082 849	6 960 657

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

 Chairman of the Board
 Jānis Birks

 Member of the Board
 Juris Imaks

 Member of the Board
 Anatolijs Ahmetovs

 Chief Accountant
 Gunta Kaufmane

20 November 2020

Statement of Changes to the Shareholders Equity for 9-month period of 2020

	Share capital	Long-term investment revaluation reserve	Reserves set in the Company's statutes	Retained earnings brought forward from previous years	Profit/(loss) for the reporting year	Total shareholder's equity
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2018	1 120 000	2 292 360	63 819	1 941 747	-	5 417 926
Profit of 2017 transferred to retained earnings of previous years	-	-	-	-	-	-
Dividends for 2017	-	-	-	(80 000)	-	(80 000)
Loss for the reporting year	-	-	-	-	-	-
Balance as at 31 December 2019	1 120 000	2 292 360	63 819	2 025 907	-	5 502 086
Loss of 2018 transferred to retained earnings of previous years	-	-	-	-	-	-
Dividends for 2017	-	-	-	(440 000)	-	(440 000)
Profit for the year	-	-	-	-	362 709	362 709
Balance as at 30 September 2020	1 120 000	2 292 360	63 819	1 948 616	362 709	5 424 795

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

 Chairman of the Board
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 Chief Accountant
 Gunta Kaufmane

20 November 2020

Statement of Cash Flows for 9 month period of 2020

	Note	30.09.2020 EUR	2019 EUR	30.09.2019 EUR
I. Cash flows from operating activities				
1. Profit/ (loss) before corporate income tax		362 709	165 095	84 331
<u>Adjustments for:</u>				
a) depreciation of fixed assets	8	165 755	195 619	146 964
b) amortisaion of intangible assets		3	1 264	
c) loss from disposal of fixed assets				680
2. Profit before adjustments for the effect of changes to current assets and short term liabilities		528 467	361 978	231 975
<u>Adjustments for:</u>				
a) decrease/ (increase) in trade receivables		(136 003)	96 927	(16 279)
b) decrease/ (increase) in stock		(34 342)	15 793	29 122
c) increase/ (decrease) in accounts payable to suppliers and other liabilities		(9 055)	(61 841)	(104 204)
3. Gross cash flows from operating activities		349 067	412 857	140 614
4. Corporate income tax		-	-	-
5. Net cash flows from operating activities		349 067	412 857	140 614
II. Cash flows used in investing activities				
a) purchase of fixed and intangible assets		(51 913)	(190 161)	(82 241)
b) Income from disposal of shares in related, associated or other companies		-	-	-
c) Income from disposal of fixed and intangible assets		-	680	-
Net cash flows from investing activities		(51 913)	(189 481)	(82 241)
III. Cash flows from financing activities				
a) Dividends paid		(440 000)	(80 000)	(80 000)
7. Net cash flows from financing activities		(440 000)	(80 000)	(80 000)
Net increase/(decrease) in cash and cash equivalents in the reporting year		(142 846)	143 376	(21 627)
Cash and cash equivalents at the beginning of the year		1 987 454	1 844 078	1 844 078
Cash and cash equivalents at the end of the year	15	1 844 608	1 987 454	1 822 351

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

 Chairman of the Board
 Jānis Birks

 Member of the Board
 Juris Imaks

 Member of the Board
 Anatolijs Ahmetovs

 Chief Accountant
 Gunta Kaufmane

20 November 2020

Notes to the Financial Statements

(1) Information on the Company's activities and summary of significant accounting principles

Information on the Company

The legal address AS Latvijas Jūras medicīnas centrs (LJMC or the Company) is 22 Patversmes iela, Rīga, Latvia. The Company was registered with the Commercial Register under the common registration number 40003306807. The largest shareholders of the Company are Ilze Birka (17.50%), Mārtiņš Birks (17.50%), Jānis Birks (12.80%), Guna Švarcberga (10.36%), SIA 'POM' (8.82%), Adomas Navickas (6.85%).

The Board comprises Jānis Birks (Chairperson of the Board), Juris Imaks (Board Member) and Anatolijs Ahmetovs (Board Member). The Chairperson of the Council is Mārtiņš Birks, Council Members are Viesturs Šiliņš, Ineta Gadzjus, Jevgēņija Kalējs and Uldis Osis.

The core business of the Company according to NACE rev 2. is Hospital activities (NACE 86.10); Retail sale of medical and orthopaedic goods in specialised stores (47.74); Education n.e.c. (85.59); General medical practice activities (86.21); Special medical practice activities (86.22); Dental practice activities (86.23); Other human health activities (86.90); Residential nursing care activities (87.10); Other residential care activities (87.90); Other social work activities without accommodation n.e.c. (88.99); Physical well-being activities (96.04); Other personal service activities n.e.c. (96.09).

Basis of preparation

The financial statements were prepared in accordance with the law 'On Accounting' and the 'Annual Reports and Consolidated Annual Report Law' (hereinafter – the Law).

The management believes that the accounting policies used in the preparation of these financial statements are consistent with those used last year.

According to Article 3(6) of the Annual Reports and Consolidated Annual Reports Law, the Company applies the requirements of the law applicable to large companies as its transferable securities are included in the regulated market of the Republic of Latvia.

The profit and loss statement was prepared according to the turnover costing method. The cash flow statement was prepared according to the indirect method. The financial statements are prepared on the historical cost basis except for the fixed assets disclosed under Land, buildings and engineering structures – land and buildings, which are measured using a revaluation method.

Accounting principles

The financial statements were prepared in accordance with the following policies:

- a) Going concern assumption that the Company will continue as a going concern;
- b) Consistent valuation principles with those used in the prior year;
- c) Items were valued in accordance with the principle of prudence, i.e.:
 - the financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements; and,
 - all amounts of impairment and depreciation have been taken into consideration and calculated irrespective of whether the financial result was a loss or profit;
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received; expenses were matched with revenue for the reporting period;
- e) assets and liabilities have been valued separately;
- f) the opening balance agrees with the prior year closing balance;
- g) all material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes;
- h) business transactions are recorded taking into account their economic contents and substance, not the legal form.

Notes to the Financial Statements

Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
- i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii. Both entities are joint ventures of the same third party;
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a);
 - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent of company of the entity.

Related party transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Financial instruments and financial risks

Financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities of the other party.

The key financial instruments held by the Company are financial assets such as trade receivables, amounts due from related parties and other receivables, and financial liabilities such as prepayments from clients, accounts payable to suppliers and contractors and other creditors arising directly from its business activities.

Financial risks connected with the Company's financial instruments, financial risk management

Key financial risks related to the Company's financial instruments are:

- Credit risk is the risk that the Company may incur financial losses if parties to the transactions fail to fulfil their liabilities under the contracts, and credit risk is primarily connected with trade receivables;
- Currency risk– risk that the Company may suffer unexpected losses arising from fluctuations in the foreign exchange rates; the Company is not exposed to currency risk as it does not significant amounts of currencies other than EUR.
- Interest rate risk – risk that the Company may incur losses due to fluctuations in interest rates;
- Liquidity risk – risk that the Company will not be able to meet its financial liabilities in due time.

Management has implemented procedures to control the key risks.

Credit risk

The inability of insurance companies and patients to pay for the services provided by the Company in due time and in full amount. Most of the services are paid for within a short period of time after the provision of services or are funded by state or insurance providers, so the credit risk is low.

Interest rate risk

Management believes that interest rate risk is not material.

Notes to the Financial Statements

Liquidity risk

The Company has no external loans and it has significant financial resources to settle its liabilities.

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Financial assets and financial liabilities are carried at cost which according to management approximates their fair value at acquisition plus any related additional expenses. Purchase costs are acquisition costs of goods or services (net of discounts received) with added additional costs related to the purchase.

Reporting year

The reporting period comprises the 9 months from 1 January 2020 to 30 September 2020.

Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the official currency of Latvia – euro (EUR), the functional currency of the Company.

Foreign currency transactions are translated into EUR according to currency exchange rates effective at the date of transaction and determined by reconciliation of the system of the European Central Bank and other central banks and which is published on the website of the European Central Bank.

As at the reporting date, all monetary assets and liabilities are translated into EUR according to exchange rates published on the website of the European Central bank. Non-monetary items of assets and liabilities are revalued to euros in accordance with the reference exchange rate published by the European Central Bank on the transaction date.

Exchange rate per EUR 1:

	As at 31.12.2019	As at 31.12.2018
USD	1.12340	1.14500

Gain or loss resulting from payments under transactions executed in foreign currencies and the translation of monetary assets and liabilities denominated in foreign currencies is reflected in the profit and loss statement of the respective period.

Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are recognised in the period when those estimates are reviewed and in the future periods.

Judgments applied to going concern basis application have been outlined in note 31 of these financial statements.

Key sources of estimation uncertainty are the following:

(i) Impairment of fixed assets

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable value. The recoverable amount is the highest of the fair value less selling expenses or value in use. Impairment losses are recognised in the profit and loss statement.

(ii) Useful lives of fixed and intangible assets

The management estimates the useful lives of fixed assets in proportion to the expected duration of use of the asset (its expected capacity or effectiveness) based on historical experience with similar fixed assets and future plans. Land is not subject to depreciation. For other assets, depreciation and amortization is calculated on a straight-line basis over the entire useful life of the respective intangible asset and fixed asset in order to write their value or revalued value down to the estimated book value at the end of the useful life based on the following rates:

Notes to the Financial Statements

	%
Intangible assets	20
Buildings and constructions	2.5 - 2.85
Communication equipment and instruments	33.33
Other fixed assets	20

Current maintenance and repair costs of fixed assets are recognized in the profit and loss statement as incurred.

(iii) Fixed assets

Fixed assets other than land, buildings and constructions are carried at cost less accumulated depreciation and impairment losses.

Land, buildings and constructions are measured by the Company using the revaluation model. The balance sheet item Land, buildings and engineering structures of the financial statements of the Company is presented at revalued value, which equals fair value at the revaluation date net of subsequent accumulated depreciation and impairment loss.

As at 31 December 2019 a new revaluation was not performed as the management assessed that no significant changes had taken place in the market and the recognised carrying amount did not differ materially from the fair value of the property.

According to the policy, revaluation of a single building or construction requires the whole category to be revalued. To determine the impact of revaluation at the date of revaluation accrued depreciation is netted of cost or other value, which replaces cost in the financial statements, and the carrying amount is increased or decreased according to the revalued value of the building or structure in the following manner: depreciation accrued to the date of revaluation is initially written-off of the current carrying amount of fixed asset, and afterwards the residual value is increased or decreased according to the fair value of fixed asset as a result of revaluation.

In case the fair value of fixed assets at the balance sheet date is lower than their carrying amount, and such impairment is expected to be permanent, fixed assets are recognized at the lower value. The revaluation result is recognized in the profit and loss statement except where a previously recognized increase in the value of fixed assets offsets an impairment loss. In that event, the long term investment revaluation reserve is decreased by the amount of impairment.

In case the value of fixed assets at the balance sheet date is higher than the valuation on the balance sheet, fixed assets are revalued to the higher value if the increase in value may be assumed to be other than temporary. The increase in value resulting from revaluation is recognized under 'Long term investment revaluation reserve'. If an increase in the value resulting from revaluation compensates for the impairment of the same fixed asset which was previously recognized as an expense in the profit and loss statement, then the increase resulting from revaluation is recognized as income in the profit and loss statement as incurred. The long term investment revaluation reserve is decreased when the revalued asset is disposed, is no longer utilized, or the increase of value is no longer reasonable.

The increase in value recognized in the long term investment revaluation reserve under equity is reversed by recognizing a decrease in the profit and loss statement upon liquidation or disposal of the revalued fixed asset.

(iv) Valuation of receivables

Receivables are disclosed at amortised cost net of impairment allowances. Doubtful debt allowances are recognized based on an individual management assessment of the recoverability of each receivable when objective evidence exists that the Company will not be able to recover the full amount of receivables according to the previously agreed repayment terms. The amount of allowance represents the difference between the carrying and recoverable amount of receivables. The allowance is charged to the profit and loss statement.

Notes to the Financial Statements

(v) Provisions

Provisions are recognized when a past event has given rise to a present obligation or losses and the amount can be estimated reasonably. The likelihood of loss is assessed based on management assumptions. In order to determine the amount of loss management is required to select an appropriate calculation method and make specific assumptions connected with the specific risk. No provisions were made as at 31 December 2019.

Revenue recognition

Income from sales of goods

Revenue from the sales of goods is recognized in the profit and loss statement after the risks and rewards of ownership are transferred to the client.

No revenue is recognized if according to the provisions of the transaction the Company retains significant risks pertaining to the ownership of goods and the goods can be returned.

Income from services

Income from services provided is recognized in the profit and loss statement as generated. Income is received and recorded according to signed cooperation agreements.

Rental income

Rental income is recognised on a straight-line basis over the rental term.

Long and short term classification

Amounts whose terms of receipt, payment or write off are due in more than one year after the balance sheet date are classified as long term. Amounts to be received, paid or written off within 12 months are classified as short term.

Lease transactions

Operating lease – (the Company as a Lessor)

The Company leases premises, which are part of revalued fixed assets. Depreciation is calculated on a straight-line basis over the entire useful life of the respective fixed asset in order to write its value down to the estimated carrying amount at the end of the useful life based on the rates set for similar fixed assets. Income from operating lease and client prepayments is charged to the profit and loss statement on a straight-line basis over the period of lease.

Operating lease – (the Company as a lessee)

Payments for operating lease are recognized in the profit and loss statement on a straight-line basis over the period of lease.

Fixed assets

All fixed assets other than land, buildings and constructions are recognised on the balance sheet at historical cost less depreciation.

For other assets, depreciation and amortization is calculated in accordance with the straight-line method over the entire useful life of the respective intangible assets and fixed assets in order to write their value or revalued value down to the estimated book value at the end of the useful life.

The depreciation method is reviewed at least on an annual basis, at the year-end.

Subsequent expenses are added to the book value of the asset or recognized as a separate asset only where it is highly probable that future benefits related to this item would flow into the company and expenses of this item can be estimated reliably. Such expenses are written off over the entire useful life of the respective asset. When capitalizing the costs of installed spare parts, the book value of the spare parts is written off in the income statement.

Profit or loss from disposal of fixed assets is calculated as the difference between the carrying amount of the asset and income generated from sale, and income from the reversal of the revaluation reserve of the respective fixed asset, and charged to the profit and loss statement as incurred.

Notes to the Financial Statements

Accounting and valuation of stock

Stock is carried at the lower of cost and net realizable value. Stock has been valued according to the FIFO method. Stock accounting is based on the perpetual method. Stock has been counted during the annual stock take.

Grants

Grants received for special types of capital investments are treated as deferred income which is gradually recognised as revenue over the useful life of the fixed assets received or acquired using grants. Grants received to cover expenses are recognised in the same period when the related expenses have arisen, if all the conditions of receiving the grant are met.

Corporate income tax

(a) Current tax

As of 1 January 2018, the Corporate Income Tax Law comes into effect in the Republic of Latvia setting out a conceptually new regime for paying taxes. The tax rate is 20%, and the taxable base, determined by dividing the value of the amount taxable with corporate income tax by coefficient 0.8 and includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
- theoretically distributed profit (non-operating expenses and other specific cases provided by law).

The new tax regime is not applicable to the distribution of dividends from profit accumulated to 31 December 2017 and taxed under the previous taxation regime.

Notes to the Financial Statements

(2) Net sales

Net sales represents revenue generated during the reporting period from the Company's basic activities – sales of services, net of value added tax and discounts.

	2020	2019
	EUR	EUR
Ambulatory medical services	4 880 374	6 710 538
Services covered by insurance	371 895	560 931
<i>Paid ambulatory medical services</i>	<i>207 762</i>	<i>311 877</i>
<i>Paid in-patient care</i>	<i>164 133</i>	<i>249 054</i>
Dental services	-	-
	<u>5 252 269</u>	<u>7 271 469</u>

The Company provides services only in the territory of the Republic of Latvia.

The Company does not disclose information on distribution of net sales by lines of business in accordance with Regulation No. 1893/2006 (EK) of the European Parliament and European Council of 20 December 2006, with which the statistic classification of business activity NACE rev 2 is established, as its disclosure could have a severe negative impact on the interests of the Company.

(3) Cost of goods and services

The item represents costs incurred for generating net sales – such as costs of goods and services at acquisition cost, and costs related to purchase of goods and services.

	2020	2019
	EUR	EUR
Remuneration	2 369 827	3 335 719
Medicines, medical materials	552 861	827 279
Compulsory state social security contributions	559 067	786 948
Non-deductible value added tax	224 796	365 522
Lease of equipment	212 241	318 210
Depreciation	165 759	196 883
Utilities and maintenance	140 089	247 516
Office items and equipment, other materials	115 749	203 514
Repair costs	114 282	181 424
Medical examinations and other services	35 173	51 291
IT expenses	31 609	39 684
Advertisement expenses	592	5 078
Security	20 097	23 559
Changes in doubtful debt allowances	-	39 569
Medical fund risk expenses	10 149	14 206
Transport	5 476	15 211
Office expenses	4 986	13 750
Patient catering expenses	4 639	10 465
Real estate tax	-	6 173
Insurance	11 929	6 926
Staff training expenses	590	8 756
Risk duty	1 005	1 399
Benefits and gifts to employees	786	1 577
Changes in cost of accrued vacations	-	24 460
Other costs related to services	61 010	91 300
	<u>4 642 712</u>	<u>6 816 419</u>

Notes to the Financial Statements

(4) Administrative expenses

	2020	2019
	EUR	EUR
Remuneration	297 296	393 596
Compulsory state social security contributions	68 039	92 435
Staff training expenses	-	27 000
Communication expenses	14 580	17 382
Audit of the financial statements	16 015	14 895
Office expenses	5 146	6 764
Bank services	6 882	10 610
Legal activities	5 086	9 852
Representation expenses	927	2 742
Other	3 301	4 824
	<u>417 272</u>	<u>580 100</u>

(5) Other operating revenue

	2020	2019
	EUR	EUR
Income from rent	97 843	127 689
Amortisation of funds received from EBRD	33 750	10 513
Other income	7 165	-
Other revenue	33 082	154 625
	<u>171 840</u>	<u>292 827</u>

Other income consists of income from catering and laundry service, advertising and beauty care services.

(6) Other operating expenses

	2020	2019
	EUR	EUR
Penalties	923	319
Loss on disposal of fixed assets, net	-	-
Other expenses	493	2 363
	<u>1 416</u>	<u>2 682</u>

(7) Corporate income tax

	2020	2019
	EUR	EUR
Current tax	-	935
	<u>-</u>	<u>935</u>

Notes to the Financial Statements

(8) Intangible assets and fixed assets

	Intangible assets	Land, buildings and engineering structures	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Historical cost						
31.12.2019	80 453	4 681 639	2 537 644	576 536	4 159	7 880 431
Additions	-		36 535	15 378		51 913
Disposals	-		(7 763)	(16 933)		(24 696)
30.09.2020	80 453	4 681 639	2 566 416	574 981	4 159	7 907 648
Accumulated depreciation and amortisation						
31.12.2019	80 453	311 029	2 360 753	469 037	-	3 221 272
Accumulated depreciation and amortisation		83 417	46 320	36 018	-	165 755
Depreciation of disposed fixed assets			(7 763)	(16 930)	-	(24 693)
30.09.2020	80 453	394 446	2 399 310	488 125	-	3 362 334
Balance as at 31.12.2018	1 264	4 483 688	135 209	45 068	1 332	4 666 561
Balance as at 31.12.2019	-	4 370 610	176 891	107 499	4 159	4 659 159
Balance as at 30.09.2020	-	4 287 193	167 106	86 856	4 159	4 545 314

In February 2018 land, buildings and constructions were valued by independent experts. The valuation was carried out by the independent experts using a combination of the comparable transactions method and income method. As at 31 December 2019, a new revaluation was not performed as the management assessed that no significant changes had taken place in the market and the recognised carrying amount did not differ materially from the fair value of the property.

The fair value of land and building was determined by an external, independent property valuer, having appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The following table shows the valuation technique used in measuring the fair value of core real estate items included in position 'Buildings and land', as well as the significant unobservable inputs used:

Type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 3 100 000 at Patversmes iela, Rīga	Fair value has been estimated based on the average of: Market comparison technique: The fair value was based on results of comparable sales of similar buildings. Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Price per m2 EUR 470 Rent rate per m2 – EUR 2.3-9 Capacity – 90% Capitalisation rate – 9%	The fair value would increase (decrease) if the price per m2 was higher (lower). The estimated fair value would increase (decrease), if: Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher);

Notes to the Financial Statements

Type	Valuation method	Significant unobservable data	Inter-relation between significant unobservable inputs and fair value measurement
Buildings and land in the amount of EUR 850 000 at Vecmīlgrāvja 5.līnija, Rīga	Fair value has been estimated based on the average of:		The fair value would increase (decrease) if the price per m2 was higher (lower).
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings.	Price per m2 EUR 349	The estimated fair value would increase (decrease), if:
	Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Rent rate per m2 – EUR 3.5-5 Capacity – 90% Capitalisation rate – 10%	Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher).
Buildings and land in the amount of EUR 640 000 at Melīdas iela, Rīga	Fair value has been estimated based on the average of:		The fair value would increase (decrease) if the price per m ² was higher (lower).
	Market comparison technique: The fair value was based on results of comparable sales of similar buildings.	Price per m2 EUR 334	The estimated fair value would increase (decrease), if:
	Discounted cash flow technique: The model is based on discounted cash flows from rendering services	Rent rate per m2 EUR 1-4.7 Capacity – 90% Capitalisation rate – 9.0%	Rent rate would be higher (lower); Capacity percentage would be higher (lower); Capitalisation rate would be lower (higher).

According to Section 52(2)(2) of the Annual Reports and Consolidated Annual Reports Law, disclosures are provided concerning revalued fixed assets indicating their value had revaluation not taken place:

The carrying amount of land, buildings and constructions as at 31 December 2019 had revaluation not taken place would be EUR 2 833 532 (31.12.2018 – EUR 2 952 566).

Including:

	As at 30.09.2020 EUR	As at 31.12.2019 EUR
-historical cost	4 021 290	4 021 290
-accumulated depreciation	(1 187 758)	(1 187 758)

(9) Stock

	As at 30.09.2020 EUR	As at 31.12.2019 EUR
Medicines in warehouse	126 976	93 576
Medicines in departments	8 856	8 002
Other materials	256	168
	136 088	101 746

Notes to the Financial Statements

(10) Trade receivables

	As at 30.09.2020 EUR	As at 31.12.2019 EUR
Insurance companies	60 108	67 705
Other institutions, companies and individuals	33 482	41 346
Doubtful debt allowance	(12 979)	(12 979)
	<u>80 611</u>	<u>96 072</u>

(11) Due from related parties

	As at 30.09.2020 EUR	As at 31.12.2019 EUR
Due from related parties, gross value	152 727	131 303
Doubtful debt allowance	(105 042)	(105 042)
	<u>47 685</u>	<u>26 261</u>

The item presents the amount due from related party Kodolmedicīnas klīnika SIA for rent payments.

(12) Other receivables

	As at 30.09.2020 EUR	As at 31.12.2019 EUR
Overpaid taxes (see Note 19)	1 609	24 979
Value added tax on unpaid services	11	3 846
Other receivables	19 660	31 816
	<u>21 280</u>	<u>60 641</u>

(13) Prepaid expenses

	As at 30.09.2020 EUR	As at 31.12.2019 EUR
Rent	-	28 410
Insurance	6 423	4 971
Advertising	-	-
Other	-	195
	<u>6 423</u>	<u>33 576</u>

(14) Accrued income

	30.09.2020. EUR	31.12.2019. EUR
Accrued income invoiced after the end of the reporting year	314 494	117 940
	<u>314 494</u>	<u>117 940</u>

Notes to the Financial Statements

The accrued income consists of the invoices of the National Health Service, which are issued after the end of the reporting year.

(15) Cash

By currency:	2020		2019		
	Currency	EUR	Currency	EUR	
Current account	USD	5 839	5 198	5 839	5 198
Current account	EUR		1 830 176	-	1 976 187
Cash on hand	EUR		9 234	-	6 069
			1 844 608		1 987 454

(16) Share capital

Share capital of the Company as at 31 December 2019 amounted to EUR 1 120 000 (31.12.2018: EUR 1 120 000) and consisted of 800 000 shares with nominal value of EUR 1.40.

The share capital of the Company is owned by the following shareholders:

	As at 30.09.2020		As at 31.12.2019	
	Number of shares	Holding (%)	Number of shares	Holding (%)
Ilze Birka	140 000	17.50%	140 000	17.50%
Mārtiņš Birks	140 000	17.50%	140 000	17.50%
SIA 'POM'	70 565	8.82%	-	-
Ilze Aizsiliece	-	-	70 565	8.82%
Guna Švarcberga	82 917	10.36%	82 917	10.36%
Jānis Birks	102 388	12.80%	102 388	12.80%
Adomas Navickas	54 811	6.85%	54 811	6.85%
Other shareholders (up to 5% shares per each)	209 319	26.17%	209 319	26.17%
Total	800 000	100.00%	800 000	100.00%
Share capital (EUR)	1 120 000		1 120 000	

All shares of the Company are name (publicly issued shares) shares.

(17) Retained earnings

Retained earnings, including the profit of 2019 of EUR 164 160 as at 31 December 2019 amount to EUR 2 025 907 (2018: EUR 1 941 747). If the profit for 2019 were divided into dividends, the tax payable would be EUR 41 040 under the new tax regime, which became effective on 1 January 2018.

(18) Revaluation reserves

Revaluation reserve as at 31 December 2019 includes the amount of revaluation of fixed assets. In 2019 and 2018, the revaluation reserve was not changed.

(19) Other creditors

	As at 30.09.2020 EUR	As at 31.12.2019 EUR
Salaries	225 377	195 288
Payments to the trade union	480	432
Deposited remuneration for work and injunctions	-	-
	225 857	195 720

Notes to the Financial Statements

(20) Taxes and compulsory state social security contributions

	Balance as at 31.12.2018	Calculated for 2020	Paid in 2020	Balance 30.09.2020
	EUR	EUR	EUR	EUR
Corporate income tax	(24 973)	-	24 530	(443)
VAT	5 782	36 125	(36 753)	5 154
Real estate tax	(6)	-	-	(6)
Natural resources tax	-	-	(1 160)	(1 160)
Risk duty	115	1 005	(1 005)	115
Social contributions	104 682	912 575	(898 366)	118 891
Personal income tax	53 196	466 679	(460 975)	58 900
Total	138 796	1 416 384	(1 373 729)	181 451

Including:

Overpaid taxes	(24 979)	(1 609)
Tax liabilities	163 775	183 060

Overpaid taxes are disclosed under "Other receivables".

(21) Deferred income

	As at 30.09.2020	As at 31.12.2019
	EUR	EUR
The part of capital grants to be charged to profit or loss within 1 to 5 years	52 565	52 565
The part of capital grants to be charged to profit or loss in period up to 5 years	346 317	346 317
Lease payment of 10 years	326 250	326 250
Deferred income, long term	725 132	725 132
The part of capital grants to be charged to profit or loss within one year	10 513	10 513
Lease payment of 10 years	11 249	45 000
Deferred income, short term	21 762	55 513

In 2012, the Company received EBRD funding to purchase fixed assets. In 2019, the Company recognised revenue of EUR 10 513 (2018: EUR 10 514) (see Note 5).

The Company received lease payments for the next 10 years amounting to EUR 450 000. In 2019, the Company recognised revenue of EUR 45 000 (2018: 33 750) according to the terms of lease agreements that secured lease rights for a specified period and promoted operating activities in line with specific classification. Revenue is reflected under 'Income from rent', refer to Note 5.

(22) Accrued liabilities

	As at 30.09.2020	As at 31.12.2019
	EUR	EUR
Accrued expenses on unused vacations	258 907	258 907
	258 907	258 907

Notes to the Financial Statements

(23) Average number of employees by category

	2020	2019
Average number of employees in the reporting year:	340	340
incl. Members of the Board	3	3
Members of the Council	5	5
Other employees	332	332

(24) Personnel expenses

Type of costs	2020 EUR	2019 EUR
Remuneration	2 667 123	3 729 315
Compulsory state social security contributions	627 106	879 383
	<u>3 294 229</u>	<u>4 608 698</u>

(25) Remuneration to management

	2020 EUR	2019 EUR
Members of the Board		
Remuneration	75 559	95 380
· compulsory state social security contributions	17 624	22 977
Members of the Council		
Remuneration	20 490	27 319
· compulsory state social security contributions	4 637	6 182
Other members of the administration		
Remuneration	201 247	270 897
· compulsory state social security contributions	45 778	63 276
	<u>365 335</u>	<u>486 031</u>

(26) Future liabilities

As at 31 December 2019, the Company has no effective future payment liabilities under agreements related to the purchase of fixed assets (31.12.2018: none).

The management has no information on issued guarantees, legal proceedings and other contingent liabilities, which could impact the financial position of the Company as at 31 December 2019 (31.12.2018: none).

(27) Related party transactions

In 2019, the Company made transactions with related parties:

- During 2019 invoices issued to SIA Kodolmedicīnas klīnika for rent payments of EUR 37 871 (2018. gadā: EUR 29 530). During 2019 additional provisions are accrued at amount of EUR 38 285 (2018: EUR 49 447). The outstanding amount of the credit line as at 31 December 2019 is EUR 105 042 (as at 31 December 2018 : EUR 66 757). The provisions are made to reduce the impact of transaction risk on the profit and loss statement.

Notes to the Financial Statements

(28) Remuneration to the certified auditor

	2020	2019
	EUR	EUR
Audit of the financial statements	16 015	14 895
	<u>16 015</u>	<u>14 895</u>

(29) Information on operating lease and rent agreements with a significant impact on the Company's activities

The Company has 22 effective operating lease agreements regarding equipment. According to this agreement, lease payments are the following:

Year 2020 – EUR 386 090.
In 2021-2023 – EUR 898 293.

(30) Events after the balance sheet date and their impact on the ability of the Company to continue operations

The financial statements are based on a qualitative and quantitative assessment and the issuer has ensured transparency with regard to the actual and potential impact of Covid-19 on its business, financial position and economic indicators.

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Latvian government declared a state of emergency on 12 March 2020, which was extended on 7 April 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Latvian government authorities have taken measures to contain the outbreak, including suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries, pending further developments. In particular, airlines, sea carriers and railways suspended international transport of people, schools, universities, restaurants, cinemas, theatres and museums and sport facilities were closed or restricted their activities. Many businesses in Latvia have also instructed employees to remain at home and some have curtailed or temporarily suspended business operations. Similar measures were taken by other European countries and other countries affected by the pandemic.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Latvia, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Latvia 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 22 March 2020 the law on measures to prevent and overcome the national threat and combat its consequences in relation to the spread of the disease caused by COVID-19 was ratified with retrospective effect from 12 March 2020. The law provides for a number of measures to help companies overcome the emergency.

The Company is engaged in commercial activities in the health care sector, which has been impacted by the outbreak of Covid-19 and following Order No. 59 by the Ministry of Health the provision of secondary ambulatory health care services, day hospital services and paid health care services was suspended. Net sales to 23 March 2020 were strong. According to the information published by the Company on 23 March 2020 on the websites of NasdaqRiga and FCMC the provision of secondary

Notes to the Financial Statements

ambulatory services and day hospital services were suspended. After 23 March 2020, unaudited net sales of the Company decreased and as a result March sales decreased by 24% versus February and those for April are expected to decrease by more than 30%. Based on the publicly available information at the date of these financial statements were authorized for issue, management has considered the potential development of the outbreak and its expected impact on the Company and the economic environment, in which the Company operates, including the measures already taken by the Latvian government.

Management considered the following operating risks that may adversely affect the Company:

- Unavailability of staff for extended period of time;
- Legal restrictions on provision of services;
- Recession in the Latvian economy and globally that would significantly reduce the purchasing power of end consumers and businesses.

The management has considered the fact that the Company operates in the health care sector subject to temporary lock-down imposed by the government due to global circumstances and has considered that the lock-down period may be extended beyond the initially announced period of one month up to two or even three months or beyond and the adverse economic environment may last throughout the remainder of 2020 with recovery in the 1st quarter of 2021. On 17 April 2020, order No. 59 by the Ministry of Health was amended to allow the provision of the following planned health care services from 20 April 2020: diagnostics services with referrals of family doctors or specialists and consultations of certain specialists. The Company started to offer health care services starting from 20 April 2020 as stipulated in order No. 59 by the Ministry of Health. The level of services that can be provided under the regulations is limited to around 40% of the state funded services pool serviced by the Company, which is representative of 25% of the annual revenue. Based on the current state of affairs it is expected that additional health care services will be allowed from 12 May 2020.

In order to mitigate the risks resulting from potential adverse scenarios, Management started to implement the measures, which notably include:

- implementation of a work-from-home program on a rotational basis for a significant group of administrative employees and remote consultations of family doctors;
- employees in the administration department have been trained to adhere to very strict precautionary standards including social distancing;
- remote negotiations with the bank to provide a grace period for lease payments on medical equipment until the 4th quarter of 2020.
- the Board has decided to suspend capital expenditure for the upcoming 9 months.

The Company has assessed different scenarios as to how the situation might develop. Forecast for an adverse development scenario: Based on economic calculations and accounting estimates the Company forecasted that revenues in 2020 may decrease by 35% compared to 2019 on the assumption that state paid services will decrease by 31% during the year and the total volume of paid services will decrease by 45% during the year. It is based on the scenario that it will be allowed to partly provide state paid services from 20 April 2020 and the total volume of services provided will decline for various reasons to reach an overall level which is 31% lower than that in 2019. As concerns paid services, they might be resumed from July with a lower demand compared to previous periods, which results in a decrease of 45% during the year. In this scenario, the Company will reduce remuneration (majority of which is variable based), tax expenses related primarily to the variable part of remuneration, reduce the cost of medicines and medical materials, repairs and operating expenses. According to the management, the Company could be able to overcome such a scenario assuming that net sales return to historical levels in 2021.

Forecast for the base case scenario: Based on economic calculations and accounting estimates the Company believes that revenue in 2020 may decrease by 17% compared to 2019 on the assumption that state paid services will decrease by 12% during the year while the total volume of paid services will decrease by 29% during the year. It is based on the scenario that it will be allowed to partly provide state paid services from 20 April 2020 and during the year these services could be provided in full, with appropriate adjustments to the circumstances, and the total volume of services will decline for various reasons to reach an overall level which is 12% lower than that in 2019. The key difference

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between the adverse and the base scenario is the total volume of services provided and the ability to adapt to changing circumstances. It will be possible to resume the provision of paid services from July; however, the overall demand will decrease significantly. In this scenario, the Company will partly reduce remuneration related primarily to the variable part of remuneration, partly reduce tax expenses, partly reduce the cost of medicines and medical materials, repairs and operating expenses. In this scenario the management believes the Company will be able to complete the year with insignificant losses.

Current assets as at 31 December 2019 amounted to EUR 2 423 690 and current liabilities amounted to EUR 855 631 the liquidity ratio was 2.8. The management believes that equity of EUR 5 502 086 and cash of EUR 1 987 454 at the end of 2019 provide a sound basis for the Company to continue as a going concern. In management's view, the above factors support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the period end date. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Management cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Company operates in will have an adverse effect on the Company, and its financial position and operating results, in the medium and longer term. We continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

Chairman of the Board
Jānis Birks

Member of the Board
Juris Imaks

Member of the Board
Anatolijs Ahmetovs

Chief Accountant
Gunta Kaufmane

20 November 2020