JOINT-STOCK COMPANY
STORENT INVESTMENTS
(REGISTRATION NUMBER 40103834303)

CONSOLIDATED ANNUAL REPORT 2018

PREPARED IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
AND INDEPENDENT AUDITORS' REPORT

Riga, 2019

CONTENT

General information

Name of the Group's Parent company	Storent Investments
Legal status of the Group's Parent company	Joint-stock company
The Group Parent company's registration number, place and date	40103834303 Riga, 7 October 2014
Registered address of the Group's Parent company	15a Matrozu Street, Riga, LV-1048, Latvia
Shareholders of the Group's Parent company	Levina Investments S.A.R.L. (Luxembourg) 73% (from 31.01.2017) Bomaria LTD (Latvia) 13.5% (from 01.09.2018) Supremo LTD (Latvia) 13.5% (from 01.09.2018) Levina Investments S.A.R.L. (Luxembourg) 73% (from 31.01.2017) Perle Cunsultancy LTD (Cyprus) 13.5% (from 31.01.2017) TORRINI LTD (Cyprus) 13.5% (from 31.01.2017) Levina Investments S.A.R.L. (Luxembourg) 56% (till 31.01.2017) Perle Cunsultancy LTD (Cyprus) 22% (till 31.01.2017) TORRINI LTD (Cyprus) 22% (till 31.01.2017)
Members of the Board	Andris Bisnieks, Member of the Board Andris Pavlovs, Member of the Board
Members of the Council	Nicholas Kabcenell, Chairman of the Council (from 11.12.2017) Onkele Baiba, Member of the Council Jozwiak Michal Lukasz, Member of the Council (till 04.04.2019) Burak Dalgin, Member of the Council (from 04.04.2019) Podziewski Arkadiusz Marek, Chairman of the Council (till 11.12.2017)
Group's type of operations	Renting and leasing of construction machinery and equipment
Group's NACE code	77.32 (2.0 rev) Rental and leasing of construction and civil engineering machinery and equipment
Auditor and certified auditor name and address	Deloitte Audits Latvia SIA 4a Gredu Street, Riga Latvia, LV – 1019 License No. 43 Inguna Staša Latvian Certified Auditor Certificate No. 145

Management report

The Group's type of operations

Storent Investments AS (hereinafter – the Group's Parent company or Storent Investments AS) and its subsidiary companies (hereinafter – the Group) was established on 07 October 2014. The first company of the Group - Storent SIA - was established in 2008 by Andris Bisnieks and Andris Pavlovs with an objective to become one of the leading equipment rental companies in the Baltics and nearest European countries. At the end of 2008, a subsidiary Storent UAB was established in Lithuania and one year later a subsidiary Storent OU was launched in Estonia. At the end of year 2012, a subsidiary Storent Oy was established in Finland, in February 2013 a subsidiary Storent AB was founded in Sweden, and in June 2013 a subsidiary Storent AS was established in Norway. In December 2016 Storent Oy completed the acquisition of Leinolift Oy, a Finnish access equipment rental company. On 1 August 2017 Storent finalized the second acquisition, by purchasing Cramo operations in Latvia and Kaliningrad. In summer 2017 Storent started rental operations in Sweden. Currently, only Norwegian entity doesn't conduct economic activity. At the end of the reporting year Group consists of 9 entities with the main parent company Storent Investments AS and 8 subsidiaries in the Baltics and Nordic countries.

The Group's development and financial performance during the reporting year

The reporting year was good for the company. The consolidated turnover increased by 17.3% reaching 45.4 million euros. Growing construction market in all Baltic and Nordic countries has been one of factors that accelerated company growth. Rent incomes increased for both, own and vendor equipment rentals. Incomes from services and repair & maintenance increased as well.
Baltic region operations increased rental incomes by 13% with highest growth rate in Latvia, where Storent is equipment rental market leader. Baltic region accounts for approximately 70% of group rent incomes.

In 2018 construction market in Estonia grew by 21% with increase in all segments – residential, non-residential and civil engineering. Market is expected to demonstrate modest growth in 2019, although there's wide pipeline of various construction projects to be realized through the year.
Latvian construction market increased by 22% in 2018. Highest growth rate was achieved in specialized construction works with almost 28% and in building construction with almost 26%. There is a number of large and medium scale projects including ones financed under EU programs to be started in 2019, which provide confidence in further construction market positive trend. Labour shortage drives up wage level making construction industry more attractive for jobseekers.
Lithuanian construction market grew by 17% in 2018. Largest increase was in civil engineering segment with 21% growth. Residential and non-residential segments had grown by 16% and 15% respectively. There are many EU financed construction related projects to be realized in 2019.

Favorable construction markets caused emerging of new rental market players in the region, which have been luring customers with low pricing strategy. This fact slowed down our pace in Lithuania, where customers especially appreciate an opportunity of low-price offerings.

Nordic operations have increased by 25% compared to 2017. There's been decrease of residential construction in Sweden, but growth in non-residential and civil engineering construction. Swedish construction market expected to decline by 3,8% in 2019 with highest decline in residential sector. Finnish market showed growth of 3,5% in 2018 and it's expected to decline by 1,2% in 2019.
Finnish operation (Leinolift Oy) showed good growth dynamics and Swedish one continued with rapid rate through the year. We have started to evaluate geographical expansion opportunities in both countries. Our main focus has been on structuring sales process, enlarging sales teams and shipping additional fleet as these are important factors in order to continue to grow and enter new market segments.
Kaliningrad operation has seen revenues decrease. Official sources report construction market growth of 15% with construction activities ensured mostly by state financed projects. Customers insolvencies remains to be one of key

factors for reduced rent incomes. We see number of large construction projects started in December, which should serve as driver for rent incomes growth in 2019.
Investment plan for rental assets for 2018 in amount of 7 million euros has been realized and new machines have been delivered to designated countries. Flexible approach to fleet rotation among Storent group companies ensured quicker response to construction market changes and overall more efficient fleet usage.

The balance sheet structure of the Group continues to be strong enough. Non-current assets constitute 87% of the total assets. Long-term liabilities constitute 42% of the total balance sheet. Security for creditors ensured by registered and paid stock capital in value of 33.3 million euros, as well as 4.2 million euros bank account balance at the end of the accounting period. The Group finalized the year 2018 with profit of 142 727 EUR.

The future development of the Group
The Group management plans to continue investing in the development of all subsidiaries. In Baltics with an objective to acquire bigger part of market share and to become the market leader as well as continue to strengthen its position in Nordic market. In 2019 management will continue to optimize internal processes and upgrade IT systems in order to decrease decision making time and increase reaction time to changes dictated by market conditions and customers preferences. Group will continue with started activities in order to increase Nordic share of overall Storent business. The Group management expects that active acquisition of EU funds will continue through 2019, which will give a positive effect on the development of construction industry. Rental pricing increase expected to continue through the year. Currently easily available bank financing represents an additional driver for stable economic growth in the Baltic and Nordic countries, and this brings extra incentive to the construction sector. Taking into consideration the above-mentioned circumstances, the management of the Group plans to increase net sales in 2019 and to increase group's profitability.

Financial risk management
The Group key principles of finance risk management are presented in the Note 33.

Proposal for the Group loss for the year coverage
It is planned to use reporting period profit to cover losses from previous periods.

Events after the balance sheet date
In order to meet minimal capital requirements according to respective country law of one of the Group's entity's the parent company will make an investment to share capital of the subsidiary in amount of EUR 2 427 265 in April 2019.

As of the last day of the reporting year until the date of signing these consolidated financial statements, there have been no other events requiring adjustment of or disclosure in the consolidated financial statements or notes thereto. The management report was signed on 4 April 2019 on the Group's behalf by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Consolidated annual report is approved in shareholders meeting on 4. Aprile 2019

Statement of management's responsibility

The Group's management confirms that the consolidated financial statements present fairly the Group's financial position at 31 December 2018 and its financial performance and cash flows for the years then ended. The consolidated financial statements have been prepared according to the International Financial Reporting Standards adopted by the European Union. During the preparation of the Group's consolidated financial statements the management:

- used and consequently applied appropriate accounting policies;
- provided reasonable and prudent judgments and estimates;
- applied a going concern principle unless the application of the principle wouldn't be justifiable.

The Group's management is responsible for maintaining appropriate accounting records that would provide a fair presentation of the Group's financial position at a particular date and financial performance and cash flows and enable the management to prepare the consolidated financial statements according to the International Financial Reporting Standards adopted by the European Union.

This statement of management's responsibility was signed on 4 April 2019 by:

Andris Bisnieks Member of the Board	Andris Pavlovs Member of the Board

Consolidated statement of comprehensive income

	Notes	2018 EUR	2017 EUR
Net revenue	3	45 364 616	38 670 555
Other operating income	4	231 215	190 416
Cost of materials and services received	5	(15 816 913)	(12 734 509)
Personnel costs	11	(10 347 035)	(8 555 743)
Other operating expenses	6	(6 677 355)	(5 750 588)
Depreciation and amortization	7	(10 096 060)	(8 387 318)
Interest and similar income	8	151 097	955
Interest and similar expenses	9	(3 112 911)	(3 191 886)
(Loss) / profit before income tax		**(303 346)**	**241 882**
Income tax income / (expense)	10	446 073	(181 908)
(Loss) / profit for the year		**142 727**	**59 974**
Items that may be reclassified subsequently to profit or loss			
Exchange differencies on foreign currency operations		(23 526)	(16 195)
Other comprehensive income for the year		**(23 526)**	**(16 195)**
Total comprehensive income for the year		**119 201**	**43 779**
Basic earnings per share		1.446	0.659

The notes on pages 12 to 47 are an integral part of these consolidated financial statements.
On behalf of the Group these consolidated financial statements were signed on 4 April 2019 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of financial position

ASSETS

NON-CURRENT ASSETS	Notes	31.12.2018 EUR	31.12.2017 EUR	31.12.2016 EUR
Intangible assets				
Licences and similar rights		231 618	266 526	309 979
Other intangible investments		901 711	514 513	379 447
Customer relationships		24 306	65 972	107 639
Goodwill		15 346 352	15 346 352	14 336 732
TOTAL	12	**16 503 987**	**16 193 363**	**15 133 797**
Property, plant and equipment				
Lands and buildings		249 102	264 195	-
Leasehold improvements		106 929	125 846	118 824
Plant and equipment *		49 963 410	53 228 236	48 375 210
Other fixed assets *		1 817 452	1 887 423	1 479 015
Construction in progress		352 744	686 962	288 700
TOTAL	13	**52 489 637**	**56 192 662**	**50 261 749**
Other non-current assets				
Deferred income tax assets	10	500 226	163 863	1 025 475
Other long-term receivables		-	-	70 000
Deferred expenses	17	-	32 393	41 166
TOTAL		**500 226**	**196 256**	**1 136 641**
TOTAL NON-CURRENT ASSETS		**69 493 850**	**72 582 281**	**66 532 187**
CURRENT ASSETS				
Inventories	14	1 323 965	1 042 870	692 646
Trade and other receivables				
Trade receivables	15	4 582 502	5 162 516	3 458 628
Corporate income tax overpayment		45 757	40 249	99 777
Other receivables	16	319 158	276 825	263 871
Prepaid expenses	17	211 189	531 991	148 523
TOTAL		**5 158 606**	**6 011 581**	**3 970 799**
Cash and cash equivalents	18	4 230 394	6 239 954	4 123 516
TOTAL CURRENT ASSETS		**10 712 965**	**13 294 405**	**8 786 961**
TOTAL ASSETS		**80 206 815**	**85 876 686**	**75 319 148**

Statement of financial position balances as of 31 December 2016 and 2017 have been restated. Please refer to Note 31.
The notes on pages 12 to 47 are an integral part of these consolidated financial statements.
On behalf of the Group these consolidated financial statements were signed on 4 April 2019 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of financial position

EQUITY AND LIABILITIES

EQUITY	Notes	31.12.2018 EUR	31.12.2017 EUR	31.12.2016 EUR
Share capital	19	33 316 278	33 316 278	7 142 858
Reserves:				
Foreign currency translation reserve		(37 907)	(14 381)	1 814
Other reserves		26 774	26 774	26 774
Accumulated loss:				
Previous' years accumulated deficit		(6 607 214)	(6 565 079)	(3 087 843)
Profit/ (loss) for the year		142 727	59 974	(3 088 307)
TOTAL EQUITY		**26 840 658**	**26 823 566**	**995 296**
LIABILITIES				
Non-current liabilities				
Loans from credit institutions	21	14 000	25 565	42 000
Issued bonds	22	8 091 389	6 507 402	-
Loans from related companies	29 c	5 179 922	4 883 870	29 809 346
Finance lease liabilities	23	15 766 471	19 884 744	21 261 928
Other borrowings	24	3 892 770	5 420 741	4 685 687
Provisions	20	-	539 554	812 315
Deferred income	26	132 412	737 816	1 588 679
Deffered income tax liabilities	10	461 470	572 260	1 297 241
TOTAL		**33 538 434**	**38 571 952**	**59 497 196**
Current liabilities				
Loans from credit institutions	21	14 000	16 435	14 000
Finance lease liabilities	23	9 458 219	9 523 575	8 621 812
Other borrowings	24	3 203 165	2 998 385	1 903 879
Advances from customers		231 120	131 811	37 525
Trade payables		2 835 312	3 724 111	1 876 368
Corporate income tax liabilities		15 814	789	77 276
Taxes and national mandatory social insurance contributions	25	644 276	679 754	448 724
Provisions	20	1 059 597	957 940	114 668
Deferred income	26	728 186	1 051 644	804 455
Other liabilities	27	326 488	297 754	226 037
Accrued liabilities	28	1 311 546	1 098 970	701 912
TOTAL		**19 827 723**	**20 481 168**	**14 826 656**
TOTAL LIABILITIES		**53 366 157**	**59 053 120**	**74 323 852**
TOTAL EQUITY AND LIABILITIES		**80 206 815**	**85 876 686**	**75 319 148**

Statement of financial position balances as of 31 December 2016 and 2017 have been restated. Please refer to Note 31.
The notes on pages 12 to 47 are an integral part of these consolidated financial statements.
On behalf of the Group these consolidated financial statements were signed on 4 April 2019 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of cash flows

	Notes	2018 EUR	2017 EUR
Cash flows from operating activities			
Profit/ (loss) before income tax		(303 346)	241 882
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment	12, 13	12 238 189	9 347 320
Net result on disposals of property, plant and equipment		(1 148 524)	(1 024 502)
Interest expense	9	3 024 324	3 207 250
Provision decrease		(539 554)	570 511
Operating results before changes in working capital		***13 271 089***	***12 342 461***
Receivables decrease / (increase)		885 368	(931 056)
Inventories (increase)		(281 095)	(240 816)
Payables increase/ (decrease)		(423 914)	2 099 452
Cash flows from operating activities		***13 451 448***	***13 270 041***
Interest paid		(2 264 858)	(2 602 829)
Corporate income tax paid		(146 221)	(340 324)
Net cash flow generated from operating activities		**11 040 369**	**10 326 888**
Cash flows from investing activites			
Purchases of property, plant and equipment		(9 190 123)	(2 935 530)
Acquisition of subsidiary		-	(4 560 229)
Proceeds from sale of property, plant and equipment		563 997	251 270
Net cash used in investing activities		**(8 626 126)**	**(7 244 489)**
Cash flows from financing			
Proceeds from borrowings		12 220 372	11 744 652
Proceeds from lease back transactions		-	1 117 000
Loan repayment		(5 476 812)	(5 145 351)
Repayment of finance leases		(11 143 837)	(8 880 940)
Net cash used in financing activities		**(4 400 277)**	**(1 164 639)**
Foreign curreny exchange		**(23 526)**	**(16 195)**
Net cash flow for the year		**(2 009 560)**	**1 901 565**
Cash in subsidiary at the acquisition moment		**-**	**214 873**
Cash and cash equivalents at the beginning of the reporting year		6 239 954	4 123 516
Cash and cash equivalents at the end of the reporting year	**18**	**4 230 394**	**6 239 954**

Certain cash flow statement balances for 2017 have been restated. Please refer to Note 31.
During 2018 significant non cash transactions relate to acquisition of property, plant and equipment under finance lease arrangements in the amount of 9 773 531 EUR (2017: 7 582 164 EUR).
The notes on pages 12 to 47 are an integral part of these consolidated financial statements.
On behalf of the Group these consolidated financial statements were signed on 4 April 2019 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of changes in equity

	Share capital	Foreign currency translation reserve	Other reserves *	Previous' years accumulated deficit	Profit/ (loss) for the year	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 31 December 2016	**7,142,858**	**1,814**	**26,774**	**(3,087,843)**	**(3,088,307)**	**995,296**
Share issue (Note 19)	26,173,420	-	-	(388,929)	-	25,784,491
Profit for the year	-	-	-	-	59,974	59,974
Other comprehensive income	-	(16,195)	-	-	-	(16,195)
Transfer of previous' year loss *	-	-	-	(3,088,307)	3,088,307	-
Balance at 31 December 2017 Before adoption of IFRS 9	**33,316,278**	**(14,381)**	**26,774**	**(6,565,079)**	**59,974**	**26,823,566**
Adjustment due to adoption of IFRS 9	-	-	-	(102,109)	-	(102,109)
Balance at 31 December 2017 After adoption of IFRS 9	**33,316,278**	**(14,381)**	**26,774**	**(6,667,188)**	**59,974**	**26,721,457**
Share issue (Note 19)	-	-	-	-	-	-
Profit for the year	-	-	-	-	142,727	142,727
Other comprehensive income	-	(23,526)	-	-	-	(23,526)
Transfer of previous' year profit	-	-	-	59,974	(59,974)	-
Balance at 31 December 2018	**33,316,278**	**(37,907)**	**26,774**	**(6,607,214)**	**142,727**	**26,840,658**

* One of Group's subsidiaries has obligation to allocate certain percentage from financial year's profit to reserves.

The notes on pages 12 to 47 are an integral part of these consolidated financial statements.
On behalf of the Group these consolidated financial statements were signed on 4 April 2019 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Notes to the consolidated financial statements

1. General information

Storent Investments AS (hereinafter – the Group's Parent company or Storent Investments AS) was registered in the Company Register of the Republic of Latvia on 7 October 2014. Registered address of the Group's Parent company is 15A Matrozu street, Riga. Starting from 20 November 2014 the major shareholder of the Group's Parent company is LEVINA INVESTMENTS S.A.R.L (Luxemburg).
The Group's Parent company and its subsidiaries Storent SIA, UAB Storent, Storent OÜ, Storent AB, Storent AS, Storent OOO, Storent OY and Leinolift Oy (hereinafter – the Group) main operations relate to the rental of industrial equipment.

The consolidated financial statements for 2018 were approved by the decision of the Management Board of the Group's Parent company on 4 April 2019.

2. Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the interpretations issued by the International Financial Reporting Issues Committee as adopted by the EU.
The consolidated financial statements have been prepared on the historical cost basis except positions which are stated at their fair values. Income statement classified by expense type. Cash flow statement is prepared using the indirect method.
The accompanying consolidated financial statements are presented in the currency of the Latvian Republic, the euro (hereinafter – EUR).
Please refer to Note 31 describing restatements made on prior period balanes.

(b) Consolidation

As at 31 December 2018 the Group's Parent company had control over the following subsidiaries:

Name	Country	Type of business	Date of incorporation / acquisition	Share of interest
Subsidiaries				
Storent SIA	Latvia	Rental of industrial equipment	17 April 2008	100%
Storent UAB	Lithuania	Rental of industrial equipment	27 November 2008	100%
Storent OU	Estonia	Rental of industrial equipment	7 July 2009	100%
Storent Oy	Finland	Rental of industrial equipment	4 September 2012	100%
Storent AB	Sweden	Rental of industrial equipment	15 January 2013	100%
Storent AS	Norway	Rental of industrial equipment	27 June 2013	100%
Leinolift Oy	Finland	Rental of industrial equipment	21 December 2016	100%
Storent OOO	Russia	Rental of industrial equipment	01 August 2017	100%

The subsidiaries Leinolift Oy and Storent OO was acquired by the Group by the way of acquisition.
The separate financial statements of the subsidiaries have been consolidated into the Group's consolidated financial statements, consolidating the respective assets, liabilities, revenue and expense items. The subsidiaries controlled by the Group's Parent company are included in the consolidation. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2. Summary of significant accounting policies (cont.)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. The Group Parent company's and its subsidiaries' financial years are equal and represent the calendar year. For the purposes of preparing the consolidated financial statements uniform accounting policies have been applied.

The consolidated financial statements include all assets, liabilities, revenue, expenses, gains, losses and cash flows of Storent Investments AS and its subsidiaries Storent SIA, Storent UAB, Storent OÜ, Storent Oy, Storent AB, Storent AS, Storent OOO and Leinolift Oy in the manner as if Storent Investments AS and its subsidiaries were a single entity.

Upon consolidation inter-company unrealized profit, inter-company transactions, balances, inter-company interest in entities and other transactions between group companies are eliminated.

(c) Foreign currency transactions

The monetary unit used in the consolidated financial statements is the official currency of the European Union – euro (EUR), which is Group's Parents company and some of the subsidiaries functional and presentation currency. The functional currency of Storent AS is Norwegian krone, of Storent AB is Swedish krone and of Storent OOO is Russian ruble.

From the 1 January 2014 all transactions in foreign currency are converted to EUR based on the European Central Bank exchange rate on trade date. On the balance sheet date, foreign currency monetary assets and liabilities are translated at the European Central Bank exchange rate as at 31 December.

European Central Bank exchange rates:

	31.12.2018 EUR	**31.12.2017 EUR**
1 USD	0.87305	1.1993
1 GBP	1.10775	0.88723
1 NOK	0.10026	0.098403
1 SEK	0.09730	0.098438
1 RUB	0.01257	0.69392

Profit or losses from exchange rate differences, as well as from the foreign currency monetary assets and liabilities denominated in euro, are recognized in the consolidated statement of profit and loss.

(d) Consolidation of foreign subsidiaries

Consolidating foreign subsidiaries into the consolidated financial statement, the Group's Parent company translated the monetary and non-monetary assets and liabilities at the European Central Bank exchange rate ruling at the closing balance sheet date, and revenue and expense items of the foreign subsidiaries – at the average exchange rate in the reporting year. Exchange differences arising on recognizing asset and liability items, translating at exchange rates, are recognized in other comprehensive income and accumulated in equity. Consolidation of foreign subsidiaries is performed according to the accepted consolidation procedures, for example, by eliminating inter-group company transactions.

(e) Estimates and assumptions

Preparation of the consolidated financial statements according to the IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. The determination of estimates is based on comprehensive information, current and expected economic conditions available to the management. Actual results could differ from those estimates.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty, which exist at the reporting date of the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

2. Summary of significant accounting policies (cont.)

(e) Estimates and assumptions *(cont.)*

The carrying amounts of intangible assets and fixed assets

The Group's management reviews the carrying amounts of intangible assets and property, plant and equipment, and assesses whenever indications exist that the assets' (including goodwill) recoverable amounts are lower than their carrying amounts. The Group's management calculates and records an impairment loss on intangible assets and fixed assets based on the estimates related to the expected future use, planned liquidation or sale of the assets. Taking into consideration the Group's planned level of activities and the estimated market value of the assets, the Group's management considers that no significant adjustments to the carrying values of intangible assets fixed assets are necessary as of 31 December 2018.

Useful lives of fixed assets

Useful lives of fixed assets are assessed at each balance sheet date and changed, if necessary, to reflect the Group's management current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilization of the assets and their physical condition.

Lease classification

Management of the Group applies definite assumptions in classifying signed lease contracts to finance or operative leases.

Financial leases, in which the Group has substantially all the risks and benefits incidental to ownership of the leased item, are capitalized in balance sheet as fixed assets at the amount measured as the lower of the fair value of the leased property and the present value of the minimum lease payments.

Leases, under which the lessor owns substantially all of the ownership of the risks and rewards, are classified as operating leases. The Group's obligations arising from operating lease contracts are recorded as off-balance sheet commitments.

Deferred tax asset on tax losses to be carried forward

A deferred tax asset shall be recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. When considering whether a deferred tax asset can be recognized the management uses their judgment in estimating whether there will be sufficient taxable profits in the future and about their timing and the overall future tax planning strategy. A deferred tax asset is recognized on all tax losses to be carried forward as of 31 December 2018, except for tax losses related to Latvian and Estonian subsidiaries as management does not expect distribution of dividends in a foreseeable future. The Group's management assumes that it is probable that the Group will have sufficient taxable profits in the future against which the tax losses will be utilized.

Allowance for doubtful and bad trade receivables

The Group's management evaluates the carrying amounts of trade receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Group's management has evaluated the trade receivables and considers that it is not necessary to make any additional significant allowances as of 31 December 2018.

Net realizable value of inventories

The Group's management evaluates the net realizable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories then an allowance is recorded. The Company's management has evaluated the net realizable value of inventories and considers that it is not necessary to make any additional significant allowance as of 31 December 2018.

2. Summary of significant accounting policies (cont.)

(f) Intangible assets

Goodwill

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is disclosed in intangible assets section.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment test is performed annually or more frequently if events or changes in circumstances indicate that it might be impaired. Loss from goodwill impairment is recognized in consolidated statement of comprehensive income.

Other intangible assets

Other intangible assets primarily comprise trademarks, domain registration expenses and software licenses. Customer relationships are formed by purchasing company with customer database. Other intangible assets are measured at historical cost amortized on a straight-line basis over the useful life of the assets. If some events or a change in conditions indicates that the carrying value of an intangible asset may not be recoverable, the value of the respective intangible asset is reviewed for impairment. Impairment loss is recognized if the carrying value of the intangible assets exceeds its recoverable amount. Depreciation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives:

Trademarks and domains	5 years
Software licenses	3 years
Customer relationships	3 years

(g) Property, plant and equipment

Property plant and equipment is stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives:

Plant and equipment	4 - 12 years
Other	2 - 5 years

Depreciation is charged in the month following the month when an item of property, plant or equipment was put into operation or used for business purposes. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total costs of the item is depreciated separately. The remainder consists of the parts of the item that are individually not significant. The depreciation of the remainder is calculated using the approximation methods to fairly represent their useful life.

(h) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cashgenerating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2. Summary of significant accounting policies (cont.)

(h) Impairment of tangible and intangible assets other than goodwill *(cont.)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cashgenerating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other recievables, bank balances and cash) are initially recognised at fair value, net of transactions costs incurred. Subsequently loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Impairment lossess are recognized in profit and loss (other operating losses).

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

(j) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred.

After initial measurement, borrowings are carried at amortized cost using the effective interest rate method. The amortized value is calculated including any acquisition related discount or premiums and payments that are an integral part of the effective interest rate and transaction costs.

Amortized cost is calculated by taking into account any loan or borrowing issue costs, and any discount or premium related to loans or borrowings.

(k) Inventories

Inventories are stated at the lower of cost and net realizable value.
Costs incurred in bringing the inventories to their present location and condition is measured for as follows:
- consumables and finished goods are measured at cost of purchase applying “first in first out” (FIFO) method;

Net realizable value is the estimated selling price in the ordinary course of business, less less all estimated costs of completion and costs necessary to make the sale. Net realizable value is stated as cost less provisions.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in bank and in hand, deposits held at call with banks with maturities of three months or less.

2. Summary of significant accounting policies (cont.)

(m) Provisions

A provision is recognized if the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required from the Group to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group expects that the expenditure required to settle the provision will be reimbursed by another party partly or fully, e.g. under the terms of an insurance contract, the reimbursement is recognized as a separate asset when and only when it is virtually clear that the reimbursement will be received. In the consolidated statement of comprehensive income, the expense relating to a provision may be presented net of the amount recognized for a reimbursement. Where the effect of the time value of money is material, the provisions are calculated by discounting the future expected cash outflows, using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the liability. If discounting is used, increase in provisions is gradually recognized as borrowing costs.

(n) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset is derecognized if:

- the contractual rights to the cash flows from the financial asset expire;
- the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay cash flows without material delay to a third party based on and earlier arrangement without any profit arising
- the Group transfers the contractual rights to receive the cash flows of the and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset to a third party, or (b) it neither transfers no retains substantially all the risks and rewards of ownership of these assets but has transferred control over the item of financial asset.

If the Group transfers the contractual rights to receive cash flows from the respective financial assets but does not transfer nor retains the risks and rewards, nor transfers control over the respective financial asset, the asset continues to be recognized to the extent of the Group's continuing involvement. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continued involvement is the lower of the amount of the asset and the maximum amount of the consideration received that the Group may be required to repay.

Financial liabilities

A financial liability is derecognized, if the obligation specified in the contract is discharged or cancelled or expired.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognized in consolidated statement of comprehensive income.

(o) Contingent liabilities and assets

The Group does not recognized any contingent liabilities in these financial statements. Contingent liabilities are disclosed, unless the probability that an outflow of resources will be required is remote. No contingent assets are recognized by the Group, they are disclosed if it is probable, that the economic benefits related to the transaction will flow to the Group.

2. Summary of significant accounting policies (cont.)

(p) Leases

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Finance lease transactions under which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Group, are recognized in the balance sheet as fixed assets at an amount that at the inception of the lease is equal to the fair value of the lease asset or, if lower, the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is included in the income statement as interest expense.

If there are reasonable grounds to expect that at the end of the lease term the ownership to the leased asset will not be transferred to the lessee, it is assumed that the useful life of the asset shall be lease term. In all other cases the depreciation of the capitalized leased asset will be calculated using a straight-line method over the estimated useful life of the asset.

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognised as income by a seller-lessee. Instead, it is deferred and amortised over the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease of assets under which substantially all risks and rewards incidental to ownership remains with the lessor is classified as an operating lease. Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term. The Group’s liabilities arising on operating leases are disclosed as off balance sheet liabilities.

(q) Revenue recognition

Starting from 1 January 2018, the Company has applied and recognises income according to SFPS No. 15 “Income from contracts with customers”, using a 5-step model. The model consists of:

- Determination of contractual relations;
- Determination of contract performance obligation;
- Determination of transaction price;
- Attribution of transaction price to the performance obligation;
- Recognition of income, when the Company has fulfilled the performance obligation.

The following criteria are used for determination of contractual relations:

- The contractual parties have approved a contract and are committed to fulfil their liabilities;
- The Company may identify the rights of each party in relation to deliverable goods or services;
- The Company may identify settlement procedures for the goods or services;
- The contract has commercial nature;
- There is high possibility, that the Company will charge remuneration due to it in exchange for goods or services that will be transferred to the customer.

Determination of contract performance obligation

The performance obligation exists, if there is a good or service, which is separable and there is a range of separate goods and services, which are basically identical.

2. Summary of significant accounting policies (cont.)

(q) Revenue recognition

Determination of transaction price
For determination of transaction price, the Company uses the “expected value” method, which is based on the weighted average and actual variable value of remuneration under similar contracts.

The Company uses a relief in respect of the financing component and does not adjust the transaction price, because the period between the customer's payment and performance obligation does not exceed one year.

Attribution of the transaction price to the performance obligation
The Company uses the adjusted market assessment method for determination of the market price. A discount is applied proportionally for each performance obligation, based on the relative goods or services sales prices.

Compared to the previous income recognition policy, no significant corrections arise as a result of application of SFPS No. 15.

(r) Segment information

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), is a component of the Group whose operating results are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group considers that it operates in one reportable segment (rent of construction equipment and provision of related support services: assembling, transport and operator services), no split by geographical segments is provided as the Group believes that all geographical segments can be aggregated as they exhibit similar long-term financial performance, nature of the products and services, type of customers, the methods to provide the services are similar, no specific regulatory requirements.

(s) Fair value

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

(t) Related party transaction

Related parties are the subsidiaries and associated companies of the Group’s Parent company, and the shareholders of the Group’s Parent company that have significant influence or control over the activities of the Group's Parent company, members of the council and board, their close relatives and entities in which the above referred persons have significant influence or control.

(u) Corporate income tax

The corporate income tax consists of the income tax calculated for the reporting year and deferred income tax.

Current tax

Corporate income tax for the reporting year (Latvia for 2017 and Lithuania for 2017 and 2018)

The corporate income tax for the reporting year has been calculated, by applying the corporate income tax rate of 15% to the taxable income for the tax year.

Corporate income tax for the reporting year (Estonia for 2017 and 2018, Latvia for 2018)

The company’s net profit is not subject to corporate income tax, however, income tax is levied on all dividends paid by the Company.

2. Summary of significant accounting policies (cont.)

Corporate income tax for the reporting year (Finland)

The corporate income tax for the reporting year has been calculated, by applying the corporate income tax rate of 20% to the taxable income for the tax year.

Corporate income tax for the reporting year (Sweden)

The corporate income tax for the reporting year has been calculated, by applying the corporate income tax rate of 22% to the taxable income for the tax year.

Corporate income tax for the reporting year (Russia)

The corporate income tax for the reporting year has been calculated, by applying the corporate income tax rate of 20% to the taxable income for the tax year.

Deferred tax

Deferred income tax arising due to temporary differences between the tax bases of assets and liabilities and their carrying amounts in these consolidated financial statements has been calculated, using the liability method for all countries the Group operates. Deferred income tax assets and liabilities are determined using the tax rates that are expected to apply when the related temporary differences reverse. The key temporary differences result from different depreciation tax rates applied under tax and accounting legislation, certain non-deductible expenses and tax losses carried forward.

Specific accounting for deferred tax due to tax regimes have been applied in the respect of Latvia and Estonia.

Deferred income tax (Latvia)

Based on the new Corporate Income tax law of the Republic of Latvia announced in 2017, starting from 1 January 2018 corporate income tax will be applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit, corporate income tax shall not be applied. The applicable corporate income tax rate has increased from the 15% to 20%.

In accordance with International Accounting Standard No 12 “Income Taxes“ requirements, in cases where income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%. Therefore, in the consolidated financial statements the deferred tax assets and liabilities are released to comprehensive income statement for 2017.

As a parent controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group could recognize deferred tax assets and liabilities in the respect of its investments in subsidiaries using tax rate applicable to distributed profits. In cases the parent has determined that subsidiary’s profits will not be distributed in the foreseeable future the parent does not recognize a deferred tax assets and liabilities.

Deferred income tax (Estonia)

In accordance with International Accounting Standard No 12 “Income Taxes“ requirements, in cases where income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Estonia the applicable rate for undistributed profits is 0%. Therefore, in the consolidated financial statements no deferred tax assets and liabilities are recognised.

As a parent controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group could recognize deferred tax assets and liabilities in the respect of its investments in subsidiaries using tax rate applicable to distributed profits. In cases the parent has determined that subsidiary’s profits will not be distributed in the foreseeable future the parent does not recognize a deferred tax assets and liabilities.

(z) Post balance sheet events

Only such post balance sheet events adjust amounts recognized in the consolidated financial statement, which provides additional information on the conditions that existed at balance sheet date (adjusting events). If post balance sheet events are not adjusting, they are disclosed in the consolidated financial statements only if they are material.

2. Summary of significant accounting policies (cont.)

(aa) International Financial Reporting Standards

These Consolidated Financial Statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Interpretations issued by its International Financial Reporting Interpretations Committee (IFRIC) as endorsed by EU.

The amounts shown in these Consolidated Financial Statements are derived from the Group companies' accounting records, appropriately reclassified for recognition, measurement and presentation in accordance with the IFRS as adopted by the EU.

Consolidated Financial Statements have been prepared under the historical cost convention.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements. The effect of the adoption of IFRS 9 was a release of a bad debt allowance in amount of 102 109 EUR (please refer to consolidated statement of changes in equity).

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

2. Summary of significant accounting policies (cont.)

The Group has elected not to adopt new standard, amendments to existing standard and interpretation in advance of their effective dates. Except for IFRS 16, The Group anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.
As at 31 December 2018, the Group has non cancellable operating lease commitments of EUR 1 775 257. A preliminary assessment indicates that EUR 1 775 257 of these arrangements relate to leases other than short term leases and leases of low value assets, and hence the Group will recognise a right of use asset of EUR 1 775 257 and a corresponding lease liability of EUR 1 775 257 in respect of all these leases. The impact on profit or loss is to decrease 0 EUR. Other expenses will decrease by EUR 436 591, with increase in depreciation by EUR 395 821 and interest expense by EUR 40 770. The preliminary assessment indicates that EUR 436 591 of these arangements relate to short term leases and leases of low value assets. According to IFRS 16 Group has agreements for promissory rent, that are the part of liabilities in 2019. Group management considers that promissories will be used for the next 5 years.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 31 December 2018 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

3. Net revenue

The Group considers that operates in one reportable segment (rent of construction equipment and provision of related support services such as assembling, transport and operator services) thus additional segment reporting disclosures except for geographical location of the non current assets are not presented.

Net revenue by products and services	2018 EUR	2017 EUR
Rental revenue	35 294 249	30 191 410
Transport and related services revenue	9 170 501	7 769 417
Revenue from sale of inventories	720 833	641 831
Revenue from sale of property, plant and equipment used for renting	266 456	119 168
Cash discounts to customers	(87 423)	(51 271)
TOTAL:	**45 364 616**	**38 670 555**

Net revenue per geographical location	2018 EUR	2017 EUR
Latvia	14 900 761	11 159 693
Finland	12 419 289	11 277 868
Lithuania	9 300 449	9 463 249
Estonia	6 061 123	6 110 368
Sweden	2 074 270	273 583
Russia, Kaliningrad	608 724	385 794
TOTAL:	**45 364 616**	**38 670 555**

Property, plant and equipment per geographical location	31.12.2018 EUR	31.12.2017 EUR
Finland	10 639 528	10 716 904
Baltics (Latvia, Estonia and Lithuania)	41 355 644	45 134 535
Russia, Kaliningrad	174 409	180 892
Sweden	320 056	160 422
TOTAL:	**52 489 637**	**56 192 753**

Intangible assets (including goodwill) per geographical location	31.12.2018 EUR	31.12.2017 EUR
Finland	1 297 573	1 092 977
Baltics (Latvia, Estonia and Lithuania)	14 768 387	14 770 184
Russia, Kaliningrad	354 475	329 585
Sweden	83 552	617
TOTAL:	**16 503 987**	**16 193 363**

4. Other operating income

By type	2018 EUR	2017 EUR
Insurance reimbursements received	167 114	102 752
Cost compensation	57 126	21 146
Other income	6 975	66 518
TOTAL:	**231 215**	**190 416**

5. Cost of services and goods sold

a) Cost of goods sold

	2018 EUR	2017 EUR
Cost of goods sold	472 474	430 190
Cost of sold property, plant and equipment used for renting	198 290	127 243
Renting equipment corrected due to stock count	6 650	3 120
TOTAL:	**677 414**	**560 553**

b) Other external costs

	2018 EUR	2017 EUR
Transport and assembly services	7 141 991	5 665 805
Equipment rent related costs	5 187 214	4 417 423
Repairs and maintenance services	2 810 294	2 090 728
TOTAL:	**15 139 499**	**12 173 956**

6. Other operating expenses

	2018 EUR	2017 EUR
Rent of offices and areas and maintenance costs	2 329 004	1 963 067
Other administrative expenses	468 915	788 369
Written-off doubtful debts	831 168	339 835
Administration transport costs	561 915	818 100
IT expenses	773 954	505 845
Insurance costs	320 574	319 705
Marketing expenses	460 763	339 430
Consulting and other services *	357 587	210 079
Legal services	142 126	327 292
Communication expenses	147 404	136 549
Allowance (recovery) for doubtful debts	283 945	2 317
TOTAL:	**6 677 355**	**5 750 588**

6. Other operating expenses (cont.)

* including audit and non-audit fee to Deloitte network companies:

	2018	2017
Financial statements audit fee	79 287	45 108
Fees for permissible tax services	101 459	49 757
TOTAL:	**180 746**	**94 865**

7. Depreciation and amortization

	2018 EUR	2017 EUR
Property, plant and equipment depreciation	10 599 537	8 993 773
Amortization of intangible assets	521 710	352 971
Written - off part of long-term investments in leased fixed assets	43 680	-
Recognized deferred income (Note 26)	(1 068 867)	(959 426)
TOTAL:	**10 096 060**	**8 387 318**

Breakdown of the total property, plant and equipment depreciation charge:

	2018 EUR	2017 EUR
Depreciation of property, plant and equipment used for renting	9 891 772	8 579 633
Depreciation of property, plant and equipment used for own needs	707 765	414 140
TOTAL:	**10 599 537**	**8 993 773**

8. Interest and similar income

	2018 EUR	2017 EUR
Reduced purchase-related rewards	147 958	-
Interest income	3 139	955
TOTAL:	**151 097**	**955**

9. Interest and similar expenses

	2018 EUR	2017 EUR
Interest related to finance lease	1 243 977	1 286 307
Interest on borrowings	914 347	1 481 515
Interest related to bonds	485 524	268 811
Amortization of incurred incremental costs	364 862	126 125
Interest on factoring	15 614	15 046
Net foreign exchange losses	62 757	2 140
Other expenses	25 830	11 942
TOTAL:	**3 112 911**	**3 191 886**

Interest expenses presented above are incurred by financial instruments presented in the group Financial liabilities at amortized cost in accordance with IFRS 9.

10. Income tax expense

	2018 EUR	2017 EUR
Corporate income tax calculated for the year	(88 880)	(42 175)
Deferred income tax changes due to temporary differences	534 953	(139 733)
Corporate income tax recognized in consolidated statement of comprehensive income:	**446 073**	**(181 908)**

Deferred income tax:

	Consolidated statement of financial position 31.12.2018 EUR	31.12.2017 EUR
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	666 249	1 774 645
Gross deferred income tax liabilities	**666 249**	**1 774 645**
Deferred income tax assets		
Tax losses carried forward	(644 022)	(1 362 434)
Accrued vacation reserve	(12 743)	(2 459)
Other	(48 240)	(1 355)
Gross deferred income tax asset	**(705 005)**	**(1 366 248)**
Net deferred income tax asset	**(500 226)**	**(163 863)**
Net deferred income tax liabilities	**461 470**	**572 260**

The Group's management believes that in future years when deferred income tax liabilities crystallize they will be set off against the above referred deferred income tax assets.

Reconciliation of the actual corporate income tax with calculated theoretical tax:

	2018 EUR	2017 EUR
Profit/ (loss) before income tax	(303 346)	241 882
Reversed loss incurred by subsidiary in Estonia	-	-
Profit/ (loss) before income tax, subject to corporate income tax	**(303 346)**	**241 882**
The calculated theoretical corporate income tax – at 15%	(45 502)	36 282
Permanent differences:		
Expenses not related to business	-	1 494
Other permanent differences	(400 571)	144 132
The actual corporate income tax for the reporting year:	**(446 073)**	**181 908**
Effective corporate income tax rate	**147.05%**	**75.21%**

The parent has determined that eligable subsidiary's profits will not be distributed in the foreseeable future and thus the parent does not recognize related deferred tax assets and liabilities.

11. Personnel expenses and number of employees

		2018 EUR	2017 EUR
Salaries		6 923 955	5 730 054
State social security mandatory contributions		2 330 863	1 814 981
Other personnel costs		852 684	845 446
Remuneration to contractors		239 533	165 262
	TOTAL:	**10 347 035**	**8 555 743**

Executive management remuneration:		2018 EUR	2017 EUR
Board members			
Salaries		788 958	484 512
State social security mandatory contributions		189 854	114 089
	TOTAL:	**978 812**	**598 601**

		2018	2017
Average number of employees during the reporting year		296	285
	TOTAL:	**296**	**285**

Personnel costs by function:		2018 EUR	2017 EUR
Sales		4 568 962	3 214 124
Customer services		3 766 785	3 482 256
Administration and finance staff		2 011 288	1 859 363
	TOTAL:	**10 347 035**	**8 555 743**

12. Intangible assets

	Licenses and similar rights	Other intangible assets	Customer relationships	Goodwill	TOTAL
	EUR	EUR	EUR	EUR	EUR
At 31 December 2016					
Historical cost	465 376	1 474 513	125 000	14 336 732	16 401 621
Accumulated amortisation	(155 397)	(1 095 066)	(17 361)	-	(1 267 824)
Net carrying value	**309 979**	**379 447**	**107 639**	**14 336 732**	**15 133 797**
FY 2017					
Net carrying value, opening	309 979	379 447	107 639	14 336 732	15 133 797
Additions	32 947	366 532	-	-	399 479
Additions due to acquisition *	2 320	1 118	-	1 009 620	1 013 058
Amortisation	(78 720)	(232 584)	(41 667)	-	(352 971)
Net carrying value, closing	266 526	514 513	65 972	15 346 352	16 193 363
At 31 December 2017					
Historical cost	501 222	1 843 031	125 000	15 346 352	17 815 605
Accumulated amortisation	(234 696)	(1 328 518)	(59 028)	-	(1 622 242)
Net carrying value	**266 526**	**514 513**	**65 972**	**15 346 352**	**16 193 363**
FY 2018					
Net carrying value, opening	266 526	514 513	65 972	15 346 352	16 193 363
Additions	53 119	780 926	-	-	834 045
Write-off	(1 711)	-	-	-	(1 711)
Amortisation	(86 316)	(393 728)	(41 666)	-	(521 710)
Net carrying value, closing	231 618	901 711	24 306	15 346 352	16 503 987
At 31 December 2018					
Historical cost	552 630	2 623 957	125 000	15 346 352	18 647 939
Accumulated amortisation	(321 012)	(1 722 246)	(100 694)	-	(2 143 952)
Net carrying value	**231 618**	**901 711**	**24 306**	**15 346 352**	**16 503 987**

* Regarding Goodwill increase in relatation to acquisition please see Note 36C.

Property, plant and equipment and intangible assets are tested for impairment for each reporting date. For the purpose of impairment testing on property, plant and equipment and intangible assets, recoverable amount - value in use - is determined by discounting the future cash flows generated from the continuing use of assets and was based on the following key assumptions: Cash flows were projected based on a 5 year business plan. Cash flows were extrapolated using the compound annual revenue growth rates from 5% in the Baltics, 37% in the Kaliningrad region of Russia, 12% for Finland and 24% for Sweden. The compound annual growth rates for costs were from 4% in the Baltics, 33% in Russia, 11% for Finland and 29% for Sweden. A post-tax discount rate of 10% was applied in determining the recoverable amount of assets. The discount rate was estimated based on an industry average weighted average cost of capital. No impairment has been identified. The recoverable value of non-current assets significantly depends on the assumptions used in valuation with respect to sales growth and timing of this growth as well as Group management's ability to realize those assumptions and overall development of Baltic and Nordic construction market. Any adverse changes to these assumptions caused by volatility of the market the Group operates in, may negatively influence the carrying value of non-current assets presented in the Group's balance sheet as of 31 December 2018.

13. Property, plant and equipment

	Land and buildings	Leasehold improvements	Plant and equipment	Other fixed assets	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
at 31 December 2016						
Historical cost	-	148 531	79 735 316	2 720 053	288 700	82 892 600
Accumulated depreciation	-	(29 706)	(31 360 106)	(1 241 038)	-	(32 630 850)
Net carrying value (Restated)	**-**	**118 825**	**48 375 210**	**1 479 015**	**288 700**	**50 261 750**
FY 2017						
Net carrying value, opening	-	118 825	48 375 210	1 479 015	288 700	50 261 750
Additions	-	19 746	8 539 603	908 246	398 262	9 865 857
Additions due to acquisition	269 882	20 538	4 709 035	67 842	-	5 067 297
Value increase*	-	-	355 752	-	-	355 752
Disposals, net	-	-	(171 109)	(13 064)	-	(184 173)
Depreciation	(5 687)	(33 263)	(8 580 255)	(554 616)	-	(9 173 821)
Net carrying value, closing	264 195	125 846	53 228 236	1 887 423	686 962	56 192 662
at 31 December 2017						
Historical cost	306 883	273 035	93 168 597	3 683 077	686 962	98 118 554
Accumulated depreciation	(42 688)	(147 189)	(39 940 361)	(1 795 654)	-	(41 925 892)
Net carrying value (Restated)	**264 195**	**125 846**	**53 228 236**	**1 887 423**	**686 962**	**56 192 662**
FY 2018						
Net carrying value, opening	264 195	125 846	53 228 236	1 887 423	686 962	56 192 662
Additions	-	26 369	6 502 979	738 083	36 782	7 304 213
Transfered	-	-	371 000	-	(371 000)	-
Value increase*	-	-	140 006	-	-	140 006
Disposals, net	-	(1 606)	(387 039)	(115 382)	-	(504 027)
Depreciation	(15 093)	(43 680)	(9 891 772)	(692 672)	-	(10 643 217)
Net carrying value, closing	249 102	106 929	49 963 410	1 817 452	352 744	52 489 637
at 31 December 2018						
Historical cost	306 883	297 798	99 263 641	4 305 778	352 744	104 526 845
Accumulated depreciation	(57 781)	(190 869)	(49 300 231)	(2 488 326)	-	(52 037 208)
Net carrying value	**249 102**	**106 929**	**49 963 410**	**1 817 452**	**352 744**	**52 489 637**

In 2018 the group has performed a detailed investigation of all lease agreements that it holds and came to a conclusion that certain lease agreements which relate to the lease of cars were previously incorrectly treated as operating leases, while actual facts and circumstances indicate an existence of finance leases as per criteria set out in IAS 17 "Leases". As a result, group has elected to re-state prior period balances to reflect its financial position with adjusted lease balances. Please see Note 31.

*Value increase is related to leaseback transactions with fixed assets in 2017 and 2018. Respective increase is also disclosed in deferred income that is amortised over lease term.

13. Property, plant and equipment (continued)

Carrying value of assets acquired under finance lease

The cost value of assets acquired under finance lease is stated as follows:

	31.12.2018 EUR	31.12.2017 EUR
Plant and equipment	66 136 110	66 511 194
Other fixed assets	2 295 206	1 853 812
TOTAL:	**68 431 316**	**68 365 006**

The leased assets have been pledged as a security for the respective finance lease liabilities. See Note 23 and 24.

Fully depreciated property, plant and equipment

A number of fully depreciated property, plant and equipment are still used for the Group's business operations. The total historical cost of such property, plant and equipment was EUR 8 969 876 at the end of the reporting year (EUR 5 767 003 in 2017).

14. Inventories

	31.12.2018 EUR	31.12.2017 EUR
Goods for sale (at cost)	713 932	438 143
Consumables (at cost)	610 033	604 727
TOTAL:	**1 323 965**	**1 042 870**

15. Trade receivables

	31.12.2018 EUR	31.12.2017 EUR
Trade receivables	7 034 705	7 254 412
Allowance for doubtful debts (individual)	(2 257 376)	(2 091 896)
Allowance for doubtful debts (collective)	(194 827)	-
TOTAL:	**4 582 502**	**5 162 516**

Interest is not charged on late payment of receivables. Generally, trade receivables are due within 15 - 45 days. Allowance for doubtful debts is made upon individual assessment of individual balances. In addition to that, a collective provision is calculated. Trade receivables are not secured or collaterized, except customers which use factoring. Trade receivables which use factoring are insured.

15. Trade receivables (cont.)

Changes in the allowance for doubtful debts (Individually assessed)	31.12.2018 EUR	31.12.2017 EUR
At the beginning of the year	**2 091 896**	**1 673 157**
Allowance increase	996 648	402 983
Additions due to acquisition	-	388 822
Written-off	(831 168)	(373 066)
TOTAL:	**2 257 376**	**2 091 896**

Movement in allowance for doubtful debts according IFRS 9 (Collectively assessed)	31.12.2018 EUR
At the beginning of the year	**102 109**
Allowance increase	92 718
Written-off	-
TOTAL:	**194 827**

16. Other receivables

	31.12.2018 EUR	31.12.2017 EUR
Refundable value-added tax	115 957	28 658
Guarantee deposit	92 703	91 709
Advances made to suppliers	64 002	72 901
Accrued earnings	41 114	55 907
Other receivables	254	21 567
Advances made to employees	5 128	6 083
TOTAL:	**319 158**	**276 825**

17. Prepaid expenses

	31.12.2018 EUR	31.12.2017 EUR
Payments to lease companies in January	-	241 741
Other deferred expenses	211 189	322 643
Total:	**211 189**	**564 384**
Total Non-current prepaid expenses:	-	32 393
Total Current prepaid expenses:	211 189	531 991

18. Cash and cash equivalents

	31.12.2018 EUR	31.12.2017 EUR
Cash in bank and cash, EUR	4 037 189	5 944 677
Cash in bank and cash, RUB	162 381	242 072
Cash in bank and cash, SEK	30 204	52 502
Cash in bank and cash, NOK	620	703
TOTAL:	**4 230 394**	**6 239 954**

19. Share capital of the Parent company

In 2017 share capital was increased by EUR 26 173 420 and the registered share capital of the Group's Parent company on 31.12.2018 and 31.12.2017 is EUR 33 316 278, divided into 33 316 278 shares. The nominal value of a share is EUR 1. All shares have equal voting right and dividend entitlement.

In November 2014 the Company attracted new investor Darby financial investment fund, which issued a significant loan to the Group's Parent company (see Note 29 c). The total costs associated with attracting an investor amounted to EUR 712 140. The Group defined these costs as incremental costs associated with raising funding under IAS 39. These costs are written off progressively over the entire borrowing period. In 2014, by part of the received loan was increased the Group's parent company's share capital, and the amount of additional costs of EUR 167 340, in proportion to the capitalized amount, was attributed to the Group's parent company's equity. In 2017, equity was increased by capitalizing the remaining amount of the loan from the investor, and thus the residual amount of additional costs was written off, increasing the accumulated losses of the Group's Parent company by EUR 388 929.

Parent company's shareholders as of 31 December 2017:

Shareholder	Numbers of shares	Amount EUR	Participating interest (%)
Levina Investments S.A.R.L. (Luxembourg)	24 320 882	24 320 882	73%
Perle Cunsultancy LTD (Cyprus)	4 497 698	4 497 698	13.5%
TORRINI LTD (Cyprus)	4 497 698	4 497 698	13.5%
TOTAL:	**33 316 278**	**33 316 278**	**100%**

Parent company's shareholders as of 31 December 2018:

Shareholder	Numbers of shares	Amount EUR	Participating interest (%)
Levina Investments S.A.R.L. (Luxembourg)	24 320 882	24 320 882	73%
"Bomaria" SIA	4 497 698	4 497 698	13.5%
"Supremo" SIA	4 497 698	4 497 698	13.5%
TOTAL:	**33 316 278**	**33 316 278**	**100%**

20. Provisions

	31.12.2018 EUR	31.12.2017 EUR
Contingent consideration related to acquisition	316 661	776 385
Provisions for employee bonuses	711 643	685 180
Other provisions	31 293	35 929
Total:	**1 059 597**	**1 497 494**
Total Non-current provisions:	-	539 554
Total Current provisions:	1 059 597	957 940

Changes in the provisions :	**31.12.2018 EUR**	**31.12.2017 EUR**
At the beginning of the year	**1 497 494**	**926 983**
Provision (decrease) / increase	(437 897)	570 511
TOTAL:	**1 059 597**	**1 497 494**

21. Loans from credit institutions

In 2016 Leinolift Oy received loan from Danske Bank Oyj

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2018 EUR	31.12.2017 EUR
Danske Bank Oyj	31.12.2020.	70 000	2.029%	28 000	42 000
			Total Non-current liabilities:	**14 000**	**25 565**
			Total Current liabilities	**14 000**	**16 435**

22. Issued bonds

In 2017 Group issued bonds with maturity date 30.06.2020 and coupon interest rate 8%

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2018 EUR	31.12.2017 EUR
Issued bonds	30.06.2020	8 245 000	8	8 245 000	6 644 597
Incremental cost allocation		(153 611)		(153 611)	(137 195)
			Total:	**8 091 389**	**6 507 402**

Loans against issued bonds are unsecured. Full amount of loan is repayable upon maturity date.

Total loans origination fees and costs amounted to 223 970 EUR. The Group treated these fees and costs as incremental costs related to attracted finance. These fees and costs are an integral part of the effective interest rate of the loans and are treated as an adjustment to the effective interest rate.

23. Finance lease liabilities

By asset type	Maturity	***Actual interest rate, (%)***	**31.12.2018 EUR**	**31.12.2017 EUR**	**Balance sheet value of leased assets on 31.12.2018 EUR**
Leasing companies (various asset types)	Various (2019 - 2022)	1.8-5.5% +3 MEURIBOR	21 837 378	24 841 676	64 282 868
Redemption contracts (various asset types)	31.12.2023	1.5%	1 337 612	1 914 486	4 162 168
Supplier funding (various asset types)	28.07.2021	2%-8,67%	2 049 700	2 652 157	8 594 562
		Total:	**25 224 690**	**29 408 319**	**77 039 598**
		Total Non-current liabilities:	15 766 471	19 884 744	
		Total Current liabilities:	9 458 219	9 523 575	

All financial liabilities are denominated in EUR.

The minimum lease payments and the present value of minimum lease payments can be presented as follows:

	31.12.2018		**31.12.2017***	
	Minimum payments	Current value of the payments	Minimum payments	Current value of the payments
	EUR	**EUR**	**EUR**	**EUR**
Within 1 year	10 445 821	9 458 219	10 385 321	9 523 575
After 1 year not exceeding 5 years	16 937 556	15 766 471	20 961 386	19 884 744
Total minimum lease payments	27 383 377	25 224 690	31 346 707	29 408 319
Less financing costs	(2 158 687)	-	(1 938 388)	-
Present value of minimum lease payments	**25 224 690**	**25 224 690**	**29 408 319**	**29 408 319**

*In 2018 the group has performed a detailed investigation of all lease agreements that it holds and came to a conclusion that certain lease agreements which relate to the lease of cars were previously incorrectly treated as operating leases, while actual facts and circumstances indicate an existence of finance leases as per criteria set out in IAS 17 “Leases”. As a result, group has elected to re-state prior period balances to reflect its financial position with adjusted lease balances. Please see Note 31.

24. Other borrowings

In 2013 the Group has qualified for supplier credit from leading lift producer in Europe – Haulotte Group AB. Total supplier loan amount is EUR 1 712 546 with interest rate per annum of 3%. Final due date of the borrowing is 02.12.2018.

In 2014 the Group received second supplier credit from Haulotte Group AB. Total supplier loan amount is EUR 3 605 126 with interest rate per annum 3%. Final due date of the borrowing is 02.12.2019

In 2015 the Group received third loan from Haulotte Group AB. Total loan amounted to EUR 4 966 254 with interest rate 3% per annum. Loan repayment date is 01.10.2020.

In 2017 the Group received new loan from Haulotte Group AB and Yanmar Construction Equipment Europe S.A.S. Total loans amounted to EUR 4 099 953 with interest rate 2% per annum. Loan repayments dates are 01.12.2021 and 01.12.2020.

In 2018 the Group received new loan from Haulotte Group AB and Yanmar Construction Equipment Europe S.A.S. Total loans amounted to EUR 2 080 234 with interest rate 4% per annum. Loan repayments dates are 15.12.2021.

As collateral for contracts with Haulotte Group AB and Yanmar Construction Equipment Europe S.A.S Group has registered promissory notes for each payment.

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2018 EUR	31.12.2017 EUR
Haulotte Group SA	02.12.2018	1 900 000	3	-	343 344
Haulotte Group SA	04.11.2019	3 999 740	3	724 605	1 449 260
Haulotte Group SA	01.10.2020	5 500 000	2.49	2 004 450	2 995 856
Haulotte Group SA	01.12.2021	1 003 836	3.94	604 259	803 069
Haulotte Group SA	01.12.2021	1 994 007	3.94	1 275 191	1 694 746
Haulotte Group SA	01.12.2020	1 006 969	4	538 840	805 575
Haulotte Group SA	15.12.2021	1 004 278	4	806 100	-
Yanmar Construction Equipment Europe S.A.S	01.12.2020	995 703	4	532 812	796 564
Yanmar Construction Equipment Europe S.A.S	15.12.2021	1 075 956	4	863 635	-
Incremental cost allocation		(1 058 151)		(305 468)	(550 018)
Aston Baltic SIA	31.12.2018	109 575	-	51 511	80 730
			Total:	**7 095 935**	**8 419 126**
			Total Non-current liabilities:	3 892 770	5 420 741
			Total Current liabilities:	3 203 165	2 998 385

Total loans origination fees and costs amounted to 1 058 151 EUR. The Group treated these fees and costs as incremental costs related to attracted finance under IAS 39. These fees and costs are on integral part of the effective interest rate of the loans and are treated as an adjustment to the effective interest rate.

Changes in the incremental cost allocation:

	31.12.2018 EUR	31.12.2017 EUR
At the beginning of the year	**550 018**	**451 967**
Incremental cost increase	77 500	336 341
Written off as adjustment to effective interest rate	(322 050)	(238 290)

TOTAL:	**305 468**	**550 018**

25. Tax and national social insurance mandatory contributions

	31.12.2018 EUR	31.12.2017 EUR
Personal income tax	172 578	464 095
State social security mandatory contributions	206 685	173 046
Value added tax	261 839	36 800
Risk duty	3 174	3 104
Pension insurance	-	2 709
TOTAL:	**644 276**	**679 754**

26. Deferred income

	31.12.2018 EUR	31.12.2017 EUR
Profit from leaseback transactions	860 598	1 789 460
Total:	**860 598**	**1 789 460**
Total Non-current deferred income:	132 412	737 816
Total Current deferred income:	728 186	1 051 644

Leaseback transactions

In 2018, 2017 and 2016 the Group conducted leaseback transactions that resulted in sales proceeds exceeding the carrying amount of these assets in 2018 by EUR 140 005 and in 2017 by EUR 355 752.

Changes in the deferred income:	31.12.2018 EUR	31.12.2017 EUR
At the beginning of the year	**1 789 460**	**2 393 134**
Profit from leaseback transactions	140 005	355 752
Amortised and included in income of reporting year (See Note 7)	(1 068 867)	(959 426)
TOTAL:	**860 598**	**1 789 460**

27. Other liabilities

	31.12.2018 EUR	31.12.2017 EUR
Salaries	312 371	278 142
Other payables	14 117	19 612
TOTAL:	**326 488**	**297 754**

28. Accrued liabilities

	31.12.2018 EUR	31.12.2017 EUR
Provisions for unused employee vacations	750 880	665 927
Other accrued liabilities	560 666	433 043
TOTAL:	**1 311 546**	**1 098 970**

29. Related party transactions

Related parties are the subsidiaries and associated companies of the Group's Parent company, and the shareholders of the Group's Parent company that have significant influence or control over the activities of the Group's Parent company, members of the council and board, their close relatives and entities in which the above referred persons have significant influence or control.

From November 2014 the Company is controlled by LEVINA INVESTMENTS S.A.R.L (Luxemburg) and the Group's ultimate Parent company is Darby Converging Europe Fund III (SCS) SICAR (Luxemburg). This investor provided substantial loans to the Parent company. Total costs for new investor attracting amounted to EUR 712 140. The Group treated these costs as incremental costs related to attracted finance under IAS 39. These costs are amortized over loan maturity period. In 2014 part of received loan has been capitalized to share capital of the Parent company and amount of incremental costs related to capitalized amount has been allocated to equity of the Parent company (Note 19). In 2017, equity was increased by capitalizing the remaining amount of the loan from the investor, and thus the residual amount of incremental costs was written off, increasing the accumulated losses of the Group's Parent company by EUR 388 929.

29. (a) Related party transactions

Related party	Year	Goods and services received EUR	Payables to related companies EUR
Companies that have control over the Group's activities:			
Levina Investments S.A.R.L	2017	-	(4 293 052)
	2018	-	(4 597 688)
Companies with significant influence over the Group's activities:			
Supremo SIA	2017	(19 890)	(295 409)
	2018	(19 890)	(291 117)
Bomaria SIA	2017	(19 890)	(295 409)
	2018	(19 890)	(291 117)
The companies controlled by the Group's officers or their relatives: *			
Meistari ZS	2017	(5 452)	(406)
	2018	(5 192)	(406)
	Total 2017:	**(45 232)**	**(4 884 276)**
	Total 2018:	**(44 972)**	**(5 180 328)**

* Payables to the companies controlled by the Group's related parties or their relatives are included in the balance sheet item Trade payables, in the amount of EUR 406 at 31 December 2018 (2017: EUR 406).

29. Related party transactions (cont.)

29. (b) Terms and conditions of transactions with related parties

The due from and due to amounts outstanding at the end of the reporting year are unsecured and will be settled in cash. No guarantees have been issued or received for the related party due from amounts.

29. (c) Loans from related companies

	Maturity	Interest rate %	31.12.2018. EUR	31.12.2017. EUR
Levina Investments S.A.R.L.	31.12.2021.	7	4 597 688	4 293 052
Bomaria LTD	31.12.2021.	6	291 117	295 409
Supremo LTD	31.12.2021.	6	291 117	295 409
	Total Non-current liabilities:		**5 179 922**	**4 883 870**

Loans are not secured with any collateral. Full amount of loans is repayable upon maturity date.

30. Operating lease and contingent liabilities

The Group has entered into a number of premises rent agreements as a lessee. At 31 December 2018 the total minimum rental payments pursuant to premises rent agreements may be stated as follows:

	Maturity	31.12.2018. EUR
Finland	31.12.2023	1 237 060
Sweden	31.12.2023	538 197
	Total current liabilities:	**355 051**
	Total non-current liabilities:	**1 420 206**

Premises rent agreements, that can be discontinued by sending letter to premises holder one month before, are not incuded in this calculation.

31. Restatement

In 2018 the group has performed a detailed investigation of all lease agreements that it holds and came to a conclusion that certain lease agreements which relate to the lease of cars were previously incorrectly treated as operating leases, while actual facts and circumstances indicate an existence of finance leases as per criteria set out in IAS 17 "Leases". As a result, group has elected to re-state prior period balances to reflect its financial position with adjusted lease balances. Group has also considered effect on income statement for prior period and noted that such effect on income statement and equity is not material, thus, no corrections are made to income statement and equity.

Please see a summary of the correction effects:

Consolidated statement of financial position

ASSETS	31.12.2017	correction	corrected 31.12.2017	12/31/2016	correction	corrected 12/31/2016
Plant and equipment	53,161,512	66,814	53,228,236	48,347,736	27,474	48,375,210
Other fixed assets	880,885	1,006,538	1,887,423	793,958	685,057	1,479,015
TOTAL	**55,119,400**	**1,073,352**	**56,192,662**	**49,549,219**	**712,530**	**50,261,749**
TOTAL NON-CURRENT ASSETS	**71,509,019**	**1,073,352**	**72,582,281**	**65,819,657**	**712,530**	**66,532,187**
Prepaid expenses	553,458	-21,467	531,991	160,950	-12,427	148,523
TOTAL	**6,032,959**	**-21,467**	**6,011,581**	**3,983,226**	**-12,427**	**3,970,799**
TOTAL CURRENT ASSETS	**13,315,783**	**-21,467**	**13,294,405**	**8,799,388**	**-12,427**	**8,786,961**
TOTAL ASSETS	**84,824,802**	**1,051,884**	**85,876,686**	**74,619,045**	**700,103**	**75,319,148**

EQUITY AND LIABILITIES	31.12.2017	correction	corrected 31.12.2017	12/31/2016	correction	corrected 12/31/2016
Finance lease liabilities	19,101,594	783,150	19,884,744	20,731,423	530,505	21,261,928
TOTAL	**37,788,802**	**783,150**	**38,571,952**	**58,966,691**	**530,505**	**59,497,196**
Finance lease liabilities	9,254,841	268,734	9,523,575	8,452,214	169,598	8,621,812
TOTAL	**20,212,434**	**268,734**	**20,481,168**	**14,657,058**	**169,598**	**14,826,656**
TOTAL LIABILITIES	**58,001,236**	**1,051,884**	**59,053,120**	**73,623,749**	**700,103**	**74,323,852**
TOTAL EQUITY AND LIABILITIES	**84,824,802**	**1,051,884**	**85,876,686**	**74,619,045**	**700,103**	**75,319,148**

	Notes	2017 EUR	correction EUR	corrected 2017 EUR
Cash flows from operating activities				
Interest expense		3 177 804	29 466	3 207 250
Receivables (increase)		(922 016)	(9 040)	(931 056)
Interest paid		(2 573 383)	(29 466)	(2 602 829)
Net cash flow generated from operating activities		**10 335 928**	**(9 040)**	**10 326 888**
Cash flows from investing activites				
Purchases of property, plant and equipment		(2 397 348)	(538 182)	(2 935 530)
Net cash used in investing activities		**(6 706 307)**	**(538 182)**	**(7 244 489)**
Cash flows from financing				
Repayment of finance leases		(9 428 162)	547 222	(8 880 940)
Net cash used in financing activities		**(1 711 861)**	**547 222**	**(1 164 639)**

Cash and cash equivalents at the end of the reporting year	**18**	**6 239 954**	**-**	**6 239 954**

32. Financial instruments

Current and non-current loans and borrowings, trade receivables, cash and finance lease are the Group's key financial instruments. The financial instruments are held to finance the operating activities of the Group. The Group handles many other financial instruments, e.g. trade and other receivables, trade and other payables that arise.

Categories of financial assets and liabilities

Financial assets	**31.12.2018 EUR**	**31.12.2017 EUR**
Loans and receivables held at amortised cost		
- Trade receivables	4 582 502	5 162 516
- Other receivables	319 158	276 825
- Cash and cash equivalents	4 230 394	6 239 954
TOTAL financial assets:	**9 132 054**	**11 679 295**

Financial liabilities	**31.12.2018 EUR**	**31.12.2017 EUR**
Financial liabilities held at amortized cost		
- Loan from credit institution	28 000	42 000
- Loans against bonds	8 091 389	6 507 402
- Loans from related companies	5 179 922	4 883 870
- Finance lease liabilities	25 224 690	29 408 319
- Other borrowings	7 095 935	8 419 126
- Trade payables	2 835 312	3 724 111
- Other payables	326 488	297 754
TOTAL financial liabilities:	**48 781 736**	**53 282 582**

33. Financial risk management

The key risks associated with the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The management develops risk management policy in respect of each of the risks.

Credit risk

Credit risk is the risk that the Group incurred a financial loss if counterparty will fail to fulfill their obligations to the Group. The Group has credit risk exposure related to trade receivables, cash and cash equivalents. The Group control their credit risk by closely monitoring the customer payment history and setting separate terms and conditions to individual customers. In addition, the Group closely monitors receivables balances to minimize the possibility of bad debts.

In terms of loans and receivables as at 31 December 2018 and 2017 the Group did not have a significant credit risk concentration in respect of a single transaction partner or a group of partners of similar transactions.

The Group manages credit risk by independently assessing counterparty credit history and defining acceptable credit limit. The Group regularly monitors the overdue trade receivables. Trade receivables have a carrying amount which is reduced by provisions for bad and doubtful trade receivables (see note 15).

The maximum credit risk exposure at 31 December 2018 was EUR 9 132 054 (31.12.2017: EUR 11 679 295).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to timely and in full to ensure fulfilling its own commitments. Liquidity risk arises when terms of payments of financial assets and liabilities are not correlating. The Group's liquidity risk management is to maintain adequate cash and cash equivalent amount and provide sufficient financing in order to be able to fulfill its obligations in time. The Group manages its liquidity risk by maintaining adequate cash and cash equivalents, planning payments of trade payables as well as developing and analyzing future cash flows. The budgeting system used by the Group is helpful in the management and control of liquidity risk management.

The Group's management considers that the Group will have sufficient cash resources and its liquidity will not be compromised. At 31 December 2018, the Group's liquidity ratio was 0.56. As at 31 December 2017, the Group's liquidity ratio was 0.66.

At 31 December 2018 and 2017 the maturity of the financial payables of the Group, based on undiscounted payments provided for in the agreements can be disclosed as follows:

31.12.2018.	**< 3 months EUR**	**3 - 12 months EUR**	**1 - 7 years EUR**	**Total EUR**
Loan from credit institution	3 675	14 700	11 025	**29 400**
Issued bonds	164 900	494 700	8 574 800	**9 234 000**
Borrowings from related parties	-	326 312	6 189 612	**6 515 924**
Finance lease liabilities	1 490 737	9 458 932	16 433 709	**27 383 378**
Other borrowings	994 188	2 650 198	4 031 387	**7 675 773**
Trade payables	2 835 311	-	-	**2 835 311**
Other financial liabilities at amortized cost	1 217 698	-	-	**1 217 698**
TOTAL:	**6 706 509**	**12 944 842**	**35 240 533**	**54 891 484**

33. Financial risk management (cont)

31.12.2017.	< 3 months EUR	3 – 12 months EUR	1 – 7 years EUR	Total EUR
Loan from credit institution	3 500	14 000	24 500	**42 000**
Issued bonds	1 647 961*	411 600	5 609 490	**7 669 051**
Borrowings from related parties	-	636 476	6 352 834	**6 989 311**
Finance lease liabilities	1 289 168	9 404 283	21 587 087	**32 280 538**
Other borrowings	769 517	2 486 029	5 844 964	**9 100 510**
Trade payables	3 617 820	106 291	-	**3 724 111**
Other financial liabilities at amortized cost	1 110 108	-	-	**1 110 108**
TOTAL:	**8 438 074**	**13 058 679**	**39 418 875**	**60 915 629**

* Contractual maturities adjusted to include Bond repurchase of 1.5 m EUR in January 2018

In 2014 Group has signed factoring contract with Nordea Bank AB, which improved liquidity of the Group. The management of the Group treats this contract as factoring without rights of regress since customers debts under factoring agreements are insured. Contingent liabilities from this contract amounts to EUR 199 106 (31.12.2017: EUR 82 015). In 2018 maturity of these contracts has been prolonged till 30.11.2019.

Interest rate risk

Interest rate risk is the risk of financial losses incurred by the Group due to adverse fluctuations in interest rates. The Group is exposed to interest rate risk mainly related to its current and non-current finance lease liabilities. This exposes the Group to the risk that interest expenses will increase in a situation when interest rates go up. According to the Group's policy it is ensured that fixed rate interest on major part of its liabilities is constant. The average interest rate on the Group's liabilities is disclosed in Notes 21, 22, 23, 24 and 29 c. The Group doesn't use derivative financial instruments to manage its exposure to interest rate risk.

The sensitivity of the Group's profit before tax (as a result of the finance lease liabilities (see Note 23) with a floating interest rate) to potentially possible interest rate changes other variables remaining constant.

	2018		2017	
	Increase/ decrease of base rate	Effect on profit before tax EUR	Increase/ decrease of base rate	Effect on profit before tax EUR
Euro - EURIBOR	+0,5%	(126 123)	+0,5%	(81 945)
	-0,5%	126 123	-0,5%	81 945

Foreign currency risk

Foreign currency risk is the risk of financial losses incurred by the Group due to adverse fluctuations in foreign currency exchange rates. This risk arises when financial assets denominated in a foreign currency do not match financial liabilities in that currency which results in open currency positions.

The Group does not have any material balances of financial assets and liabilities denominated in currencies other than the Euro. The Group is exposed to foreign currency risk mainly arising from transactions denominated in the Russian rubles (RUB) due to entity operating in Russia Kaliningrad region. Approximately 1% of the Group's revenue during 2018 resulted from contracts denominated in the Russian rubles (RUB) (2017: 1%). Therefore, during the reporting year the Group's exposure to foreign currency risk was not significant.

34. Fair value of financial assets and financial liabilities that are not measured at fair value

The management believes that there are no material differences between the fair values of the financial assets and their book values. The Group has certain financial liabilities with fixed rates. This indicates that the fair value of financial liabilities could be different from book values.

35. Capital management

The purpose of the management of Group capital is to provide a high credit rating and balanced structure of capital to ensure successful activity of the Group and to maximize Group's share value. The Group is not subject to any externally imposed capital requirements. The Group is controlling structure of the capital and adjusts that structure according to economic conditions. For control and adjustment of structure of the capital, the Group can change conditions of payment of dividends to shareholders, to return them part of shares or to release new shares. In 2018 and 2017 there were no changes introduced to purposes, policy or processes related to management of the capital.

	31.12.2018 EUR	**31.12.2017 EUR**
Interest bearing loans and borrowings	45 619 935	49 260 717
Trade and other payables	4 053 009	4 834 219
Less cash and cash equivalents	(4 230 394)	(6 239 954)
Net debt	**45 442 551**	**47 854 982**
Equity	26 840 658	26 823 566
Net debt to equity ratio:	**1.69**	**1.78**

36. Contingent liabilities - issued guarantees

28.08.2016 Storent SIA issued guarantee to Luminor Lizingas UAB due to factoring contract between Storent UAB and Luminor Lizingas UAB. The amount of the guarantee is 400 000 EUR and guarantee is valid till 17.06.2019. At the preparation of the consolidated report there are no indications that guarantee is required to settle the obligation resulting in an outflow of economic benefits from the Group.

27.06.2017 Storent Investments issued guarantee to Luminor Liising AS due to factoring contract between Storent OU and Luminor Liising AS. The amount of the guarantee is 400 000 EUR and guarantee is valid till full liability repayment. At the preparation of the consolidated report there are no indications that guarantee is required to settle the obligation resulting in an outflow of economic benefits from the Group.

In 2016, 2017 and 2018 Storent Investments AS issued guarantees to Luminor Līzings SIA due to concluded financial lease contracts between Storent SIA and Luminor Līzings SIA. The amount of the guarantee is 10 794 073 EUR and guarantee is valid till 31.12.2023. At the preparation of the consolidated report there are no indications that guarantee is required to settle the obligation resulting in an outflow of economic benefits from the Group.

In 2014 Storent Investments AS issued guarantees to Luminor Līzings SIA due to concluded factoring contracts between: Storent SIA and Luminor Līzings SIA, the amount of the guarantee is liability amount and guarantee is valid till full liability repayment. At the preparation of the consolidated report there are no indications that guarantee is required to settle the obligation resulting in an outflow of economic benefits from the Group.

In 2016, 2017 and 2018 Storent Investments AS issued guarantees to UniCredit Leasing SIA due to concluded financial lease contracts between Storent SIA and UniCredit Leasing SIA. The amount of the guarantee is 3 624 850 EUR and guarantee is valid till 30.09.2023. At the preparation of the consolidated report there are no indications that guarantee is required to settle the obligation resulting in an outflow of economic benefits from the Group.

In 2009 and in 2011 Leinolift Oy issued guarantees to Danske Bank Oyj due to concluded loan agreement between Leinolift Oy and Danske Bank Oyj. The amount of guarantee is 300 000 EUR and guarantee is valid till loan will be repaid.

37. Business combinations

37. (a) Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity interests aquired	Consideration transferred
Aquired in 2017				
- Crent SIA	Renting and leasing of construction machinery and equipment	31.07.2017	100%	3 977 292
- Storent OOO	Renting and leasing of construction machinery and equipment	31.07.2017	100%	582 937
			TOTAL:	**4 560 229**

37. (b) Assets acquired and liabilities recognized at the date of acquisition

Aquired in 2017

	Crent SIA EUR	Storent OOO EUR	Total EUR
Current assets			
- Cash and cash equivalents	119 939	94 934	214 873
- Trade and other receivables	1 022 561	85 911	1 108 472
- Inventories	87 084	22 324	109 408
Non-current assets			
- Property, pland and equipment	4 845 514	225 221	5 070 735
- Deferred tax assets	-	1 463	1 463
Current liabilities			
- Trade and other payables	(747 095)	(109 973)	(857 068)
Non-current liabilities			
- Deferred tax liabilities	-	(489)	(489)
- Loans	(2 030 746)	(66 039)	(2 096 785)
Total net assets acquired:	**3 297 257**	**253 352**	**3 550 609**

37. (c) Goodwill arising on acquisition

	Crent SIA EUR	Storent OOO EUR	Total EUR
Consideration transferred	3 977 292	582 937	4 560 229

Less: fair value of identifiable net assets acquired	(3 297 257)	(253 352)	(3 550 609)
Goodwill arising on acquisition:	**680 035**	**329 585**	**1 009 620**

Goodwill arose in the acquisition of Crent SIA, Storent OOO and Leinolift Oy because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Crent SIA, Storent OOO and Leinolift Oy. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

37. (d) Impact of acquisitions on the results of the Group

On 1 August 2017 the Group acquired all of the shares in Cramo SIA (after acquisition renamed to Crent SIA and as of 1 December 2017 merged to Storent SIA) and Cramo OOO (currently exists as separate entity with current title Storent OOO) for total fee EUR 4 560 229, which was settled with bank payment. Cramo OOO main business activity is rental of industrial equipment in Russia, Kaliningrad. Crent SIA main business activity was rental of industrial equipment in Latvia.

The revenue included in the consolidated statement of comprehensive income since 1 August 2017 contributed by Storent OOO and Crent SIA in total was EUR 1 946 503. Storent OOO and Crent SIA also contributed profit in total of EUR 152 228 over the same period.

The consolidated results of the Group for 2017 do not include revenues and expenses generated by Cramo SIA and Cramo OOO for the period 1 January 2017 till 31 July 2017. The below is presented the adjusted results for the Group including Cramo SIA and Cramo OOO comprehensive income statement for the period 1 January 2017 till 31 July 2017. The Group management considers these numbers to provide a reference point for comparison in future periods.

	Consolidated statement of comprehensive income 2017 EUR	Adjustments EUR	Adjusted results of the Group 2017 EUR
Net revenue	38 670 555	3 002 876	41 673 431
Other operating income	190 416	131 249	321 665
Cost of materials and services received	(12 734 509)	(773 969)	(13 508 478)
Personnel costs	(8 555 743)	(620 192)	(9 175 935)
Other operating expenses	(5 750 588)	(698 803)	(6 449 391)
Depreciation and amortization	(8 387 318)	(605 599)	(8 992 917)
Interest and similar income	955	4 053	5 008
Interest and similar expenses	(3 191 886)	(49 175)	(3 241 061)
Profit before taxes	**241 882**	**390 440**	**632 322**
Income tax expense	(181 908)	(51 015)	(232 923)
Profit for the year	**59 974**	**339 425**	**399 399**
Other comprehensive income for the year	(16 195)	-	(16 195)
Total comprehensive income for the year	**43 779**	**339 425**	**383 204**

38. Going concern of the Group

Group's performance in the reporting year was profit of EUR 142 727 (2017: profit EUR 59 974), which have resulted due to growth of revenue. At the end of the year the Group's current liabilities exceeded its current assets by EUR 9 114 758 (31.12.2017: current liabilities exceeded its current assets by EUR 7 186 763), that was mainly driven by the

Group's entity in Latvia Storent SIA signing refinancing financial leasing contracts in 2018. The liquidity is planned to be covered by cash flow from operating activities in the coming years.

The Group's management expects that starting from 2019 more active acquisition of EU funds will take place, which will give a positive effect on the development of construction industry, and stabilization of rental prices is expected, especially in Latvia and Lithuania. The currently available bank financing gives an additional incentive for stable economic growth in the Baltic States, which will also give extra incentive to the construction sector. Taking into consideration the above mentioned circumstances, the management plans to increase net sales in 2019 and to finalize the year with profit.

The financial statements have been prepared on the basis that the Group will continue as a going concern, and do not include any adjustments that might be necessary if the going concern assumption would not be applicable.

39. Post balance sheet events

In order to meet minimal capital requirements according to respective country law of one of the Group’s entity’s the parent company will make investment to share capital of respective subsidiary in amount of EUR 2 427 265 in 2019.

During the period between the last day of the financial year and the date of signing of these consolidated financial statements there have been no other significant events that would have require adjustments or disclosure in the consolidated financial statements.

Deloitte.

Deloitte Audits Latvia SIA
Gredu street 4a
Riga LV-1019
Latvia

Tel.: +371 6707 4100
Fax: +371 6707 4103
www.deloitte.com/lv

Independent Auditors' Report

To the shareholders of "Storent Investments" AS

Our Opinion on the Consolidated Financial Statements

We have audited consolidated financial statements of "Storent Investments" AS and its subsidiaries (further - "the Group") set out on pages 7 to 47 of the accompanying annual report, which comprise:

- the consolidated statement of financial position as at 31 December 2018,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Deloitte.

Deloitte Audits Latvia SIA
Gredu street 4a
Riga LV-1019
Latvia

Tel.: +371 6707 4100
Fax: +371 6707 4103
www.deloitte.com/lv

Key audit matter	**How the matter was addressed in the audit**
Judgments and estimates with respect to valuation of goodwill	
As disclosed in Note 12 the Group has recorded a significant amount of goodwill that is subject to an annual impairment test. As at 31 December 2018, the goodwill balance amounts to 15.3 m EUR which represents 19% of total assets and 57% of total equity. The Group performs an annual impairment test of non-current assets including goodwill to identify impairment losses, arising when the recoverable amount of cash generating unit is lower than the carrying amount recorded. Based on the impairment test, no impairment losses have been identified as at 31 December 2018. The cash flow projections and discount rates applied to the projected future cash flows involve significant management judgement. The recoverable value significantly depends on the assumptions used with respect to sales growth, timing of this growth, profitability targets as well as the Group management's ability to realise those assumptions and overall development of the Baltics, Scandinavian and Russian construction market. Any adverse changes to these assumptions caused by volatility of the market the Group operates in may negatively influence the carrying value of non-current assets presented in the Group's consolidated statements of financial position as of 31 December 2018. Accordingly, the impairment test of goodwill in considered to be a key audit matter.	Our audit procedures were focused on the assessment of key assumptions used by the management in calculations, including the cash flow projections and discount rates. We assessed assumptions used in cash flow projections which the outcome of impairment test is most sensitive to, and evaluated the reasonableness of assumptions made by management by comparing them to internal sources of information available within the Group and also to externally available industry, economic and financial data. Furthermore, we evaluated management's budgeting process by comparing actual results to previously forecasted results. We assessed the completeness and accuracy of the disclosures relating to goodwill to assess compliance with disclosure requirements included in IFRS.

Reporting on Other Information

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

- information about the Group, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4 to 5 of the accompanying Annual Report,
- the Statement on Management's Responsibilities, as set out on page 6 of the accompanying Annual Report,
- the Statement of Corporate Governance, which will be submitted to "Nasdaq Riga" AS together with the accompanying annual report.

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

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

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

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

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

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

Deloitte.

Deloitte Audits Latvia SIA
Gredu street 4a
Riga LV-1019
Latvia

Tel.: +371 6707 4100
Fax: +371 6707 4103
www.deloitte.com/lv

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.2 third paragraph, clause 1 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.2, third paragraph, clause 1 of the Financial Instruments Market Law.

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

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

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Deloitte.

Deloitte Audits Latvia SIA
Gredu street 4a
Riga LV-1019
Latvia

Tel.: +371 6707 4100
Fax: +371 6707 4103
www.deloitte.com/lv

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed by those charged with governance on 29 October 2018 to audit the financial statements of Storent group for the year ended 31 December 2018. Our total uninterrupted period of engagement is five years.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Supervisory Board of the Company;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Inguna Staša.

Deloitte Audits Latvia SIA
Licence No.43

Inguna Staša
Member of the Board
Certified Auditor of Latvia
Certificate No.145

Riga, Latvia
April 4, 2019