

**JOINT-STOCK COMPANY
STORENT INVESTMENTS**
(REGISTRATION NUMBER 40103834303)

CONSOLIDATED ANNUAL REPORT 2019

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

Riga, 2020

** This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.*

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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 Consultancy LTD (Cyprus) 13.5% (till 31.08.2018) TORRINI LTD (Cyprus) 13.5% (till 31.08.2018)
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 (from 11.12.2017) Burak Dalgin, Member of the Council (from 04.04.2019) Jozwiak Michal Lukasz, Member of the Council (till 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
Independent auditor and certified auditor name and address	Deloitte Audits Latvia SIA 4a Gredu Street, Riga Latvia, LV – 1019 License No. 43 Jana Nikandrova Latvian Certified Auditor Certificate No. 215

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 (now company name changed to Storent Oy), a Finnish lifting 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 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 a good year for the company. The consolidated turnover increased by more than 5% reaching 47,7 million euros. Growing construction market in all Baltic and Nordic countries has been one of factors that accelerated company growth. Rent income increased for both, own and vendor equipment rentals. Most significant increase was in sale of rental equipment. For the first time Storent group started to resell oldest items of rental fleet.

Baltic region operations increased rental income by 14% with highest growth rate in Latvia, where Storent is equipment rental market leader. Baltic region accounts for approximately 75% of group rent income. In 2019 In **Estonia** construction market volume stayed at the previous year level. Market is expected to demonstrate modest growth in construction volumes in 2020, although there's a wide pipeline of various construction projects to be realized through the year. **Latvian** construction market increased by 2,9% in 2019. Highest growth rate was achieved in specialized construction works with almost 7,8% and in building construction with 1%. There is a number of large and medium scale projects including ones financed under EU programs to be started in 2020, 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 13% in 2019. Largest increase was in civil engineering segment with 12% growth. Residential and non-residential segments had grown by 17% and 19%, respectively. There are many EU financed construction related projects to be realized in 2020.

Nordic operations have decreased by 11% compared to 2018. There's been a small decrease of construction volumes in Sweden in 2019, and the same trend is expected to continue in 2020. Finnish market showed growth of 3,5% in 2018 and it's expected to steady in 2020. **Finnish** operations showed decrease in the first part of the year but after revised sale strategy and stabilizing team sales returned in the level of last year in quarter 4. New rental depo in Tampere was opened in summer and in November company made name changes from Leinolift Oy to Storent Oy, becoming a full Storent brand name user. **Swedish** operations had small decrease mostly related to high level of employee turnover and unsteady customer portfolio. 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 operations have seen revenue decrease. Although official sources report construction market growth, construction activities are ensured mostly by state financed projects. Customers' insolvencies remains to be one of key factors for reduced rent income. We see number of large construction projects started in December, which should serve as driver for rent income growth in 2020.

Investment plan for rental assets for 2019 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 25% 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 3.9 million euros bank account balance at the end of the accounting period. The Group finalized the year 2019 with a profit of 19 749 EUR.

The future development of the Group

The Group management plans to continue investing in the development of all subsidiaries. The main focus area in 2020 will be digital transformation and efficiency increase. The Group has transformed its IT strategy to comply with the scalability needs in the future and already in March 2020, Storent became the first online equipment rental company that integrates Artificial Intelligence and Machine Learning systems. Simplified processes with powerful online platform is available for customers on PC but is primarily designed for mobile use. Removal of paper from day-to-day processes to be replaced with digital signatures, smart ID and other electronical signatures are more and more used in rental deals within the Group. The company holds an extensive amount of historical data and a highly professional management team. Artificial Intelligence and Machine Learning is developed to determine the query patterns and generate decisions in daily operations. The dynamic pricing model will be implemented utilizing Artificial Intelligence with transparent pricing policy where rental prices depend on the duration of the rental period – the longer the rent, the lower the price for customers. To motivate customers to use online rental solution the Groups has launched Customer benefit program “Rental point”. Customers may earn up to 20% from the rental price in „Rental Points“ by placing orders online and by using digital signatures during transactions. This will be a tangible and easily trackable benefits as “Rental Points” can be used as a payment mean for Storent services. The Group has signed a cooperation agreement with online platform PreferRent.com to increase the fleet capacity without incurring additional financial liabilities. The Group plans to double split-rent share in total income from current 20% to 40% in two years. Although the Group has approved investment plan budget, taking into account covid-19 impact on construction industry Management has postponed investment implementation and has asked for grace periods for principal repayments of borrowings and leasings. Management estimates that construction industry will recover after covid-19 pandemic impact on business operation in the autumn of 2020 yet, since rental industry is seasonal, management believes that the construction volumes will return in the level of 2019 and continue to grow only starting spring 2021.

Financial risk management

The Group key principles of finance risk management are presented in the Note 32.

Events after the balance sheet date

In order to meet minimal capital requirements according to respective country laws of five Group's entity's, share capitals of individual group companies will be increased in total by 4.5 million EUR in 2020.

In March Storent Investments AS announced new bond issuance in total amount of 15 million euro. Storent Investments AS to date has managed to exchange 3.4 million EUR worth of its existing bonds with bonds that mature on 30 June 2023. The notes should be admitted to listing and trading on the official bond list (the Baltic Bond List) of AS “Nasdaq Riga” by 30 June 2020.

The rapid development of the Covid-19 virus and its social and economic impact in countries that the group operates in and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day. Please refer further to Notes 36 and 37 to the financial statements.

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 29 April 2020 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 29 April 2020

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 2019 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 29 April 2020 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Consolidated statement of comprehensive income

	Notes	2019 EUR	2018 EUR
Net revenue	3	47 739 191	45 364 616
Other operating income	4	355 163	231 215
Cost of services and goods sold	5	(17 463 542)	(15 816 913)
Personnel costs	11	(10 819 462)	(10 347 035)
Other operating expenses	6	(5 785 539)	(6 677 355)
Depreciation and amortization	7	(11 092 889)	(10 096 060)
Interest and similar income	8	9 977	151 097
Interest and similar expenses	9	(3 390 548)	(3 112 911)
Loss before income tax		(447 649)	(303 346)
Income tax income	10	467 398	446 073
Profit for the year		19 749	142 727
Items that may be reclassified subsequently to profit or loss			
Exchange differences on foreign currency operations		94 580	(23 526)
Other comprehensive income for the year		94 580	(23 526)
Total comprehensive income for the year		114 329	119 201
Basic earnings per share		0.003	0.004

The notes on pages 12 to 45 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 29 April 2020 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of financial position**ASSETS**

	Piezīme	31.12.2019 EUR	31.12.2018 EUR
NON-CURRENT ASSETS			
Intangible assets			
Licences and similar rights		153 036	231 618
Other intangible assets		1 472 142	901 711
Customer relationships		-	24 306
Goodwill		15 346 352	15 346 352
TOTAL	12	16 971 530	16 503 987
Property, plant and equipment			
Lands and buildings		234 181	249 102
Leasehold development		70 393	106 929
Machinery and equipment		17 570 316	49 963 410
Other fixed assets		825 619	1 817 452
Construction in progress		10 007	352 744
TOTAL	13	18 710 516	52 489 637
Rights of use assets			
Lands and buildings		1 114 244	-
Machinery and equipment		29 987 732	-
Other fixed assets		738 107	-
TOTAL	14	31 840 083	-
Other non-current assets			
Deferred income tax assets	10	694 823	500 226
TOTAL		694 823	500 226
TOTAL NON-CURRENT ASSETS		68 216 952	69 493 850
CURRENT ASSETS			
Inventories	15	1 208 084	1 323 965
Receivables			
Trade receivables	16	4 866 540	4 582 502
Other receivables	17	390 061	319 158
Prepaid expenses	18	257 259	211 189
Corporate income tax overpayment			45 757
TOTAL		5 513 860	5 158 606
Cash and cash equivalents	19	3 892 159	4 230 394
TOTAL CURRENT ASSETS		10 614 103	10 712 965
TOTAL ASSETS		78 831 055	80 206 815

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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	31.12.2019 EUR	31.12.2018 EUR
Share capital	20	33 316 278	33 316 278
Reserves:			
Foreign currency translation reserve		56 673	(37 907)
Other reserves		26 774	26 774
Accumulated loss:			
Previous' years accumulated loss		(6 464 487)	(6 607 214)
Profit for the year		19 749	142 727
TOTAL EQUITY		26 954 987	26 840 658
LIABILITIES			
Non-current liabilities			
Borrowings from credit institutions	22	-	14 000
Issued bonds	23	-	8 091 389
Borrowings from related companies	30 c	616 651	5 179 922
Lease liabilities	24	15 283 908	15 766 471
Other borrowings	25	3 466 081	3 892 770
Deferred income	27	136 550	132 412
Deferred income tax liabilities	10	175 190	461 470
TOTAL		19 678 380	33 538 434
Current liabilities			
Borrowings from credit institutions	22	15 161	14 000
Issued bonds	23	9 932 913	-
Borrowings from related companies	30 c	4 924 696	-
Lease liabilities	24	7 582 973	9 458 219
Other borrowings	25	3 626 992	3 203 165
Advances from customers		265 423	231 120
Trade payables		2 722 507	2 835 312
Corporate income tax liabilities		15 798	15 814
Taxes and national mandatory social insurance contributions	26	815 484	644 276
Provisions	21	641 444	1 059 597
Deferred income	27	135 111	728 186
Other liabilities	28	448 908	326 488
Accrued liabilities	29	1 070 278	1 311 546
TOTAL		32 197 688	19 827 723
TOTAL LIABILITIES		51 876 068	53 366 157
TOTAL EQUITY AND LIABILITIES		78 831 055	80 206 815

The notes on pages 12 to 45 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 29 April 2020 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

Consolidated statement of cash flows

	Notes	2019 EUR	2018 EUR
Cash flows from operating activities			
Loss before income tax		(447,649)	(303,346)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment	12,13,14	11,831,340	12,238,189
Net result on disposals of property, plant and equipment		(569,957)	(1,148,524)
Interest expense	9	3,305,290	3,024,324
Provision decrease		(418,153)	(539,554)
Operating results before changes in working capital		13,700,871	13,271,089
Receivables (increase)/ decrease		(355,254)	885,368
Inventories decrease / (increase)		115,882	(281,095)
Payables (decrease)/ increase		(254,896)	(423,914)
Cash flows from operating activities		13,206,603	13,451,448
Interest paid		(2,883,748)	(2,264,858)
Corporate income tax paid		-	(146,221)
Net cash flow generated from operating activities		10,322,855	11,040,369
Cash flows from investing activities			
Purchases of intangible assets and property, plant and equipment*		(12,690,531)	(9,190,123)
Proceeds from sale of property, plant and equipment		2,526,963	563,997
Net cash used in investing activities		(10,163,568)	(8,626,126)
Cash flows from financing			
Proceeds from borrowings		16,912,288	12,220,372
Borrowing repayment		(4,205,175)	(5,476,812)
Lease payments		(13,299,215)	(11,143,837)
Net cash used in financing activities		(592,102)	(4,400,277)
Foreign currency exchange		94,580	(23,526)
Net cash flow for the year		(338,235)	(2,009,560)
Cash and cash equivalents at the beginning of the reporting year		4,230,394	6,239,954
Cash and cash equivalents at the end of the reporting year	19	3,892,159	4,230,394

*Purchases include significant non cash transactions that relate to acquisitions under finance lease arrangements in the amount of 8 410 519 EUR during 2019 (total value of finance lease arrangements during 2018: 9 773 531 EUR).

The notes on pages 12 to 45 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 29 April 2020 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 loss	Profit for the year	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 31 December 2017 before IFRS 9 adoption	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 IFRS 9 adoption	33,316,278	(14,381)	26,774	(6,667,188)	59,974	26,721,457
Profit for the year	-	-	-	-	142,727	142,727
Other comprehensive income	-	(23,526)	-	-	-	(23,526)
Transfer	-	-	-	59,974	(59,974)	-
Balance at 31 December 2018	33,316,278	(37,907)	26,774	(6,607,214)	142,727	26,840,658
Profit for the year	-	-	-	-	19,749	19,749
Other comprehensive income	-	94,580	-	-	-	94,580
Transfer	-	-	-	142,727	(142,727)	-
Balance at 31 December 2019	33,316,278	56,673	26,774	(6,464,487)	19,749	26,954,987

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

The notes on pages 12 to 45 are an integral part of these consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 29 April 2020 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 Matrozū 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 Holding Finland OY and Storent Oy (hereinafter – the Group) main operations relate to the rental of industrial equipment.

The consolidated financial statements for 2019 were approved by the decision of the Management Board of the Group's Parent company on 29 April 2020.

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. These financial statements are intended for general information and have not been prepared for any specific user or for consideration of any specific transaction. Accordingly, these financial statements should not be relied upon as the only source of information when making decisions.

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).

(b) Consolidation

As at 31 December 2019 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 Holding Finland 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%
Storent Oy*	Finland	Rental of industrial equipment	21 December 2016	100%
Storent OOO	Russia	Rental of industrial equipment	01 August 2017	100%

In November 2019 Leinolift Oy changed its name to Storent Oy, and Storent Oy changed name to Storent Holding Finland Oy.

The subsidiaries Storent Oy and Storent OOO were 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 Holding Finland Oy, Storent AB, Storent AS, Storent OOO and Storent 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:

	31.12.2019	31.12.2018
	EUR	EUR
1 USD	0.89015	0.87305
1 GBP	1.17536	1.10775
1 NOK	0.10138	0.10026
1 SEK	0.09572	0.09730
1 RUB	0.01429	0.01257

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 2019. Please also refer to Note 12.

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 liability calculation and Rights of use assets

Management of the Group applies definite assumptions in calculating balance of Right of use assets and related lease liabilities. The Group's management believes that no adjustments to such assumptions are necessary as of 31 December 2019. Please also refer to accounting policy relating to IFRS 16 below and to Note 14.

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 2019. 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.

Deferred tax liabilities on dividend distribution in Latvia and Estonia

Based on tax regime in Latvia and Estonia, income tax is to be recognized when shareholders decide on dividend distribution. Yet, 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. Group management believes that dividends will not be distributed within foreseeable future and thus has not recognized related deferred tax liability balance related to subsidiary in Latvia as at 31 December 2019.

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 2019.

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. The Company's management has evaluated the net realizable value of inventories and considers that it is not necessary to make any additional material allowance as of 31 December 2019.

Uncertain tax position

With adoption of IFRIC 23 management has evaluated its tax position and believes that no material provisions are necessary for uncertain tax positions as at 31 December 2019.

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:

Machinery 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.

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other directly attributable expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Leasehold improvements are amortised over the shorter of the useful life of the improvement and the term of the lease agreement.

2. Summary of significant accounting policies (cont.)***(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 cash generating 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.

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 cash generating 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 receivables, 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 losses are recognized in profit and loss (other operating losses).

During 2019 the Group transitioned from using the general approach to simplified approach under IFRS 9. The change did not result in a material adjustment. The Group always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience in each country separately over a two year period, adjusted for factors that are specific to the debtors. General economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money are not incorporated into the calculation.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. Group internal transactions between its subsidiaries and sale transactions to lease companies (lease-back transactions) are eliminated from this calculation.

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.

2. Summary of significant accounting policies (cont.)**(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 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.

(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 nor 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 recognize 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*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the period of the lease term.

2. Summary of significant accounting policies (cont.)**(q) Revenue recognition**

Starting from 1 January 2018, Group has applied and recognises income according to IFRS 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 Group 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 Group may identify the rights of each party in relation to deliverable goods or services;
- The Group may identify settlement procedures for the goods or services;
- The contract has commercial nature;
- There is high possibility, that the Group 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.

Determination of transaction price

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

The Group 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 Group 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.

(q) 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.

(r) 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.

2. Summary of significant accounting policies (cont.)**(s) 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.

(t) 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 (Lithuania)*

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 and Latvia)

The company's net profit is not subject to corporate income tax, however, income tax is levied on all dividends paid by the Company. Starting from year 2018 corporate income tax in Latvia and Estonia is calculated at the profit distribution (20/80 from net amount to be paid to shareholders). Corporate income tax will be recognized as tax payable at the period when shareholders decide to distribute profit. Tax is also calculated for deemed dividends (such expenses as, for example, non-business expenses or transfer pricing adjustments).

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 is 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%.

2. Summary of significant accounting policies (cont.)***Deferred tax (cont.)***

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 IAS 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.

(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 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019).

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

2. Summary of significant accounting policies (cont.)**(aa) International Financial Reporting Standards (cont'd)***(a) Impact of the new definition of a lease*

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. Based on assessment of the Company, the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Other operating expenses' and in profit or loss.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(c) Financial impact of the initial application of IFRS 16

Please refer to Note 14 for more information on effect of adoption of IFRS 16.

- **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 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (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),

2. Summary of significant accounting policies (cont.)***(aa) International Financial Reporting Standards (cont)***

- **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 – adopted by the EU on 14 March 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).

Except for the effect of adoption of IFRS 16, 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.

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:

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

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 2019 (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 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),
- **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).

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 it 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.

<i>Net revenue by products and services</i>	2019 EUR	2018 EUR
Rental revenue	35 445 370	35 294 249
Transport and related services revenue	9 059 894	9 170 501
Revenue from sale of inventories	808 288	720 833
Revenue from sale of property, plant and equipment used for renting	2 526 963	266 456
Cash discounts to customers	(101 324)	(87 423)
TOTAL:	47 739 191	45 364 616

<i>Net revenue per geographical location</i>	2019 EUR	2018 EUR
Latvia	17 973 166	14 900 761
Finland	10 861 549	12 419 289
Lithuania	10 542 796	9 300 449
Estonia	5 891 261	6 061 123
Sweden	1 924 188	2 074 270
Russia, Kaliningrad	546 231	608 724
TOTAL:	47 739 191	45 364 616

<i>Property, plant and equipment per geographical location, net book value</i>	31.12.2019 EUR	31.12.2018 EUR
Finland	13 237 543	10 639 528
Baltics (Latvia, Estonia and Lithuania)	34 424 669	41 355 644
Russia, Kaliningrad	141 066	174 409
Sweden	2 747 323	320 056
TOTAL:	50 550 601	52 489 637

<i>Intangible assets (including goodwill) per geographical location</i>	31.12.2019 EUR	31.12.2018 EUR
Finland	1 449 961	1 297 573
Baltics (Latvia, Estonia and Lithuania)	15 080 082	14 768 387
Russia, Kaliningrad	351 440	354 475
Sweden	90 047	83 552
TOTAL:	16 971 530	16 503 987

4. Other operating income

<i>By type</i>	2019 EUR	2018 EUR
Insurance reimbursements received	230 665	167 114
Cost compensation	119 408	57 126
Other income	5 090	6 975
TOTAL:	355 163	231 215

5. Cost of services and goods sold**a) Cost of goods sold**

	2019 EUR	2018 EUR
Cost of goods sold	356 480	472 474
Cost of sold property, plant and equipment used for renting	1 524 766	198 290
Renting equipment adjustments as a result of stock counts	2 896	6 650
TOTAL:	1 884 142	677 414

b) Other external costs

	2019 EUR	2018 EUR
Transport and assembly services	7 217 576	7 141 991
Equipment rent related costs	5 044 557	5 187 214
Repairs and maintenance services	3 317 267	2 810 294
TOTAL:	15 579 400	15 139 499

6. Other operating expenses

	2019 EUR	2018 EUR
Rent of offices, areas and maintenance costs	2 181 560	2 329 004
IT expenses	952 785	773 954
Marketing expenses	511 957	460 763
Other administrative expenses	501 266	468 915
Administration transport costs	494 842	561 915
Written-off doubtful debts	486 664	831 168
Insurance costs	315 623	320 574
Consulting and other services *	188 489	357 587
Communication expenses	165 286	147 404
Legal services	95 488	142 126
Allowance (recovery) for doubtful debts	(108 421)	283 945
TOTAL:	5 785 539	6 677 355

6. Other operating expenses (cont.)

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

	2019	2018
Financial statements audit fee	109 522	79 287
Permissible tax services	42 040	101 459
TOTAL:	151 562	180 746

7. Depreciation and amortization

	2019 EUR	2018 EUR
Property, plant and equipment depreciation	5 498 745	10 599 537
Rights of use assets depreciation	5 557 721	-
Amortization of intangible assets	730 229	521 710
Written - off part of long-term investments in leased fixed assets	44 647	43 680
Recognized deferred income (Note 27)	(738 453)	(1 068 867)
TOTAL:	11 092 889	10 096 060

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

	2019 EUR	2018 EUR
Depreciation of property, plant and equipment used for renting	5 082 248	9 891 772
Depreciation of property, plant and equipment used for own needs	416 497	707 765
TOTAL:	5 498 745	10 599 537

8. Interest and similar income

	2019 EUR	2018 EUR
Reduced purchase-related rewards	-	147 958
Interest income	9 977	3 139
TOTAL:	9 977	151 097

9. Interest and similar expenses

	2019 EUR	2018 EUR
Interest related to lease	1 059 209	1 243 977
Interest on borrowings	917 181	914 347
Interest related to bonds	768 392	485 524
Amortization of incurred incremental costs	374 471	364 862
Interest related to rights of use assets	174 441	-
Interest on factoring	11 596	15 614
Net foreign exchange losses	68 644	62 757
Other expenses	16 614	25 830
TOTAL:	3 390 548	3 112 911

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 income and deferred income tax assets / liabilities

	2019 EUR	2018 EUR
Corporate income tax calculated for the year	(16 478)	(88 880)
Deferred income tax changes due to temporary differences	483 876	534 953
Corporate income tax recognized in consolidated statement of comprehensive income:	467 398	446 073

Deferred income tax:

	Consolidated statement of financial position	
	31.12.2019 EUR	31.12.2018 EUR
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	600 394	666 249
Gross deferred income tax liabilities	600 394	666 249
Deferred income tax assets		
Tax losses carried forward	(1 059 399)	(644 022)
Accrued vacation reserve	3 333	(12 743)
Other	(63 961)	(48 240)
Gross deferred income tax asset	(1 120 027)	(705 005)
Net deferred income tax asset	(694 823)	(500 226)
Net deferred income tax liabilities	175 190	461 470

The Group's management believes that in future years when deferred income tax liabilities crystallize they will be set off against the deferred income tax assets as summarized above. The parent has determined that eligible subsidiary's profits will not be distributed in the foreseeable future and thus the parent does not recognize related deferred tax assets and liabilities that would arise upon dividend distribution in Latvia and Lithuania.

11. Personnel costs and number of employees

	2019 EUR	2018 EUR
Salaries	7 762 286	6 923 955
State social security mandatory contributions	2 012 844	2 330 863
Other personnel costs	818 789	852 684
Remuneration to contractors	225 543	239 533
TOTAL:	10 819 462	10 347 035

Executive management remuneration:	2019 EUR	2018 EUR
Board members		
Salaries	753 470	788 958
State social security mandatory contributions	181 511	189 854
TOTAL:	934 981	978 812

	2019	2018
Average number of employees during the reporting year	298	296
TOTAL:	298	296

Personnel costs by function:	2019 EUR	2018 EUR
Sales	4 064 532	4 568 962
Customer services	4 403 608	3 766 785
Administration and finance staff	2 351 322	2 011 288
TOTAL:	10 819 462	10 347 035

12. Intangible assets

	Licenses and similar rights	Other intangible assets	Customer relationships	Goodwill	TOTAL
	EUR	EUR	EUR	EUR	EUR
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
FY 2019					
Net carrying value, opening	231 618	901 711	24 306	15 346 352	16 503 987
Additions	5 913	1 191 859	-	-	1 197 772
Write-off	-	-	-	-	-
Amortisation	(84 495)	(621 428)	(24 306)	-	(730 229)
Net carrying value, closing	153 036	1 472 142	-	15 346 352	16 971 530
At 31 December 2019					
Historical cost	558 543	3 815 816	125 000	15 346 352	19 845 711
Accumulated amortisation	(405 507)	(2 343 674)	(125 000)	-	(2 874 181)
Net carrying value	153 036	1 472 142	-	15 346 352	16 971 530

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 financial budgets approved by the directors covering a five-year period. The five-year business plan is based on the following assumptions: Group's amortisation and depreciation costs, IT costs, management fee, insurance costs and interest expenses are allocated to individual budget of each subsidiary according to fleet proportion allocated. By using the same fleet proportion all Group's liabilities for equipment purchase are allocated in impairment calculation. Cash flows beyond that five-year period have been extrapolated using a steady 2 per cent (2018: 2 per cent) per annum growth rate. This growth rate does not exceed the long-term average growth rate for the construction market in the Baltics, Scandinavia and Kaliningrad. 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 2019. Please refer further to Notes 36 and 37.

12. Intangible assets (continued)***Sensitivity analysis***

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the CGUs to which goodwill is allocated. Analysis of the sensitivity is based on same assumptions as impairment test and as described above. Main key assumptions, that can affect recoverable amount and impairment change is EBITDA budget execution and WACC rate.

Storent OU

Management expects revenue of Storent OU in 2020-2021 on same level as in 2019 and an average revenue growth of Storent OU of 12% between 2022-2024. A 2% underperformance against budgeted sales with WACC rate 10% would reduce the headroom of 378 348 EUR to nil but would not result in an impairment charge. At the same time if WACC rate was lower by 0,5%, a 7% underperformance against budgeted sales would reduce the headroom of 1,7m EUR to nil but would not result in an impairment charge.

Storent AB

Average revenue growth of Storent AB is budgeted 38% for 2020-2024. A 2,5% underperformance against budgeted sales with WACC rate 10% would reduce the headroom of 464 662 EUR to nil but would not result in an impairment charge. At the same time if WACC rate was lower by 0,5%, than a 7% underperformance against budgeted sales would reduce the headroom of 1,0m EUR to nil but would not result in an impairment charge.

Goodwill by company	31.12.2019 EUR	31.12.2018 EUR
Storent SIA	680 035	680 035
Storent UAB	8 742 675	8 742 675
Storent OU	4 572 120	4 572 120
Storent Oy	1 021 937	1 021 937
Storent OOO	329 585	329 585
	15 346 352	15 346 352

13. Property, plant and equipment

	Land and buildings	Leasehold improvements	Machinery and equipment	Other fixed assets	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
at 31 December 2017						
Historical cost	306,883	273,035	87,717,582	3,683,077	686,962	92,667,539
Accumulated depreciation	(42,688)	(147,189)	(34,489,346)	(1,795,654)	-	(36,474,877)
Net carrying value	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
Transferred	-	-	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	94,344,528	4,305,778	352,744	99,607,732
Accumulated depreciation	(57,781)	(190,869)	(44,381,118)	(2,488,326)	-	(47,118,095)
Net carrying value	249,102	106,929	49,963,410	1,817,452	352,744	52,489,637
FY 2019						
Net carrying value, opening	249,102	106,929	49,963,410	1,817,452	352,744	52,489,637
Additions	175	8,111	-	515,867	-	524,153
Transferred	-	-	342,737	-	(342,737)	-
Lease assets transferred to ROU at 1 January 2019, cost	-	-	(61,387,563)	(967,669)	-	(62,355,232)
Lease assets transferred to ROU at 1 January 2019, depreciation	-	-	28,968,617	467,627	-	29,436,244
Transferred from ROU at the end of the lease (book value)	-	-	6,466,638	11,884	-	6,478,522
Value increase*	-	-	-	-	-	-
Disposals, net	-	-	(1,701,275)	(618,141)	-	(2,319,416)
Depreciation	(15,096)	(44,647)	(5,082,248)	(401,401)	-	(5,543,392)
Net carrying value, closing	234,181	70,393	17,570,316	825,619	10,007	18,710,516
at 31 December 2019						
Historical cost	307,058	305,909	38,065,065	3,247,719	10,007	41,935,759
Accumulated depreciation	(72,877)	(235,516)	(20,494,749)	(2,422,100)	-	(23,225,243)
Net carrying value	234,181	70,393	17,570,316	825,619	10,007	18,710,516

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 10 459 043 at the end of the reporting year (EUR 8 969 876 in 2018).

14. Rights of use assets

On 1 January 2019, the Group has transferred to right of use assets all assets that were previously included in property, plant and equipment balance under financial lease arrangements. Such assets are generally related to machinery and equipment.

The Group has entered into a number of premises and cars rent agreements as a lessee under which now IFRS 16 qualify for right of use assets.

	Land and buildings EUR	Machinery and equipment EUR	Other fixed assets EUR	Total EUR
At 1 January 2019	-	-	-	-
Transfer of historic cost from PP&E at 1 January 2019	-	61 387 563	967 669	62 355 232
Transfer of accumulated depreciation from PP&E at 1 January 2019	-	(28 968 617)	(467 627)	(29 436 244)
Additions	1 386 447	8 961 588	472 217	10 820 252
Value increase	-	149 516	-	149 516
Transferred at the end of the lease (book value)	-	(6 466 638)	(11 884)	(6 478 522)
Disposals, net	-	-	(12 430)	(12 430)
Depreciation	(272 203)	(5 075 680)	(209 838)	(5 557 721)
Net carrying value at 31 December 2019	1 114 244	29 987 732	738 107	31 840 083
At 31 December 2019				
Historical costs	1 386 447	35 063 412	960 375	37 410 234
Accumulated depreciation	(272 203)	(5 075 680)	(222 268)	(5 570 151)
Net carrying value	1 114 244	29 987 732	738 107	31 840 083

The Group also leases several assets including buildings, plants, IT equipment. The average lease term is 5 years. The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

Approximately one fifth of the leases for property, plant and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of 8 961 587 EUR in 2019. The maturity analysis of lease liabilities is presented in note 24.

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 10,3%.

Premises rent agreements that can be discontinued by sending letter to premises holder one to six months before termination, are not classified as rights of use assets since both parties have unilateral rights to terminate the contract and there is historical evidence of such right being exercised by both parties. Forklift rent agreements, without specified forklift serial number in agreement also are not classified as rights of use assets as those can be replaced by service provider and there is a history of such replacement at decision by service provider. The group does not lease any low value assets, there are no variable lease payments excluded from initial measurement of lease liability. There is no income from sub-lease of rights of use assets.

	31.12.2019
Amounts recognised in profit and loss	
Depreciation expense on right-of-use assets	(5 557 721)
Interest expense on lease liabilities	(1 233 650)
Expense relating to short-term leases	(1 389 058)
	(8 180 429)

15. Inventories

	31.12.2019 EUR	31.12.2018 EUR
Goods for sale (at cost)	529 710	713 932
Consumables (at cost)	678 374	610 033
TOTAL:	1 208 084	1 323 965

16. Trade receivables

	31.12.2019 EUR	31.12.2018 EUR
Trade receivables	7 189 293	7 034 705
Allowance for doubtful debts	(2 322 753)	(2 452 203)
TOTAL:	4 866 540	4 582 502

Interest is not charged on late payment of receivables. Generally, trade receivables are due within 15 - 45 days. Allowance for doubtful debts is expressed as lifetime expected credit loss and is calculated on a collective basis using simplified approach under IFRS 9. Trade receivables are not secured or collateralized, except customers which use factoring. Trade receivables which use factoring are insured.

Changes in the allowance for doubtful debts	31.12.2019 EUR	31.12.2018 EUR
At the beginning of the year	2 452 203	2,194,005
Increase	357,214	1,089,366
Written-off	(486 664)	(831 168)
TOTAL:	2 322 753	2,452,203

17. Other receivables

	31.12.2019 EUR	31.12.2018 EUR
Guarantee deposit	214 087	92 703
Refundable value-added tax	72 896	161 714
Advances to suppliers	72 430	64 002
Accrued revenues	27 458	41 114
Advances to employees	3 190	5 128
Other receivables	-	254
TOTAL:	390 061	364 915

18. Prepaid expenses

	31.12.2019 EUR	31.12.2018 EUR
Other deferred expenses	257 259	211 189
Total:	257 259	211 189

19. Cash and cash equivalents

	31.12.2019 EUR	31.12.2018 EUR
Cash in bank and cash, EUR	3 599 237	4 037 189
Cash in bank and cash, RUB	226 580	162 381
Cash in bank and cash, SEK	66 342	30 204
Cash in bank and cash, NOK	-	620
TOTAL:	3 892 159	4 230 394

20. Share capital of the Parent company

Registered share capital of the Group's Parent company on 31.12.2019 and 31.12.2018 is EUR 33 316 278, consisting of 33 316 278 shares. The nominal value of a share is EUR 1. All shares have equal voting right and dividend entitlement.

Parent company's shareholders as of 31 December 2018:

<i>Shareholder</i>	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 2019:

<i>Shareholder</i>	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%

21. Provisions

	31.12.2019 EUR	31.12.2018 EUR
Provisions for employee bonuses	614 787	711 643
Other provisions	26 657	31 293
Contingent consideration related to acquisition	-	316 661
Total:	641 444	1 059 597

<i>Changes in the provisions :</i>	31.12.2019 EUR	31.12.2018 EUR
At the beginning of the year	1 059 597	1 497 494
Provision (decrease) / increase	(418 153)	(437 897)
TOTAL:	641 444	1 059 597

22. Borrowings from credit institutions

In 2016 Storent Oy received loan from Danske Bank Oyj:

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2019 EUR	31.12.2018 EUR
Danske Bank Oyj	31.12.2020.	70 000	2.029%	15 161	28 000
Total Non-current liabilities:				-	14 000
Total Current liabilities				15 161	14 000

23. Issued bonds

In 2017, Group issued bonds with maturity date 30.06.2020 and coupon interest rate 8%. Bonds are listed on the official bond list of AS "Nasdaq Riga."

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2019 EUR	31.12.2018 EUR
Issued bonds	30.06.2020	8 245 000	8	10 000 000	8 245 000
Incremental cost allocation		(153 611)		(67 087)	(153 611)
Total:				9 932 913	8 091 389
Total Non-current liabilities:				-	8 091 389
Total Current liabilities:				9 932 913	-

Borrowings against issued bonds are unsecured. Full amount of borrowings is repayable upon maturity date.

According to Terms and Conditions, following financial covenants should be met:

- Shareholders Equity to Assets Ratio may not be lower than 25 (twenty five) per cent at the end of each Quarter. "Shareholders Equity to Assets Ratio" means the Issuer's total shareholders' equity expressed as a per cent of the Issuer's consolidated amount of assets as at the end of each Quarter determined on the basis of the Issuer's consolidated quarterly financial statements.
- Net Debt/EBITDA Ratio for the for the previous 12 (twelve) months may not be higher than 4.5: (a) as at the end of each Quarter determined on the basis of the Issuer's consolidated monthly financial statements for the previous 12 (twelve) months; and (b) as at 31 December each year, as determined on the consolidated basis on the basis of each of the Issuer's annual financial reports. "Net Debt/EBITDA Ratio" means the ratio of interest bearing liabilities – (minus) cash to EBITDA of the respective measurement period. "EBITDA" means the net income of the measurement period before: (a) any provision on account of taxation; (b) any interest, commission, discounts or other fees incurred or payable, received or receivable in respect of financial indebtedness; (c) any items treated as exceptional or extraordinary; (d) any depreciation and amortisation of tangible and intangible assets; and (e) any re-valuation, disposal or writing off of assets.

Total borrowing origination fees and costs amounted to 223 970 EUR. The Group treated these fees and costs as incremental costs related to attract the financing. 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.

24. Lease liabilities

By asset type	Maturity	Actual interest rate, (%)	31.12.2019 EUR	31.12.2018 EUR	Balance sheet value of leased assets on 31.12.2019 EUR
Leasing companies (various asset types)	Various (2019 - 2024)	1.8-5.5% +3 MEURIBOR	19 815 522	21 837 378	38 784 524
Redemption contracts (various asset types)	31.12.2022	1.5%	669 150	1 337 612	3 121 241
Supplier funding (various asset types)	28.07.2022	2%-8,67%	995 205	2 049 700	3 334 536
Premise's rent	31.12.2023	10.3%	1 157 851	-	1 114 243
Car rent	Various (2021-2023)	10.3%	229 153	-	241 186
Total:			22 866 881	25 224 690	46 595 730
Total Non-current liabilities:			15 283 908	15 766 471	
Total Current liabilities:			7 582 973	9 458 219	

All financial liabilities are denominated in EUR.

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

	31.12.2019		31.12.2018	
	Minimum payments	Current value of future payments	Minimum payments	Current value of future payments
	EUR	EUR	EUR	EUR
Within 1 year	8 544 260	7 582 973	10 445 821	9 458 219
After 1 year not exceeding 5 years	16 439 095	15 283 908	16 937 556	15 766 471
Total minimum lease payments	24 983 355	22 866 881	27 383 377	25 224 690
Less financing costs	(2 116 474)	-	(2 158 687)	-
Present value of minimum lease payments	22 866 881	22 866 881	25 224 690	25 224 690

25. Other borrowings

In 2015 - 2019 the Group received loans from Haulotte Group AB, Yanmar Construction Equipment Europe S.A.S. and SA Manitou BF. Total loans amounted to EUR 16 254 002 with interest rate 2,49% - 4% per annum. Loans repayment date are showed in table below.

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

	Maturity	Amount EUR	Actual interest rate (%)	31.12.2019 EUR	31.12.2018 EUR
Haulotte Group SA	04.11.2019	3 999 740	3	-	724 605
Haulotte Group SA	01.10.2020	4 957 370	2.49	1 006 667	2 004 450
Haulotte Group SA	01.12.2021	1 003 836	3.94	402 883	604 259
Haulotte Group SA	01.12.2021	1 994 007	3.94	850 219	1 275 191
Haulotte Group SA	01.12.2020	1 006 969	4	269 450	538 840
Haulotte Group SA	15.12.2021	1 004 278	4	537 460	806 100
Haulotte Group SA	01.11.2023	2 009 115	2.8	1 615 043	-
Yanmar Construction Equipment Europe S.A.S	01.12.2020	995 703	4	266 435	532 812
Yanmar Construction Equipment Europe S.A.S	15.12.2021	1 075 956	4	575 820	863 635
Yanmar Construction Equipment Europe S.A.S	06.11.2023	803 768	2.8	646 115	-
SA Manitou BF	04.08.2023	1 403 000	2.8	1 198 208	-
Incremental cost allocation		(1 058 151)		(295 244)	(305 468)
Aston Baltic SIA	31.12.2021	109 575	-	20 017	51 511
Total:				7 093 073	7 095 935
Total Non-current liabilities:				3 466 081	3 892 770
Total Current liabilities:				3 626 992	3 203 165

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. 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:

	31.12.2019 EUR	31.12.2018 EUR
At the beginning of the year	305 468	550 018
Incremental cost increase	233 847	77 500
Written off as adjustment to effective interest rate	(244 071)	(322 050)
TOTAL:	295 244	305 468

26. Taxes and national mandatory social insurance contributions

	31.12.2019 EUR	31.12.2018 EUR
Personal income tax	228 265	172 578
State social security mandatory contributions	349 894	206 685
Value added tax	234 081	261 839
Risk duty	3 244	3 174
TOTAL:	815 484	644 276

27. Deferred income

	31.12.2019 EUR	31.12.2018 EUR
Profit from leaseback transactions	271 661	860 598
Total:	271 661	860 598
Total Non-current deferred income:	136 550	132 412
Total Current deferred income:	135 111	728 186

Leaseback transactions

In 2019, 2018 and 2017 the Group conducted leaseback transactions that resulted in sales proceeds exceeding the carrying amount of these assets in 2019 by EUR 149 516 and in 2018 by EUR 140 005.

Changes in the deferred income:	31.12.2019 EUR	31.12.2018 EUR
At the beginning of the year	860 598	1 789 460
Profit from leaseback transactions	149 516	140 005
Amortised and included in income of reporting year (See Note 7)	(738 453)	(1 068 867)
TOTAL:	271 661	860 598

28. Other liabilities

	31.12.2019 EUR	31.12.2018 EUR
Payroll	439 116	312 371
Other payables	9 792	14 117
TOTAL:	448 908	326 488

29. Accrued liabilities

	31.12.2019 EUR	31.12.2018 EUR
Provisions for unused employee vacations	769 886	750 880
Other accrued liabilities	300 392	560 666
TOTAL:	1 070 278	1 311 546

30. 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.

30. (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.	2018	-	(4 597 688)
	2019	-	(4 924 696)
Companies with significant influence over the Group's activities:			
Supremo SIA	2018	(19 890)	(291 117)
	2019	(19 575)	(308 326)
Bomaria SIA	2018	(19 890)	(291 117)
	2019	(19 575)	(308 325)
The companies controlled by the Group's officers or their relatives: *			
Meistari ZS	2018	(5 192)	(406)
	2019	(4 645)	(406)
Total 2018:		(44 972)	(5 180 328)
Total 2019:		(43 795)	(5 541 753)

* 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 2019 (2018: EUR 406).

30. (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.

30. (c) Borrowings from related companies

	Maturity	Interest rate %	31.12.2019. EUR	31.12.2018. EUR
Levina Investments S.A.R.L.	31.12.2020.	7	4 924 696	4 597 688
Bomaria LTD	31.12.2021.	6	308 325	291 117
Supremo LTD	31.12.2021.	6	308 326	291 117
Total Non-current liabilities:			616 651	5 179 922
Total current liabilities:			4 924 696	-

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

31. 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	31.12.2019 EUR	31.12.2018 EUR
<i>Loans and receivables held at amortised cost</i>		
- Trade receivables	4 866 540	4 582 502
- Other receivables	390 061	319 158
- Cash and cash equivalents	3 892 159	4 230 394
TOTAL financial assets:	9 148 760	9 132 054

Financial liabilities	31.12.2019 EUR	31.12.2018 EUR
<i>Financial liabilities held at amortized cost</i>		
- Loan from credit institution	15 161	28 000
- Loans against bonds	9 932 913	8 091 389
- Loans from related companies	5 541 347	5 179 922
- Lease liabilities	22 866 881	25 224 690
- Other borrowings	7 093 073	7 095 935
- Trade payables	2 722 507	2 835 312
- Other payables	448 908	326 488
TOTAL financial liabilities:	48 620 790	48 781 736

32. 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 fulfil 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 2019 and 2018 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 16).

The maximum credit risk exposure at 31 December 2019 was EUR 9 148 760 (31.12.2018: EUR 9 132 054).

32. Financial risk management (cont)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 fulfil 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 analysing 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 2019, the Group's liquidity ratio was 0.33. As at 31 December 2018, the Group's liquidity ratio was 0.54. Please refer to Note 36 for going concern considerations.

At 31 December 2019 and 2018 the maturity of the financial payables of the Group, based on undiscounted payments provided for in the agreements can be disclosed as follows:

	< 3 months EUR	3 - 12 months EUR	1 - 7 years EUR	Total EUR
31.12.2019.				
Loan from credit institution	3 500	11 661	-	15 161
Issued bonds	200 000	10 200 000	-	10 400 000
Borrowings from related parties	-	5 613 219	694 204	6 307 423
Lease liabilities	1 330 188	8 073 116	15 580 051	24 983 355
Other borrowings	1 279 779	3 105 977	3 292 081	7 677 837
Trade payables	2 722 506	-	-	2 722 506
Other financial liabilities at amortized cost	1 545 613	-	-	1 545 613
TOTAL:	7 081 586	27 003 973	19 566 336	53 651 895
31.12.2018.				
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

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 640 160 (31.12.2018: EUR 199 106). In 2019 maturity of these contracts has been prolonged till 31.03.2020.

Please also see Note 36 describing liquidity management and going concern considerations.

32. Financial risk management (cont)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 22, 23, 24, 25 and 30 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 24) with a floating interest rate) to potentially possible interest rate changes other variables remaining constant.

	2019		2018	
	Increase/ decrease of base rate	Effect on profit before tax EUR	Increase/ decrease of base rate	Effect on profit before tax EUR
Euro -	+0,5%	(186 121)	+0,5%	(126 123)
EURIBOR	-0,5%	186 121	-0,5%	126 123

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 2019 resulted from contracts denominated in the Russian rubles (RUB) (2018: 1%). Therefore, during the reporting year the Group's exposure to foreign currency risk was not significant.

33. 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 except for fixed rate borrowings. The Group has certain financial liabilities with fixed rates. This indicates that the fair value of financial liabilities could be different from book values.

34. 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 2019 and 2018 there were no changes introduced to purposes, policy or processes related to management of the capital.

	31.12.2019 EUR	31.12.2018 EUR
Interest bearing loans and borrowings	45 449 375	45 619 935
Trade and other payables	4 268 120	4 053 009
Less cash and cash equivalents	(3 892 159)	(4 230 394)
Net debt	45 825 336	45 442 551
Equity	26 954 987	26 840 658
Net debt to equity ratio:	1.70	1.69

35. 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 was valid till 17.06.2019 or 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.

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, 2018 and 2019 Storent Investments AS issued guarantees to Luminor Lizingas SIA due to concluded financial lease contracts between Storent SIA and Luminor Lizingas SIA. The amount of the guarantee is 11 569 075 EUR and guarantee is valid till 31.12.2024. 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 Lizingas SIA due to concluded factoring contracts between: Storent SIA and Luminor Lizingas 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, 2018 and 2019 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 2 314 460 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 Storent Oy issued guarantees to Danske Bank Oyj due to concluded loan agreement between Storent Oy and Danske Bank Oyj. The amount of guarantee is 300 000 EUR and guarantee is valid till loan will be repaid.

36. Going concern of the Group

Group's performance in the reporting year was profit of EUR 19 749 (2018: profit EUR 142 727), which is a result of growth in revenue. At the end of the year Group's current liabilities exceeded its current assets by EUR 21 583 585 (31.12.2018: current liabilities exceeded current assets by EUR 9 114 759).

The Groups management has evaluated actual and potential impact of covid-19 pandemic. Management has prepared forecasted financial results and cash flows for 2020 and already started to take steps to ensure The Groups ability to continue as going concern.

Although measures applied by local government differ country by country, the constructions industry now is not restricted in any country where Storent group companies operate. Storent group has experienced few economic crises and our strategy always was to be more active and use market potential. During last few months we developed new sales platform that allows to rent equipment without coming to rental depo. Right after covid-19 pandemic we concentrated all our resources to launch new online sale web page as soon as possible and starting 26 March 2020 it is already available for customers in Baltic countries and in few weeks will be launched also in Finland and Sweden. Simplified processes with powerful online platform are available for customers on PC but is primarily designed for mobile use. Removal of paper from day-to-day processes to be replaced with digital signatures, smart ID and other electronic signatures are more and more used in rental deals in the Group especially now when personal contact should be minimized. All our depots continue to serve customers in a safe way in our premises, all equipment that we deliver to customers are disinfected. Equipment rent is very closely related to constructions activities and at the moment it is very hard to do estimate how much construction industry will be affected by overall economic activity decrease. Storent Group will continue active sales strategy and offer customers to use online platform, which is simple to use. Currently management anticipates that Group's rental income could decrease by 13% if compared to 2019. If the covid-19 pandemic will slow down by summer 2019, we estimate that construction could recover quickly and Group's turnover will be at the level of 2019. Yet this is a management estimate and the outcome might be materially different and cannot be estimated reliably at this point in time.

At the moment we start to see signs that construction companies take a bit more time with their payments, yet we also note that working capital shortage is quite common in spring, just before high season. We expect that few smaller market players can go bankrupt and Group's management estimated that bad debts percentage could be doubled from 1% to 2%. Longer payment terms will be allowed to customers during Covid-19 restriction period, yet after construction industry will recover, cash flows should improve. At the moment of preparation of consolidated reports there is no significant or potentially significant debt losses identified.

36. Going concern of the Group (cont)

Although the Group has approved investment plan budget, taking into account potential Covid-19 impact on construction industry, Management has postponed investment implementation and has asked grace period of 1 year for principal repayments on borrowings and leasing. From discussions with these creditors we see common understanding of situation and all of them prefer to have customers with healthy business and are ready to prolong maturity terms by assigning grace periods for principal payments.

At the end of April 2020 Storent SIA and Storent Oy received acceptance from several financing companies about grace period for principal payments. SIA Luminor Līzings, SIA Unicredit līzings, SIA OP līzings have granted to Storent SIA grace period for six month with approved intention also to consider prolongation of this period if necessary. Layher Baltic UAB has granted to Storent SIA grace period for one year. Storent Oy has been granted a grace period from several financing companies for 3-6 month. Amendments to all agreements are in process to be signed.

Storent Investments As has received positive replays to postpone principal payment per one year from suppliers Haulotte Group AB, Yanmar Construction Equipment Europe S.A.S. and SA Manitou BF. Amendments to agreements are in process to be signed.

Storent Holding Oy has agreed to postpone repayment of loan to Levina Investments S.a.r.l. per one year. Amendments to agreement have been signed.

In March 2020 Storent Investments AS announced new bond issuance in total amount of 15 million euro. Storent Investments AS to date has managed to exchange 3.4 million EUR worth of its existing bonds with bonds that mature on 30 June 2023. The notes should be admitted to listing and trading on the official bond list (the Baltic Bond List) of AS "Nasdaq Riga" by 30 June 2020.

On 1 April 2020 Storent Investments AS announced an instigation of written procedure for receipt of consent of Noteholders holding the Notes to amend Terms and Condition. In accordance with the proposed amendments to the Terms and Conditions, the Issuer proposes to extend the maturity of the Notes by one year and to exclude the Net Debt/EBITDA financial covenant from the Terms and Conditions, which will allow the Issuer to reorganize its activities in case of a possible decrease in turnover and to continue to fulfil its obligations. On 24 April 2020 voting has been closed and amendments have been approved, remaining bonds that were not exchanged with new bonds, will mature in June 2021.

Storent SIA and Storent Oy performs optimization of the rental equipment fleet by selling equipment, which is no longer in demand in rental market. On the date of signing of these consolidated financial statements both companies have sold equipment with net book value 6 468 917 Eur for a total income of 5 932 917 Eur.

Storent group has a wide range of equipment from different leading producers. To ensure continued repair and maintenance Group has already ensured sufficient stock balance of consumables and those can be shared within group companies, in addition to that alternative producers of spare parts can be used as well.

As such, these 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.

37. Post balance sheet eventsNon-adjusting events

In 2020, in order to meet minimal capital requirements according to respective country laws, the parent company will invest into share capital of respective subsidiaries in total amount of EUR 4 500 000.

In March 2020 Storent Investments AS announced new bond issuance in total amount of 15 million euro. Storent Investments AS to date has managed to exchange 3.4 million EUR worth of its existing bonds with bonds that mature on 30 June 2023. The notes should be admitted to listing and trading on the official bond list (the Baltic Bond List) of AS "Nasdaq Riga" by 30 June 2020.

On 1 April 2020 Storent Investments AS announced an instigation of written procedure for receipt of consent of Noteholders holding the Notes to amend Terms and Condition. In accordance with the proposed amendments to the Terms and Conditions, the Issuer proposes to extend the maturity of the Notes by one year and to exclude the Net Debt/EBITDA financial covenant from the Terms and Conditions, which will allow the Issuer to reorganize its activities in case of a possible decrease in turnover and to continue to fulfil its obligations. On 24 April 2020 voting has been closed and amendments have been approved, remaining bonds that were not exchanged with new bonds, will mature in June 2021.

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Storent Investments As have received positive replays to postpone principal payment per one year from suppliers Haulotte Group AB, Yanmar Construction Equipment Europe S.A.S. and SA Manitou BF. Amendments to agreements are in process to be signed.

Storent Holding Oy has agreed to postpone repayment of loan to Levina Investments S.a.r.l. per one year. Amendments to agreement have been signed.

Storent SIA and Storent Oy performs optimization of the rental equipment fleet by selling equipment, which is no longer in demand in rental market. On the date of signing of these consolidated financial statements both companies have sold equipment with net book value 6 468 917 Eur for a total gain of 5 932 917 Eur.

The rapid development of the Covid-19 virus and its social and economic impact in countries that the group operates in and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. At this stage management is not able to reliably estimate the impact, as events are unfolding day-by-day.

The longer term impact may also affect trading volumes, cash flows and profitability. Nevertheless, at the date of these financial statements the Group continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

Please also see Note 36 for more information on Covid-19 and Note 12 on sensitivity analysis of goodwill.

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 events that would have require adjustments or disclosure in the consolidated financial statements.

On behalf of the Group these consolidated financial statements were signed on 29 April 2020 by:

Andris Bisnieks
Member of the Board

Andris Pavlovs
Member of the Board

Baiba Onkele
Chief financial officer

* * *

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 45 of the accompanying annual report, which comprise:

- the consolidated statement of financial position as at 31 December 2019,
- 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 2019, 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 36 of the financial statements, which indicates that as of 31 December 2019, the Group's current liabilities exceeded its current assets by EUR 21.6 million. As stated in Note 36, these events or conditions, along with other matters as set forth in Notes 36 and 37 such as potential impact of the effects of the COVID-19 coronavirus on the Group, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matter

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.

In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How the matter was addressed in the audit
Judgments and estimates with respect to valuation of goodwill	
<p>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 2019, the goodwill balance amounts to 15.3 m EUR which represents 19% of total assets and 57% of total equity.</p> <p>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 2019.</p> <p>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 realize 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 2019.</p> <p>Accordingly, the impairment test of goodwill and identification of separate cash generating units is considered to be a key audit matter.</p>	<p>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.</p> <p>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. Our assessment included sensitivity analysis.</p> <p>In our assessment, we have involved internal valuation specialists.</p> <p>Furthermore, we evaluated management's budgeting process by comparing actual results to previously forecasted results.</p> <p>We assessed the completeness and accuracy of the disclosures relating to goodwill to assess compliance with disclosure requirements included in IFRS as adopted by EU.</p>

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,

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- 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:

- 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.

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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.

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.

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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 4 April 2019 to audit the financial statements of Storent group for the year ended 31 December 2019. Our total uninterrupted period of engagement is six years, covering the periods ending 31 December 2014 to 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit committee 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 Jana Nikandrova.

Deloitte Audits Latvia SIA
Licence No.43

Jana Nikandrova
Member of the Board
Certified Auditor of Latvia
Certificate No.215

Rīga, Latvia
April 29, 2020

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