AS SAKRET HOLDINGS
(Company's registration number 40103251030)

2018 consolidated annual report,

prepared in accordance with
Latvian statutory requirements,
*and Independent auditors' report**

(9th financial year)

** 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, views or opinions, the original language version of financial statements takes precedence over this translation.*

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CORPORATE INFORMATION

NAME OF THE COMPANY	SAKRET HOLDINGS
LEGAL STATUS	Joint-Stock Company
REGISTRATION NUMBER, PLACE AND DATE	40103251030, Riga, 30 September 2009
TYPE OF OPERATIONS	Holding companies' activity. Production and sale of dry, ready for use building materials, chemicals and paints.
NACE CODE	64.99, 23.64, 64.20, 20.12, 20.3, 20.5, 23.6, 46.73, 64.2
SHAREHOLDERS	SIA "Parvaldes Sistemas" „Ritvari", Rumbula, Stopinu region, Latvia, LV-2121
LEGAL ADDRESS	„Ritvari", Rumbula, Stopinu region, Latvia, LV-2121
BOARD MEMBERS	Māris Ķelpis, Chairman of the Board Andis Ziedonis, Member of the Board Juris Grīnvalds, Member of the Board
SUBSIDIARIES	SIA SAKRET (100%) Reg. No. 40003622109, „Ritvari", Rumbula, Stopinu region, LV-2121 SIA SAKRET PLUS (90%) Reg. No. 40003749392, „Ritvari", Rumbula, Stopinu region, LV-2121 UAB SAKRET LT (100%) Reg. No. 3005988522 Biochemikų g. 2, LT-57234, Kėdainiai, Lithuania OÜ SAKRET (100%) Reg. No. 111961147 Mäo küla, Paide vald, 72751 Järvamaa, Estonia
COUNCIL OF THE COMPANY	Andris Vanags, Chairman of the Council Elīna Salava, Deputy Chairman of the Council *(till 14 February 2018)* Mārtiņš Biezais, Member of the Council *(till 14 February 2018)* Valērija Lieģe, Deputy Chairman of the Council *(from 14 February 2018)* Artis Grinbergs, Member of the Council *(from 14 February 2018)*
REPORTING YEAR	1 January – 31 December 2018

CORPORATE INFORMATION

PREVIOUS REPORTING YEAR	1 January – 31 December 2017
INDEPENDENT AUDITORS' AND CERTIFIED AUDITOR'S NAME AND ADDRESS	SIA „Deloitte Audits Latvia" Licence No. 43 Gredu street 4a Riga, Latvia, LV-1019 Inguna Staša Certified auditor Certificate No. 145

CONSOLIDATED MANAGEMENT REPORT

AS SAKRET HOLDINGS is the Group's controlling entity in following companies:

- SIA SAKRET (registered in the Republic of Latvia, unified registration No. 40003622109, legal address: „Ritvari", Rumbula, Stopinu region, LV2121), 100% of shares,
- SIA SAKRET PLUS (registered in the Republic of Latvia, unified registration No. 40003749392, legal address: „Ritvari", Rumbula, Stopinu region, LV2121), 90% of shares,
- UAB SAKRET LT (registered in the Republic of Lithuania, registration No. 3005988522, legal address: Biochemikų g. 2, LT-57234, Kėdainiai, Lithuania), 100% of shares and
- OÜ SAKRET (registered in the Republic of Estonia, registration No. 111961147, legal address: Mäo küla, Paide vald, 72751 Järvamaa, Estonia), 100% of shares.

The consolidated turnover in amount of EUR 21,27 million consists of the Group's subsidiaries turnovers. SIA Sakret unconsolidated turnover in 2018 was EUR 8,94 million (+21 compared to 2017), OU Sakret unconsolidated turnover was EUR 6,90 million (+15% compared to 2017), UAB Sakret LT unconsolidated turnover was EUR 7,37 million (-2 % compared to 2017), SIA Sakret Plus unconsolidated turnover is EUR 2,69 million (+14 % compared to 2017).
SAKRET Group's results were successful as total turnover increase was 10.2% compared to 2017, gross profit-increase by 16.0%. This was achieved due to the observed trends in Baltic construction sector market in 2018. Slight decrease in Lithuania was due to the lower manufactured volume for Latvian market needs, as part of manufacturing was transferred to Latvia.

The Group continues to work with direct product consumers - builders, in order to introduce to them new products and to explain the application specifics and the advantages of the existing products. There are trainings and seminars organized on a regular basis, where both in theory and in practice we inform about the most appropriate selection and application of the Sakret manufactured products. In addition, the Group also works on discovering additional product segments in the building materials market in order to increase its competitiveness.

The Company and its affiliated companies in the Baltics are actively working on strengthening the assortment with additional products. During the reporting period, SAKRET Group's investment in research and development was in amount of EUR 57 thousands.

Future prospects

As of 31 December 2018 the Group had significant liabilities to credit institution AS Luminor Bank in the amount of EUR 17 641 137 with the final repayment term on 30 September 2019. Under the conditions of the existing credit agreement, the Group together with AS Luminor Bank has taken coordinated action to raise new funding. The maturity of the repayment was extended to allow the Company and its subsidiaries to ensure refinancing of the credit liabilities for the mutually agreed discounted amount of 9 000 000 EUR and transfer it to AS Luminor Bank. After this transaction the Group's liabilities to AS Luminor Bank will be fully settled. As of the date of approval of these financial statements, the Group companies have concluded agreements with AS BlueOrange Bank for refinancing loan liabilities with AS Luminor Bank. There are following loan agreements: Loan for the amount of EUR 4 000 000 with maturity 22 August 2023, an overdraft agreement for the amount of EUR 2 000 000, with maturity 22 August 2020. There was a 5 years Bonds issue for 3,79 mil EUR with maturity 30.08.2024. Received cash of 3 million EUR will be transferred to AS Luminor Bank. The agreement with AS Luminor Bank foresees that upon receipt of the 9 million EUR, all credit liabilities will be settled.
During the refinancing, AS Sakret Holding increased its share capital by EUR 1 015 000 to EUR 1 050 000 by a cash contribution from the shareholder.
After the completion of the refinancing process, the Group's financial performance will improve significantly and equity will become positive.

Proposal for the Group loss for the year coverage

It is planned to use reporting period profit to cover losses from previous periods.

The financial statements were signed on 30 September 2019 on the Group`s behalf by:

Māris Ķelpis	Andis Ziedonis	Juris Grīnvalds
Chairmen of the board	Member of the Board	Member of the Board

AS SAKRET HOLDINGS
Registration number: 40103251030
Address: "Ritvari", Rumbula, Stopinu region, Latvia, LV-2121

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2018

	Notes	31.12.2018. EUR	31.12.2017. EUR
ASSETS			
Non-current assets			
Intangible assets			
Intangible assets		166 578	169 042
Development costs		279 658	242 830
Total intangible assets	3	**446 236**	**411 872**
Property, plant and equipment			
Land, buildings and constructions		8 391 711	8 780 792
Equipment and machinery		2 126 376	2 537 216
Other fixed assets		109 805	99 582
Prepayments for property, plant and equipment		-	6 529
Total property, plant, equipment	4	**10 627 892**	**11 424 119**
Non-current financial investments			
Other non-current receivables		34 113	13 918
Total non-current financial investments		**34 113**	**13 918**
Total non-current assets		**11 108 241**	**11 849 909**
Current assets			
Inventories			
Raw materials, materials and consumables		1 380 966	1 367 758
Finished goods and goods for sale		899 109	896 466
Prepayments for goods and services		7 006	27 670
Total inventories		**2 287 081**	**2 291 894**
Receivables			
Trade receivables	6,19(c)	2 717 539	2 515 993
Other receivables		149 858	142 318
Deferred expenses		47 356	36 392
Short-term loan to shareholder	5	35 572	35 572
Total receivables		**2 950 325**	**2 730 275**
Cash and cash equivalents		**342 277**	**306 063**
Total current assets		**5 579 683**	**5 328 232**
TOTAL ASSETS		**16 687 924**	**17 178 141**

Notes on pages 11 to 24 are an integral part of these consolidated financial statements.

AS SAKRET HOLDINGS
Registration number: 40103251030
Address: "Ritvari", Rumbula, Stopinu region, Latvia, LV-2121

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2018

	Notes	31.12.2018. EUR	31.12.2017. EUR
EQUITY AND LIABILITIES			
Equity			
Share capital	7	35 000	35 000
Denomination reserve	7	572	572
Reorganization reserve	23	(8 491 750)	(8 491 750)
Foreign exchange rate fluctuations reserve		24 899	24 899
Retained earnings:			
a) prior years (accumulated deficit)/ retained earnings		(90 811)	148 327
b) profit/(loss) for the year		349 876	(239 138)
Equity attributable to parent Company's shareholders		**(8 172 214)**	**(8 522 090)**
Minority shareholder's participation share		194 356	176 877
Total equity		**(7 977 858)**	**(8 345 213)**
Liabilities			
Non-current liabilities			
Loans from credit institutions	8	-	16 641 137
Other borrowings	10	167 093	167 093
Payables to related parties	19(d)	644 132	757 532
Total non-current liabilities		**811 225**	**17 565 762**
Current liabilities			
Loans from credit institutions	8	17 641 137	1 700 000
Other borrowings	10	1 384 137	1 170 582
Finance lease liabilities	9	-	37 545
Advances from customers		38 127	118 865
Trade payables		2 976 635	3 005 926
Payables to related parties	19(d)	469 324	421 535
Taxes and mandatory state social security contributions		191 555	325 638
Other payables	11	130 153	139 133
Accrued liabilities	12	994 486	1 009 365
Unpaid dividends to minority shareholder		29 003	29 003
Total current liabilities		**23 854 557**	**7 957 592**
Total liabilities		**24 665 782**	**25 523 354**
TOTAL EQUITY AND LIABILITIES		**16 687 924**	**17 178 141**

Notes on pages 11 to 24 are an integral part of these consolidated financial statements.

AS SAKRET HOLDINGS
Registration number: 40103251030
Address: "Ritvari", Rumbula, Stopinu region, Latvia, LV-2121

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR 2018

	Notes	2018 EUR	2017 EUR
Revenue	13	21 265 701	19 298 618
Cost of goods sold	14	(15 872 424)	(14 649 323)
Gross profit		**5 393 277**	**4 649 295**
Selling expenses	15	(2 799 993)	(2 764 948)
Administration expenses	16	(1 470 121)	(1 048 794)
Other operating income	17	48 116	21 767
Other operating expenses		(103 170)	(87 570)
Interest and similar income		1 248	1 552
Interest and similar expenses		(652 772)	(976 775)
Profit /(Loss)before taxes		**416 585**	**(205 473)**
Corporate income tax		(49 230)	(15 159)
Profit /(Loss)for the reporting year		**367 355**	**(220 632)**
Profit /(Loss) attributable to:			
Parent Company`s shareholders		349 876	(239 138)
Minority shareholders		17 479	18 506
		367 355	**(220 632)**

Notes on pages 11 to 24 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2018

	Share capital	Denomination reserve	Reorganization reserve (Note 23)	Foreign exchange rate fluctuations reserve	(Accumulated losses)/ retained earnings/	Total equity attributable to parent Company's shareholders	Minority shareholders' participation share	Total equity
	EUR	EUR	EUR		EUR	EUR	EUR	EUR
As of 31 December 2016	**35 000**	**572**	**(8 491 750)**	**24 899**	**148 327**	**(8 282 952)**	**158 371**	**(8 124 581)**
Loss for the year	-	-	-	-	(239 138)	(239 138)	18 506	**(220 632)**
As of 31 December 2017	**35 000**	**572**	**(8 491 750)**	**24 899**	**(90 811)**	**(8 522 090)**	**176 877**	**(8 345 213)**
Profit for the year	-	-	-	-	349 876	349 876	17 479	**367 355**
As of 31 December 2018	**35 000**	**572**	**(8 491 750)**	**24 899**	**259 065**	**(8 172 214)**	**194 356**	**(7 977 858)**

Notes on pages 11 to 24 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR 2018

	Notes	2018 EUR	2017 EUR
Cash flows from operating activities			
Profit /(Loss) before taxes		416 585	(205 473)
Adjustments for:			
Depreciation and amortization	14,15,16	902 426	1 027 755
Interest income		(1 248)	(1 552)
Interest expenses		652 772	976 775
Net profit from disposal of fixed assets	17	(16 521)	(10 925)
Profit before adjustments for capital		**1 954 014**	**1 786 580**
Net changes in working capital		(600 208)	737 648
Cash flows from operating activities		**1 353 806**	**2 524 228**
Corporate income tax paid		(20 785)	(71 271)
Net cash flows from operating activities		**1 333 021**	**2 452 957**
Cash flows from investing activities			
Purchase of fixed and intangible assets		(135 148)	(309 013)
Net cash flows (used in) investing activities		**(135 148)**	**(309 013)**
Cash flows from financing activities			
Proceeds from sale of fixed assets		14 521	20 369
(Paid) loans, net		(486 445)	(1 284 254)
Interest paid		(652 190)	(971 587)
Payments for leased property, plant and equipment		(37 545)	-
Net cash flows (used in) financing activities		**(1 161 659)**	**(2 235 472)**
Net increase/(decrease) in cash and cash equivalents		36 214	(91 528)
Cash and cash equivalents at the beginning of the year		306 063	397 591
Cash and cash equivalents at the end of the year		**342 277**	**306 063**

Notes on pages 11 to 24 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2018

1. GENERAL INFORMATION

Sakret Holdings AS (hereinafter – the Group's Parent company or Sakret Holdings AS) was registered in the Company Register of the Republic of Latvia on 30 September 2009. Registered address of the Group's Parent company is "Ritvari" Rumbula, Stopinu region, Latvia.
The main business activity of the Group is holding companies' operations, production and sale of dry, ready for use building materials, chemicals and paints.

2. STATEMENT OF ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

Consolidated financial statements have been prepared in accordance with the Law of the Republic of Latvia On the Annual Financial Statements and Consolidated Financial Statements. The consolidated financial statements have been prepared on the historical cost basis. Income statement classified by expense type. Cash flow statement is prepared using the indirect method.

The consolidated financial statements include accounting data of AS "SAKRET HOLDINGS", SIA "SAKRET", SIA "SAKRET PLUS", OU "SAKRET", UAB "SAKRET LT". The control is ensured if the Company has opportunity to determine the financial and operating policies of another company as well as to benefit from these transactions. The Company gained control of SIA "SAKRET" (100%), SIA "SAKRET PLUS" (90%), OU "SAKRET" (100%) and UAB "SAKRET LT" (100%) on 1 November 2013.

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

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.

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.

Foreign currency

The accompanying financial statements are presented in the currency of European Union, the euro (hereinafter "EUR"), which is the Group's functional and presentation currency.

	2018	**2017**
	EUR	EUR
EUR	1.0000	1.0000
SEK	10,2548	9,8438
USD	1,1450	1,1993

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 or loss.

Intangible assets

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. Generally, intangible assets are amortized over a period of 5 years, product development costs over a period of 10 years.

Property, plant and equipment

Property, plant and equipment are stated at historical cost including import duties and non-deductible purchase taxes as well as any costs directly attributable to bringing the asset to its working condition and place for its intended use. Repair and maintenance costs incurred after the asset is put into operation are reflected in statement of profit and loss as incurred. If it is certain that due to related costs the economic benefits will be gained in future, exceeding the initial return on assets, such costs are capitalized to value of fixed assets.

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated. Depreciation of other assets calculated based on historical cost using the straight-line method at the following rates:

	Annual rate
Buildings	4% - 10%
Equipment and machinery	6% - 33%
Other fixed assets	10% -50%

The carrying amounts of property, plant and equipment are reviewed for impairment, if there is any indication that the recoverable value is lower than their carrying amounts. If the assets' recoverable values are lower than their carrying amounts, these assets are written off to its' recoverable values. The recoverable value is the higher of the following values: the asset's fair value less cost of sale or value from the use of the asset.

Gains and losses on property, plant and equipment disposals are determined by the difference between the carrying amount and the income from sale, and included in the statement of profit and loss as incurred.

Inventories

Inventories are stated at the lower of the following values: cost or market value. Costs comprise direct materials costs as well as, if applicable, direct labor costs and other directly attributable costs incurred in bringing the inventories to their present location and condition. Inventory cost price is determined using FIFO (*first-in, first-out*) method. If necessary, obsolete, slow moving and defective inventories are written-off.

Receivables

Accounts receivable in the balance sheet are stated at their nominal value less provision for doubtful receivables. On each balance sheet date the Group evaluates if there is an objective evidence indicating that the client will not be able to meet payment terms. Each debtor is analyzed individually. Provisions for doubtful debts are made, the amount of which is determined as the difference between the recoverable value and nominal value.

Deferred expenses

Expenses incurred and paid in the reporting year, but which relate to the next reporting periods, are recognized as deferred expenses.

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.

Leases

Finance leases, under which the Group assumes substantially all the risks and rewards of ownership associated with the asset, are recognized in the balance sheet as asset in the amount that in the beginning of the lease period is equal to fair value of leased asset or, if lower, than the minimum of lease payments at present value. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest rate on the liability balance. Financial expenses are included in the statement of profit and loss as interest expense.

If there is sufficient basis to believe that at the rental period end the lessee will obtain ownership of the lease, the asset's useful life is assumed as period of expected use. Otherwise, capitalized leased assets are depreciated, using the straight-line method, during the estimated useful life of the asset or the lease term depending on which of these periods is shorter.

Leases under which substantially all ownership of the risks and rewards are assumed by the lessor are classified as operating leases. Operating lease payments are recognized as an expense over the lease term. The Group's liabilities deriving from operating lease agreements are recorded as off-balance sheet liabilities.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less. Otherwise, they are classified as non-current liabilities.

Accrual for unused vacations

Accrual for unused vacations is calculated by multiplying employees' average salary and mandatory social insurance contributions during last 3-6 months by the number of unused vacation days at the end of the reporting year.

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.

Loans and borrowings

Loans are recognized initially at cost determined by lending or borrowing amount at fair value adding the costs associated with loan issue or subtracting borrowing costs incurred. Subsequent to initial recognition, all loans are stated at amortized cost, using the effective interest rate method. Amortized cost is calculated by taking into account costs associated with loan issue or borrowing as well as with any lending or borrowing-related discounts or bonuses. Gains or losses resulted from amortization are recognized in the statement of profit and loss as interest income and expenses.

Revenue and revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of value added tax. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Sale of goods</u>
Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income

Revenues related to loans are recognized in the period incurred and stated in the position "Interest and similar income".

Interest expense

Costs associated with borrowings are written off in the period incurred and stated in the position "Interest and similar charges".

Corporate income tax

Corporate income tax expenses are included in financial statement based on management calculations according to laws of Republic of Latvia.

Starting with tax year 2018, corporate income tax will be calculated on distributed profits (20/80 of the net amount payable to members). The Company's tax on retained earnings will be recognized when the Company's shareholders make a profit distribution decision. Corporate income tax is also payable on deemed profit distribution, such as non-operating expenses, doubtful receivables, increased interest payments, loans to related parties, transfer pricing differences.

Related parties

Related parties are the subsidiaries 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.

Related parties are Parent entity and Group`s subsidiaries. Sakret Holdings JSC, Ŗitvari", Rumbula, Stopinu region, LV 2121 is Parent entity of the Group responsible for the consolidation.

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.

Use of estimates

The legislation of the Republic of Latvia requires that in preparing the financial statements the management of the Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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:

- The Group evaluates trade receivables and assesses their recoverability, making allowances for doubtful and bad trade receivables, if necessary. The Group's management has evaluated trade receivables and considers that it is not necessary to make any additional allowances as of 31 December 2018, see Note 6.

- The Group's management evaluates the carrying value of inventories and assesses whether the net realizable value exceeds the cost price. Allowances are made in order to write off the value of inventories to their net realizable value, if necessary. The Group's management has evaluated the net realizable value of inventories and considers that it is not necessary to make any adjustments with regards to the carrying value of inventories as of 31 December 2018.

- The Group evaluates issued loans and their recoverability. The Company's management has evaluated the recoverability of the issued loans and considers that it is not necessary to make an allowance as of 31 December 2018.

- The Group management reviews the carrying values of property, plant and equipment and assesses whenever indications exist that the assets' recoverable value is lower than their carrying amounts. The Group's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use. Taking into consideration the Group's planned cash flows from fixed assets from use and/or estimated market value of the assets, the Group's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2018.

- Useful lives of property, plant and equipment 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. The Group's management considers that no adjustments to the useful life of property, plant and equipment should be made as of 31 December 2018.

- The Group assesses its ability to continue as a going concern. See Note 21.

3. INTANGIBLE ASSETS

	Licenses	Product development	Intangible assets under construction	Total
	EUR	EUR	EUR	EUR
HISTORICAL COST				
As of 31 December 2017	**364 723**	**79 715**	**166 925**	**611 363**
Additions	22 980	-	57 925	80 905
Disposals	-	-	(11 934)	(11 934)
Reclassified from/to another position	-	38 312	(38 312)	-
As of 31 December 2018	**387 703**	**118 027**	**174 604**	**680 334**
ACCUMULATED AMORTIZATION				
As of 31 December 2017	**195 681**	**3 810**	**-**	**199 491**
Charge	25 444	9 163	-	34 607
Disposals	-	-	-	(933)
As of 31 December 2018	**221 126**	**12 973**	**-**	**234 098**
NET CARRYING AMOUNT				
As of 31 December 2017	**169 042**	**75 905**	**166 925**	**411 872**
As of 31 December 2018	**166 578**	**105 054**	**174 604**	**446 236**

4. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Equipment and machinery	Other fixed assets	Prepayments	Total
	EUR	EUR	EUR	EUR	EUR
HISTORICAL COST					
As of 31 December 2017	**13 645 852**	**8 854 509**	**1 343 874**	**6 529**	**23 850 764**
Additions	-	15 033	52 940	-	67 973
Disposals	-	(29 190)	(58 664)	-	(87 854)
Reclassified	-	6 529	-	(6 529)	-
As of 31 December 2018	**13 645 852**	**8 846 881**	**1 338 150**	**-**	**23 830 883**
ACCUMULATED DEPRECIATION					
As of 31 December 2017	**4 865 060**	**6 317 293**	**1 244 292**	**-**	**12 426 645**
Charge	389 081	432 402	42 717	-	864 200
Disposals	-	(29 190)	(58 664)	-	(87 854)
As of 31 December 2018	**5 254 141**	**6 720505**	**1 228 345**	**-**	**13 202 991**
NET CARRYING AMOUNT					
As of 31 December 2017	**8 780 792**	**2 537 216**	**99 582**	**6 529**	**11 424 119**
As of 31 December 2018	**8 391 711**	**2 126 376**	**109 805**	**-**	**10 627 892**

Information on the Group's pledged assets is stated in Note 8 and 22.

5. SHORT-TERM LOAN TO SHAREHOLDER

	Agreement No. and currency	Effective interest rate (%)	Maturity	31.12.2018. EUR	31.12.2017. EUR
„Māris un Partneri" SIA (unsecured)	No.1, EUR	3.5%	31.12.2019.	35 572	35 572
			Total short-term loan	**35 572**	**35 572**

6. TRADE RECEIVABLES

	31.12.2018. EUR	31.12.2017. EUR
Receivables for goods and services	2 886 274	3 122 421
Allowance for doubtful receivables	(168 735)	(606 428)
Total	**2 717 539**	**2 515 993**

Change in allowance for doubtful receivables:

	2018 EUR	2017 EUR
At the beginning of the reporting year	**606 428**	**595 669**
Write-offs during the year	(460 401)	-
Allowances made during the year	22 708	10 759
At the end of the reporting year	**168 735**	**606 428**

The Group has evaluated the recoverability of doubtful debts and written off those debts that according to the Company Management's consideration are irrecoverable.

7. SHARE CAPITAL

As of 31 December 2018 and 2017, the registered and fully paid share capital consists of 35 000 shares with a nominal value of EUR 1 per share. Share capital of the Company amounts to EUR 35 000. As a result of denomination in 2014, the share capital decrease of EUR 572 is reflected in the Company's share capital under "Denomination reserve" item. See Note 23.
During the refinancing, AS Sakret Holding increased its share capital by EUR 1 015 000 to EUR 1 050 000 by a cash contribution from the shareholder.

8. LOANS FROM CREDIT INSTITUTIONS

Long-term:	*Agreement No. and currency*	*Effective interest rate (%)*	*Maturity*	**The remaining principal amount as of 31.12.2018. EUR**	**The remaining principal amount as of 31.12.2017. EUR**
AS „Luminor Bank"(loan)	No. 34/13K23, EUR	3 month Euribor + 3%	30.09.2019.	-	16 641 137
	Total long-term loans from credit institutions			**-**	**16 641 137**

Short-term:	*Agreement No. and currency*	*Effective interest rate (%)*	*Maturity*	**The remaining principal amount as of 31.12.2018. EUR**	**The remaining principal amount as of 31.12.2017. EUR**
AS „Luminor Bank"(loan)	No 34/13K23, EUR	3 month Euribor + 3%(6%)	30.09.2019	17 641 137	1 700 000
	Total short-term loans from credit institutions			**17 641 137**	**1 700 000**

Information on collateral and guarantees is described in Note 22.

As of 31 December 2018 the Group had significant liabilities to credit institution AS Luminor Bank in the amount of EUR 17 641 137 with the final repayment term on 30 September 2019. Under the conditions of the existing credit agreement, the Group together with AS Luminor Bank has taken coordinated action to raise new funding. The maturity of the repayment was extended to allow the Company and its subsidiaries to ensure refinancing of the credit liabilities for the mutually agreed discounted amount of 9 000 000 EUR and transfer it to AS Luminor Bank. After this transaction the Group's liabilities to AS Luminor Bank will be fully settled.

As of the date of approval of these financial statements, the Group companies have concluded agreements with AS BlueOrange Bank for refinancing loan liabilities with AS Luminor Bank. There are following loan agreements: Loan for the amount of EUR 4 000 000 with maturity 22 August 2023, an overdraft agreement for the amount of EUR 2 000 000, with maturity 22 August 2020. There was a 5 years Bonds issue for 3,79 milj EUR with maturity 30.08.2024.Received cash of 3 million EUR will be transferred to AS Luminor Bank. The agreement with AS Luminor Bank foresees that upon receipt of the 9 million EUR, all credit liabilities will be settled.

9. FINANCE LEASE

	Maturity	*Agreement currency*	*Effective interest rate (%)*	**Long-term part**	**Short-term part**	**Residual value of leased asset**
SIA "ALBAU"	31.07.2018	EUR	15%			
Total	**31.12.2018.**			-	-	-
Total	**31.12.2017.**			-	**37 545**	**37 545**

10. OTHER BORROWINGS

Long-term:	*Agreement No.*	*Effective interest rate (%)*	*Maturity*	**31.12.2018. EUR**	**31.12.2017. EUR**
Other borrowings*	200901/200902/ 200903/200904	5%	31.12.2023.	167 093	167 093
			Total	**167 093**	**167 093**

Short-term:	*Agreement No.*	*Effective interest rate (%)*	*Maturity*	**31.12.2018. EUR**	**31.12.2017. EUR**
WERELEND VARA OU	Annex No. 3 2.1-14-8/20	10%	31.12.2019.	150 000	150 000
Bikuvos prekyba UAB	24.04.2017. agreement	7%	31.12.2019.	300 000	300 000
SIA „Luminor Līzings Latvija"	Factoring agreement No. 0000157/158/159/001	3 Month Euribor + 3%	31.01.2019.	934 137	720 582
			Total	**1 384 137**	**1 170 582**

The maturity of the borrowings is subordinated to the maturity of the loan of AS Luminor Bank, the borrowing rate is 5%, unsecured. The loan maturity prolongation to 31 December 2023 has been agreed.

11. OTHER PAYABLES

	31.12.2018. EUR	31.12.2017. EUR
Employees' salaries	107 421	113 262
Accrued interest on loans	19 951	19 657
Other	2 781	6 214
Total	**130 153**	**139 133**

12. ACCRUED LIABILITIES

	31.12.2018. EUR	31.12.2017. EUR
Clients' annual discounts	719 859	754 033
Accrual for unused vacations	197 110	183 153
Expenses for which invoices have been received in the next financial year	75 387	70 049
Other	2 130	2 130
Total	**994 486**	**1 009 365**

13. REVENUE

	2018 EUR	2017 EUR
Revenue from sale of goods and services rendered	21 265 701	19 298 618
Total	**21 265 701**	**19 298 618**

14. COST OF GOODS SOLD

	2018 EUR	2017 EUR
Purchase cost of raw materials	(12 492 428)	(11 413 033)
Remuneration for work	(1 066 665)	(962 766)
Depreciation	(795 815)	(931 442)
Energy resources expenses	(495 641)	(492 075)
Mandatory state social security contributions and entrepreneurial Risk duty	(292 299)	(265 378)
Repair and spare parts expenses	(298 396)	(241 480)
Franchise expenses	(160 301)	(149 938)
Rent of real estate and fixed assets	(57 953)	(52 774)
Other expenses	(212 926)	(140 437)
Total	**(15 872 424)**	**(14 649 323)**

15. SELLING EXPENSES

	2018 EUR	2017 EUR
Goods delivery expenses	(1 102 853)	(975 635)
Remuneration for work	(599 933)	(630 496)
Advertising and marketing expenses	(466 956)	(412 904)
Sales employees transport expenses	(184 583)	(202 716)
Mandatory state social security contributions and entrepreneurial Risk duty	(174 128)	(178 989)
Depreciation	(39 844)	(32 745)
Other expenses	(231 696)	(331 463)
Total	**(2 799 993)**	**(2 764 948)**

16. ADMINISTRATIVE EXPENSES

	2018 EUR	2017 EUR
Remuneration for work	(540 565)	(390 383)
Business consulting services	(286 545)	(112 555)
Mandatory state social security contributions and entrepreneurial Risk duty	(148 862)	(107 409)
Depreciation and amortization	(66 767)	(63 568)
Legal services	(39 733)	(46 644)
Communication expenses	(16 388)	(17 565)
Other expenses	(371 261)	(310 670)
Total	**(1 470 121)**	**(1 048 794)**

17. OTHER OPERATING INCOME

	2018 EUR	2017 EUR
Profit from sale of fixed assets	16 521	10 925
Received financial support	7 664	-
Other income	23 931	10 842
Total	**48 116**	**21 767**

18. AVERAGE NUMBER OF EMPLOYEES DURING THE REPORTING YEAR

	2018	2017
The Group's average number of employees in the reporting year	132	131

19. TRANSACTION WITH RELATED PARTIES

(a) Goods sold and services rendered

	2018 EUR	2017 EUR
SAKRET NORDEN OY	318 794	368 577
ALBAU NORDEN OU	70 960	-
ALBAU SIA	21 604	21 937
ALBAU UAB	13 960	-
LM 21 SIA	2 220	7 720
MĀRIS UN PARTNERI SIA	695	695
Total	**428 233**	**398 929**

(b) Goods, purchase of real estate and services received

	2018 EUR	2017 EUR
ALBAU SIA	1 108 204	1 328 454
ALBAU UAB	356 306	28 508
LM 21 SIA	311 648	338 852
ALBAU NORDEN OU	47 062	-
Total	**1 823 220**	**1 695 814**

(c) Receivables arising from transactions with related parties

	31.12.2018. EUR	31.12.2017. EUR
ALBAU UAB	50 521	19 629
SAKRET NORDEN OY	39 433	63 053
ALBAU SIA	26 140	-
MĀRIS UN PARTNERI SIA	5 396	6 623
LM 21 SIA	-	2 686
Total	**121 490**	**91 991**

(d) Payables to related parties

Non-current portion:	31.12.2018. EUR	31.12.2017. EUR
MĀRIS ĶELPIS	634 642	700 042
PĒTERIS STUDENTS	9 490	57 490
Total	**644 132**	**757 532**

Current portion:	31.12.2018. EUR	31.12.2017. EUR
LM 21 SIA	261 335	201 721
ALBAU UAB	68 650	-
ALBAU SIA	39 922	159 814
ALBAU NORDEN OU	15 417	-
MĀRIS ĶELPIS	60 000	60 000
PĒTERIS STUDENTS	24 000	-
Total	**469 324**	**421 535**

20. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise loans from credit institutions, factoring, financial leasing, and cash. Aim of these financial instruments is to ensure financing for the Group's business operations. In addition, the Group uses other financial instruments such as - a loan to shareholder, trade receivables and other receivables, trade payables and other payables, which arise directly from business activities.

Foreign currency risk

The Group mainly conducts transactions in euros. Since the Latvian, Lithuanian and Estonian national currency is Euro, this is not considered as significant risk.

Interest rate risk

The Group is exposed to interest rate risk mainly arising from bank loans.

Credit risk

The Group controls the credit risk by constantly evaluating the credit repayment history of its customers and establishing credit agreement conditions for each client individually. In addition, the Group monitors overdue trade receivable balances on regular basis in order to minimize the possibility of bad debts.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its obligations in full as they fall due. The aim of the Group's liquidity risk management is to maintain sufficient amount of cash and its equivalents, and to ensure the availability of funding through sufficient amount of committed bank credit line facilities (see Note 8) to settle its obligations at a given date. In May 2018, the total factoring limit for Sakret Group companies was increased from EUR 1 000 000 to EUR 1 700 000.

The Group constantly assesses the matching of repayment terms of its financial assets and liabilities and the stability of long-term investment sources. An operating cash flow forecast is prepared to manage the liquidity risk on a monthly basis after the actual results of the previous month are available. The Group's management considers that the Group will have sufficient cash resources so its liquidity will not be compromised.

See Note 21 on financing structure.

21. GOING CONCERN

As of 31 December 2018 the Group had significant liabilities to credit institution AS Luminor Bank in the amount of EUR 17 641 137 with the final repayment term on 30 September 2019. Under the conditions of the existing credit agreement, the Group together with AS Luminor Bank has taken coordinated action to raise new funding.

As of the date of approval these financial statements, credit and credit line is prolonged till 30 September 2019. The maturity of the repayment was extended to allow the Company and its subsidiaries to ensure refinancing of the credit liabilities for the mutually agreed discounted amount of 9 000 000 EUR and transfer it to AS Luminor Bank. After this transaction the Group's liabilities to AS Luminor Bank will be fully settled.

As of the date of approval of these financial statements, the Group companies have concluded agreements with AS BlueOrange Bank for refinancing loan liabilities with AS Luminor Bank. There are following loan agreements: Loan for the amount of EUR 4 000 000 with maturity 22 August 2023, an overdraft agreement for the amount of EUR 2 000 000, with maturity 22 August 2020. On 30 August 2019 there has been a 5-year bond issue of EUR 3 790 000 with a maturity date of 30 August 2024. The cash received for issued bonds for the amount of EUR 3 000 000 will be transferred for settlement of the of the credit liabilities against the AS Luminor Bank.

The liabilities (with limit up to 1 700 000 EUR) related to unsettled customer invoices in accordance with factoring agreement with AS Luminor Bank, will be settled in accordance with agreed payment terms with customers. After factoring transactions full settlement, for further needs credit line from AS BlueOrange Bank with a total limit of EUR 1 700 000, with repayment deadline of 22 February 2021, will be used.

As of the date of issuing these financial statements, the liability settlement process with AS Luminor Bank and refinancing by AS BlueOrange Bank is in progress and is being performed in accordance with the signed agreements. It is planned that the process with be finalized till the end of October 2019.

On 2nd September AS Sakret Holdings shareholders increased the share capital by EUR 1 015 000 by cash contribution and as of the date of approval these financial statements registered and paid share capital amounts EUR 1 050 000.

Group's performance in the reporting year was profit of EUR 367 355, the Group's equity as of 31 December 2018 was negative in amount of EUR 7 977 858 and its current liabilities exceeded current assets by EUR 18 274 874. It is mainly related to the classification of all credit liabilities to AS Luminor Bank as short-term. After finalization of the refinancing process with AS BlueOrange Bank, the Group's equity will become positive.

The Group's ability to continue as going concern depends on its ability to cover obligations to the credit institution, to fulfill certain financial ratios determined by the credit institutions, as well as by the management's ability to ensure profitable operation of the Group and availability of financing provided by credit institutions in the long-term. These conditions reflect the uncertainty regarding to the Group's ability to continue as going concern its operations. These financial statements are prepared based on a going concern assumption and do not include any adjustments that might be necessary if the going concern assumption is not applicable.

22. GUARANTEES ISSUED

All of the Group's shares and property as of 31.12.2018 were pledged in favor to AS Luminor Bank (hereinafter - the "Bank") as collateral for credit. The loan agreement concluded between Sakret Group companies and the Bank states that if any of the borrowers will not be able to make any repayments of the loan, loan interest or penalty or will not ensure other agreement conditions, then all of the rest of the borrowers immediately have to cover all the Bank's claims in full. The Company's management confirms that at the moment of signing these financial statements, all of the borrowers indicated in the loan agreement have completed in full all the conditions set by the Bank and it is not necessary to create additional provisions as of 31 December 2018 for contingent liabilities that might arise from the default of loan agreement conditions.

23. REORGANIZATION RESERVE

On 1 November 2013 the parent Company acquired 100% of SIA "SAKRET", OU "SAKRET", UAB "SAKRET LT" and 90% of SIA "SAKRET PLUS" shares. Share purchase transactions were made among the related parties. As a result of the acquisition Group's reorganization reserve of EUR 8 491 750 was formed.

Negative reorganization reserve and minority shareholder's share at acquisition date was determined as follows:

	EUR
Acquisition value	470
Net assets at acquisition date (negative equity)	8 382 092
Minority share at acquisition date	109 188
Total negative reorganization reserve:	**8 491 750**

The Company is the sole shareholder of related companies SIA SAKRET (registered in the Republic of Latvia), OU Sakret (registered in the Republic of Estonia) and UAB Sakret LT (registered in the Republic of Lithuania) and the controlling shareholder with a 90% of shares of SIA Sakret Plus (registered in Republic of Latvia) - altogether referred to as "Sakret Group".

24. SUBSEQUENT EVENTS

On 23 August 2019 the Group companies have concluded loan agreements with AS BlueOrange Bank for refinancing loan liabilities with AS Luminor Bank. There are following loan agreements: Loan for the amount of EUR 4 000 000 with maturity 22 August 2023 and an overdraft agreement for the amount of EUR 2 000 000, with maturity 22 August 2020.
On 30 August 2019 there has been a 5-year bond issue of EUR 3 790 000 with a maturity date of 30 August 2024. The cash received for issued bonds for the amount of EUR 3 000 000 will be transferred for settlement of the of the credit liabilities against the AS Luminor Bank.

On 2nd September AS Sakret Holdings shareholders increased the share capital by EUR 1 015 000 by cash contribution and as of the date of approval these financial statements registered and paid share capital amounts EUR 1 050 000.

From the last day of the reporting period until the date of signing these financial statements there have been no other events which would have any material impact of the financial result or which should be disclosed in the notes to the financial statements.

The financial statements were signed on 30 September 2019 on the Company's behalf by:

Māris Ķelpis Chairman of the Board	Andis Ziedonis Member of the Board, responsible for report preparation	Juris Grīnvalds Member of the Board	Oksana Birkāne Chief Accountant, person in charge of the preparation of the annual report

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Independent Auditors' Report

To the shareholders of "Sakret Holdings" AS

Our Opinion on the Consolidated Financial Statements

We have audited consolidated financial statements of "Sakret Holdings" AS and its subsidiaries (further - "the Group") set out on pages 6 to 24 of the accompanying annual report, which comprise:

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

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Key audit matter	**How the matter was addressed in the audit**
1) Going concern	
As disclosed in Note 21 to the financial statements the Group has negative equity in the amount of 7 977 858 EUR as of 31 December 2018, and, as of that date, the Group's current liabilities exceeded its current assets by 18 274 874 EUR primary due to outstanding short term loan liabilities payable to AS Luminor bank in the amount of 17 641 137 EUR repayable on 30 September 2019. As of the date of issuing these financial statements, the Group is finalizing agreed loan restructuring process. There is refinancing arranged with other credit institution and credit liability settlement process is ongoing with AS Luminor Bank. As a result loan liabilities to AS Luminor Bank will be settled for the agreed amount of 9 mil EUR and new long term financing will become available. As of the date of issuance of these financial statements, the above mentioned amount is transferred to the	We considered the facts about the events and conditions existing that casted doubt on the Group's ability to continue as a going concern. We obtained and evaluated management's plans to ensure the availability of the necessary financial resources. We reviewed legal documentation related to refinancing arrangement and loan liability settlement with AS Luminor Bank, including analysis of closing conditions noted in the agreements. We analyzed forecasted cash flow information prepared by the management related to the Group's ability to generate sufficient future cash flows.

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Key audit matter	How the matter was addressed in the audit
escrow account and payment to AS Luminor bank will be executed after completion of collateral registration process on behalf of new financing institution. It is planned that the process will be finalized no later than till the end of October 2019. The conditions as of 31 December 2018 indicated that a material uncertainty existed related to the Group's ability to continue as a going concern. Therefore, the management assessment related to going concern which includes restructuring of the loan liabilities, improvement of equity and liquidity position of the Group, ability to meet loan obligations was considered to be a key audit matter due to significant management judgment involved in the respect of future financial performance of the Group and disclosure of going concern matter in the financial statements.	We assessed the completeness and accuracy of the disclosures related to going concern.
2) Judgments and estimates with respect to valuation of non-current assets	
As disclosed in Notes 3 and 4 as of 31 December 2018 the Group has property, plant, equipment assets with carrying value of 10 627 892 EUR and intangible assets with carrying value of 446 236 EUR which represents 66% of total assets. These balances include the assets of Lithuanian subsidiary Sakret UAB in the carrying amount of 5.3 mil EUR. The subsidiary in Lithuania has incurred net operating losses during current and previous periods and generated positive operating cash flows during last two years. The Group performs an annual impairment test of non-current assets in order to identify impairment losses, arising when the recoverable amount of cash generating unit is lower than the carrying amount recorded. Management concluded that the assets recoverable amount was higher than their carrying values such that no material impairment allowance was required. The future operating and capital expenditure cash flow projections and discount rates applied in the valuation model involve significant management judgement. The recoverable value significantly depends on the assumptions used with respect to sales growth, intragroup transactions business model, ability to use Lithuanian production capacity for Latvian market, production plant capital expenditure levels and profitability targets as well as the Group management's ability to realize those assumptions and overall development of the Baltics 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 balance sheet as of 31 December 2018. Accordingly, the impairment test of non-current assets is considered to be a key audit matter.	Our audit procedures were focused on the assessment of key assumptions used by the management in calculations, including the cash flow projections and discount rates. We involved internal valuation specialists to assess 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. We performed more detailed procedures on non-current assets of Sakret UAB as the estimated recoverable amount of these assets is close to carrying value. Furthermore, we evaluated management's budgeting process by comparing actual results to previously forecasted results. We assessed the completeness and accuracy of the disclosures relating to non-current assets in order to assess compliance with disclosure requirements included in Latvian legislation.

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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 to 4 of the accompanying Annual Report,
- the Management Report, as set out on page 5 of the accompanying Annual Report,

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated 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* 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 entity and its 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

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 consolidated financial statements are prepared is consistent with the consolidated 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.

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 the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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.

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Riga, Latvia
30 September 2019

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