AS SAKRET HOLDINGS
(Company's registration number 40103251030)

2017 consolidated annual report,

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

(8th 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 Māris un Partneri (100%) Reg. No. 40103296793 „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 *(from 10 December 2013)* Elīna Salava, Deputy Chairman of the Council *(from 10 December 2013)* Mārtiņš Biezais, Member of the Council *(from 10 December 2013)*

CORPORATE INFORMATION

REPORTING YEAR	1 January – 31 December 2017
PREVIOUS REPORTING YEAR	1 January – 31 December 2016
INDEPENDENT AUDITORS' AND CERTIFIED AUDITOR'S NAME AND ADDRESS	SIA „Deloitte Audits Latvia" Licence No. 43 Gredu street 4a Riga, Latvia, LV-1019 Kitija Ķepīte Certified auditor Certificate No. 182

CONSOLIDATED MANAGEMENT REPORT

AS SAKRET HOLDINGS is the Group's controlling entity in following associated 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 19,30 million consists of the Group's subsidiaries turnovers. SIA Sakret unconsolidated turnover in 2017 is EUR 7,41 million (+6% compared to 2016), OU Sakret unconsolidated turnover is EUR 5,99 million (+6% compared to 2016), UAB Sakret LT unconsolidated turnover is EUR 7,51 million (+40 % compared to 2016), SIA Sakret Plus unconsolidated turnover is EUR 2,35 million (+6 % compared to 2016).

SAKRET Group's results can be considered as satisfactory, due to observed various trends in Baltic construction sector market in 2017. Although there was a moderate increase in construction volumes in Estonia and Lithuania, however in Latvia, even though the total construction volumes compared to 2016 have risen by 19.5%, there was a decrease by 11% in the residential construction segment, which is the Company's target market. Similar to the year 2016 there was almost no insulation of buildings in 2017 because the co-financing of European funds was not ensured.

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. Training seminars are organized on regular basis, where both in theory and in practice, we inform about the right ways of choosing and using the materials manufactured by our Company. In addition, the Company also works on discovering additional product segments in the building materials market in order to increase its competitiveness.

SAKRET Group is actively working on strengthening the product range with additional products. During the reporting period, SAKRET Group's investment in research and development was in amount of EUR 109,0 thousands.

Future prospects

In October 2013 the Company and its affiliated companies have concluded a long-term credit agreement with AS DNB Bank (now AS Luminor Bank). According to credit agreement conditions, the term of the credit principal repayment was set at December 31, 2017 with a possibility to extend it. At the beginning of 2018 the credit agreement term was extended and set at January 31, 2019. Based on current credit agreement terms, the entity and its related parties have to agree on further cooperation with AS Luminor bank, in line with Sakret Group's future development plans, until the above mentioned date.

Since the restructuring of the credit in 2013, the Company and its related companies have completed all of the liabilities against the bank until December 2017, when the repayment of the remaining amount of the credit was intended under the contract, therefore the Governing Board of the company considers that the agreement with the Bank will be achieved. The credit agreement provided that the repayment deadline, given that both parties would achieve an agreement, may be extended. In 2017, the Company commenced discussions with the bank on the extension of the maturity date of the credit. A corresponding agreement with the bank was achieved and as a result the credit agreement No 34/13K23 Amendments No 3 were signed on 28 February 2018, which provide for the final maturity of the credit on 31 January 2019. In the reporting period, the Company has not fulfilled certain conditions of the Credit Agreement relating to financial (profit) indicators.

The financial statements were signed on 28 May 2018 on the Company'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 2017

	Notes	31.12.2017. EUR	31.12.2016. EUR
ASSETS			
Non-current assets			
Intangible assets	3	411 872	317 129
Property, plant and equipment			
Land, buildings and constructions		8 780 792	9 229 525
Equipment and machinery		2 537 216	2 925 925
Other fixed assets		99 582	71 068
Prepayments for property, plant and equipment		6 529	4 296
Total property, plant, equipment and intangible assets	4	**11 424 119**	**12 230 814**
Non-current financial investments			
Other non-current receivables		13 918	13 926
Other investments		-	28
Total non-current financial investments		**13 918**	**13 954**
Total non-current assets		**11 849 909**	**12 561 897**
Current assets			
Inventories			
Raw materials, materials and consumables		1 367 758	1 565 903
Finished goods and goods for sale		896 466	942 702
Prepayments for goods and services		27 670	6 319
Total inventories		**2 291 894**	**2 514 924**
Receivables			
Trade receivables	6,19(c)	2 515 993	1 953 264
Other receivables		142 318	159 127
Deferred expenses		36 392	33 776
Short-term loan to shareholder	5	35 572	35 572
Total receivables		**2 730 275**	**2 181 739**
Cash and cash equivalents		**306 063**	**397 591**
Total current assets		**5 328 232**	**5 094 254**
TOTAL ASSETS		**17 178 141**	**17 656 151**

Notes on pages 11 to 23 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2017

	Notes	31.12.2017. EUR	31.12.2016. 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 year retained earnings		148 327	143 870
b) loss for the year		(239 138)	4 457
Equity attributable to parent Company's shareholders		**(8 522 090)**	**(8 282 952)**
Minority shareholder's participation share		176 877	158 371
Total equity		**(8 345 213)**	**(8 124 581)**
Liabilities			
Non-current liabilities			
Bank loans	8	16 641 137	17 341 139
Other borrowings	10	167 093	167 093
Payables to related parties	19(d)	757 532	767 932
Finance lease liabilities	9	-	-
Total non-current liabilities		**17 565 762**	**18 276 164**
Current liabilities			
Loans from credit institutions	8	1 700 000	2 799 999
Other borrowings	10	1 170 582	654 835
Finance lease liabilities	9	37 545	37 545
Advances from customers		118 865	222 099
Trade payables		3 005 926	1 957 165
Payables to related parties	19(d)	421 535	624 844
Taxes and mandatory state social security contributions		325 638	520 983
Other payables	11	139 133	98 845
Accrued liabilities	12	1 009 365	559 250
Unpaid dividends to minority shareholder		29 003	29 003
Total current liabilities		**7 957 592**	**7 504 568**
Total liabilities		**25 523 354**	**25 780 732**
TOTAL EQUITY AND LIABILITIES		**17 178 141**	**17 656 151**

Notes on pages 11 to 23 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR 2017

	Notes	2017 EUR	2016 EUR
Revenue	13	19 298 618	17 648 223
Cost of goods sold	14	(14 649 323)	(13 220 742)
Gross profit		**4 649 295**	**4 427 481**
Selling expenses	15	(2 764 948)	(2 544 522)
Administration expenses	16	(1 048 794)	(982 097)
Other operating income	17	21 767	139 523
Other operating expenses		(87 570)	(56 821)
Interest and similar income		1 552	1 284
Interest and similar expenses		(976 775)	(878 922)
(Loss)/Profit before taxes		**(205 473)**	**105 926**
Corporate income tax		(15 159)	(79 557)
(Loss)/Profit for the reporting year		**(220 632)**	**26 369**
(Loss)/Profit attributable to:			
Parent Company's shareholders		(239 138)	4 457
Minority shareholders		18 506	21 912
		(220 632)	**26 369**

Notes on pages 11 to 23 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2017

	Share capital	Denomination reserve	Reorganization reserve (Note 27)	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 2015	**35 000**	**572**	**(8 491 750)**	**24 899**	**138 256**	**(8 293 023)**	**136 459**	**(8 156 564)**
Profit for the year	-	-	-	-	4 457	**4 457**	21 912	**26 369**
Reclassification of deferred tax	-	-	-	-	5 614	**5 614**	-	**5 614**
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)**

Notes on pages 11 to 23 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR 2017

Cash flows from operating activities	Notes	2017 EUR	2016 EUR
(Loss)/Profit before taxes		(205 473)	105 926
Adjustments for:			
Depreciation and amortization	14,15,16	1 027 755	1 077 005
Interest income		(1 552)	(1 284)
Interest expenses		976 775	878 922
Net profit from disposal of fixed assets		(10 925)	(3 795)
Profit before adjustments for capital		**1 786 580**	**2 056 774**
Net changes in working capital		717 837	542 770
Cash flows from operating activities		**2 504 417**	**2 599 544**
Corporate income tax paid		(71 271)	(40 950)
Net cash flows from operating activities		**2 433 146**	**2 558 594**
Cash flows from investing activities			
Purchase of fixed and intangible assets		(309 013)	(309 092)
Interest received		-	-
Net cash flows from investing activities		**(309 013)**	**(309 092)**
Cash flows from financing activities			
Proceeds from sale of fixed assets		20 369	4 567
(Paid) loans, net		(1 284 254)	(1 392 722)
Interest paid		(951 776)	(903 512)
Payments for leased property, plant and equipment		-	(49 416)
Net cash flows from financing activities		**(2 215 661)**	**(2 341 083)**
Net (decrease) in cash and cash equivalents		(91 528)	(91 581)
Cash and cash equivalents at the beginning of the year		397 591	489 172
Cash and cash equivalents at the end of the year		**306 063**	**397 591**

Notes on pages 11 to 23 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The main business activity of the Company 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 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.

Financial statements of subsidiaries are consolidated in the Group's financial statements by combining particular assets, liabilities, revenue and expenses items. During the preparation of the Group's financial statements mutual balances and transactions among the Group's companies as well as unrealized gains and losses were excluded.

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.

	2017	**2016**
	EUR	EUR
EUR	1.0000	1.0000
SEK	9,8438	9,5505

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies into the EUR are recognized in the statement of profit and loss.

Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and accumulated impairment losses. Amortization of the assets is calculated using the straight-line method to allocate their cost over their estimated useful lives. Generally, intangible assets are amortized over a period of 5 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 comprise cash on hand and balances of current accounts with banks.

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

Provisions are recognized when 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 from the Group embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

<u>Rendering of services</u>
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 consists of the calculated and deferred corporate income tax for the accounting year. Corporate income tax for the accounting year is calculated by applying a tax rate of 15% to the taxable income for the financial period.

Related parties

Related companies are parent and subsidiary companies. AS SAKRET HOLDINGS, "Ritvari" Rumbula, Stopinu region, LV-2121 is the parent company, which is responsible for the preparation of consolidation.

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 2017, 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 2017.

- 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 2017.

- 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, the Group's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2017.

- 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 2017.

- 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 2016	**352 256**	**-**	**137 683**	**489 939**
Additions	13 400	-	108 957	122 357
Disposals	(933)	-	-	(933)
Reclassified from/to another position	-	79 715	(79 715)	-
As of 31 December 2017	**364 723**	**79 715**	**166 925**	**611 363**
ACCUMULATED AMORTIZATION				
As of 31 December 2016	**172 810**	**-**	**-**	**172 810**
Charge	23 804	3 810	-	27 614
Disposals	(933)	-	-	(933)
As of 31 December 2017	**195 681**	**3 810**	**-**	**199 491**
NET CARRYING AMOUNT				
As of 31 December 2016	**179 446**	**-**	**137 683**	**317 129**
As of 31 December 2017	**169 042**	**75 905**	**166 925**	**411 872**

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 2016	**13 645 852**	**8 799 128**	**1 287 549**	**4 296**	**23 736 825**
Additions	-	117 227	68 590	6 529	192 346
Disposals	-	(66 142)	(12 265)	-	(78 407)
Reclassified	-	4 296	-	(4 296)	-
As of 31 December 2017	**13 645 852**	**8 854 509**	**1 343 874**	**6 529**	**23 850 764**
ACCUMULATED DEPRECIATION					
As of 31 December 2016	**4 416 327**	**5 873 203**	**1 216 481**	**-**	**11 506 011**
Charge	448 733	504 998	37 993	-	991 724
Disposals	-	(60 908)	(10 182)	-	(71 090)
As of 31 December 2017	**4 865 060**	**6 317 293**	**1 244 292**	**-**	**12 426 645**
NET CARRYING AMOUNT					
As of 31 December 2016	**9 229 525**	**2 925 925**	**71 068**	**4 296**	**12 230 814**
As of 31 December 2017	**8 780 792**	**2 537 216**	**99 582**	**6 529**	**11 424 119**

Information on the Group's pledged assets is stated in Note 8. Information on residual values of assets purchased under finance leasing is stated in Note 9.

5. SHORT-TERM LOAN TO SHAREHOLDER

	Agreement No. and currency	Effective interest rate (%)	Maturity	31.12.2017. EUR	31.12.2016. EUR
„Māris un Partneri" SIA*	No.1, EUR	3.5%	31.12.2018.	35 572	35 572
			Total short-term loan	**35 572**	**35 572**

* The loan is unsecured.

6. TRADE RECEIVABLES

	31.12.2017. EUR	31.12.2016. EUR
Receivables for goods and services	3 122 421	2 548 933
Allowance for doubtful receivables	(606 428)	(595 669)
Total	**2 515 993**	**1 953 264**

Change in allowance for doubtful receivables:

	2017 EUR	2016 EUR
At the beginning of the reporting year	**595 669**	**594 712**
Allowances made during the year	10 759	957
At the end of the reporting year	**606 428**	**595 669**

* The Group has evaluated the recoverability of doubtful debts and reduced the provisions for those debts that according to the Company Management's consideration are irrecoverable.

7. SHARE CAPITAL

As of 31 December 2017 and 2015, 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.

8. LOANS FROM CREDIT INSTITUTIONS

Long-term:	*Agreement No. and currency*	*Effective interest rate (%)*	*Maturity*	**The remaining principal amount as of 31.12.2017. EUR**	**The remaining principal amount as of 31.12.2016. EUR**
AS „Luminor Bank"(loan)	No. 34/13K23, EUR	3 month Euribor + 3%	31.01.2019.	16 641 137	17 341 139
Total long-term loans from credit institutions				**16 641 137**	**17 341 139**

Short-term:	*Agreement No. and currency*	*Effective interest rate (%)*	*Maturity*	**The remaining principal amount as of 31.12.2017. EUR**	**The remaining principal amount as of 31.12.2016. EUR**
AS „Luminor Bank"(loan)	No 34/13K23, EUR	3 month Euribor + 3%	31.12.2018	1 700 000	2 799 999
Total short-term loans from credit institutions				**1 700 000**	**2 799 999**

Information on collateral and guarantees is described in Note 22.

In October 2013 the Company and its affiliated companies have concluded a long-term credit agreement with AS DNB Bank (now AS Luminor Bank). According to credit agreement conditions, outstanding long-term loan principal repayment term was set at December 31, 2017 with a possibility to extend it. At the beginning of 2018 the credit agreement term was extended and set at January 31, 2019. Based on current credit agreement terms, the entity and its related parties have to agree on further cooperation with AS Luminor bank, in line with Sakret Group's future development plans, until the above mentioned date.

Since the restructuring of the credit in 2013, the Company and its related companies have completed all of the liabilities against the bank until December 2017, when the repayment of the remaining amount of credit was intended under the contract, therefore the Governing Board of the company considers that the agreement with the Bank will be concluded. The credit agreement provided that the repayment deadline, given that both parties would achieve an agreement, may be extended. In 2017, the Company commenced discussions with the bank on the extension of the maturity date of the credit. A corresponding agreement with the bank was achieved, and as a result the credit agreement No 34/13K23 Amendments No 3 were signed on 28 February 2018, which provide for the final maturity of the credit on 31 January 2019. In the reporting period, the Company has not fulfilled certain conditions of the Credit Agreement relating to financial (profit) indicators.

According to signed agreements, the Group is obligated to achieve certain financial ratios during the contract period. According to management's assessment as of 31 December, 2017 the Company has not fulfilled certain conditions of the Credit Agreement relating to financial (profit) indicators.

9. FINANCE LEASE

	Maturity	*Agreement currency*	*Effective interest rate (%)*	**Long-term part**	**Short-term part**	**Residual value of leased asset**
SIA "ALBAU"	31.07.2017	EUR	15%	-	37 545	37 545
Total	**31.12.2017.**			-	**37 545**	**37 545**
Total	**31.12.2016.**			-	**37 545**	**37 545**

10. OTHER BORROWINGS

Long-term:	*Agreement No.*	*Effective interest rate (%)*	*Maturity*	31.12.2017. EUR	31.12.2016. EUR
Other borrowings	200901/200902/ 200903/200904	5%	31.12.2018.	167 093	167 093
			Kopā	**167 093**	**167 093**

Short-term:	*Agreement No.*	*Effective interest rate (%)*	*Maturity*	31.12.2017. EUR	31.12.2016. EUR
WERELEND VARA OU	Annex No. 3 2.1-14-8/20	10%	31.12.2018.	150 000	150 000
Bikuvos prekyba UAB	24.04.2017. agreement	7%	31.07.2018	300 000	-
SIA „Luminor Līzings Latvija"	Factoring agreement No. 0000157/158/159/001	3 Month Euribor + 3%	31.01.2019.	720 582	504 835
			Kopā	**1 170 582**	**654 835**

11. OTHER PAYABLES

	31.12.2017. EUR	31.12.2016. EUR
Employees' salaries	113 262	78 635
Accrued interest on loans	19 657	17 268
Other	6 214	2942
Total	**139 133**	**98 845**

12. ACCRUED LIABILITIES

	31.12.2017. EUR	31.12.2016. EUR
Clients' annual discounts	754 033	346 961
Accrual for unused vacations	183 153	167 737
Expenses for which invoices have been received in the next financial year	70 049	39 391
Other	2 130	5 161
Total	**1 009 365**	**559 250**

13. REVENUE

	2017 EUR	2016 EUR
Revenue from sale of goods and services rendered	19 298 618	17 648 223
Total	**19 298 618**	**17 648 223**

14. COST OF GOODS SOLD

	2017 EUR	2016 EUR
Purchase cost of raw materials	(11 413 033)	(10 229 874)
Remuneration for work	(962 766)	(854 928)
Depreciation	(931 442)	(986 193)
Energy resources expenses	(492 075)	(428 039)
Mandatory state social security contributions and entrepreneurial risk duty	(265 378)	(230 329)
Repair and spare parts expenses	(241 480)	(220 748)
Franchise expenses	(149 938)	(132 946)
Rent of real estate and fixed assets	(52 774)	(33 545)
Other expenses	(140 437)	(104 140)
Total	**(14 649 323)**	**(13 220 742)**

15. SELLING EXPENSES

	2017 EUR	2016 EUR
Goods delivery expenses	(975 635)	(848 190)
Remuneration for work	(630 496)	(601 684)
Advertising and marketing expenses	(412 904)	(355 278)
Sales employees transport expenses	(202 716)	(180 165)
Mandatory state social security contributions and entrepreneurial risk duty	(178 989)	(173 960)
Depreciation	(32 745)	(29 835)
Other expenses	(331 463)	(355 410)
Total	**(2 764 948)**	**(2 544 522)**

16. ADMINISTRATION EXPENSES

	2017 EUR	2016 EUR
Remuneration for work	(390 383)	(363 383)
Business consulting services	(112 555)	(114 783)
Mandatory state social security contributions and entrepreneurial risk duty	(107 409)	(97 021)
Depreciation and amortization	(63 568)	(60 977)
Legal services	(46 644)	(29 921)
Communication expenses	(17 565)	(19 412)
Other expenses	(310 670)	(296 600)
Total	**(1 048 794)**	**(982 097)**

17. OTHER OPERATING INCOME

	2017 EUR	2016 EUR
Profit from sale of fixed assets	10 925	3 795
Received financial support	-	123 685
Other income	10 842	12 043
Total	**21 767**	**139 523**

18. AVERAGE NUMBER OF EMPLOYEES DURING THE REPORTING YEAR

	2017	2016
The Group's average number of employees in the reporting year	131	128

19. TRANSACTION WITH RELATED PARTIES

(a) Goods sold and services rendered

	2017 EUR	2016 EUR
SAKRET NORDEN OY	368 577	512 224
ALBAU SIA	21 937	9 493
LM 21 SIA	7 720	2 220
MĀRIS UN PARTNERI SIA	695	695
Total	**398 929**	**524 632**

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

	2017 EUR	2016 EUR
ALBAU SIA	1 328 454	1 587 652
LM 21 SIA	338 852	348 281
ALBAU UAB	28 508	-
Total	**1 695 814**	**1 935 933**

(c) Receivables arising from transactions with related parties

	31.12.2017. EUR	31.12.2016. EUR
SAKRET NORDEN OY	63 053	59 018
ALBAU UAB	19 629	-
MĀRIS UN PARTNERI SIA	6 623	5 782
LM 21 SIA	2 686	-
ALBAU SIA	-	3 167
Total	**91 991**	**67 967**

(d) Payables to related parties

Non-current portion	31.12.2017. EUR	31.12.2016. EUR
MĀRIS ĶELPIS	700 042	709 242
PĒTERIS STUDENTS	57 490	58 690
Total	**757 532**	**767 932**

Current portion	31.12.2017. EUR	31.12.2016. EUR
LM 21 SIA	201 721	128 443
ALBAU SIA	159 814	346 401
MĀRIS ĶELPIS	60 000	126 000
PĒTERIS STUDENTS	-	24 000
Total	**421 535**	**624 844**

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 1,000,00 thousand to EUR 1 700,00 thousand. 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 that the Group will have sufficient cash resources so its liquidity will not be compromised.

21. GOING CONCERN

The Group has finished year 2017 with a loss of EUR 220 632. The Group's equity as of 31 December 2017 was negative in amount of EUR 8 345 213 and its current liabilities exceeded current assets by EUR 2 629 360. As of 31 December 2017 the Group had significant liabilities to credit institutions in amount of EUR 18 341 137 with the final repayment term on 31 January 2019. Under the conditions of the existing credit agreement, the company and its related companies, together with AS Luminor Bank, must agree on further cooperation, based on the development plans of the Sakret Group, until 31 January 2019. At the same time, the terms of the credit agreement provide for a less intensive repayment of the long-term credit principal and an increase in the factoring limit in 2018, which improves the liquidity of the Company and Sakret Group.

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), UAB Sakret LT (registered in the Republic of Lithuania) and controlling shareholder with a 90% of shares of SIA Sakret Plus (registered in the Republic of Latvia) - hereinafter referred to as "Sakret Group".

Since the restructuring of the credit in 2013, the Company and its related companies have completed all of the liabilities against the bank until December 2017, when the repayment of the remaining amount of credit was intended under the contract, therefore the Governing Board of the company considers that the agreement with the Bank will be concluded. The credit agreement provided that the repayment deadline, given that both parties would achieve an agreement, may be extended. In 2017, the Company commenced discussions with the bank on the extension of the maturity date of the credit. A corresponding agreement with the bank was achieved, as a result credit agreement No 34/13K23 Amendments No 3 were signed on 28 February 2018, which provide for the final maturity of the credit on 31 January 2019. In the reporting period, the Company has not fulfilled certain conditions of the Credit Agreement relating to financial (profit) indicators.

The Group's ability to continue as going concern depends on its ability to cover obligations to the credit institution in a timely manner, to fulfill certain financial ratios determined by the credit institutions, as well as by the management's ability to ensure availability of financing provided by credit institutions in the long-term.

Previously stated conditions reflect the uncertainty regarding to the Group's ability to continue 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 is 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 2017 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) - alltogether referred to as "Sakret Group".

24. SUBSEQUENT EVENTS

On 28 February 2018, the maturity of the credit agreement and the factoring agreement with AS Luminor Bank was extended until 31 January 2019. In May 2018, the total factoring limit for Sakret Group companies was increased from EUR 1 000,00 thousand to EUR 1 700,00 thousand.

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 28 May 2018 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

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INDEPENDENT AUDITORS` REPORT

Translation from Latvian

To the shareholder of AS SAKRET HOLDINGS

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS SAKRET HOLDINGS ("the Company") and its subsidiaries ("the Group") set out on pages 6 to 23 of the accompanying annual report, which comprise of: the consolidated balance sheet as at 31 December 2017, the consolidated profit and loss statement 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 consolidated financial position of the AS SAKRET HOLDINGS as at 31 December 2017, and of its consolidated financial performance and its consolidated 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 *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' 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 21 of the financial statements, in which described that the Group has closed year with loss in amount of EUR 220 632, on 31 December 2017, the group's equity was negative EUR 8 345 213 and its short-term liabilities exceeded its current assets by EUR 2 629 360. Therefore, Group's ability to going concern depends on ability to settle timely its liabilities to credit institution and fulfil covenants, to ensure financing from credit institution in long term, based on current loan agreement terms and conditions. These circumstances indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared under the assumption of going concern, and do not contain any adjustments, that might be necessary if the going concern assumption was not applicable. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Reporting on Other Information

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

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INDEPENDENT AUDITORS` REPORT (CONTINUED)

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.

- 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 adequate audit evidence of the financial information of the Group companies with a aim to delivere an opinion on the consolidated financial statement. We are responsible for Group's audit management, monitoring and performance. We remain fully responsible for our auditor's 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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Roberts Stuģis
Board member

Kitija Ķepīte
Certified auditor
Certificate No 182

Riga, Latvia
28 May 2018